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COPY NO. 18
OCI NO. 3957/57

1 August 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY

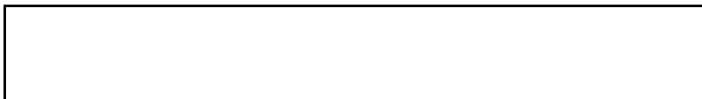


DOCUMENT NO. 10
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS, S, C
NEXT REVIEW DATE: 1989 25X1
AUTH: HR 702
DATE: 30 Aug 79 REVIEWER:

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

THE SITUATION IN GUATEMALA Page 1

The surface calm in Guatemala since the assassination of President Carlos Castillo Armas on 26 July may break in the near future as political factions line up for a power struggle. Although the army, under the powerful defense minister, Col. Juan Francisco Oliva, is in virtual control of the government and has thus far maintained order, reports of plotting and impending violence are increasing. Prospects for political stability in the coming months appear slim. [redacted]

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HOSTILITIES IN OMAN AND YEMEN Page 2

Britain has initiated another series of air strikes against rebel forts and supply lines in interior Oman, while small-scale movements of British-led native troops have been undertaken to contain the rebellion. Prime Minister Macmillan remains determined not to employ British troops airlifted to the area. Some Persian Gulf native ground troops under British control will almost certainly eventually have to be committed to re-establish the Sultan's influence in the rebel area. Meanwhile, the Yemenis have in recent weeks again provoked hostilities on the Aden Protectorate frontier, and British air and ground forces have been in action against them. [redacted]

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SOVIET HINTS OF FOREIGN POLICY TRENDS FOLLOWING PARTY SHAKE-UP Page 4

Since the party presidium shake-up, a number of Soviet officials have provided--mostly in private conversations--clues to the direction Moscow's foreign policy may take. Nearly all these officials have been optimistic about the prospects for an improvement in the international atmosphere and for increased high-level contacts, particularly with the United States, but have offered little indication of a changing Soviet stand on the main issues that divide East and West. Although no dramatic change in Soviet foreign policy is anticipated, a reappraisal of diplomatic tactics may be under way, possibly involving a substantially increased economic aid program aimed primarily at areas peripheral to the Sino-Soviet bloc. [redacted]

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SOVIET ECONOMIC OFFENSIVE CONTINUES Page 7

The Soviet economic offensive in the underdeveloped countries has continued to expand since the June shake-up in the presidium. In recent weeks several new large credit and aid agreements have been signed, and the responsibility for directing economic relations with foreign countries has been assigned to a newly formed state committee under M. G. Pervukhin. Moscow may consider the present time propitious for a major campaign to advertise continuing Soviet readiness to aid underdeveloped countries. [redacted]

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PART II

NOTES AND COMMENTS

MIDDLE EAST DEVELOPMENTS Page 1

Reporting on the Syrian mission to Moscow emphasizes its economic objective, but official explanations remain vague. Jordanian authorities remain concerned over Israeli activity in the "neutral" zone in Jerusalem and a number of minor border incidents have taken place. Egyptian Defense Minister Amir's acceptance of an invitation to visit the USSR sets the stage for a possible return visit by Zhukov to both Egypt and Syria. Nasr's 26 July speech was received critically by much of the Arab press outside Syria; his references to the failure of the other Arab states to support Egypt in the first Palestine war seem to have been particularly resented. [redacted]

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NEW PRESSURE FOR CHANGE IN FRANCE'S ALGERIAN POLICY . . . Page 2

Opposition to the Lacoste pacification policy for Algeria continues to grow in France. French military circles are apparently beginning to insist on the necessity for a political move to break the Algerian impasse. The government still maintains that pacification is its first objective, but the possibility of a fresh approach is growing as Paris works out a draft statute and again extends negotiation feelers to the Algerian nationalists. [redacted]

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BRITAIN SEEKS TRIPARTITE CYPRUS CONFERENCE Page 3

The British cabinet's recent discussions on Cyprus have resulted in a plan to invite Greece and Turkey to confer in London on 3 September. London presumably hopes to gain a political advantage by making such a conciliatory gesture before the UN General Assembly meets. Turkey may accept the invitation. Greece feels its best prospects lie in UN consideration of the problem. [redacted]

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ARGENTINE CONSTITUENT ELECTIONS Page 4

Parties supporting the Argentine provisional government's call for constitutional revision won a majority of the 205 constituent assembly seats in the 28 July elections, but strong opposition was registered, particularly through the many Peronista-inspired blank ballots. An increase in political jockeying for the important Peronista vote can be expected in the general elections on 28 February 1958. The Communists won at least two seats, their first in an Argentine assembly. [redacted]

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POSSIBLE MOVE TO ENLARGE UN DISARMAMENT SUBCOMMITTEE . . . Page 5

The USSR may seek to enlarge the five-member United Nations Disarmament Subcommittee when the 12-member Disarmament Commission meets to consider the subcommittee's report due on 1 August. The often-expressed desire of such states as India to become party to the subcommittee discussions, coupled with allegations of pro-NATO bias on the part of the four Western members of the subcommittee, may result in General Assembly support for increasing the subcommittee's membership--to the detriment of the West's effort to reach a carefully worked out agreement with adequate inspection and controls. [redacted]

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INCREASED PROMINENCE OF SOVIET SECRET POLICE Page 6

There are indications that the Soviet secret police is being quietly strengthened and that the standing of KGB chief Serov may have improved. The KGB does not appear to have played a role in the downfall of the "anti-party" presidium group. [redacted]

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AGRICULTURE IN THE SATELLITES Page 7

Generally fair to good harvests appear to be in prospect in the Eastern European satellites this year. Food output is expected to be considerably above the poor year of 1956 and in some areas may achieve the high levels of 1955. The increase will not be sufficient, however, to overcome the dependence of the satellites on imports of grain nor to satisfy the demands for a higher standard of living. [redacted]

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NATIONALISM PERVADES POLAND'S "LIBERATION DAY" CEREMONIES Page 9

In celebrating National Liberation Day on 22 July, Poland this year departed from practices which have become customary on such occasions in Communist satellites. No high-level delegations from other bloc countries attended, and public declarations on the occasion omitted reference to the Soviet role in the liberation. Two days later, Poland announced the public commemoration of the 1944 Warsaw uprising, not heretofore honored in the Communist world. would be held in August and September. [redacted]

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CZECHS TO EXPAND AIR SERVICE TO MIDDLE EAST Page 9

Czechoslovakia's drive to expand its network of air services in the Middle East has resulted in the conclusion of air agreements with Syria on 24 July and Lebanon on 27 July. In addition to the Damascus and Beirut routes, service to Cairo will be inaugurated sometime in 1957. Czechoslovakia paved the way for resumption of flights to Middle East capitals by acquiring landing rights in Greece in September 1956. [redacted]

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CHINESE COMMUNISTS TO CRACK DOWN ON STUDENTS Page 10

Peiping's current antirightist campaign, originally directed toward a handful of puppet party leaders, is now aimed at a much larger group. Peiping seems particularly disturbed at the moment by student involvement in alleged rightist intrigues. Repressive policies will increase the basic dissatisfaction among the students. [redacted]

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**NAHA ELECTION TO TEST STRENGTH OF PRO-COMMUNIST
OKINAWAN MAYOR Page 11**

A close contest is expected between the supporters of pro-Communist Okinawan Mayor Senaga and the opposing conservatives in the election on 4 August of the Naha municipal assembly. Senaga's opponents, who must win at least 20 seats to oust him, are handicapping themselves by remaining aloof from the electorate, while the leftist candidates are being led by the mayor in a vigorous campaign. [redacted]

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THE PHILIPPINE POLITICAL SITUATION Page 12

Overwhelming endorsement of President Carlos Garcia as presidential nominee of the Nacionalista Party at its convention on 27 July may have averted a serious split in the administration party. Selection of Garcia's running mate, as well as of a senatorial slate, has been turned over to the Nacionalista executive committee, which may delay its decision until after the opposition Liberal convention which opens on 3 August. The Liberals are expected to nominate Jose Yulo and Diosdado Macapagal, but they will face a strong battle in the November election if Nacionalista cohesiveness is maintained. [redacted]

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SOUVANNA PHOUMA DESIGNATED TO FORM LAOTIAN GOVERNMENT . . Page 13

Former Laotian prime minister Souvanna Phouma has been designated to form a government and is confident he will receive the support of all parties. Ostensibly committed to the firm policy on the Pathet Lao problem espoused by his Nationalist Party colleague Katay, he has revealed that he will nevertheless press for a coalition government with the Pathets without prior safeguards. [redacted]

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THREAT OF VIOLENCE IN CEYLON DIMINISHED Page 14

Prime Minister Bandaranaike and Tamil leaders agreed on 26 July to give official recognition to Tamil as the language of Ceylon's minority population of Indian descent. The civil disobedience campaign planned by the Tamils for 20 August has been canceled. The settlement is likely to be temporary, however, and agitation on the Tamil-Singhalese issue will almost certainly continue. [redacted]

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SINO-CEYLONESE TRADE IN RICE AND RUBBER Page 15

The Ceylonese delegation expected in Peiping on 2 August to renegotiate the expiring five-year rice-rubber agreement seems likely to have some difficulty. Communist China has less need for Ceylonese rubber and may drive a harder bargain than in 1952. There are signs that the USSR may be willing to negotiate an arrangement if China does not renew its commitments to Ceylon.

[Redacted]

OPPOSITION TO SUHRAWARDY IN PAKISTAN Page 17

Prime Minister Suhrawardy will face threatening political situations in both East and West Pakistan when he returns from his six-week tour abroad on 4 August. In addition to an apparent weakening of Suhrawardy's support in provincial politics, opposition to his pro-American foreign policy has been strengthened as a result of the formation on 25 July of a new national party uniting pro-Communist elements in both provinces.

[Redacted]

[Large Redacted Block]

BRITISH GUIANA AND THE WEST INDIES FEDERATION Page 19

The Legislative Council election on 12 August in British Guiana is expected to result in a popular majority for the Communist-led faction of the People's Progressive Party, which London ousted from office in October 1953. The victors will probably be allowed to form a government under the safeguards provided by a new constitution, and a period of internal instability is likely. There probably will be no early change in British Guiana's opposition to joining the developing West Indies federation.

[Redacted]

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PART III

PATTERNS AND PERSPECTIVES

INTELLECTUAL AND CULTURAL FREEDOM IN POLAND Page 1

Polish intellectual life, which first showed signs of a revival in 1955 and was encouraged by the Soviet 20th party congress in February 1956, has received greater scope for free development since Gomulka's accession to power in October 1956. Polish intellectuals have been renewing their traditional cultural, educational, and artistic ties with the West. This development could in time extend beyond the cultural sphere and strongly influence political thinking in Poland, creating for the Warsaw regime the problem of containing the reorientation within bounds compatible with Communism. [redacted]

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NORTH KOREA'S STATUS IN THE BLOC Page 4

North Korea remains a "hard-line" Soviet satellite, untouched by the repercussions in the rest of the Sino-Soviet bloc of the de-Stalinization "thaw" following the 20th party congress, Mao's "hundred flowers," and the "separate roads" of Yugoslavia and Poland. The Kim Il-sung regime continues to suppress any news or commentary which might inform Korean intellectuals of liberalization developments elsewhere in the bloc. The political orientation of the present leadership is Soviet rather than Chinese. The Chinese Communists have a voice in military matters, however, and help formulate Pyongyang's foreign policy in those fields where Peiping has a special interest. [redacted]

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THE SOUTH KOREAN ARMED FORCES Page 6

The South Korean armed forces probably could defend their country unaided against an attack by North Korean troops for only a short period of time. The army's 20 divisions are lightly outfitted and much of the equipment is obsolete and worn out. Corruption is a serious problem. Many South Korean officers recognize the desirability of reducing the size of the army, but President Rhee probably will continue strongly to oppose a reduction until convinced that smaller forces--if well equipped and efficiently organized--would be more effective. [redacted]

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PRO-COMMUNIST TRENDS IN ICELAND Page 9

In the 12 months the Communists have participated in Iceland's coalition government, they have been gradually entrenching themselves in government agencies--particularly in those controlling the economic life of the country. Iceland's foreign trade continues to shift toward the Soviet bloc, and the Conservative opposition is being steadily weakened. Although the Communists have suffered some losses in the trade unions, there are no signs of an imminent breakup of the coalition cabinet.

[Redacted]

[Redacted]

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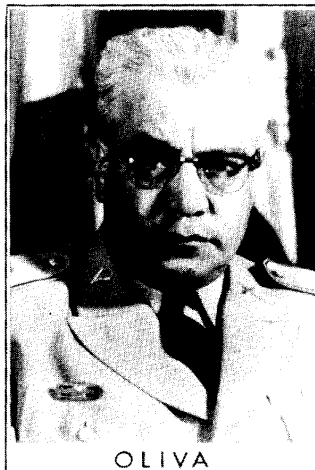
PART I

OF IMMEDIATE INTEREST

THE SITUATION IN GUATEMALA

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The surface calm in Guatemala since the assassination of President Carlos Castillo Armas on 26 July may break in the near future as political factions line up for a power struggle. Although the army, under the powerful defense minister, Col. Juan Francisco Oliva, is in virtual control of the government and has thus far maintained order, reports of plotting and impending violence are increasing. Prospects for political stability in the coming months appear slim.



OLIVA

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High government officials remarked to US Ambassador Sparks on 30 July that the only solution would be for Oliva to resign as defense minister in order to become constitutionally eligible to run for president.

Under the constitution, cabinet ministers must resign six months prior to elections. This would necessitate extension of the state of siege for 60 days after Oliva's resignation in order to extend to six months the legal four-month waiting period before elections. Oliva reportedly feels that emergency financial aid from the United States is necessary to implement his plans. High government and army leaders have indicated their support for Oliva's candidacy.



Leftist opposition activity is largely confined to exiles, principally in Mexico. Poorly organized and weakened by conflicts between Communist and non-Communist elements, the exile groups will probably not become a major threat. The Mexican, Salvadoran, and Honduran governments have increased vigilance over exiles and are taking measures to prevent them from crossing the

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borders. Guatemala has ordered all its consulates to cease issuing entry visas.

In the internal struggle for power, Oliva is maintaining the dominant position he assumed following the assassination. His principal rival, Ambassador to the United States Col. Jose Luis Cruz Salazar, is being sent back to Washington. He had arrived in Guatemala unexpectedly on 28 July, apparently intending to gain a leading position in the government.

The ease with which Oliva influenced President Gonzalez to eliminate Cruz Salazar from the political scene is a good measure of the defense minister's power. As long as the

pro-Castillo administration maintains its position, Oliva will probably retain his key position in the government.

The army is persisting in its efforts to assign blame and define motives for the assassination of Castillo.

[redacted] arrests have been made, and there are rumors that torture is being applied in some cases to exact confessions of collusion with the assassin in an alleged Communist-inspired plot to seize the government. [redacted]

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HOSTILITIES IN OMAN AND YEMEN**The Rebellion in Oman**

Britain has initiated further air strikes against rebel forts and supply lines in interior Oman, while small-scale movements of British-led native troops have been undertaken to contain the rebellion. The RAF now has the mission of interdicting rebel "military movements" during daylight hours, preceding its attacks with leaflets calling for support of Britain's ally, the Sultan of Muscat.

The Sultan has moved a British-led force, the 200-man Sohar Regiment, from the coast inland to Ibri, north of the rebellious area. The British-officered Trucial Oman Scouts have been concentrated at the strategic Buraimi Oasis, from

which a detachment has moved to reinforce the Sultan's force at Ibri. The British ground force in the Persian Gulf area, consisting principally of an infantry battalion, has headquarters on Bahrein. Two companies of this battalion have been moved toward the troubled sector--one to Sharja and one to Buraimi. British air operations are being mounted against the rebels from Sharja and Bahrein. Transport aircraft are deploying the Sultan's troops and tribal forces in position to press the rebel area from all sides.

The British have also established native ground patrols in an effort to prevent supply of the rebels overland from Saudi Arabia. A naval force consisting of three

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patrol escort vessels is attempting to prevent smuggling

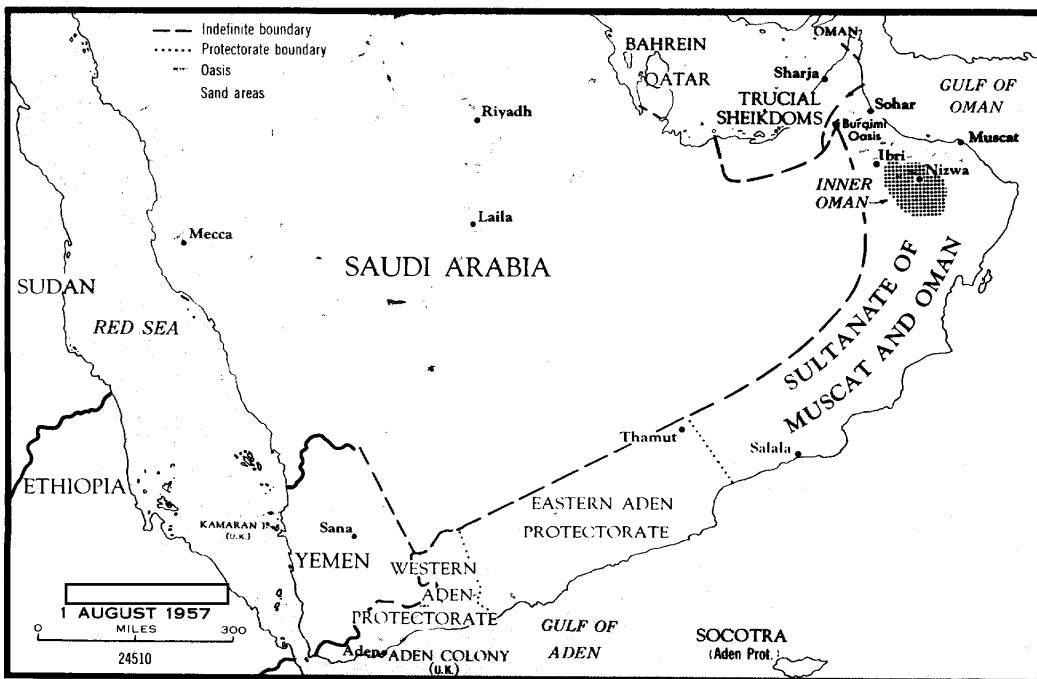


SULTAN OF MUSCAT AND OMAN

of supplies by sea. The American consul general in Dhahran reports that two deep-sea launches and one fast fishing boat, sold as surplus to native merchants, are now believed to

be in the possession of the Omani rebels--possibly smuggling arms. In view of the great distances involved, limited British forces available, and the native skill at smuggling, the blockade effort should prove difficult.

Recent reports detailing background on the Omani Liberation Army state that it is composed of 500-600 Omani exiles who were trained in eastern Saudi Arabia during 1956 and the first half of 1957 under Saudi and Egyptian officers. The Egyptians are believed to have departed at the end of 1956. The Omani force, under Talib ibn Ali, brother of the Imam of Oman, returned to Oman in May and June 1957. Inflammatory Cairo broadcasts to the Persian Gulf have spurred the Omani insurrection, and are calling on native troops to mutiny against the British.



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British Prime Minister Macmillan told Ambassador Whitney on 26 July that he is determined not to let the problem get out of hand and not to employ British troops, which in any case could not function effectively in central Oman's 130-degree summer heat. The Foreign Office's Arabian peninsula chief considers that the revolt is primarily a political rather than a military problem, in which the key is the allegiance to the tribal sheiks. He expressed a "reasonable hope" that the RAF action would bring the disaffected tribal leaders back to support the Sultan.

Despite a British desire to avoid a politically unrewarding and militarily difficult ground campaign against the rebels, the chief British official in the gulf area indicated that if air attacks are not wholly successful, ground forces would have to be used. Presumably the Trucial Oman Scouts, freed for use in the interior by the arrival of British troops, will be used initially. The plan evidently is to re-establish the Sultan's influence in the rebel area, break up the trained rebel military force, and seize or expel its leaders. The British official also said that the Sultan would not be content to restore the status quo ante in interior Oman, is determined to crush the rebels once and for all, and is un-

willing to permit Talib and the Imam to remain at large.

British Foreign Secretary Lloyd has conceded that RAF action alone might take a long time to achieve results. There is no indication, moreover, that the air action so far has inflicted losses on the trained rebel force, which remains capable of intimidating sheiks whose support of the revolt might be waning.

Yemen Provokes New Hostilities

The Yemenis have in recent weeks again provoked hostilities on the Aden Protectorate frontier, and British air and ground forces have been in action against them. The Yemenis have occupied several points within the area claimed by a local ruler in the remote Beihan Valley of Western Aden Protectorate, and are constructing a road from interior Yemen into this salient. The road project suggests that the Yemenis may plan to bring recently acquired Soviet military vehicles into this sector, where the gravel plateau affords the only extensive area in the protectorate suitable for armored movement. Yemeni control of this area would open the way for extension of influence in the Eastern Aden Protectorate.

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SOVIET HINTS OF FOREIGN POLICY TRENDS FOLLOWING PARTY SHAKE-UP

Since the party presidium shake-up, a number of Soviet officials have provided--mostly in private conversations--clues to the direction Moscow's for-

ign policy may take. Nearly all of these officials have been optimistic about the prospects for an improvement in the international atmosphere

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and for increased high-level contacts, particularly with the United States, but have offered little indication of a changing Soviet stand on the main issues that divide East and West. The return of a large number of Soviet ambassadors to Moscow has aroused speculation that some new diplomatic offensive may be in the wind.

Relations With US

A number of the Soviet spokesmen, including Mikoyan, have stated that as a result of the shake-up a more flexible Soviet approach could be expected, making it possible to settle some of the outstanding issues little by little but that there would be no modification of basic Soviet policies. Mikoyan remarked that the opposition group had interfered with these policies, but had not been successful in blocking them. Lower-ranking Soviet spokesmen described the ousted presidium members as "suspicious malcontents" and the new members as friendlier toward the United States.

In answer to a question

about a more flexible Soviet policy toward the West, Khrushchev said this depended on Western, particularly American, confidence in the sincerity of Moscow's desire to relax tensions.

[redacted] it was extremely important for the lessening of international tensions that the recent presidium shake-up and Khrushchev's policies be received with "understanding and support" by the United States, implying that if they were not, Khrushchev's position would be weakened and he might be forced to change course.

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High-level Meetings

The central committee communiqué ousting Malenkov, Kaganovich, and Molotov accused the latter of opposing the policy of "establishing personal contacts between the Soviet leaders and the statesmen of other countries." Since then, the contacts theme has been repeated by a number of Soviet spokesmen. Premier Bulganin, in his letter to British Prime Minister Macmillan on 20 July, urged such high-level visits.

Soviet propaganda organs have devoted considerable attention to the second anniversary of the Geneva summit conference but have made no specific proposals for a new summit meeting. Nor have they commented on President Eisenhower's remarks about a visit by Marshal Zhukov. The Italian Communist paper L'Unita, in a dispatch from its Moscow correspondent, however, reported on 23 July that "circles worthy

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of trust close to the Soviet government" considered the President's suggestion a "logical and sensible idea and hence worthy of being received and examined with maximum attention." It regretted that the American government had "backed out" on the idea.

Soviet embassy officials in Washington in remarks to the press indicated great interest in the possibility of a Zhukov visit and curiosity about whether an invitation would be issued, as well as interest in an exchange of visits between President Eisenhower and Khrushchev.

The USSR has also shown an interest in expanding lower-level contacts with the United States by proposing in a 24 June aide-memoire that the subject be discussed along with the exchange of radio and television programs proposed by Washington.

Disarmament-Germany

The few statements by Soviet spokesmen concerning specific problems troubling international relations have provided little evidence of any softening in Moscow's positions. Valerian Zorin, chief delegate at the London talks, said that the presidium shake-up improved the prospects for a disarmament agreement if the allies of the United States did not block it. Marshal Zhukov [redacted]

[redacted] was very pessimistic about the disarmament negotiations, mainly because the West appeared to consider it necessary to retain atomic weapons to counterbalance the greater Soviet manpower. He said he

was willing to open up the entire Soviet Union to inspection, but [redacted] the price would be Soviet inspection of the rest of the world.

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The Bulganin letter to Macmillan suggested that the USSR is still insisting on a suspension of nuclear weapons tests unconnected to other disarmament agreements. In this one substantive field where negotiations are now under way, there has been no change in the Soviet stand.

The public line on Germany also remains unchanged. Bulganin's letter to Macmillan repeated the standard formula that unification must be negotiated between the two German states, and the East German government has just issued a unification plan based on confederation of the two states rather than on free elections.

Yugoslavia-Arabs

The party central committee communiqué blamed Molotov for opposing measures to improve relations with Yugoslavia, and the USSR has now agreed to go ahead with major aid projects in Yugoslavia which it postponed last winter when relations with Belgrade were particularly tense. Khrushchev's statements in Czechoslovakia, however, were a curious blend of optimistic remarks about the good prospects for ending Yugoslav-Soviet differences, sarcastic criticisms of the Yugoslavs, and demands for unanimity in the socialist camp--including Yugoslavia.

Soviet propaganda broadcasts to the Middle East have been aimed at reassuring the

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Arabs that Soviet policy in that area will not change, despite the departure of Shepilov.

New Approach

The prospect of some new departure in foreign policy has arisen from reports that at least 17 Soviet ambassadors to free world nations have returned to Moscow in June and July. Like the satellite and Western Communist leaders who have recently visited Moscow, these ambassadors are presumably being briefed on the presidium shake-up and its foreign policy implications. Although no dramatic change in Soviet for-

ign policy is anticipated, a reappraisal of diplomatic tactics may be under way, possibly involving a substantially increased economic aid program aimed primarily at areas peripheral to the Sino-Soviet bloc.

Other speculation about the nature of any new Soviet initiative in international affairs includes some dramatic bid for high-level talks, re-designed collective security proposals for Europe or Asia or some scheme linking both areas, and a Soviet bid to sign up as many nations as possible in formal support of its nuclear test suspension plan.

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SOVIET ECONOMIC OFFENSIVE CONTINUES

The Soviet economic offensive in the underdeveloped countries has continued to expand since the June shake-up in the presidium. In recent weeks several new large credit and aid agreements have been signed, and the responsibility for directing economic relations with foreign countries has been assigned to a newly formed state committee under M. G. Pervukhin --a move which reflects the increasing importance and broadening responsibilities of the former Chief Directorate for Economic Relations (GUES).

On 24 July, Khrushchev suggested to the Ceylonese ambassador that the USSR would assist Ceylon in developing its rubber industry and would take

all the resulting increase in production.

The USSR signed an agreement with Syria on 30 July extending to that country a \$112,000,000 credit after persistent Syrian pleas for financial aid, and during the visit of the King of Afghanistan to the USSR, which ended on the same date, agreed to expand the Soviet economic assistance program in that country.

The USSR has also recently been pressing the implementation of aid and credit agreements already signed. A high-level Soviet team is now in New Delhi negotiating the details of the \$126,000,000 loan extended last

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November, and after pleading last winter temporary "inability" to implement a \$250,000,000 agreement with Yugoslavia, Moscow along with East Germany has now agreed to proceed with construction of projects promised Belgrade last year.

Moscow may consider the present time propitious for a major campaign to advertise continuing Soviet readiness to aid underdeveloped countries,

and further economic assistance programs may be forthcoming. Despite some economic difficulties being experienced in meeting the ambitious industrial goals of its Sixth Five-Year Plan, the USSR probably would adjust domestic programs in favor of additional credits to underdeveloped nations if an exceptional opportunity should arise to increase Soviet influence or promote dissension in free-world alliances.

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PART II

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MIDDLE EAST DEVELOPMENTS

Syria

Reports on the Syrian mission which arrived in the USSR on 24 July indicate that the main object is to secure a large loan. An authoritative leftist newspaper in Damascus has asserted that an agreement to provide Syria with a credit equal to \$112,000,000 will be signed and a communiqué issued from Moscow on 3 August. This agreement, while ostensibly to cover future economic projects, may also be designed to assist Syria in meeting current obligations.

Syria reportedly has defaulted on an arms payment due Czechoslovakia on 15 July, and there is no chance of its meeting the next two quarterly installments. Moreover, Syrian Prime Minister Asali has been put on notice by Finance Ministry officials that unless new sources of revenue are found, government employees may go unpaid after the next three months. Asali's official public statements have been equivocal on the purpose of the Moscow mission; he has said merely that the mission was visiting the USSR, as well as other countries, to secure cooperation in "vital" projects, and that Syria welcomed "unconditional" assistance from any source.

Israeli-Jordanian Border

Several minor incidents along the Israeli-Jordanian border this week reflect the tension between the two coun-

tries which continues to focus on the "neutral" zone in Jerusalem. In the face of vehement Jordanian protests, the Israelis have gone ahead with activities which they claim are preparations for a forestation project they intend to carry out in the area around UN truce headquarters when the weather becomes suitable, probably at the end of October. The Jordanians remain highly suspicious that this project is in fact part of an Israeli attempt to establish a demarcation line through the neutral zone and occupy part of it, particularly the commanding height southeast of the Arab-held Old City of Jerusalem.

At the end of last week the Jordanians moved some army units into a blocking position east of Jerusalem, while the Saudi units on the eastern side of the Jordan River were alerted.

Egypt

The Egyptian defense minister, General Hakim Amir, has accepted an invitation to visit the USSR but begged off from setting a date. The publicized acceptance by Amir sets the stage for a possible return visit by Marshal Zhukov to both Syria and Egypt; it also supports other information that Nasr has once again postponed his own oft-scheduled visit to the USSR.

Nasr's speech in Alexandria on 26 July, like his address to the National Assembly earlier

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last week, contained no surprises and ended on an anti-climactic note. It had a fierier tone, however, and, in contrast to his previous speech, attacked the other Arab states except Syria for having "sold out" to American imperialism. Syria was also singled out as the only state which had assisted Egypt in the Palestine war of 1948-49, an assertion which offended press opinion in the other states.

Even left-wing newspapers elsewhere in the Arab world

found it hard to find specific items in Nasr's speeches which they could praise; they simply played up his general attack on American policy since the creation of the Baghdad pact. The relatively moderate words of his first speech appear to have encouraged the Jordanian government to believe Nasr might be in a mood for reconciliation. However, the Jordanians were disillusioned after the Alexandria performance, which has been denounced roundly by the Amman press.

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NEW PRESSURE FOR CHANGE IN FRANCE'S ALGERIAN POLICY

Opposition to the Lacoste pacification policy for Algeria continues to grow in France. French military circles are apparently beginning to insist on the necessity for a political move to break the Algerian impasse. The government still maintains that pacification is its first objective, but the possibility of a fresh approach is growing as Paris works out a draft statute and again extends negotiation feelers to the Algerian nationalists.

High army figures apparently have concluded that ultimate military success in Algeria is dependent primarily on new political and diplomatic measures. Press articles, presumably inspired by a group of young army officers, insist that the army will irretrievably damage its prestige and effectiveness if it continues trying to play the dual role of soldier and policeman, hampered by varied political restrictions and increasingly entangled in civil administration. The

articles assert, moreover, that the army is being too closely identified in the mind of the French public with the formulation of over-all policy on Algeria.

Die-hard proponents of pacification will continue to favor an all-out military effort without quarter. The defense minister optimistically predicted on 30 July that the rebellion would be crushed by the end of September. Despite this trend, the emphasis on the necessity for drastic political moves implies a growing recognition that the time for a "hard" policy is passing.

Political opposition to Lacoste's pacification policy is also increasing, particularly within the Socialist Party, which is the mainstay of Premier Bourges-Maunoury's support. In the National Assembly vote of 19 July giving the government special powers to deal with Algerian terrorists in France, 29 out of 100 Socialists broke party discipline and abstained.

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Moreover, four officers of the party's parliamentary group, including the chairman, have resigned their positions in protest over Algerian policy.

In apparent response to these and other pressures, the premier is drafting a political program aimed at giving the widest possible measure of local self-government to the Algerians without weakening France's sovereignty. This plan is being examined by the cabinet, and the National Assembly may be recalled in early September for debate on a draft statute before the Algerian issue is brought up again in the United Nations General Assembly.

A plan for the economic development of Algeria will reportedly also be ready for

cabinet consideration this month. A government-sponsored research group has made considerable headway in planning for industrial development, aiming at exploitation of the resources of the Sahara, which Paris is separating, in its political program, from the northern coastal departments.

Meanwhile, behind-the-scenes efforts have again been made to sound out the Algerian nationalists on their willingness to negotiate. The nationalists deny that top leaders have been contacted, but it appears that at least one meeting has been held in Tunisia, and there are indications that the rebels may be reconsidering their demand that France recognize their right to immediate independence.

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BRITAIN SEEKS TRIPARTITE CYPRUS CONFERENCE

The British cabinet's recent discussions on Cyprus have resulted in a plan to invite Greece and Turkey to confer in London on 3 September. Turkey may accept the invitation. Athens feels its best prospects lie in UN consideration of the problem. Evidently the British government's minimum hope is that the initiative of calling a conference will redound to its political credit both at home and abroad before the UN

General Assembly convenes this fall.

Domestic pressure to "get Cyprus off our backs" has been permeating upward in official circles and has evidently been reinforced by the new defense planning, in which Cyprus apparently is required primarily for air and communications facilities. The government is apparently prepared to face new charges that it is "scuttling"

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Cyprus from right-wing conservatives as the price of approval from the party as a whole for its efforts toward a settlement.

Initial Turkish reaction is reportedly favorable as long as the alternative of independence is not included on the agenda, and Turkey is unlikely to boycott the meeting for fear of losing a tactical advantage. Turkey's vehement opposition to independence derives from the conviction that it would be only a steppingstone to union with Greece. Ankara

remains adamantly committed to partition.

Because of its dissatisfaction with the outcome of the last tripartite conference in September 1955, Athens insists it will not attend another such conference. The new Greek ambassador to Turkey favors an unpublicized, unofficial tripartite conference, but indicated on 29 July that the principle of self-determination would have to be recognized. Even if Athens does not accept, London will presumably publicize its offer to gain what credit it can.

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ARGENTINE CONSTITUENT ELECTIONS

Parties supporting the Argentine provisional government's call for constitutional revision won a majority of the 205 constituent assembly seats in the 28 July elections, but strong opposition was registered, particularly through the many Peronista-inspired blank ballots. An increase in political jockeying for the important Peronista vote can be expected in the general elections on 28 February 1958.

No single group of the more than 30 parties received what could be considered a clear mandate for the February general elections. The progovernment People's Radical Civic Union led the race with almost one quarter of the total. Blank

ballots, as urged by the outlawed Peronista Party, were cast by nearly a quarter of those voting. The antigovernment Intransigent Radicals, led by demagogic Arturo Frondizi, polled over a fifth of the votes, but evidently failed in efforts to attract widespread Peronista support. The Communist Party polled a record vote of about 228,000--out of a total of nearly 8,000,000--and reportedly elected at least two delegates.

Constitutional revision by the assembly--which is to meet before 1 September--will be complicated by the divergence in view of the various party delegates. The strong representation of the two Radical Parties, which have similar platforms, makes it

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likely that the assembly will continue the present election law to govern the February general election. This law gives the party polling the largest number of votes two thirds of the congressional seats and the second party the other third.

The assembly will also discuss the nationalization of power resources--which to a considerable extent are foreign-owned--and there now seems to be a clear majority for those political groups favoring nationalization.

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POSSIBLE MOVE TO ENLARGE UN DISARMAMENT SUBCOMMITTEE

The USSR may seek to enlarge the five-member United Nations Disarmament Subcommittee when the 12-member Disarmament Commission meets to consider the subcommittee's report due on 1 August. The often-expressed desire of such states as India to become party to the subcommittee discussions, coupled with allegations of pro-NATO bias on the part of the four Western members of the subcommittee, may result in General Assembly support for increasing the subcommittee's membership--to the detriment of the West's effort to reach a carefully worked out agreement with adequate inspection and controls.

British Foreign Secretary Selwyn Lloyd on 18 July pointed out that the subcommittee's status in the UN would be adversely affected as long as NATO must consider Western disarmament proposals before they are presented. He commented that the subcommittee--made up of representatives of the United States, Britain, France, Canada, and the USSR--was the most pro-NATO group the UN had ever established and that if this relationship were over-emphasized, the General Assembly would be sure to add India and other states to the subcommittee. French Delegate Jules Moch concurred with Lloyd. On 14 July, during his speaking tour in Czechoslovakia,

Khrushchev had referred to the "NATO subcommittee" and remarked, "You can imagine, therefore, how difficult it is to debate there on the question of disarmament."

During the 27 July discussions about the form and substance of the subcommittee's 1 August report to the UN Disarmament Commission--which consists of 11 members of the Security Council plus Canada--Soviet Delegate Zorin insisted that after 1 August, the subcommittee should meet subject only to the guidance of the commission. The American delegate believes this Soviet emphasis on the role of the commission may signal a tactical move for an early commission meeting in which an attempt will be made to expand the subcommittee's membership.

The USSR has actively championed India's attempts to present its views on disarmament orally before the subcommittee. At last year's General Assembly session, the USSR introduced a proposal calling for the enlargement of both the commission and its subcommittee. India was to be included in both. The commission was to have been increased by four--Egypt, India, Poland, and a Latin American country; the subcommittee by India and Poland. This suggestion, along with all proposals relating to disarmament, was

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referred to the subcommittee for consideration.

The USSR can be expected to exploit the growing impatience of most of the other

members of the UN with the lack of substantive progress by attempting to have the General Assembly enlarge the membership of the subcommittee--as has been urged in corridor talk at the UN in previous years. [redacted]

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INCREASED PROMINENCE OF SOVIET SECRET POLICE

There are indications that the Soviet secret police is being quietly strengthened and that the standing of KGB chief Serov may have improved.

[redacted]

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[redacted] they may have ordered the large number of arrests which recently took place in Budapest and other localities.

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In mid-May, Serov, although not a Supreme Soviet deputy, attended special joint sessions of the legislative committees of the Supreme Soviet, together with Soviet Public Prosecutor Rudenko and Supreme Court Chairman Gorin. Although sessions were held to consider draft legislation, the three officials attended only those sessions concerned with "certain other questions." The presence of the three men, who respectively investigate, prosecute, and preside at the trials of anti-state crimes, strongly suggests that the "certain other questions" included jurisdiction of the KGB.

In the Krasnaya Zvezda account of the 25 June reception for Chief of the Yugoslav General Staff Gosnyak, Serov was identified as "chairman of the Committee of State Security and general of the army." Previously Serov has been referred to only as an army general and listed among other officers of that rank in alphabetical order. On this occasion, however, he was listed by full title among other USSR ministers who attended, and ahead of several marshals of the Soviet Union who are first deputy ministers of defense.

The transfer of the border troops from the Internal Affairs Ministry to the KGB may also have been discussed during the meetings. The transfer seems to have been completed before 9 June, when the Polish party paper Trybuna Ludu announced the receipt of a congratulatory telegram from the commander and political officer of the "Border Troops of the USSR Committee of State Security." The move may have been accompanied by a similar transfer of the Soviet internal security troops.

The public identification of Serov in these terms may mean that the regime now considers that its efforts over the past two years to portray the KGB as a highly efficient, tightly controlled, and respectable servant of the Soviet state have been successful. Despite the evidently enhanced status of the KGB and the coincidence of the new identification of Serov with the session of the central committee plenum which ousted the Malenkov-Molotov-Kaganovich faction, there have been no indications that the KGB played a role in the downfall of the "antiparty" presidium group.

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The KGB also seems to have stepped up its activity in Hungary. [redacted]

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AGRICULTURE IN THE SATELLITES

Generally fair to good harvests appear to be in prospect in the Eastern European satellites this year, but imports of grain will still be necessary. Food output is expected to be considerably above the poor year of 1956 in the southern satellites, and some areas in the north may achieve the high levels of 1955. High yields of winter-sown grains seem assured for the northern satellites--Czechoslovakia, East Germany, Hungary, and Poland. The outlook is less favorable for spring-sown crops because of poor weather. Bulgaria and Rumania will harvest larger crops than last year, but are not likely to achieve their plans or the high levels of 1955.

To deal with rising demands for a higher standard of

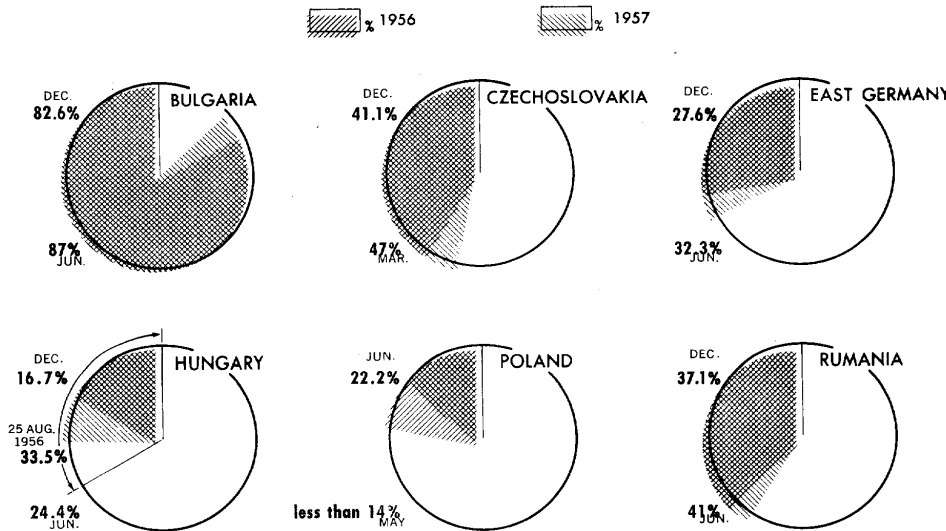
living, most of the regimes are trying to encourage peasants, both individual and collectivized, to increase food production. The campaign against kulaks has ceased, pressure for collectivization has eased, and economic concessions of various kinds have been granted. Machinery and fertilizer are in short supply, however, and the peasant's lot has been only moderately improved as food deficits persist.

All the satellites are offering higher prices than usual for compulsory deliveries as well as for deliveries under the contract system, and the peasant is allowed more flexibility in deciding what products he will raise and how much he will sell.

The compulsory delivery system has been abolished in Hungary, but many of the benefits gained

**EAST EUROPEAN SATELLITES:
SOCIALIZATION OF AGRICULTURAL LAND**

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1 AUGUST 1957

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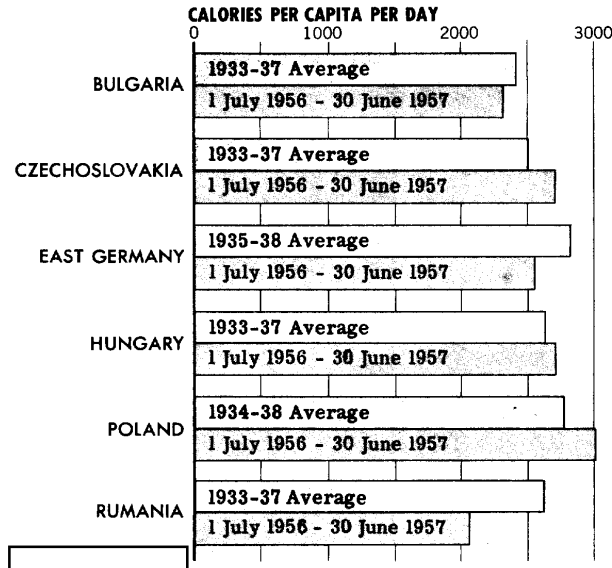
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by farmers following the uprising have been whittled away by official measures such as a new tax in kind. In Poland, Gomulka has promised ultimately to do away with the compulsory delivery system. Obligatory milk deliveries have already been abolished, and compulsory grain deliveries from the 1957 harvest have been reduced one third below those of 1956. The compulsory delivery system remains in force in the more doctrinaire satellites-- East Germany, Czechoslovakia, and Bulgaria.

**EAST EUROPEAN SATELLITE
FOOD CONSUMPTION**

1 AUGUST 1957

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Before Gomulka's return to power, 21 percent of Poland's agricultural land was socialized, in one form or another, but this proportion has been reduced to 14 or 15 percent, the smallest, relatively, in the bloc. By early May this year the number of collective farms had declined from about 10,000 to an official 2,200.

In Hungary, the socialized area constituted about 35 percent of the total just before the uprising, shrank to 18 percent by the end of 1956, but has since expanded to 26 percent. In the other satellites, except Bulgaria, the tempo of collectivization has been slowed to avoid risking a drop in food production which would aggravate the pressing problem of raising living standards. Collectivization is still being pushed

in these countries, but by persuasion and propaganda instead of coercion. In Bulgaria, swift collectivization continued and 87 percent of the arable land had been socialized by mid-1957.

Of all the satellites, Bulgaria has the lowest per capita level of food consumption, measured in calories, and Poland the highest. Czechoslovakia and Hungary follow Poland, and all three have more food available per capita than before the war, but the quality has decreased. A 2-percent increase in consumption in Hungary over last year resulted largely from emergency shipments from elsewhere in the bloc following the uprising. East Germany is better off than either Bulgaria or Rumania, although food consumption in all three is still well below prewar levels.

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NATIONALISM PERVADES POLAND'S "LIBERATION DAY" CEREMONIES

In celebrating National Liberation Day on 22 July, Poland this year departed from practices which have become customary on such occasions in Communist satellites. No high-level delegations from other bloc countries attended, and public declarations on the occasion omitted reference to the Soviet role in the liberation.

The official party newspaper declared that this year's celebration, "pervaded by the October events," would differ from those in previous years, and stated that no "slogans or phraseology attempting a doctrinaire flight from reality" were to be in evidence this year. The Polish press agency and central radio took the occasion to elaborate the benefits which will accrue from following "an independent and creative" road to socialism.

Public speeches by Party First Secretary Gomulka and Premier Cyrankiewicz failed to credit the Soviet Union with aiding in the liberation of Poland 13 years ago, and both described the October events in Poland as marking the beginning of all favorable Polish developments.

Defense Minister Spychalski, who expressed Poland's debt to all Polish forces at home and abroad who fought the Nazis,

did mention Soviet military help. He emphasized, however, that the primary duty of the Polish army today is the "consolidation of independence" and gave only secondary consideration to the task of aiding in the building of socialism. Spychalski justified Poland's adherence to the Warsaw pact solely on the grounds of continued West German militarism and revanchism.

Other than Ho Chi Minh, who is on an East European tour, no satellite leader attended the Polish ceremonies, in marked contrast with previous years. However, Polish embassy parties in all Communist capitals were heavily attended by top-ranking bloc leaders.

Poland's announcement two days after the ceremonies that the Warsaw uprising of 1944, never before honored in the Communist world, would be marked by observances in August and September is a further indication of Polish emphasis on nationalism. The 63-day uprising was not Communist in composition, and the underground forces were abandoned to destruction by the Germans despite the presence of Soviet forces only a few miles from the city. The Polish people believe the uprising was fomented by Moscow radio to encourage German troops to destroy all non-Communist political forces in Poland prior to the Soviet occupation.

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CZECHS TO EXPAND AIR SERVICE TO MIDDLE EAST

Czechoslovakia's drive to expand its network of air services in the Middle East has resulted in the conclusion of air agreements with Syria on 24 July

and Lebanon on 27 July. In addition to the Damascus and Beirut routes, service to Cairo will be inaugurated some time in 1957. Czechoslovakia paved the

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way for resumption of flights to Middle East capitals by acquiring landing rights in Greece in September 1956.

Although the Czech National Airlines (CSA) service was well established in the Middle East in 1948, operations in the free world steadily declined following the Communist takeover that year. Czech service to Tehran, Baghdad, Lydda, Cairo, Istanbul, Ankara, Algiers, and Athens, as well as to Western Europe, was discontinued, and by 1953, CSA's only flights outside the bloc were to Copenhagen, Stockholm, Helsinki, and Vienna.

Other bloc countries, including the USSR, have moved to establish passenger service in the Middle East, but trail the Czechs with their extensive prior contacts. Czechoslovakia has purchased three Soviet TU-104 jet transports, of which there are only about 50 available in the USSR, and will probably use them for flights to the Middle East.

The agreement for service to Beirut, the most active international air terminal in this area, gives Czechoslovakia access to a major Middle East air center which can be used in logistic support of Communist activities in the area.

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CHINESE COMMUNISTS TO CRACK DOWN ON STUDENTS

Peiping's current anti-rightist campaign, originally directed toward a handful of puppet party leaders, is now aimed at a much larger group. Peiping seems particularly disturbed by student involvement in alleged rightist intrigues.

Peiping's concern probably stems from the fact that Chinese university students have played a leading role in sparking major political unrest ever since the revolution of 1911 and were used extensively by the Communists themselves in the civil war which ended in 1949.

Mao Tse-tung admitted "unhealthy tendencies" among college students in his speech on contradictions last February and observed wryly that Marxism is "not so much in fashion" with young people. Since then manifestations of student unrest have multiplied. Shouts of "kill the Communists" were reported at student meetings

held last spring, and the Chinese Communist press has carried accounts of a "bomb-throwing" incident involving a Communist university official.

At Peiping University, students formed a "Hundred Flowers Study Society" for the exchange of antiregime views, and there has been a wave of protests against Chinese Communist Party interference in educational work. College students have vigorously objected to the arbitrary assignment of jobs and some have refused to accept their posts.

The students have apparently drawn support from dissident professors, some of whom have spoken out against the Communist Party. One of these men, a leading Chinese sociologist, recently called the mood of the students today "extremely serious" and commented that the situation is similar to previous periods preceding revolts led

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by intellectuals. He said the party was to blame because it either denied students the chance to express their views or ignored what they had to say.

The professor was forced to confess to his anti-Communism, but his views apparently received close attention within the party. Chinese Communist officials, commenting on the danger in permitting student unrest to become a rallying point for popular discontent, noted with alarm an increasing identification of the populace with the disgruntled students.

Peiping apparently intends to rely on nonviolent measures, at least for the time being, in its efforts to halt student indiscipline. Some erring students have been forced to forego

their summer holiday in order to undertake special "ideological studies." A State Council directive issued on 17 July requires stringent political investigation of all future graduating classes. Students whose attitudes are not acceptable will be placed on probation for periods of up to three years during which they will perform menial tasks while undergoing "ideological correction."

The display of renewed firmness toward students, underlined by Chou En-lai in a major address on 16 July, will probably succeed in suppressing outward manifestations of hostility toward the regime among intellectuals. Basic dissatisfaction among students will increase as a result of the resumption of repressive policies. 25X1

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NAHA ELECTION TO TEST STRENGTH OF PRO-COMMUNIST OKINAWAN MAYOR

The ouster of pro-Communist Mayor Kamejiro Senaga of Naha, Okinawa, will depend on the results of the city assembly elections on 4 August, made necessary by Senaga's dissolution of the assembly following a no-confidence vote against him in June. Most estimates by political observers on Okinawa indicate a close contest between the anti-Senaga conservatives and the mayor's leftist supporters. Senaga's opponents do not appear confident of winning the 20 seats necessary for a second no-confidence vote.

The election campaign formally opened on 16 July with 46 registered candidates. Of these, 29 are opposed to Senaga, 13 are pro-Senaga, and four are uncommitted.

The conservatives are handicapped by factionalism, al-

though some of the anti-Senaga forces, supported by local financiers, have formed a loose-knit group called the Naha City Administration Reconstruction League. The league's candidates may be endangering their prospects by their tendency to remain aloof from the electorate, talking down to their audiences, and generally failing to identify themselves and the issues with the interests of the individual voters.

The leftist candidates, on the other hand, are being led by Mayor Senaga in a vigorous campaign. By holding more rallies and making them colorful and interesting, Senaga's men are reaching twice the total audience of their opponents.

Senaga seems to have retained popular sympathy as a champion of Okinawan grievances

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against the United States. In addition, the leftist campaign is emphasizing such popular issues as opposition to lump-sum payments for land used by the American forces, reversion of Okinawa to Japan, and corruption in the previous city administration.

The anti-Senaga forces, who held 24 seats in the last assembly, must win at least 20, since two thirds of the 30-member assembly must be present for a

vote of confidence. The vote itself requires only a simple majority. The pro-Senaga forces will have to gain five seats in addition to their previous six to block it.

A second no-confidence vote would force Senaga to resign but would not eliminate him from the political scene. He could still run in the subsequent mayoral election and has indicated he will do so if he is ousted.

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THE PHILIPPINE POLITICAL SITUATION

President Garcia's overwhelming first-ballot nomination as Nacionalista presidential candidate at the party convention on 27 July may have averted a serious split in the administration party before the Philippine elections in November. However, a convention deadlock developed among five rival aspirants for the vice-presidential nomination, and final selection of Garcia's running mate, as well as of the eight-man senatorial slate, has been entrusted to the party's executive committee. The committee may now withhold its decision until after the nominating convention of the opposition Liberals, scheduled to begin on 3 August, in the hope of minimizing defections by disappointed office seekers to the opposition.

One reason for the Nacionalista convention vice-presidential maneuver may have been to prevent the vice-presidential candidacy of House Speaker Jose Laurel, Jr., who led the convention balloting but failed to obtain the required 60 percent of the vote for nomination. Despite indications prior to the convention that Garcia was pre-

pared to run with Laurel, there have been strong objections to the speaker on the grounds of his anti-American bias and high-pressure political tactics. The executive committee may therefore compromise on a dark-horse candidate, with such proved vote-getters as Senators Gil Puyat, Lorenzo Sumulong, and Cipriano Primicias, a candidate from the Liberal stronghold of northern Luzon, being mentioned in this connection.

The Liberal convention, which begins on 3 August, is expected to nominate with little dissension former House Speaker Jose Yulo as its presidential standard bearer and pro-American congressman Diosdado Macapagal as his running mate. The only candidate openly opposing Yulo is Antonio Quirino, younger brother of former president Elpidio Quirino, who has served principally as a rallying point for several old-guard Liberals, now being sidetracked by the present leaders as too closely identified with the corruption of Quirino's administration.

The Liberals still hope to persuade some of the younger politicians closely identified

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with the late president Magsaysay to run as senatorial candidates on the Liberal ticket. Many of these men, however, are placing their hopes in a new party, the Progressives, whose presidential candidate is former customs commissioner Manuel Manahan. Yulo has apparently refused to team up with Manahan as his running mate for fear of antagonizing the already weakened Liberal Party machine, while Manahan has so far refused to give up his candidacy to head the Liberal senatorial ticket.

Although there are reports that Manahan, whose political outlook resembles that of Magsaysay, is meeting increasing success in provincial campaigning, most observers believe his party's late start and lack of provincial organization handicap his election prospects.

With the Nacionalista Party still showing signs of cohesiveness, the Liberal Party faces a strong election battle in which it may need to come to terms with the Progressive Party.

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SOUVANNA PHOUMA DESIGNATED TO FORM LAOTIAN GOVERNMENT

Former Laotian prime minister Souvanna Phouma, proponent of a soft policy toward the Pathet Lao, has been designated to form a government following the announcement by his Nationalist Party colleague, Sasorith Katay, that he lacked sufficient support for assembly confirmation. Souvanna is confident he will be able to form a government in which all parties will participate. Although all party leaders have "agreed in principle" to support Souvanna's government, there are nevertheless critical conflicts over the distribution of cabinet portfolios and policies which remain unresolved.

The Nationalist Party in its caucus on 26 July reportedly committed Souvanna to the firm policy on national unification formulated by Katay in his first bid for investiture.

There also is a reported disposition within the party to circumscribe further Souvanna's tendency to "freewheel" by stipulating that he should hold no substantive portfolio in addition to the prime ministership.

Despite his profession of support for Katay's firm policy toward the Pathet Lao, Souvanna apparently will press for early implementation of his agreements with the Pathet Lao without making a resolute effort to obtain the prior safeguards demanded by Katay for dissolution of Pathet forces and reimposition of royal government control over the two northern provinces. He told an American official on 26 July that the Pathet Lao must be speedily reabsorbed into the national community in order to destroy Viet Minh control over the movement.

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The settlement envisioned by Souvanna would involve giving the Pathets one or two portfolios in a coalition government and then holding supplementary elections, in which the Pathets would participate, to expand the National Assembly from 39 to 60 deputies. Souvanna claimed that both his brothers--Pathet Chief Souphanouvong and Viceroy Petsarath--

approved of this solution to the unification issue.

Meanwhile, recent events--Katay's near-success in forming a government and the relatively poor showing of left-wing leader Bong Souvannavong in his bid for investiture--may lead to a more conservative Communist estimate of the Pathets' political influence and a greater Pathet willingness to compromise.

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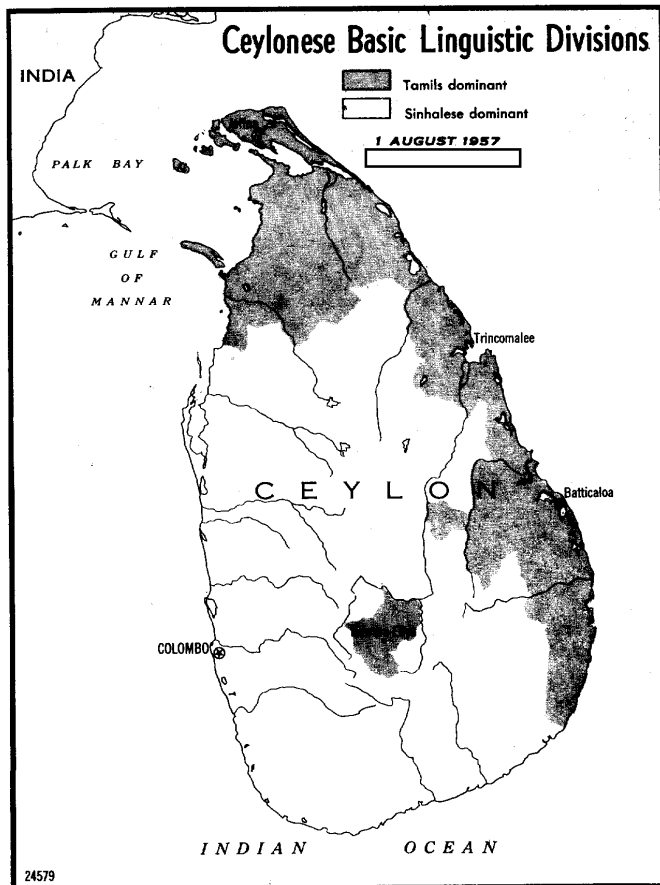
THREAT OF VIOLENCE IN CEYLON DIMINISHED

The threat of widespread violence in Ceylon in connection with the civil-disobedience campaign planned by the island's Tamil-speaking minority seems

greatly diminished. Following several conversations between Prime Minister Bandaranaike and Tamil leaders, an agreement was reached on 26 July, and the campaign, scheduled to begin on 20 August, was canceled.

The agreement provides for official recognition of Tamil as the language of Ceylon's 2,000,000 people of Indian descent and for the use of Tamil in the administration of the northern and eastern provinces of Ceylon, where this population is concentrated. It also provides for regional councils to oversee Tamil affairs in these provinces.

The widespread publicity regarding preparations for violence, including the recruitment of "private armies" by Tamil and opposing Singhalese groups, apparently aroused sufficient alarm to



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persuade both sides to seek a peaceful solution.

Although most political leaders welcomed the cancellation of the disobedience campaign, the Tamil Federal Party accepted the agreement merely as an interim adjustment and reiterated its demands for a federal Tamil state, Tamil-Singhalese language parity, and Ceylonese citizenship for persons of Indian descent. To date, the Ceylonese government has given citizenship to only about 10 percent of those applying, while New Delhi has consistently refused to accept as emigrants Tamils disenfranchised in Ceylon.

The United National Party working committee denounced the

language agreement as a violation of law and the regional-councils agreement as a betrayal of the Singhalese. Singhalese extremists, though bitter about the concessions made by Bandaranaike, will probably confine their activity mainly to verbal criticism of the agreement for the present. Any outbreaks of violence in the near future seem likely to be small and sporadic.

The relaxation of tensions resulting from the settlement is likely to be temporary, however. Prime Minister Bandaranaike will probably continue to be subject to strong political criticism from both right and left on the basic issues of citizenship and language rights for Tamils. [redacted]

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SINO-CYLONESE TRADE IN RICE AND RUBBER

The Ceylonese delegation expected in Peiping on 2 August to renegotiate the expiring five-year rice-rubber agreement seems likely to have some difficulty.

Ceylon shipped its first rubber to Communist China under private contracts in October 1951, when 5,633 metric tons were exported. It purchased its first rice from China in 1952 under an agreement which reportedly specified cash payment for 80,000 tons but which was apparently paid for with rubber. During that year, Ceylon exported about 24,000 tons of rubber to China.

In 1952, Ceylon faced a bad slump in world market prices for rubber and a world shortages of rice, of which the island imports about half its total consumption. The result was the five-year Sino-Ceylonese

rice-rubber agreement, which became effective on 1 January 1953. Under its terms, Ceylon was to export 50,000 tons of rubber and to import 270,000 tons of Chinese rice annually. China agreed to pay a premium above world market prices for Ceylonese rubber. Prices of both commodities were to be renegotiated each year.

The agreement not only provided Ceylon with a stable market for rubber for five years but also assured it of a much-needed rice supply. China, in turn, benefited from Ceylon's breaking of the tight rubber embargo then being enforced by other exporters.

In 1953 and 1954, prices of rice and rubber were fixed at a single figure for the full year. In mid-1955, however, changes in world prices made the agreed Sino-Ceylonese

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prices unrealistic, and the two countries adopted a sliding-scale system which is still in use. China guarantees a floor price for rubber and pays premiums varying from three to four cents per pound depending on the world price for each grade. Prices of rice were also brought more into line with world prices, dropping from the original figure of \$109.20 per ton to about \$98.00.

A Ceylonese delegation will arrive in Peiping on 2 August to attempt to renew the existing agreement. China has less need for Ceylonese rubber than in the past, however, and may drive a harder bargain than in 1952. During the past two years, it has unsuccessfully tried to pay its trade balance in commodities rather than in sterling.

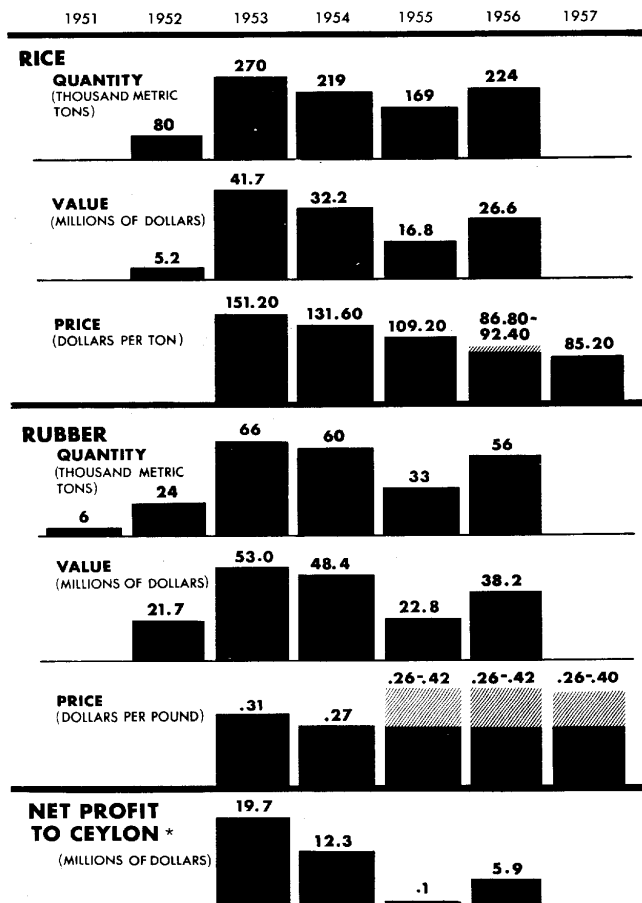
If Ceylon is forced to sign a less favorable agreement,

In 1953 and 1954, shipments of rice and rubber approximated the amounts specified in the agreement. In 1953, however, Ceylon, still searching for an assured rice supply, signed a four-year agreement with Burma for 200,000 to 600,000 tons annually at prices decreasing in each successive year.

By 1955, this and the Chinese agreement produced more than the 400,000 to 500,000 tons of rice Ceylon usually imports annually. As a result, Ceylon cut down its rice imports from China and transferred some to Japan. Because it had already shipped in 1954 much of the rubber due China under the 1955 contract, Ceylon sent only slightly over 30,000 tons to Peiping in 1955. In 1956 rice-rubber shipments were back at levels called for in the agreement. The 1957 contract also calls for full quotas of rice and rubber.

CEYLON - COMMUNIST CHINA
RICE AND RUBBER SHIPMENTS

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In most calendar years there is an overlap of shipments under contracts of the preceding or following year.

* Includes extra profits accruing from difference between rice and rubber prices under agreement and those on world market.

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either for less rubber or without premium prices, it presumably will seek alternate markets or aid to recoup its financial losses. Should China seek to lower its commitments to Ceylon, the USSR might be willing to assume new responsibilities in view of Khrushchev's remark [redacted]

[redacted] 25X1
to the effect that the USSR is prepared to assist in increasing Ceylon's rubber production and to take whatever additional rubber Ceylon produces as a result of such aid. [redacted] 25X1
(Concurred in by ORR)

OPPOSITION TO SUHRAWARDY IN PAKISTAN

Prime Minister Suhrawardy will face threatening political situations in both East and West Pakistan when he returns from his six-week tour abroad on 4 August. In addition to an apparent weakening of Suhrawardy's support in provincial politics, opposition to his pro-American foreign policy has been strengthened as a result of the formation on 25 July of a new national party uniting pro-Communist elements in both provinces.

The convention of Pakistan's leftist political groups organized by Maulana Bhashani, who recently resigned his membership in the East Pakistan Awami League, met in Dacca on 25 and 26 July. Nearly 800 leftist delegates from East Pakistan joined with some 80 opposition leaders from West Pakistan to launch a new leftist organization known as the National Awami Party. The key components in the merger are the Bhashani supporters from various political parties in the eastern province and the Pakistan National Party of West Pakistan, led by Mian Iftikhar-ud-Din and Abdul Ghaffar Khan. Both groups are heavily infiltrated by Communist Party workers and sympathizers.

The heterogeneous elements which have joined in the new front have little in common

aside from their opposition to Pakistan's present leadership. Two major demands have provided the group a basis for common action: a neutralist foreign policy--"freeing the country from imperialism"--and provincial autonomy.

The success of the leftist alliance may be limited to a considerable degree by the wide divergence of interests and objectives of the various groups, as well as by the personal rivalries among their leaders. However, the new organization will probably maintain a semblance of unity during the period preceding the general elections which have been promised for next March.

The National Awami Party is likely to attract considerable mass support if it continues to play on such popular themes as anti-imperialism and regional autonomy and exploits public discontent over deteriorating economic conditions. In an election campaign, the leftist front, led by such popular leaders as Bhashani and Ghaffar Khan, could make serious inroads into the support now enjoyed by anti-Communist parties in Pakistan.

A number of followers of Bhashani have defected from the East Pakistan Awami League to join the new party. Unless the

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league, now owing loyalty to Suhrawardy alone, can obtain the support of other groups in the provincial assembly, the Awami League ministry in East Pakistan may fall. East Pakistan is regarded as Suhrawardy's political base, and the failure of his party there would be a serious blow to his prestige as a national leader.

In West Pakistan, the restoration of the Republican Party government to office on 15 July was a further setback to Suhrawardy's effort to increase his political support in the western province. The effect of the recision of President's Rule in West Pakistan apparently has been to strengthen the position of the Republicans, sponsored

by President Mirza, at the expense of the prime minister.

Suhrawardy's future as leader of the government probably will hinge on his relationship with Mirza, who [redacted]

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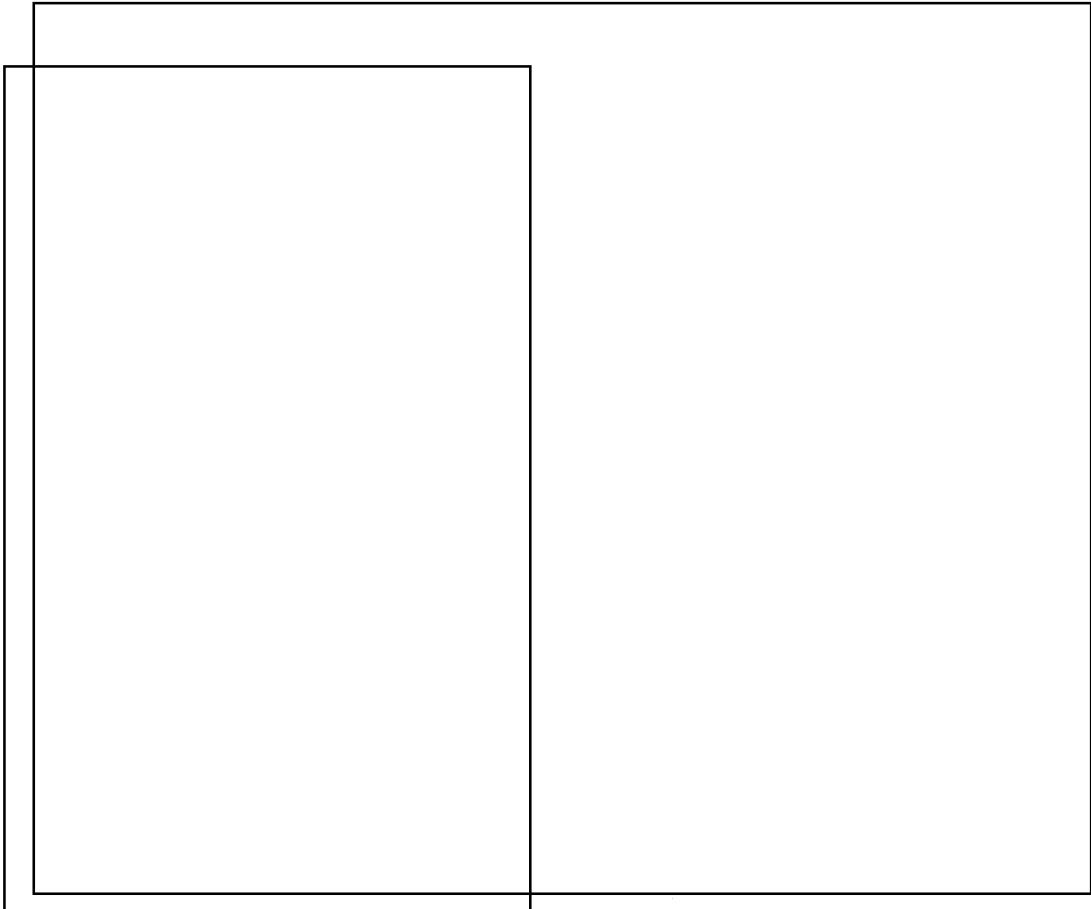
[redacted] is maneuvering to check the prime minister's ascendancy, possibly to the extent of lending tacit support to the new leftist front as a means of undermining the strength of Suhrawardy's Awami League. There is little likelihood, however, that Mirza will precipitate a break with Suhrawardy in the immediate future.

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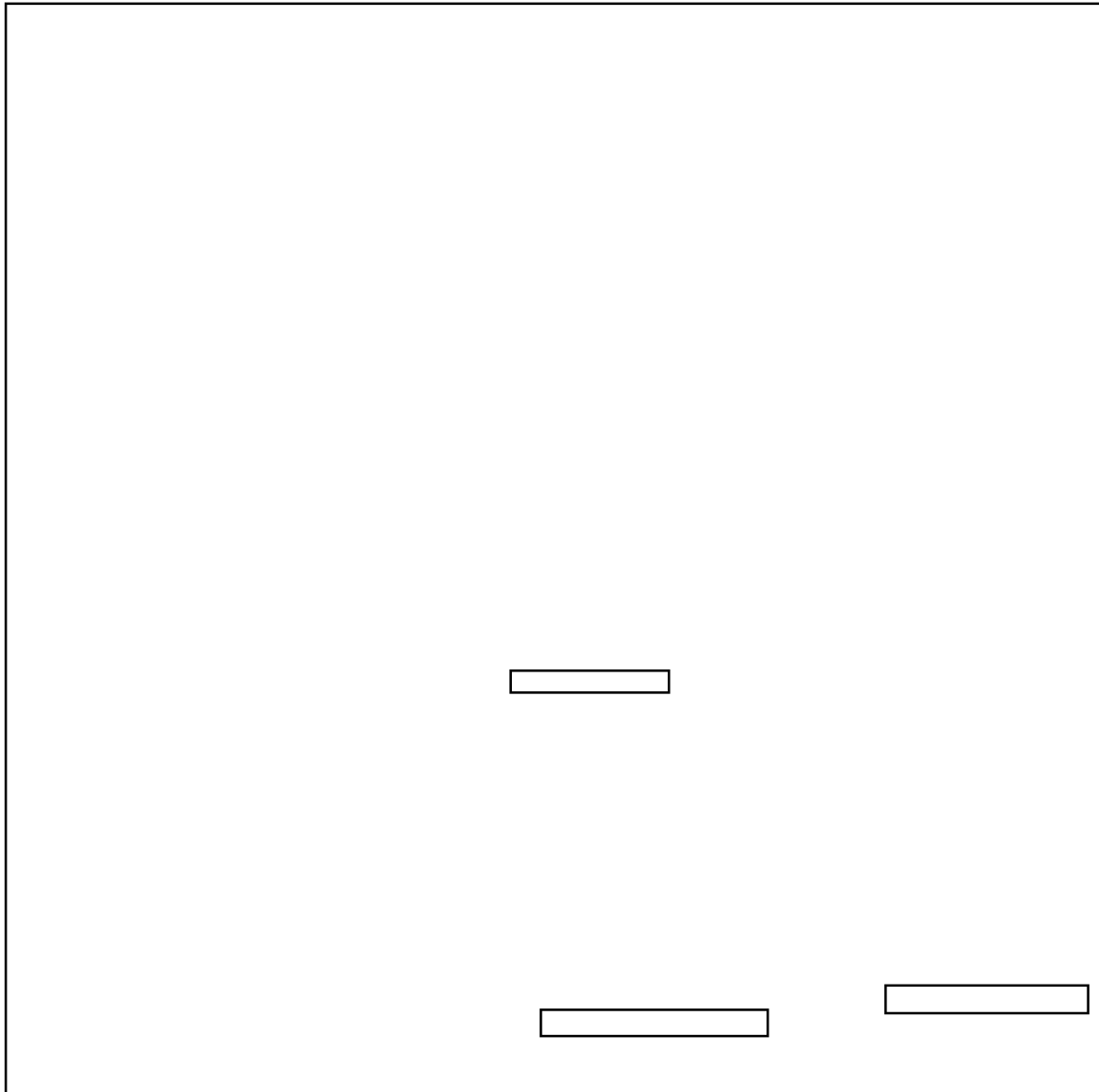
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BRITISH GUIANA AND THE WEST INDIES FEDERATION

Most observers expect the Communist-led faction of the People's Progressive Party (PPP) of British Guiana to win a popular majority in the Legislative Council election on 12 August--the first in the colony since London's suspension of the constitution and detention

of the PPP's leaders in the fall of 1953. The victors will presumably be allowed to form a government under the safeguards provided by a revised constitution, but a period of instability is likely.

Since party leader Cheddi Jagan was released from detention

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by British authorities, he and his wife Janet have extended their international Communist connections and strengthened the organization of their faction of the PPP. They appeal to local economic grievances and seek independence outside the Commonwealth, opposing any move to associate British Guiana with the developing federation of Britain's West Indies colonies. The loss of political and financial support entailed by the recent defection of three PPP leaders could, however, undercut Jagan's expected victory.

Those seats not won by the Jagan group are expected to be gained by Lyndon Burnham and his faction of the PPP, which split with the Jagans in April 1956 over personal rivalry and party policy and has since publicly attacked the Jagans as Communists. The remaining political elements distrust Burnham as an opportunist and have refused to join forces with him.

Under the new constitution granted by London last year, the governor may appoint up to 11 members, who together with the 14 elected members and three top government officials form a Legislative Council. Unless Jagan behaves with complete irresponsibility immediately after the election, Governor Renison is expected to follow the usual practice in British Caribbean colonies of appointing sufficient members of the party winning an elected majority to give that party an absolute working majority. Should Jagan flagrantly attack British interests while in office, Renison will presumably exercise his powers to replace the appointed PPP representatives

and thus neutralize Jagan in the council.

In any case, an unstable situation full of risks for internal security and for British interests in the Caribbean area is likely to result. London has wanted, for example, to persuade British Guiana, which produces about a fifth of the free world's bauxite, to add economic strength to the developing West Indies federation by joining it, but no early change in British Guiana's opposition seems possible.

Meanwhile, the 16-24 July conference in London between representatives of the federation, the United Kingdom, and the United States has concluded with



an agreement to survey all aspects of the West Indian request for cession of the US naval base site at Chaguaramas in Trinidad for the federal capitol. The British, who have pushed federation from the beginning as a means of making their Caribbean colonies more self-supporting, generally supported the West Indian view that at least part of Chaguaramas should be released. West Indian political leaders privately recognize the US need for the Chaguaramas base, but presumably might try to exploit for personal gains any anti-American sentiment which may develop over this issue.

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PART III

PATTERNS AND PERSPECTIVES

INTELLECTUAL AND CULTURAL FREEDOM IN POLAND

Polish intellectual life, which first showed signs of a revival in 1955 and was encouraged by the Soviet 20th party congress in February 1956, has received greater scope for free development since Gomulka's accession to power in October 1956. Polish intellectuals, figuratively turning their backs on the East, have been renewing their traditional cultural, educational, and artistic ties with the West. This turn could in time extend beyond the cultural sphere and strongly influence political thinking in Poland, creating for the Warsaw regime the problem of containing the reorientation within bounds compatible with Communism.

Educational Reform

The administrative and scholastic controls imposed on the universities by the old regime have been almost completely removed. The universities have been granted the authority to operate independently within broad limits and to elect their own rectors and deans. The Higher Education Ministry, shorn of its broad authority, now is empowered only to draw up a budget under which the separate institutions can work out their own plans. Many of its former functions have been entrusted to the Main Council on Higher Education, made up of representatives of the institutions themselves.

In recent months professors have

regained their position of authority in the universities. In addition, the stern discipline exercised over students has slackened considerably. Even before October 1956, attendance at lectures on Marxism-Leninism had ceased to be enforced, and Communist doctrine was finding an increasingly apathetic response among university students. The Polish writer Adam Schaff reported in the leading party daily last February that Marxist-Leninist courses had been completely abolished: "I am deeply convinced," he said, "that this is no loss for Marxism at all."

Students are being encouraged to work independently, particularly in the scientific



George here has settled this as far as the flowers are concerned, but whom shall we appoint to do the thinking?

--FROM SZPILKI, 7 JULY 1957
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field. Seminars are favored over lectures. Rigid planning and excessive report requirements have been eliminated. In addition, worthy graduate students are being given assistantships without regard to their political beliefs. Fully one half of them are provided quarters in dormitories, and approximately 70 percent receive scholarships or other monetary aid.

Young pro-Western moderate elements are deliberately turning Marxist-Leninist revolutionary philosophy against the Communist system in its present form and carefully cloaking their opposition program in Marxist-Leninist terminology. These rebels, banded together in anti-Communist organizations such as the Karl Marx Club, take the attitude that Communism should be fought with its own weapons, since these are the best known to the people today.

Religious Training

Possibly in order to have teaching staffs able to match the influence of the priests now permitted to teach religion in the schools, the regime is stressing professional competence rather than political acceptability in its newly enlarged program for training teachers for the lower schools. The pro-Gomulka weekly Polityka, declaring on 4 May that the "lay character of the school" must be maintained, complained that priests were mingling religious instruction with natural science, history, and "the theory of knowledge" and thus giving these subjects a religious cast. The party believes that in permitting religious education it has made a sufficient concession to Polish Catholics. It aims to insist on the lay character of the schools "in the full meaning of the word" and to persuade the people of the inherent falsity of the religious view.

The Press

Though operating within limitations imposed by the

regime early this year, the Polish press is enjoying a new independence and has even adopted some features of the Western press in order to break away from the uniform drabness that has characterized the Communist papers.

Almost all periodicals, however, except the illustrated weeklies and the intellectual youth periodical Po Prostu are having serious financial difficulties resulting in part from the withdrawal of government subsidies. The daily papers have raised their prices, with the result that they have suffered a total decline in circulation of nearly 750,000. The problem is serious: a Warsaw monthly recently complained, "Some newspapers... are being reproached for turning to unhealthy sensationalism and pornography in order to save their circulation." Some correspondents have had to be dismissed, but many purged journalists are being rehabilitated and rehired by the press.

While some censorship still exists, Polish journalists have much greater freedom to write as they please than before Gomulka. The weeklies, if not the daily press, have gained in popularity. Po Prostu, Nowa Kultura, and Prze-glad Kulturalny are well-known liberal weeklies read regularly today by people concerned with political, social, and cultural developments.

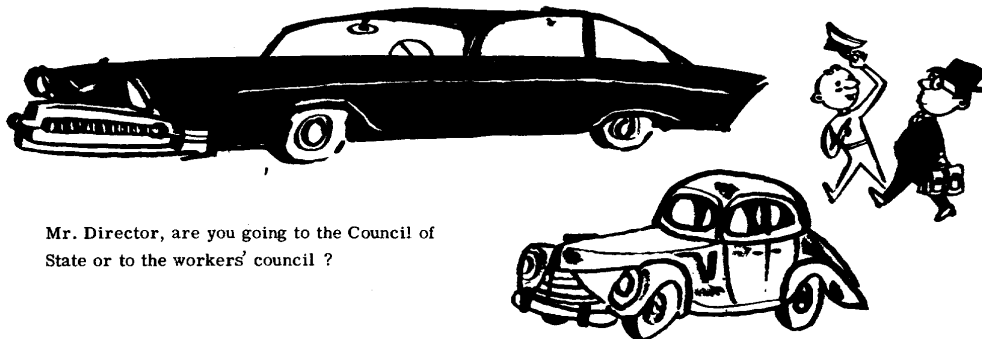
Po Prostu has a circulation of 150,000, and each of the others 70,300. Particularly good guides to the current political line are Nowe Drogi, the party's theoretical journal; Zeszyty Teoretyczno-Politiczne, a monthly political magazine; and Polityka, recently established Gomulka-oriented weekly. The illustrated weeklies Swiat and Dookola Swiat, directed to the man in the street, circulate 300,000 copies each. The Gromada Roknik Rolski, a thrice-weekly

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Mr. Director, are you going to the Council of State or to the workers' council ?

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--FROM SZPILKI, 9 JUNE 1957

paper for rural readers, has a circulation of 939,000. Szpilki is a popular satirical and humorous weekly with a circulation of 100,000, which criticizes regime policies and pokes fun at life in Poland. Among new publications, a monthly statistical review has become available--in a country in which statistics have been closely guarded secrets.

Radio

New radio-programing policies--in sharp contrast to those applied in other Communist countries--have resulted in more objective and timely news reporting and more popular broadcasts. People now willingly listen to official broadcasts, which do not conceal even the most bitter truths. This trend, which began after the Geneva summit meeting in 1955, can be attributed in part to the fact that since foreign broadcasts are no longer jammed, the Polish radio has been forced to provide immediate replies to foreign opinions and commentaries.

Cultural Exchanges

Many opportunities are now available to Poles for study abroad and other cultural exchanges, especially with the West. Young or unorthodox (in

Communist terms) writers are frequently permitted to travel, a privilege until recently reserved mainly for loyal party members. Scientific personnel, including architects, physicians, meteorologists, economists, archaeologists, and nuclear physicists, are going to the West, as well as to Soviet bloc countries, in increasing numbers. In contrast to a total of three Polish Academy of Science members who went to nonbloc countries in 1952, some 360 visited the West in 1956.

Cultural groups such as the Polish Jewish Theater are going to the West. In addition, purely private trips to the West for tourism or visits to relatives have greatly increased. At the same time increasing numbers of foreigners are coming to Poland.

The enthusiasm recently shown in Poland for the American participation in the Poznan fair and for the Cleveland Symphony performances reflects a basic friendliness for the West. This friendliness, while in part a reaction to the deep-seated Polish antagonism toward Russia, also reflects the strong traditional attraction of the West, especially of the French, for Poland.

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NORTH KOREA'S STATUS IN THE BLOC

North Korea remains a "hard-line" Soviet satellite, untouched by the repercussions in the rest of the Sino-Soviet bloc of the de-Stalinization "thaw" following the 20th party congress, Mao's "hundred flowers," and the "separate roads" of Yugoslavia and Poland. The Kim Il-sung regime continues to suppress any news or commentary which might inform Korean intellectuals of liberalization developments elsewhere in the bloc.

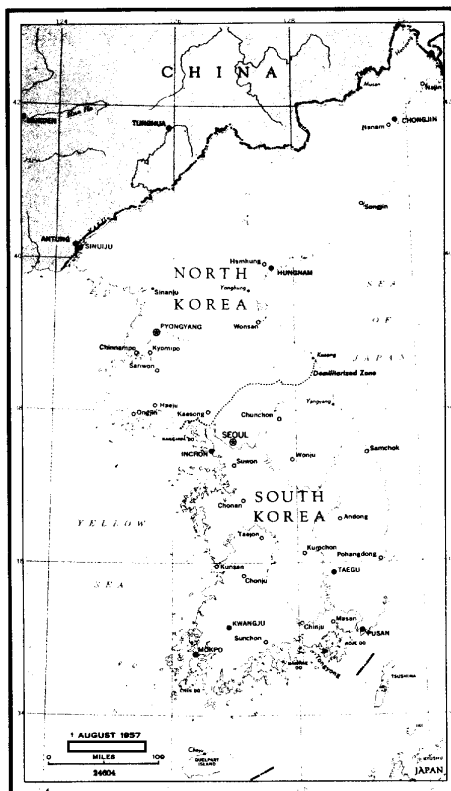
The political orientation of the present leadership is Soviet rather than Chinese. The Chinese Communists have a voice in military matters, however, and help formulate Pyongyang's foreign policy in those fields where Peiping has a special interest.

Geographically, North Korea acts as a buffer state protecting both Soviet and Chinese Communist borders and provides a valuable base from which subversive activities can be conducted in the Far East. The large Korean minority in Japan, most of which is sympathetic to Pyongyang, has been well organized to spread Communist propaganda. It is a constant irritant to the Japanese government, particularly in Tokyo's efforts to improve relations with Seoul. In support of the Communist objective to dominate all of Korea, Pyongyang's propaganda stresses appeals to Korean nationalism, with the northern regime posed as the legitimate government of the whole peninsula and the government of President Rhee continually vilified as "fascist."

Political Orientation

Unlike Tito, Mao or Ho Chi Minh, Premier Kim Il-sung, who is also party leader, was originally installed in power by the Soviet army. Kim and the other top leaders in Pyongyang--many

of whom have dual Soviet-Korean citizenship--are all "hard-line" Communists. They have never displayed any sympathies for "national Communism" nor questioned orthodox measures for effecting the transition to socialism. The regime's major programs--land reform, concentration on heavy industrial development, five-year planning--have been copied from either Soviet



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or Chinese models and undoubtedly were arrived at after consultation with bloc advisers.

In foreign affairs, Pyongyang seems wholly dependent on initiatives taken by Moscow and Peiping. North Korea, for example, gave prompt approval to the Soviet proposal last January that both parts of Vietnam and Korea be admitted to the

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United Nations. In contrast, Hanoi was silent on this point.

Although Pyongyang has never openly disagreed with Moscow, it feels free to ignore bloc ideological issues which might prove damaging to Korean Worker (Communist) Party control. The cult of the individual has been referred to only occasionally in the press, and Stalin's personal guilt has never been expounded, presumably to forestall any analogies between Stalin and Kim. Unlike Hanoi, Pyongyang did not reprint the Chinese Communist Party statement of 4 April 1956 which dealt with Stalin's mistakes, and Pyongyang never alluded to Khrushchev's secret speech at the 20th party congress.

Chinese Communist pronouncements with a liberal tinge, such as the official text of Mao's "secret" February speech, were not published in the North Korean press. To avoid opening a Pandora's box, Kim Il-sung has refused to allow the discussion of liberalization measures elsewhere. The Hungarian crisis last fall was reported, but only after the rest of the bloc had already commented on it. Pyongyang then joined the chorus denouncing "Western imperialist interference" in Hungarian internal affairs. Polish developments have been largely ignored.

Kim Il-sung probably hopes that such censorship will discourage a repetition of the factional strife which divided the party from the close of World War II through 1953. During those years, three groups fought for control of the party--a domestic faction which had operated the Korean underground, a Chinese Yen-an-trained faction, and a Soviet-sponsored faction, which was the most willing to subordinate national interests to those of

the Kremlin. Kim Il-sung, leader of the Soviet faction, eliminated his rivals in a series of purges and since 1953 has succeeded in tightening his control over the party apparatus.

Implicit in the party's large membership--over 1,000,000 in a population estimated at 8,000,000--is the continuing danger that nationalism may reinfect the apparatus. A party shake-up last August suggests the presence of a more liberal group within the party which might in time gain considerable support. In any event, the emergence of native Korean cadres who do not have dual Soviet citizenship will in all likelihood increase the tensions within the party over the next few years.

Economic Ties to Bloc

Although endowed with a fair variety of natural resources and geographically well located to complement the economies of Manchuria and the Soviet Far East, North Korea has been a doubtful economic asset to the Communist bloc. Wartime devastation has necessitated major bloc aid, and the economy is not yet completely rehabilitated. Never a food-surplus region, North Korea since the Korean war has suffered from large grain deficits as a result of adverse weather and an acute manpower shortage and remains a net importer of food.

The three-year rehabilitation program, completed in 1956, was made possible by extensive Sino-Soviet bloc aid. Shortly after the armistice in 1953, the USSR extended \$25,000,000 in aid for the program, and in November 1953 Communist China agreed to grant North Korea credits of \$325,000,000 for the years 1954-57. Other bloc countries contributed lesser amounts.

Soviet advisers supervised the program and the USSR supplied

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large amounts of industrial equipment. The Eastern European satellites sent technicians and a smaller quantity of equipment. China furnished large quantities of consumer goods and raw materials, and the Chinese army supplied a considerable amount of labor, particularly in the reconstruction of the transportation system. In spite of the large Chinese contribution, Pyongyang's propaganda has given the USSR the great majority of the credit for its economic rehabilitation.

The First Five-Year Plan (1957-61) is an ambitious program for restoring over-all industrial production to at least the levels reached under the Japanese and for achieving self-sufficiency in agriculture.

After 1957, only about 10 percent of the original bloc grant-in-aid will remain to be spent on the rehabilitation program and no new large credits have been announced for the Five-Year Plan. If North Korea is forced to underwrite its economic development after this year, the success of the plan will be in doubt, particularly since the country is deficient in resources suitable for export.

A decline in Sino-Soviet aid, however, is unlikely to loosen North Korean economic ties to the bloc. Pyongyang, which has no diplomatic relations with free-world countries, will continue to rely on the bloc for technical assistance and advice and for the bulk of its imports.

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THE SOUTH KOREAN ARMED FORCES

The South Korean armed forces constitute the largest anti-Communist military force in Asia. The army, with a total strength of approximately 610,000 men, is the third largest in the free world. It demonstrated physical ruggedness and determination to fight during the Korean war and is now entrenched in strong defensive positions along the mountainous demilitarized zone. All combat elements are reported combat-ready.

The army's 20 divisions are lightly outfitted by American standards, however, and much of the equipment is obsolete and worn out. The air force is greatly inferior in numbers to its North Korean counterpart, and the navy's ships and equipment are of World War II vintage. Corruption is a serious

problem, especially for the army.

Capabilities

The South Korean forces, unaided, are capable of maintaining internal security and defending South Korea's boundaries against minor intrusions, but they could conduct a successful defense against a North Korean attack for only a short time. Obsolescent equipment and the lack of logistical support would prevent a sustained defense without outside assistance. If Communist China joined an assault, immediate assistance would be needed.

Ammunition and gasoline stocks are limited, and the South Korean forces are dependent on the United States for additional supplies. Threats by

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President Syngman Rhee to launch a "march north" for the unification of Korea are principally propagandistic and are not supported by most South Korean military leaders.

Despite these weaknesses, the South Koreans at any time could provoke a local incident designed to reopen hostilities, the success of which would depend on the enemy reaction. If the Communists remained on the defensive, the fighting

SOUTH KOREAN ARMED FORCES**ARMY**

610,000 MEN

2 ARMIES

5 CORPS

20 DIVISIONS

10 RESERVE DIVISIONS

NAVY

15,000 MEN AND

26,500 MARINES (1 DIVISION)

22 PATROL VESSELS

10 MINE VESSELS

24 AMPHIBIOUS VESSELS

14 AUXILIARIES

AIR FORCE

15,750 MEN

176 AIRCRAFT

80 F-86F JET FIGHTERS

18 C-46 PISTON TRANSPORT

16 T-33 JET TRAINERS

62 OTHER AIRCRAFT

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would probably subside with little change of position by either side.

The offensive and defensive capabilities of the air force and navy are extremely limited. The air force has only a single wing of 80 F-86F fighter-bomber jet aircraft to oppose the 400-odd jet fighters and 20-odd jet bombers based in North Korea.

If not destroyed on the ground in the first hours of combat, the South Korean air force could be expected to exist as an effective force in only the initial phases of fighting.

The navy, with 22 patrol vessels, including six destroyer escorts, can do little more than patrol its own waters. Mine-sweeping, antiaircraft, and antisubmarine capabilities are limited by the obsolescence of the equipment. Amphibious capability is restricted to support of regimental-size operations against light to moderate resistance. Gunfire support is limited to three-inch guns on patrol vessels.

South Korea's only marine division is stationed in a front-line position along the Han River estuary. It is believed incapable of advancing along the army's seaward flank during a reconquest of all Communist-held territory south of the 38th parallel--a project for which President Rhee has ordered an operational plan made.

Problems and Deficiencies

The South Korean army has many shortcomings, one of the most serious of which is increasing corruption. The army reportedly received in 1956 only 84 percent of its needed supplies because pilferage of railroad car parts had reduced the number of freight cars in service. In addition, sale of gasoline drums on the black market produced a critical fuel shortage by December. [REDACTED]

[REDACTED] estimated in October that only 50 percent of the gasoline shipped in Korea was reaching its destination.

[REDACTED] the South Korean army could not fight a successful defensive action unless transportation and gasoline.

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shortages were overcome.

in April that 25 percent of all American military aid goods was being sold illegally before reaching its destination,

The deficiency of railroad transportation has been alleviated, but new problems have arisen. The lack of funds in the military budget has resulted in the possibility that the troops will go hungry unless more funds are made available. Some reports have indicated that black-marketeering of food by officers is at least partly responsible for the problem, and that a food shortage has prevented one reserve division from completing its annual training program. Army headquarters is reported considering plans to furlough large numbers of troops in order to reduce food requirements.

Another problem, a manpower shortage, was eased considerably last year. In the past, draft dodging has been relatively easy in Korea. The police, responsible for the apprehension of draft dodgers, have been prone to accept bribes. This has made it necessary to keep conscriptees in service for a period considerably longer than the legal three-year term.

In the fall of 1956 a full-scale program to apprehend draft dodgers was instituted and thousands have been inducted. Conscriptees of students also began this spring. As a result, army leaders now hope to discharge by the end of this year 100,000 of the 240,000 enlisted men who have served for more than three years. It is questionable, however, whether or not South Korea has the manpower to support the existing establishment with only a three-year term of service.

Considerable progress was made during the past year in implementing the reserve pro-

gram. The ten reserve divisions, each of which has a nucleus of 2,600 regular personnel assigned to its training site, have begun to train their assigned reservists in regular 30-day training programs. These reserve divisions are expected to be fully equipped with small arms and, as funds become available, with mortars and recoilless rifles. The training is reportedly being conducted efficiently, despite the fact that the families of many reservists inevitably suffer considerable hardship while the breadwinner is away.

The navy and air force have been less affected by corruption than the army, probably because these services are regarded as elite corps. In 1956, however, the four escort vessels making the annual midshipmen's cruise hurried home ahead of schedule loaded with luxury goods purchased in Hong Kong for sale on the black market.

The South Korean services suffer from materiel shortages. Artillery ammunition for training purposes is in short supply, and the air force still needs more T-33 jet trainers. In addition, World War II-type vehicles and signal equipment are wearing out and replacement parts are unavailable.

A number of South Korean officers believe the best solution for many of the problems of the armed forces would be to reduce the size of the standing military establishment and increase the reserve. In this way, the remaining troops could be better equipped and fed, the military budget reduced, and striking power augmented. In addition, such a step would permit a pay increase, thereby eliminating one of the basic causes of corruption within the armed forces.

President Rhee, however, intent on maintaining the

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maximum possible combat strength in preparation for a "march north," has so far refused to listen to proposals for a reduction in the size of the services. He will probably maintain this view unless convinced that combat efficiency would be increased rather than decreased by a personnel cut.

Morale and Leadership

The morale and leadership of the South Korean armed forces have shown some improvement during the past year. A sharp increase in the number of defections to North Korea, which caused considerable alarm a year ago, has been reversed. Nevertheless, basic discontent with the Rhee administration remains strong at many levels within the services. Morale may suffer if high-ranking officers attempt to repeat the

practice during last year's presidential election and swing the army vote to the Liberal Party during next year's National Assembly elections.

Factionalism within the services has declined for the time being following the recent transfer from key positions of Generals Chong Il-kwon and Yi Hyong-kun, the two principal rivals for power. The other full general on active duty, Paek Son-yop, is now army chief of staff. So far, he has not attempted a major reshuffle of the army high command. The recently announced appointment of the former air force chief of staff, Lt. Gen. Kim Chung-yul, as minister of defense may also inhibit the development of factionalism in view of Kim's relative freedom from such associations. [redacted]

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[redacted] 25X1

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PRO-COMMUNIST TRENDS IN ICELAND

In the 12 months the Communists have held office in Iceland's coalition government, they have been gradually entrenching themselves in government agencies--particularly in those controlling the economic life of the country. Iceland's foreign trade continues to shift toward the Soviet bloc, and the Conservative opposition is being steadily weakened. Although the Communists have suffered some losses in the trade unions, there are no signs of an imminent breakup of the Progressive-Social Democratic-Labor Alliance coalition cabinet.

The Communist-dominated Labor Alliance entered the government in late July 1956 following the general election of 24 June which left it holding the parliamentary balance between the Progressive-Social Democratic electoral alliance and the Conservative Party. Protracted bargaining gave the Labor Alliance two cabinet posts--the Ministry of Social Affairs and the Ministry of Fisheries and Trade--in a coalition headed by Prime Minister Hermann Jonasson, the leader of the largely agrarian Progressive Party, and including the Social Democrats.

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The coalition has endured, despite some strains and frequent rumors of impending rupture, because each party has been primarily intent on enjoying the fruits of office. The Communists have been content to concentrate for the time being on entrenching themselves in the government, leaving foreign policy as such to the other parties. In December, for example, they tacitly accepted a revised agreement with the United States discontinuing discussions on the withdrawal of American forces from the NATO air base at Keflavik, though the party had for years demanded the total expulsion of American forces from Iceland.

Communist Gains

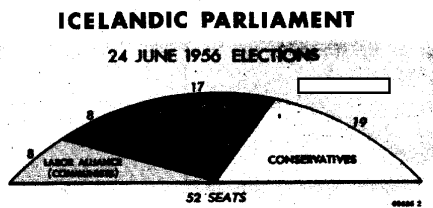
This tactic of the Communists has paid off in a considerable extension of influence within the government and over the economy of the country. Through the allocation of patronage among the parties, they have obtained directorates on the boards of the three government banks.

The Communists have exploited their control of the Fisheries Ministry, which has extensive powers over the island's chief industry and, by Icelandic practice, is semi-autonomous. The Communist minister has indirectly injected himself into foreign policy by calling for an extension of territorial waters, a popular cause among the highly nationalistic Icelanders and the subject of a long-standing dispute with Britain.

The success of the coalition government in obtaining foreign assistance for its economic development schemes has augmented its prestige and consequently that of the Communists. In the last year, Iceland obtained three loans from the United States totaling \$11,000,000.

The Soviet government recently offered a general loan amounting to \$25,000,000 for 20 years at 2 percent, as well as a 15-year loan of \$3,000,000 for refinancing the purchase of 15 fishing vessels from East Germany. If these loans materialize, the position of the Communists will be still further enhanced.

As a result of continuing internal differences on the advisability of the coalition with the Communists, the Social Democrats are weak. The more formidable Conservative Party, despite efforts to reverse the trend, has been reduced in influence by a number of the same developments which



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have strengthened the Communists. The new fiscal and banking legislation reduces the economic power of the businessman-entrepreneur element, and various members of the Conservative Party are being gradually squeezed out of their government posts. Foreign loans have undercut the Conservatives' argument that a government with Communist members cannot expect economic assistance from non-Communist sources.

Communist Difficulties

Communist leaders have at the same time had some trouble in holding their rank and file in line. The Hungarian revolt made a strong impact on the normally isolationist Icelander and resulted in some party discontent with the dominant Moscow faction.

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A more serious difficulty is the unpopularity in trade union circles of the wage restraint policy adopted by the coalition government in its effort to arrest Iceland's inflationary spiral. Since Communist leaders in the unions have been obliged to forego their usual practice of spearheading the drive for higher wages, they have suffered serious losses to Conservative-Social Democratic coalitions in a number of union elections during the first half of 1957. The Conservatives have sought to alienate labor from the government by prolonging the shipping strike, now in its seventh week, in the hope that the government would be obliged to resort to compulsory arbitration.

Communist control of the Labor Alliance is being challenged by Hannibal Valdimarsson, the renegade Social Democrat who holds one of the Labor Alliance's two cabinet posts and heads the Communist-dominated Icelandic Federation of Labor. Fearing his ouster from the latter post as a result of Communist losses in the union elections, Valdimarsson--so far without success--is reportedly trying to convert the Labor Alliance into a new left-wing party, consisting of non-Moscow Communists and splinter groups from the Social Democratic and Progressive Parties, under his leadership.

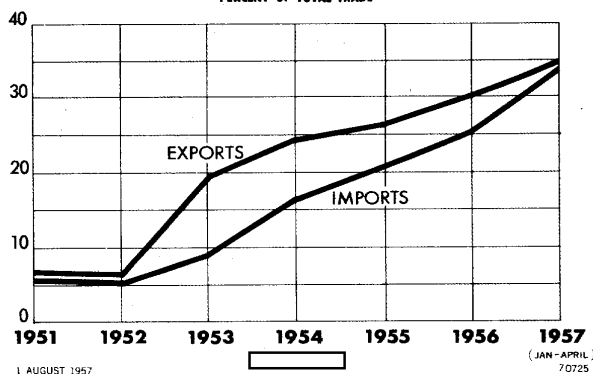
Communist Plans

To checkmate Valdimarsson and to offset their losses in the unions, the Communists are reported preparing to found a new political party, the "Ice-

landic Labor Party." This new organization would replace both the Labor Alliance and the existing Communist party and would aim at retaining the backing of the non-Communist voters in the Labor Alliance and ultimately becoming the country's sole left-wing party.

With increasing influence over Iceland's national policy, the Communists' first objective would probably be to orient the country's economy even further toward the Soviet bloc. Growing trade with the bloc and financial assistance from the USSR would greatly reduce the economic importance of the dollar earnings of the Keflavik base, which will be approximately \$11,000,000 in 1957. This in turn would put the Communists in a much stronger position to press for execution of their demand for American troop withdrawal in line with

ICELAND'S TRADE WITH THE SOVIET BLOC
PERCENT OF TOTAL TRADE



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the parliamentary resolution of 28 March 1956.

Under the agreement of December 1956, there is some doubt as to whether Iceland is still legally bound to consult NATO before calling for resumption of the "discontinued" negotiations for withdrawal.

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It can be argued that the responsibility for evaluating the international situation and the defense needs of Iceland has been transferred primarily from the North Atlantic Council to an American-Icelandic joint defense board. This board has not yet been convoked.

Present Trade Trends

Iceland's foreign trade continues to shift toward the Soviet bloc. By 1956 the country was obtaining 26.4 percent of its imports from the bloc and sending 30 percent of its exports there. In the first four months of 1957, with a slightly lower volume of trade, these proportions rose to 34 and 35 percent respectively. Iceland now obtains most of its

petroleum, much lumber, and a wide variety of metal goods and manufactured products from the bloc, and sends about 70 percent of its frozen fish and about half its salted herring to bloc markets. Icelandic fish are being priced out of nonorbit markets.

Iceland's economic dependence on the Soviet bloc is already of sizable proportions. Extensive loans from the USSR, now under consideration, would still more firmly tie the Icelandic economy to the bloc and enable the USSR to exercise considerable influence, direct or indirect, on the Icelandic economy and the policies of the government. [redacted]

[redacted] (Concurred in by ORR)

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