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20 June 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY



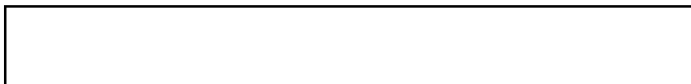
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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

USSR MOVES TOWARD SHOWDOWN ON NUCLEAR TESTS IN LONDON
TALKS Page 1

The USSR's proposal for a two- or three-year suspension of nuclear tests combined with international inspection, formally placed before the UN Disarmament Subcommittee by Soviet delegate Zorin on 14 June, probably was envisaged by the Soviet leaders as their climactic move in this session of the subcommittee. Britain evidently believes that the Soviet acceptance of inspection on a nuclear test suspension considerably increases the possibilities of reaching a limited agreement. The British fear that nuclear disarmament would leave the USSR in an advantageous position because of its superior conventional forces. The French have shown caution in responding to the Soviet proposal, apparently desiring to retain freedom to manufacture nuclear weapons of their own in the event the disarmament talks take a turn deemed unfavorable to their interests. [redacted]

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THE OFFICIAL TEXT OF MAO'S "SECRET" SPEECH Page 3

The official text of Mao's "secret" speech of 12 February released this week was apparently edited with a view to minimizing differences in doctrinal viewpoints between the Chinese and other Communists. While the promise of liberalization still emerges as the main emphasis of the speech, the edited text shows an effort to define the boundaries of permissible debate. Peiping's decision to release an official text may have been prompted by the anti-Soviet overtones which appeared in the unofficial excerpts circulating in East Europe and the free world. The speech, which was reprinted in Pravda, will add appreciably to Peiping's growing importance as a source of Communist doctrine. [redacted]

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25X1

CONFIDENTIAL

~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

MIDDLE EAST DEVELOPMENTS Page 5

The emergence of an Arab bloc estranged from Egypt and Syria--composed initially of Saudi Arabia, Jordan, Iraq and possibly Lebanon--continues to dominate the Arab political scene. In Lebanon, the pro-Western government's election success threatens virtually to exclude the opposition from the legislature; the anti-government forces may then seek other means to fight the government. In Syria, the Egyptian-supported leftists are reported to be putting aside their differences and to be drawing together as anti-Nasr forces show signs of concentrating on Syria. Three Soviet submarines have arrived in Egypt. [redacted]

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PART II

NOTES AND COMMENTS

POLISH ATTITUDE TOWARD RESUMING CONTACT WITH UNITED STATES Page 1

Recent Polish comment on Polish-American relations has reflected official and unofficial enthusiasm for the resumption of contacts with the United States. On 7 June, the first half of a \$95,000,000 economic agreement was signed in Washington; on 9 June, the Poznan Fair opened at which the United States was represented for the first time; and on 12 June, the Cleveland Symphony Orchestra presented its first Warsaw concert. Press and public comment on all three occasions was notably favorable. [redacted]

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EAST GERMAN LOCAL ELECTIONS TO BE HELD ON 23 JUNE Page 1

East German local elections, the first since October 1950, will be held on Sunday 23 June. Few people are responding to the regime's efforts to whip up popular enthusiasm. The single election list of Communist-picked candidates gives the voter no opportunity to express a choice, and everyone realizes the election outcome is a foregone conclusion. The regime has taken full measures to prevent any disturbances during the election period and has put all military and paramilitary forces on an alert until 24 June. [redacted]

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SECRET

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

ITALIAN GOVERNMENT CRISIS Page 3

Amintore Fanfani, secretary general of the Christian Democratic Party, faces serious difficulties in his attempt to end Italy's seven-week-old cabinet crisis by reconstituting the center coalition which governed Italy from February 1954 until early this May. Even if fear of early elections induces the three small center parties to support his investiture, interparty bickering virtually rules out any effective program. [redacted]

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USSR SHOWS NEW INTEREST IN CULTURAL EXCHANGES WITH UNITED STATES Page 3

There are signs of growing Soviet interest in a cultural exchange program with the United States as an important part of Moscow's effort to restore the atmosphere of international detente existing prior to the events of last November. This might even extend to a regular exchange of radio and television broadcasts, although Soviet propaganda has been cool to this idea. Perhaps to reduce the susceptibility of the Soviet people to Western ideas in preparation for an expanded exchange program, Soviet leaders have undertaken a campaign to maintain a high level of vigilance. [redacted]

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SOVIET PARTY CRACKS DOWN ON REVISIONIST HISTORIANS Page 4

Most of the members of the editorial board of Problems of History, the official organ of the USSR's professional historians, have been dismissed. This is a severe setback for this comparatively liberal group, which has been engaged since the 20th party congress in revising Soviet history along the lines of de-Stalinization. The regime may adopt administrative discipline in preference to "persuasion" in other areas of Soviet intellectual life where there have been signs of dissidence and where some intellectuals have taken the regime's move away from Stalinism to mean release from party guidance. [redacted]

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SOVIET JET MEDIUM BOMBERS DISPLAY REFUELING CAPABILITY . . Page 6

Two BADGER (TU-16) jet medium bombers demonstrated aerial refueling in rehearsal fly-bys on 13 and 18 June for the Moscow air show. The range increase resulting from one in-flight refueling substantially enlarges the area in the continental United States which the TU-16 could reach on a one-way mission. [redacted]

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SECRET

iii

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

SOVIET BLOC-EGYPTIAN ECONOMIC RELATIONS Page 6

Continuing Egyptian difficulties in commercial dealings with Soviet bloc countries have given rise to unconfirmed press reports of a rift between Moscow and Cairo over trade problems. However, Egyptian trade policy toward the bloc remains unchanged. Meanwhile, the extensive increase in Egypt's total trade with the bloc apparently has become a serious cause for concern, primarily in Egyptian trade and financial circles. [redacted]

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SAUDI FINANCIAL SITUATION WORSENING Page 8

Saudi currency has depreciated sharply on the free market as a result of Saudi Arabia's loss of income during the closure of the Suez Canal as well as its capricious financial practices. Saudi imports now are curtailed and the government will probably try to increase its oil revenues. [redacted]

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SUHRAWARDY VISIT TO KABUL IMPROVES AFGHAN-PAKISTANI RELATIONS Page 8

Prime Minister Suhrawardy's visit to Kabul from 8 to 11 June was an important step in furthering the trend toward better relations between Pakistan and Afghanistan. In addition to agreeing to normalize diplomatic relations by again exchanging ambassadors, the two countries decided to conduct trade negotiations and discuss transit arrangements in the near future. [redacted]

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SUHRAWARDY DEFEATS PRO-COMMUNIST OPPONENTS IN EAST PAKISTAN Page 9

Pakistani prime minister Suhrawardy has emerged from a major test of strength with Maulana Bhashani, his pro-Communist rival for leadership of the Awami League in East Pakistan, with an overwhelming endorsement of his foreign policy and apparently firm control over the provincial party organization. Bhashani, however, still remains a threat to the government as a potential rallying point for a new party made up of all extreme leftist groups in Pakistan. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

INDONESIA Page 11

The Indonesian cabinet's unanimous acceptance of President Sukarno's candidates for his national advisory council is another step toward Sukarno's concept of "guided democracy" and a defeat for moderate political elements in the central government. The president's method of forcing approval of the council through the cabinet, however, is likely to aggravate provincial unrest, particularly in Sumatra, where disaffected elements are reportedly planning further action against the central government. [redacted]

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KATAY DEFEATED IN BID FOR LAOTIAN PRIME MINISTERSHIP . . . Page 11

Premier-designate Katay was defeated in his bid for investiture on 20 June. His proposed government, based on an alliance of the two leading Laotian parties and committed to a firm policy toward the Pathet Lao, missed confirmation by one vote. This is expected to lead to a period of extreme political uncertainty from which the Pathet Lao is likely to emerge as the chief beneficiary. [redacted]

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THAI LEGISLATIVE SESSION MAY BE CRUCIAL FOR GOVERNMENT . . Page 12

The Thai government faces a larger and more articulate opposition in the assembly which convenes on 24 June. Supporters of Defense Minister Sarit may attempt a no-confidence motion against Premier Phibun, although there are a number of factors which may deter such action. [redacted]

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CHOU EN-LAI CALLS HONG KONG "OBSTACLE" TO PEACE Page 13

Chou has told a visiting member of the British Parliament that, because of American activities in Hong Kong, the colony, like Taiwan, constitutes an "obstacle" to peace in Asia. Chou's comments, however, contained no threat of an early Communist move to recover the colony, and such a move is unlikely, since Hong Kong in British hands provides the Chinese Communists with a source for foreign exchange earnings and is a valuable intermediary for the spread of Communist influence into Southeast Asia. [redacted]

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SECRET

v

THE WEEK IN BRIEF

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

PEIPING RELEASES TWO MORE AMERICAN PRISONERS Page 15

Peiping's release of two more American prisoners on 14 June leaves six American citizens still in Chinese Communist jails. Two of these men are scheduled to finish their sentences in June 1958 and will probably be released at that time. The other four face much longer terms and Peiping evidently intends to use them as political hostages. The Chinese have indicated that they regard retention of the prisoners as a guarantee that the meetings between Ambassador Johnson and Wang Ping-nan at Geneva will not be broken off by the United States. [redacted]

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OVERSEAS CHINESE IN SOUTH VIETNAM Page 16

The demand by about 50,000 Chinese in South Vietnam for expatriation to Taiwan appears to be a tactic inspired by the Chinese Nationalists to force President Diem to modify his decree imposing Vietnamese citizenship on all locally born Chinese. Diem will probably treat the Nationalist proposals as a diplomatic maneuver, and maintain pressure for a settlement of the citizenship question on his own terms. [redacted]

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THE NEW MILITARY REGIME IN HAITI Page 16

The military regime which took over in Haiti on 14 June probably has a better chance of maintaining control than any preceding government in the past six months. At present no group appears to be strong enough to overthrow the junta, but the conditions which have led to political upheaval in the past continue to exist. [redacted]

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DISSENSION WITHIN BOLIVIAN GOVERNMENT Page 17

A general strike may occur in Bolivia on 1 July because of differences over the economic stabilization program. Speeches of President Siles and key leftist labor leader Juan Lechin at the recent Bolivian workers' congress accentuated differences over the program, which has the backing of the United States. Failure to find early agreement would threaten both the economic program and the government's stability. [redacted]

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SECRET

vi

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

PART III

PATTERNS AND PERSPECTIVES

THE COMMONWEALTH PRIME MINISTERS' CONFERENCE Page 1

At the Commonwealth prime ministers' conference opening in London on 26 June, Britain faces a major job of re-establishing confidence in its leadership. Most members have displayed concern over Britain's reduced power position and the changes in its traditional economic and military policies, and the Asian members are believed to be reassessing the value of continued Commonwealth participation. Ghana's accession, as the first Black African member, is likely to accentuate the growing division between the "old Commonwealth" of white nations and the newer members of non-European stock. [redacted]

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JAPAN'S DETERIORATING BALANCE OF PAYMENTS Page 3

Japan's balance of payments difficulties have become serious. A deficit of \$285,000,000 during the first five months of 1957 was accompanied by a drain of \$400,000,000 on foreign exchange reserves. The primary cause is a steady increase in imports for the expansion of industrial facilities. The government hopes that a new program, adopted on 14 June, will restore a favorable monthly balance by the end of December, but concedes that a payments deficit, the second since 1947, is likely for this year. Modernization of industrial facilities and the development of stable supplies of raw materials closer to home will gradually improve Japan's trade position. [redacted]

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CHINESE COMMUNIST CAMPAIGN FOR "PEACEFUL LIBERATION" OF TAIWAN Page 6

The Chinese Communists during the past two years have carried on a major psychological warfare campaign designed to bring down the Chinese Nationalist government and to enable them to gain control of Taiwan. Chinese Communist efforts have thus far achieved few visible results, but Peiping will probably be encouraged to step up its efforts for "peaceful liberation" by the recent anti-American riots in Taipei. [redacted]

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SECRET

vii

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

SIMONOV: SOVIET CAREER INTELLECTUAL Page 9

The twists and turns of thought about the role of literature in Soviet society voiced by Konstantin Simonov, prominent Soviet writer and editor of the literary monthly Novy Mir, illustrate the difficulties Soviet career intellectuals face in a country where "creative" writing is a political art and must conform with government policy. Liberal interpretations by increasing numbers of Soviet intellectuals of the relaxation in cultural policy following Stalin's death have led the regime to narrow the boundaries of permissible expression. It is doubtful, however, that the leadership can devise a formula which will meet its contradictory demands for maximum intellectual productivity and political conformity.

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viii

~~CONFIDENTIAL~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

PART I

OF IMMEDIATE INTEREST

USSR MOVES TOWARD SHOWDOWN ON NUCLEAR TESTS IN LONDON TALKS

Soviet Position

The USSR's proposal for a two- or three-year suspension of nuclear tests combined with international inspection, formally placed before the UN Disarmament Subcommittee by Soviet delegate Zorin on 14 June, probably was envisaged by the Soviet leaders as their climactic move in this session of the subcommittee.

Moscow's move to focus the London talks on the issue of a suspension of nuclear tests was foreshadowed by Khrushchev's strong attack in his 13 June Helsinki statement on the West's insistence on control "as a condition for disarmament" and his assertion that "all objective possibilities" now exist for an agreement limited to a test suspension. He implied that the Western powers were not serious in advocating ironclad controls over disarmament measures, that the United States is retreating from its own aerial inspection proposals, and he ridiculed suggestions that aerial inspection might be limited to the Arctic regions as "utterly comical."

In a note to the American delegate on 16 June, Zorin expressed "perplexity" over the American letter of 12 June declaring the memorandum which the American delegate had handed to Zorin on 31 May to be "non-existent" as a communication between governments. Zorin pointed out that "this is not the first instance where the United States has either renounced its own proposals or declared them nonexistent as

soon as...the possibility of coming closer together on certain important questions was in prospect."

Moscow is now developing the thesis that the Western powers' retreat from their own proposals has precluded even a partial agreement on disarmament and that, in this situation, only an agreement to suspend nuclear tests is possible. In presenting the new proposal to the subcommittee, Zorin contended that it would create favorable conditions for future progress on other aspects of disarmament, inhibit further development of "weapons of mass destruction," and facilitate relaxation of international tension.

Soviet propaganda is now referring to the test suspension proposal as a "first step" which would improve chances for future agreement on "more complicated questions." Khrushchev followed this line in stating on 13 June that the present degree of "trust among nations" is sufficient to reach an agreement limited to a suspension of tests. He implied, however, that a solution of broader disarmament problems requires a larger measure of trust, especially among the nuclear powers.

Zorin has already made clear that the USSR would reject Western attempts to make a test suspension contingent on Soviet agreement to halt production of nuclear weapons. He told the subcommittee on 14 June that such conditions

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

raised the danger of fencing in the simple Soviet proposal with so many other questions as to preclude agreement. He called on the Western delegates to give a simple answer as to whether or not they desire to suspend tests on the basis of the Soviet proposal. If they would agree in principle, he said, the details could be worked out later.

Zorin expressed alarm in the 17 June meeting regarding the West's heavy emphasis on control, saying that past experience shows that this is a storm warning indicative of an approaching breach in the negotiations or a failure to reach agreement. He restated the Soviet position that agreement in principle on a test suspension must be reached before controls can be discussed, and cited Khrushchev's 13 June Helsinki statement that the West's insistence on control actually serves as a "camouflage" for plans to continue the arms race.

Zorin welcomed the presence of the British foreign minister at the 17 June meeting, and recalled Moscow's earlier proposals that this session of the subcommittee be raised to the foreign-minister level. The USSR may be planning to renew its call for a foreign ministers' meeting and may simultaneously move to publicize the conflicting Soviet and Western positions on such issues as nuclear tests and aerial inspection zones.

British Views

Britain evidently believes that the Soviet acceptance of

inspection on a nuclear test suspension considerably increases the possibilities of reaching a limited agreement, but one that might harm British interests. The British fear nuclear disarmament might imperil their country's policy of relying on the nuclear deterrent.

Britain appears to consider that the Soviet move on test suspension makes more likely a first-step agreement that would also stop production of fissionable materials for weapons purposes, and is pressing its demands for the United States to supply such materials in this event to help offset Britain's present deficiency. Foreign Secretary Lloyd stressed this point in talking with American delegate Stassen on 15 June.

The seriousness with which Britain views the disarmament talks has been underlined by Lloyd's personal participation in meetings both of the full UN subcommittee and of the four Western delegations beginning on 17 June. Lloyd told Stassen on 18 June that the UK is actively reviewing its entire disarmament policy, particularly the nuclear provisions.

French Position

The French have shown caution in responding to the Soviet proposal, apparently desiring to retain freedom to manufacture nuclear weapons of their own in the event the disarmament talks take a turn deemed unfavorable to their interests.

Disarmament delegate Moch has privately stressed the

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

urgency with which he views the West's need to tie the test cessation to other, preferably nuclear, disarmament measures lest the West be forced to accept the test suspension alone. In the subcommittee meeting on 17 June, he emphasized that ironclad controls must be set up, and should cover seven general categories, including ground and aerial control, mobile inspection teams, and cessation of production of nuclear weapons.

Such controls, by opening up prospects for complete nuclear disarmament, might yet forestall nationalist pressures in France to begin the manufacture of nuclear weapons.

Other European Views

Several other NATO members have stressed their caution toward disarmament developments. Italy has sent a note to the North Atlantic Council expressing a preference for reduction in conventional armaments first.

The Dutch government, commenting on inspection zones, has stated it prefers that a start be made on a non-European zone. On the possibility of an Arctic zone, the Norwegian government has approved in principle the inclusion of its territory. A formal Canadian response awaits formation of the new Conservative government.

Apart from a statement by British Labor Party leader Gaitskell urging the West to accept the proposals--"to test the Russians, not the bombs"--the latest Soviet moves have so far had little evident impact on European public opinion. Gaitskell told the American embassy in London, however, that his call for acceptance of the Soviet plan would be fully supported by the German Socialists. He stated that Social Democratic leader Ollenhauer had recently indicated that the party favored a disarmament agreement with no political strings whatever--evidently including German unification.

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THE OFFICIAL TEXT OF MAO'S "SECRET" SPEECH

Peiping's decision to release an official version of Mao's speech of 12 February may have been prompted by the anti-Soviet overtones which appeared in the unofficial excerpts circulating in Eastern Europe and the free world. European Satellite liberals drew on reported statements in Mao's speech to claim Chinese ideological support for their own convictions. Khrushchev himself lent some importance to these implications

during his American television interview when he flatly denied that Mao's view on contradictions between the masses and the Communist leadership was applicable to the USSR.

This use of Mao's speech was probably embarrassing to the Chinese, who have stressed in recent statements that differences in Communist viewpoints are best muted in the interests of intrabloc harmony. In the

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

official version of his speech now released, Mao appears to have made certain deletions and additions, with a view to minimizing differences in doctrinal viewpoints between the Chinese and other Communists. Peiping has frankly admitted that the official text is an edited one, not the verbatim transcript.

The official text corroborates earlier reports that Mao stressed the nonantagonistic character of the so-called contradictions in present-day China and urged that these could be resolved by education and persuasion rather than by terror.

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[redacted] In conformity with this emphasis on persuasion and education, Mao reaffirmed his faith in the policy of letting diverse schools of thought contend.

There have been recent indications, however, that Peiping feels some intellectuals in China are interpreting this policy too boldly, and the edited text of Mao's speech warns against exceeding the boundaries of permissible debate. Criticism is acceptable only if it comes from quarters not hostile to the regime; it will not be tolerated from those who "deliberately put forward unreasonable demands...or spread rumors to create trouble."

Mao set forth six tentative criteria of permissible criticism, stressing above all the importance of recognizing Communist Party leadership and the impossibility of turning back from the "socialist path." He indicated that the regime would also frown on debate which tended to divide the national minorities in China, to weaken the regime, to undermine the

principle of central control, or to disrupt intrabloc harmony.

Mao's reflections on the so-called contradictions in Chinese society were probably stimulated by last fall's East European disorders; he alluded several times to Hungary. Evidently he saw certain parallels between the situations in East Europe and in China, admitting for example that some Chinese intellectuals are reluctant to accept Marxism-Leninism.

In a reference to cynicism among Chinese students, Mao made the observation that "Marxism, once all the rage, is not so much the fashion now." He discussed popular complaints of the peasants' hard lot and felt constrained to promise that the amount of grain taxes and state grain purchases would be stabilized over the next few years. He confessed that student and worker strikes had taken place in China during 1956 and that there had also been some "disturbances" among the peasants.

Despite these disturbances, Mao professed confidence that the situation of the peasants is "basically sound" and rejected the view that "something has gone wrong" with the system of agricultural co-operatives in China. Recognizing the strains on the nation entailed in the past overemphasis on building large-scale modern industries, Mao promised to give greater attention in the future to building small- and medium-sized enterprises. He implied that agriculture and light industry would be favored with more attention in the future, although he did not say directly that they would be allocated a greater share of investment funds.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

While the promise of liberalization and of a softer hand in dealing with popular opinion still emerges as the main emphasis of Mao's speech, the edited text will prove much more acceptable to the orthodox Communist regimes than the unauthorized versions that have been giving comfort to the European Satellite liberals. These orthodox regimes may feel freer than they have till now to comment on the Chinese doctrines. In an oblique reproof of the Satellite liberals, Mao branded revisionism a greater danger than doctrinairism.

By and large, he supported Moscow's viewpoint on Hungary, laying the major blame for last fall's events on "domestic and foreign counterrevolutionaries." He took strong exception to the inference some Chinese drew from the Hungarian crisis that Western parliamentarianism offered more freedom than "people's democracy." He justified past terrors employed by the Chinese Communists as necessary to the

times. While urging that the Chinese learn from all countries, "socialist" and capitalist, he declared that the "main thing is still to learn from the Soviet Union."

The publication of Mao's speech will add appreciably to Peiping's growing importance as a source of Communist doctrine. Last December, the Chinese put forward their views on the proper course for state and party relations within the bloc in the most extensive dissertation on the subject to appear in any Communist capital. Mao's published views on the key question of contradictions within "socialist society" constitute an even more extensive pronouncement on matters of doctrine relating to internal policy. Although Mao declared that his formulations do not necessarily apply to all Communist states, the impact of Chinese theory will be felt increasingly throughout the bloc. [redacted] 25X1

[redacted] (Concurred in by ORR)

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MIDDLE EAST DEVELOPMENTS

Lebanese Election

In Lebanon, the anti-Nasr government extended its recent success by winning 19 out of 20 seats contested in the second stage of the parliamentary election being held on four successive Sundays in June. Government supporters have gained 34 out of 42 seats contested in the two elections held thus far. The remaining 24 seats will be contested on 23 and 30 June. The predominantly Moslem northern city of

Tripoli may be the scene of violence in elections scheduled for 30 June.

Meanwhile, the resignation of two ministers without portfolio who, in a move to appease the pro-Egyptian opposition, had recently been appointed to hear election complaints, may presage trouble for pro-Western President Chamoun and the government of Premier Sami Solh. The resignations were said to be in protest against the "general atmosphere" in which the

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

elections had been conducted. The opposition may feel it no longer has any legal channel for opposing the government and may turn to other means.

Saud's Growing Influence

The most significant development in the Arab world continues to be the emergence of an Arab bloc estranged from Nasr and Syria, composed initially of Saudi Arabia, Jordan, Iraq and Lebanon. Saud

has moved with increasing firmness to reduce Egyptian influence in his country and to support similar efforts in Jordan, Lebanon and Syria.

Egypt is reported considering closing its embassy in Amman--



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New Government in Iraq

In Iraq, King Faisal has appointed Ali Jawdat al-Ayyubi as premier, succeeding Nuri Said, who is said to be ill. Ali Jawdat has been minister to Washington and London, has been premier several times, and is expected generally to follow Nuri's policy of co-operation with the West.

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Jordan continues to press the break with Egypt most openly and has closed its embassy in Cairo, although Foreign Minister Rifai declared that this action did not constitute a break in diplomatic relations. Cairo's ambassador-designate to Jordan has delayed his move to Amman for over a month, and

Removal of the controversial Nuri, a long-time close collaborator with the British and target of latter-day Arab nationalists, will facilitate closer association among anti-Nasr Arabs. Nuri opposed any

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

more than limited Iraqi aid to Jordan, which he did not appear to consider a viable entity.

pro-Nasr majority in Egypt's first postrevolution legislature, Nasr has been compelled to restrict severely Communist candidacies as well as those of the right-wing Moslem Brotherhood and prerevolution political parties.

Nasr's counterattack against his Arab enemies is attempting to identify them with Western "imperialist" interests, and shows signs of becoming increasingly anti-American. He will probably attack the monarchies in Jordan, Saudi Arabia and Iraq by appealing to their restive populations, will undoubtedly increase his efforts in the Sudan with an eye to the legislative elections in the fall, and will step up support of anti-Western dissidents in North Africa and the Persian Gulf.

Two Soviet long-range submarines and one coastal submarine, which left the Baltic on 30 May, arrived in Alexandria on 16 June accompanied by a Soviet mine sweeper. The Egyptian press has stated that the three submarines had "joined the Egyptian fleet."

Yemen

At least two Soviet vessels have unloaded Soviet arms in Yemen in the last month. The arms delivered thus far consist mostly of small arms, but also include anti-aircraft guns, artillery and reportedly armor. Delivery of additional Soviet arms to Yemen will

In Syria, there are reports of new maneuverings by Egyptian-supported leftists to remove moderate officers from the army, dissolve the legislature and establish rule by a military junta on the Egyptian model.

Fear that anti-Nasr forces might concentrate next on weaning Syria from Egypt has promoted unity among feuding leftist groups. The impending departure of Syrian president Quwatly for medical treatment in Europe, and Premier Asali's desire to evade responsibility by resigning, may present an opportunity for a leftist takeover.

Nasr's Countermoves

Nasr, now on the defensive, must attempt to regain the initiative by dramatic action, or alternatively, make conciliatory gestures while awaiting a new opportunity to strike at his Arab enemies. In the latter case, however, he risks losing even further ground. Although rigged elections on 3 July promise to install an overwhelmingly

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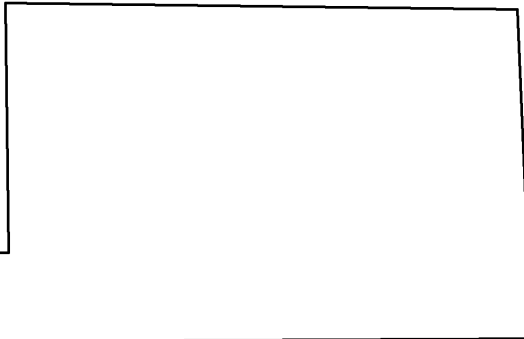
CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

25X1

further increase tension with Britain in the neighboring Aden Protectorate, and in the long-run with King Saud.

The number of incidents along Yemen's frontier with Aden Protectorate has dropped off.



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SECRET

CONFIDENTIAL
SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

PART II

NOTES AND COMMENTS

POLISH ATTITUDE TOWARD RESUMING CONTACT WITH UNITED STATES

Recent Polish comment on Polish-American relations has reflected official and unofficial enthusiasm for the resumption of contacts with the United States. On 7 June, the first half of a \$95,000,000 economic agreement was signed in Washington; on 9 June, the Poznan Fair opened at which the United States was represented for the first time; and on 12 June, the Cleveland Symphony Orchestra presented its first Warsaw concert. Press and public comment on all three occasions was notably favorable.

The economic agreement was greeted by the press as a step toward the relaxation of international tensions. Trybuna Ludu and Zycie Warszawy, leading party and government dailies, expressed the belief that the foundation had been laid for future economic and trade negotiations between the two countries. Warsaw papers stressed that the agreement was fundamentally nonpolitical and--as Trybuna Ludu stated--was "exactly as we wished it to be and as we from the first moment suggested it to be to our American partners."

More than 50,000 Poles visited the American pavilion at the Poznan Fair in a five-hour

period on opening day--undoubtedly curious to inspect several 1957 automobiles, an American worker's home, television sets in assorted sizes and types, and a deep freeze stocked with commercially packaged frozen foods.

Despite complaints in the Poznan press that the American exhibit's emphasis on the differential in living standards was an irritant to the Polish worker, envious of his American counterpart, popular acclaim appears to have guaranteed a successful American reception at Poznan.

The Cleveland Symphony debut in Warsaw drew lavish and unstinting praise from the Polish press and radio. The Warsaw concert was notable in several respects. The occasion marked the first visit by a major American orchestra since World War II. Conductor George Szell included two works barred during the Stalin era in Poland, and, as an encore, the orchestra played Berlioz' "Hungarian March." Zycie Warszawy commented, "applause by Warsaw 'melomaniacs' undoubtedly exceeded anything encountered in other cities." One of Warsaw's leading music critics described the performance as "wonderful... quite fabulous."

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EAST GERMAN LOCAL ELECTIONS TO BE HELD ON 23 JUNE

East German local elections, the first since October 1950, will be held on Sunday 23 June. Few people are taking the campaign seriously, despite the regime's efforts to whip up

popular enthusiasm. The single election list of Communist-picked candidates gives the voter no opportunity to express a choice, and everyone realizes the election outcome is a foregone conclusion.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

Major objectives of the intensive election campaign are to bring East German citizens into closer contact with their local governments and to generate some feeling of identification with the regime and its policies. The West German elections set for next September also provide a reason for the Communists to make a show of their "democracy" and obtain an overwhelming "endorsement" from the East German people.

In the balloting supervised by the National Front, comprising all political parties and mass organizations, voters will "elect" approximately 215,000 deputies to district, municipal, county and communal assemblies throughout East Germany and East Berlin. To ensure that no undesirable persons are placed on the ballot, all potential candidates have been carefully screened by Communist-dominated election committees. Each organization in the National Front is represented, with the Socialist Unity (Communist) Party (SED) getting 30 percent of the candidates, the Christian Democratic Union (CDU), Liberal Democratic Party (LDP), National Democratic Party (NDP) and the Democratic Peasant Party (DBP) getting 10 percent each, and the remaining 30 percent being divided among the mass organizations.

The Communists have run into difficulties in their camp-

aign to present the election as an opportunity for a true expression of prevailing political sentiments.

Party and government officials in many instances have been unable to hold political rallies within the bounds marked out by the Ulbricht regime. Not only has attendance at discussion meetings been sparse, but the voters have persistently asked embarrassing questions about the lack of an opposition slate, the reasons for the low standard of living, and the absence of real freedom and democracy in East Germany.

Determined to suppress any popular unrest or demonstrations, the regime has continued the security precautions begun just prior to the anniversary of the 17 June riots. The leaders are probably apprehensive that any demonstrations just prior to the elections would serve to point up the fraudulent character of the Ulbricht leadership. All East German armed, security and police forces, including the Quasi-military Kampfgruppen (armed workers' militia), have been put on alert status until 24 June. Security details guarding government and party offices have been strengthened, and sector crossing points in Berlin have been reinforced by Kampfgruppen members and police in civilian clothes. Additional police patrols have been put on duty in East Berlin and other cities.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

ITALIAN GOVERNMENT CRISIS

Amintore Fanfani, secretary general of the Christian Democratic Party, faces serious difficulties in his attempt to end Italy's seven-week-old cabinet crisis by reconstituting the center coalition which governed Italy from February 1954 to early this May. Even if fear of early elections induces the three small center parties to support his investiture, interparty bickering virtually rules out any effective program.

The three parties whose support is necessary--Democratic Socialist, Republican, and Liberal--are divided over whether or not they should participate and on what terms. Their demands for cabinet posts for their leaders probably will be disproportionately high and they are particularly reluctant to compromise their basic party programs as national elections draw nearer. If they do agree to form a quadripartite or tripartite coalition with the Christian Democrats, the new government will be subject to the same difficulties in getting agreement on measures such as the bill for regulation of farm contracts which undermined the Scelba and Segni coalitions.

The center parties may, however, reconsider their negative approach to a coalition government, since the most likely alternative now is an all-Christian Democratic caretaker government to prepare for fall elections. Recent electoral



FANFANI

trends in Italy have shown a decline in popular support for the small center parties, and a number of their deputies, who are faced with almost certain defeat at the polls, may push for participation in a government that will assure their tenure until June 1958 when general elections are mandatory.

25X1

USSR SHOWS NEW INTEREST IN CULTURAL EXCHANGES WITH UNITED STATES

There are signs of growing Soviet interest in a cultural exchange program with the United States which might possibly include regular radio and television speeches by American and Soviet leaders.

Soviet first deputy premier Mikoyan told Western reporters

at a reception on 13 June that the suggestion made by the United States in 1955 for monthly half-hour exchanges of uncensored broadcasts between the Soviet Union and the Western powers was a good idea, adding, "We are not afraid of a competition of ideas. We are for any kind of cultural relations."

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

American correspondents in Moscow told the embassy that their stories on this interview passed the censor "like a shot."

Pravda and Moscow radio have reacted coolly to the idea of an exchange of broadcasts, warning that it was originally advanced by the Western powers "not to weaken the cold war but to intensify it."

However cautious Soviet leaders may prove to be about radio or television exchanges, they are eager to revive the program of delegation exchanges with the United States, as well as other countries, as an important part of their effort to restore the atmosphere of international detente existing before the Hungarian and Suez crises. Last month a State Committee for Cultural Ties with Foreign Countries was established. Soviet ambassador Zaroubin recently discussed with American representatives Soviet proposals for a wide variety of technical, scientific and cultural exchanges, and both Khrushchev and Mikoyan recently urged expanded programs.

Perhaps to reduce the susceptibility of the Soviet people to Western ideas in preparation for an expanded exchange program, Soviet leaders

have issued two scathing denunciations of alleged American espionage in the USSR, and have urged the people to maintain a high level of vigilance. The June issue of the youth journal Molodoi Kommunist contains an article purporting to describe the intelligence activities of personnel at the American embassy in Moscow. It asserts that embassy officers "pass themselves off as Balts or don Soviet clothing in order to gather information or make acquaintances useful to them."

The Soviet government has taken the unusual step of publishing a handbook "designed to alert the people against the thousands of spies, diversionists, provocateurs and murderers of the American intelligence apparatus." The 104-page booklet provides details of how to catch "dangerous enemy agents."

The accusations of espionage coincide with the appearance of a spate of press articles vehemently attacking the imperialists and monopolists of the United States and their alleged preparations for war against the camp of socialism. Anti-American propaganda is careful, however, to distinguish between the people of the United States and the "imperialist ruling circles."

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SOVIET PARTY CRACKS DOWN ON REVISIONIST HISTORIANS

Most of the members of the editorial board of Problems of History, the official organ of the USSR's professional historians, have been dismissed. This is a severe setback for this comparatively liberal

group, which has been engaged since the 20th party congress in revising Soviet history along the lines of de-Stalinization. The regime may adopt administrative discipline in preference to "persuasion" in other areas of

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

Soviet intellectual life where there have been signs of dissidence.

In the latest edition of Problems of History, the new editorial board charges that the dismissed editors failed to condemn the ideas which produced last fall's eruptions in Eastern Europe and have been lag-gard in exposing "the aggressive essence of American imperialism." It further cites against them their persistence in dwelling on Stalin's vices to the neglect of his virtues.

After the 20th party congress, Problems of History, led by its deputy editor E. N. Burdzhhalov, was in the forefront of the movement to rewrite Soviet history in the light of the implications of the attack on Stalin. For several months the magazine appeared to have official sanction. Numerous revisions of long-standing historical dogmas were undertaken in its pages. Some of these points obviously disturbed the more conservative elements within the historical fraternity and were never accepted as valid elsewhere in the Soviet press, e.g., the contention that Stalin had joined with the anathematized Kamenev in opposing Lenin's 1917 program for seizing power, and the suggestion that the postwar Soviet Union was not entirely innocent of anti-Semitism.

On 30 June 1956, responding to the Poznan riots and the dislocations among foreign Communist parties, the Soviet party central committee issued a resolution which attempted to restore safe limits to the de-Stalinization process. In the following month, the party journals Kommunist and Party Life began a criticism of Problems of History which has

been continued from many sides ever since.

Besides taking issue with the historical journal on specific points of interpretation, this criticism produced numerous general charges with plainly political overtones: Problems of History was said to be guilty of "haste and sensationalism," of wanting to "revise everything," of sowing intellectual confusion and overlooking the danger of "ideological disarmament." Burdzhhalov was accused of arrogance in setting himself and his journal up as the supreme interpreter under the new dispensation in history writing, and, perhaps most seriously, of having said, "We historians have no one to give us directives of principle and instructions."

The indictment against the historian-editors was summed up recently by F. V. Konstantinov, a top-ranking propaganda and agitation official of the central committee's apparatus. On 14 June he asserted: "Serious mistakes have recently been uncovered in the teaching of the history of the party. Under the banner of the struggle against the cult of the personality of Stalin, the Lenin principles of party-mindedness in the science of history were violated."

Faced with continuing ideological ferment within the Sino-Soviet bloc and evidence of "unhealthy" tendencies among its own intellectuals, the Soviet regime has, in this instance, abandoned "persuasion" in favor of an emphatic gesture of authority. Similar though less extreme measures have been taken recently against Soviet writers, some of whom had also understood the moving away from Stalinism to mean release from party guidance.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

SOVIET JET MEDIUM BOMBERS DISPLAY REFUELING CAPABILITY

Two BADGER (TU-16) jet medium bombers demonstrated aerial refueling in rehearsal fly-bys on 13 and 18 June for the Moscow air show.

In the 13 June demonstration, a flexible hose was already connected between the wingtips of the tanker and receiver aircraft when they approached Tushino airfield. There was a cone-like fitting which trailed about 10 feet aft of the receiver port wing. The hose was disconnected and reeled into the tanker during the demonstration. In the 18 June demonstration, the hose became disconnected and fell to the ground.

BISON jet heavy bombers demonstrated aerial refueling in a rehearsal on 1 June but used the probe-and-drogue system.

The hook-up--which was not demonstrated in the rehearsals--was probably that described in the 7 April 1957 issue of Soviet Aviation. The tanker aircraft lets out a cable which is secured by a contact ring in the wing surface of the receiving aircraft. The cable, which is attached to the refueling hose, is then reeled in by a winch until the hose enters the receiving chamber of the aircraft being refueled. Following refueling, the hose is uncoupled and reeled back into

the tanker aircraft, apparently as demonstrated.

The 31 May 1955 issue of Red Star, which contained a discussion of in-flight refueling for a 154,000-pound aircraft--the approximate weight of the TU-16--describing this system, stated that it was "considered obsolete even though it is still in operation." An earlier article indicated that the system was in use in the USSR by the end of 1954. It is likely that the more satisfactory probe-and-drogue system which has been successfully used by BISONs will eventually be adapted to the TU-16.

Although one in-flight refueling could increase the TU-16's range capability by as much as 35 percent, it would not permit two-way missions against the continental United States from Soviet bases. On a one-way mission with one in-flight refueling, a TU-16 flying from the Chukotsk area could cover about 65 percent of the United States with a 10,000-pound bomb load and nearly all of the United States with a 3,500-pound bomb load. Without in-flight refueling on a one-way mission, the TU-16 could cover only 40 percent of the United States with a 10,000-pound bomb load and about 70 percent with a 3,500-pound bomb load. [REDACTED] jointly with OSI)

25X1

SOVIET BLOC-EGYPTIAN ECONOMIC RELATIONS

Continuing Egyptian difficulties in commercial dealings with Soviet bloc countries have given rise to unconfirmed press reports of a rift between Moscow and Cairo over trade problems. However, Egyptian trade policy toward the bloc remains unchanged. Meanwhile, the ex-

tensive increase in Egypt's total trade with the bloc apparently has become a serious cause for concern in some Egyptian circles.

According to trade sources, rising prices of Soviet goods

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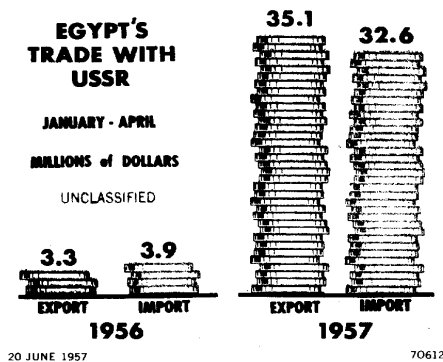
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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

have more than offset the benefits of the high prices which the bloc is paying for Egyptian cotton. Egyptian officials reportedly are dissatisfied with the quality of wheat and petroleum from the USSR and delays in their delivery, as well as with the Soviet tactic of buying Egyptian cotton at artificially high prices, which they feel have eliminated traditional Western customers from the market. Another cause of dissen-

During the first two months of 1957, this trade reached a total value of 23,508,000 Egyptian pounds (\$65,422,000)-- twice that for the same period in 1956--and accounted for 50 percent of total Egyptian trade. Trade with the USSR alone during the first four months of 1957 rose ten times in value over the comparable period of 1956. Egyptian exports amounted to \$35,100,000 compared to \$3,360,000 for the same period of 1956. Imports from the USSR were valued at \$32,631,823, while 1956 imports during the same period were only worth \$3,920,000.



Some Egyptians both inside and outside the government are becoming alarmed over Egypt's increased dependence on bloc trade, and, according to the American embassy in Cairo, many hope that the economic orientation toward the Soviet bloc will be substantially slowed, if not reversed. President Nasr has repeatedly stated that only economic necessity has compelled him to deal with the Soviet bloc, and he recently reiterated to Ambassador Hare his desire not to become "too closely identified with the Russians."

sion cited by the press is that Satellite countries with which Egypt has sizable credit balances are reportedly behind in deliveries of industrial and manufactured goods badly needed by Egypt.

Egypt's difficulties in marketing this year's cotton crop have probably been aggravated by Soviet bloc sales of this commodity to Egypt's customary buyers at prices lower than Egyptian prices. In early June, the German ambassador in Cairo informed American embassy officials that West Germany was purchasing 50 percent of its Egyptian cotton imports from the Soviet bloc and Trieste.

Egypt's total trade with the Soviet bloc has increased tremendously in recent months.

A return to a more normal trade pattern would not necessarily reflect a deliberate Egyptian policy to reduce trade with the bloc. The clearing of the Suez Canal has reopened access to Egypt's traditional Asian markets and will provide Egypt with increased foreign exchange. In addition, the suspended British-Egyptian financial talks are expected to resume and will probably result in the eventual release of some funds from Egyptian sterling accounts for purchases from free world countries, thus reducing reliance on trade with the bloc.
(Prepared by ORR)

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

SAUDI ARABIA'S WORSENING FINANCIAL SITUATION

Saudi Arabia is facing a financial crisis. Its rial was quoted in early June at the lowest rate in the memory of free market traders in Beirut. Officially, the rial is worth about 26 cents. However, since the shutdown of the Suez Canal and the subsequent sharp reduction in Saudi crude oil production, the rial fell to about 22 cents in April and to about 19 cents in early June.

Recognizing the seriousness of the situation, King Saud intervened personally on 31 May by scheduling an economic-financial conference for the first week of June to discuss the serious shortage of hard currency--especially dollars--and the lack of domestic investment. On the latter issue, King Saud emphasized that Saudi citizens should invest their money in local projects rather than abroad.

The Saudi government has already resorted to extraordinary borrowing--a \$44,000,000 loan guaranteed by Aramco--in order to make up for the sharply reduced oil revenues. Despite this loan, government finances continue to be critical.

The Saudi import ban imposed in early April continues and all imports must be covered by an import license. In anticipation of increased demand, Saudi wholesalers--especially of foodstuffs--are holding their stocks, as they expect sharp price rises in the next few weeks. This action alone is almost certain to result in higher prices. The government, which often spends its funds capriciously and extravagantly, is trying to find a culprit for the crisis

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The actual total revenue loss caused by the Suez crisis will probably exceed \$100,000,000. This loss can be expected to give impetus to Saudi requests that Aramco and other foreign firms participate in developing the country's economy.

The Saudis reportedly have suggested that Arab capital be used in the construction of new pipelines in the area. A Japanese petroleum mission which visited Saudi Arabia this spring is reported to have interested Japanese business groups in exploring for oil in four areas of Saudi Arabia outside of the Aramco concession.

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[Redacted]

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SUHRAWARDY VISIT TO KABUL IMPROVES AFGHAN-PAKISTANI RELATIONS

Prime Minister Suhrawardy's visit to Kabul from 8 to 11 June furthered the trend toward better relations between Pakistan and Afghanistan. The visit began in a rather cool atmosphere but by its close both countries had

made concessions. They agreed to exchange ambassadors again to replace the ones withdrawn following the mob attacks on the Pakistani embassy in Kabul and the Afghan consulate in Peshawar in early 1955. This move,

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

following the reopening of the Pakistani consulate in Jalalabad in March 1957, was the final action necessary to restore normal diplomatic relations.

The two nations also agreed to hold trade talks following the completion of Indian-Afghan trade negotiations on 14 June, and a group of Pakistani officials arrived in Kabul on 13 June to negotiate a bilateral air agreement. In addition, Karachi and Kabul are preparing to co-operate with a group of American transportation specialists who are to conduct a survey on means of improving transportation between the two countries. The official communiqué stated that the two nations will co-operate in the United Nations, a statement which both sides interpret as Afghan support for Pakistan on Kashmir.

Suhrawardy believes he was successful in inducing the Afghans to continue to play down the Pushtoonistan issue. He pointed out that no Pakistani government could deal with the issue until after the general elections scheduled for March 1958.

Suhrawardy conceded that Afghanistan's policy of neutrality enables it to draw assistance from both the Soviet and the free world, but he feels that this is the best the free world can do for the present. Daud took the unusual step of making a radio speech from Kabul stating that he was pleased with the progress of Afghan-Pakistani relations. The series of official visits, which began with President Mirza's visit to Kabul in August of 1956, is to be continued when King Zahir Shah visits Karachi in December. 25X1

SUHRAWARDY DEFEATS PRO-COMMUNIST OPPONENTS IN EAST PAKISTAN

Pakistani prime minister Suhrawardy emerged from a major test of strength with Maulana Bhashani, his pro-Communist rival for leadership of the Awami League in East Pakistan, with an overwhelming endorsement of his pro-American foreign policy and solid control over the provincial party organization. The nearly unanimous support accorded by the council of the East Pakistan Awami League (EPAL) at its meeting in Dacca on 13 and 14 June will do much to consolidate the prime minister's political base in the eastern province.

Bhashani's future role, either within the Awami League or as leader of a new opposition party, is not finally resolved. While Suhrawardy has gained the upper hand over Bhashani and his followers inside the EPAL, Bhashani's fac-

tion will probably continue to have the capability for subverting the authority of the national government in East Pakistan by co-operating with leftist elements outside the Awami League.

Capitalizing on Bhashani's proffer last March to resign as president of the EPAL, Suhrawardy's supporters during the past two months had succeeded in forcing the suspension of 10 prominent leaders of the pro-Bhashani group and had replaced them on the working committee with pro-Suhrawardy members. Bhashani's efforts during this period to attract support by appeals for a neutral foreign policy, for increased regional autonomy, and for drastic action by the government to solve the food problem evidently met with little success.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

As the recent meeting of the 800-man council of the EPAL convened to act on the party crisis, a Suhrawardy bandwagon



SUHRAWARDY

apparently began to roll. Only 46 of the roughly 800 present opposed the resolution endorsing Suhrawardy's foreign policy. Action by a similar tally was taken to ratify the expulsion from the provincial party of the 10 pro-Bhashani members. With regard to the popular Bengali leader himself, however, the council authorized the working committee to approach Bhashani to withdraw his resignation.

Suhrawardy would prefer to keep Bhashani within the party framework if feasible, since Bhashani's mass following in East Pakistan is far greater than his own. In this way the prime minister probably feels that the Awami League could continue to profit from

Bhashani's reputation as a champion of the down-trodden while forestalling any attempt on his part to unite extreme leftist groups on a nationwide basis into a powerful opposition party. Suhrawardy reportedly also fears that the Bhashani faction would be capable of preventing orderly administration by the government in East Pakistan.

Bhashani, on his part, probably will be unwilling to remain for long in the Awami League under conditions which make him a captive of the Suhra-



BHASHANI

wardy faction. He apparently intends to make no immediate move, but may launch a new opposition movement once his reported negotiations with leftist leaders from West Pakistan are completed and the time is considered right to open a joint attack against the government.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 June 1957

INDONESIA

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The Indonesian cabinet's weak resistance before accepting President Sukarno's list of candidates for his national advisory council has resulted in another step toward Sukarno's "guided democracy" and a defeat for moderate elements in the central government. The membership, which is largely composed of leftists and followers of Sukarno, has been criticized by two major non-Communist political parties, which are reported contemplating obstructive action. The resources of anti-Sukarno forces in Java are limited, however, and barring army intervention in support of these parties against Sukarno, no effective action is likely.

The direction of army loyalties in East Indonesia remains unclear, but it appears certain that army chief of staff General Nasution will proceed with the reorganization of the area into four commands without resistance from the officer corps there. The former commander of East Indonesia, Lt. Col. Sumual, is still in Makassar, however, although Nasution apparently plans, when such a move appears possible without aggravating disaffection in the area, to transfer him to Djakarta or perhaps out of the country.

Local elections in Djakarta for a 45-seat city council on 22 June will be the first in a series of nationwide provincial elections planned for this year and the early months of 1958. The Communist Party has been working hard to improve its showing since the national elections of 1955, when it ran a poor fourth in Djakarta, and some sources are predicting it will win a plurality of the votes. Its campaign has undoubtedly received impetus from Sukarno's encouragement of extensive Communist activity in support of his concept of "guided democracy."

25X1

KATAY DEFEATED IN BID FOR LAOTIAN PRIME MINISTERSHIP

The proposed government of Nationalist Party leader Katay failed, by one vote, to win the necessary two-third's approval in the Laotian assembly on 20 June, according to a late and incomplete press

report. The government was based on an alliance of the Nationalist and Independent Parties--the two leading parties in Laos--and had proposed a firm policy in future negotiations with the Pathet Lao.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

Katay's defeat is expected to lead to a period of extreme political uncertainty.

Independent Party leader Phoui Sananikone will probably be designated by the crown prince as the next cabinet formateur. His prospects for attracting the necessary additional support to the Independent-Nationalist alliance are not bright. In the event Phoui

fails, there is a distinct possibility that the vacillating Souvanna Phouma will succeed himself as prime minister.

Katay's defeat is a victory for the Pathet Lao, which had launched an intimidation and propaganda campaign to block his efforts. The Pathets will now continue to work for the return of Souvanna. [REDACTED]

[REDACTED] 25X1

25X1

THAI LEGISLATIVE SESSION MAY BE CRUCIAL FOR GOVERNMENT

As the Thai National Assembly prepares to convene on 24 June for its annual session, there are reports that elements supporting Marshal Sarit, the powerful defense minister and army chief, may try to unseat Premier Phibun by means of a no-confidence vote.

Despite Phibun's protestations to the press recently that relations between Sarit, Interior Minister Phao and himself "were perfect," there are indications pointing to a continuation of the split in the ruling triumvirate, with the premier siding with Phao in an effort to check the growing power and popularity of Sarit. Phibun's remark during the same press conference that Sarit "hates politics" is belied, moreover, by the increasingly active political role the defense minister has played ever since the postelectoral crisis in early March.

Should Sarit decide to promote a no-confidence motion in the assembly, it would be spearheaded by a new opposition political party whose formation he encouraged and which has announced its intention to register under the Political Parties Act prior to convocation of the assembly. Its nominal leader claims that 10 or 12 members of the ruling Seri Manangkhasila Party will support his group. He hopes he will have mustered about 30 members in the assembly by the time the legislative session begins. Sarit probably could also count on the votes of a large percentage of the 111 appointive members of the 271-member assembly, in addition to a substantial number of votes from other opposition members.

Although Sarit appears to be in a good position to overthrow Phibun, there are a number of factors, including his poor health, which would tend to

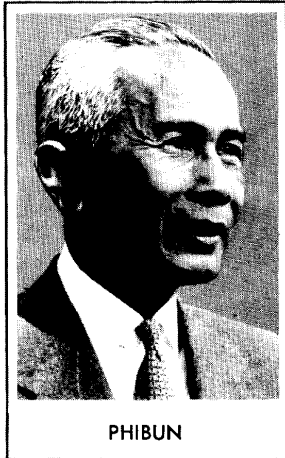
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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

restrain him from making such a move. He would probably have to take preparatory steps which would be tantamount to a bloodless coup in order to guard



PHIBUN

against possible violent countermeasures on the part of Phao, who would scarcely submit to political extinction without a fight. Sarit would also expose himself to charges of treachery in view of his constant reiteration of personal loyalty to Phibun. Finally, Sarit undoubt-

edly fears the political agility of Phibun, who on more than one occasion has extricated himself from seemingly impossible situations.



SARIT

Regardless of what course Sarit takes, the impending National Assembly session promises to be lively, with the government facing a considerably larger and more articulate opposition as a result of the 26 February elections.

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CHOU EN-LAI CALLS HONG KONG "OBSTACLE" TO PEACE

Chou En-lai recently complained to a visiting member of the British Parliament that Taiwan and Hong Kong constitute the two greatest "obstacles" to peace in Asia. Chou's remarks contained no threats, but he implied that American activities in the colony are jeopardizing Sino-British relations. Chou apparently hoped to leave the impression that British authorities would have to curb American representation and activities in the colony if the status of Hong Kong were to be preserved.

In its charges of American air violations off the southeast China coast near Swatow on 12 June, Peiping said the alleged intrusions took place just after the American carrier Hornet had left Hong Kong en route to the Taiwan area.

Peiping will probably also make capital of the disclosure in Hong Kong last week that the British had permitted the return to Taiwan of a Chinese Nationalist pilot who had taken refuge in Hong Kong after being attacked by Communist fighters

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CURRENT INTELLIGENCE WEEKLY SUMMARY

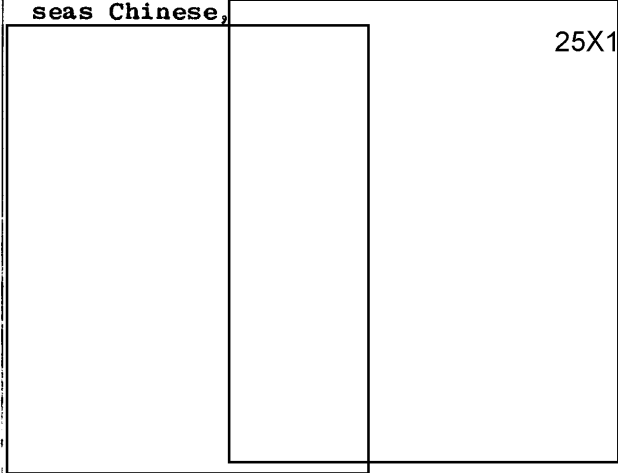
20 June 1957

over the mainland in January 1956. At the time Peiping heatedly demanded that the British intern the American-built aircraft and the pilot. In deference to Peiping's demands, the British held the plane for more than a year, but Hong Kong officials announced last week that the plane was shipped back to Taiwan in March.

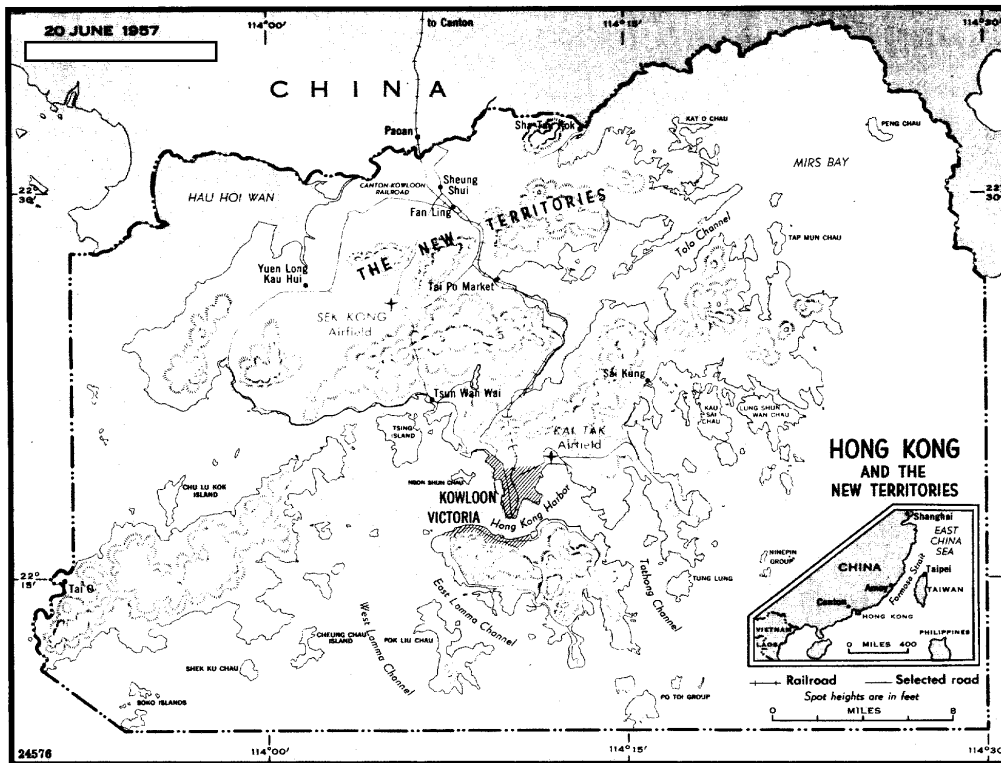
Peiping is not likely to demand early recovery of the colony. Peiping has little to gain economically in the recovery of Hong Kong. To Communist China, a Hong Kong in British hands is an important source of foreign exchange earnings. In 1956, Communist China had a favorable trade balance with Hong Kong of \$157,800,000.

The Chinese Communists view Hong Kong as a valuable link with the Overseas Chinese in Southeast Asia. Ap-

preciating that movie films and other publications produced in Hong Kong are widely distributed throughout Southeast Asia and offer an excellent channel for propaganda aimed at the Overseas Chinese,



Peiping is moving ahead, meanwhile, with its efforts to publicize its accomplishments and attract greater numbers of



SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

visitors from the Chinese residents of Hong Kong and Macao. Chinese Communist civil aviation representatives in Hong Kong, who had long been inactive in the colony, recently began to advertise flights from Canton to other mainland cities.

Peiping continues to offer attractive mainland tours for Overseas Chinese in Hong Kong and Macao, and new facilities have been completed in Canton for accommodating larger numbers of visitors. [REDACTED]

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[REDACTED] (Concurred in by ORR)

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PEIPING RELEASES TWO MORE AMERICAN PRISONERS

Two American priests jailed as "spies" by the Chinese Communists four years ago were set free on 14 June after serving their full sentences. This leaves six American citizens still in Chinese Communist prisons. Two whose terms expire in June 1958 will presumably be released at that time. The four other Americans have received sentences ranging from 15 years to life, however, and the Chinese evidently intend to use them as political hostages.

Peiping wants American agreement to a meeting of foreign ministers, relaxation of US controls on China trade, and acceptance of Chinese Communist proposals for a "cultural interchange" with the US. Last February, when reporters brought up the prisoner issue during a press conference, Chou En-lai commented angrily that the nations of Asia should bring pressure on Washington to change its attitude toward Communist China.

25X1

The repatriation agreement reached by Ambassador Johnson and Communist negotiator Wang Ping-nan at Geneva in September 1955 provided for the "expeditious" release of all nationals. Peiping has insisted that American "criminals" are not covered by the agreement, however, and must serve out their terms "in accordance with Chinese law." Since late 1955, the only prisoners released have served their entire sentences. Chinese Communist spokesmen have repeatedly indicated that Peiping would consider commuting prison sentences for "good behavior," but only if concessions were forthcoming from the United States.

In addition to their potential usefulness in future bargaining, the prisoners apparently are being retained in order to assure continuation of the Johnson-Wang talks at Geneva. [REDACTED]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

OVERSEAS CHINESE IN SOUTH VIETNAM

The demand by about 50,000 Chinese in South Vietnam for expatriation to Taiwan appears to be a tactic inspired by the Chinese Nationalists to force President Diem to modify his decree imposing Vietnamese citizenship on all locally born Chinese. The Chinese legation has insisted that each expatriate be allowed to take with him up to \$2,000 and has stated that no more than 2,000 persons per month could be absorbed on Taiwan. The prospect of a large drain on Saigon's limited foreign exchange as well as the threat of a diplomatic rupture seem to be levers by which Taipei hopes to achieve a solution to the citizenship problem on its own terms.

Taipei is concerned that any repatriation of Chinese in South Vietnam would serve as a precedent and encourage other Southeast Asian countries to follow Diem's example in dealing with their Chinese minorities.

South Vietnam will probably recognize the Nationalist repatriation conditions as a diplomatic maneuver and reject them as such. Diem will almost certainly maintain pressure on Taiwan for a speedy settlement of the citizenship question on his terms. Procrastination by the Nationalists in implementing repatriation of local Chinese may therefore further embitter the strained relations between the two countries and prolong an atmosphere conducive to fresh outbreaks of violence. Local observers have repeatedly pointed out that such a situation is beneficial only to the Chinese Communists, who are already conducting a propaganda campaign accusing the United States of sponsoring Saigon's policies and accusing Taipei of "selling out" the interests of the Overseas Chinese.

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THE NEW MILITARY REGIME IN HAITI

The military regime of army chief of staff Brigadier General Antoine Kebreau, who ousted provisional president Daniel Fignole on 14 June, probably has a better chance of maintaining control than any preceding government in the past six months. No group now appears strong enough to overthrow the military government, and Kebreau demonstrated in the riots of 15 and 16 June his willingness to use strong-arm methods to stamp out potential threats to his regime. Nevertheless, the conditions which have led to political upheaval in the past continue to exist and some opposition ac-

tivity has become apparent during the last few days.

The army, which divided into warring factions during the disturbances preceding Fignole's seizure of power on 26 May, appears to have reunited under Kebreau, and most officers apparently support the new regime. Fignole's open attempt to divide and control the army just prior to his ouster may have been instrumental in sparking a reunification. Although press reports indicate the existence of dissident officer elements, no opposition activity on their part has been noted, and Kebreau

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

reportedly has warned them against divisive attempts. Fignole supporters among enlisted men do not have access to arms and presumably can be controlled.

The all-military government--consisting of a three-member junta and a seven-man cabinet--will probably draw support from diverse elements. The junta brings together men representing the three most important geographic areas and may thus reduce the bitter regionalism which weakened previous governments. Antagonism over the traditionally bitter race issue may also have been lessened by the appointment of four mulattoes to posts in the Negro-led government.

One of the principal immedi-

ate threats to the new regime is the possibility of renewed political maneuvering by ambitious presidential candidates. The government has implied it will support one of the two remaining leading candidates, Dr. Francois Duvalier. Supporters of the other, Luis Dejoie, may accordingly attempt retaliatory action. Dejoie's group, which was responsible for sparking the general strikes which ousted previous governments, is at present the greatest potential threat to the government. Fignole's street mobs, who continue to clamor for his return, are at present leaderless and probably could not create more than temporary disorders.

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DISSENSION WITHIN BOLIVIAN GOVERNMENT

Speeches by moderate President Siles and key leftist labor leader Juan Lechin at the workers congress ending 15 June accentuated differences over the US-backed economic stabilization program and may result in a general strike on 1 July. Support of the labor confederation--which controls the national congress and four cabinet ministers as well as organized labor--is essential to the government's position, and failure to find early agreement would threaten both the government's economic program and its stability.

Siles and Lechin agreed that economic stabilization must be continued and that the government must respond to some extent to worker demands for increased wages. Siles, however, emphasized the relationship between productivity and wages and advocated that employers be permitted to dismiss excess workers

and to reduce social security contributions, which now amount to 30 percent of the wage bill. Lechin, on the other hand, made a primarily political attack on the stabilization program, saying that it had caused economic stagnation and low worker compensation.

During the last days of the congress, Lechin led a majority faction in passing a resolution threatening a general strike on 1 July if agreement is not reached on "just compensation" for the workers. A minority faction in opposition to the general strike resolution and in support of Siles was led by a former Trotskyite whose previous record of agitation against the economic program suggests that he is motivated by rivalry with Lechin rather than loyalty to Siles.

On 15 June, Lechin was re-elected to the top post in the

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

labor confederation. Prior to the congress, Siles was reported by the US embassy as saying that Lechin had agreed to continue in the job only after ex-president Paz Estenssoro, Bolivia's most adept politician, had refused to replace him. This report may show that Lechin was willing to be replaced by the more moderate Paz--but not by any rivals within the labor confederation--and that his extreme position on the stabilization program was thus designed primarily to ensure his re-election rather than as a frontal attack on Siles.

Even in this event, however, the precarious status of the economy indicates difficulty for the labor-government negotiations on a wage rise. The cumulative

drain on the \$25,000,000 stabilization fund had reached \$4,115,000 by 13 June. While agricultural production has increased substantially, productivity at the mines, chief source of Bolivia's foreign exchange, is 50 percent below that of five years ago. Furthermore, the increased tension--exemplified by near riots in La Paz during the past week--has reportedly raised fear that outbreaks of violence may be provoked by extremists of the right or left.

The determination of the labor confederation to exert its influence was shown on 18 June when one of Bolivia's four "labor" ministers resigned and two others threatened resignations in reported compliance with a confederation decision.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

PART III

PATTERNS AND PERSPECTIVESTHE COMMONWEALTH PRIME MINISTERS' CONFERENCE

At the Commonwealth prime ministers' conference beginning 26 June in London--the first since Britain's Suez adventure--Britain faces a major job of reviving confidence in its leadership. Most members are concerned over the impact of Britain's reduced power position and the changes in its traditional economic and military policies on their own interests.

Divisive Trends

Politically, there is a rapidly advancing division of the membership between the "old" Commonwealth--Australia; New Zealand, and Canada--and the "new"--India, Pakistan, Ceylon, and Ghana--a development likely to be further accelerated by the forthcoming admission of Malaya and additional African territories. Also attending the London conference are representatives of the Federation of Rhodesia and Nyasaland and of the Union of South Africa. Britain's military strength no longer serves to bind the Commonwealth, despite the persistence of formal arrangements for defense cooperation.

In the economic sphere, the advantages afforded to the other members by participation in the sterling area have been reduced. As a result of these trends, which have accelerated with the relative contraction of Britain's economic and military capacities, Britain's position as "first among equals" within the Commonwealth has been severely weakened.

Many observers agree with the view expressed by a Commonwealth Relations Office official

at the height of the Suez crisis that the Commonwealth may eventually break up "in substance, if not in form." The regional interests of many of the members increasingly compete with their obligations to the Commonwealth, and nationalism and neutralism are weakening the appeal of the Commonwealth ideal for the Asian members. Britain itself, under the pressure of its continuing economic crisis, is abandoning its traditional attitude that its Commonwealth position precludes political and economic commitments to Western Europe, and now argues that such ties would complement, and, in the long run, strengthen the Commonwealth.

Conference Issues

Economic questions therefore bulk large among issues for general discussion by the ten countries participating. There is general concern on the part of the other members as to the effect on their interests of Britain's plan for a free trade area linking the United Kingdom to the projected European Common Market.

India in particular has already complained about the Common Market to the treaty signatories as, among other things, raising a threat to its export position, especially in the African colonial territories. It may raise a similar objection at the London conference. Australia and New Zealand also evidently intend to insist that any final arrangements made by Britain must not conflict with their long-standing interests in the United Kingdom market.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

Britain will also be subjected to questioning of its new defense policy of relying principally on the nuclear deterrent. There has been public speculation in Australia and New Zealand that Prime Ministers Menzies and Holland will seek assurances that Britain will continue to make provision for its obligation to SEATO and they will wish to discuss the strategic situation of Malaya after independence. India, Ceylon, and probably Ghana, may be expected to press Britain to seek agreement on an immediate end to nuclear tests, and India and Ceylon will presumably canvass once again their arguments against Britain's involvement in the Baghdad pact and SEATO.

Among subjects to be discussed bilaterally outside the main conference, the Kashmir question reportedly will be raised with Prime Minister Nehru by Pakistani prime minister Suhrawardy. Possibly as a bargaining device, Suhrawardy has apparently let it be reported that he may walk out of the conference if he does not receive the backing he expects from Britain and other members. As in past Commonwealth conferences, Canada and Australia will probably attempt to get some agreement on a method by which a Kashmir solution could be sought.

Ghana's Role

Ghana's participation is apparently regarded in London as presenting special problems. The American embassy in Accra reports that Prime Minister Nkrumah has not revealed what role he intends to play, but will presumably wish to raise the question of financing the huge Volta River hydroelectric and bauxite mining project in bilateral talks with the Brit-

ish. [REDACTED]

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London is apparently considering making an offer considerably less than would be necessary for Ghana to proceed with the full project, although British officials in the past have warned that Nkrumah might eventually try to emulate Nasr in seeking Soviet aid. In any case, Britain will presumably urge other members to find occasion to approach Nkrumah informally on the question of relations with the Soviet Union and the nature of world Communism.

Ghana's presence at the conference as the first of a number of native African territories such as Nigeria which will eventually accede to membership also casts a further strain on South Africa's participation. As a symptom of South Africa's attitude, Prime Minister Strijdom is sending a deputy, Foreign Secretary Louw, to represent him. To a much lesser degree, the representative of the Federation of Rhodesia and Nyasaland, where some resentment exists because of Ghana's success in obtaining its independence, may also display some reserve toward Nkrumah.

Britain's Approach

Macmillan's first task will be to restore the confidence in Britain's judgment and good intentions which was shaken by London's action last October in ignoring the interests of its Commonwealth partners. The prime minister's recent public statements suggest that he will seek to quiet their fears of radical revisions in British policy being undertaken without consultations, and to convince them that the

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 June 1957

constructive possibilities for the Commonwealth have not been essentially altered by the changes in Britain's circumstances.

Macmillan may be expected also to emphasize the importance of the economic interests still shared among the Commonwealth, and may follow the line taken earlier by President of the Board of Trade Eccles in calling for Commonwealth support of Britain's free trade area proposals as a means of heading off the potential threat of West German domination of the European Common Market.

As in the past, Britain will probably pay special attention to the attitude of Nehru. The American embassy

in New Delhi reports that the doubts Nehru publicly expressed about the Commonwealth last winter may have revived, and that he may be approaching the conference in a spirit of re-assessment of the value to India of the Commonwealth connection. Despite recent friction, however, London still attaches importance to India's membership.

One gesture Macmillan might make is to respond to some recent semiofficial urging in the United Kingdom and suggest that the prime ministers consider the possibility of holding their future meetings in other Commonwealth capitals as a symbol of Commonwealth equality and unity. [redacted]

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JAPAN'S DETERIORATING BALANCE OF PAYMENTS

Japan's balance of payments difficulties have become serious. The drain on foreign exchange reserves has been appreciable this year as a result of an increase of imports to expand industrial facilities. Government countermeasures, primarily credit restrictions, have not controlled the import and expansion boom which has persisted despite a tight money market. The head of the government's Economic Planning Board has warned that unless effective steps are taken, the deficit will reach \$420,000,000 this fiscal year. On 14 June, the cabinet adopted a new program which it hopes will restore small monthly surpluses by the end of December.

From January through May, international payments exceeded receipts by \$285,000,000; letters of credit already opened indicate that an additional \$200,000,000 to \$300,000,000 will be added to this deficit

in the next few months. Foreign exchange holdings have been reduced by \$400,000,000 during this period and net spendable reserves are expected to be down to \$150,000,000 by September.

The Problem

With the exception of 1953, Japan has had a favorable balance of payments each year since 1947. Special dollar purchases by the American government and military personnel in Japan were largely responsible for converting the country's perennial trade deficit to a favorable over-all balance of payments. These purchases have been reduced since the end of the Korean war, but still have exceeded \$500,000,000 annually since 1954 and are continuing at the same rate in 1957. The reversal in Japan's payments position, therefore, is caused mainly by a large increase in imports

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

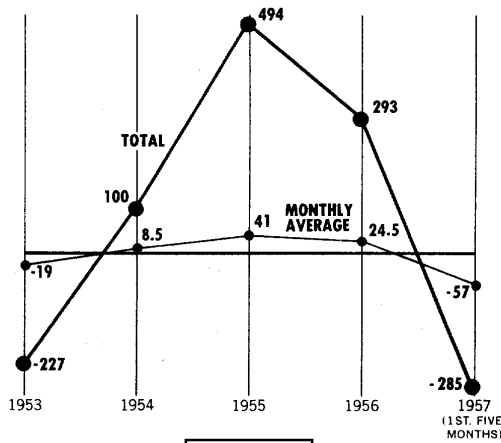
without a corresponding expansion of exports.

In 1956, Japan set all-time records for imports, \$3.2 billion, and for exports, \$2.5 billion. During the first five months of 1957, imports again increased by 24 percent while exports were only 11 percent higher. The May trade deficit, \$97,000,000, set a new monthly high.

Many of Japan's industrial facilities are antiquated and inefficient and do not give it a truly competitive position. Former prime minister Ishibashi advocated using the receipts earned during prosperity to modernize equipment and production techniques, thereby enabling Japan to compete in a period of lower prices as well. Government economists and finance officials, however, alarmed by the rapid loss of foreign exchange and by the flow of investment funds into unessential and nonexport industries, are

JAPAN'S BALANCE OF PAYMENTS

(MILLIONS OF DOLLARS)



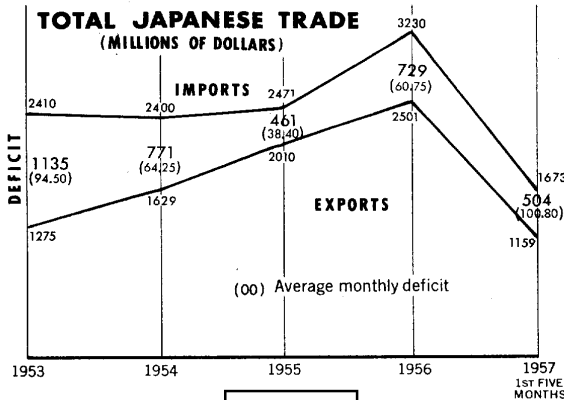
20 JUNE 1957

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anxious to curtail the size of industrial investment.

Uncertainty with regard to the continued availability of ample supplies of raw materials, particularly of minerals and metals for heavy industry, has caused speculative purchasing. This is especially true of Japanese scrap iron purchases from the United States, which are limited by the scarcity of amounts available for export.



(00) Average monthly deficit

20 JUNE 1957

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

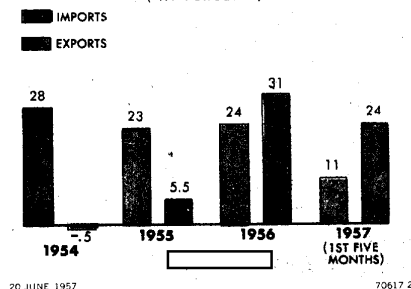
20 June 1957

Consumer demand in Japan is strong and domestic prices, in many instances, are sufficiently high to divert goods from the export market. Inflation is not a serious problem as wholesale prices have risen only 7 percent in the last four years and have remained stable during 1957.

Government Countermeasures

The government moved first on 7 May to curtail excessive investment by raising the Bank of Japan's basic rediscount rate 0.73 percent to a postwar high of 8.4 percent. Commercial banks were authorized soon

JAPAN'S TRADE
CHANGE FROM PREVIOUS YEAR
(IN PERCENT)



afterward to raise their own interest rates. Credit expansion, which had persisted despite an already tight money market, was not affected seriously by these measures.

In a further attempt to curb investment, the Bank of Japan on 13 June ordered nine leading commercial banks to slash their proposed lending during June from \$139,000,000 to \$61,000,000. A breakdown of the proposed loans indicated that 26 percent had been intended for industrial expansion, 32 percent for import payments, and 42 percent for current commercial operations.

Realization that a broad approach was needed to cope with the problem caused the

cabinet on 14 June to adopt a nine-point plan which would curb unessential imports, promote increased exports, reduce the government's loan and investment program, induce a reduction of private investment in plant expansion, and enforce tighter lending policies within the banking system.

The plan so far is a statement of objectives and does not deal with specific measures. The government may not be able to implement the program vigorously because the ruling Liberal-Democratic Party is extremely sensitive to public criticism. Business interests in particular oppose restrictions on investment, and it is not even certain that all the cabinet ministers are agreed on the specific points of the program.

The Japanese believe that their balance of payments difficulties are serious enough to require outside assistance to cover the loss in foreign exchange reserves. They probably will seek long-term loans from the World Bank and may withdraw their entire \$250,000,000 quota from the International Monetary Fund.

The Outlook

Raw material stockpiles are large enough to permit drastic reductions of imports without hampering industrial activity, but there is some concern that inflation would result from severe, sustained import restrictions.

The payments position is likely to deteriorate still further in the next few months before a reversal of the trend occurs. The Japanese idea is that substantial deficits are almost inevitable for the next two or three months, with smaller deficits for an additional three months. Small surpluses are expected thereafter, but not

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

enough to repay any foreign exchange assistance for at least one year.

In addition to the balance of payments problem, Japan is faced with the long-term problems of modernizing its industrial facilities and techniques

and of finding stable supplies of raw materials closer to home. The latter need acts as a driving force behind Japanese interest in economic co-operation with Southeast Asia and in trade with Communist China.

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CHINESE COMMUNIST CAMPAIGN FOR "PEACEFUL LIBERATION" OF TAIWAN

The Chinese Communists, ever since their victory on the mainland in 1949, have had as one of their major policy objectives the conquest of Taiwan and destruction of the Chinese Nationalist government.

Until the spring of 1955, Peiping's strategy to achieve this goal was one of threats and bluster, underscored by intermittent military pressure. During the fall of 1954 and the early months of 1955, Chinese Communist propaganda reached a new high in belligerency. Military attacks were launched against Nationalist garrisons on the offshore islands and these were instrumental in forcing withdrawal of Nationalist troops from the Tachen Islands, north of Taiwan, in February 1955.

In April of that year, the Communists abruptly changed their tactics. At the Bandung conference that month, Chou En-lai declared that his government was ready to negotiate with the United States on the subject of "relaxing tensions in the Far East...and in the Taiwan area." During the conference Chou struck a conciliatory pose and asserted that Taiwan would be "liberated" by peaceful means "so far as possible." Chinese Communist spokesmen have repeated this

line many times since then, both in public statements and in private conversations with foreign visitors.

Peiping Faces Unknown Factors

This shift probably reflected two principal uncertainties on Peiping's part. The first was an apparent lack of assurance as to Soviet support for a major military operation against Taiwan.

The Kremlin took an equivocal public position on the question. When in Peiping in October 1954, Khrushchev declared that the Soviet "people" supported Chinese Communist aspirations to "liberate" Taiwan, but his speech contained no mention of the kind of aid Peiping might expect. When Moscow publicized Khrushchev's speech in December, Soviet officials pointed out to Western correspondents that he had not referred to support by the Soviet "government." The most recent statement on the question by a Soviet leader was Voroshilov's airport speech at Peiping on 15 April 1957 in which he promised government support only for the Chinese Communist "demand" that Taiwan--an "indivisible part of China"--be restored.

Of greater, perhaps decisive, importance was Peiping's

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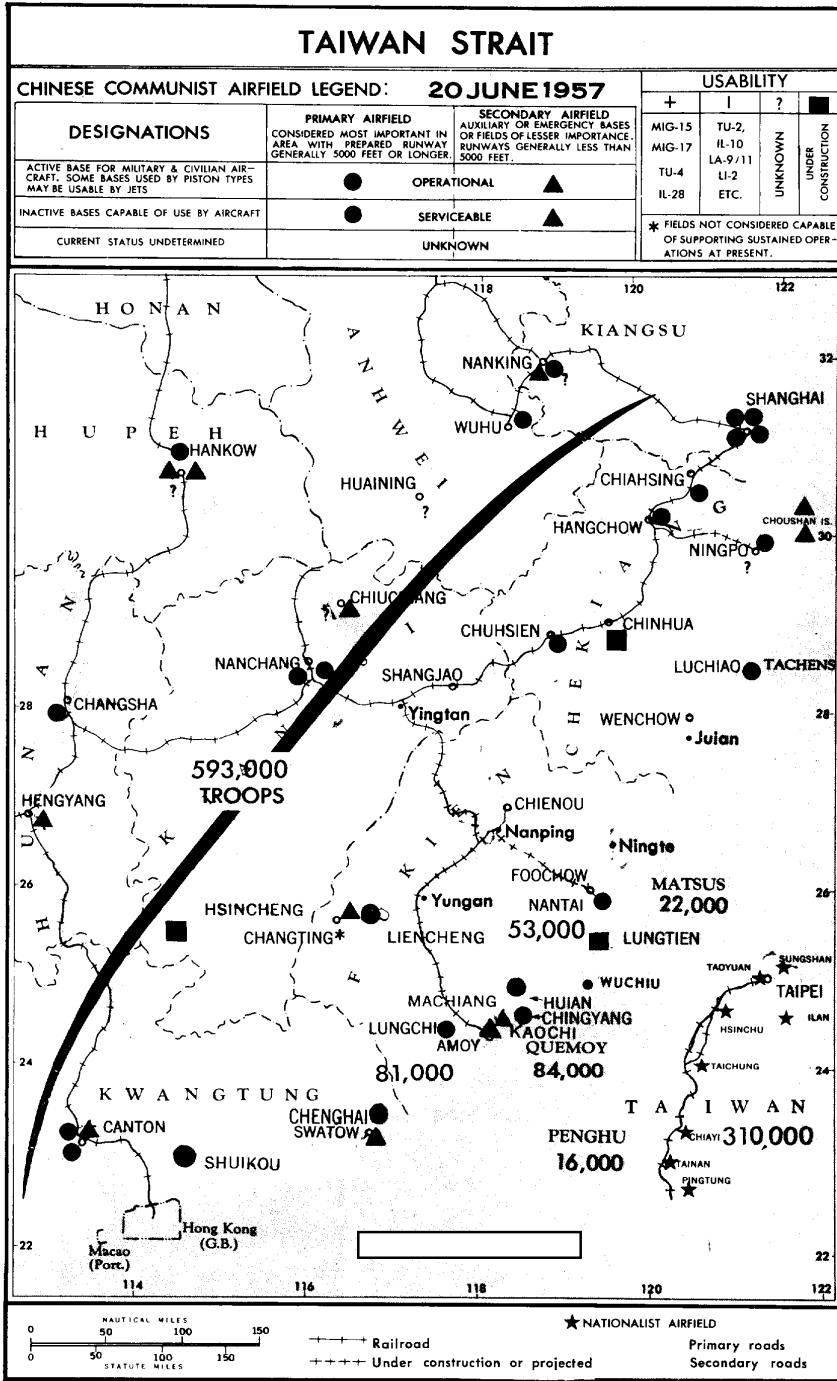
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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

uncertainty as to how the United States would react to further military moves against the Chinese Nationalists. In December 1954, the United States signed a mutual security treaty with

the Chinese Nationalist government, and, when Chinese Communist military activity increased the following month, the American Congress passed a joint resolution authorizing



SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

the President to employ military forces in the Taiwan area at his discretion. These political moves were underscored in February when the largest American naval task force assembled in Far Eastern waters since the Korean war covered the Nationalist evacuation of the Tachen Islands.

Shift to Psychological Warfare

The Chinese Communists almost certainly regard American power as the only effective obstacle to their plans for the conquest of Taiwan. Lacking military means to eject the United States, Peiping turned to psychological warfare in an effort to bring about the eventual withdrawal of American support for Chiang Kai-shek. For the past two years, the Chinese Communists have worked to encourage Nationalist defections, to depress morale on Taiwan, and to drive a wedge between Taipei and Washington by arousing suspicions and ill feeling on both sides--using the "peaceful" weapons of propaganda and subversion.

The Communists, at the same time, have continued to improve their military capabilities opposite Taiwan against the day when they believe themselves free to dispose of the Nationalists without interference. Chinese Communist forces now in position opposite Taiwan could be used to assault the Nationalist-held offshore islands with little or no warning. Peiping might come to believe that such a move would place additional strain on relations between Taipei and Washington without involving substantial risk of American military retaliation. The Chinese Communists have avoided linking the offshore islands with Taiwan in their "liberation" statements and have periodically harassed Nationalist island garrisons with artillery fire.

Subversion of Officials

Peiping's basic tool in the campaign for "peaceful liberation," however, is a massive propaganda effort aimed primarily at middle- and lower-level officials in the Nationalist government. Mainland radio stations now broadcast approximately 13 hours per day to Taiwan. Nationalists at all levels have received letters from relatives and former friends still in Communist China urging them to come "home."

Fundamental Communist propaganda themes are "patriotic" appeals to Chinese nationalism through accounts of achievements by the "new China" and anti-Americanism. Offers of amnesty and good treatment have been periodically extended to all Nationalists, including Chiang Kai-shek himself--who was publicly referred to last February by Chou En-lai as "my old friend."

Early in 1956 Peiping began to make extensive use of rumors about alleged negotiations between the Communists and high-level Nationalists. Peiping apparently wished to stimulate fears of a "sellout" both among the Nationalist rank and file and officials in Washington. The most popular target has been Chiang Kai-shek's powerful elder son Chiang Ching-kuo, long an object of suspicion in some quarters because of his Russian wife and early Soviet training. In a major policy statement last June, Chou En-lai declared Peiping's willingness to discuss specific terms for a settlement with the "Taiwan authorities" and invited them to send representatives to Peiping "or other appropriate place" at a time "convenient to them."

Talk about negotiations has been kept alive by hints dropped to foreign visitors in Peiping and by reports planted

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 June 1957

in the press--some outlining specific terms for an alleged settlement. A fresh spate of such stories appeared in February this year. Mao Tse-tung's public comments about the possibility of a "third co-operation" between the Communists and the Kuomintang in conversations with Voroshilov in April appear calculated to give them a semblance of truth.

In February, Peiping began to place increasing emphasis on anti-American themes and has been attempting to foster doubts in the minds of Nationalist leaders by portraying the United States as an unreliable and self-serving ally. In a major speech on 5 March, Chou En-lai charged that the United States was seeking to overthrow Chiang Kai-shek and turn Taiwan into an American colony "like Honolulu" by supporting pro-American elements on the island.

This theme was reiterated during May in propaganda concerning the decision to station a Matador missile unit on Taiwan, which Peiping labeled a move to "stiffen the backs" of pro-US cliques and thus to obstruct negotiations leading to unification of Taiwan with the mainland. Since the Taipei riots on 24 May, anti-

American themes have been the staple in Peiping's propaganda.

The Chinese Communists have no doubt taken heart from newspaper accounts of a Chinese mob sacking the American embassy with the alleged connivance of at least some Nationalist officials and reports that students jailed during the riots were given a "hero's welcome" when they returned to their classes. Peiping will almost certainly interpret the incident as evidence that an exploitable base of anti-American feeling is developing on Taiwan and that desperation and irresponsible factionalism are growing in the Nationalist leadership.

Chou En-lai stated in March that "more and more military and administrative personnel in Taiwan are willing to bring about peaceful liberation," and Peiping probably regards the recent disorders as confirmation that its campaign is making progress. The Chinese Communists will be encouraged to redouble their efforts for "peaceful liberation"--the volume of Chinese Communist propaganda on this issue has already increased.

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SIMONOV: SOVIET CAREER INTELLECTUAL

The twists and turns of thought about the role of literature in Soviet society voiced by Konstantin Simonov, prominent Soviet writer and editor of the literary monthly Novy Mir, illustrate the difficulties Soviet career intellectuals face in a country where "creative" writing is a political art and must conform with government policy.

After Stalin's death, increasing numbers of Soviet intellectuals began to interpret rather liberally the relaxation in the regime's control of literature, music and arts which was part of the general "thaw" of 1953. By mid-1954 the regime had begun again to restrict the limits of permissible freedom of expression for creative artists, particularly writers, while

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

continuing to demand maximum intellectual productivity and creative imagination.

The situation has been confused ever since, and loyal career intellectuals like Simonov have had a hard time keeping pace with the shifting party line. The more recent trend has been toward tight party control and political conformity, usually linked by regime spokesmen with the Stalin-era formula of "socialist realism."

Simonov as Stalin's Spokesman

"We must not move a single step aside from the path marked out by the Party. The people demand that our dramaturgy think in the state style based on Party adherence." (Simonov in 1949)

During Stalin's lifetime, Simonov went from triumph to triumph as novelist, poet, dramatist, critic, sycophant and spokesman for the regime. Born in 1915, Simonov was educated at the Gorky Literary Institute. A member of the Communist Party since the age of 27, he is a product of the Soviet era. Simonov apparently came to the attention of the Soviet leaders during the war through his front-line propaganda sketches for Krasnaya Zvezda and Pravda and rose to prominence as an instrument of the regime in its postwar attempt to reimpose literary orthodoxy.

He was appointed a deputy secretary general of the Union of Soviet Writers in 1946 in a shake-up of that organization, and in addition served successively as editor in chief of Novy Mir (1947-50) and Literaturnaya Gazeta (1950-53).

During the Stalinist period, the official position

on all important questions at any given moment was so well defined that the only requisite equipment for intellectual survival was adroit adherence to the party line. Simonov was so able at expounding the shifts in cultural policy that he was



SIMONOV

frequently selected to represent the Soviet Union abroad in cultural and peace delegations.

Simonov Cools the Thaw

"Noble images of the heroic building of Communism always will stand at the center of the best productions of Soviet literature." (Simonov in July 1954)

In the year following Stalin's death, a number of prominent Soviet literary figures exploited the general relaxation to press for greater freedom of expression. Simonov remained cautiously silent for over a year and was rewarded in August 1954, after the signal had been given for strengthening party controls over literature, by being named to replace the chief editor of the literary journal Novy Mir, who had been dropped for publishing "idealist" and "nihilist" articles.

Simonov's task was clearly to restrain the "liberal"

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CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

A SOVIET CARTOONIST VIEWS CULTURAL CONFORMITY

THREE SONG WRITERS AS THEY APPEAR IN REAL LIFE. . .

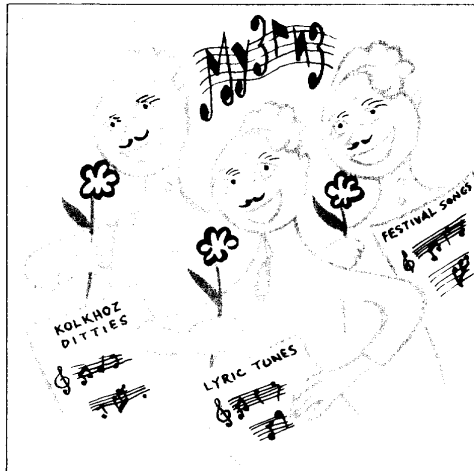
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movement among intellectuals which had its focal point in Novy Mir, and this he managed to do satisfactorily from the Second Soviet Writers' Congress in December 1954 until after the condemnation of the "cult of the individual" at the 20th party congress in 1956.

Simonov and De-Stalinization

"Much of what I have said may seem controversial. Problems concerning an entire period in the development of literature can be solved correctly only through broad, collective discussions. It is time to start such discussions."
(Simonov in December 1956)

The rapid pace of de-Stalinization in 1956 evidently confused Simonov. Under pressure from above to maintain order among intellectuals and from below to publish the works of rebellious young authors, Simonov misread the trend of events for a brief period and permitted the publication of a whole series of stories in Novy Mir dangerously critical of the Soviet way of life--and therefore by re-



. . . AND AS THEY APPEAR IN THEIR SONGS.

..FROM KROKODIL, 20 APRIL 1957

regime definition not "socialist realism." Simonov himself later described his comparatively liberal position in 1956 as an "honest blunder."

His greatest error was writing his own views in an article, "Literary Notes," published in the December 1956 Novy Mir. In it he set forth in detail the evil effect of the "cult of the individual" on Soviet literature as he saw it. Simonov made no attempt to hide his own and other writers' "grievous errors" in distorting reality to fit Stalinist formulas during the post-war years, although he described the Russian literary community as "honest Soviet patriots" who, though mistaken and cowardly, did not act in bad faith.

He denounced the theory that Soviet critics should not find fault with Russian literature until they had annihilated non-Communist or "alien" criticisms. He maintained that the principle of "criticism and self-criticism" requires Soviet critics to attack Soviet literary defects simultaneously with their broadsides against "alien" non-Communist criticism. He deplored the Stalinist policy of generalizing any specific criticism in a work of fiction

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 June 1957

into an attack on the whole of Soviet society.

Unfortunately, Soviet misfortunes at home and abroad in the summer and fall of 1956 had caused the regime to renege partially on its own de-Stalinization campaign. A series of attacks on Simonov and Novy Mir were published by Literaturnaya Gazeta and Kommunist, which enumerated his sins as follows: publication in Novy Mir of such unpalatable works as Dudintsev's novel Not By Bread Alone, casting doubt on the principle of party spirit in literature, revising some of the party central committee's theses regarding literature, and defining socialist realism as only one of several permissible "outlooks on the world."

The Soviet position, after some wavering, was reaffirmed as being that "socialist realism" is the only permissible philosophical basis of literature as well as the specific stylistic method which must permeate every Soviet literary creation.

Return to Orthodoxy?

"We have no intention of permitting any revision to be made of the historically developed principles of socialist realism." (Simonov in March 1957)

There is a more orthodox ring to Simonov's latest article ("Concerning Socialist Realism," Novy Mir #3, 1957). He now describes socialist realism as the only valid method for Soviet writers and charges that the pages of the Polish literary press have become the instrument of bourgeois propa-

ganda because they criticize Soviet literature. He asserts that Soviet literature must root out all manifestations of "neutralism" and "nihilism" (i.e., the failure to campaign for the party line), which act as Trojan horses for alien bourgeois concepts.

At the plenum of the Moscow board of the Writers' Union in March, Simonov was among the minority supporting the official attack on Dudintsev for his novel Not By Bread Alone, sharply censuring him for immodestly failing to benefit from the criticism of other writers and official journals.

Limits for Intellectuals

Simonov's partial retreat indicates that the literary discussions of the past six months have clarified the party line to the point where there is less confusion on where creative writing leaves off and heresy begins. This clarification has been achieved mainly by delimiting successively narrower circles of permissible intellectual activity.

The leadership and its captive intellectuals still face a basic dilemma: how to stimulate fruitful creative individuality and "positive discussion" without permitting criticism of the regime of ideological heresy. The Soviet intellectual, in his drive for honest self-expression, is still caught between the demands for doctrinal orthodoxy and maximum intellectual creativity. The regime, having to settle for more of one and less of the other, will probably continue to stress orthodoxy.

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