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COPY NO. 50
OCI NO. 1789/58
15 May 1958

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 10
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S
NEXT REVIEW DATE: 1989
AUTH: HR 70-2
DATE: 7 Aug 79 REVIEWER: 25X1

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CONFIDENTIAL~~SECRET~~**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

PART I
OF IMMEDIATE INTEREST**FRANCE AND ALGERIA**

Premier Pflimlin is attempting to stabilize the situation in France by tightening police controls and by broadening the political complexion of his cabinet. A number of rightist extremists, including at least one military officer, have been arrested and political demonstrations have been banned throughout France. Street rioting by right-wing students and veterans and by Communists on 14 May was quelled by police action.

The Socialists agreed on 14 May to participate in Pflimlin's government and, in addition to the already announced appointment of Socialist Secretary General Guy Mollet as vice premier, other shifts may be made to provide for the return of Robert Lacoste to Algiers as minister for Algeria. The rightists might be further assuaged by the inclusion of a strong independent leader such as Pinay in the cabinet, which would in effect create a "national union" coalition. The major French nonextremist political parties and groups, including the non-Communist labor confederations, now appear ready to back, at least for a limited time, common action of all national parties against all seditious activities.

The present strengthened position of the Pflimlin government will be subject to a renewal of normal political attacks as soon as the parties are assured that the "republic has been saved." Meanwhile, pressure from extremists in Paris and the army in Algiers make his continuance in office extremely

difficult, and any concessions he may make will diminish his standing with the moderate left. The Communists are expected to step up their agitation to keep alive the idea of a popular front against the new "fascist menace," and may make some headway among labor's rank and file.



PFLIMLIN

Should Pflimlin be forced to give up his attempt to maintain a government, President Coty will be under even heavier pressure to turn to General de Gaulle. The general's statement on 15 May that he is willing to serve will encourage the various spokesmen who are continuing to make representations on his behalf.

North Africa

The situation in Algeria remains highly explosive. Joint military-civilian committees of "public safety," modeled on and supporting the one established in Algiers on 13 May under the

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CONFIDENTIAL

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

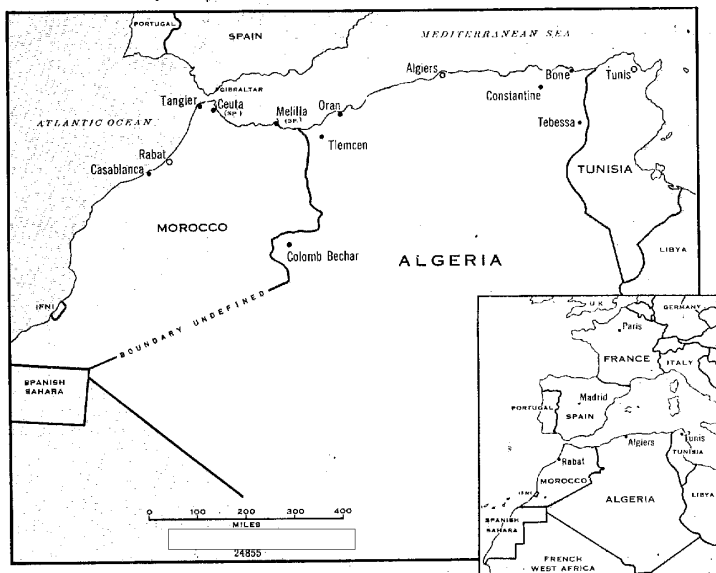
leadership of French paratroop General Massu and local civilian extremists, apparently assumed power on 14 May in all other important Algerian cities--including Oran, Constantine, Bone, and Philippeville. These developments have been accompanied by strikes, demonstrations, and disorders throughout the country but especially in Algiers and Oran where rioting mobs, apparently joined by some military personnel, seized and ransacked the principal government buildings. The newer committees all appear to have re-echoed the demand for a De Gaulle "government of public safety" issued by Massu and his Algiers group.

course. He apparently participated in a 12 May meeting of generals in Algiers at which it was unanimously decided that the army would not act against "those opposing abandonment of Algeria" and, in a brief statement on 15 May, publicly acclaimed General de Gaulle. An order from Paris on 15 May instructing regional commanders in Algeria to report directly to the minister of defense, rather than to Algerian headquarters, strongly suggests that the Pflimlin government fears Salan has moved beyond its control.

American Consul General Lyon in Algiers believes the majority of the 1,200,000 Europeans in Algeria welcome the "insurrection," which he says was well prepared and probably was approved in advance by military chiefs, including Salan. Lyon believes, however, that a growing cleavage is likely to develop soon among the military, especially if the Pflimlin government succeeds in establishing a firm position.

Both Salan and the Algiers committee continue to occupy

the paratroop-guarded central government building in Algiers taken over on 13 May. The committee insists, however, that it has no intention of forming an independent government; but intends to hand over authority as soon as Paris installs a government "capable of preserving Algeria as an integral part of France." On 14 May there



The position of General Salan, France's top military commander in Algeria, remains unclear. He has been publicly recognized as the ultimate authority there for the time being by both Premier Pflimlin and General Massu, but his own few public statements have been enigmatic and suggest he may be pursuing an opportunistic

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

were some indications that Massu was preparing to back down from his original terms. Civilian extremists, however, are now thoroughly aroused and may instigate new disorders in an effort to bring down the Pflimlin government even if it is further modified.

In Tunisia, where some 22,000 French forces have been confined to their bases since 8 February, the government has drastically tightened security. Press reports indicate that road barricades have been thrown up and all traffic and all telephone and telegraph communications with Algeria have been cut off. The Tunisian foreign secretary summoned the American chargé early on 14 May to inform him that the government feared French troops might attempt to join forces with those in Algeria. In such an event, Tunisia not only would resist this move with all facilities at its disposal but also would "hope for clear United States support."

The newly formed Moroccan Government has established

an interministerial council to watch the situation in Algeria and has suspended all traffic and communication with Algeria. French military forces stationed in Morocco, totaling some 50,000, are reported confined to their bases.

Meanwhile, leaders of the Algerian National Liberation Front (FLN), which directs the Algerian rebellion, fear that the French military might attempt to take advantage of the situation to wipe out FLN bases in Tunisia and Morocco. 25X1
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Some FLN leaders are hopeful that the Massu coup will widen the breach between the Algerians and metropolitan French and "hasten the French defeat in Algeria." 25X1
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VIOLENCE IN LEBANON

After nearly a week of violence, which in some areas approached the proportions of civil war, the Lebanese security forces appear gradually to be gaining the upper hand. Moslem quarters in Beirut and other towns, especially the north coast port of Tripoli, are still active centers of dissidence, however, and roving bands of tribesmen have made maintenance of the government's authority in the countryside tenuous at

best. President Chamoun has stood firm even when some of his top supporters appeared to be wavering, and loyalist quarters are becoming optimistic that the most dangerous elements of the uprising can be suppressed. Continued violence in various forms nevertheless seems certain.

The occasion of the anti-Chamoun forces' resort to violence was the assassination on 8 May of the editor of a

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

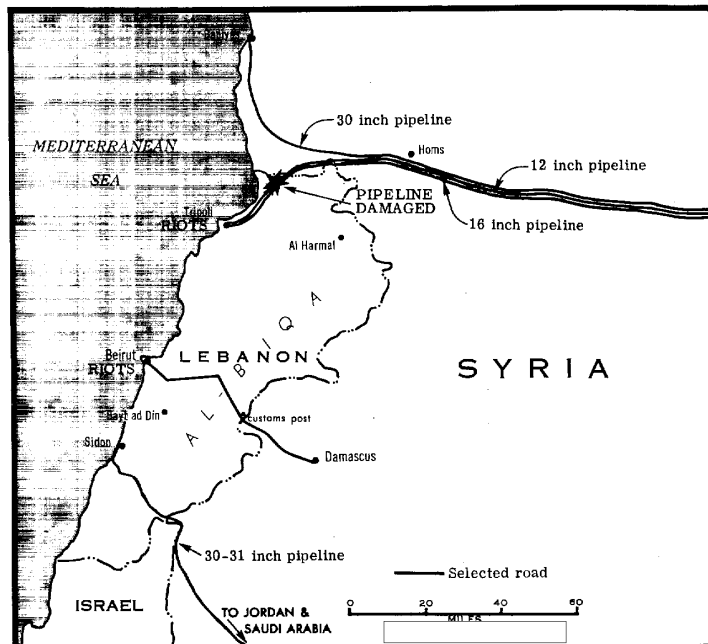
Soviet-subsidized Beirut newspaper. In fact, however, opposition leaders appear to have learned a few days earlier that Chamoun had decided to initiate action about 14 May to amend the constitution so that he might seek a second term. They were therefore alert to any opportunity to put their long-standing threats to start a civil war into action.

The Lebanese Government now is trying to document specifically its charge that the UAR, seeking to move Lebanon from its pro-Western orientation, intervened in the opposition's behalf. Whether or not a strong legal case can be made, it is clear that the UAR has provided clandestine arms and overt propaganda support before and during the fighting. The most serious form of support has been the infiltration of Syrian tribesmen, who attacked gendarmerie posts in eastern Lebanon. Opposition Druze tribesmen also returned from training grounds in Syria to participate in an attack on the Lebanese presidential summer palace. The government intercepted four small vessels bearing arms and Palestinian terrorists, apparently coming from Gaza.

In the propaganda field, Nasir sent a public message of sympathy to the family of the assassinated pro-Soviet journalist.

It is still unclear what the effect of the uprising will be on Chamoun's second-term plans, which have necessarily been postponed by more immediate problems. The President's strategy from the outset appears to have been to lead his opposition to make the first overt move, and in this he has succeeded, although the degree of violence has probably been more than he bargained for.

Army commander General Shihab, who bears the major share of the responsibility for restoring order, has been unenthusiastic about Chamoun and probably still regards the President's ambitions as the essential cause of the trouble. Pressure from him would probably be the most effective obstacle to a second term for Chamoun, if the disorders are suppressed. Shihab is still the choice of



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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 May 1958

Chamoun's so-called "third force" opponents as an interim prime minister or president, if Chamoun could be forced or persuaded to make way for him.

Given the President's personality, however, Chamoun more

likely will persist in seeking a second term and will feel suppression of the uprising is a testimonial to his own strength. If he should adopt this course, further intensive political maneuvering and trouble with the UAR seem certain.

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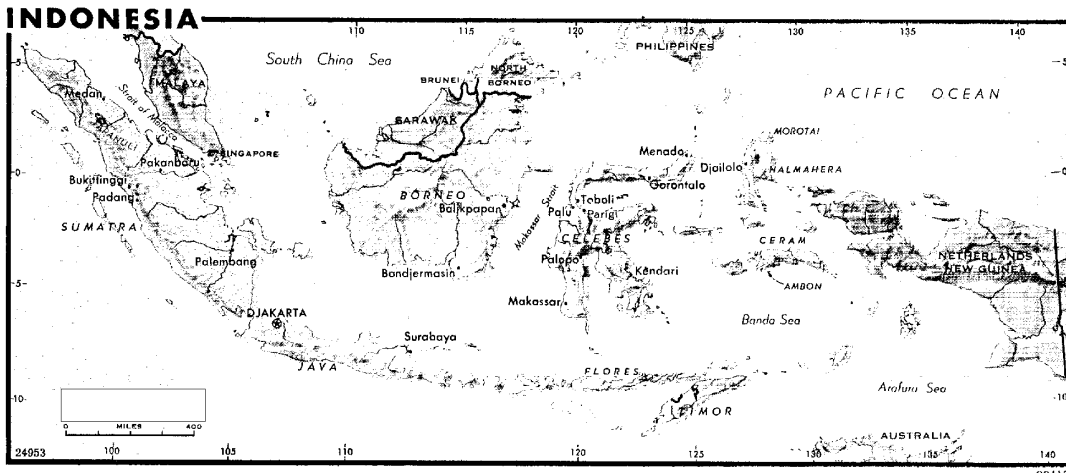
INDONESIA

The central government on 15 May bombed and strafed the airfield, town, and harbor of Menado, the dissident capital.

military commander, Colonel Kawilarang, stated recently that the dissidents hoped to build up a position of strength sufficient to negotiate on their own terms. He speculated that three months to a year would be necessary to reach such a point.

Djakarta's action followed the failure of its reported effort in early May to negotiate a peaceful settlement with the North Celebes dissidents. The over-all dissident

Prior to this raid there was mounting evidence that the central government, although proceeding with plans for new invasions of North Celebes, was being forced by dissident air strength to alter its tactics.



SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 May 1958

Dissident air activity continued through 15 May. In conjunction with the movement of dissident ground forces in the Palu area, which have advanced westward from Toboli halfway to that town, a dissident B-26 and three F-51's bombed and strafed Palu and shipping in Palu Bay on 12 and 13 May, and Ambon was attacked on 13 and 15 May.

At Djakarta's request leaders in several Afro-Asian nations have expressed concern over foreign interference in In-

donesia. An official spokesman in Cairo was quoted on 11 May as having strongly condemned foreign assistance given the Indonesian rebels. In India, Prime Minister Nehru stated on 6 May that interference by outsiders in Indonesia must cease so that Indonesians may work out their own problems. On 7 May the Times of India carried a report that Djakarta had confronted the American ambassador with documentary proof of "overt American help" to the dissidents.

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YUGOSLAV - SOVIET BLOC RELATIONS

Yugoslav-Soviet Developments

Moscow's difficulties with Belgrade have progressed from a dispute between parties to one involving state relations between the two Communist regimes. This was indicated by the last-minute postponement of Marshal Voroshilov's scheduled visit to Belgrade, which had seemed to symbolize a Soviet desire to keep the rift on an ideological plane and to maintain normal state relations with Yugoslavia.

A Pravda article on 9 May had warned that relations between "socialist" states could not be expected to become stronger while relations between the parties in those states grew worse. It hinted that the USSR might withhold economic aid. Yugoslavia was particularly criticized for its dependence on American economic aid. Subsequently all Eastern European satellites have broadcast and

republished the Pravda editorial.

Another indication of the general worsening of relations was seen on 10 May when the secretary general of the Yugoslav Veterans' Union waited in vain at the Belgrade airport for a Soviet delegation scheduled to arrive for a two-week visit.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****15 May 1958****CHRONOLOGY OF YUGOSLAV - SOVIET BLOC RUPTURE**

13 Mar 1958 Yugoslav draft party program released, codifying Tito's heresies.

2 Apr Tito visit to Warsaw announced for late this spring.

5 Apr Moscow withdraws decision that Sino-Soviet bloc would send official delegations to Yugoslav congress.

9 Apr Voroshilov visit to Yugoslavia planned for May.

12 Apr May Day slogans announced in Moscow. Yugoslavia considered "building socialism."

15 Apr Yugoslav Ambassador Mincunovic talks to Khrushchev in Moscow concerning differences over Yugoslav program.

17 Apr Yugoslavs announce amendments to draft program, carried in the Yugoslav Komunist.

18 Apr Moscow Komunist article reflects the Yugoslav draft party program in terms of "comradely criticism."

19 Apr Yugoslavs announce nonbloc delegations to congress.

22 Apr Party congress opens in Ljubljana. Easing five days of congress see increasing reaffirmation of Yugoslav independence from Moscow and vanishing opportunities to achieve compromise.

24 Apr Soviet party presidium member Furtseva states USSR desires to maintain good relations with Yugoslavia and that Voroshilov will visit Belgrade as scheduled.

26 Apr Mikoyan declares state relations with Yugoslavia are excellent and that only ideological differences exist.

28 Apr Pravda prints violent attack on revisionism without naming Yugoslavia.

4 May Chinese Communist party takes initiative in broadcasting denunciation of Tito as non-Marxist-Leninist in strongest attack on Yugoslav program.

5 May Chinese attack printed in Chinese press.

6 May Pravda reprints Chinese attack in full and broadcasts excerpts throughout Soviet bloc.

6-7 May Soviet party central committee meets.

9 May Pravda takes hard line, directly attacking Yugoslav stand and threatening economic reprisals.

9 May Yugoslav Komunist replies to Chinese editorial, branding it similar to 1948 resolution expelling Tito from Cominform.

10 May Chinese Foreign Minister Chen Yi indicates desire to dispel impression that Peiping's polemics against Belgrade were political warfare of Cominform brand.

11 May Belgrade announces indefinite postponement of Voroshilov visit.

equipment for industrial construction now in the planning stage, their cancellation would be unlikely to seriously disrupt the Yugoslav economy. There is as yet no indication that actions taken following the 1948 break--such as withdrawal of ambassadors, total economic boycott, threatening military gestures, and harassment of Yugoslav minorities--will be forthcoming.

Belgrade's independent position was reaffirmed on 9 May in its theoretical journal Komunist, which made clear that for Yugoslavia to abandon its views both on international and internal questions was too high a price for cooperation from the bloc. Komunist interpreted the Peiping People's Daily attack of 5 May as revival of the 1948 resolution which expelled Yugoslavia from the Cominform.

Yugoslav-Chinese Developments

Since the Peiping attack on Tito, the Chinese Communist press has not editorialized further on the Yugoslav-bloc dispute, although the Chinese party congress now in session has heard at least one major speech which included a discussion of the Yugoslav problem. Peiping may be waiting for Moscow to make a final determination on the best tactics to adopt in dealing with Tito.

Moscow's next move may be to carry out its threat to withhold further bloc credits. Thus far, Yugoslavia has used only \$52,000,000 of \$370,000,000 in credits extended by the USSR since 1956. Because the loans are chiefly to provide

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SECRET**YUGOSLAVIA UNDER ATTACK 1948-1958****PRAVDA ATTACK OF 9 MAY 1958**

"All statements in the Yugoslav program about the socialist state are in essence aimed at weakening it." "Yugoslav distortions of Soviet foreign policy could not but evoke indignation on the part of all who, in deeds, conduct an active struggle against imperialism."

It is clear that the Yugoslav leaders place the USSR on the same level with the imperialist powers.

The Yugoslavs oppose the clear assessment of the role of American imperialism approved by the whole international Communist movement and play into the hands of the imperialists. Are American imperialists praised because the Yugoslav leaders are trying to blacken the USSR and to weaken the unity of the workers' movement?

"The Yugoslav program subjects to revision the basic Marxist-Leninist theses."

Leaders of the Yugoslav party at their congress have rejected outright the comradely remarks made by the fraternal parties with regard to this draft program and have initiated "hysterical attacks on the brother parties."

The Yugoslav Communist party's draft program looks like a document in opposition to the declaration of the Moscow conference of last November.

"The Yugoslavs since 1948 have permitted mistakes of a nationalist character and an abandonment of Marxist-Leninist principles." "Statements unprecedented in their pretensions were made at the Yugoslav congress."

Soviet criticisms are in effect directed against the Yugoslav party leaders.

At the congress of the League of Yugoslav Communists, the rapporteurs and some of the speakers spoke with gratitude and appreciation of the aid to Yugoslavia from the United States. The aid from the socialist countries was minimized and even ignored.

Pravda, in referring to Yugoslav leaders, does not use the term "comrade."

1948 COMINFORM RESOLUTION

"The Information Bureau notes that the course of the leadership of the Yugoslav Communist party has, in the basic questions of foreign and home policy, been incorrect of late, in that it is deviating from Marxism-Leninism."

Resolution speaks "about the hostile policy of the Yugoslav party leaders toward the USSR" and "about slanderous propaganda which was borrowed from the arsenal of counterrevolutionary Trotskyism."

"Yugoslav leaders have turned away from the stand of the working class and deviated from the Marxist theory of class struggles."

"The leadership of the Yugoslav party is subjecting to revision the Marxist-Leninist teaching which deals with the party."

"Criticism of the Yugoslav party is brotherly aid. However, the leaders of the party, instead of honestly accepting the criticism, receive it in a hostile way."

By refusing to attend the meeting of the Information Bureau, the leaders of the Yugoslav Communists have placed themselves in opposition.

The leaders of the Communist party of Yugoslavia have taken "the path of betrayal of the international solidarity of workers and passed on to the position of nationalism."

Should the present Yugoslav leaders not recognize their mistakes, they should be replaced and a new "internationalist" leadership of the Yugoslav party advanced.

1949 COMINFORM RESOLUTION

"The Tito-Rankovic clique has created wide possibilities for the penetration of foreign capital into the economy of the country, and has placed the economy under the control of capitalist monopolies."

Yugoslav party leaders have committed "open treason against the national interests of Yugoslavia," and the Yugoslav Government is "completely dependent on foreign imperialists and has turned into an instrument of their aggressive policy."

Resolution incessantly uses the term "leading clique" and avoids use of "comrade."

CHINESE ATTACK OF 5 MAY 1958

"The draft program stigmatizes all the basic principles of revolutionary theory which were founded by Marx and Engels and developed by Lenin and other great Marxists."

"Speaking like reactionaries of all countries and like Chinese rightists, the leading group of the League of Communists of Yugoslavia maliciously slanders the proletarian dictatorship."

Leaders of the Yugoslav party are attempting "to persuade the working class to take the path of capitulation to capitalism."

The draft program of the Yugoslavs "gives the characteristic traits of modern revisionism."

"The Communist parties of various countries have taken the attitude of patient waiting in hopes that the Yugoslav Communists would revert to the Marxist-Leninist viewpoint. . . . The Yugoslav leaders have disdained these well-meaning efforts."

"The Yugoslav program sets itself against the declaration of the meeting of the representatives of the Communist parties held in Moscow last November" which Tito boycotted.

"The Yugoslav program puts bourgeois nationalism in the place of revolutionary proletarian internationalism."

In a veiled form, the Chinese raise the same issue in asserting that the leaders of the Yugoslav party are directly harmful to the basic interests of the Yugoslav people.

The program set forth by the Yugoslav revisionists exactly corresponds to what the imperialists, especially the American imperialists, needed, and the policy of Yugoslav leaders is "directly harmful to the basic interests of the Yugoslav people."

Article continually uses "leading group of the Communist party of Yugoslavia" and avoids use of "comrade."

80514 38

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

Peiping, however, seems anxious to dispel the impression that its condemnation of Belgrade on 5 May--which Moscow republished the next day--was political warfare of the Cominform brand. Chinese Foreign Minister Chen Yi on 10 May stated that Yugoslavia has the "right" to its own internal affairs, but China has the right to criticize Yugoslavia on ideological issues. This suggests Chinese sensitivity to Yugoslav charges that the Chinese were interfering in Yugoslav affairs. Chen Yi declared in effect that there was a harmony of viewpoints between Peiping and Moscow despite the difference "in words" used to criticize the Yugoslavs.

Poland's Position

Poland's Gomulka has been in the unenviable position of trying to meet Soviet pressure for bloc unity in the condemnation of Yugoslav "heresies" without appearing to read Tito out of the bloc for asserting his independence of Moscow--a concept in which Poland believes. Thus, in pursuing a middle course in the burgeoning dispute, Trybuna Ludu published excerpts from the Peiping denunciation, the Pravda article, and the Yugoslav Komunist reply to the Chinese. Finally, on 14 May, Poland responded to the pressure by publishing an article in Trybuna Ludu condemning those points in the Yugoslav party program with which it disagrees, but avoiding mention of points which bear on the question of independence in internal affairs.

The criticism was mainly leveled at the Yugoslav conception of world systems and the

roles of the Communist and capitalist blocs. The article also declared that the "main problem" was to remove the ideological and political discrepancies between the Yugoslav and other Communist parties and to organize Yugoslav-bloc cooperation, reflecting Poland's interest in trying to patch up the quarrel and keep Yugoslavia in the bloc.

The comparatively mild wording of the article suggests that, while Poland now appears to be in step with the bloc on the Yugoslav issue, Gomulka continues sympathetic toward Tito's stand on the question of noninterference and autonomy.

Tito's Plans

There has been no definite announcement concerning Tito's projected trip to Warsaw later this month, but since Tito realizes such a visit cannot help him and will only harm Gomulka, he probably will decide not to go. A high-ranking Polish Foreign Ministry official on 10 May said that while plans were proceeding for the visit, it might be deferred until next month.

Isolated from the rest of the Communist world, Tito's next move may be to promote relations with his friends in Asia and Africa, especially with neutrals such as India and Egypt. Indian Prime Minister Nehru on 12 May openly sympathized with him by condemning the Sino-Soviet campaign to force Yugoslavia back into a satellite role as "a complete reversal of the liberalization and democratization recently evident in the Communist world."

25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

THE SOVIET LEADERSHIP AND YUGOSLAVIA

The hardening in the Soviet position since the dispute with Yugoslavia first broke into the open may indicate that Khrushchev was under pressure on this issue from within the Soviet leadership. Khrushchev's authority has apparently not been weakened but if he has had to give ground on this question, he will probably move quickly to regain the initiative and eliminate any threat to his leadership.

Khrushchev himself may have stood behind Moscow's initial blast at Belgrade, published in the Moscow Kommunist on 18 April, even though it represented a reversal of his long-standing policy of reconciliation. The American Embassy in Moscow suggests that in the present world situation and particularly as a result of his visit to Hungary, he concluded that for the present he must keep a tight rein on the satellites.

Events in Eastern Europe since the Belgrade reconciliation in 1955 should have persuaded him of Tito's capacity for mischief-making in the bloc. The heavy campaign against "revisionism" begun in the Soviet press last November, when there was little question of Khrushchev's control, and his insulting references to Yugoslavia on his return from Hungary on 10 April bear out this supposition.

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The Kommunist rebuttal, though severe, indicates that Moscow was intent on keeping the dispute on the ideological level and that Khrushchev hoped to salvage at least something of his earlier policy. With Pravda's republication on 6 May of the harsh attack on Yugoslavia carried in the Peiping People's Daily on 5 May, the limits on the controversy first set by Moscow were apparently breached, although the Chinese later also indicated their agreement with the public Soviet view that the dispute should be kept on the ideological level. On the same day a plenum of the Soviet party central committee convened, and three days later, on 9 May, Pravda published its own editorial which matched Peiping in the breadth of its condemnation of the Yugoslavs.

While the severity of Peiping's denunciation was not anticipated in bloc propaganda up to that point, republication virtually committed Moscow to extend its own attack on the Yugoslavs. Intentionally or otherwise, its effect probably was to strengthen any elements in the Soviet leadership which favored pressing the Yugoslav issue to the limit.

What transpired among Soviet leaders immediately before the central committee met is an open question. The departure from Belgrade of the Soviet ambassador on 2 May suggests, however, that discussion of the Yugoslav issue took place in the party presidium before the plenum opened and that a decision

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

on the matter had been reached before republication of the Peiping editorial on 6 May.

The official announcement that the plenum was convened merely to discuss the chemical industry in connection with an expansion of consumer goods production seems highly disingenuous. Pravda's new editorial position on the heels of the plenum indicates that the central committee was at the least called on to endorse the new line on Yugoslavia or to backstop Khrushchev in the event the issue got out of hand within the presidium.

Since the frequent recent attacks on the "antiparty group" may have been Khrushchev's way of deflecting criticism from himself, there would appear to be an element of insecurity in his present behavior. His pledge of increased consumer output at

the plenum--probably the fullest promise since Malenkov's famous pronouncement in August 1953--may, similarly, be intended as a means of buttressing his position.

Khrushchev himself has still not spoken out on the Yugoslav question, although he has had ample opportunity to do so and is not usually reticent in offering his views on any issue publicly. There is, in any case, no good indication of how he stands on the present line toward Yugoslavia. If he has made a tactical retreat on this issue, he can be expected, on the basis of past performance, to look for an opportunity in some other area of policy for counterattack, using his organizational resources as his main weapon.

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SECRET

~~CONFIDENTIAL~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 May 1958

PART II

NOTES AND COMMENTS

KHRUSHCHEV AND THE SOVIET CHEMICAL INDUSTRY

Premier Khrushchev's lengthy speech on 6 May to the party central committee on the expansion of the Soviet chemical industry is his most detailed claim of the superiority of the Soviet economic system. In presenting a rationale for present economic policies, he gave a selective comparison of current US and USSR economic data tailor-made for exploitation by Soviet propagandists. The speech added textiles, clothing, and footwear to the list of commodities which the Soviet consumer may expect to receive in more plentiful quantities "within the next few years" and was followed the next day by a central committee decision to this effect.

Challenge to the West

Khrushchev asserted that already the economic system of the USSR had demonstrated a clear-cut superiority over capitalism. He supported this contention by a selective comparison of US and Soviet economic data for 1953 through 1957 and the first quarter of 1958.

Khrushchev claimed virtual success in the campaign to surpass the United States in per capita production of milk and butter. He said the program to rectify long neglect of housing and agriculture had been successfully begun, with prospects for general success, and that the Soviet Union would take care of clothing in the next few years, and would continue to raise its production beyond the level of capitalist states. Then, said Khrushchev, even the "lackeys of imperialism" would understand the reality of Communism. The armaments plants

of the Soviet bloc will be able to provide some of the equipment for the expanding chemical industry, he said, because reductions in the armed forces have left these plants partially idle.

Role of Chemical Industry

The goals for the textile, clothing, and footwear industries appear roughly to re-establish growth rates--generally not achieved--for some specific consumer goods originally set forth in the now-abandoned Sixth Five-Year Plan. Growth rates

USSR: PRODUCTION OF SELECTED CHEMICAL PRODUCTS

AVERAGE ANNUAL GROWTH RATES

(IN PERCENT)

	PLAN		
	ACTUAL	1956-60	1959-65
	1956-57		
Ammonia	- -	13	10*
Caustic Soda	- -	12	10*
Soda Ash	6	11	10*
Sulfuric Acid	10	14	10*
Tires	12	15	10*
Mineral Fertilizers	10	15	CONSIDERABLE INCREASE
Synthetic Rubber	6	17	14 (MINIMUM)
Plastics and Synthetic Resins	16 (1956 ONLY)	25 (MINIMUM)	35
Artificial Fibers	16	25	24

* PRODUCTION SCHEDULED TO DOUBLE

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for other important consumer goods, such as cotton, silk, and rayon fabrics, were either unspecified or reduced. The decree suggests that synthetics and plastics will be used to greater extent to re-establish or even increase rates of growth for knitwear, leather footwear, and woolen fabric industries. To achieve this increase, a 100 billion-ruble (between 15 and 20 billion dollars in terms of estimated comparable American

~~CONFIDENTIAL~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

USSR: PRODUCTION OF SELECTED CONSUMER ITEMS

	ACTUAL		PLAN			PLANNED AVERAGE ANNUAL RATES OF INCREASE	
	1955	1957	1960	1965	1972	1956-60	1959-65
Silk fabric (including synthetic) (million meters)	526	805	1,074	1,485	--	15	8
Wool fabric (million meters)	251	282	363	500	600	6	8
Leather footwear (million pairs)	274	315	418	515	650	9	6
Knitwear (million pieces)	432	463	680	940	--	9	9 (1958-65)

15 MAY 1958

80514 2

costs) expansion of the chemical and supporting industries will occur between 1959 and 1965.

The Khrushchev speech and the central committee decision which approved it suggest that the seven-year plan will further modify the traditional priorities for the military establishment and heavy industry. These priorities were already lowered

in the period December 1956 to February 1957 when the housing and agricultural programs were retained, despite inability to achieve the scheduled rate of growth for heavy industry.

Since then, both the housing and agricultural programs have been expanded and the growth of heavy industry scheduled at rates which, although still very high in comparison to the West, are well below Soviet postwar achievements. This latest decision suggests that the leveling of priorities will continue, while seeking to maintain heavy industrial growth rates considerably in excess of those of the United States.

(Prepared by ORR)

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SOVIET SUMMIT TACTICS AND DISARMAMENT

Premier Khrushchev's acceptance of the American proposal for technical discussions of control measures as the first step toward a suspension of nuclear testing indicates that the USSR still desires a summit meeting and wants to make test suspension the key issue. By insisting, in his letter of 9 May, that there should be prior agreement on the date for completing such technical discussions, Khrushchev is seeking to prevent a long delay in holding a summit meeting and also may have in mind exploiting the current US testing series in the Pacific.

The USSR had previously sought a British and American agreement to halt all tests before technical talks were held

on control measures, probably reasoning that such a development would have minimized any pressure on it to agree to detailed control measures. Since the USSR is probably unwilling to accept the comprehensive inspection system considered essential by the West, its tactic now may be to insist that much simpler controls are adequate. Assertions to the effect that nuclear explosions can actually be detected at great distances can therefore be anticipated in Soviet propaganda. Moscow may be aiming to make such a strong case for limiting any inspection system that by the time a summit meeting is held the West will have to agree to stop tests and either abandon its more elaborate inspection scheme or

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

conduct further technical talks after the summit conference.

The concession seemed timed to offset the widespread impression that Moscow has lost interest in a summit meeting and to overshadow the reverses suffered in the UN Security Council during the discussion of Soviet charges concerning bomber flights

and the Arctic inspection plan. It is a further illustration of Moscow's willingness to make procedural concessions to the West in order to expedite a summit conference without abandoning its tactics for assuring that such a conference would concentrate on the issues of prime interest to the USSR.

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PANAMANIAN CAMPAIGN FOR CANAL ZONE CONCESSIONS

Agitation is mounting in Panama for greater concessions by the United States in the Canal Zone, and this is contributing to domestic political instability. Agitation for an equal share of gross canal revenues and display of the Panamanian flag in the zone has prompted a constant barrage of newspaper and radio comment and led last week to student demonstrations.

Panama's critical economic situation has encouraged claims like that made by a Panamanian UN delegate that his country should receive a larger percentage of canal income on the grounds that the canal is a natural resource. Gross canal receipts in 1957 were about \$50,000,000, but net profit even without allowing for defense expenditures, was less than \$4,000,000. Panama now receives \$1,930,000 per year for use of the zone and some \$54,000,000 additional in wages, purchases, and services connected with canal operations.

A rapidly increasing population, however, and a curtailment of Canal Zone operations since 1945 have caused serious unemployment, inflation, and other severe stresses on an economy based on imports of almost all essential goods. Chronic charges that the canal company competes in the commercial field with Panamanian

firms and does not purchase enough Panamanian products have become more frequent and virulent and include condemnation of the United States for its delay in honoring treaty obligations, particularly the establishment of a single wage scale in the zone.

There have also been various nationalistic demands for recognition of Panamanian sovereignty in the zone, and early this month members of the leftist-led student federation raised Panamanian flags there. A subsequent student demonstration on the issue forced President de la Guardia to promise on 6 May that he would take steps to see that the Panamanian flag is regularly flown in the Canal Zone.

The almost constant publicity given to such agitation by the Panamanian press and radio appears to be a calculated effort to arouse susceptible groups like the students and the unemployed--most of whom are concentrated in areas adjacent to the zone. This effort is probably engineered by groups within the wealthy oligarchy, which dominates domestic politics but has shown little interest in developing Panama's economy. Several of these groups, previously supporters of De la Guardia, have recently shown opposition to his reasonable approach on relations with

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 May 1958

the United States. Rumors of imminent attempts to oust him from office are thus far unsubstantiated, and such attempts could not succeed as long as the national guard remains loyal. De la Guardia lacks support

within his own party, however, and he may deem it politically expedient to support demands for concessions from the United States regarding the canal.

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SOVIET DELEGATION PUSHES OBJECTIVES IN LATIN AMERICA

The visit of Soviet Deputy Foreign Minister Kuznetsov and Deputy Chairman Tarasov of the Presidium of the Supreme Soviet to the inauguration of Argentine President Frondizi on 1 May and subsequent visits to Uruguay and Mexico have reinforced Soviet efforts to increase trade and diplomatic relations with Latin America. Bidding for Latin American support on current international issues, the eight-man delegation, the highest ranking one to visit Latin America in recent years, used the occasion to propagandize the Soviet position on nuclear testing and disarmament.

With a view to extending its diplomatic ties, Moscow is desirous of expanding commercial relations with Latin America and would like to be able to point to Argentina as a country with a mutually advantageous trade relationship with the Soviet Union.

Received coolly by the Argentine Government, the Soviet leaders offered increased trade with "no political pressures" and Soviet credit facilities "subject to certain conditions." They stressed the need for personal contacts and extended invitations to several Argentine officials to visit the USSR. These, however, were declined.

Apparently in anticipation of congressional debate regarding economic relations with the USSR, Argentine Vice President Gomez had called in nine senators for conversations with the Soviet delegates. Kuznetsov is not known to have

made any specific offer. He disclaimed knowledge of a rumored Soviet \$300,000,000 credit offer but added that it was "quite possible" it could be arranged in the "near future."

In answer to a question on the form Soviet assistance might take, Kuznetsov complained that Soviet-Argentine commercial relations were "not what they should be," that the USSR had not been allowed to fulfill its Argentine export quotas, and that Argentine firms wishing to purchase Soviet goods could not get import permits. Although industrial equipment and oil products were needed at home, he said, the USSR nevertheless was willing to "make sacrifices to gain Argentine trade." Kuznetsov urged Argentine officials to spurn foreign capital from the West--which was "always followed by political pressure"--and to follow the examples of India and Egypt in reaching agreements with the USSR to build steel mills and other heavy industries on easy credit terms without interference from Moscow.

After leaving Argentina on 6 May, members of the mission made official good-will calls in Uruguay and Mexico, the only other Latin American countries with which the USSR has diplomatic relations. Kuznetsov reportedly praised Uruguay's oil barter arrangement with the USSR as a "good base" for trade, and invited Uruguayan delegations to Moscow to investigate other trade opportunities and loans with low interest carrying no "political or ideological strings."

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

USSR BUILDING NEW "SCIENTIFIC CITIES" IN SIBERIA

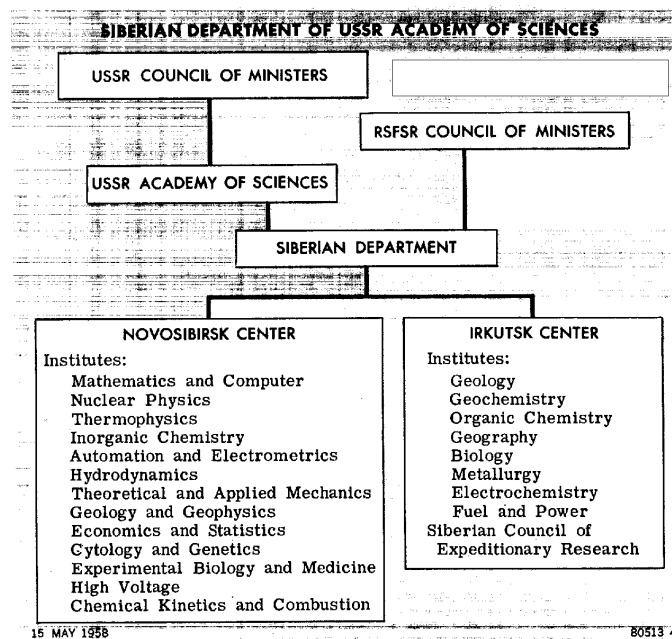
Two new "scientific cities" are being constructed at Novosibirsk and Irkutsk in connection with the establishment of a Siberian department of the Soviet Academy of Sciences at Novosibirsk and an expansion of existing scientific research facilities in Siberia and the Soviet Far East. These moves, decreed by the USSR Council of Ministers in May 1957, are designed to correct the disproportionate concentration of scientific research institutes in Moscow, Leningrad, Kiev, and Kharkov. The regime has considered this concentration an obstacle to the development of industry and agriculture in Siberia and the Far East. Some 70 percent of the academy's institutes and over 80 percent of its personnel are located in Moscow and Leningrad.

The new Siberian department, headed by Vice President of the Soviet Academy of Sciences M. A. Lavrentyev, differs from the other eight in that it is organized on a territorial rather than a functional basis and is subordinated both to the RSFSR Council of Ministers and the Soviet Academy of Sciences.

An effort is being made to attract to Siberia competent scientific personnel, who have been reluctant to leave the large cities of the western USSR, by creating favorable living conditions, establishing excellent research facilities, and assigning eminent scientists

to research institutes under the Siberian department. Moscow also hopes that the expansion of science in Siberia will benefit younger scientists by giving them a chance to do independent work and thus foster competition with the older research centers in the western USSR.

The establishment of scientific communities, such as the one on the Ob River near Novo-



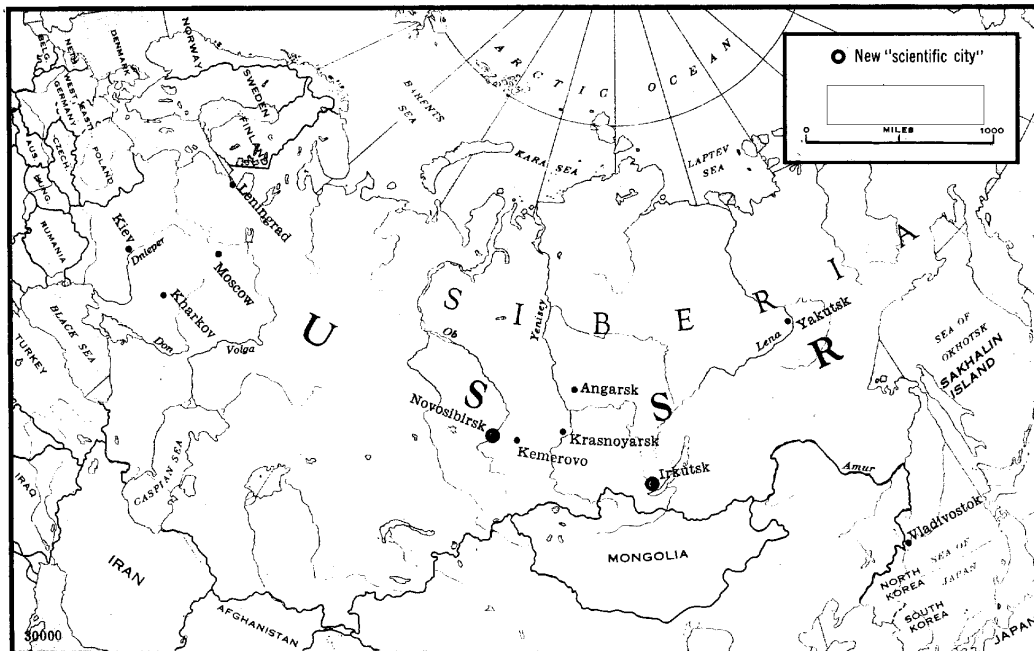
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sibirsk scheduled to be completed in 1960, is intended to provide living conditions which will compare favorably with those in Moscow and Leningrad. The government's announced plans to spend roughly the equivalent of \$25,000,000 during 1958 for the construction of the Novosibirsk center and the appointment in March of a number of eminent scientists to the Siberian department are indicative of the importance attached to the project.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958



25X1

Although a number of research institutes are already in existence in Siberia and the Far East, the regime does not consider them capable of providing the necessary scientific support for the future long-range development of agriculture and industry in the area. The main Novosibirsk center will consist of a university and 13 institutes. The academy institutes will be linked to the university to facilitate the integration of scientific training and research. The university is to have physical, chemical, mathematical, mechanical, geologico-geophysical, and medicobiological faculties, and will

have 1,500 students in training at one time. An experimental plant employing 1,000 workers will be built not far from the scientific city to produce instruments and equipment for the institutes.

A smaller center is to be built in Irkutsk between 1958 and 1965, consisting of eight institutes with the emphasis on geology, geography, chemistry, and a Siberian Council of Expeditionary Research. Existing research facilities in Angarsk, Krasnoyarsk, Vladivostok, Kemerovo, and Yakutsk are to be expanded. (Prepared by OSI)

25X1

FINNISH PRESIDENT KEKKONEN'S STATE VISIT TO MOSCOW

Finnish President Kekkonen's state visit to Moscow beginning on 22 May is expected to have little impact on political relations between the two countries but may help resolve certain trade problems.

The Finns have built up an export surplus of some \$20,000,000 in their trade with the Soviet Union and they fear this might provoke a reduction in Soviet imports. The trade agreement provides that, when the

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

balance exceeds \$15,000,000 in either direction, steps must be taken to rectify the situation within three months or the creditor nation can require settlement in gold or US dollars. A Finnish delegation visited Moscow in March to discuss this imbalance, and it is likely that some adjustment in the trade pattern will be announced during the visit.



KEKKONEN

Finland's efforts to link itself more closely with Western European economic integration plans probably will be held in abeyance pending a settlement of this trade problem. Finnish officials are convinced that the maintenance of good relations with the Soviet Union depends to a considerable degree on maintaining Finnish-Soviet trade at approximately the present level.

During the visit, President Kekkonen may be under some pressure to accept Soviet economic assistance, either in the form of a loan or credits for the purchase of Soviet machinery and equipment. The latter could conceivably be charged off against Finland's trade surplus. Both local Communists and Soviet officials, notably Khrushchev during his visit to Finland last summer, have urged the Finns to accept Soviet credits for industrialization of northernmost Finland--an area of chronic unemployment and Communist strength. Kekkonen might also be urged to purchase a limited quantity of Soviet arms as a means of further reducing the trade surplus.

The USSR will seek Finnish support for the Soviet position on current issues such as nuclear tests, disarmament, and nuclear weapons for the West German Army, and might possibly renew efforts aimed at closing the Baltic to nonriparian air and naval forces. The USSR will probably hold out the perennial hope of territorial revisions and might offer use of the Soviet half of the Saimaa Canal. The Finns will try to maintain a neutral position, but may feel compelled to express some conditional support on those issues which they regard as less controversial, particularly the question of locating NATO missile bases in Norway and Denmark, since both the Norwegian and Danish governments have declined at the present time.
(Concurred in by ORR)

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PEIPING'S EFFORTS TO INFLUENCE JAPANESE ELECTIONS

Communist China has stepped up its economic and political offensive against Tokyo in an effort to weaken the Kishi government's position prior

to the Japanese general elections on 22 May. Peiping in the last ten days has seized 14 Japanese fishing vessels and 170 fishermen, demanded

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 May 1958

compensation on behalf of Chinese conscript laborers forced to work in Japan during World War II, and suspended all contract negotiations with Japanese businessmen.

This last move is coupled with a decision to stop issuing import and export licenses for trade with Japan, and imposes a virtual embargo on Sino-Japanese trade. Although the exchange came to only 2 percent of Japan's foreign trade last year, Japanese business interests had high hopes of raising the figure, and Japanese government officials have privately expressed their concern at the prospect of Japan's exclusion from the China market.

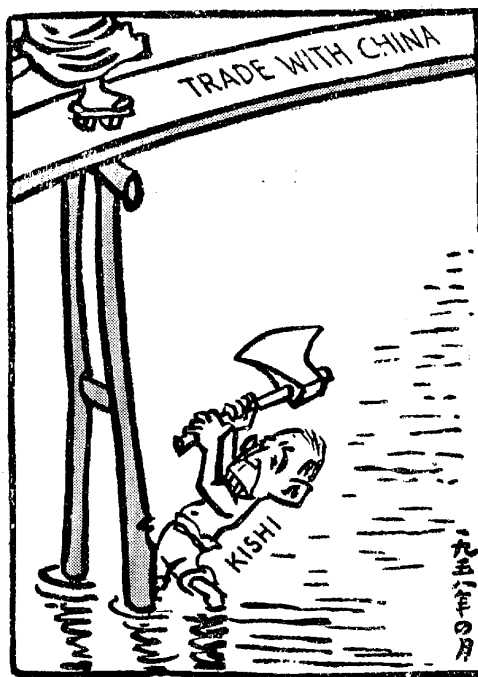
Peiping's harassment in the economic field accompanies a mounting diatribe against Kishi undertaken following Tokyo's announcement last month that Japan did not recognize the "right" of Communist China to fly its national flag over a projected permanent trade mission in Japan. The Chinese regard Kishi's continuing reluctance to reverse this position as a roadblock in the way of achieving an important first step in establishing de facto relations with Tokyo.

Communist China's tactics seem directed toward convincing the Japanese electorate that Kishi is an insurmountable obstacle to any improvement in Sino-Japanese relations. Referring to Prime Minister Kishi as the man who "sabotaged" the fourth Sino-Japanese trade agreement, Foreign Minister Chen Yi on 9 May compared Kishi's views on the trade issue with the "hallucination of an idiot." While not going so far as to endorse the Japanese Socialists directly, Chen stated that the party "differed with Kishi" and favored establishment of Sino-Japanese diplomatic relations.

Official Japanese spokesmen have said their government

intends to adopt a "wait-and-see" attitude, presumably meaning that no action to settle the impasse would be forthcoming until after the elections. The government has rejected a Socialist proposal that a bipartisan mission be sent to Peiping to discuss the stalemate.

The Japanese thus far have regarded the Communist pressure as an unjustifiable attempt to influence the elections, with the result that the Socialists



The Hatchet Man FROM PEIPING REVIEW, 8 APRIL 1958

may have difficulty exploiting it to their advantage. The Socialists will probably charge, however, that popular desire for relations with Peiping is being frustrated by the Kishi government's subservience to the United States. This could possibly jeopardize conservative election prospects, but not to the extent of immediately displacing Kishi.

After the elections, the new government Kishi is expected to form probably will be forced by Japanese business interests

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

to seek a settlement with Peiping which would permit the resumption of trade. Kishi already has indicated he would

send a senior member of his Liberal-Democratic party to Peiping to discuss trade and related political matters. [redacted] 25X1

[redacted] (Concurred in by ORR) 25X1

BURMESE POLITICAL CRISIS DEEPENS

Government activities in Rangoon have come to a virtual standstill. The contending political leaders are maneuvering to gain the support of still uncommitted votes for the 5 June parliamentary showdown in the factional fight which has split the Anti-Fascist People's Freedom League, the governing party. The closeness of the contest is illustrated by the fact that both the U Nu and the Ba Swe - Kyaw Nyein factions offered the Finance Ministry to U Kyaw Min, leader of the minor Arakanese party who commands only six votes and says he will vote "on the winning side."

The Communist-dominated National Unity Front (NUF) has announced it will give its 46 to 49 votes to the Nu faction which, it claims, will be more amenable to a face-saving settlement of the civil war. Although the NUF claims it is asking no political concessions of U Nu, it appears inevitable that, by accepting Communist support U Nu will be forced to soften his intransigence on direct negotiations with the insurgents and on other issues in which the Communists are interested. The Rangoon press has already denounced the move as "expediency," a windfall for the Burmese Communists, and the forerunner of the "birth of real Communist power in Burma."

Thus far, all contending leaders have disavowed any in-

tention of resorting to force, and Army Commander in Chief Ne Win has ordered his troops to remain aloof from the political struggle. Nevertheless, he has also warned that the presence of Communists in the forthcoming government would be considered a "matter of concern to the army."

Despite promises to avoid violence, the situation is increasingly explosive: tempers are hot and personal antagonisms deep. Each faction, moreover, commands a following in the armed forces, regular and irregular, as well as the police, labor unions, and peasant organizations. In addition, heavily armed supporters of the Ba Swe - Kyaw Nyein faction are reportedly coming from the districts to Rangoon, where they are accumulating large quantities of arms. The tenseness of the situation is reflected by the proposal for imposition of a dusk-to-dawn curfew in Rangoon from 25 May until after the special session of Parliament ends its debate of the crisis.

The prospects of political fragmentation and violence are in keeping with Burma's turbulent history. In the more than 1,000 years of its history, Burma has been united under a strong central government only three times, and the last of these was imposed by British rule. In addition, the Burmese have long been noted for their propensity to violence. Even under the British, the rate of

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

violent crimes--among the highest in the world--was constantly on the increase. Since the beginning of World War II, Burma has been plagued with endemic

lawlessness, highlighted in 1947 by the political assassination of seven top national leaders, and by politically motivated insurgency.

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LAOTIAN ELECTIONS

Near complete returns from the 4 May elections make it apparent that the Laotian Communists have won a major victory which puts them in a position to apply pro-Soviet bloc pressures on the government. The Communist Neo Lao Hak Zat (NLHZ) and its fellow-traveling associate, the Santhiphab party, have won 11 seats and may win one more of the 21 at stake. As a result of these elections, the NLHZ, with the support of other leftists and opportunists, may be able to control about one third of the assembly's 59 votes. It will be a major contender for a parliamentary majority in the national elections in 1959 when all seats will be contested.

The Communist success can be traced primarily to complacency and factionalism among conservative forces--who had 75 candidates as compared with the unified slate of the pro-Communists--and Premier Souvanna Phouma's failure to provide vigorous anti-Communist leadership. French Ambassador Gas-souin encouraged this apathy and urged the continuation of Communist representation, particularly NLHZ leader Prince Souphannouvong, in the cabinet.

In contrast, the Communist campaign was conducted with vigor and discipline and special efforts were made to reach

the rural level. The Communists posed as the champions of Buddhism, the crown, and established Laotian traditions, and as the enemies of ostentatious urban politicians. In addition, they exploited the popular theme of neutrality for Laos and implied their defeat in the elections would mean a renewal of conflict in the country.

Prospects for effective conservative counteraction are dim. The Communists apparently do not plan to press immediately for a greater official role in the government, in order to avoid crystallizing conservative opposition. The prospects, therefore, are that the conservatives, lulled into a false sense of security, may continue their factionalism and fail to organize an effective political force or to gain grass-roots support. Sentiment is already growing in conservative political circles for the retention of Souvanna Phouma and most of his present cabinet, including the two Communists.

In the meantime, the NLHZ will lose no opportunity to develop its popular support, while attempting to increase still further its influence in the assembly by persuading independent or wavering conservative members to join the "wave of the future."

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

NATIONAL ELECTION CAMPAIGNS BEGIN IN PAKISTAN

Recent developments have increased expectations that, after several false starts, the first general elections in Pakistan's ten-year history will be held as scheduled in November. The constituencies in both East and West Pakistan have been delimited, electoral rolls in East Pakistan have been published, and work on rolls in West Pakistan is nearly completed.

Any long postponement beyond November would therefore probably be caused by political rather than technical problems. A political decision for postponement, especially if made independently by President Mirza, would encounter widespread resistance. Recent political speeches and coalition maneuvers in the two provincial assemblies have built up strong pressure for holding the elections on schedule.

Recognizing the advantage which would be enjoyed by an incumbent government at election time, opposition parties tried last March to oust the Republican party and Awami League governments in West and East Pakistan. These efforts proved abortive, and the Republican party and the Awami League can point to a record of stability which provides no excuse for postponing elections.

Three of Pakistan's major parties began their election campaigns in April and May, and a fourth, Maulana Bhashani's pro-Communist National Awami

party, plans to start campaigning in June. The Moslem League's new president, Abdul Qayyum Khan, has asked his party to cease its parliamentary maneuvers aimed at obtaining political office and to launch a "mass-contact" election campaign. He has also been conducting a speaking tour of West Pakistan, attacking President Mirza, and challenging the wisdom of Pakistan's alignment with the West.

Awami League leader Suhrawardy has been campaigning in West Pakistan in an effort to build his party's election strength in that province, since the Awami League's popular following now lies almost entirely in East Pakistan. Suhrawardy has condemned those politicians who maneuvered against the provincial government in March, trying to create instability that would necessitate postponement of the elections.

Prime Minister Noon officially launched the Republican party's campaign on 6 May, renaming the party the Zairi Jamhuria, or Agrarian Democratic party, and outlining a platform designed to appeal to the peasant voter. The Republicans are apparently trying to remake their landlord party into a mass agrarian party by advocating the allotment of fallow lands to landless tenants and smallholders and by promising to give refugees proprietary rights to land.

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GREEK ELECTIONS

A new era in Greek politics opens with the emergence from the 11 May elections of a Communist-front party--the United Democratic Left (EDA)--as the

major opposition in the Chamber of Deputies. EDA secured less than 12 percent of the popular vote and no seats in Parliament in the 1952 elections--the last

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

in which it ran as an individual party--but received 24.3 percent of the vote and 78 seats in the new chamber. While EDA ran substantially behind the pro-Western, right-center party of Constantine Karamanlis, which won 41.2 percent of the vote, it surpassed the 20.7 percent won by the Liberal party, the second largest party in the previous Chamber of Deputies. The Liberal party's defeat may signal the rapid decline of this traditional center party in Greek politics.

EDA's successful campaign is evidence that polarization in Greek politics is further advanced than previously believed. A primary cause of this is the lack of a non-Communist left-of-center party capable of acting as an effective alternative to EDA. The election results indicate that many left-of-center voters cast their ballots for EDA despite general recognition throughout the nation that it is controlled by the illegal Communist party of Greece from its headquarters in Bucharest.

Some of the voters may have been influenced by EDA's relatively moderate campaign. EDA apparently also received a large protest vote against the economic policies of the non-Communist parties--particularly the wage-freezing and tax programs of the Karamanlis government. It was also helped by the virtual dis-

enfranchisement of the normally conservative armed forces. In addition, the lack of major issues among the non-Communist parties and the bitter attacks launched by them on each other probably aided EDA. Finally, the Liberal party, with a history of internal bickering and discredited leaders, apparently failed to attract previous supporters, many of whom abstained from voting.

The large vote for the extreme left probably was not influenced significantly by foreign policy issues, although EDA probably received some support from voters who opposed the "timidity" of the past government on the Cyprus issue and those who feared the dangers inherent in locating NATO missile bases on Greek soil. It is unlikely that the vote for EDA reflects a significant increase in the number of hardcore Communists in Greece.

The strong position of EDA in Parliament may lead to further defections in the near future from the smaller parties to it or to Karamanlis' National Radical Union (ERE), thus increasing polarization. EDA will not be in a position effectively to challenge ERE-sponsored legislation, but it will make every effort to harass and delay the government in implementing its pro-Western policies.

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ADEN-YEMEN HOSTILITIES

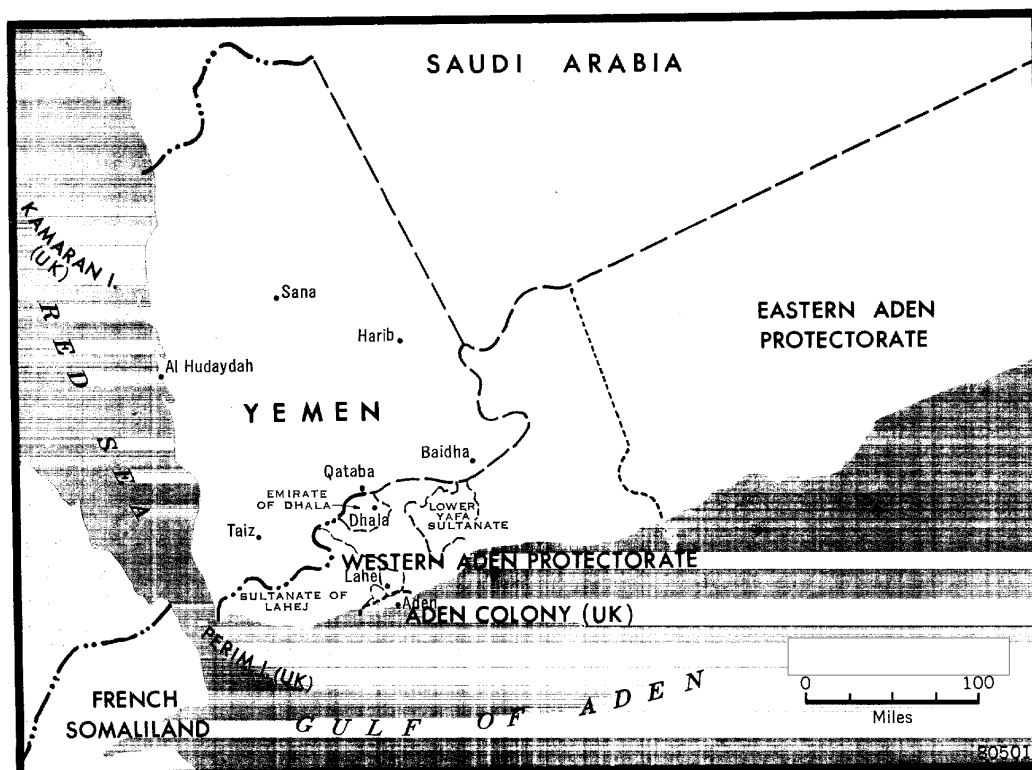
Vigorous action by reinforced British troops and security forces in the Aden Protectorate in recent weeks has temporarily restored order in certain key areas menaced by Yemeni-inspired intrigue and rebellion. Such operations by the

British are unlikely to bring about lasting order in the protectorate so long as the dissidents receive material support and sanctuary in Yemen. London may therefore feel compelled to undertake further military and political activity across the disputed frontier.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958



25X1

Subsequent to the recent campaign by a battalion-size task force to disperse rebellious tribesmen and Yemeni regulars in the frontier state of Dhala, air strikes were undertaken against gun positions and military installations inside Yemen in the Qataba area. The air action was accompanied by a statement to all UN Security Council members that the retaliation had been carried out in accordance with the self-defense provision of Article 51 of the UN Charter, suggesting that Britain is seeking to make Yemeni interference in protectorate affairs a matter of public record.

London may also request Security Council consideration

of the dispute. The Imam of Yemen claims all of southwest Arabia. The current revival of an earlier British proposal to effect federation among the protectorate states, in an effort to increase the stake of protectorate rulers in remaining independent of Yemen, is strongly opposed by the Imam and by some protectorate rulers themselves.

The deterioration in British-Yemeni relations is accompanied by the prospect of at least indirect UAR and Soviet bloc involvement. Egypt already has a military mission in Yemen.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

IMPLICATIONS OF THE US-EURATOM AGREEMENT

The draft US-EURATOM agreement, which is expected to be finalized within the next few weeks, promises to have a major impact on EURATOM's development over the next few years. If ratified by both sides, it should launch EURATOM on a nuclear power production program of major importance to Western Europe, and do much to establish supranational jurisdiction of the six-nation organization in certain fields.

The most significant gain for EURATOM under the terms of the draft protocol will be the technical and financial assistance rendered. The immediate objective is an installed capacity of 1,000,000 kilowatts by 1963--a substantial start toward the goal of 15,000,000 kilowatts by 1967. Progress on this program is of major economic consequence to the six member countries in view of their mounting power requirements, static coal production, and increasing dependence on uncertain supplies of Middle Eastern petroleum.

Accordingly, a highly accelerated construction program is envisaged. The estimated capital cost is \$300,000,000 to \$350,000,000, of which about \$125,000,000 in long-term loans is expected from the United States. In addition, there will be a research and development program costing \$215,000,000. Under terms of the draft agreement, the United States will buy back the plutonium produced, but EURATOM makes no commitment

to sell it. Some 30,000 kilograms of U-235 will be required over a 25-year period. Although governmentally conceived, the program will be carried out by private industry.

The proposed agreement is also of considerable political importance to EURATOM itself, which, some have feared, might be overshadowed by the power programs of its member countries, or be thwarted in asserting its treaty prerogatives. The agreement, for example, reinforces EURATOM's jurisdiction over all imports of fissionable materials into the member countries. In the field of security safeguards, EURATOM vigorously and successfully opposed American retention of unilateral inspection rights as inconsistent with EURATOM's "sovereignty" and a potential impediment to its enforcement of safeguards in the member countries. EURATOM, however, has promised close cooperation with American experts.

This intimate association with the United States may cause problems for EURATOM in its relations with other countries--

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Moscow has long mistrusted the entire Community of Six, and has recently seemed unusually hostile toward EURATOM. The USSR has served notice it will

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

oppose inviting EURATOM to a forthcoming meeting of the International Atomic Energy Agency

in Vienna, charging that EURATOM is a military and not a peaceful organization.
(Concurred in by OSI)

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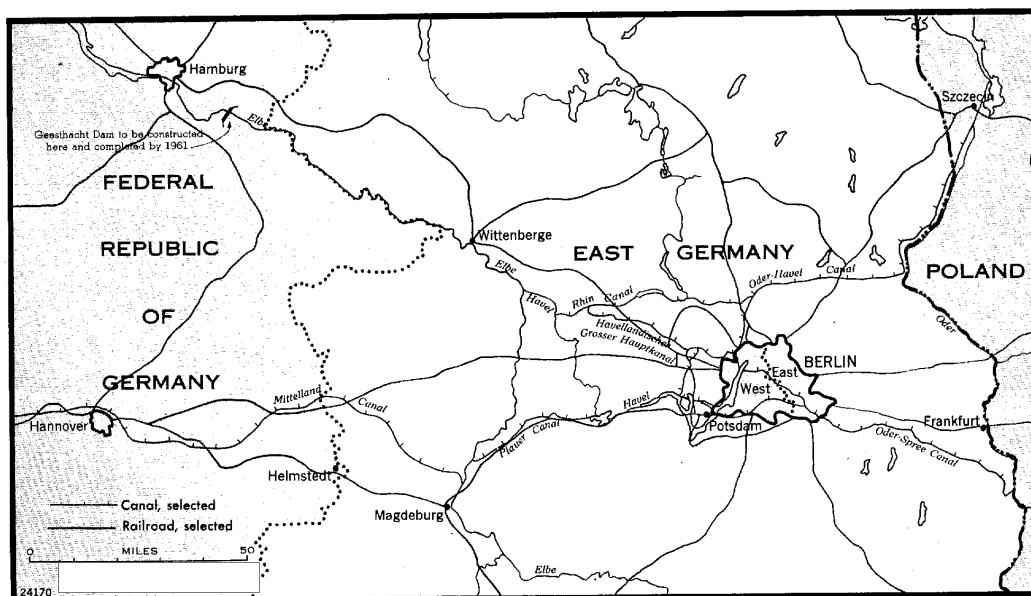
WEST BERLIN WATERWAYS QUESTION

Bonn has apparently yielded to East German demands for governmental negotiations on the heavy tolls imposed on 5 May on West German barge shipping to West Berlin. Press reports state that such talks will begin on 16 May in Berlin and include also discussion of the East German demand for about \$12,000,000 to pay for flood control measures, which it claims are needed as a result of Bonn's decision to build a dam at Geesthacht on the lower Elbe.

Bonn apparently reversed its previous adamant refusal to consider high-level talks because of its reluctance to invoke retaliatory measures or assume payment of the subsidies

to shipowners. Bonn probably hopes such a political concession will facilitate a compromise solution, in which Bonn would pay a "reasonable" compensation for flood control in return for lifting or reducing the new charges on barge shipments.

Since the East German Government's primary aim is believed to be the achievement of government-level negotiations, it would probably now be amenable to such a compromise solution. The East Germans will probably use any government-level talks as the basis for a strong propaganda campaign designed to emphasize the equality of the two Germanies in the hope that other Western



25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

countries will follow Bonn's lead.

The toll increase applies to annual shipments of approximately 2,398,500 tons of barge traffic from West Germany to West Berlin, about 40,000 tons from West Germany to East Germany, and about 60,000 tons from Hamburg to West Germany via the Soviet zone. American officials estimate that Berlin shipping costs would be increased by about \$1.86 per ton, about \$6,700,000 per year.

Bonn could retaliate against East German shipping

moving to Hamburg or through West Berlin canals, but West German officials apparently feel that such moves would have only a limited effect and might further divert East German traffic from Hamburg. Since 1952, East German vessels of up to about 500 tons have been able to bypass West Berlin canals, but heavier vessels must still be routed through West Berlin. Bonn could also suspend iron and steel deliveries, worth \$46,000,000, 20 percent of the value of Bonn's 1958 interzonal trade, but some officials feel this would have undesirable repercussions on West German industry.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

15 May 1958

PART III

PATTERNS AND PERSPECTIVES

SINO-SOVIET BLOC ECONOMIC ACTIVITY IN INDONESIA

The Sino-Soviet bloc, which began offering major economic assistance to Indonesia in 1955, has concluded economic aid agreements worth \$130,000,000 and granted credits for military equipment estimated at more than \$100,000,000. The bloc objective of increasing its ties with Djakarta had only modest success until Indonesian economic difficulties and the rebellion made Djakarta increasingly receptive to bloc offers. The immediate aim of Soviet aid is to maintain the central government and the influence of the Communist party, now a potent political force.

Military Assistance

In December 1957, when the Indonesians began their anti-Dutch campaign, the USSR stepped

An Indonesian military purchasing mission left Indonesia in late December for the Middle East and Europe and is believed to have secured Soviet bloc agreement to supply on credit at least \$100,000,000 worth of arms. The major discussions were in Prague, and contracts were concluded for the delivery of military aircraft, some land armaments, and naval craft.

The first major delivery of bloc arms was made on 22 April 1958, when a Soviet ship arrived in Indonesia with a military cargo

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SINO-SOVIET BLOC AID TO INDONESIA

		MILLIONS OF DOLLARS
COMMUNIST CHINA	Consumer goods and textile factory loan, 1958	20.0
CZECHOSLOVAKIA	Tire factory*, other industrial development, irrigation project, 1956	4.0 (MINIMUM)
EAST GERMANY	Sugar factory**, 1955	7.9
USSR	Economic development loan, 1956 Loan for purchase of jeeps, 1957	108.0
SOVIET BLOC	Military aid credits, 1958	100.0 (EST)
		239.9

* UNDER CONSTRUCTION
** COMPLETED BUT NOT IN OPERATION

15 MAY 1958

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Both Czechoslovakia and Poland initiated programs to train Indonesian air force personnel in the operation and maintenance of bloc equipment. Other Indonesian personnel are to be trained in Indonesia by bloc officers. Some Czech military technicians are in Indonesia assembling aircraft purchased from the bloc and establishing maintenance programs

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up deliveries under an \$8,000,000 credit negotiated in February 1957 calling for the sale of 4,000 jeeps to Indonesia's armed forces and responded quickly to Indonesian government requests for military aid.

Economic Assistance

Sino-Soviet bloc economic aid--originally proposed for

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

the development of the Indonesian economy--now is being used to reduce the economic dislocations resulting from civil strife and the withdrawal of Dutch shipping. The \$100,000,000 Soviet economic development loan, signed in September 1956, in February this year was hurriedly ratified by the Indonesian Parliament. Shortly thereafter the USSR agreed to provide ships for Indonesia's interisland trade under this agreement. Ten vessels worth \$12,500,000 have already been delivered, and negotiations for additional vessels are reportedly under way. The USSR is also said to have offered to ease Indonesia's foreign exchange shortage by providing \$25,000,000 in cash under this loan.

Presumably a major share of the loan eventually will be used for the purposes stated in the agreement--resources surveys, industrial construction, machinery purchases, and the training of Indonesian technicians. No contracts for economic development projects have yet been signed, however.

Only two economic projects actually have been undertaken by the bloc. The East Germans have recently completed construction of an \$8,000,000 sugar mill started in 1956, and the Czechs are working on a small tire factory. Apart from the \$100,000,000 loan, additional small credits from the Soviet bloc have been offered. The USSR is reported to have granted a \$2,500,000 credit for the construction of a glass factory and to have offered to participate with Poland in furnishing road-building equipment under a \$15,000,000 credit. Czechoslovakia reportedly has agreed to provide \$5,000,000 worth of electric power equipment under a five-year credit.

Communist China in January of this year granted a \$20,000,000 loan to Indonesia. At the request of the Indonesians, more than half of it is being spent for foodstuffs and cloth, while the balance is to be used to purchase Chinese equipment and machinery for the construction of a textile mill.

Soviet bloc economic technicians in Indonesia were until recently limited to 90 East Germans engaged in building the sugar mill, 20 Czechs working on the tire plant, and a few Soviet economic specialists. Immediately following the departure of Dutch personnel from Indonesia in November 1957, the Sino-Soviet bloc indicated its willingness to supply a variety of personnel for the operation of airlines, shipping, and industries. At the present time Soviet merchant marine personnel are operating the Soviet vessels sold to Indonesia. Poland has sent 30 merchant marine personnel who apparently are, among other things, to assist in the training of Indonesian seamen.

Bloc aid will probably continue to be used to facilitate Indonesia's efforts to eradicate Dutch and other Western influence over economic activities, although the bloc eventually will support economic development programs. Maintenance of even the present low standards of living and eventual economic improvement are heavily dependent on external assistance, and this is a fundamental factor in the country's vulnerability to bloc aid offers.

Trade

Sino-Soviet bloc trade with Indonesia since the start of the bloc's economic drive

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

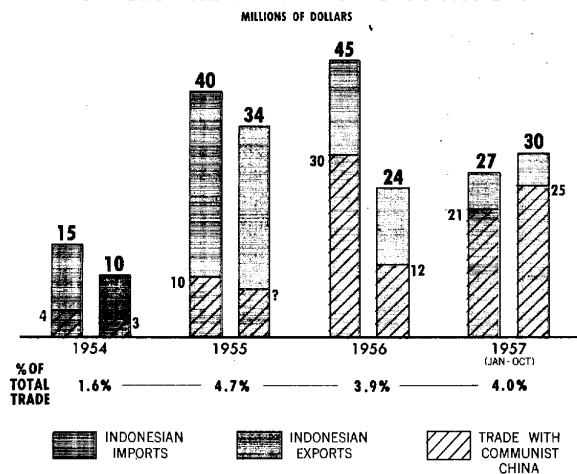
in Southeast Asia in 1954 has averaged about \$70,000,000 annually, less than 5 percent of Indonesia's present total trade. Communist China is Indonesia's chief trading partner in the bloc and now accounts for 80 percent of bloc trade with Indonesia.

Rubber is the chief bloc import from Indonesia, but bloc purchases account for only an insignificant part of Indonesia's total sales of this commodity. Over-all bloc exports to Indonesia did not, until 1957, exert much influence on the Indonesian market. Last year, however, China replaced Japan as Indonesia's chief source of cotton textiles and, by underpricing its competitors and offering other financial concessions, made major inroads in markets for light industrial goods.

As part of their campaign to expand trade, Communist countries are setting up commercial offices in Indonesia as adjuncts of their embassies and through the aid program will increase their exports to Indonesia. Indonesia's insistence last year that all trade--except that of Communist China--be placed on a cash rather than a clearing-account basis has had no perceptible effect

on trade. Since that time Indonesia has encouraged trade with the bloc and has pointed out to bloc commercial representatives the availability of a wide range of rare metals.

The USSR apparently is attempting to increase the im-

INDONESIAN TRADE WITH SINO-SOVIET BLOC

15 MAY 1958

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part of its rubber purchases by buying directly from Southeast Asia rather than through the central London market. It is unlikely, however, that the bloc will soon be able to establish itself as a major Indonesian trade partner. Total Sino-Soviet bloc rubber purchases from all suppliers in 1957, for instance, were equal to only one third of Indonesia's production.

(Prepared by ORR)

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Next 2 Page(s) In Document Denied

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25X1

15 May 1958



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POLITICAL DEVELOPMENTS ON TAIWAN

President Chiang Kai-shek during the past year has attempted to introduce some reforms in the Chinese Nationalist administration and to strengthen party discipline in the Kuomintang. Growing criticism of the government by the independent press, unusual for Taiwan, may in part have prompted Chiang's actions. The reforms may improve the political situation somewhat, although the regime's long-term problems will remain. Chiang's selection of Vice President Chen Cheng as deputy Kuomintang leader has increased the likelihood of an orderly succession if Chiang dies during Chen's tenure.

Reform Attempts

During the past year, Chiang Kai-shek has initiated efforts to streamline his administration and eliminate corruption. A committee of high government officials was established in March 1957 to examine each branch of the government and recommend within six months specific reform proposals, including the elimination of unnecessary offices in the administration. The chairman of the committee has studied the reports of the US Hoover Commission in order to embody American experience in the committee's proposals.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 May 1958

As a preliminary step, it was announced in February 1958 that a total of 12 offices in the national and provincial administrations would be abolished. If Chiang Kai-shek's interest in this project continues, further positive action will probably result. The Taipei press has speculated that as many as 100 offices ultimately will be eliminated.

A personnel shake-up probably will accompany the reforms. Chiang Kai-shek last December ordered an investigation of corruption in government economic agencies, and the recent dismissal of Finance Minister P. Y. Hsu suggests that Chiang is prepared to take strong action. There is no evidence that Hsu personally had engaged in illegal activity, but Chiang evidently decided to hold him responsible for the action of subordinates who profited from illegal foreign exchange transactions.

Party Discipline

Leaders of the ruling Kuomintang were distressed last fall by the number of individuals who dropped out of the party rather than accept disciplinary action. The seriousness of the breach in party discipline in the Legislative and Control Yuans was demonstrated last winter by the impeachment proceedings against Premier O. K. Yui. The Kuomintang members of the Control Yuan refused to obey instructions from Chiang, and several informed him to his face of their unwillingness to abandon the impeachment proceedings.

Chiang's subsequent efforts to restore party discipline are apparently meeting with some success. The administration has attempted to keep in closer touch with the party leaders in the two Yuans in order to make the members feel they are being brought into the

policy-making process. Also, a plan approved by the party's central standing committee calls for a 2-step program to restore discipline. First, all Kuomintang members of the Control and Legislative Yuans--some 90 percent of their combined total membership--will be asked to sign a pledge of loyalty to the party or be expelled. Second, a "policy committee" will be established, composed of members of the administration and the two Yuans, to maintain liaison with the central standing committee.

These measures probably will bring a short-term improvement in control. However, basic discontent will continue, generated by the feeling that the party's political principles are sterile and that its leadership is lacking in vitality.

Press Criticism

A greatly intensified wave of criticism in the independent press has built up over the past year. It dates from the 30 October 1956 edition of the liberal fortnightly magazine Free China, which was devoted entirely to criticism of the government. Although this was in response to a call by Chiang Kai-shek for "constructive criticism" of his administration, government leaders felt that the magazine exceeded the bounds of propriety. Since then, the publication has experienced difficulties in finding a publishing house willing to assume the risk of printing its editions.

Free China has continued its outspoken criticism, however, and in August 1957 took the unprecedented step of criticizing the goal of a "return to the mainland" as unrealistic in present circumstances. It suggested instead that the regime divert its attention from preparations for a counterattack to the internal problems of Taiwan. Other publications

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 May 1958

have followed in Free China's wake and have pushed critical comment well beyond pre-1957 levels.

This criticism poses little threat as yet to political stability, since there is no organized political opposition capable of exploiting it. Nevertheless, the government has become alarmed and has stirred up much opposition by submitting a press control bill allowing arbitrary suspension by local officials of any publication after due warning. The Legislative Yuan recently voted to debate this bill in secret, and it now appears likely that it will pass without major modification. If it does, a crackdown on the opposition press may occur. Such a move would injure the morale of liberal elements in Taiwan, and the causes of unrest would remain unchanged.

Succession Problem

Generalissimo Chiang Kai-shek's position as President of the country, leader of the armed forces, and head of the Kuomintang remains unchallenged. No liberal publication has yet dared to attack him personally.

He is believed to be in good health. His son, Chiang Ching-kuo, who is in a powerful position as head of the Nationalist security services, and Vice President Chen Cheng rank next in the hierarchy. A rising figure is the governor of Taiwan, General Chou Chih-jou.

The selection of Chen Cheng as deputy party leader last fall made him Chiang's heir apparent both as head of state and leader of the Kuomintang. This apparently has improved the prospects for an orderly succession when the generalissimo dies, although a struggle for power between Chen Cheng and Chiang Ching-kuo might subsequently develop.

Outlook

Reform efforts, combined with attempts to tighten party discipline, should result in a short-term improvement of the political situation, unless a crackdown on the press destroys whatever gains are made. Over the long run, however, it will be necessary for the Chiang administration to demonstrate a vitality and imagination now lacking if it expects to increase its popular support.

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KHRUSHCHEV ON SOVIET EDUCATION

Innovations in the organization and curricula of Soviet schools continue to be introduced as Soviet educators work to attain ten years of education for every child. Their task is complicated by the need to prepare within a single curriculum both those relatively few students who will go on to higher education and the vast majority who must enter the labor force directly. The avowed

aim is to train workers who, although academically well grounded, willingly undertake the "hot and dirty" jobs of Soviet industry and agriculture.

Khrushchev, in a speech to the 13th Komsomol Congress, called for "resolute reorganization of the educational system." He discussed frankly such social problems among Soviet young people as nepotism,

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

15 May 1958

distaste for manual labor and rural life, drunkenness, hooliganism, and lack of initiative. These and other problems related to youth have been under scrutiny for some time, and most of Khrushchev's educational proposals are already in the experimental stage in selected Soviet schools or are revivals of earlier policies. Khrushchev's speech, which has been published as a pamphlet for mass distribution, probably presages a campaign to speed up and extend existing programs, rather than a drastic reorganization of the system.

Khrushchev stated that Soviet higher educational insti-

There are some young people with the "passenger" mentality who want to receive everything ready made, like manna from heaven. If there is no paid manager of the club, the club is shut down. If there is no paid coach, it seems it is impossible to have sports.

* * *

I heard that in some places the organization of youth soirees begins with telephone calls to the militia: send along some militiamen, we want to organize a soiree for the youth. Are we really to take with us to Communism both the hooligan and the militiaman to catch him? No. Yet, how are we to eradicate hooliganism? The public and primarily the Komsomol should be the first to show up the loafers, hooligans, and drunkards and, without waiting for them to commit some offense or other, should take the necessary steps of prevention and education.

* * *

Some of our agricultural higher educational establishments have training farms, but workers look after the animals the student is supposed to study. With this system, the student, when he comes to a farm, is scared stiff when a cow shakes her head.

--Khrushchev's Speech at Komsomol Congress

tutions can admit only 450,000 students each year and that last year at least 700,000 secondary-school graduates did not go on to higher education. He said the majority of secondary-school graduates fail the entrance examinations for universities and institutes and at the same time "turn out to be untrained for practical life," "do not know production," and consider farm or factory labor beneath them and "a kind of insult." On the personal level, Khrushchev, the self-made man, revealed his antipathy for the "shameful" situation whereby many poorly prepared students gain university admittance

through "an influential father or mother."

Background

For 40 years the Soviet regime has been striving to establish an educational system which will produce citizens who excel in science, technology, and the arts but conform to the official political and social opinions. Khrushchev's remarks indicate that, despite notable successes, some problems remain unsolved. The conflict between the official ideal of a single ladder of education for all in a "classless society" and the varying capabilities of individual children in a complex industrial society is a basic problem for Soviet education.

After the revolution, the Soviet leadership launched a massive experiment in progressive education which was designed to correct the social "evils" of the tsarist regime by giving rigorous political indoctrination but allowing children to set their own pace and methods of study in academic subjects. Academic standards

sagged rapidly; the experiment was abandoned in the early 1930's, and the Soviet Union returned to a traditional "formal" educational system roughly comparable to European systems.

Since that time, the original design of a ten-year course which would eventually teach all children up to 17 years of age has been giving way to the demands of special-interest groups for schools particularly suited to their needs or their privileged status. Schools were established for children of military, railway, and party men, special professional schools such as ballet

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

schools, "general" secondary schools for the intellectually gifted, and schools of art and music. There also developed special educational devices for the less gifted and "problem" children: schools for the blind, deaf, and mentally retarded; homes for delinquents and orphans, which often incorporate schools; and the recently established boarding schools, which apparently give preference to children of widows and working parents and children from large families.

In addition, the Soviet educational system became crowded with trade schools operated by specific industries, single plants, and the labor reserves administration. "Specialized" secondary schools were also set up to give full-time technical training in the eighth to tenth years. Evening and correspondence divisions of schools and universities were also established.

Until a few years ago, the highest level reached by most Soviet students was seven years of education. At this point--or earlier in rural areas--the vast majority of Soviet youths ended their formal full-time education and went to the farm or factory as unskilled labor or to labor reserves schools, where they were taught a skill and then assigned a job. A smaller number went on to "specialized" secondary schools for three years to train as skilled laborers or to industrial technical schools for instruction as specialists. A small minority entered the "general" secondary schools, where they received three years of intensive academic preparation which virtually assured acceptance into a university or higher technical institute.

Universal Ten-Year Education

Because of the priorities for heavy industry in the 1930's

and postwar reconstruction, it was not until 1954 that a serious attempt was made to realize universal ten-year education. With it came the associated problems of overcrowded schools, pressure from some teachers and parents to lower academic standards, steadily growing numbers of applicants for higher educational institutions, and poor preparation of many ten-year school graduates for--as well as reluctance to accept--physical labor.

The campaign for "polytechnical" education, which resulted in an increased number of hours spent by every child in learning manual skills, was introduced to help solve these problems. But the need is not only for extension of the education of many students from four or seven years to ten, but also for the psychological adjustment of Soviet youth to the fact that satisfactory completion of the ten-year school course does not carry with it the traditional prerogative of immediate admittance to a university or higher technical institute.

Khrushchev's Recommendations

Khrushchev's solution to these problems apparently is to give all students a combination of manual and academic training from an early age without lowering academic standards and to inculcate in all youngsters a respect for labor as "sacred."

He particularly recommends increased "polytechnical" training and more and better evening and correspondence schools for working youth, so that every young worker can get secondary and higher specialized training after hours. He wants increased numbers of young people with previous work experience admitted to higher educational institutions, recommendations of trade unions and the Komsomol

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

as well as a good academic standing to be required for admission to higher schools, and the number of factory schools at which students divide their time between studies and factory work extended. He hopes to revive the now-defunct higher technical schools at factories and again permit them to grant engineering diplomas. In addition, he wants to transfer agricultural institutes from cities to rural areas, and to set up higher agricultural training centers at major state farms, or at least to establish model training farms for agricultural institutes.

The recent decision to transfer the ownership and operation of heavy agricultural machinery from the machine tractor stations to the collective farms has apparently resulted in heightened emphasis on the training of agricultural machinery technicians. The labor reserves administration has announced an increased enlistment of young people in its agricultural mechanization schools; over 28,000 youths now are being assigned to these schools by collective farms in the Ukraine alone.

Prospects

There are indications that experiments in school administration and teaching methods now being conducted on a limited scale, mostly by selected schools in the Russian Republic (RSFSR), point toward an ultimate goal of a twelve-year course of secondary education. During the coming academic year, half of the RSFSR secondary schools will be shifted to a study program which retains all the academic courses of the "general" ten-year school while assigning ninth- and tenth-year students to factory or farm

jobs three days a week and lengthening the course to twelve years.

This spring "general" secondary schools in Dnepropetrovsk Oblast in the Ukraine, which have been operating under this system during the present academic year, will award diplomas for production specialties-- such as milling machine operator, electric fitter, railwayman, tractor driver, and combine operator--in addition to the usual school certificate. In these schools, the study course has been extended from ten to eleven or twelve years.

This program will probably continue to expand and may make unnecessary the present policy of giving preference to university and institute applicants with two years' work experience. In time, twelve-year polytechnical schools may supplant the ten-year "general" and "specialized" schools.

There is apparently no intention of expanding universities and institutes to accommodate the increasing numbers of secondary-school graduates. Khrushchev indicated that the regime will probably try to reduce the role played by privilege in admissions to higher education and to systematize all the types of schools for youths of secondary-school age. This systematizing probably will not obviate continued differentiation among the various types of schools, but will more likely take the form of increased top-level party coordination, planning, and control of all secondary schools. The policy of early selection of bright students for further training, especially in the physical sciences, will probably continue. 25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

ANNEX**SINO-SOVIET BLOC ACTIVITIES IN ETHIOPIA**

1. General Bloc Policy: The Sino-Soviet bloc's major policy objectives in Ethiopia are to disrupt Western interests and reduce Ethiopia's political and economic ties with and technological dependence on the West and thus encourage the Ethiopian Government to adopt a policy of "neutralism." Moscow is currently seeking to expand cultural exchanges and commercial relations, and bloc countries have offered economic and technological assistance in developing the Ethiopian economy. Yugoslavia is also making a vigorous effort to expand its influence in Ethiopia through diplomatic and economic overtures.

2. Diplomatic Activity: In September 1956 the Soviet Union raised its diplomatic mission in Ethiopia, at present the fourth largest in Addis Ababa, from a legation to an embassy. It is staffed by some 40 highly qualified officials

In 1956, Czechoslovakia established a legation and a commercial mission which are staffed by 16 Czech nationals. Poland, Rumania, and Bulgaria also have diplomatic relations with Ethiopia, but are represented through their heads of mission in Cairo, who were accredited to Addis Ababa during 1957. Bulgaria has, in addition, a five-man commercial mission in Ethiopia. Hungary and East Germany do not have diplomatic relations with Ethiopia, but have sent visiting trade missions.

3. Economic Activity: Ethiopia's trade with the bloc

reached \$1,100,000 in 1956--about double that of 1955--and in the first half of 1957 was \$700,000, with a large overall increase for the year likely. In terms of total trade turnover, however, commerce with the bloc is negligible, accounting for less than 1 percent of Ethiopian foreign trade. Coffee sold to the USSR is the principal export to the bloc. Czechoslovakia supplies the bulk of Ethiopia's imports from the bloc, including cotton goods, metal products, and other consumer goods, and has spearheaded the bloc's economic activities in Ethiopia. In April 1956, Ethiopia concluded a trade agreement with Czechoslovakia--its only such agreement with a bloc country. Czechoslovakia, the USSR, and Bulgaria have made offers of assistance--including expansion of hospital facilities, a cement factory, and a meat-packing plant--but practically no results have been achieved to date.

4. Cultural and Propaganda Activity: The Soviet cultural exchange program last year involved visits to the USSR by four delegations from Ethiopia, representing youth, journalist, educator, and business groups, and one Eritrean youth delegation. Musical and theatrical groups from the USSR, Communist China, and Czechoslovakia have performed, and Soviet Red Crescent members and Soviet film industry officials have visited Ethiopia. During the past six months a Soviet movie company has been shooting color film in Ethiopia--probably a scenic travelogue.

5. The Soviet Union and Czechoslovakia have offered scholarships to Ethiopian students, but these apparently have not been used.

6. The principal outlet for bloc propaganda within

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

15 May 1958

Ethiopia is the Soviet information center in Addis Ababa. It distributes Soviet publications by mail to selected schools, government offices, and individuals; shows film and offers Russian language instruction twice weekly; and maintains a lending library and displays of life in the USSR. In November 1957, TASS accredited a permanent representative to Addis Ababa, and

free TASS wire service will be established in the near future.

7. Subversion: There is no Communist party in Ethiopia, although individual Communists, notably Italians in Eritrea and Greeks, Armenians, and particularly Yugoslavs in Addis Ababa, are attempting to influence government officials and urban workers. Communist agents are apparently interested in the Greater Somalia movement, including the Ethiopian aspect of the problem which concerns Somali claims to the province of Ogaden.

8. Soviet subversion activities are believed to be conducted through the Russian hospital in Addis Ababa, as well as the Soviet mission and information center. The hospital, built by Czarist Russia, is now staffed by 9 to 12 Soviet doctors, nurses, and administrators. The large number of Ethiopians employed by the hospital are subjected to Communist indoctrination, and, although no active attempts are made at propagandizing patients, all rooms are well stocked with Communist literature. Soviet Embassy officials meet with hospital personnel once a week, presumably to coordinate activities, and the hospital is apparently used as a contact point for meetings between Soviet personnel and agents engaged in subversive activity.

9. Ethiopian Reaction to Bloc Activities: Emperor Haile Selassie is apparently aware of the threat posed by the bloc's activities

Communist has made no significant gains thus far in attracting the small educated elite of Ethiopia, and it has had practically no impact on the vast majority of Ethiopians.

10. Outlook: It is unlikely that Moscow will make much progress in moving toward its general policy objectives in Ethiopia as long as Haile Selassie continues in power. The success of bloc economic overtures to Ethiopia depends to a considerable extent on sales of Ethiopian coffee, the single largest item of export, and the ability of the West to satisfy Ethiopia's minimal demands for economic and military assistance.

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