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9 January 1958

CURRENT INTELLIGENCE WEEKLY SUMMARY



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

PART I

OF IMMEDIATE INTEREST

SOVIET BLOC DIPLOMATIC MOVES Page 1

Moscow has followed up its public demands for new East-West talks with diplomatic overtures to a number of governments to urge the United States to assent to negotiations. The Kremlin probably feels that American acceptance would undercut efforts to strengthen NATO, while an American rejection would stimulate the view that the United States is the principal obstacle to a lessening of tensions between the Communist bloc and the West. Polish Foreign Minister Rapacki's proposal for a nuclear-free zone in central Europe is a major element in the Soviet bloc's present diplomatic offensive and is being given favorable attention in some West European press and official circles. [redacted]

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INDONESIA Page 3

[redacted]
Prime Minister Djuanda in Djakarta has stated that he expects increased trouble from the provinces, but no great change in the internal situation while Sukarno is out of the country. The Indonesian arms purchasing mission, now in Eastern Europe, is seeking large amounts of military equipment, including jet fighters, bombers, transports, helicopters, and trainers. Moscow, meanwhile, is putting "extreme pressure" on the Indonesian Government to accept arms and ships. [redacted]

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PART II

NOTES AND COMMENTS

SOVIET AGRICULTURE IN 1957 AND PROSPECTS FOR 1958 Page 1

Soviet agriculture in 1957 was characterized by approximately average yields in grain--in contrast to last year's exceptionally high yields--significant gains in meat and milk production, a disappointing performance in cotton, and a large increase in sugar beet production.

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PART II (continued)

These results, together with the absence of crash agricultural programs for 1958, indicate that prospects are poor for achieving the original Sixth Five-Year Plan grain goal for 1960. Despite the 1957 increase in milk and meat production, Khrushchev's goals to equal America's per capita production in milk by 1958 and in meat by 1960-61 are not likely to be met. [redacted]

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USSR CLAIMS NEW ACHIEVEMENTS IN AVIATION Page 3

Recent Soviet claims, most of which appear to be within Soviet capabilities, have stressed achievements in aviation which have included new world records and announcements of new aircraft developments. These claims are used to back the present propaganda campaign emphasizing Soviet technological superiority. [redacted]

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SOVIET ANNOUNCEMENT ON FORCE REDUCTION Page 4

Moscow's announced plan to reduce its armed forces by 300,000 is intended to strengthen the impression that steps to enhance NATO's military potential are unnecessary, and to contrast with efforts to strengthen the Western military alliance. [redacted]

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ALBANIA DEMONSTRATES AIR DEFENSE CAPABILITY Page 5

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[redacted]

On 30 December, Albanian jet fighters forced down a British civil airliner which allegedly violated Albanian territory. In addition to reflecting a sensitivity to overflights, which Albania has heretofore been unable to prevent, the incidents demonstrate that Albania's air defense system, under development since 1955, has now reached operational status. [redacted]

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WEST GERMAN VIEWS OF BERLIN ACCESS PROBLEM Page 6

West Berlin and Bonn officials are apprehensive over the East German regime's assumption of greater control over access to and from West Berlin. Bonn believes infringement of Allied access calls for firm resistance, particularly since such action may precede increased harassment or blocking of West German traffic to Berlin. A curtailment of interzonal trade would be Bonn's most effective retaliatory measure, but would be instituted only with reluctance. [redacted]

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PART II (continued)

ULBRICHT TO FACE OPPOSITION AT EAST GERMAN PARTY PLENUM . Page 7

Anti-Ulbricht sentiment in high East German Communist party circles seems to have reached a new peak, with a showdown possible at the party central committee's 35th plenary meeting scheduled for late January. The opposition

[redacted] apparently wishes to force First Secretary Ulbricht to modify his tough economic policies rather than overthrow him. The group believes the planned norm increases and wage cuts for workers and intensified pressures on farmers and artisans to join collectives would not increase productivity and would cause unrest. [redacted]

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FURTHER PRESSURE ON THE EAST GERMAN FARMER Page 8

The East German regime is putting into effect agricultural measures which will intensify its struggle with the private farmer and stimulate further defections by the increasingly scarce agricultural workers, who have deserted 1,200,000 acres of farmland since the war. Increased collectivization, elimination of free produce markets, and discrimination in the allocation of various farm necessities will increase state control over the private farmer, at the cost of reduced agricultural output. [redacted]

RIVALRY AMONG NORTH VIETNAMESE LEADERS Page 9

North Vietnamese Defense Minister Vo Nguyen Giap and veteran party theoretician Truong Chinh appear to be engaged in a power struggle, each heading a faction in the Hanoi hierarchy. Ho Chi Minh has moved to protect his position in the party and is probably trying to prevent a serious dispute. Only his presence seems to assure stability. Persistent failures to implement major policies and reversals of some of them may reflect disagreement among the leaders on how to proceed. [redacted]

PEIPING RESUMES BOLD INDUSTRIALIZATION POLICY Page 10

Peiping has set itself the ambitious goal of surpassing the United States economically by the end of the century. Targets for both the Second Five-Year Plan (1958-1962) and the 1958 annual plan have recently been raised, and Peiping has taken the unusual step of scheduling the National People's Congress for January instead of June to consider these matters. [redacted]

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PART II (continued)

PEIPING BEGINS EXPULSION OF RIGHTISTS FROM GOVERNMENT
POSTS Page 11

Peiping's firing of high-level officials in two provinces as "rightists" last week marks the beginning of formal action against government personnel charged with antiregime activity. The Chinese Communists have hitherto permitted such men to continue in office, at least nominally, but the regime has evidently decided that their usefulness as "living textbooks" on the evils of "antisocialist" behavior has ended. Other leading officials at the provincial level will probably be dismissed soon, and some members of the central government are expected to be removed during the National People's Congress. [redacted]

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MIDDLE EAST DEVELOPMENTS Page 12

In Syria the internal struggle is sharpening between radical nationalists supported by Egypt and pro-Soviet groups, with the Communists as their core. An Egyptian economic delegation is now negotiating in Moscow; an article in a Soviet journal suggests the USSR may be trying to keep alive the idea that it will assist Egypt's Aswan high dam project. An Arab oil meeting opening in Cairo next week is likely to increase pressure for more direct Arab government participation in the Middle East oil industry. [redacted]

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AFGHANISTAN TO SEEK FOREIGN GRANTS RATHER THAN LOANS . . . Page 13

Financial difficulties have apparently compelled Afghanistan to seek only grant aid, to the exclusion of loan aid, which it now receives from both the United States and the USSR. The USSR is unlikely to offer grant aid but may offer to ease the terms on its \$100,000,000 loan to help Afghanistan overcome its payment difficulties. The USSR may also seek to increase its influence by providing economic experts to help solve inflationary problems. [redacted]

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THE VENEZUELAN SITUATION Page 14

Developments in Venezuela since the government crushed the military revolt on 1-2 January indicate that President Perez will probably be unable to re-establish complete personal control over the country. The loyalty of some of the armed forces is doubtful, and reprisals the government has taken against military and civilian elements could touch off additional violence. [redacted]

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PART II (continued)

FRENCH SEEK STRATEGIC NUCLEAR CAPABILITY Page 15

The increasing French desire for advanced weapons, including hydrogen bombs, may complicate the forthcoming American-French bilateral talks. These talks are in response to the American offer at the recent NATO conference to provide IRBM's and to support cooperative development of modern weapons for NATO forces. Paris now wants such arms in order to possess an independent "retaliatory" strategic nuclear capability.

[Redacted]

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MACMILLAN'S SUGGESTIONS ON EAST-WEST RELATIONS Page 16

Prime Minister Macmillan's cautious support of a nonaggression pact with the Soviet Union and an eventual summit meeting has received favorable comment in most Western European circles. The Kremlin's reaction reflects a determination to prevent the West from gaining credit for moves to reduce international tensions.

[Redacted]

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[Redacted]

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CYPRUS Page 18

Governor Foot has presented his recommendations for new moves on Cyprus to the British Cabinet, but no public announcement on policy is planned until after Parliament reconvenes on 21 January. EOKA remains passive but periodically issues warnings of revolt throughout the island unless London meets its demands for Cypriot self-determination. Greek Prime Minister Karamanlis appears convinced of the necessity of reaching an accommodation with Ankara but is pessimistic over the chances of success.

[Redacted]

JAPAN SEEKS TO REDUCE CONTRIBUTION TO US FORCES Page 19

Foreign Minister Fujiyama has requested that the Japanese contribution toward support of American forces in Japan be reduced to \$56,000,000 for fiscal 1958, instead of to \$70,000,000 as stipulated by the terms of an earlier agreement. The Kishi government believes the

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PART II (continued)

additional reduction is warranted by the substantial withdrawal of American troops during 1956-57. It is under pressure to obtain such a reduction because the Socialist party, preparing for general elections this year, is planning to exploit Japanese sensitivities on any question relating to the presence of American forces in Japan. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

KHRUSHCHEV'S PARTY MACHINE Page 1

With the downgrading of the Soviet police in 1953, the reorganization of industrial management in mid-1957, and the recent exercise of party dominance over the armed forces, political power in the USSR has become concentrated more and more in the party machine, headed by Khrushchev. This machine includes the all-union secretariat, its 20 or so executive departments called the central apparatus, and a highly disciplined hierarchy of subordinate secretariats and apparatuses (or executive staffs) corresponding to the republics, oblasts, and lesser administrative divisions of the country. Control of the party machine through the central secretariat has been a primary factor in Khrushchev's rise to power, and direct influence in the secretariat may soon become, if it is not already, the sine qua non for top political stature. [redacted]

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SOVIET TRADE UNIONS REORGANIZED Page 7

Along with the reorganization of industrial management, the Soviet trade union structure is being extensively revamped to facilitate coordination between the trade unions and the newly formed regional economic councils. Beginning 1 January, republic, oblast, and krai trade union councils were to take on added responsibility for financial and operational activities of the industrial trade unions operating within their territorial jurisdictions. A central committee resolution adopted in December, in part empowering factory union committees to participate in drafting production plans, demonstrates the regime's interest in using the trade unions to stimulate industrial production. [redacted]

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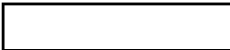
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PART III (continued)

THE PRE-ELECTION SITUATION IN GUATEMALA Page 9

Campaigning for the 19 January presidential and congressional elections in Guatemala is marked by mounting partisan bitterness and public anticipation of serious disturbances. It now seems likely that none of the three major presidential candidates will receive a majority, thus leaving the decision to the present Guatemalan congress, which would probably favor the anti-Communist center coalition candidate, Cruz Salazar. The Communist-infiltrated Revolutionary party may resort to violence if it is not declared the winner in the election.



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PART I

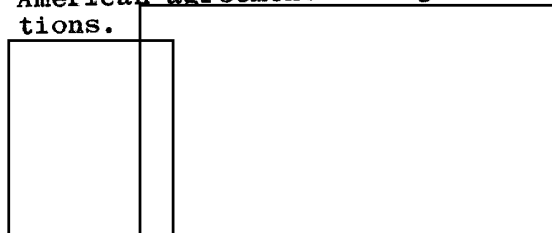
OF IMMEDIATE INTEREST

SOVIET BLOC DIPLOMATIC MOVES

Pressure for East-West Talks

Moscow has followed up on its public demands for new East-West talks with diplomatic overtures to a number of governments to bring pressure on the United States to assent to negotiations. The Soviet leaders are trying to capitalize on the strong sentiment in the West favoring a new round of high-level talks. The Kremlin probably feels that American acceptance would undercut efforts to strengthen NATO, while an American rejection would stimulate the view that the United States is the principal obstacle to a lessening of tensions between the Communist bloc and the West.

Since late December the Kremlin has engaged in behind-the-scenes moves--probably on a widespread scale--to enlist the support of a number of free world governments to secure American agreement to negotiations.



Soviet officials have approached American diplomatic

personnel on several occasions in efforts to determine Washington's attitude toward the proposal in Bulganin's letters of mid-December for some form of high-level East-West talks. On 20 December the Soviet ambassador in Rome told the American ambassador there that perhaps he could "convey some useful message" from the USSR.

Two days later the head of the USSR's Committee for Cultural Relations With Foreigners told Ambassador Thompson in Moscow that East-West problems could, in the final analysis, only be resolved by bilateral Soviet-American negotiations and pointed out the need for agreement while President Eisenhower and Khrushchev "are still in office." In trying to sound out the ambassador, the Soviet official also expressed the view that negotiations would become more difficult after NATO plans to strengthen Western Europe, particularly West Germany, are being put into effect.

The Rapacki Plan

Polish Foreign Minister Rapacki's proposal for a nuclear-free zone in central Europe is a major element in the Soviet bloc's present diplomatic offensive and is being given favorable attention in some West European press and official circles.

Rapacki declared in the UN General Assembly on 2 October that, if the two German states would consent to ban the

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production and stockpiling of nuclear weapons on their territories, Poland would follow suit. On the same day, Czechoslovakia made a similar commitment. Interest in the proposal lagged until mid-December when Soviet Premier Bulganin included it in his letters to the NATO powers, expanding on Rapacki's suggestion to include an agreement by the three nuclear powers not to deploy nuclear weapons on German territory. Although the proposal has been greeted as a new Communist idea, a similar suggestion was advanced by the Warsaw Pact powers in January 1956 and was formally proposed by the USSR to the subcommittee of the UN Disarmament Commission in March 1956.

Several of the Soviet bloc states have joined in this campaign. Poland appears to be more flexible than the others in the terms it proposes. Polish Deputy Foreign Minister Naszowski recently told American Ambassador Bean in Warsaw that the Rapacki plan was not intended to embarrass West Germany and would not require Bonn to recognize or negotiate with East Germany. On 13 December Rapacki stated that an agreement between the two German states would be the most direct method for establishing a nuclear-free zone, but implied that there were other ways of attaining it.

In contrast to Polish descriptions of the plan, Soviet, East German, and Czech statements have consistently referred to an agreement between the two German states as an essential part of the proposal. The only exception was Bulgan-

in's letter to Adenauer of 10 December, which avoided the question.

In his statement of 13 December, Rapacki referred to the need for some method of control but suggested that this problem could be settled after agreement on the principle of a nuclear-free zone had been reached. The Polish deputy foreign minister said recently that controls could be worked out by the "great powers" involved.

In addition to the nuclear-free zone, the USSR has been stressing such other proposals as a nonaggression pact between the NATO and Warsaw Pact countries, the withdrawal of some or all foreign troops from Germany, and a ban on tests on nuclear and thermonuclear weapons. Moscow probably believes the nuclear-free zone is a particularly useful proposal, however, because of its Polish sponsorship and because of the present debate in NATO countries over establishing nuclear and missile bases in Western Europe.

West European Reaction

The reactions of Western European political figures to the Rapacki plan have been largely determined by their previous attitude toward a withdrawal of Soviet and American forces, the banning of nuclear weapons, and toward neutralism in general. Parties and politicians favoring these ideas have spoken of the Rapacki plan as "interesting," "promising," or "worth looking into." Even those who have generally supported the strengthening of NATO have shown some interest

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in the plan because they feel it might represent a Polish scheme to gain the removal of Soviet forces and they hope it could help break the deadlock in the disarmament negotiations.

In Bonn, the Rapacki plan has been publicly described as "under study" because it was included in Bulganin's letter to Adenauer which will be answered in mid-January. Adenauer, however, said on 21 December that his government had already concluded that neutral zones were impractical and added that "a de-atomized zone seems to me still more illusory than a neutral zone."

stand on the Rapacki plan, which the French ambassador in Warsaw has been instructed to reject "firmly." Some French officials believe, however, that the idea of a "thinned-out zone" in central Europe is gaining headway in France. The Belgian Foreign Minister opposes the plan because its geographic scope is too limited; he prefers Western disarmament proposals for inspection "from the Atlantic to the Urals."

While the Rapacki plan itself has attracted little attention in Britain, public debate there has recently revealed considerable support, particularly in the Labor party, for a zone of limited armaments in central Europe. In the 8 January meeting of the North Atlantic Council, the UK, supported by other countries, insisted that in the replies to the Bulganin letters the Rapacki plan be mentioned as under study. Most influential independent papers have warned that the stationing of IRBM's in Germany would tend to freeze the present stalemate.

On 2 January Prime Minister Nehru of India endorsed the Rapacki plan as well as Yugoslav President Tito's call for an East-West summit conference.

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INDONESIA

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Both Djuanda and Hatta, however, are concerned that right-wing religious and youth groups in Java may attempt violent action during the next few weeks. An incident of grenade-throwing occurred in Djakarta on 7 January, possibly the beginning of isolated acts of terrorism by these groups. No drastic overt Communist move is expected during Sukarno's absence, except possibly in defense of the present government.

Prime Minister Djuanda in Djakarta continues to insist that although he expects increased trouble from the provinces, no great change in the internal situation will occur while President Sukarno is out of the country. He nevertheless called a cabinet meeting on 6 January, immediately after Sukarno left on his trip, at which the principal announced topic was trade relations with the outlying provinces. It is possible that a greater effort to placate the dissident leaders may have been discussed.

Former Vice President Hatta, who has severely criticized the Djuanda cabinet, has stated he will not participate in any government reorganization while the President is out of the country. Hatta is believed planning to go to Sumatra soon and probably will add his voice to those counseling moderation.

The Indonesian arms purchasing mission now in Eastern Europe is seeking heavy infantry weapons for the army, a variety of medium and small vessels for the navy, and over a hundred Soviet-type aircraft, including jet fighters, bombers, transports, helicopters, and trainers.

The Soviet Government on 6 January made a firm offer of arms and ships to Indonesia, going beyond previous vague expressions of support by Soviet officials. Premier Djuanda told the American ambassador on 7 January of "extreme pressure" from the USSR to accept this aid. The USSR is able to provide arms on short notice, and bloc vessels are able to meet Indonesia's overseas shipping needs. The USSR can be expected to offer this assistance on reasonable terms.

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PART II

NOTES AND COMMENTS

SOVIET AGRICULTURE IN 1957 AND PROSPECTS FOR 1958

Soviet agriculture in 1957 was characterized by approximately average yields in grain--in contrast to last year's exceptionally high yields, significant gains in meat and milk production, a disappointing performance in cotton, and a large increase in sugar beet production. These results, together with the absence of crash agricultural programs for 1958, indicate that prospects are poor for achieving the original Sixth Five-Year Plan grain goal for 1960. Despite the 1957 increases in milk and meat production, Khrushchev's goals to equal American per capita production in milk by 1958 and in meat by 1960-61 are not likely to be met.

Khrushchev, in a speech to the Ukrainian Supreme Soviet on 24 December, indicated that the 1957 grain harvest was lower than the record harvest of 1956. He said the country "procured" approximately as much grain as during 1955, a year with a harvest well below that of 1956. This reference to procurement suggests that total grain output is below even that of 1955, since the New Lands made a greater contribution to total output in 1957 than in 1955, and the rate of state procurement in the New Lands is relatively higher than in the other major grain-producing areas.

The substantial 1957 increase in meat and milk production over 1956 resulted from an increase in fodder available from the record 1956 harvest and an early spring in 1957 with the resultant good pasture. The plan for sugar beet procurement was overfulfilled,

a bright spot, but the cotton crop did not meet its goal, and quality is low because of poor weather.

The policy since Stalin's death of giving high priority to agriculture continues in the 1958 plan for the Soviet economy. Capital investment planned for state agriculture is two billion rubles (\$500,000,000 at the official rate) higher than that planned for 1957, and machinery inputs to agriculture also show an increase. The transfer of N. I. Belyayev, a secretary of the party central committee, to first party secretary in Kazakh SSR in December was probably aimed at least in part at boosting agriculture production there. Earlier, in the fall of 1957, he had called for a further expansion of the New Lands program by 30-37,000,000 acres in areas adjacent to Kazakh SSR. He will undoubtedly push conversion to the two-stage harvesting technique in gathering next year's grain harvest.

Despite planned further expansion of cultivated acreage in the USSR in the next several years, the 1958 plan calls for no increase in grain acreage. Kuzmin spoke of a planned increase of 12,400,000 acres of grain in 1958, but he was apparently comparing 1958 (planned) sown area with 1957 harvested area. For meat production in 1958, the rate of increase may be lower than that attained in 1957 because of the 10- to 15-percent decline in the 1957 grain harvest.

An organizational measure being adopted was mentioned by V. Matskevich, Soviet agriculture minister, on 8 January at

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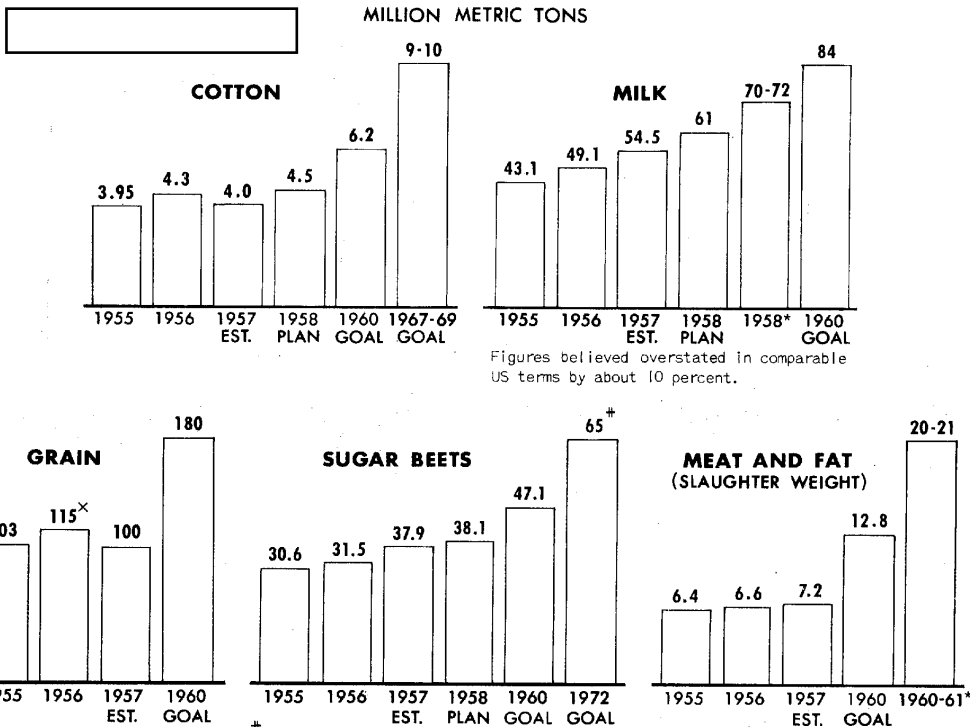
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USSR: PRODUCTION OF SELECTED AGRICULTURAL COMMODITIES



Figures believed overstated in comparable US terms by about 10 percent.

^x Estimated amount of grain actually available in view of abnormally high postharvest losses in 1956. Official Soviet harvest figure was 124,000,000 tons.

⁺ Amount necessary to produce 9-10,000,000 tons of sugar, as envisaged by Khrushchev.

Based on figures believed overstated in comparable US terms by as much as 40-50 percent.

* "CATCH UP WITH U.S." GOAL

9 JANUARY 1958

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an agricultural conference, under which the country would be divided into 39 agricultural zones on the basis of climate and soil conditions. This geographic approach is somewhat reminiscent of last year's launching of the reorganization of industry on a geographic basis. Although little is known of the specifics involved, one of the primary tasks of the regions reportedly will be to stimulate the programs for catching up with the United States.

A 12-percent increase in milk production planned for 1958, if achieved, would put

total Soviet milk production in 1958 still about 10,000,000 tons short of the necessary 70-72,000,000 tons needed to catch up with the United States in per capita production in 1958, even if Soviet milk statistics are accepted. These statistics appear to overestimate production in comparable American terms. Matskevich stated at the same conference that the USSR will catch up with the United States in total milk production in 1958. In so doing he tacitly admitted that Khrushchev's original goal of overtaking the United States in per capita milk production in 1958 would have to be reached later.

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Butter along with meat and milk was designated by Khrushchev in the race to overtake the United States in per capita output. It is quite possible that the USSR per capita production already exceeds that of the United States if household production of butter is included. Khrushchev's original comparison gave Soviet commercial production of butter only. While the USSR may attempt to publicize this "victory," possibly to divert attention from the failure to achieve meat and milk output goals, it should be remembered that the United States

has in addition a per capita production of margarine almost equal to that of butter. American butter consumption has dropped sharply in the postwar period.

It is probable that in 1958 there will be a continuation of the expansion in the state farm sector of agriculture through the conversion of so-called "economically weak" collective farms into state farms, a program allegedly aimed at increasing efficiency and production. [redacted] (Prepared by ORR)

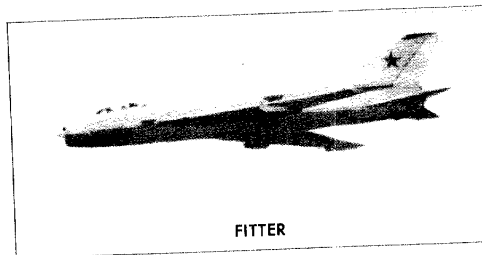
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USSR CLAIMS NEW ACHIEVEMENTS IN AVIATION

Recent Soviet claims, most of which appear to be within Soviet capabilities, have stressed achievements in aviation which have included new world records and announcements of new aircraft developments. These claims are being used to back the present propaganda campaign emphasizing Soviet technological superiority.

Soviet claims to a new speed record were advanced in an article in the 14 December issue of Soviet Aviation which stated that a jet fighter had attained a speed of 1,242 miles per hour during a test flight. This announcement followed by two days the official establishment of a new world record of 1,207.6 miles per hour set by an American Voodoo fighter-bomber. The description of the Soviet aircraft suggests the FITTER, first observed in the 1956 air show, which is estimated to have a maximum speed of 1,300 miles per hour at an optimum altitude of 35,000 feet.

A Moscow broadcast of 27 December reiterated statements originally made on 30 October that the HOOK (MI-6) had broken a world record for helicopters previously held by the United States. The October announcement credited the aircraft with lifting 26,463 pounds to an altitude of 7,870 feet, surpassing last year's American record



of lifting 13,250 pounds to 7,000 feet. Analysis of the HOOK's capabilities indicates that the helicopter probably is capable of such a feat.

The military newspaper Red Star stated on 27 December

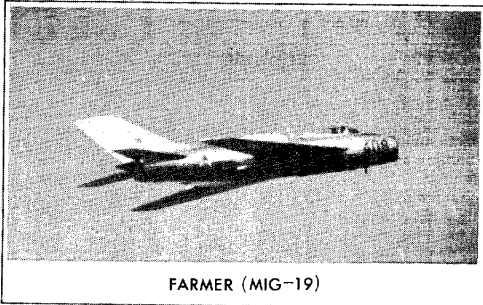
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that a Soviet air force pilot had flown a fighter at 62,680 feet and "then climbed still higher." The item said this



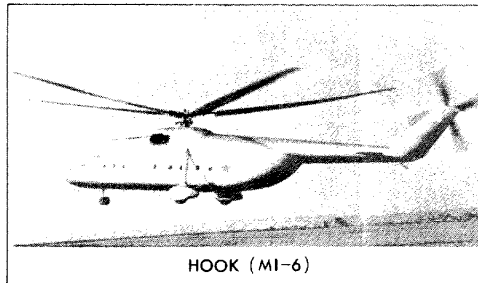
FARMER (MIG-19)

was a "standard flight of a squadron commander in a series-produced aircraft of an operational unit," not an experimental flight. The flight may have been performed by a FARMER (MIG-19), which is estimated to have a service ceiling of 62,200 feet on an optimum mission, and probably could exceed this in a maximum altitude attempt.

Red Star on 28 December carried a photograph of a jet fighter--probably a MIG-19--being launched from a catapult. Mounted under the afterfuselage was a "starting rocket"--ap-

parently a JATO or RATO bottle --which could be jettisoned after take-off. The article stated that airstrips were not needed for such aircraft, which can be hauled anywhere by trailer truck. Successful development of such a "zero-launching" system would increase Soviet air-defense capabilities.

TASS announced on 26 December that the USSR is test-flying a machine called the "Turbolet" capable of vertical landings and take-offs. The description in Red Star indicates this to be the Soviet version of the "flying bedstead" first observed during preparations for last



HOOK (MI-6)

summer's canceled air show

and OSI)

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SOVIET ANNOUNCEMENT ON FORCE REDUCTION

The Soviet Union announced on 6 January that its armed forces will be further reduced by 300,000 men, and that 41,000 are to be withdrawn from East Germany and 17,000 from Hungary.

The announcement of the unilateral cut, like similar earlier announcements, is intended to contrast Moscow's "peaceful intentions" with Western rearmament plans. It is timed to encourage Western European sentiment for giving priority to negotiations with the USSR over steps to strengthen NATO's military potential.

The announcement of specific force cutbacks in East Germany and Hungary probably is designed to gain support for Soviet and Polish suggestions concerning a central European zone which would have reduced forces with no nuclear weapons. The reductions to be made in these countries would not affect Soviet security interests there. Presently the USSR has 380,000 personnel in East Germany and about 70,000 in Hungary. Reductions in these countries, however, may be particularly effective for propaganda purposes.

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In two other statements since August 1955, the Soviet Union has announced reductions of military manpower totaling about 1,800,000 men. While there is no confirmation that the cut has been this great, there is evidence of some reductions of force from the Korean peak. Current Soviet strength, including security forces, is estimated at about 4,600,000.

Since Soviet military expenditures for 1958 are roughly the same level as for the last two years, a reduction of forces could indicate increased emphasis on other phases of

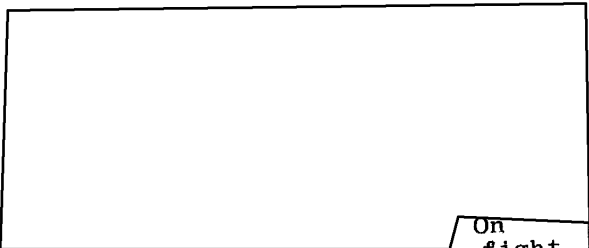
the military program. Khrushchev has said that the USSR's scientific advances have created conditions favorable for the cutback. A Supreme Soviet decree on 21 December explicitly called for maintaining the armed forces at a proper level to ensure the defense interests of the Soviet Union.

Reductions could be accomplished by reducing the terms of service and by the early release of some personnel or by decreasing the annual call-up. An efficient reserve and mobilization system also mitigates the effect of any cut.

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ALBANIA DEMONSTRATES AN AIR DEFENSE CAPABILITY

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On 31 December, Albanian jet fighters forced down a British civil airliner which allegedly violated Albanian territory. In addition to demonstrating a sensitivity to overflights, which Albania has heretofore been unable to prevent, the incidents demonstrate that Albania's air defense system has now reached operational status.

While Albania's capabilities for expanding its air force will remain limited by a lack of suitable airfields, this strategically located bloc country could be providing the USSR with additional early-warning coverage and could fur-

nish it with air bases that would facilitate strikes against American bases in North Africa.

Until 1955, when jet fighters were observed over Tirana for the first time, the Albanian Air Force had existed in name only. It is presently estimated to have two regiments of FAGOTS (MIG-15's), based at Berat/Kucove airfield, which has a 6,600-foot concrete runway, completed in 1953. The recent completion of the estimated 9,200-foot runway at Preze suggests plans for increasing air strength. There are only five airfields in Albania with hard-surface runways; three of these runways are over 6,000 feet long.

Albanian pilots have reportedly received training in the USSR, and Soviet advisers and instructors are at present assigned to the force.

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WEST GERMAN VIEWS OF BERLIN ACCESS PROBLEM

West Berlin and Bonn officials are apprehensive over the possibilities of the East German regime's assumption of greater control over access to West Berlin. Bonn believes infringement of Allied access calls for firm resistance, particularly since such action may precede increased harassment or blocking of West German traffic to Berlin. A curtailment of interzonal trade would be Bonn's most effective retaliatory measure, but there would be some reluctance to adopt such a policy.

Several top Bonn officials have urged American officials to consider turning back Allied military trains rather than submit to control by East German officials, if they replace Soviet guards at East Zone checkpoints. These officials point out that acceptance of East German control would have extremely unfavorable public repercussions in West Germany and Berlin and would strengthen the Soviet concept of "two Germanies."

Bonn fears that any concessions to the East German regime might lead to a new campaign of harassment of West German traffic to Berlin, aimed at forcing Bonn to negotiate with the East German government. Bonn's objective is to maintain the supply of essential goods to Berlin, since West Germany provides almost 90 percent of West Berlin's imports. While West German officials do not expect a major blockade at this time, increased interference would cut into West Berlin's stockpiling program and eventually place Berlin in a precarious situation.

In the past Bonn has preferred to remain in the background in disputes involving the four powers over access to Berlin, in order not to jeopardize the four-power status of Berlin. In the event of East German inter-

ference with West German traffic, however, Bonn would probably be forced to consider retaliatory measures. The most effective move would be to stop iron and steel shipments to the East Zone, but the East Germans could retaliate by cutting off vital deliveries of brown coal briquettes. Bonn expects to receive 4,000,000 tons of brown coal from East Germany during 1958, about a fourth of which goes to West Berlin.



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The last major attempt by West Germany to reduce interzonal shipments in 1955 proved less effective than Bonn had expected and was equally disadvantageous to West Germany. Bonn officials are reported willing to invoke economic countermeasures only after extreme and far-reaching provocations by East Germany.

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ULBRICHT TO FACE OPPOSITION AT EAST GERMAN PARTY PLENUM

Anti-Ulbricht sentiment in high East German Communist party circles seems to have reached a new peak with a showdown expected at the party central committee's 35th plenary meeting scheduled for late January. The opposition

maneuver to avoid a showdown at the 35th plenum which would endanger his position, but the opposition may force him to make some concessions and modify some of his more extreme economic policies. In any case, Moscow's support of Ulbricht will enable him to remain in control of the SED.

apparently wishes to force First Secretary Ulbricht to modify his tough economic policies rather than overthrow him. The group believes the planned norm increases and wage cuts for workers and intensified pressures on farmers and artisans to join collectives would not increase productivity and would cause unrest.

The Kremlin probably realizes that at present it has no practical alternative to continued support of Ulbricht. It can depend on him to follow the Moscow line without question. To oust Ulbricht would entail the risk of creating the impression of a shift in Soviet policy toward liberalization in East Germany which would stimulate pressures for political and economic reform. Furthermore, a collective leadership would probably have to be established, thus involving the risk of serious internal dissension in the course of a power struggle for the top position.

The suicide of secretariat member Gerhard Ziller on 14 December had the effect of intensifying and consolidating opposition to Ulbricht among high-ranking Socialist Unity (Communist) party (SED) of-

The composition of the party secretariat, which is to be revamped at the 35th plenum,

ULBRICHT'S SUPPORT IN S E D

POLITBURO		SECRETARIAT	
SUPPORT	OPPOSITION	SUPPORT	OPPOSITION
ULBRICHT	RAU	ULBRICHT	OELSSNER
STOPH	OELSSNER	NEUMANN	HAGER
EBERT	PIECK*		NORDEN
	SCHIRDEWAN		SCHIRDEWAN
	GROTEWOHL		WANDEL
	MATERN		ZILLER
			MUECKENBERGER
CANDIDATE MEMBERS		Normally pro-Ulbricht, but has opposed him on some issues	
SUPPORT	OPPOSITION	Vacant	
HONECKER	LEUSCHNER	Expected to be replaced	
MUECKENBERGER	WARNKE	* Pieck's illness has made him ineffective	
NEUMANN			

Ulbricht will probably be able to

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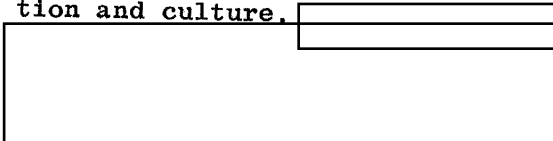
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will indicate whether Ulbricht has won a clear victory or has been forced to make substantial concessions to the opposition group. Four of the nine posts on the secretariat are expected to be filled at the plenum. Two of the jobs are now vacant--Ziller's and the one formerly

held by Paul Wandel prior to his removal last October for failure to carry out a tough policy in the field of education and culture.

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FURTHER PRESSURE ON THE EAST GERMAN FARMER

The East German regime is putting into effect agricultural measures which will intensify its struggle with the private farmer and stimulate further defections by the increasingly scarce agricultural workers, who have deserted 1,200,000 acres of farmland since the war. Increased collectivization, elimination of free produce markets, and discrimination in the allocation of various farm necessities will increase state control over the private farmer, at the cost of reduced agricultural output.

lands have now shrunken from 14 to 2 percent of total agricultural land, and the private farmer must again be subjected to coercion if collectivization is to continue.

The new East German "Passport Law," which regards flight as treason, provides for the state to confiscate the land and goods of anyone who flees to the West. Formerly these lands were held in escrow by local officials and could be recovered by a refugee if he returned. Sharper restrictions on the East German border will also make difficult the private farmer's decision whether to flee the country or stay and face ultimate collectivization.

The prelude to the collectivization campaign came last June when Premier Grotewohl stated that the socialist sector comprised only about 35 percent of East German agricultural land in contrast to state control of 80 percent of East German industry. This contrast, he said, was to be "ironed out" and 50 percent of agricultural land to be brought into the socialist sector by the end of 1960. This would affect some 240,000 private farmers. East German peasants have been under little pressure since 1953 because collectivization was accomplished with lands abandoned by peasant refugees. These

Discrimination against the private farmer in the allocation of farm necessities such as seeds and construction material has been intensified by a recent decision to deny him the use of heavy farm machinery operated by the Machine Tractor Stations.

The campaign against the private farmer will prove costly and may preclude the derationing of food during 1958. Since the private farm is 30 to 40 percent more efficient than

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the cooperative, collectivization and decreased incentives will probably reduce the production of food in a

country which must import almost 1.5 million tons of grain each year to feed its population.

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RIVALRY AMONG NORTH VIETNAMESE LEADERS

The reappearance of North Vietnam's Defense Minister Vo Nguyen Giap on 19 December after an extended absence has been followed by reports of differences among the leaders of the Vietnamese Workers (Communist) party. Giap and veteran party theoretician Truong Chinh are believed to be engaged in a power struggle within the hierarchy. Both men, along with Premier Pham Van Dong, have been reported as Ho Chi Minh's heir apparent. During Giap's absence, Truong Chinh maneuvered to strengthen his position and was increasingly prominent at public functions and in the press,

however, party statements took a harsher tone, underscoring the need for socialization of agriculture and tight party discipline--a line close to views expressed by Truong Chinh.

In an effort to protect his position, Ho has moved to establish a collective leadership immediately below him. In taking over Truong Chinh's post as secretary general of the party, he has reduced the formal standing of the only holder of centralized power who might challenge his pre-eminent party position. He apparently has equalized the standing of his most important lieutenants by making each of them a secretary in the central committee secretariat, which is now composed of Truong Chinh, Le Duan, Giap, and Nguyen Duy Trinh.

The apparent rivalry is reflected in the emergence of two distinct factions. One, favoring a doctrinaire policy aimed at justifying the forthcoming collectivization of agriculture, is led by Truong Chinh and Le Duan, concurrently politburo and secretariat members. The second is composed of individuals around Giap, who favor a more flexible approach to the regime's problems and who were responsible for Hanoi's abortive "democratization" program of October 1956.

Le Duan, the latest addition to this select group, has recently gained considerable prestige as a party spokesman, and his rapid rise probably reflects continuing behind-the-scenes maneuvering. Factionalism may make it increasingly difficult for the secretariat to work effectively as the regime's program for socialization gathers speed in 1958.

At that time, Truong Chinh, then secretary general of the party, was urged to confess to "mistakes" in the hard-line land reform program and was replaced in his top party post by Ho himself. Giap had outlined a "moderate" policy for agriculture and party organization. During Ho's absence in Communist China last No-

Party leadership has been uncertain and vacillating. Hanoi has repeatedly reneged on its promises to improve the standard of living of the populace, particularly the peasants, and now appears to be raising agricultural taxes. The regime has yet to conduct elections to the National

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Assembly or amend the constitution. Industrial reconstruction, which was to have been completed by the end of last year, will continue to an unspecified date.

These changes and occasional reversals of policy may reflect

disagreement among the leaders on how to proceed. Ho's presence appears to be the only key to stability in the leadership. A power struggle is probable if Ho's health materially deteriorates. There are indications that illness prompted his month's rest in Communist China following the Moscow conference.

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PEIPING RESUMES BOLD INDUSTRIALIZATION POLICY

The Peiping People's Daily, in a New Year's editorial, said that China must "catch up with and surpass the United States economically" in 35 to 45 years. The goal is rather ambiguous--for example, it is not clear in which economic fields Peiping has set out to surpass the United States or whether present or anticipated American rates of production are meant. Peiping was more specific in stating earlier that in 15 years China would be able to produce 35-40,000,000 tons of steel, and that Britain, with its limited markets, would find it difficult to match this.

The People's Daily compares the present mood of "the country"--meaning the Chinese Communist leadership--with that obtaining in late 1955 and early 1956. At that time, good harvests and successful completion of socialization in agriculture, industry, and commerce led a confident leadership to push ahead a bit too rapidly with its development programs. The result was a badly unbalanced economy at the end of 1956 with serious raw material shortages, a budget deficit, and run-down reserves. It took all of 1957 to redress the situation.

The leadership's new confidence may result from economic concessions obtained by Mao in Moscow but not yet announced. It is clearly related to the 1957 harvest, which, while not

as good as Peiping hoped for, was still the best on record. It may also be related to the present rectification campaign and its affirmation of Communist orthodoxy in all fields. The campaign has recently included high-level attacks on conservatism in economic planning. Those the party would have branded as "adventurists" a year ago are today definitely in the ascendancy.

Mao Tse-tung, who personally ordered the "upsurge" of 1955-1956, has not published any speeches on economic matters in recent months. However, his old comrade Chu Te, apparently speaking for him, is arguing for another "giant leap" forward in economic development. Liu Shao-chi and Teng Hsiao-ping, Mao's top lieutenants for party affairs, have both attacked conservatism. Premier Chou En-lai may share these views, although he has not gone on record since the line began to develop a few months ago. The person most notably silent has been Chen Yun, for years the regime's foremost economist, who has seemed more sensitive to basic obstacles than have other Chinese leaders.

Peiping has taken the unusual step of scheduling the National People's Congress for January instead of June. The agenda calls for consideration of the 1958 economic plan and

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budget which were discussed at national conferences in December. These conferences set targets which were higher than those projected in the summer of 1957. The People's Daily has called for "still greater speed" in economic development and a "hastened" construction program.

This is necessary, the paper said, in order to overcome the rightists, who say that too much was attempted in 1956, and squelch those who oppose the party's stated policy of achieving "quantity, speed, quality, and economy." [redacted]

[redacted] (Prepared by ORR)

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PEIPING BEGINS EXPULSION OF RIGHTISTS FROM GOVERNMENT POSTS

The firing of high-level officials in two provinces as "rightists" last week marks the beginning of formal action against government personnel charged with antiregime activity. The Chinese Communists have hitherto permitted such men to continue in office, at least nominally, but the regime has evidently now decided that their usefulness as "living textbooks" on the evils of "antisocialist" behavior has ended. Other leading officials at the provincial level will probably be dismissed soon and some members of the central government are expected to be removed during the National People's Congress session scheduled to begin on 25 January.

The governor and deputy governor of Chekiang Province, both of whom had been expelled from the Chinese Communist party as rightists three weeks previously, were removed from their government posts on 30 December. The ouster of a deputy governor of Hunan Province was announced on 2 January. Four delegates to the National People's Congress from Hunan were also ousted; two of them had been prominently denounced in Peiping's attacks on rightists.

An indication that purges would be undertaken in other provinces appeared in a People's Daily editorial of 29 December which cited recent events in Chekiang as a "good example." The disclosure in the paper's New Year's editorial that the Chinese Communists hope to wind up the rectification campaign by May indicates that an acceleration can be expected in the program to remove erring officials.

The forthcoming session of the National People's Congress--theoretically the top legislative body in Communist China--will probably be used to publicize actions against rightist officials in central government organs. This body, which normally meets at yearly intervals to discuss and approve established policies, was last convened in July.

The most prominent victims will probably be Timber Minister Lo Lung-chi, Communications Minister Chang Po-chun, and Minister of Food Chang Nai-chi--all important targets in the antirightist campaign.

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MIDDLE EAST DEVELOPMENTS

Syria

The internal struggle in Syria between radical nationalists supported by Egypt and the pro-Soviet groups with the Communists as their hard core is continuing. However, the nationalist leaders show signs of concern that the fight is breaking out into the open too soon, before they have firmly lined up all available army support. The vigor of the local Communist reaction also may give the nationalists pause; they are not much more likely than other Syrian politicians to take serious risks until they feel sure they are on the winning side.

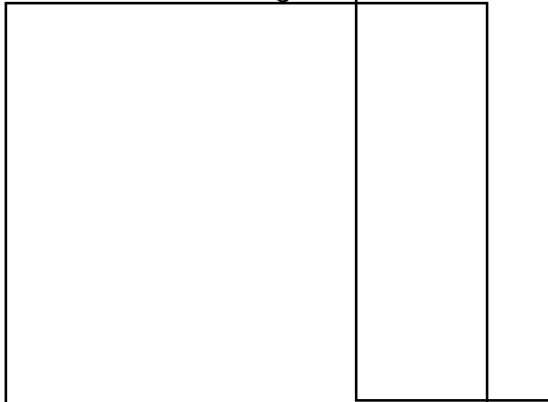
Egypt

An Egyptian economic delegation arrived in Moscow on 6 January to negotiate a follow-up to the Soviet-Egyptian line of credit agreement made last November. Possibly as a bargaining tactic in connection with these talks, Moscow appears to be trying to keep alive the idea that it may assist Egypt's Aswan high dam project. The Soviet foreign affairs journal New Times published on 26 December an article on the advantages of the project and advised that Cairo could rely on "disinterested aid of friendly countries, the Soviet Union among them." The article warned that "aid from Western countries is not to be

reckoned on." The article suggests a possible shift in the USSR's attitude which, for the past year and a half, has indicated reluctance to become involved in Aswan.

Arab Oil

The Arab League Higher Economic Council, now scheduled to meet in Cairo on 18 January, may accept Egypt's proposal for more direct Arab government participation in the Middle East oil industry at the expense of Western operating companies. Heretofore Egyptian views have failed to win over a majority of the Arab delegates



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The council meeting will probably be dominated by Egypt, which will attempt to gain acceptance of the resolutions of the Arab League petroleum experts who met in Baghdad last November. Over Iraqi objections, the experts recommended that a technical committee be established to study proposals for

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an Arab tanker company, that producing countries permit oil to transit only Arab countries to Arab ports, that producing countries should help transit countries to get a "fair deal" from operating companies, and that an Arab oil pipeline company be formed to construct and operate a Persian Gulf-Mediterranean line.

The Arab League has issued these recommendations in the form of resolutions for the past several years, but no significant progress has been made thus far on any proposal other than strengthening the Arabs' boycott of Israel. If,

the Higher Economic Council should approve these or similar resolutions, the Arab League Petroleum Committee, which meets in February, probably would be charged with drawing up specific plans to implement the resolutions.

Israel

Prime Minister Ben-Gurion's "new" cabinet, identical in composition to the one he dissolved last week, apparently was made possible by the capitulation of the left-wing elements to his demand for tighter discipline. The terms of settlement on which the coalition

was re-formed are reported to include passage of a law which is to provide better safeguards against unauthorized disclosures of "state secrets" or confidential cabinet discussions. The net effect of the dispute and its outcome is almost certainly to give the prime minister a still more dominating voice in the government.

The cabinet "crisis" produced no shift in Israel's foreign policies, either in the general international scene or on specific local issues. The Israelis continue to oppose vigorously a UN Security Council discussion, asked for by Jordan, of disputed activity in the Jerusalem neutral zone, and have threatened to resume tree-planting there and to bring up general Palestine border problems if a discussion is opened.

Both Israel and Jordan remain very much alert to the military implications of these issues, which could involve Israeli occupation of the two most commanding terrain features on Jerusalem's western side.

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AFGHANISTAN TO SEEK FOREIGN GRANTS RATHER THAN LOANS

Financial difficulties have apparently compelled Afghanistan to seek only grant aid, to the exclusion of loan aid, which it now receives from both the United States and the USSR. The USSR is unlikely to offer grant aid but may offer to ease the terms on its \$100,000,000 loan to help Afghanistan overcome its payment difficulties.

Kabul's relations with Moscow developed rapidly following

the \$100,000,000 loan agreement of January 1956, but Kabul simultaneously expanded its relations with the free world, apparently in an effort to maintain a balanced foreign policy as well as to assist the country's economic development. Soviet economic aid has been used mainly to implement projects in the northern part of the country, while American aid has been used for projects in the south. Since last summer, the Afghan Government has been

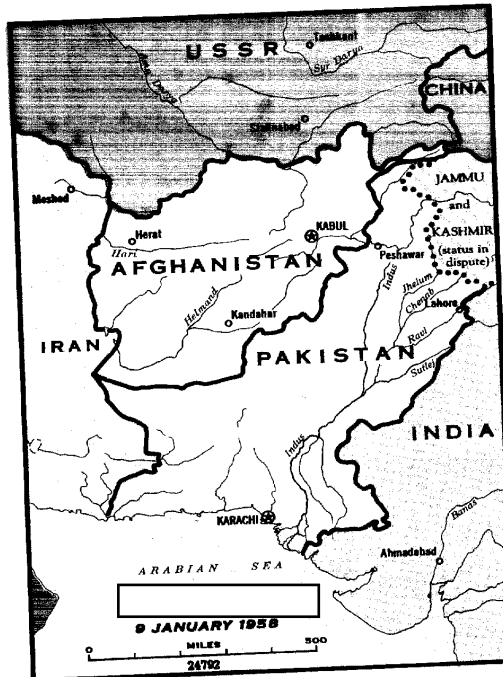
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conducting an intensive review of the inflationary effects of the economic development program, the rising level of external debts, and the problem of producing sufficient export goods to service foreign loans used to finance development projects.

Foreign Minister Naim informed the American and Soviet Embassies in late December that Kabul had decided to seek grant aid exclusively and to arrange for local currency costs of future development projects to be met through foreign aid. Naim has rejected aid under the US Development Loan Fund for additional construction by the Morrison-Knudsen Company in the Helmand Valley.



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Afghanistan did not expect to draw further on the line of credit extended under the \$100,000,000 loan agreement except as needed to complete projects "already agreed on." As a majority of Soviet projects have apparently been carried only through the preliminary survey stage, and only a few construction contracts are known to have been let, however, it is not clear what projects, other than those already under construction, may be considered as "already agreed on." Such projects could still constitute a substantial part of

the USSR's economic assistance program.

The USSR would be unwilling to see its aid program modified without further negotiations. It may, however, offer to change payment terms to ease Afghan payment problems. Moscow now may also seek to increase its influence in Afghanistan by providing economic experts to help Afghanistan solve its inflationary problems.

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THE VENEZUELAN SITUATION

Developments in Venezuela since the government crushed the military revolt on 1-2 January indicate that President Perez will probably be unable to re-establish complete personal control over the country. The loyalty of some of the armed forces is doubtful, and reprisals the government has

taken against military and civilian elements could touch off additional violence.

The revolt seems to have had wider backing than was apparent when the government crushed it so quickly, and more instability may be in prospect. Perez may be forced to share

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his power with key military leaders, as he will probably not be able to reassert his former absolute control over the armed forces. He cannot rely on the air force, most of whose members were involved in the revolt; and he has arrested the commander of the army, a considerable portion of which was also implicated. Even some elements of the national guard are suspected of complicity.

The formerly suppressed and passive civilian opposition will probably plot more actively for Perez' ouster in cooperation with discontented elements of the armed forces, especially since the myth of military loyalty to Perez has been shattered.

In defiance of an official order to publish articles condemning the revolt, several Caracas newspapers did not go to press on 4 January. In reprisal for this and other press opposition, the government detained two prominent journalists, including the editor of the official Catholic daily. Several less prominent newsmen were probably also arrested. The newspapers resumed publi-

cation on 5 January, apparently without complying with the official mandate.

The Catholic Church has been at odds with the regime since last May. It could be provoked into endorsing opposi-



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tion activities by recent government reprisals, which include the arrest of at least five priests in addition to the Catholic editor.

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FRENCH SEEK STRATEGIC NUCLEAR CAPABILITY

The increasing French desire for advanced weapons, including hydrogen bombs, may complicate the forthcoming American-French bilateral talks. These talks are in response to the American offer at the recent NATO conference to provide IRBM's and to support cooperative development of modern weapons for NATO forces. Paris now wants such arms in order to possess an independent "retaliatory" strategic nuclear capability.

The recent Soviet military advances have apparently led to a change in French strategic thinking which is increasingly reflected in demands for a national retaliatory capability in modern weapons. French commentators reason that the increased vulnerability of the United States makes less likely automatic American retaliation for a Soviet attack on Western Europe. Under these circumstances, they argue, no nation

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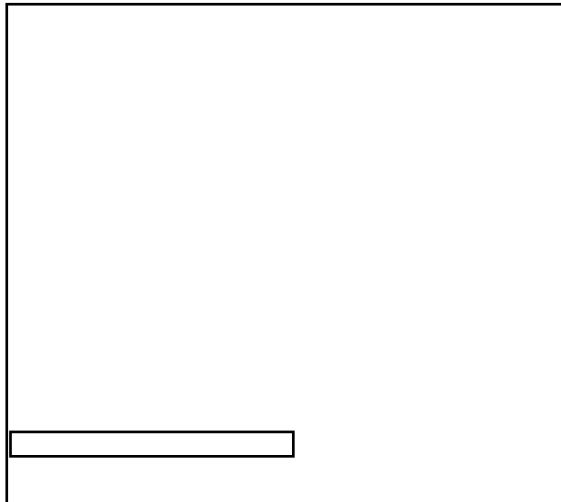
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in Western Europe has a defense against an aggressor employing thermonuclear weapons and ballistic missiles unless it can itself threaten a measure of reprisal. They cite Britain as the only Western European power now in this position.

Few Frenchmen envisage France becoming a nuclear power capable of dispensing with its NATO ties, but many now seem anxious to acquire the use and control of hydrogen bombs as well as IRBM's. The tactics Paris may use in the forthcoming bilateral talks are suggested by former Premier Paul Reynaud's demand, in the current issue of a Paris magazine, for joint British-French production of hydrogen bombs. He argues that both countries would avoid

costly duplication of effort, and that joint production would incline the American Congress to make more atomic information available to allies of the United States.



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MACMILLAN'S SUGGESTIONS ON EAST-WEST RELATIONS

Prime Minister Macmillan's cautious proposal in his speech of 4 January for a nonaggression pact with the Soviet Union and an eventual summit meeting reflects the sensitivity of the British Government to public demands for new efforts to achieve a reconciliation of major disputes with the Soviet Union. His support for East-West talks was generally welcomed on the Continent, and Moscow is making extensive propaganda use of it, but his reference to a nonaggression pact has been less favorably received in Western Europe.

" . . . We could start by a solemn pact of nonaggression. This has been done before. It would do no harm. It might do some good . . ."

" . . . Whether the (search for a disarmament agreement) is done this way (through the United Nations) or through diplomatic channels or a combination of both, the object would be to clear away the rubble of old controversies and disagreements perhaps to get the path ready for a meeting of heads of government."--
Prime Minister Macmillan, 4 January 1958.

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Perhaps in view of the two parts and tentative nature of Macmillan's proposal, official European comment is sparse, and press comment is lukewarm, often highlighting the motives of domestic British politics and of the Commonwealth trip that led to the speech. Most government leaders who were already on record as favoring new East-West talks welcomed Macmillan's support, although they continued to be skeptical that anything beyond a propaganda gain would be achieved.

Despite the Foreign Office's efforts to minimize the significance of the speech, Macmillan himself privately argues that such approaches can increase public support for defense programs. NATO Secretary General Spaak, on the other hand, privately deplores such public pressures for talks without evidence that the USSR is ready to negotiate on what the West considers key subjects.

The nonaggression pact proposal was less well received. German comment, especially, reflects a fear that any steps toward an over-all settlement may freeze the status quo and rule out German reunification indefinitely.

Moscow reacted by showing its determination to prevent the West from gaining credit for any measures to reduce international tensions. Deputy Foreign Minister Kuznetsov told a news conference on 6 January that the proposal had been judged "positively," but pointed out that the USSR had been suggesting a nonaggression pact for more than a year. Soviet propaganda media see in the Macmillan speech recognition that public opinion is forcing leaders in the West to consider Moscow's proposals for high-level talks. American policy was again cited as the chief stumbling block. [redacted]

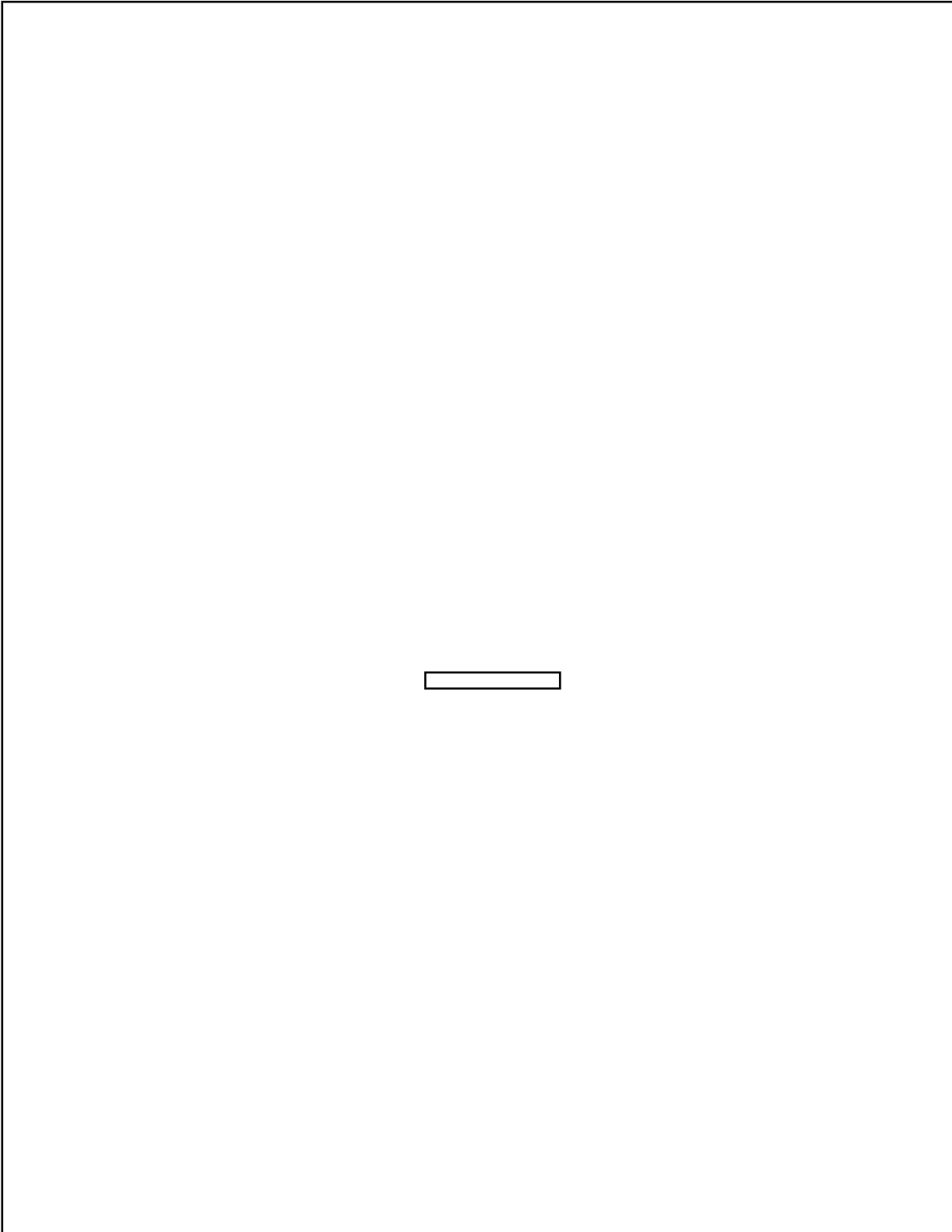
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CYPRUS

Cyprus' Governor Foot has presented his recommendations for new moves to the British cabinet and will return to his

post within the next few days. No public announcement on the cabinet's decision for a new Cyprus policy is planned until

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after Parliament reconvenes on 21 January.

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There has been no violence on Cyprus since the large-scale rioting in early December at the time of the UN debate on the Cyprus problem. The Greek Cypriot underground organization EOKA remains passive but periodically issues warnings of revolt throughout the island unless London meets its demands for self-determination.

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Greek Prime Minister Karmanlis was impressed by the intensity of Turkish feeling regarding Cyprus as expressed at the recent NATO meeting in Paris. He now appears convinced of the necessity of reaching an accommodation with

Ankara but is pessimistic over the chances of success. Greek leaders and Archbishop Makarios have indicated support for a plan to resolve the Cyprus issue over a period of 15 years during which responsibility for internal security, foreign policy, and customs would be transferred gradually to the Cypriots. Athens has repeatedly stated that a plan for eventual self-government, with self-determination not specifically precluded, would be acceptable. Greeks and Greek Cypriots remain adamant, however, in their demand that the British negotiate any settlement of the Cyprus problem with Makarios.

The Turkish Government, alarmed at recent conciliatory gestures toward the Greek Cypriots by Governor Foot, has called Turkish Cypriot leader Fazil Kuchuk and the Turkish consul on Cyprus to Ankara in an attempt to reassure Turkish Cypriots of its continuing support. Turkey's attitude has become increasingly inflexible during the past month, but Ankara now apparently intends to push for an early settlement. Ankara might accept less than partition, however, if union of Cyprus with Greece is definitely precluded by international agreement.

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JAPAN SEEKS TO REDUCE CONTRIBUTION TO US FORCES

The Japanese Government is contemplating a defense budget of approximately \$403,000,000 for the fiscal year beginning 1 April 1958, a slight increase over the present budget, but is simultaneously seeking to reduce its contribution toward support of American forces in Japan below the amount set under a previous agreement.

Japan and the United States agreed in 1956 that Tokyo's con-

tribution of yen currency to the support of American forces each year would be reduced by one half the amount of the increase in Japanese appropriations for defense. Under this formula, the Japanese contribution for fiscal 1958 would be reduced by about \$12,000,000 to approximately \$70,000,000. Foreign Minister Fujiyama, however, has requested an additional reduction of approximately \$14,000,000.

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The reduction formula was designed to accelerate Tokyo's build-up of its own defense establishment, and the government is planning a 10,000-man increase in the authorized strength of the Ground Self-Defense Force as well as additions to its Air and Maritime Forces. Although defense appropriations have been rising slightly, they have represented a progressively smaller share of the national budget in each of the last two years. In fiscal 1958 they are further reduced to 12.2 percent of estimated total appropriations.

The request for an additional reduction in Japan's contribution appears to have been initiated by Finance Minister Ichimada, who regards the substantial withdrawal of American forces from Japan as suf-

ficient justification. The government believes also that American agreement to the additional reduction would help to convince the Japanese electorate that Kishi actually has achieved "equality" in US-Japan relations.

Ichimada's argument has aroused public expectation that Japan's share of support costs will be cut, and, if they are not, the Socialist party is preparing to make it an issue in the general elections expected this year. The Socialists may be able to exploit the resulting popular dissatisfaction and turn it against the Kishi government. The Japanese public, long resentful toward the continued presence of American forces in Japan, is subject to political exploitation on any dispute involving forces.

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PART III

PATTERNS AND PERSPECTIVES

KHRUSHCHEV'S PARTY MACHINE

With the downgrading of the Soviet police in 1953, the reorganization of industrial management in mid-1957, and the recent exercise of party dominance over the armed forces, political power in the USSR has become concentrated more and more in the party machine, headed by Khrushchev. This machine includes the all-union secretariat, its 20 or so executive departments called the central apparatus, and a highly disciplined hierarchy of subordinate secretariats and apparatuses (or executive staffs) corresponding to the republics, oblasts, and lesser administrative divisions of the country.

Control of the party machine through the central secretariat has been a primary factor in Khrushchev's rise in power, and direct influence in the secretariat may soon become, if it is not already, the sine qua non for top political stature.

Rise of Party Secretariat

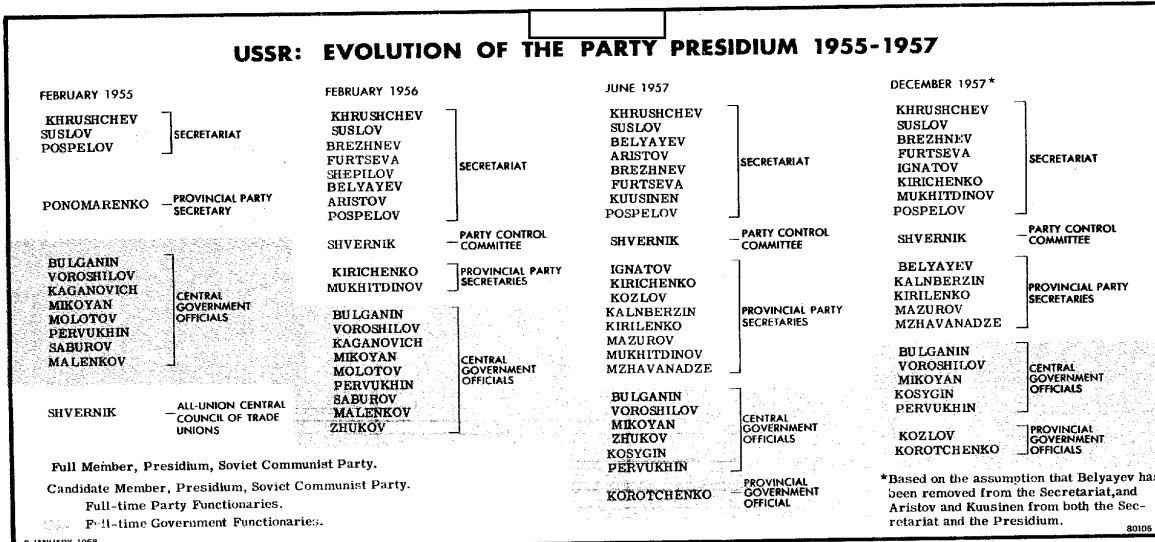
Soviet Communist party rules charge the central com-

mittee with responsibility for directing the work of the party in the intervals between party congresses, normally held every four years. In practice, while Stalin was alive, the central committee's responsibility was divided between its presidium and secretariat. The presidium decided party and state policy while the secretariat ran the professional party machine and directed day-to-day operations of the party--checking on the fulfillment of policy and "distributing" the manpower and resources of the party.

Before the political struggle among Stalin's successors brought about a basic change in this system, the party presidium was in fact the "collective leadership" of the whole complex system of interacting and counterbalanced instruments of power through which Stalin exercised his will--the professional party machine, the police, the government hierarchy, and the armed forces.

With the ouster of Beriya, Malenkov, Molotov, Kaganovich,

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EVOLUTION OF THE PARTY SECRETARIAT

1952 - 1957

	19th Party Congress 10-15-52	Stalin's Death 3-6-53	Plenum 3-14-53	Plenum 4-7-53	Plenum 2-7-55	Plenum 7-12-55	Plenum 2-27-56	20th Party Congress 12-24-56	Plenum 2-14-57	Plenum 6-29-57	Plenum 12-17-57
Aristov, Averk Borisovich											
Belyayev, Nikolay Ilyich											
Brezhnev, Leonid Ilyich											
Furtseva, Yekaterina Alekseyevna											
Ignatov, Nikolay Grigoryevich											
Ignatyev, Semeh Denisovich											
* Khrushchev, Nikita Sergeyeovich											
Kirichenko, Aleksey Ilarionovich											
Kuusinen, Otto Vilgelmovich											
Malenkov, Georgy Maksimilianovich											
Mikhailov, Nikolay Aleksandrovich											
Mukhitdinov, Nuritdin Akramovich											
Pegov, Nikolay Mikhaylovich											
Ponomarenko, Panteleymon Kondratyevich											
Pospelov, Petr Nikolayevich											
Shatalin, Nikolay Nikolayevich											
Sheptlov, Dmitry Trofimovich											
Stalin, Iosif Vissarionovich											
Suslov, Mikhail Andreyevich											

* Named First Secretary on 7 September 1953

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and Zhukov from the presidium and their replacement by party secretaries, the arena of principal political maneuver has shifted from the party presidium to the secretariat--from competition among the leaders of often competing institutional hierarchies to jostling for political position and favor among the party secretaries and professional party workers. The presidium may continue to discuss policy, but the fact that the secretaries constitute an absolute majority of its membership means that the secretariat is in a position to insist on its point of view.

This is not to say that Bulganin, Mikoyan, or Kozlov, for example--not being members of the secretariat--are excluded from influence in political matters, but rather that they can exercise influence only in conjunction with members of the secretariat.

Khrushchev's Position

Khrushchev now is the dominant political figure in the Soviet Union, with few apparent limitations on his power. His authority, however, is based on a single instrument of power--the party machine--and extends to the other elements of power only through it. Before he could ever achieve the full extent of Stalin's power, he would need to develop a counterweight to the machine. Since the professional party man may be expected zealously to guard his new-found freedom from extra party restraints--particularly from the secret police--the machine is at one and the same time the seat of Khrushchev's power and a potential barrier to any further moves toward complete one-man control of the Soviet Union.

To all external appearances, Khrushchev's position of

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**USSR : THE CENTRAL PARTY MACHINE
DECEMBER 1957**

SECRETARIAT	First Secretary N.S. KHRUSHCHEV		
	Secretary L.I. BREZHNEV	Secretary M.A. SUSLOV	Secretary Ye. A. FURTSEVA
	Secretary N.G. IGNATOV	Secretary A.I. KIRICHENKO	Secretary N.A. MUKHITDINOV
		Secretary P.N. POSPELOV	

APPARATUS

BURO FOR THE RSFSR
Chairman
N.S. KHRUSHCHEV

PARTY ORGANS FOR THE UNION REPUBLICS
?

? (TRANSPORT AND COMMUNICATIONS)
?

PARTY ORGANS FOR THE RSFSR
V.M. CHURAYEV

PROPAGANDA AND AGITATION FOR THE UNION REPUBLICS
F.V. KONSTANTINOV

CULTURE
D.A. POLIKARPOV

PROPAGANDA AND AGITATION FOR THE RSFSR
V.P. MOSKOVSKY

AGRICULTURE FOR THE UNION REPUBLICS
P.Ye. DOROSHENKO

SCIENCE, HIGHER EDUCATIONAL INSTITUTIONS, AND SCHOOLS
V.A. KIRILLIN

AGRICULTURE FOR THE RSFSR
V.P. MYLARSHCHIKOV

HEAVY INDUSTRY
A.P. RUDAKOV

ADMINISTRATIVE ORGANS
V.V. ZOLOTUKHIN

SCIENCE, SCHOOLS, AND CULTURE FOR THE RSFSR
N.D. KAZMIN

?(LIGHT INDUSTRY)
M.V. ROMANOV

?(TRADE, FINANCE, AND PLANNING ORGANS)
?

? Others
A.N. KIDIN
S.A. BASKAKOV
A.L. ORLOV
(May head one of those whose chief is unidentified or may head a department so far unidentified.)

MACHINE BUILDING
?

?(FOREIGN-BLOC COUNTRIES)
Yu. V. ANDROPOV

Full Member, Central Committee, Soviet Communist Party.

Candidate Member, Central Committee Soviet Communist Party.

Member, Central Auditing Commission, Soviet Communist Party.

CONSTRUCTION
I.A. GRISHMANOV

?(FOREIGN-NONBLOC COMMUNIST PARTIES)
B.N. PONOMAREV

CHIEF POLITICAL DIRECTORATE, MINISTRY OF DEFENSE
A.S. ZHELTOV

COMMISSION FOR TRAVEL ABROAD
?

[Empty box]

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Note: Based on the assumption that Belyayev has been removed from the Secretariat and Aristov and Kuusinen from both the Secretariat and Presidium.

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leadership in the secretariat is secure. The recent changes in the composition of that body, though reflecting continuing instability within the party high command, do not appear to indicate impairment of his status. Two of the new secretaries, Kirichenko and Mukhitdinov, are clearly his protegés; Ignatov joined his bandwagon several years ago; and Furtseva, who now is to devote full time to central party work, owes her political power to his patronage.

political allegiance has been more difficult to determine, but he was promoted to top party rank in June when Khrushchev won his victory over Malenkov, Molotov, and Kaganovich, and was undoubtedly acceptable to Khrushchev at that time.

Since it was a case of Khrushchev men replacing Khrushchev men, it may be that the first secretary has acted to strengthen his own forces by shifting lieutenants. The move may in a sense have been an outgrowth of political machinations among his lieutenants, who it can be assumed are seeking to curry his favor and feather their own nests. If such infighting continues, Khrushchev's political abilities will be sorely tested to keep it from weakening his position and leading to the formation of alliances against him.

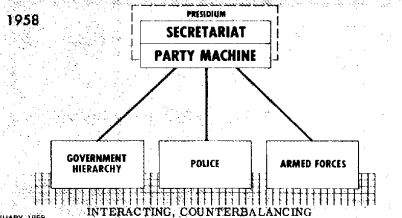
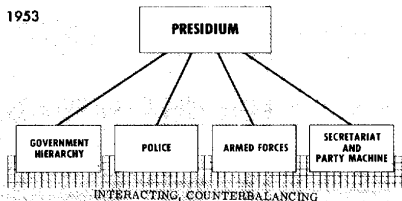
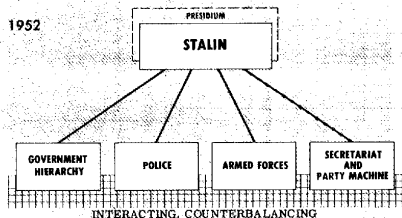
Political loyalty, of course, is not a constant. The men on whom Khrushchev depends today may act against him tomorrow.

Suslov may be the least trustworthy in this respect. He has been described as "inflexible, cruel, and brutal" and as a leader of the Kremlin "Stalinist" faction. However, there have been no indications that Khrushchev distrusts him. The first secretary may, in fact, feel that Suslov serves him well, both as a foil for his "moderate liberalism" and as a strong-arm man.

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Brezhnev has been a Khrushchev man for many years. Pospelov is the only other secretary whose reliability appears open to question and the suspicion is based almost entirely on negative evidence. Aside from his work on the secretariat, Pospelov has had no special association with Khrushchev and, though profiting generally from the enhanced powers of the secretariat, was made only a

DEVELOPMENT OF THE SOVIET SYSTEM OF POWER
1952 - 1958



The three new secretaries apparently replace Belyayev, who was sent from Moscow to a provincial post in central Asia, and Aristov and Kuusinen, whose continued failure to appear with the other top leaders at important official functions probably indicates they are no longer members of the ruling group. Both Belyayev and Aristov have been considered firmly in the Khrushchev camp. Kuusinen's

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candidate member of the presidium in June when the remaining secretaries became full members. He, like Suslov, is an ideologist and he has assisted Suslov in work with foreign Communist parties.

The Party Apparatus

The apparatus, or executive staff, of the central party organization performs work for the secretariat and is directly subordinate to it. In conjunction with its provincial counterparts, the apparatus serves as a means of centralized control over personnel assignments in all fields of Soviet life; it gathers and filters information, prepares reports, memos, and staff studies; and it provides general supervision over organs of government, "independent" societies, and even individuals, such as writers and composers.

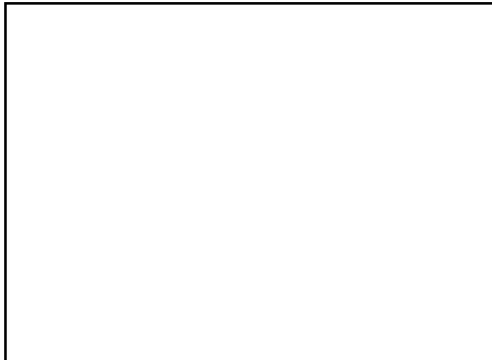
It solves local problems or passes them up to higher authority and checks to see that party and state policy decisions are adhered to. Its wide access to information of all kinds, its discipline and secrecy, together with its manifold opportunities for influencing policy, make it today the most formidable instrument of power in the country.

The machine, though it must depend on the army, the state security organs, or the ordinary police as instruments of coercion, has nevertheless an array of sanctions which it can use to enforce its collective will. Its formal sanctions, which include warnings, reprimands, censures, and expulsion from the party, are effective because party membership gives real advantages in securing good paying jobs, and the "party record" is an important basis for job assignments and promotions. Although the party machine has no direct sanction against nonparty members, its influence in all personnel actions and its ability

to mobilize economic and social pressures against groups and individuals provide effective means for enforcing its decisions on all Soviet citizens.

The fields of responsibility of most of the departments in the central apparatus are accurately reflected in their names. The "party organs" departments also include trade union and Komsomol (youth organization) organs; "propaganda and agitation" covers the field of mass communications; and "administrative organs" covers the courts, public prosecutor's office, organs of state control, the police and security forces, and health, social welfare, and physical culture organs. The Chief Political Directorate of the Ministry of Defense is in fact a department of the central party apparatus and is responsible for the political training and loyalty of the armed forces.

Apparatus responsibility for relations with foreign Communist parties is now divided between two departments. Neither of these has been publicly identified, but they were probably created within the past year from the two sectors of the former "foreign" department.



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Recent activities of personnel associated with the two successor departments suggest that their responsibility now may include foreign relations generally. There is also a special "Commission for Travel Abroad" in the apparatus which

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rules on the political reliability and suitability of individuals proposed by any Soviet agency for a foreign assignment.

The creation in February 1956 of a "buro" in the central party machine responsible "for the RSFSR" was an organizational innovation clearly associated with Khrushchev. It followed an apparently successful two-year experimentation with departments in the central apparatus specially created to deal with RSFSR matters.

The Buro for the RSFSR acts as a junior presidium and secretariat, making republic-level policy decisions for the Soviet Union's largest republic. As with other central party activities, very little publicity is accorded its work. Some measure of the extent of its responsibilities, however, is conveyed by one of its recent decrees calling attention to the "unsatisfactory organization of trade in the city of Kuibyshev" and specifying measures for improvement. Four departments of the buro have been identified--Party Organs; Propaganda and Agitation; Agriculture; and Science, Schools, and Culture.

A general restaffing of the apparatus has taken place under Khrushchev's leadership. The heads of all the executive departments and most of the deputy heads, as well as a large number of lesser workers, have been replaced. Most of the top officials have been appointed to their present positions within the past two years. Some have been promoted from within the ranks of the central apparatus, but a large number have

been transferred from other party work.

Several department heads have had past associations with Khrushchev in the Ukraine and in Moscow, when he was first secretary there. Others have undoubtedly been recommended to his attention by his subordinates on the central secretariat or his protégés in central or provincial posts. Available information provides no basis for assuming that Khrushchev would be unable to count on the political loyalty of this new corps of leading party workers.

BURO FOR THE R S F S R

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MEMBERS

Khrushchev, Nikita Sergeevich
(Chairman)
Ignatov, Nikolay Grigoryevich
Pospelov, Petr Nikolayevich
Kapitonov, Ivan Vasilyevich
Kirilenko, Andrey Pavlovich
Kozlov, Frol Romanovich
Yasnov, Mikhail Alekseyevich
Churayev, Viktor Mikhailovich
Mylarshchikov, Vladimir Pavlovich

OTHER POSITION

1st Secretary Soviet Communist Party
Secretary Soviet Communist Party
Secretary Soviet Communist Party
1st Secretary, Moscow Oblast
1st Secretary, Sverdlovsk Oblast
RSFSR Premier
RSFSR Deputy Premier
Head, Department of Party Organs
for the RSFSR
Head, Department of Agriculture
for the RSFSR

NOTE: Based on the assumption that Belyayev has been removed from the Secretariat, and Aristov and Kuusinen from both the Secretariat and the Presidium.

Full member, Presidium, Soviet Communist Party

Candidate Member, Presidium, Soviet Communist Party

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Duties of Secretaries

The executive duties of the secretariat are divided among the eight secretaries, each of whom has a specific assignment. Khrushchev, of course, has general responsibility for the entire secretariat, and all of the secretaries participate in protocol duties at diplomatic and state functions.

Suslov has for many years worked on relations with the satellites and other Communist

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parties. The two "foreign" departments in the apparatus come under his direct supervision. In addition, he has served as Khrushchev's "second-in-command" assuming responsibility for party executive matters when Khrushchev has been absent from Moscow. Pospelov probably supervises the two departments for propaganda and agitation and the party schools and academies for political and ideological research and training.

The specific responsibilities of Brezhnev are not known. Madame Furtseva has had responsibility for the education and political indoctrination of Soviet youth and for women's affairs. Her duties appear to have overlapped the work of several departments in the apparatus, so she may have shared supervisory responsibility with other secretaries.

The three new secretaries--Ignatov, Kirichenko, and Mukhitdinov--may simply assume the responsibilities of the men they apparently replace. Aris-tov had responsibility for party organizational and personnel matters and supervised the departments of party organs, Belyayev supervised the agriculture departments, and Kuusinen helped Suslov with foreign Communist party affairs. The backgrounds of the new men, however, provide little basis for determining which jobs they are likely to get. With three new people, Khrushchev may choose to redefine the fields of responsibility for the entire secretariat. If so, a reorganization of the executive departments to correspond with the new definition of fields should soon follow.

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SOVIET TRADE UNIONS REORGANIZED

Along with the reorganization of industrial management, the Soviet trade union structure is being extensively revamped to facilitate coordination between the trade unions and the newly formed regional economic councils. Beginning 1 January, republic, oblast, and krai trade union councils were to take on added responsibility for financial and operational activities of the industrial trade unions operating within their territorial jurisdictions. A central committee resolution adopted in December, in part empowering factory union committees to participate in drafting production plans, demonstrates the regime's interest in using the trade

unions to stimulate industrial production.

Soviet trade unions, to which over 90 percent of workers and employees belong, are closely controlled mass organizations used as "transmission belts" by the party to effect the regime's policies. They are unable to organize strikes, to determine industry-wide wage rates, or to take any independent action which might interfere with the industrial program. Their main duties, which were reinforced and somewhat extended by the recent resolution, are to promote production by stimulating competition, holding production conferences, encouraging new industrial

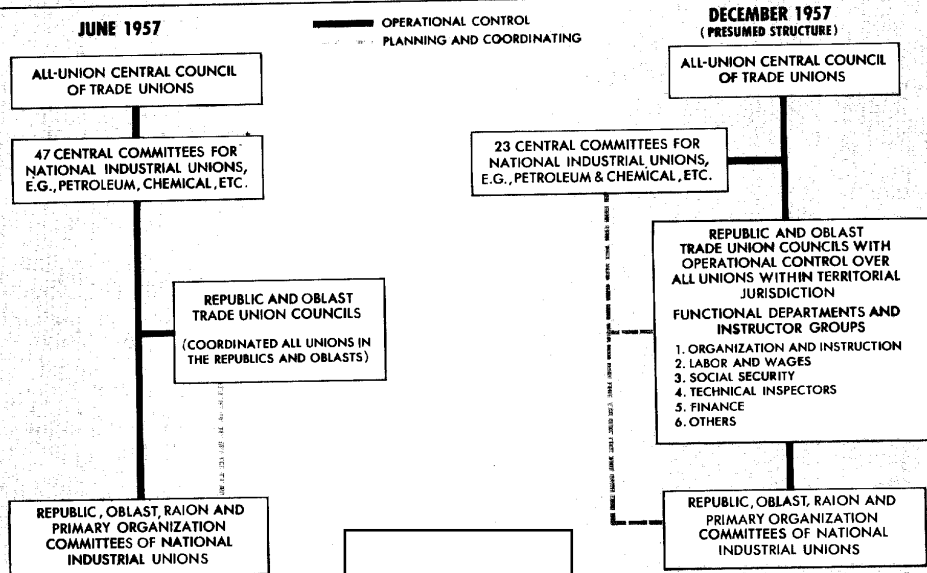
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SOVIET TRADE UNION REORGANIZATION



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techniques, and acting as a watchdog over the fulfillment of production plans.

They also perform certain welfare functions, such as administering the social security program, helping to arbitrate workers' grievances, organizing recreation and sports activities, and supervising the maintenance and construction of workers' housing and rest homes.

Since the old trade union structure closely paralleled that of the ministries before the reorganization, the abolition of most industrial ministries and their replacement by the regional economic councils necessitated a corresponding trade union reorganization. The original 47 national unions have now been merged into 23, with a considerable reduction in trade union committees and personnel. The oblast, krai, and republic trade union councils, which largely parallel and complement the new regional

economic councils, have apparently been strengthened at the expense of the national industrial unions, so that trade union matters now may be coordinated regionally with the 103 economic councils.

The trade union councils are to "take an active part in the work of the councils of national economy...and in perfecting and ensuring the fulfillment of production plans.... Together with the councils of national economy, the trade union councils will guide the work of concluding collective agreements at the enterprises and check their fulfillment."

The increased role of the trade union councils will mean greater control by the corresponding regional party committees over trade union affairs since most trade union decisions now will be made at the regional level rather than by the trade union central committee in Moscow.

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To impress the workers with the trade unions' interest in their well-being, and perhaps to thwart reported worker agitation for the introduction of workers' councils on the Yugoslav and Polish models, the regime has attempted to infuse new vitality into the more than 440,000 primary union organizations. Centralized control has been reduced and more powers have been granted to the primary units for the disposition of union finances, for settling workers' grievances, and for participation in the formulation of production plans.

According to the recent central committee decision, factory union committees have

also been empowered to "participate in the drafting of production plans" and may also "express their opinion" on candidates for factory administrative posts. At the same time, paid functionaries are being replaced by part-time workers actively engaged in production.

It is not intended that the recent changes should radically affect the traditional functions of the trade unions. Although an upswing in trade union activity now may be expected, it is doubtful that Soviet workers will come to view the trade unions as organizations designed primarily for their benefit. [REDACTED]

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THE PRE-ELECTION SITUATION IN GUATEMALA

Campaigning for the 19 January presidential and congressional elections in Guatemala is marked by mounting partisan bitterness and public anticipation of serious disturbances. Mario Mendez Montenegro, presidential candidate of the Communist-infiltrated Revolutionary party, stands to gain from the increasing rancor in the electoral fight between the center and rightist contenders. The possibility of serious violence will be increased if, as seems likely, no candidate receives the required absolute majority.

Political Parties

A temporary anti-Communist center coalition of eight parties has been formed to back the presidential candidacy of Lieutenant Colonel Jose Luis

Cruz Salazar, until recently Guatemalan ambassador to the United States. Member parties are generally representative of the political center but encompass a wide range of views on a number of important issues. For example, the strongly anticlerical Liberal party and the church-supported Christian Democratic party both belong to the coalition. Strongest member is the National Democratic Movement, the political organization of the late President Castillo Armas, which is believed to retain strength in rural areas.

The National Democratic Reconciliation party is the personal political vehicle of rightist presidential candidate General Miguel Ydigoras Fuentes. It is supported by the extreme conservatives of the landholding

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class and rightist business elements. It also has some support among workers.

The leftist Revolutionary party gains its strength from espousal of the still widely popular democratic, nationalistic, and socialistic goals of the revolution of 1944, which ousted the 13-year Ubico dictatorship. Many of its leaders were prominent during the leftist Arevalo administration (1945-1951) and the pro-Communist Arbenz regime (1951-1954). It claims to be anti-Communist, but Communists are influential in the party's lower echelons and the leaders are either unable or unwilling to expel them.

ambassador to the United States. He served in Washington until last month.

Rightist presidential candidate, Ydigoras Fuentes, 62 years old, gained his high rank under Ubico. Following his defeat in the 1950 presidential elections, he went into exile. 25X1

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President Castillo Armas, who regarded him as a dangerous rival, sent him into diplomatic exile. When the abortive presidential election of last October gave him only an estimated 36 percent of the votes, Ydigoras charged fraud, and nearly gained power on a wave of mob violence joined by leftists.

Mendez Montenegro, candidate of the leftist Revolutionary party, was before 1949 a member of the most moderate of the "revolutionary" parties which supported the leftist Arevalo regime. In 1949, he was implicated in the bloody but unsuccessful military revolt against Arevalo which followed the assassination of Colonel Arana, popular chief of the armed forces. 25X1



MENDEZ



CRUZ



YDIGORAS

Presidential Candidates

Cruz Salazar, center coalition candidate for president, was born in 1921 and trained as a career army officer. He was close to Colonel Arbenz when the future pro-Communist president was still minister of defense, and served as chief of army intelligence from 1949 to 1951. After Arbenz became president, Cruz served in a high post in the Defense Ministry and, while there, publicly praised the Communist-led agrarian reform program. He turned against Arbenz at the climax of the 1954 anti-Communist revolution, and this led to his inclusion in the military junta which ruled the country briefly in June and July 1954 and to his subsequent appointment as

nation of Colonel Arana, popular chief of the armed forces

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Prospects

If, as seems likely, no candidate receives a majority in the election, the present congress would be charged under

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the constitution with choosing between the two candidates with the most votes. The moderate majority in congress would favor Cruz, who also enjoys more support in the potentially decisive army than either of his competitors.



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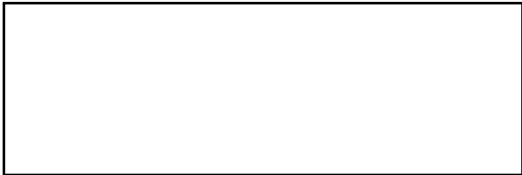
A victory by Cruz, either directly or by vote of congress, would be virtually certain to prompt allegations from his opponents that he used fraud or foreign support to win. There are already indications that, in such an event, Ydigoras and the leftists will again form the tactical alliance which three months ago employed mob violence to force the ouster of the interim Gonzalez government and the nullification of the 20 October elections.

Ydigoras is attempting to exploit nationalistic and anti-American feeling. In a 26 December speech parroting the leftist and Communist lines, he charged that Cruz has been "bought" by the American oil companies operating in Guatemala.

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Interim President Flores, who has carefully nurtured a public position of complete political neutrality, may attempt to retain office himself in the event of a threatened political deadlock.

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