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6 March 1958

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY
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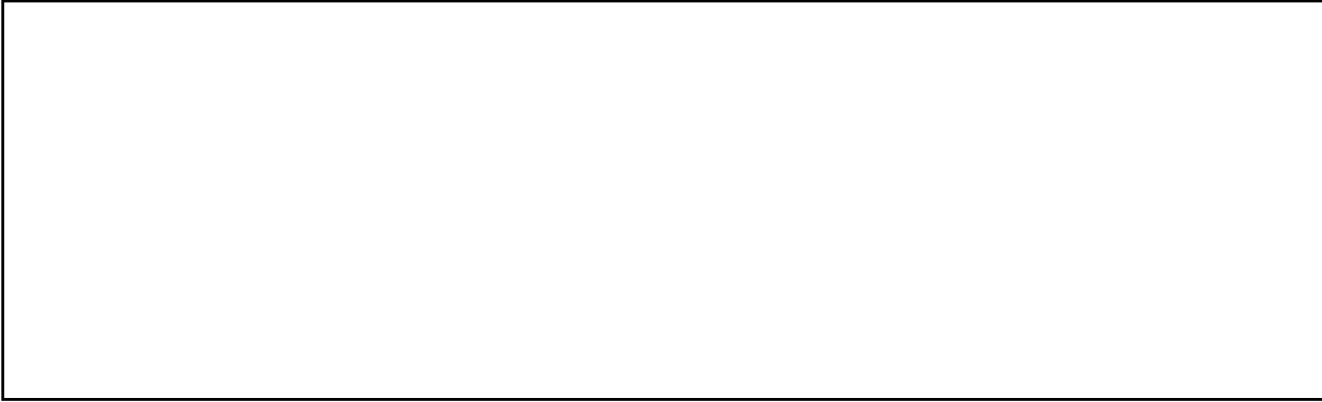
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THE WEEK IN BRIEF

PART I

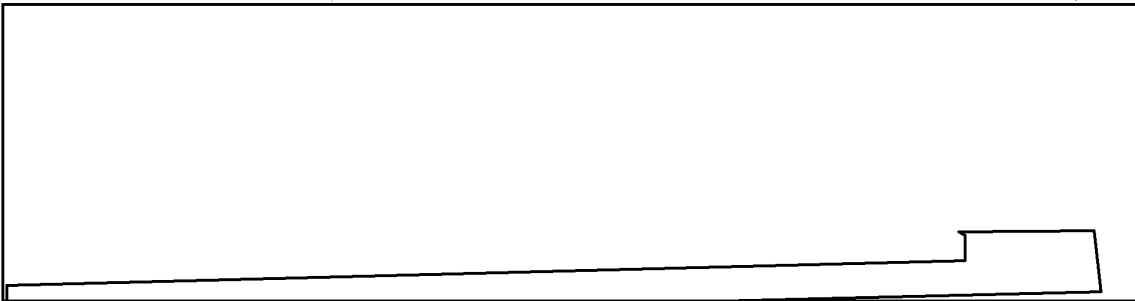
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MIDDLE EAST DEVELOPMENTS Page 3

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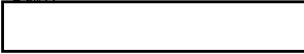
The new Iraqi cabinet, composed of ultraconservatives headed by Nuri Said, is a challenge to pro-Nasir radical nationalists.

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THE TUNISIAN SITUATION Page 4

President Bourguiba has begun a campaign to focus world attention on French moves to seal the Algerian-Tunisian border by creating a "no man's land" on the Algerian side of the border. Bourguiba's statements reflect his deep preoccupation with the problem of the Algerian refugees in Tunisia, and are an effort to recoup popular support at home, where the public has become restless with his handling of the French-Tunisian crisis. French Premier Gaillard appears to have no program other than avoiding action which might endanger his government.

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PART I (continued)

FRENCH GOVERNMENT PROSPECTS Page 5

French Premier Gaillard's prospects of squeezing through the military budget debate in the National Assembly appear to be improving, but new rightist demands for a strong stand on North Africa may again jeopardize his coalition. Gaillard is counting on the approaching Easter recess which begins 28 March and on local elections scheduled in late April to discourage the political parties from precipitating a crisis. [redacted]

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NEW SOVIET PROPOSALS ON SUMMIT MEETING Page 6

The Soviet Union's latest proposals for a heads-of-government meeting, particularly as outlined in the widely publicized letter of 1 March to French Foreign Minister Pineau, are intended to focus the present East-West exchange on the question of Western willingness to agree to such a meeting before its composition and agenda have been determined. Kremlin leaders apparently calculate that their qualified acceptance of a foreign ministers' conference and minor changes in their position on proposed topics to be discussed at a summit conference will bring additional pressure on Western governments to accept Soviet terms on the timing, composition, and agenda of a top-level meeting. [redacted]

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PART II

NOTES AND COMMENTS

KHRUSHCHEV'S AGRICULTURAL REORGANIZATION MOVES AHEAD . . . Page 1

With party central committee endorsement and publication of his "theses," Khrushchev's proposal for transferring Soviet agricultural machinery from the machine tractor stations to the collective farms is well on its way toward final approval at the next Supreme Soviet meeting, probably in April. The "theses" stress that anticipated improvement in efficiency will enable the collective farms to continue to make progress while buying the machinery and otherwise adjusting to the change. A Congress of Collective Farmers will be held in early 1959 to redefine the collectives' role in Soviet agriculture. [redacted]

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PART II (continued)

NORTH KOREA RELEASES PASSENGERS OF SOUTH KOREAN AIRLINER . Page 2

Pyongyang's release of the passengers of the South Korean airliner hijacked on 16 February was apparently prompted in large part by indications that the plane incident was detracting from Chinese Communist and North Korean "peace" moves. The North Koreans may also have been influenced by Soviet leaders, who desire to improve the atmosphere for summit talks. The release of the passengers will probably become another stock item in the propaganda citing alleged Communist initiatives to effect a Korean settlement, such as the announcement of Chinese troop withdrawals from Korea by the end of 1958.

[Redacted]

THE LEBANESE PRESIDENTIAL ELECTION Page 3

The internal security of Lebanon is threatened by President Chamoun's desire to secure a second term. Chamoun may try to force a constitutional amendment to permit a second term through the Chamber of Deputies during the next session, which begins on 18 March. Some of his opponents have threatened civil war if he should do so. The chamber is to elect the new president between 23 July and 23 August. Chamoun might withdraw from the race and help secure the election of an amenable successor, but only under strong pressure.

[Redacted]

[Redacted]

THE SITUATION IN MOROCCO Page 3

Internal pressures in Morocco have become so strong that the government of King Mohamed V seems to be re-considering the nature of its relations with the West. The King and Foreign Minister Balafrej feel they must pursue a new course or run the risk of being supplanted. As a first step Morocco may exchange ambassadors with the Soviet Union.

[Redacted]

CYPRUS Page 4

The underground organization EOKA has instructed Greek Cypriots to prepare for "battle" against the British by economic boycott and passive resistance. Greek Cypriots remain divided, however, and tension between their left and right wings could lead to violence at any time. Any progress toward a settlement of the Cyprus issue will be delayed for the immediate future by the Greek Government crisis.

[Redacted]

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PART II (continued)

GREEK GOVERNMENT CRISIS Page 5

The fall of the Greek Government of Prime Minister Karamanlis was precipitated by a cabinet controversy over a new electoral law. Dissatisfaction among some cabinet ministers over Karamanlis' tendency to disregard the views of his cabinet on major issues had been growing for some time. King Paul's decision to form a caretaker government and hold national elections in April was apparently taken in order to prevent a long period of political instability. [redacted]

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NEW INDIAN AND PAKISTANI BUDGETS Page 6

The budgets presented by the Indian and Pakistani finance ministers for the fiscal year beginning 1 April indicate that India's economic development program will continue approximately on schedule but that Pakistan will fail to implement its more modest program. Indian defense expenditures are to reach \$641,000,000, an increase of \$29,000,000, while Pakistan's defense expenditures are to reach \$184,254,000, an increase of \$3,700,000. [redacted]

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LAOTIAN ELECTION CAMPAIGN OPENS Page 7

About 100 candidates are campaigning for the 21 National Assembly seats at stake in the 4 May Laotian election, which is the final step in the unification settlement with the Pathet Lao and may be of crucial importance for the future of Laotian politics. The two major conservative parties, which dominate the government, have formed a national front and are preparing to use the resources of the government to limit electoral gains by the left-wing alliance dominated by the Pathet Lao. [redacted]

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SOUTH KOREAN - JAPANESE RELATIONS Page 8

Plans for resuming formal negotiations for a settlement of outstanding problems between Japan and South Korea have been snagged by Seoul's failure to return Japanese fishermen. This obstacle will delay, but should not preclude, official talks, which are likely to be thorny and protracted. [redacted]

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PART II (continued)

PEIPING CHARTS BOLD ECONOMIC COURSE Page 9

Communist China's 1958 plan and budget, while still strongly oriented toward rapid industrialization, provide for sharply increased spending on agriculture. Most agricultural and industrial targets are ambitious, as Peiping strives to get the Second Five-Year Plan off with a "giant leap forward." Attainment of these targets will require unusually good crop weather and a continuing high level of nationwide austerity. Previous Soviet economic credits have apparently been exhausted and China's own net foreign payments are increasing. [redacted]

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USSR SCIENTIST SUGGESTS PERMANENT INTERNATIONAL ANTARCTIC BASES Page 11

A Soviet scientist has suggested that countries now having meteorological bases in the Antarctic make an effort to establish and maintain on a permanent basis additional stations to function after the end of the International Geophysical Year in December 1958. [redacted]

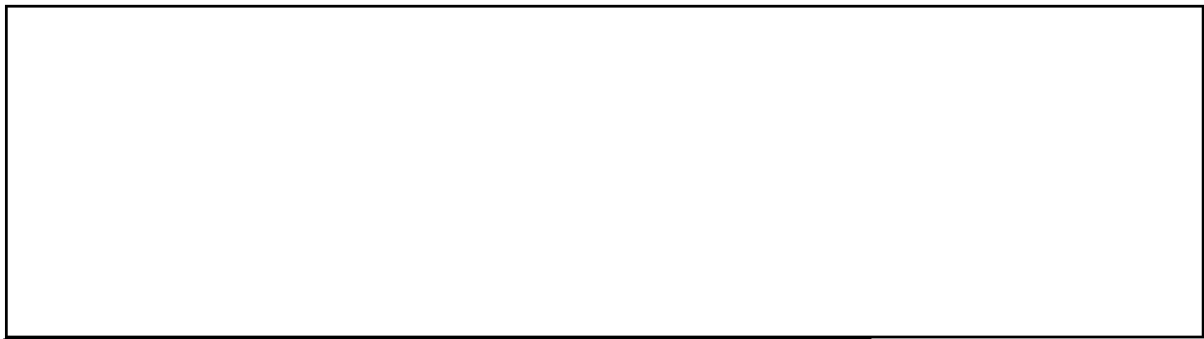
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POLISH CENTRAL COMMITTEE PLENUM Page 12

The adoption last week by the Polish Communist party of a resolution concerning a new economic program was another victory for Gomulka over his Stalinist opposition. Gomulka also engineered the expulsion of a leading Natolin from the central committee and the government for his attacks on Gomulka's political and economic policies. Gomulka's strength has also been enhanced by the Soviet support implicit in Khrushchev's approval in January of his internal policies. [redacted]

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PART II (continued)

BRITISH LABOR DEMANDING NEW MOVES ON DISARMAMENT Page 15

The British Trades Union Congress is joining with the Labor party in a nationwide campaign to demand that the Macmillan government show more initiative in seeking international agreement on disarmament and disengagement. The government has already shown itself sensitive to public opinion on these questions, and its responsiveness to new pressures will be affected by its showing in two pending by-elections. The first of these elections is scheduled for 13 March in a marginal Glasgow constituency. [redacted]

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PROSPECTS OF THE YDIGORAS REGIME IN GUATEMALA Page 15

Miguel Ydigoras Fuentes, who was inaugurated for a six-year term on 2 March, will have difficulty restoring political stability in Guatemala. His apparent intention to follow a middle-of-the-road political course will be bitterly resented by extreme rightists, who form the core of his political support. It was apparent even before the inauguration that he would have difficulty in controlling the Congress, in which his followers form a minority. [redacted]

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NEW DEVELOPMENTS IN ARGENTINE OIL POLICY Page 16

The provisional Aramburu government apparently hopes to arrange limited foreign participation in Argentina's oil industry before President-elect Frondizi takes office on 1 May. In view of the heavy drain of oil imports on Argentina's limited foreign exchange, Frondizi probably approves of this move, although during the campaign he opposed any change in the country's nationalistic oil policy. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

USSR SUPREME SOVIET ELECTIONS Page 1

The election of a single slate of candidates for the USSR Supreme Soviet will be held on 16 March and provides, as in the past, an occasion for widespread agitation to arouse support for the regime. The nomination of candidates for deputies provides an indication of leadership changes throughout the country, the relative representation in the Supreme Soviet of the various elements of Soviet society, and particularly the relative standing of party presidium members. Khrushchev has received more than twice as many honorary nominations as President

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PART III (continued)

Voroshilov. The nominations of party presidium member Kirichenko, while slightly less than Voroshilov's, were on a par with Mikoyan's and exceeded those of Suslov. The showing of Kirichenko is noteworthy in view of numerous recent reports that Suslov had gained increasing prominence within the party. [redacted]

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TENG HSIAO-PING--PEIPING'S RISING FIGURE Page 4

Teng Hsiao-ping, 57-year-old secretary general of the Chinese Communist party, appears to have risen to fourth place in the party hierarchy. The only person to be concurrently a member of the party's three most important organs, Teng now is supervising the "rectification" campaign. [redacted]

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[redacted] he may eventually become the party's dominant figure. [redacted]

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DEVELOPMENTS IN THE RYUKYU ISLANDS Page 7

Anti-American elements in the Ryukyu Islands, particularly on Okinawa, have made election gains by exploiting the discontent with American land acquisition and compensation policies and nationalistic sentiment for reversion of the islands to Japan. Their activity has promoted increasing resentment among the native population toward the American administration. Elections for the Ryukyuan legislature on 16 March probably will demonstrate the extent to which the leftists can extend their influence outside the Naha urban area. [redacted]

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EGYPTIAN SCHOOLTEACHERS IN AFRICA AND NEAR EAST Page 10

Egyptian schoolteachers have been major agents in the Nasir regime's large-scale cultural and political penetration effort in Africa and the Near East. Some 2,500 are employed in more than a dozen countries in the area, with their ostensible role of teaching in many cases subordinated to a Cairo-directed program of preaching Nasir-type radical nationalism and promoting the Egyptian line among students and youth organizations. Some host governments have objected to their obvious engagement in political and subversive action. [redacted]

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A new round of trouble with Nasir is probably the basic reason for the change in the Iraqi cabinet, which after several false starts finally took place on 3 March. Nuri Said's resumption of the premiership, with a cabinet of stalwart ultraconservatives, is an indication of the Iraqi Government's determination to pursue a strong line and is a challenge to Nasir's radical nationalism, which views Nuri as the "imperialist agent" par excellence. The composition of the cabinet is also, however,

an indication of the scarcity of Iraqi leadership, which Nuri himself has described as "a small pack of cards which has to be shuffled often."

The new Iraqi cabinet has created some dismay in Jordan, where Nuri is regarded as determined to assert Iraq's position as the dominant partner in the federation. There is also a belief in Amman, supported by a statement by an Iraqi diplomat there, that Jordan's Deputy Prime Minister Rifai, who has been the actual director of cabinet policy, is looked on with disfavor by Nuri and other Iraqis. Near East press speculation on a change in the Jordanian cabinet has in fact followed on the heels of the shift in Iraq.

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THE TUNISIAN SITUATION

Tunisian President Bourguiba has begun a campaign to focus world attention on the French proposal to seal the Algerian-Tunisian border by creating a "no man's land" on the Algerian side of the border. Bourguiba's statements reflect his deep preoccupation with the problem of the Algerian refugees in Tunisia and are an effort to recoup popular support at home, where the public has become restive as a result of his handling of the French-Tunisian crisis.

In a radio address on 27 February, Bourguiba appealed for world support against France's "scorched earth" policy along the Algerian frontier, and simultaneously filed a new complaint with the UN Security Council charging that France is forcibly evicting 250,000 inhabitants from the zone. He has also sent letters to various chiefs of state pointing out the disastrous consequences of such a French policy. Tunisian officials assert that 7,000 Algerian refugees have fled to Tunisia.

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with recent weeks and that their care, along with that of 60,000 previous refugees, overtaxes local resources. An International Red Cross representative who visited the border area in Tunisia and interviewed some of the refugees is personally convinced of the "general authenticity, if exaggeration" of the reports of "barbarism" by French paratroopers, which is said to include random executions and wholesale destruction of property.

French officials in Algeria state that only about 980 square miles of border area will be evacuated and that no more than 5,000 families will be moved to nearby fortified towns. These officials foresee a line of strong points parallel to the Tunisian border and three to five miles from it with a "no man's land" between them and the border.

The American ambassador in Tunis says Bourguiba's refusal to comment on the good-offices mission in his 27 February speech has created a public opinion problem with his people, who are used to being told how to react to important situations. The Tunisian populace is showing growing impatience and suspicion of the mission, according to the two most influential French-language newspapers in Tunisia, one of which

comments that the "silence, mystery, and slowness of American secret diplomacy are leading to confusion."

The Tunisian Government is also concerned about the activity of followers of Salah ben Youssef, exiled rival of Bourguiba, who were discovered plotting the assassination of Bourguiba. It has arrested some 41 persons and strengthened the forces guarding the President. Tunis has vigorously protested the alleged Egyptian involvement in the assassination plot.

In Paris, the National Assembly is reported in a "bad humor" over Premier Gaillard's North African policies and particularly over the possibility that American-British good offices might "internationalize" the Algerian situation. Gaillard appears to have no program beyond avoiding any action which might endanger his government.

A surprise French diplomatic move may be foreshadowed in a "personal" suggestion made to Ambassador Lodge by France's UN Security Council representative that NATO might be a better forum than the UN for "internationalizing" the Algerian problem. The French official envisioned the admission of Tunisia and Morocco to NATO as part of this solution.

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FRENCH GOVERNMENT PROSPECTS

French Premier Gaillard's prospects of squeezing through the currently explosive military budget debate in the National Assembly appear to be

improving, but new rightist demands for a strong stand on North Africa may again jeopardize his coalition. Gaillard is counting on the approaching Easter recess,

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which begins 28 March, and on local elections scheduled for late April, to discourage the political parties from precipitating a crisis.

Rightists, who last week threatened to topple Gaillard unless he sent heavy reinforcements to Algeria, now appear willing to accept his promise to augment forces there by 28,000 men, to be financed if possible by German troop support payments but otherwise from further cuts in portions of the military budget not connected with Algeria. They are expected to demand, however, that the government take a strong position toward Tunisia and to call for action against "defeatists" in France.

This hardening of the rightist position is reflected in recent calls for an "effective government" or the return of General de Gaulle by Soustelle and other Gaullists, Dissident Radical leader Morice, and Independent leader Duchet. Popular Republican Bidault, who has moved increasingly

toward the right, has joined in this clamor.

Any concession by Gaillard to the demands of the rightists can be expected to alienate his Socialist and Popular Republican support, large elements of which are already uneasy over their association with his government. His chances of surviving these difficulties are enhanced, however, by the approach of the Easter recess and the elections scheduled for the next two months. Moreover, the threat of a crisis over constitutional reform, to be debated again next week, appears reduced in view of compromises reportedly reached by party representatives.

Nevertheless, the progressive general deterioration of Gaillard's coalition could still lead him to "choose to fall" on the constitutional reform issue. In any event the continuing attrition of his coalition places him increasingly at the mercy of the 200 more or less consistent opponents on any issue in the assembly.

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NEW SOVIET PROPOSALS ON SUMMIT MEETING

The Soviet Union's new proposals for a heads-of-government meeting, particularly as outlined in the widely publicized letter of 1 March to French Foreign Minister Pineau, are intended to focus the present East-West exchange on the question of Western willingness to agree to such a meeting before its composition and agenda have been determined. Kremlin leaders apparently calculate that their qualified acceptance

of a foreign ministers' conference and minor changes in their position on proposed topics to be discussed at a summit conference will bring additional pressure on Western governments to accept Soviet terms on the timing, composition, and agenda of a top-level meeting.

The Soviet proposal for a foreign ministers' conference, first embodied in the aide-memoire presented to Ambassador

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Thompson on 28 February, was intended to appear responsive to President Eisenhower's letter of 15 February to Premier Bulganin. Moscow agreed to such a meeting if it were "strictly limited" to organizing the procedural details of a top-level meeting and if "firm agreement" were first reached on the date for a summit meeting.

Gromyko urged immediate diplomatic exchanges to determine the composition, date, and place of a foreign ministers' session and to establish the date for a heads-of-government meeting. He proposed that the foreign ministers convene in April at Geneva and that the heads of government meet in June.

The USSR appears to be flexible, however, on the timing and location of a summit conference. Soviet Ambassador Smirnov in Bonn recently told a Western journalist that the Soviet leaders are ready to come to Geneva "at any time," mentioning July as an acceptable date.

The Soviet aide-memoire to the United States, extending Bulganin's earlier proposals for the composition of a summit meeting, called for either participation by all NATO countries and Warsaw pact states, plus six neutral powers, or--in a more limited meeting--the United States, Britain, France, and Italy from the West, the USSR, Poland, Czechoslovakia, and Rumania from the Soviet bloc, plus Yugoslavia, Sweden, and Austria. A Soviet Foreign Ministry official informed the Italian Embassy in Moscow on 3 March that the Soviet Union wanted neutralist states represented at summit talks, but be-

lieved their participation at a foreign ministers' meeting was not essential.

The note to France explicitly stated that the participants of both a foreign ministers' and a summit conference should be on a "parity basis." This underscores the importance which Moscow attaches to equal representation of Soviet bloc and Western states, particularly as a means of illustrating Soviet assertions that the "balance of world forces" has shifted away from the West, and of claiming Western recognition of the status quo in Eastern Europe.

The note to the United States repeated the nine-point agenda for summit talks put forth in Bulganin's January and February letters, and added a new item entitled "Conclusion of a German Peace Treaty." The Soviet Government suggested that when the heads of government discuss this item, both East and West German representatives should attend the conference. The note stated, however, that these negotiations should not embrace the subject of German reunification, and it repeated the Soviet view that this issue could be dealt with only by the two German states.

The aide-memoire also offered to discuss the use of outer space for peaceful purposes, as suggested in the President's letters to Bulganin, provided the United States is willing to consider the "liquidation of foreign military bases." The Soviet position, first laid down by Khrushchev at Minsk on 22 January, has been to link the question of the use of outer space with an agreement on cessation of nuclear tests and

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banning of nuclear weapons, as well as the foreign base issue.

Moscow has also continued to press the Rapacki plan for a nuclear-free zone in central Europe. In replying on 3 March to the Polish demarche of 14 February on this subject, the Soviet Government again endorsed Poland's efforts to make the scheme more attractive to the West.

According to the Italian ambassador in Moscow, Gromyko recently told the Swiss ambassador that the Soviet Government would like Italy to be included in a nuclear-free zone. Gromyko also reportedly queried the Swedish ambassador regarding the possible inclusion of Scandinavia in such a scheme, but dropped the subject when the Swedish official suggested that the area should include Soviet territory as well.

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PART II

NOTES AND COMMENTS

KHRUSHCHEV'S AGRICULTURAL REORGANIZATION MOVES AHEAD

Khrushchev's proposal for transferring Soviet agricultural machinery from the machine tractor stations (MTS) to the collective farms is well on its way toward final approval. The party central committee, which convened on 25-26 February, apparently endorsed the plan in short order and a full outline of the proposal--the Khrushchev "theses"--has been published in the Soviet press. A nationwide discussion of the theses is now to take place, after which they will be submitted to the next session of the Supreme Soviet--probably in April--for formal approval.

The MTS reorganization, another major economic program sponsored by Khrushchev, attests once again to his personal initiative and pervasive authority over the Soviet scene. Unlike his "new lands" program and his industrial reorganization, however, the MTS proposals have little chance of backfiring during their implementation and thus, in comparison, the prospects for future opposition on the MTS changes along are lessened.

Nevertheless, there were some suggestions of high-level disagreement over the proposal. Ambassador Thompson has received information from a source believed to be reliable confirming that several members of the party presidium were highly annoyed at Khrushchev for raising the MTS question in public before it had been discussed in the presidium. The theses admit only that "some comrades, chiefly economists," had doubts about the change because they believed that state farms and not collectives should be emphasized during

the transition to Communism. In any case, central committee approval probably gives Khrushchev a club against any rear-guard opponents.

Khrushchev has given some principles concerning the "new look" in collective farming. Future sales of new machines to the collectives, like other sales by industry, will be priced to return profits to industry. Grain procured by the state, including deliveries as payments in kind formerly made to MTS's by collectives, will henceforth be greater because of improved efficiency of the collectives. These considerations portend no easy path for the collectives, especially since the former MTS system was subsidized, but Khrushchev expects that the greater efficiencies realized under the new system will enable the collectives to continue their prosperous development.

The collectives must pay for the machinery now held by the MTS's with due allowance for depreciation, and Khrushchev has given an estimate of the total value. He stated that the "indivisible funds" of the collectives, which among other things finance investment, have risen to a figure adequate to finance acquisition of present MTS machinery.

The MTS machinery will be paid for over a period of time and will be transferred in stages. Leading collective farms with substantial funds will obtain machinery this year, while others with less funds will phase into the new pattern within two or three years, or in some instances after a longer period.

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To formalize the new relationship further, and perhaps to overhaul the collective farms in other ways, a third All-Union Congress of Collective Farmers is to be held in early

1959. The second congress, held in 1935, produced the model collective farm statutes still in effect. [REDACTED]
(Prepared by ORR)

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NORTH KOREA RELEASES PASSENGERS OF SOUTH KOREAN AIRLINER

Pyongyang's release of the passengers of the South Korean airliner hijacked on 16 February was apparently prompted in large part by indications that the plane incident was detracting from Communist "peace" moves. Propaganda broadcasts from Peiping and Pyongyang had earlier reflected Communist discomfiture at the unfavorable publicity generated by the kidnaping. The United States was charged with trying to exploit the incident "to escape from its embarrassment" over Communist China's "epochal" announcement of plans to withdraw Chinese troops from Korea.

In releasing the passengers, the North Koreans may also have been influenced by Moscow, which transmitted the American and West German notes on the matter to Pyongyang. The North Korean leaders are among Moscow's most loyal puppets, and would have responded quickly to any Soviet advice urging a quick settlement in order to improve the atmosphere for summit talks.

The hostage value of the kidnaped passengers was rapidly reduced by the South Korean government's flat refusal to enter into "direct contacts" with Pyongyang. The South Korean Red Cross official's action in signing receipts for the 22 Koreans was an insignificant accommodation to the North Koreans. In

backing down on their demand for direct contacts, the North Koreans attempted to create the impression that the United States and West Germany agreed to a government-to-government arrangement on releasing the two American pilots and the two German nationals. Pyongyang's Foreign Ministry statement on 1 March specified that its decision to release the passengers was made in response to the initiative of the American and West German governments in their notes to Moscow on the plane incident.

Both the United States and West Germany accepted Pyongyang's proposal that government representatives be present at Panmunjom when the passengers were freed. Pyongyang is striving to keep alive the concept that contacts with officials of Western governments implies some sort of recognition of North Korea as one of two legitimate Korean states.

The release of the passengers will probably become another stock item in the propaganda citing alleged Communist initiatives to effect a Korean settlement, such as the announcement on 19 February that Chinese Communist troops will be pulled out of North Korea by the end of 1958. Broadcasts from Peiping and Pyongyang are contrasting South Korean intransigence with Communist proposals for a peaceful settlement. [REDACTED]

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THE LEBANESE PRESIDENTIAL ELECTION

The internal security of Lebanon is threatened by President Chamoun's desire to secure a second term. To do so, he must have a constitutional clause which now forbids his succession amended during the forthcoming session of the Chamber of Deputies, which begins on 18 March and ends on 31 May. While a second term is not unprecedented--Chamoun's political enemy, former President al-Khuri, was re-elected in 1948--some of Chamoun's opponents have threatened civil war should he force through the admendment.

Chamoun probably has the required two-thirds majority to pass such an admendment before the chamber's election of a president scheduled to take place between 23 July and 23 August. However, the mere introduction of the admendment probably would have immediate repercussions/

Such a development might result in the overthrow of the government in much the same way that President al-Khuri was deposed in 1952. The accession to power of an anti-Western, pro-Egyptian government would probably follow.

Chamoun actually began preparations for his re-election last June when he used his influence to elect a Chamber of Deputies which would favor his candidacy. By so doing, he squeezed out many prominent po-

litical opponents and upset the delicate balance of the religious communities, on which the political stability of Lebanon depends.

The traditional balance between Moslems and Christians has been further upset by Chamoun's outspoken pro-Western policy. The Greek Orthodox Lebanese, with their traditional affinity for Russia, have succumbed in part to the pro-Soviet policies of Egypt and Syria, while the Maronites are split because of a feud between Chamoun and the influential Maronite Patriarch, a relative of ex-President al-Khuri. The patriarch has been making conciliatory gestures and public statements to the Moslems which have put him in the position of opposing the President in domestic as well as in international affairs.

Chamoun might withdraw from the race and help secure the election of a successor who would be amenable to his policies but who would appear less openly pro-Western. There are several possibilities, including nonpolitical General Shihab, commander of the army, and Jawad Bulus, an old political figure who has the advantage of not having taken sides in the quarrels of the political clans but supports the government's foreign policy. Chamoun's personality and ambition are such, however, that only strong pressure is likely to persuade him to take this course.

THE SITUATION IN MOROCCO

The government of King Mohamed V may be reconsidering the nature of its relations with the West. This policy has failed to secure tangible results in the eyes of the Moroccan public, and the King and his ministers

apparently will have to take greater cognizance of internal pressures and developments throughout North Africa or run the risk of being supplanted.

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the 8 February bombing of the Tunisian border village of Sakiet Sidi Youssef. Last week the government requested the United States to prevent further use of American bases as entry points for French materiel. Actually, American bases are increasingly considered a handicap to the government's freedom of action in foreign affairs.

The government also resents what it believes to be Paris' control over American economic aid to Morocco, an impression confirmed in its eyes by the contrast between the apparent speed and quantity of American aid to France and the slow progress of the aid program in Morocco. The American policy of supplementing rather than supplanting French economic aid to Morocco is not comprehended by a government which has only an American offer of \$20,000,000 to meet a \$100,000,000 development budget because France failed to provide expected funds.

As a result of these mounting anti-Western feelings, the King and Foreign Minister Balafrej, both of whom have opposed close relations with the USSR, are reported to be considering an early exchange of ambassadors with Moscow. Both the King and Balafrej may hope that the opening of a Soviet embassy in North Africa might jolt the West into more conciliatory gestures toward North Africa.

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The belief is growing that the United States is financing and equipping a possible "colonialist" adventure in North Africa. Considerable credence is given to Soviet and Cairo propaganda emphasizing French use of American equipment during

CYPRUS

All Greek Cypriots were instructed to prepare for "battle" against the British by economic boycott and passive resistance in a pamphlet distrib-

uted on 2 March and signed by Colonel Grivas, leader of the underground organization EOKA. Although the pamphlet emphasized nonviolence rather than

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renewal of all-out terrorism, Grivas did not renounce entirely the use of armed force. In line with this new policy, there have been mass resignations from office by Greek Cypriot village leaders. These moves may be followed by a Greek Cypriot boycott of all British goods, refusal to pay taxes, and nonassociation with British nationals on Cyprus.

Grivas apparently decided to emphasize a campaign of passive resistance following a request from Archbishop Makarios that violence not be renewed. Passive resistance would be in accord with the recommendations of many influential Greeks and Greek Cypriots who believe that only the Turks would benefit from renewed terrorist attacks by EOKA at this time. They prefer to wait for a British Labor government, which they feel would be more sympathetic to Cypriot self-determination, to take office.

Tension between left- and right-wing Greek Cypriots remains high, and further internecine violence could erupt at any time. Left-wing leaders continue to demand a voice in island affairs through representation on the Cypriot Ethnarchy Council. Right-wing nationalists have replied with threats and at least one attempt on the life of a leftist leader.

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No significant advance on the Cyprus issue is likely prior to the Greek national elections, now expected in late April.

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GREEK GOVERNMENT CRISIS

The resignation of Greek Prime Minister Constantine Karamanlis on 2 March and the King's subsequent decision to call national elections followed a controversy within the cabinet over a new electoral law. Dissatisfaction among cabinet ministers over Karamanlis' tendency to disregard the views of his cabinet on major issues, however, has been growing for some time and was probably a major cause of the resignations of Minister of Trade and Industry Panagiotis Papaligouras and Minister of Public Works George Rallis on 27 February, moves which precipitated the crisis.

Following their resignations, Papaligouras and Rallis

were joined by former Deputy Premier Andreas Apostolides and 12 other National Radical Union (ERE) deputies in presenting a statement withdrawing support from the prime minister. Karamanlis replied by expelling the 15 dissidents from the party, but, since his parliamentary support was reduced to a minority in the 300-member Chamber of Deputies, he simultaneously submitted his resignation to the King.

King Paul, in turn, conferred with Karamanlis and the leaders of the opposition parties regarding the selection of a new premier and the desirability of holding immediate national elections. While there was strong sentiment, notably

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among leaders of the Liberals, second largest party in Greece, in favor of an interim government and elections in the fall, the King decided to appoint a caretaker government and to hold national elections as soon as practicable. In this, he had the support of Karamanlis, who again controls a majority in the Chamber of Deputies following the return of two of the dissidents and the defection of a Liberal to the ERE on 4 March.

Constantine Georgacopoulos, nonpolitical head of the Greek Red Cross, has been designated premier with the tasks of steering Karamanlis' new electoral law through the Chamber of Deputies, dissolving that body, and holding national elections. The new electoral law, providing for modified proportional representation, reportedly has the support of both the ERE and the Liberals and its passage appears likely, although possibly in amended

form. The constitution provides that elections must be held within 45 days from the date the chamber is dissolved--indicating elections in late April.

Elections held under either the existing or any presently proposed electoral law will favor larger parties and will tend to force smaller ones into electoral coalitions. Already intense political maneuvering has begun in Greece and new parties or coalitions will probably emerge. The Communist-front United Democratic Left, to ensure representation in the new chamber and to secure greater respectability in Greece, will probably try to create an electoral front with center parties, similar to one formed for the elections of 1956. During the electoral campaign, Communists, fellow travelers, neutralists, and political opportunists can be expected to exploit the two major foreign policy issues in Greece today--Cyprus and the installation of American missile bases in Greece.

25X1

NEW INDIAN AND PAKISTANI BUDGETS

The budgets presented by the Indian and Pakistani finance ministers for the fiscal year beginning 1 April indicate that India's economic development program will continue approximately on schedule but that Pakistan will fail to implement its more modest program. India's defense expenditures are to reach \$641,000,000, an increase of \$29,000,000, and Pakistan's are to reach \$184,254,000, an increase of only \$3,700,000.

Total Indian economic development expenditures for 1958 are scheduled at \$2.135 billion compared with actual expendi-

tures of \$1.407 billion and \$1.775 billion during the first two years of the Second Five-Year Plan (1956-61). Administrative difficulties probably will cause some shortfall in actual expenditures, but the latter should be sufficient to enable India to reach most of the goals of its five-year plan. Most of the increased expenditures scheduled are to be financed by a \$400,000,000 increase in foreign aid, as the government decided to increase taxes by only \$13,000,000 over last year's \$200,000,000 tax increase.

Pakistan's new budget calls for a reduction of economic

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development expenditures from \$337,491,000 during the current fiscal year to \$303,030,000 during the fiscal year beginning 1 April. This is less than 60 percent of the amount called for during the coming fiscal year by the first Five-Year Plan (1955-60), and indicates that the plan will fall substantially short of its relatively modest goals.

Although the government did not accept the recommendation of the Pakistani National Economic Council that it increase taxes sharply to provide more funds for economic development, the budget does call for a \$21,000,000 rise in taxes to reduce deficit spending. Even

this small increase has provoked strong reactions in both Parliament and the press, however, and the government may be forced to back down, as it did last year.

The decline in development allocations will mean that no new major projects will be started, which will make it impossible to bring expenditures in East Pakistan up to the level of those in West Pakistan, where most of the projects already under construction are located. This will add to the friction between the two parts of the country, and probably will further weaken the present coalition government, which depends on East Pakistan's support.

25X1

LAOTIAN ELECTION CAMPAIGN OPENS

Campaigning for Laos' 4 May elections officially opened this week, with about 100 candidates registered for the 21 National Assembly seats at stake. The elections, held to expand the present assembly to 59 seats, are the final step in the unification settlement with the Pathet Lao and will be the first test of the voter appeal of the Communist-front group. The campaign is of critical importance for the two conservative parties, which now dominate the royal government, and for the Pathet Lao, which has surrendered its territorial base and army in a switch to legal and semilegal political tactics.

The two major conservative parties--the Nationalists and Independents, which together now control over 70 percent of the seats in the legislature--have formed a "national front" for the campaign. They have established a joint committee charged with allocating campaign

support and reducing the present total of 53 conservative candidates to 21 in order to avoid splitting the vote. Whether the committee will succeed in persuading all of the 32 weakest conservative candidates to drop out of the race is problematical, but the committee in any event will facilitate effective use of the resources available to the conservatives, which include the services of the army, police, provincial administration, and "civic action teams."

Primary competition for the conservatives will come from the left-wing electoral front formed by the Laotian Patriotic Front--the Pathet Lao party--and the National Union party. This front is presenting a single candidate for each of the 21 seats and, therefore, is already assured that its support will not be split. Thirteen of the candidates are former Pathet Lao leaders, including such top-level personalities as Prince Souphannouvong, Phoumi Vongvichit,

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Nouhak Phoumsavan, and Kayson Fasan; the remainder are National Union supporters.

The small but well-entrenched Democratic party has revealed that it has entered into an electoral alliance with the left-wing front. Its cooperation is presumably somewhat in the nature of a nonaggression pact, since it is running an independent slate of five candidates. This development is a setback for the conservatives, who were hopeful of winning Democratic support.

An all-out struggle appears to be developing for the seats in the two former Pathet Lao-held provinces of Sam Neua and Phong Saly, with both sides sensitive to the symbolic impact of a victory there. The Pathet Lao, realizing that a defeat would be interpreted as

a repudiation of three and a half years of Pathet administration, reportedly has opened a headquarters of its front organization in every village in Sam Neua Province and is threatening reprisals against individuals favorably disposed to the government. Despite the Laotian Army's occupation of the province since 19 January, the civil administration remains predominantly in the hands of former Pathet functionaries.

A strong left-wing showing in the elections probably would increase pressure on the government for adoption of a pro-Communist neutrality, allow the left to pose as the "wave of the future," possibly lead to increased Pathet representation in a new cabinet, and improve Pathet prospects for the general elections in 1959.

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SOUTH KOREAN - JAPANESE RELATIONS

Plans for resuming formal negotiations for a settlement of outstanding problems between Japan and South Korea have been snagged by Seoul's failure to return all Japanese fishermen. This obstacle will delay, but should not preclude, official talks, which are likely to be thorny and protracted.

Tokyo on 27 February decided to postpone negotiations to normalize relations with Seoul scheduled for 1 March because not all eligible Japanese fishermen held at Pusan had been returned. The Japanese believe Seoul is holding 400 of some 900 detainees as hostages to strengthen the South Korean bargaining position.

Japanese suspension of the negotiations was accompanied by

indications of increasing irritation over South Korean bad faith. Tokyo, however, announced its willingness to begin negotiations if South Korea would give firm assurance that all Japanese fishermen eligible for repatriation would be returned soon.

The Japanese, meanwhile, are continuing the repatriation of Korean illegal entrants. They also hope that a compromise can be worked out permitting some 90 Korean detainees who wish repatriation to North Korea to be released in Japan. Seoul has been insistent that these people be returned forcibly to South Korea.

Seoul appears to have been considerably disturbed by Tokyo's action. The Foreign Ministry realizes that failure to honor

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the Korean commitment to repatriate all Japanese fishermen damaged the nation's prestige. Nevertheless, the Rhee government has not as yet indicated when all the remaining fishermen will be returned, although some apparently are scheduled for repatriation in the near future.

When formal negotiations are resumed, serious substantive disputes could cause a new deadlock at any time. While an apparent understanding has been reached between the two countries on property claims, the problems of the re-

turn of Korean art treasures and the status of Korean residents in Japan remain.

The controversial "Rhee line," which unilaterally establishes South Korean territorial waters as much as 60 miles offshore, also will be a major obstacle to any settlement. South Korea is continuing to seize Japanese fishing boats caught inside this line. Japan is willing to conclude a fisheries conservation agreement to settle the issue, but Korea has not as yet shown any willingness to accept such a compromise.

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PEIPING CHARTS BOLD ECONOMIC COURSE

Communist China's 1958 plan and budget, recently made public, disclose a bold economic program still strongly oriented toward rapid industrialization. They do provide, however, for sharply increased spending on agriculture, which the leadership feels needs a stimulant if ambitious investment plans are to be continued. The leadership aims to cut non-productive spending to the bone by reducing administrative overhead and by paring the defense outlay by 10 percent, in order to sustain record levels of spending both in capital construction and in agriculture.

the average yearly rate of 16.5 percent achieved during the First Five-Year Plan (1953-1957) but well above the modest 6 percent planned last year. Heavy industry is to increase by 18.8

**COMMUNIST CHINA:
OUTPUT AND TARGETS FOR SELECTED ITEMS**
MILLIONS OF METRIC TONS EXCEPT AS NOTED

	1952	1957 PLAN	1957 RESULTS	1958 PLAN	1962 PLAN
ELECTRIC POWER (BILLIONS OF KWH)	7.3	15.9	19.0	22.5	44.0
COAL	64.0	112.9	128.5	150.7	230.0
CRUDE OIL	0.44	2.01	1.45	1.55	5-6 LESS THAN
STEEL	1.35	4.12	5.24	6.25	12.0
CEMENT	2.9	6.0	6.7	7.6	12.5
CHEMICAL FERTILIZER	0.19	0.5	0.75	1.20	5-7
FOOD GRAINS	154.0	181.0	185.0	196.0	240.0
COTTON	1.3	1.64	1.64	1.75	2.15
HOGS (MILLIONS OF HEAD)		138.0	130.0	150.0	220.0

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According to the 1958 plan, the total value of industrial production is to go up by nearly 15 percent, slightly under

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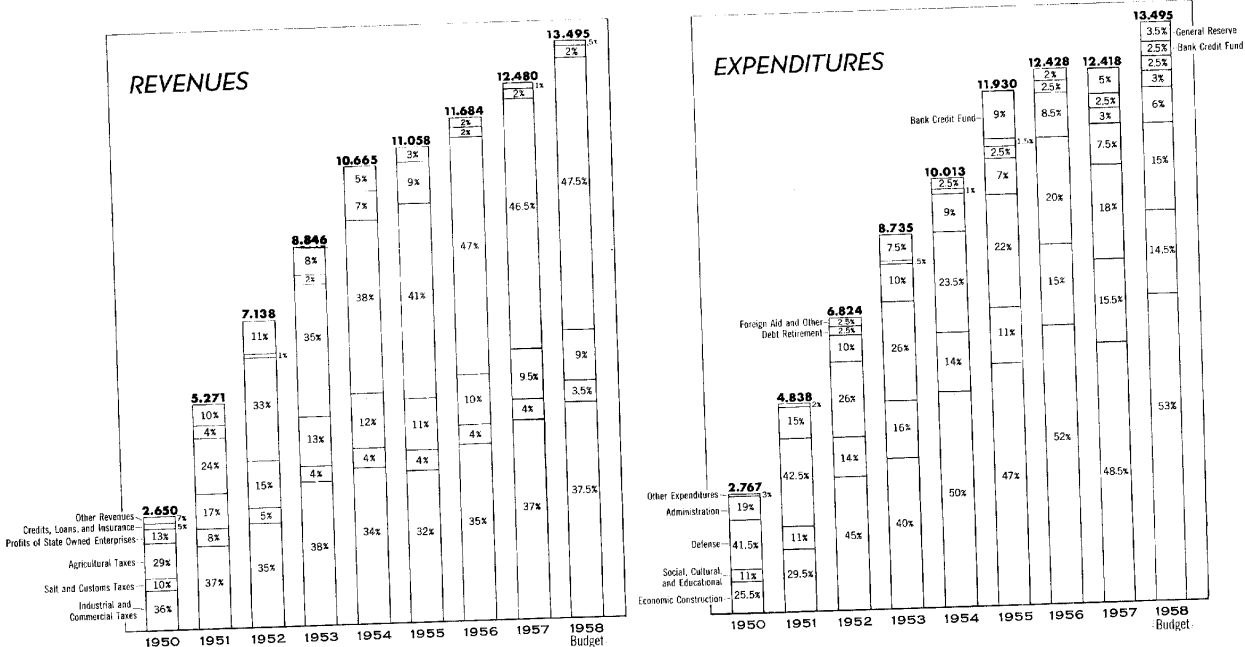
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**COMMUNIST CHINA
BUDGET REVENUES AND EXPENDITURES**

1950 - 1958

BILLIONS OF DOLLARS*



* Converted on the basis of 2.46 yuan = \$1.00

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percent, almost twice the rate of light industry. Investment in capital construction is scheduled to increase by almost 18 percent and will reach record levels. Almost twice as many major construction projects will be undertaken as last year, and industrial building will concentrate on the fuels, power, and other industries which support agriculture.

Peiping plans a 6-percent increase this year in the total value of agricultural output, almost double the average annual rate achieved during the First Five-Year Plan. Agricultural plans in the past have been notably unrealistic and seldom achieved. The leadership has apparently been convinced by the experience of the

last five years that agricultural output must be increased more rapidly and that additional funds must be found to support this sector of the economy.

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A 40-percent increase in expenditures is scheduled for agriculture and related fields. The \$1.2 billion--9 percent of total outlay--which Peiping intends to spend on agriculture is only a fraction less than the \$1.22 billion which it plans to take from it in the form of direct taxes. Larger spending programs for agriculture will be required in the future if the Chinese Communists go ahead with their plans to mechanize agriculture. In the interim, despite the increased budgetary outlay, primary reliance for meeting investment goals will

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be placed on programs involving extensive use of manpower and on capital accumulated by the peasants themselves.

Peiping evidently feels capable of launching this bold economic course without Soviet credits. Despite reports that Mao Tse-tung had succeeded in obtaining new economic loans in Moscow last November, the 1958 budget, unlike previous budgets, gives no evidence of any foreign loans. The slightly more than \$2 billion which the USSR has loaned to Peiping since 1949 has been exhausted. On the other hand, debt service payments on these loans will increase approximately 10 percent this year to \$310,000,000, and at the same time China's economic aid to neighboring countries will roughly equal

last year's \$184,000,000. Thus China's net foreign payments this year will amount to approximately 3.7 percent of its total budgetary outlay.

The apparent termination of Soviet economic credits, which in any case paid for only 2.6 percent of total imports during the First Five-Year Plan, will not greatly affect Peiping's economic or political orientation toward the bloc. China will remain heavily dependent on deliveries from the USSR for completion of the remaining 99 of the 156 key Chinese industrialization projects. The country's foreign trade, which is to reach \$4.47 billion this year, will still be principally with the bloc.

[redacted] (Prepared by
ORR)

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USSR SCIENTIST SUGGESTS PERMANENT INTERNATIONAL ANTARCTIC BASES

At a meeting of the Special Committee of Antarctic Research of the International Council of Scientific Unions at The Hague on 3-5 February 1958, Soviet delegate M. M. Somov suggested that an international effort be undertaken to construct additional meteorological stations in Antarctica for use after the end of the International Geophysical Year (IGY) in December 1958. Following this initiative, other delegates at the conference suggested a total of 12 new stations, of which seven were coastal and five in the interior, located to provide a more desirable meteorological network.

Somov, who is head of the staff of the Soviet "Complex

Antarctic Expedition," expressed doubts in Moscow on 20 February that the Soviet Union would complete its Antarctic IGY work by the end of 1958 and spoke in favor of "some sort of permanent international scientific station" in the area.

Somov's remarks are an attempt to make more palatable the Soviet intention to remain and expand post-IGY activities in the Antarctic. Presumably under cover of this expanded program, the USSR is reportedly planning to establish a permanent zone containing both permanent and emergency stations.

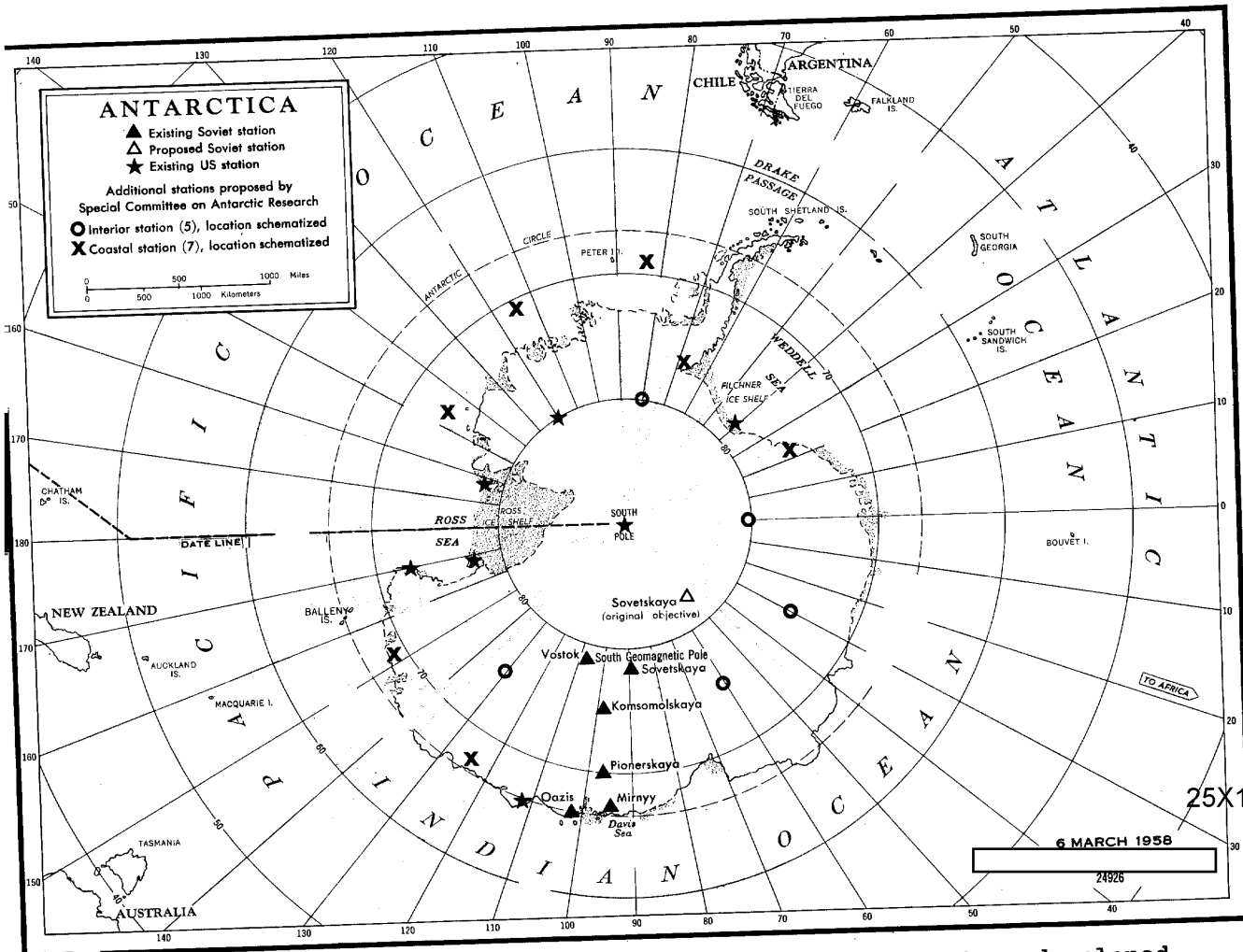
There has been no official Soviet reaction yet to the recent article in the British

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Daily Telegraph revealing that the British Government is formulating a plan for international control of the Antarctic. The USSR is trying not to jeopardize

the friendly relations developed during IGY and the concurrent flow of valuable geophysical and geographical data.
(Prepared by ORR)

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POLISH CENTRAL COMMITTEE PLENUM

The resolution adopted last week by the 11th plenum of the central committee of the Polish United Workers' party, which called for several measures in connection with a new economic program, was another victory for Gomulka over his Sta-

linist opposition. The measures included the transfer of manpower from industries suffering from overemployment, increased retirement pensions, higher rents, and tighter control over worker absenteeism.

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Although there has been some improvement in living standards in 1957--largely through drawing on short-term foreign credits and using domestic goods reserves--Gomulka to date has made little headway in solving the country's serious economic problems. The regime has repeatedly stated that there will be no wage increases in 1958, and that an effort will be made to balance Poland's unfavorable trade position. Polish economic experts take the view that the only feasible way to raise the living standard is through increased productivity.

Higher worker productivity was the aim behind politburo economic expert Jedrychowski's proposal, reiterated at the plenum, to dismiss superfluous workers in industry. Approximately 200,000 industrial workers and administrative officers would lose their jobs in the reshuffle and an attempt would be made to channel the released manpower into other employment, such as that on state farms, and to other areas, particularly the thinly populated former German territories. The raising of the minimum old-age pension will probably free additional jobs for the surplus labor force. About 150,000 pensioners supplement their present benefits by working.

The prospect of increased unemployment resulting from the labor transfers and the raising of the extremely low rents on housing--which will spur popular unrest--touched off a bitter attack on Gomulka by Deputy Minister of Labor and Social Welfare Klosiewicz, who was promptly expelled from his government post and from the central committee.

Trade union chief during Poland's Stalinist era, Klosiewicz is a prominent member of the Natolin faction which challenged Gomulka's refusal to acknowledge at the central committee's May 1957 plenum the leading role of the Soviet party in bloc affairs. He apparently took the opportunity last week to air the old grievance, stating that Gomulka was reluctant to acknowledge at the November conference of bloc party leaders in Moscow the leading role played by the Soviet party. Klosiewicz also criticized Gomulka's "soft" treatment of revisionism in the party, accusing the first secretary of expelling a few "little fish" while allowing the big ones to retain their party positions.

The plenum approved, however, the Polish delegation's role at the Moscow conference as being consistent with the party's political line.

While a resurgence of antirevisionist propaganda has been evident in the Soviet Union, the latest Natolin challenge was probably not inspired by Moscow. Khrushchev's confidence in Gomulka's efforts to improve the socialist economy as expressed in his January speech at Minsk and the initiative allowed Poland in promulgating the Rapacki plan indicate that some rapprochement has probably been reached between the two leaders. While Gomulka's retention of his position still ultimately hinges on the outcome of his economic program, the prompt rebuff of Klosiewicz and the committee's backing of Gomulka's economic and political positions testify to Gomulka's continued strength in the party.

[redacted] (Concurred in by
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BRITISH LABOR DEMANDING NEW MOVES ON DISARMAMENT

The British Trades Union Congress (TUC) is joining with the Labor party in a nationwide campaign to demand that the Macmillan government show more initiative in seeking international agreement on disarmament and disengagement. The government has already shown itself sensitive to public opinion on these questions and its responsiveness to new pressures will be affected by its showing in two pending by-elections.

This is the first time the influential TUC has joined the Labor party in seeking public support on foreign policy issues. The joint stand on foreign policy appears essentially the same as that approved by the parliamentary Labor party, after considerable debate, last spring. The joint draft endorses the Gaitskell plan for a neutral zone in central Europe and calls for a unilateral British suspension of thermonuclear testing for a limited period and a disarmament agreement in several stages beginning with an international agreement on test suspension.

Meanwhile, some 70 Labor MP's are demanding that Britain unilaterally renounce the use and production of nuclear weapons and allow no missile bases on its territory. No prominent party leaders are represented in the group, but it comprises about a quarter of the party's parliamentary representation and has received support from Labor's official press organ, the Daily Herald.

In recent months the Macmillan government has repeatedly tried to regain popularity by conciliatory gestures in foreign policy. It will closely watch the results of the two forthcoming by-elections in judging how much it needs to yield to Labor demands. In the first of these, on 13 March, in the Glasgow constituency of Kelvingrove, which it won by less than 3,000 votes in the 1955 general elections, the government will campaign under relatively favorable conditions--a strong Conservative candidate, no Liberal party competition, and a Labor vote split by the candidacy of an independent Labor party member.

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PROSPECTS OF THE YDIGORAS REGIME IN GUATEMALA

Miguel Ydigoras Fuentes, who was inaugurated for a six-year term in the presidency on 2 March, will have difficulty restoring political stability in Guatemala. His apparent intention to follow a middle-of-the-road political course will be bitterly resented by extreme rightists, who form the core of his organized political support. It was apparent even before the inauguration that he would have difficulty controlling the Congress, in which his followers form a minority.

The plurality Ydigoras won in the 19 January election resulted more from his personal appeal than from having a well-defined program or effective political machine. His followers range from extreme conservatives to moderate leftists. He has gone to considerable lengths since the election to allay the fear of many that he might resort to repressive dictatorship. His cabinet appointments and his preinaugural statements suggest that he will attempt to adopt moderate political policies.

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In rejecting the authoritarian policies advocated by those who form the oldest, wealthiest, and most cohesive group of his supporters, Ydigoras stands to lose much of the organized support he has heretofore enjoyed. He clearly



hopes to gain in its stead the backing of unorganized but potent forces from the middle and lower classes and of elements from the moderate and leftist parties which supported his opponents in the election. His cabinet appointments were obviously calculated to accomplish this end. Carlos Garcia Bauer, his foreign minister, is a moderate leftist. One other minis-

ter was a supporter of Ydigoras' moderate opponent in the election. 25X1

A four-month-old dispute between the American-owned International Railways of Central America and the railway workers' union, the strongest union in Guatemala, is expected to test Ydigoras' policy in the important field of labor relations. A crippling strike is a possibility.

The Guatemalan Army, which lacks effective leadership and is not united, is not expected to be an immediate threat to Ydigoras. The President has many enemies among the officers, however, and any marked decline in his popular support is likely to result in military plots to oust him.

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NEW DEVELOPMENTS IN ARGENTINE OIL POLICY

The provisional Aramburu regime has reopened the politically explosive question of foreign participation in Argentina's largely state-owned oil industry and has hinted that it will try to implement the so-called Yadarola oil development plan before President-elect Frondizi takes office on 1 May. During the election campaign, Frondizi

strongly opposed any change in the country's nationalistic oil policy, but he apparently approves of the provisional government's effort to reshape public opinion on the subject.

Following private talks with Frondizi last week, Aramburu's minister of commerce and industry held two "educational"

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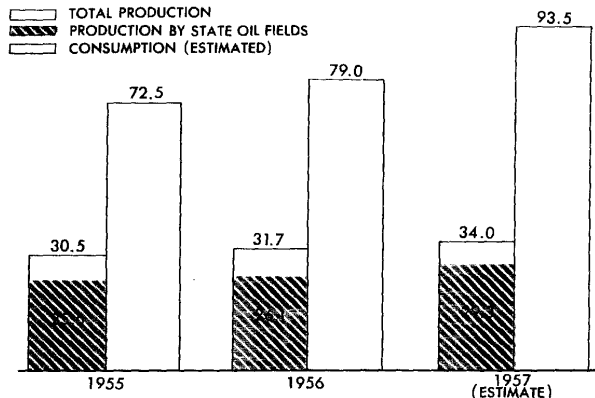
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ARGENTINA: OIL PRODUCTION AND CONSUMPTION

MILLIONS OF BARRELS



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any foreign company being allowed to dispose of Argentine resources.

Fronzizi's tacit approval of the plan apparently stems from his recognition of the role oil imports have played in Argentina's mounting trade deficit. The state oil fields, with a minor assist from private companies operating tiny, pre-1935 concessions, supply over 35 percent of Argentina's needs, but supplementary

press conferences in which he said that the Argentine State Oil Fields Administration does not have the funds to undertake a development program adequate to meet Argentina's growing needs. He said Argentina is "going broke" because of oil imports while it has "vast" proved reserves of its own. He also disclosed the details of the Yadarola plan, which was announced but not described in January by Argentina's ambassador to Washington.

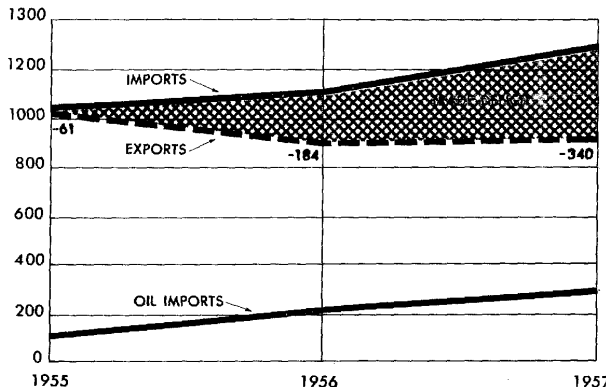
imports cost an estimated \$270,000,000 in 1957 and accounted for nearly 80 percent of the country's trade deficit. To conserve dwindling dollar and sterling reserves, Argentina has been seeking large quantities of Soviet bloc crude oil but has been unable to sign any contracts to date.

Fronzizi will probably be evasive in commenting publicly on the Yadarola plan until he assesses public reaction. Since the abortive constituent

Under the plan, the government would retain ownership of the oil but would contract with private foreign companies for exploration and production. The companies would make annual payments for the privilege of exploring and would be reimbursed only if they succeed in getting oil above ground. The most controversial part of the plan is a provision for the companies to be paid in oil, since nationalist opinion strongly objects to

ARGENTINA: FOREIGN TRADE

MILLIONS OF DOLLARS



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assembly showed itself overwhelmingly opposed to foreign investment in oil and other natural resources last summer, few public figures have faced the oil issue realistically. Frondizi told newsmen on 4 March

that he would not engage in any new "theoretical" discussions of oil development but that if any foreign company has a specific proposal not in conflict with state control of Argentine resources, he would be glad to study it.

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PART III

PATTERNS AND PERSPECTIVES

USSR SUPREME SOVIET ELECTIONS

According to the Soviet constitution, the Supreme Soviet is the highest governmental body in the USSR. The approximately 1,380 Supreme Soviet seats are divided between two houses, both elected directly: the Soviet of the Union and the Soviet of Nationalities. Although both houses have the same powers, the Soviet of the Union, larger by approximately 100 deputies, is generally considered to carry more prestige.

The Supreme Soviet is required by law to meet twice a year, and the sessions normally last a week or so. Between sessions, its affairs are handled by its Presidium. The chairman of the Presidium, at present K. E. Voroshilov, is the titular head of state.

In practice, all important policy decisions in the USSR are made by the presidium of the central committee of the Communist party and by the Council of Ministers, which is nominally subordinate to the Supreme Soviet. The Supreme Soviet and its Presidium routinely ratify these decisions.

the Soviet of the Union and the Soviet of Nationalities.

A number of districts are to be established for Soviet military personnel outside the USSR on the basis of one district for every 100,000 servicemen. In the 1954 election, eight of these districts were established, and each elects two deputies: one to the Soviet of the Union and one to the Soviet of Nationalities.

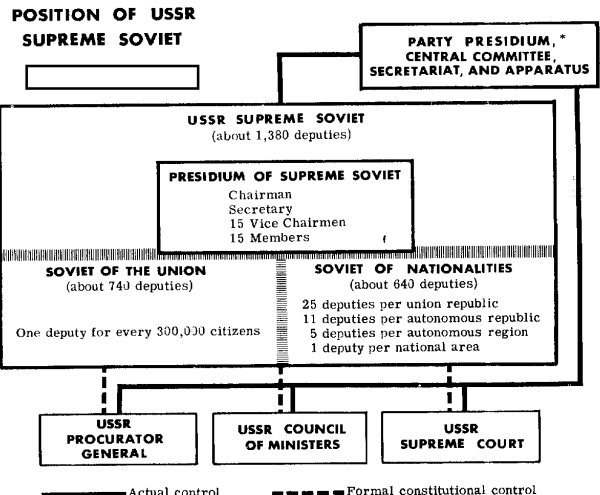
Nominations

From 1 to 9 February nomination meetings were held by factories, schools, collective farms, youth organizations, and similar groups within each election district. An individual from each district is designated through party channels before these meetings are held, ensuring the unanimous support of the regime's choice. A general district meeting composed of delegates from the various preliminary meetings then formally nominates the unanimously supported candidate.

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Election Mechanics

Elections to the Supreme Soviet are held every four years on a date designated by its Presidium, which this year falls on 16 March. The USSR was divided into 1,364 election districts by the Supreme Soviet Presidium as announced on 5 January. Separate districts are established for



*All members of the party presidium except Pervukhin are members of the Supreme Soviet. Pervukhin's status on the party presidium is in doubt.

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The procedure is complicated by the multitudinous "honorary" nominations of top party leaders, at least one of whom is nominated in nearly every electoral district. The election law provides that a prospective candidate may be nominated in any number of districts but may be registered as a candidate in only one. Accordingly, on 8 February, by means of an open circular letter, each full and candidate member of the party presidium (except Pervukhin who was not designated as a candidate) withdrew from all but one of the election districts in which he had been nominated and, as in 1954, second candidates were on hand to accept the nominations declined by the top leaders. Consequently, the Soviet elector will be presented with only one candidate for each office when he votes on 16 March.

The Election "Campaign"

The two-month period preceding the election is one of intense agitation to arouse the patriotism of the people and to "get out the vote" in order to display monolithic unity and enthusiasm for the regime and its policies. The entire Soviet population is mobilized for the campaign by hundreds of thousands of citizens enlisted as agitators, or elected in late January to the district and precinct election commissions. If the election runs true to form, something over 99.9 percent of eligible voters will turn out to vote for the "Communist and nonparty bloc" candidates.

The campaign is climaxed a week before the elections by meetings of candidates with their constituents. At this time the top leaders make well-publicized speeches.

Political Weather Vane

Apart from serving as a vehicle for the expression of policy statements by party leaders, the elections disclose personnel changes and help to indicate the relative political importance of top officials. While usually about half of the Supreme Soviet deputies are outstanding workers and peasants whose selection may be left to the discretion of local leaders supervised by regional party committees, the remaining 50 percent of the deputies reads like a Soviet Who's Who. The selection of these nominees and their election district is carefully regulated and coordinated by higher party bodies. Although knowledge of the actual behind-the-scenes nomination procedure for the Supreme Soviet is limited, it appears to be carefully controlled by the secretariat of the party central committee.

The "honorary" nominations of top party leaders, as reported by the Soviet press, reflect the political standing of party chieftains. In March 1954, for example, a tabulation of the number of nominations of top Soviet leaders revealed a discrepancy with the official hierarchical listings of the time. Whereas Molotov was officially listed second to Malenkov, followed by Khrushchev in third place, a listing based on the number of nominations published in the press showed Khrushchev second to Malenkov and ahead of Molotov. Subsequent events revealed that in general these 1954 nomination listings reflected the power situation more accurately than did the official hierarchical listing.

A similar compilation this year may be even more indicative,

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since all presidium members' names have been listed alphabetically since mid-1954.

Judging by the number of "honorary" nominations as reported in both the central and regional press, Khrushchev is clearly set apart from other Presidium members. He received well over twice as many nominations as Voroshilov, his nearest competitor in this strictly controlled popularity contest. This performance compares well with that of Stalin in 1950, when the central press reported that he received twice as many nominations as Molotov, who then stood next in line.

RANKING OF PARTY PRESIDUM MEMBERS

By number of nominations
to USSR Supreme Soviet

1950	1954	1958
Stalin	Malenkov	Khrushchev
Molotov	Khrushchev	Voroshilov
Malenkov	Molotov	Kirichenko Mikoyan
Beria	Voroshilov	Suslov
Mikoyan Voroshilov	Kaganovich Bulganin	Shvernik
Khrushchev Kaganovich	Mikoyan	Brezhnev Ignatov Aristov Furtseva Mukhitdinov
Andreyev Bulganin Kosygin	Pervukhin Saburov	Kuusinen Kozlov Belyayev Bulganin

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Honors accorded Voroshilov reflect his position as chairman of the USSR Supreme Soviet Presidium and his status as an "Old Bolshevik" rather than his actual political strength. Party presidium member Kirichenko, while slightly behind Voroshilov, fared extremely well, running nearly on a par with Mikoyan and ahead of Suslov. While the "honorary" nominations make it clear that there is at

present no obvious successor to Khrushchev, the showing of Kirichenko is noteworthy, especially in view of numerous reports during the last five months that Suslov had gained increasing prominence within the party presidium. The treatment given Premier Bulganin, who received the least number of honorary nominations of any full member of the party presidium and who was finally registered in the relatively little-known Maykop election district in the North Caucasus, may portend his resignation as premier. The absence of Mikhail Pervukhin from the nomination lists was an indication of a change in his job status and this was confirmed recently by his appointment as ambassador to East Germany.

Party presidium members Kozlov and Belyayev stand at the bottom of the list with Bulganin. In Belyayev's case this probably indicates at least a temporary diminution of his party prestige as a result of his transfer from the post of secretary of the central committee to first secretary of Kazakhstan. As for Kozlov, it suggests, contrary to recent speculation, that he is not being built up in preparation for replacing Bulganin as premier.

The registration lists of candidates, now being published, to date have not revealed any hitherto unannounced personnel changes among the secondary echelons of government and party leaders with the exception of the replacement of party first secretaries in Mari Oblast and the Komi Autonomous Republic. Some names are conspicuously absent from this year's roster of prospective deputies. The Soviet press has announced that the denounced Malenkov, Molotov, Kaganovich, and Shepilov have "lost the support of the people" and hence will not be nominated. Former presidium members M. Z. Saburov and Marshal Zhukov have also been passed over.

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The final listings of candidates will show changes in the relative representation of the various branches of the state administration--for example, military, secret police, government, party, and industrial administration. This may be of particular value in

indicating the effect of the industrial reorganization on the political position of the former administrative and ministerial personnel who have been transferred from Moscow to leading positions in the regional economic councils.

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TENG HSIAO-PING--PEIPING'S RISING FIGURE

Teng Hsiao-ping, secretary general of the Chinese Communist party, appears to have risen to fourth place in the party hierarchy. Merely a regional leader until 1952, he is now the only person to be concurrently a member of the party's three most important organs--the politburo, the politburo's standing committee, and the secretariat. Teng now is supervising Peiping's stern "rectification" campaign, and has been associated with hard lines in other domestic and foreign matters. He appears to have powerful patrons in Mao Tse-tung and Liu Shao-chi and an impressive circle of protegés of his own. If he avoids antagonizing other party leaders, Teng has some prospect of eventually becoming the party's dominant figure.

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TENG HSIAO-PING

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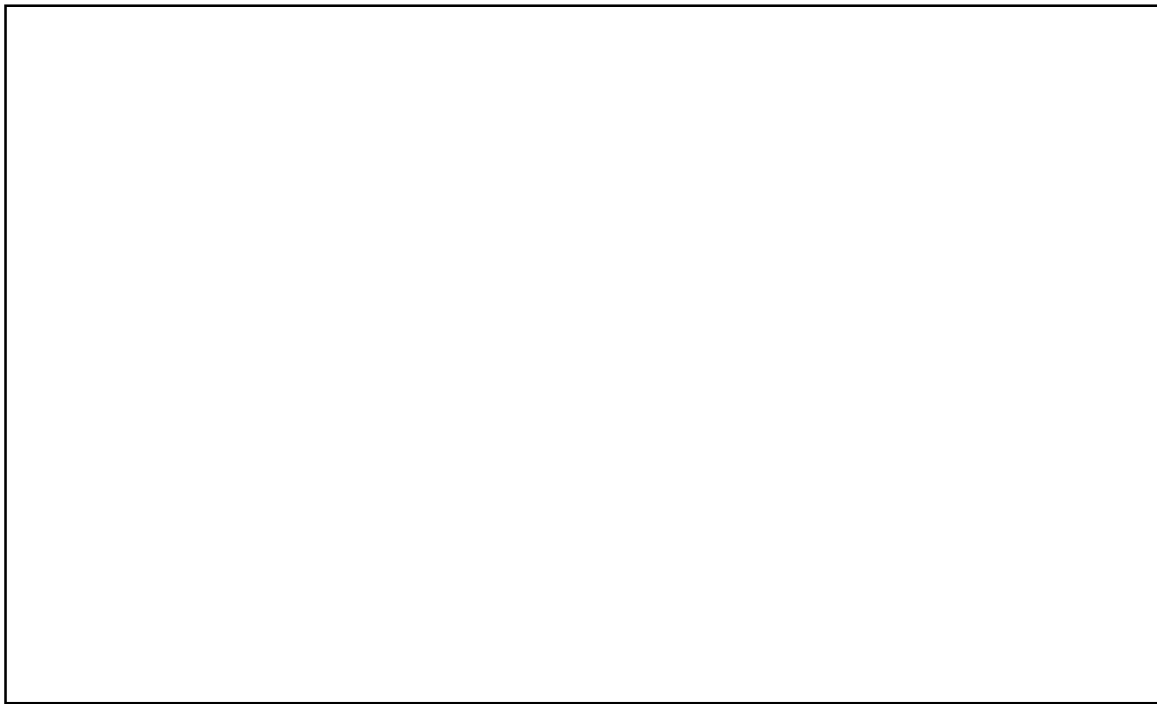
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DEVELOPMENTS IN THE RYUKYU ISLANDS

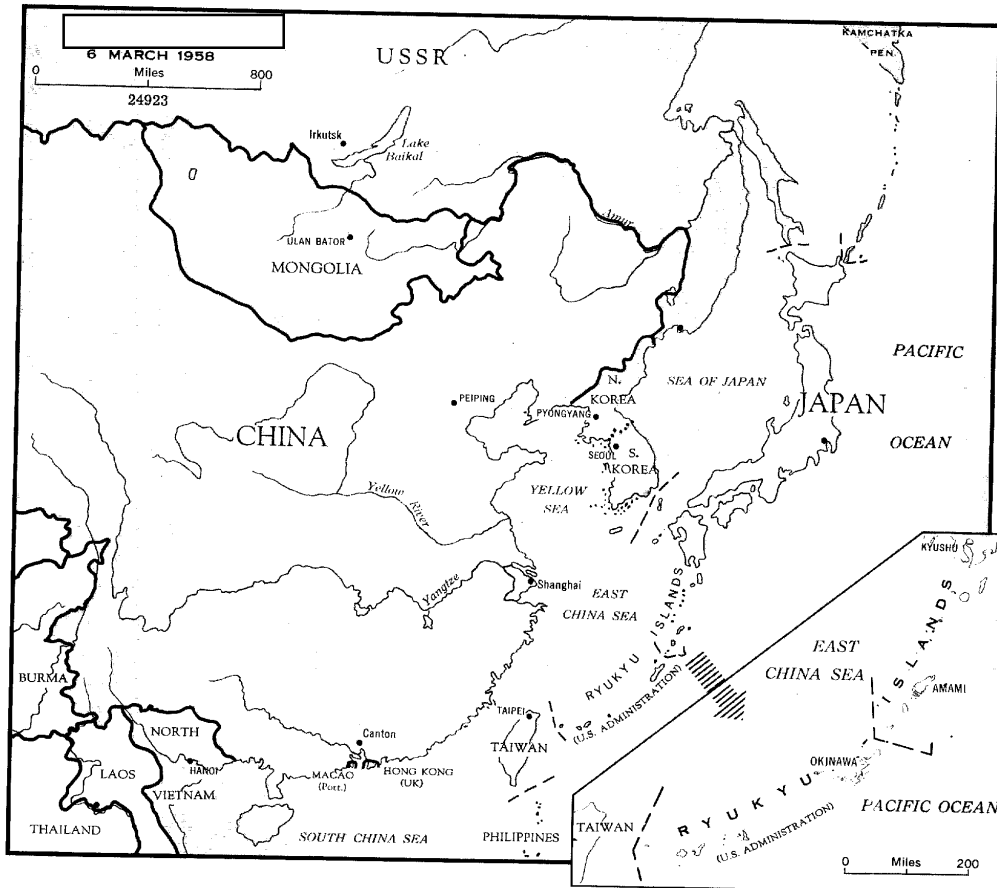
The United States' administration of the Ryukyu Islands has been plagued by anti-American elements who have made election gains by exploiting the discontent with American land acquisition and compensation policies and the nationalistic sentiment for reversion of the islands to Japan. Their activity has promoted increasing resentment among the Ryukyans toward the American administration.

Although the Ryukyus were governed as an integral part of Japan before 1945, they were treated as a separate territory in the Japanese peace treaty of 1951, under which the United States exercises full control of the Ryukyus but recognizes Japan's residual sovereignty. The Amami island group immedi-

ately north of Okinawa and traditionally considered part of the prefecture of the southern Japanese home island of Kyushu, on 24 December 1953 reverted, by an American concession, to Japanese control.

The administration of the Ryukyus is based on an executive order of President Eisenhower issued on 5 June 1957. The order includes a provision for a unicameral legislature of 29 members directly elected every two years. The legislature's powers are nominal, however, and the American high commissioner exercises complete authority over the islands. He can promulgate laws, veto acts of the legislature, and remove any official. The commissioner exercised his power in late November 1957 when he revised

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local autonomy laws to permit the Naha city assembly to oust pro-Communist Mayor Kamejiro Senaga.

The Japanese Government officially accepts the present status of the Ryukyus while unofficially pressing, as a maximum demand, for administrative control with America retention of base rights and, as a minimum, control of education. To embarrass the government of Prime Minister Kishi, Japan's opposition Socialist party is publicly demanding return of the Ryukyus. This in turn has forced Kishi to take a public position on major problems of Okinawan administration in opposition to American policies, and publicly to press for Japanese administrative rights.

Economic Problems

The economy of the Ryukyus, which is principally dependent on agriculture and the American bases, is beset by growing population pressure on meager land resources. The total land area of 921 square miles is smaller than the state of Rhode Island. With 1,200 persons per square mile, the Ryukyus are among the most densely populated areas in the world. The requisition of 20 percent of the arable land for military bases, housing, and other facilities has dispossessed over 50,000 families, placing a strain on the local economy, which is incapable of providing nonagricultural jobs for the displaced landowners. Compensation of dispossessed landowners and labor practices

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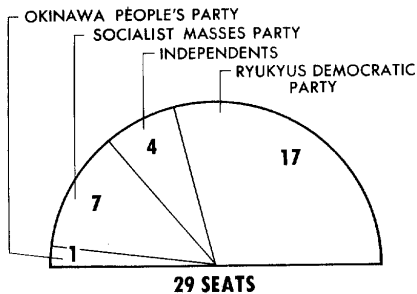
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applicable to Ryukyans employed on the military bases have been chronic problems of the American administration.

The Ryukyans' deep attachment for ancestral holdings and the prestige value of landownership in an agrarian economy attaches social and religious significance to the land requisitioning program. This combination of factors has led to strenuous opposition to American proposals of lump-sum settlements for indefinite occupation of land held by the military. Instead, the Ryukyans are demanding payment of a yearly rental which would be periodically renegotiated. They maintain that this procedure would more equitably compensate for the loss of the land without implying surrender of ownership rights.

The labor problem, affecting over 51,000 Ryukyuan employees at military bases, stems from dissatisfaction with wage

RYUKYU ISLANDS LEGISLATURE

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rates, which are substantially below those prevailing in the local economy for comparable work. The Ryukyans resent as racial discrimination the wage differentials between Ryukyuan workers and the larger number of Filipino, Japanese, and American skilled and semiskilled workmen. These wage differentials were originally established in recognition of the difference in the skill of Ryukyuan and

foreign workmen, but the Ryukyuan believes he has since gained in experience and training.

The income derived from military bases and expenditures by thousands of Americans stationed on the islands have resulted in a new high level of living for the majority of the Ryukyans. However, an unfavorable comparison with the standard of American residents is frequently made.

Political Situation

Prior to the election of pro-Communist Senaga as mayor of Naha, the capital city of the Ryukyus, in 1956 the political scene was relatively quiet, with the conservatives, who generally favor American administration of the islands, controlling most elective offices. The growing leftist trend in local elections and increased agitation for a change in the administrative policy, however, has focused attention on the 16 March elections to the Ryukyuan legislature, which are expected to show the degree to which the strength of the conservatives has been eroded by the leftists.

There are no basic differences between the official platform and policies of the conservative Ryukyus Democratic party (RDP) and the moderate left-of-center Socialist Masses party (SMP). Consequently, the ability of either to maintain the support of its members is based on personal loyalty to the party and its leaders rather than on party policy. Both parties vigorously compete, however, for control of Ryukyuan politics and particularly of the legislature.

Of these two parties, the SMP is more aggressive and better organized, with a number of able speakers. The RDP, on the other hand, tends to be a poorly disciplined group of

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individualists of perhaps greater sincerity but less political acumen. The death in October 1956 of the US-appointed Ryukyuan chief executive, Shuhei Higa, who was president of the RDP, left the party without effective leadership and increased the internal factional struggle. The subsequent appointment of Jugo Thoma, an independent, as chief executive presaged a decline in conservative strength.

A new leftist political grouping, the Liaison Council for the Protection of Democracy (LCPD), which developed during the recent Naha election contests, has registered as a political party and will run candidates for the legislature. This party unites left-wing elements of the SMP and the pro-Communist Okinawa People's party (OPP) and is designed to camouflage the Communist ties of the leftist candidates.

The OPP won only one seat and obtained only 6 percent of the total vote in the 1956 legislative election. The LCPD, however, has demonstrated highly efficient electioneering techniques in the Naha area, where traditional political patterns have broken down, and the party probably will be able to expand its influence outside the urban area.

Leftist Saichi Kaneshi, who was elected mayor of Naha by a coalition of leftist Socialists and Communists on 12 January, has

organized an Okinawa Socialist party. In the legislative campaign, Kaneshi is remaining aloof instead of entering candidates to challenge the established political order with his recently developed strength. He will probably attempt to organize the elected leftists after the voting. Independents of various political coloration will run on local issues to capitalize on personal loyalties, and are expected to hold the balance of power in the legislature.

The Ryukyuan consider themselves Japanese as a result of their long history as an integral part of Japan. Continued cultural ties since World War II have made the eventual reversion to Japan a basic feature of Ryukyuan attitudes. The islands have neither the economic base nor the nationalistic sentiment necessary for creation of a separate state.

The Japanese press has implied that Okinawa could become another Cyprus. Such a development does not appear likely in the near future, particularly since the Ryukyuan are not inclined to take violent action against those in authority. Nevertheless, failure to satisfy Ryukyuan grievances and to minimize pressures for reversion could jeopardize relations with Japan and undermine American prestige in the Far East. [redacted] [redacted]

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EGYPTIAN SCHOOLTEACHERS IN AFRICA AND NEAR EAST

Major agents in the Nasir regime's large-scale cultural and political penetration effort in Africa and the Near East have been Egyptian schoolteachers. Some 2,500 of them are employed

in more than a dozen countries in the area, with their ostensible role of teaching in many cases subordinated to a Cairo-directed program of preaching the Nasir-type radical

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nationalism. Nasir has exploited the urgent need for low-salaried, Arabic-speaking teachers in these countries, for which Egypt is the only qualified source.

Some host governments have objected to their obvious engagement in political and subversive action; in other countries, they have found opportunities for promoting the Egyptian line among students and youth organizations, apparently with significant effect. The growing ultranationalist and anti-imperialist movements throughout Africa and the Near East have assuredly received appreciable assistance from these Egyptian teachers.

The Sudan

Egypt has long had an education program in the Sudan, stemming from the period when Britain controlled both countries. The high level of Egyptian influence in the Sudan during the Anglo-Egyptian condominium has diminished considerably since Sudanese independence in 1956, but Egypt's assets there remain formidable.

There are more than 20 Egyptian schools, with an enrollment of about 9,000, as well as a branch of Cairo University in Khartoum, with approximately 800 students. In addition, hundreds of adults study at the "Popular University," which is sponsored by Egypt, and more than 1,000 Sudanese are studying in Egypt on scholarships provided by the Nasir regime. The American Embassy in Khartoum estimates that there are well over 300 Egyptian teachers in the Sudan. The large amount of pro-Egyptian feeling among the Sudanese attests to the effectiveness of the program, although many Sudanese recognize Egypt's use of this educational program for political purposes.

Ethiopia, Somalia, North Africa

In both Ethiopia and Somalia, Egypt's penetration effort has been resisted. Addis Ababa declared one of Egypt's estimated 12 teachers there persona non grata in November 1957 because of his involvement in political activities against the government. In Somalia, the propaganda activities of Egyptian teachers

○ **Targets of Egyptian Cultural Penetration**

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led to the expulsion of four of them in the fall of 1957. Over 50 remain and these have taken a new "good-will" approach, bolstered by Egypt's construction of a new school and hospital which are scheduled for completion in Mogadiscio before 1960.

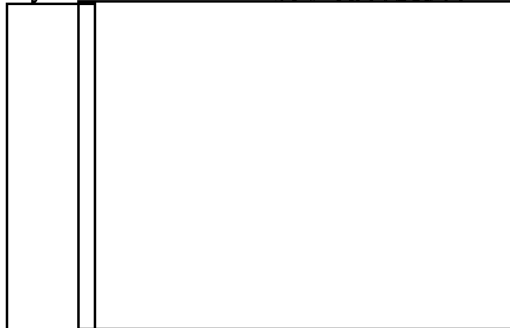
Tunisia, Morocco, and Libya have also been penetration targets. Tunisia, however, rejected an Egyptian offer of 400 teachers made last November, the Tunisian ambassador in Cairo stating that such teachers "generally become involved in subversive activities." In Morocco there are 14 Egyptian teachers on the staff of the Egyptian Lycée in Rabat, with another 66 spread throughout the country, mostly in the major population centers. [REDACTED]

In Libya, schools during the 1956-57 academic year employed about 400 Egyptians. The Libyan Government, fully aware of the propaganda effort of these teachers, attempted to find replacements in Lebanon during the summer of 1957. However, Lebanese qualified to teach are generally able to find employment in more attractive or better-paying areas, and the Libyan effort to replace the undesirable Egyptians was largely unsuccessful.

Asian Arab World

Hundreds of Nasir's academic minions are posted throughout the Asian part of the Arab world. The chairman of the Egyptian education mission to Saudi Arabia stated in the summer of 1957, probably with exaggeration, that 500 were sent to the kingdom during 1956-57, while another 600 were employed there under private contracts. He estimated that during 1957-58 the number would be increased

by about 100 in each category.

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Iraq, aware of the danger from Egyptian teachers, refused to admit 120 replacements for those who finished their duties and were returning home in October 1957. Egyptian newspapers claimed the Iraqi reluctance to accept replacements was dictated by the United States through the Baghdad Pact. There are at present about 185 Egyptians teaching in Iraq.

In the Persian Gulf states of Kuwait and Bahrein, Egyptian teachers have been extremely active in radical-nationalist agitation. Nearly 400 are employed in Kuwait, in addition to a large number of former Palestinians who probably are sympathetic toward the Egyptian line. Kuwait's total teacher population is about 1,500, but the American consul believes the influence of the Egyptians remains disproportionate to their numbers.

Just prior to its union with Egypt on 1 February, Syria was employing over 500 Egyptian teachers, according to an official in the Ministry of Education, with the majority of them in secondary schools. Syrian sentiment favoring the Egyptian cause has been most prevalent and overt among students, encouraged by the teachings of the Egyptians.

Lebanon, with its relatively high-level educational facilities, has not needed to rely heavily on Egyptian assistance.

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Egypt, however, is financing the construction of a new university in Beirut which, as a Moslem institution and a branch of the University of Cairo, will compete with the American University and the French-sponsored University of St. Joseph.

In Jordan there are only a negligible number of Egyptians. The government has maintained tight restrictions since the Nasir-backed coup attempt in April 1957.

Evaluation

In such states as Jordan, where the government is openly hostile to Nasir, or where the need for assistance is not pressing, as in Lebanon, the Egyptian educational offensive has little potential. However, other countries of Africa and the Near East, seeking the improvement of their growing populations and lacking adequately trained nationals, must accept foreign instructors, and Egypt is at present the best-prepared and the most anxious provider. The magnitude of the Egyptian

effort is largely reflected by the number of teachers employed, but this provides a criterion of only questionable reliability. The teachers' influence may be greater in areas like Syria, where their numbers are small relative to the total teaching body but where historical or present developments make their students especially receptive to their guidance.

The attempts made by such governments as those of Libya, Iraq, Tunisia, and Jordan to forbid the entry of Egyptian teachers or to decrease their number indicates an official conviction that they do possess a noteworthy subversive potential as well as an official sense of helplessness to cope with the situation. These teachers' presence throughout the area will undoubtedly continue to be used by Nasir as a foreign policy instrument fostering attitudes favorable to Egypt and undermining the popular bases of those governments not pledging allegiance to his objectives.

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