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CURRENT INTELLIGENCE WEEKLY SUMMARY



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~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

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

PART I
OF IMMEDIATE INTEREST

DE GAULLE'S PROBLEMS Page 1

General de Gaulle faces increasing criticism, both from extreme rightists and from the French Communist party, which may resort to other than legal methods of opposition. Algeria is his most urgent problem and it is not yet clear that his rebuke to the all-Algeria Public Safety Committee has brought extreme rightist agitation under control. De Gaulle appears, however, to have narrowed the rift between Algeria and the metropole. Although still determined to fight on for independence, Moslem nationalist rebel leaders are apparently fearful of the possible effects of the French integration offer on the Moslem masses and on the rebels' international position. Meanwhile, Tunisia has accepted "substantially all" of France's proposals to evacuate the 9,000 French troops outside Bizerte in four months, but has balked at giving written assurances that Bizerte will remain at the disposal of French forces. [redacted]

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LEBANESE SITUATION Page 4

The rebel forces appear to be stepping up their efforts in anticipation of establishment of the UN observation group. In Lebanon the political lines have hardened and the domestic economic situation is deteriorating steadily. [redacted]

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TURKEY CONSIDERING SOVIET ECONOMIC HELP Page 5

[redacted]

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Turkey has urgently requested Western economic aid but is impatient over the length of time required for surveys, such as the one about to get under way by the OEEC and IMF. [redacted]

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INDONESIA Page 6

The government's military campaign against North Celebes has increased in intensity during the past week, and the encirclement of the dissident capital of Manado appears to be progressing rapidly. Although discussion

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

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

PART I (continued)

of a cabinet reshuffle is continuing, a high Indonesian official has told the American ambassador not to expect any changes before the end of June.

[redacted]

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PART II

NOTES AND COMMENTS

SOVIET NUCLEAR POWER PROGRAM DELAYED Page 1

As a result of difficulties in carrying out its nuclear power program, the USSR will probably be able to complete only one third to one half of its original announced goal by the end of 1960. Nevertheless, with an installed capacity in stations designed for power production of about 700 electrical megawatts, plus at least 200 electrical megawatts derived from plutonium production reactors, the USSR will probably rank first in the world in installed capacity by the end of 1960.

[redacted]

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SOVIET INTEREST IN WESTERN PLANTS AND EQUIPMENT Page 2

Soviet interest in purchasing machinery and equipment in Western markets was given renewed publicity by the Soviet announcement last month of new plans for expansion of the USSR's chemical industry, and by Khrushchev's trade proposal to the United States last week. The USSR has been seriously negotiating for Western plants and equipment since mid-1957. Declarations that current Soviet requirements could result in an expansion of trade with the United States alone to several billions of dollars in the next few years, however, overstate Soviet trade capabilities in commodities desired by the United States.

[redacted]

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INSTRUCTIONS ON RELATIONS BETWEEN SOVIET ARMY AND PARTY REVISED Page 4

The "Instructions to Party Organizations in the Soviet Army and Navy" issued in 1957 have been revised, according to recent articles in Red Star and Soviet Fleet. The original instructions were intended to define the extent of party control of military affairs, but recent evidence indicates that the new instructions have not resolved the differences between military officers and party cadres in the armed forces. The revisions seem intended to outline more clearly the rights and privileges of the military commanders vis-a-vis the party.

[redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

PART II (continued)

SOVIET COMPOSERS OFFICIALLY CLEARED Page 5

A decree of the Soviet party central committee of 28 May officially clears Dmitri Shostakovich, Aram Khatchaturian, the late Sergei Prokofiev, and other leading Soviet composers of the stigma attached to their names during the Stalin era. The new decree, which attributes much of the blame to Molotov, Malenkov, and Beria, is probably designed to serve several purposes: to confirm Khrushchev's cultural policy of "comradely persuasion" of erring artists, to facilitate the planned exchange of composers with the United States, and to discredit Malenkov and Molotov in yet another sphere. [redacted]

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YURY ANDROPOV, SOVIET ADVISER ON BLOC POLICY Page 6

Recent activities of Yury Andropov, Soviet ambassador to Hungary at the time of the Hungarian revolt in October-November 1956, suggest that he may have increased influence on Soviet policy toward the bloc. He is now head of the Soviet party central committee's department dealing with bloc party affairs. [redacted]

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CHURCH-STATE TENSIONS INCREASE IN POLAND Page 7

Tensions between the church and the government in Poland, which have long smoldered beneath the surface, are now being discussed in the press. If the conflict is intensified, popular opinion will almost certainly rally to the church, thereby further reducing party First Secretary Gomulka's popularity. Gomulka and the Polish primate, Stefan Cardinal Wyszynski, met for the first time on 7 January 1958 in a ten-hour discussion. Wyszynski's major demands were rejected by Gomulka, and the regime will probably not grant more than the minor concessions already made. [redacted]

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YUGOSLAVS TAKE PRECAUTIONARY MEASURES AGAINST PRO-COMINFORMISTS Page 8

The reported arrests in Yugoslavia of Soviet sympathizers are probably precautionary in nature and not indicative of a substantial active opposition to Tito. Belgrade is determined to forestall any Soviet intrigues with dissident Yugoslavs similar to those which developed following the 1948 break. The arrests will serve to warn Moscow that the Yugoslav Government is prepared to move against any activity directed at the Yugoslav party, as well as a warning to any Yugoslav Communists who may be wavering in the present dispute with Moscow. [redacted]

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SECRET

iii

THE WEEK IN BRIEF

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

PART II (continued)

THE BLOC AND THE WORLD COTTON MARKET Page 9

The Sino-Soviet bloc's imports of raw cotton from underdeveloped countries have increased about 40 percent since 1955. Egypt is its main source, supplying approximately 70 percent of the 216,000 tons imported in 1957. Syria, which first supplied cotton to the bloc in 1956, is now the second most important supplier, accounting for a little over 10 percent of the bloc's imports last year. Since 1955, bloc imports of cotton from Egypt and Syria have almost doubled, while imports from Pakistan and Brazil have decreased appreciably. The USSR remains a net exporter of raw cotton. [redacted]

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CYPRUS Page 10

Long-feared communal clashes between Greek and Turkish Cypriots have continued following the explosion of a bomb near the Turkish Information Center in Nicosia on 7 June. Rioting has spread throughout the island, and several deaths and scores of injuries have been reported. The government has banned processions and public gatherings, imposed curfews in all major towns, and called on Turkish- and Greek-Cypriot leaders to restrain their followers. Meanwhile, London has presented its new proposals for Cyprus in Athens and Ankara and plans to announce them in Parliament on 17 June. [redacted]

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BRITISH-ICELANDIC FISHING DISPUTE WIDENS Page 11

The British-Icelandic dispute over territorial fishing limits continues to generate difficulties for the Western alliance. Iceland's insistence on unilaterally declaring control over fishing rights to a 12-mile limit is stimulating similar claims from Norway and Denmark's Faeroe Islands. The USSR has announced its support for Iceland's position, and pressures are increasing on the Macmillan government to take a tough line toward Iceland. [redacted]

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CORRUPTION CASE SHAKING AUSTRIA'S COALITION GOVERNMENT . . Page 12

The current investigation of a widely publicized corruption case involving prominent Austrian political and banking officials may undermine the coalition which has given Austria a stable government for almost 13 years. Relations between coalition leaders are already considerably strained, and further revelations could result in a government crisis. [redacted]

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

PART II (continued)

PAKISTAN AND AFGHANISTAN NEGOTIATE TRANSIT AGREEMENT . . . Page 13

Pakistan and Afghanistan on 30 May reached agreement on a ten-year transit agreement which probably will result in routing increased Afghan trade through Pakistan and an improvement in the political climate between the two countries. Although Afghan officials have stated that the transit agreement will not be ratified until chronic disputes over trucking rights are settled and American financing for extension of a railroad from Pakistan to Torkham in northern Afghanistan is assured, the advantages to Afghanistan indicate the likelihood of ratification in the near future.

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CEYLON Page 14

The Ceylonese Government has taken a decisive step in the Tamil-Singhalese linguistic crisis by informally extending the emergency powers invoked on 27 May and by cracking down on leaders of the Tamil-speaking minority. Peace has been restored to the island, but special security forces are stationed in Tamil-dominated areas. The Tamils probably will submit for the present, but their bitterness will remain and renewed agitation is likely in the future.

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BURMA Page 15

Premier Nu's narrow victory in the parliamentary no-confidence vote, in which he relied heavily on Communist-front support, foreshadows an unstable government and an increase in Communist strength in Burma. Burmese leaders speculate that Nu may negotiate a settlement with insurgent Communists, granting them status as a legal political party. Should this occur and the split among non-Communists continue, the Communists and their followers will probably make major gains in Parliament in the projected October elections.

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OKINAWAN DELEGATION TO VISIT US Page 16

The chief executive of the Ryukyu Islands, Jugo Thoma, and a government delegation will begin negotiations in Washington on 25 June requesting a revision of the American land acquisition policy, proposing an expansion--with further American aid--of the economic development program in the islands, and probably seeking a ban on nuclear weapons on Okinawa. Thoma believes political agitation for the immediate reversion of Okinawa to Japan will subside if the United States is able to solve the land problem and aid the development program.

25X1

SECRET

v

THE WEEK IN BRIEF

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

PART II (continued)

VENEZUELA'S COMMUNIST PARTY IMPROVES POSITION Page 17

The Venezuelan Communist party has improved its position during 1958. Two top Venezuelan Communists now claim that three of the 13 Venezuelan cabinet ministers are dues-paying Communists and that the party has close contacts with two others. Aided by its dominant influence among newspapermen, it has achieved at least temporary legal status, an extraordinarily friendly climate of opinion, and elected a sympathizer as head of the Chambers of Commerce. The three non-Communist parties, however, have recently shown signs of turning against the party.

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CONTINUING POLITICAL UNREST IN PANAMA Page 17

Important cabinet changes and substantial concessions to student demands made by President de la Guardia following the recent riots in Panama will not solve the dissatisfactions which caused the outbreaks, and political tensions will continue. De la Guardia, who has cooperated with the United States during his 20 months in office, still faces opposition from many quarters, and some of these opposition elements will not hesitate to stir up anti-US feeling in a possible attempt to oust the President.

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PART III

PATTERNS AND PERSPECTIVES

DE GAULLE AND THE FRENCH UNION Page 1

While an Algerian settlement is Premier de Gaulle's most pressing problem, he seems to envisage changes in the status of all French territory overseas, mainly by establishing a federal relationship with France. Within the past year or two, the French Parliament has shown some readiness for constitutional reform in the territories of tropical Africa.

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AFGHAN PRIME MINISTER DAUD TO VISIT THE US Page 4

Afghanistan's Prime Minister Prince Daud, whose visit to the United States is to begin on 23 June, is attempting to modernize his country while maintaining an independent and stable government. He will probably continue his efforts to secure aid from both the Soviet bloc and the free world in the belief that such assistance can be accepted without jeopardizing Afghan independence.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

PART III (continued)

OUTLOOK FOR INDIA'S SECOND FIVE-YEAR PLAN Page 7

India, after encountering serious economic difficulties during the second year of its Second Five-Year Plan (1956-61), now faces its gravest financial crisis. A drought, a severe setback in the textile industry, and failure to obtain the financial resources needed to fulfill the plan indicate that not even its principal targets will be fully met. The government's inability to reach the goals on which it has staked its future, combined with the political deterioration of the Congress party organization, could result in increased acceptance of the Communists' claim that a democratic system cannot bring about rapid, sustained economic growth in an underdeveloped country. [redacted]

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CZECHOSLOVAKIA TODAY: ACHIEVEMENTS AND PROSPECTS Page 11

Czechoslovakia, the "model satellite," has achieved a political and economic stability unequalled in Eastern Europe. The party, headed by Antonin Novotny, Moscow's chosen lieutenant, continues to display a united front. Although rumblings of popular discontent, stemming from mass dislocations of administrative workers and repressive policies in agriculture, are reported throughout the country, party leaders have not been openly opposed, in part because the population has long been stable and cautious and the living standard is relatively high. [redacted]

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SECRET

vii

THE WEEK IN BRIEF

CONFIDENTIAL~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

PART I

OF IMMEDIATE INTEREST

DE GAULLE'S PROBLEMS

Premier de Gaulle's most urgent problem is still Algeria, and it is not yet clear whether his rebuke to the all-Algeria Public Safety Committee will succeed in quieting extreme rightist agitation for a complete "change of regime" in France. The French Communist party also appears to have received Moscow's approval of its sharp criticism of De Gaulle and may resort to other than legal methods of opposition, especially if the government imposes new austerity controls on labor. Meanwhile, De Gaulle has completed his cabinet and is turning his attention to such major issues as disarmament proposals, constitutional reform, and economic retrenchment.

The new French cabinet, combining party representatives and nonpolitical experts, has essentially advisory duties. De Gaulle is expected to keep defense and foreign policy decisions in his own hands but to delegate economic policy planning to Foreign Minister Pinay. De Gaulle's radio address scheduled for 13 June will probably set forth the broad outlines of his program.

During the summer, the new premier will meet with Secretary Dulles and the heads of government of the major Western allies. Speculation about the possibility of a De Gaulle-Khrushchev meeting has increased since the 11 June announcement that France is preparing to put forth its own proposal for "real, complete, and controlled" disarmament.

The referendum date on the revised constitution has been announced as 5 October, leaving economic policy as the most immediate problem to be faced on the domestic front. Pinay plans to propose a drastic reduction of government expenditures, including the removal of subsidies and special privileges, a tight credit policy, and floating of a large bond issue tied to the price of gold. Such a program seems designed to reassure labor as to the equal sharing of the economic austerity burden, but it will meet with strong opposition from agricultural and industrial interests if it threatens to reduce their subsidies sharply.

The French Communist party now appears to have received Moscow's approval of its criticism of De Gaulle and his "illegal" method of coming to power. The Communists leaders, who have thus far confined themselves mostly to overt opposition, at least partially because of reported rank-and-file apathy, are reported preparing for underground activity. They can be expected to try to exploit the austerity aspects of his program in an effort to rally broad anti-Gaullist opposition. Recent gestures by De Gaulle to cultivate and reassure the non-Communist labor organizations, however, may further isolate the Communists and undercut their hopes of reconstructing a popular front movement.

Algeria

In Algeria, which remains De Gaulle's most urgent problem,

CONFIDENTIAL~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

the premier appears to have narrowed appreciably the rift which had developed between Algeria and metropolitan France following the 13 May take-over. Junta military and civilian extremists have continued, both during and since De Gaulle's 4-6 June visit to Algeria, to exert strong pressures aimed at influencing the general's still largely undefined Algerian policy and promoting further changes--apparently in an authoritarian direction--in Paris. So far, however, the premier has succeeded in steering a moderate and independent course which has avoided any fundamental concessions to the extremists and re-established much of the Paris government's authority.

A cardinal objective of De Gaulle's approach has been the complete subordination of the military to his directives and their gradual removal from the political role they recently assumed. Simultaneously, however, he has lavished praise on the army's conduct in the recent crisis and indicated--by appointing General Salan his delegate-general for Algeria and confirming Salan's supreme civil as well as military authority--his determination to rely, at least for the present, primarily on the army for the administration of the area.

Contrary to the impression recently given by Salan, however, De Gaulle reportedly intends eventually to reinstall a civilian administration responsible to civilian ministers. Military personnel have not yet been ordered to disengage themselves completely from the network of extralegal public safety committees throughout Algeria, but De Gaulle's prompt chastisement of General Salan on 11 June for

forwarding an "insulting" resolution prepared by the all-Algeria committee, which is still co-chaired by General Massu, suggests such an order may be forthcoming soon.

While avoiding, at least for the time being, direct suppression of the committees, De Gaulle is endeavoring to confine them to propaganda activities on behalf of the much-publicized Moslem-European "reconciliation" campaign and, especially, to override their revolutionary claim to a governing role in Algeria. This claim is formally founded on a statutory declaration, signed by Salan prior to De Gaulle's investiture, which established the all-Algeria committee as the repository of "popular sovereignty" and conceded to that body the capacity to "participate actively in the elaboration of decisions."

The committee's 10 June criticism of the De Gaulle government's original intention to hold municipal elections in Algeria "in about a month" and call for a "real" public safety government in Paris demonstrated the continuing assertiveness of the rightists, including some military elements. There are, however, increasing indications--especially since De Gaulle's prompt and firmly unfavorable reaction to the committee's resolution--of differences within the junta over future action, and the premier now appears to be progressively reducing and isolating the most radical of the extremists. Already it seems probable that in any ultimate showdown these elements would have little, if any, overt support from even their closest military collaborations. The process may yet take some time, however, as the committees have

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

still to be physically evicted from the offices they appropriated in the principal government buildings throughout Algeria, and there will have to be a gradual "weeding out" of the principal troublemakers.

FLN Stand

Leaders of the Algerian National Liberation Front (FLN), who have recently reaffirmed their long-standing demand for "unconditional recognition of Algeria's independence," are endeavoring to counter any possible adverse effects on their domestic and international positions resulting from De Gaulle's offer of equality to Algerian Moslems.

it could accept "substantially all" of France's proposals of 8 June, which included an offer to withdraw within four months the 9,000 French troops located outside Bizerte. Holding firmly to the substance of the 15 March good offices proposals, Tunis balked at giving written assurances that Bizerte will remain at the disposal of French forces and proposed instead to give France a letter binding itself to start negotiations for a "provisional regime" at Bizerte prior to 1 October.

The Tunisians went beyond the good offices proposals, however, in being willing to grant freedom of movement for French troops at Bizerte when evacuation starts rather than on its completion. The French chargé in Tunis has strongly recommended that the Tunisian counterproposal be accepted without delay as the maximum likely to be obtained. Nevertheless, as of 10 June it was reported that Paris considered the Tunisian counterproposal as "too vague" and probably would not accept it.

The Tunisian foreign secretary has appealed to the American ambassador that the United States and Britain not shirk the responsibilities undertaken by their good offices mission. He intimated that only by supplying Tunisia with much-needed arms could the West dispel the popular belief that Bourguiba's pro-West policy is not worthwhile. At the same time, Tunisia has approached Iraq and possibly Cairo for small arms and ammunition.

Tunisia

In Tunisia, the Bourguiba government has indicated that

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CURRENT INTELLIGENCE WEEKLY SUMMARY

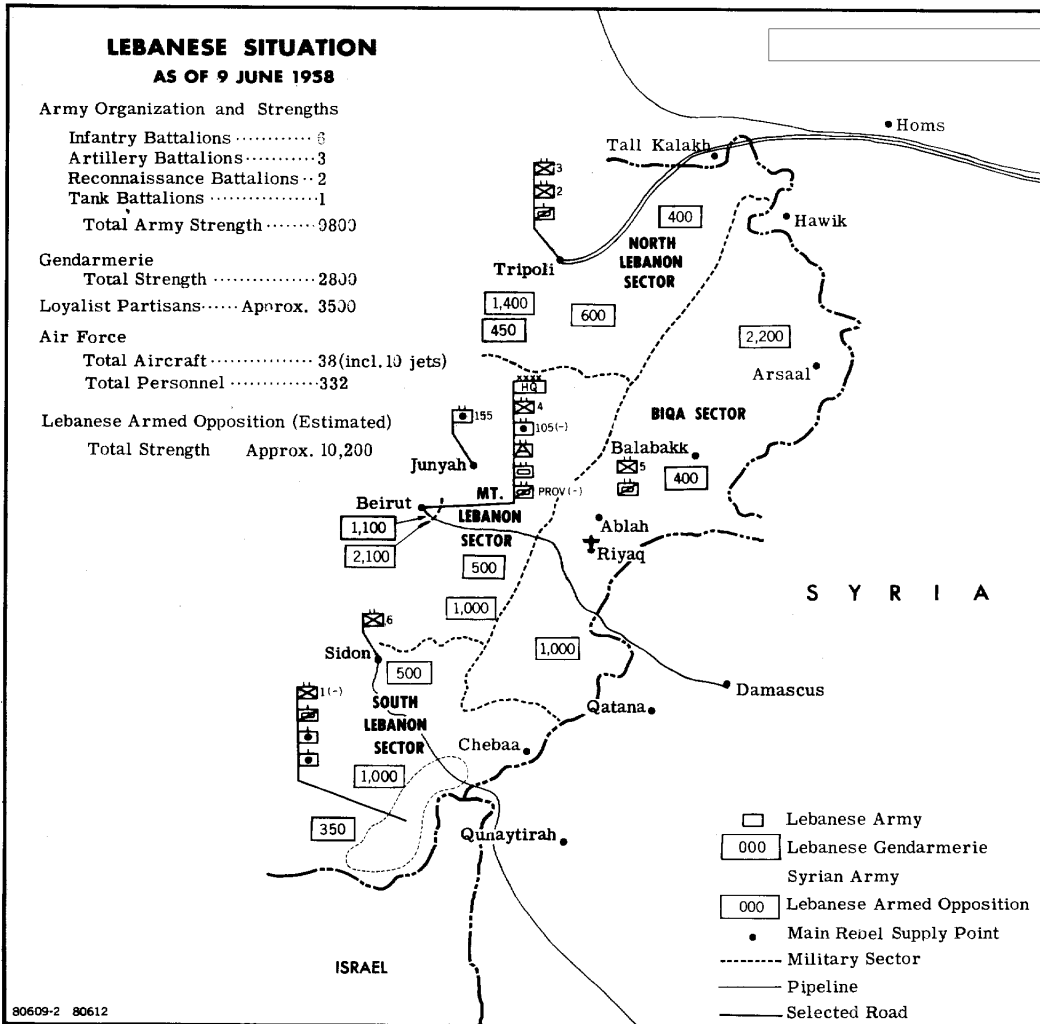
12 June 1958

LEBANESE SITUATION

The United Nations Security Council action in establishing an observation group to go to Lebanon has placed pressure on both the government and the rebels to establish the best possible political and military positions for themselves before the UN group can begin to function. The rebels, who this week appeared to be making some sig-

nificant gains despite government air action against them, probably hope to link up their operations and, possibly, provide a base on which a "free Lebanon" government might plausibly be established.

A drive launched on 10 June by a band of several hundred rebel Druze to cut the Beirut-



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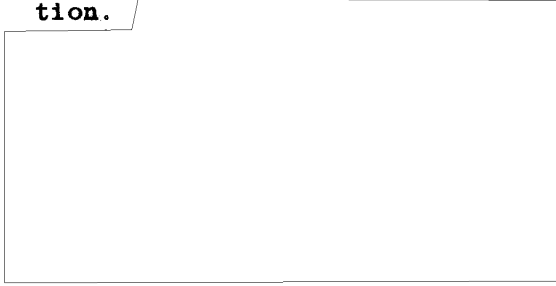
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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

Damascus highway appeared aimed at isolating the Biqa Valley from the government-held Beirut-Mount Lebanon area.

Concern over possible further deterioration in the military situation, together with signs of increasing anarchy in the countryside, has led moderate Lebanese to the conclusion that only intervention--military or political--from outside the country can redeem the situation.

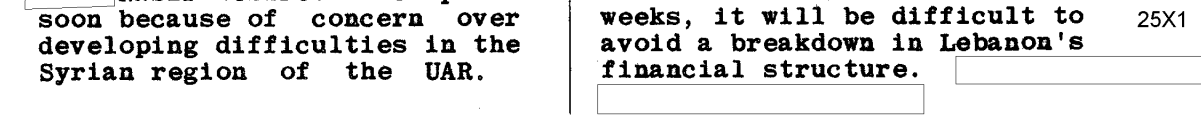


Political lines remained hard in Lebanon this week, in large part because the various elements were awaiting the outcome of the UN debate.

Nasir desires a "compromise" soon because of concern over developing difficulties in the Syrian region of the UAR.

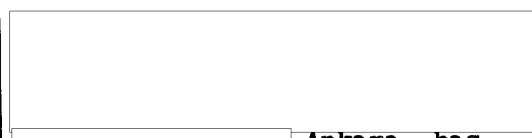
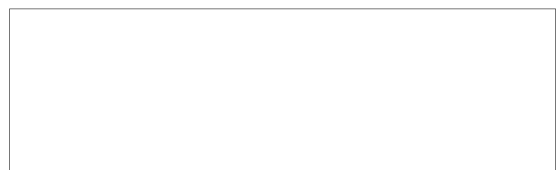
While there apparently are some political problems there--particularly the long-standing irritation caused by Arab Socialist leader Hawrani's independent attitude--and some friction between military officers from the two regions, they do not seem sufficiently serious in themselves to lead Nasir to back out of the Lebanese imbroglio.

Economic pressure within Lebanon for an early settlement continues to grow. The amount of capital which has been sent out of the country is estimated at about \$50,000,000; normal trade channels have been closed because of the fighting; and while factories in the Beirut area have been kept open, employers reportedly will have to cease paying the nearly idle workers within two weeks. Since much of the transit shipment of goods from the port of Beirut to Syria, Jordan, and Iraq has stopped, the port's warehouse space is filling and can receive cargo at present rates only until the end of June. Observers fear that unless the economy returns to near-normal conditions within the next few weeks, it will be difficult to avoid a breakdown in Lebanon's financial structure.



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TURKEY CONSIDERING SOVIET ECONOMIC HELP



Ankara has

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

apparently eased controls on barter arrangements with the bloc countries in an effort to ease domestic commodity shortages.

The Turkish Government is determined to find some immediate relief from the country's economic problems. It prefers to get assistance from the West, especially the United States and West Germany, [redacted]

[redacted] If Western aid is not forthcoming, Turkey would be strongly tempted to turn to the USSR. The Soviet Government probably considers that conclusion of a major economic assistance agreement with strongly pro-West Turkey would undermine opposi-

tion to similar agreements in less developed countries.

Turkish leaders profess their continuing distrust of the USSR, reaffirm their loyalty to the West, and insist they know how far they can safely go in accepting Soviet economic assistance. They are probably overconfident in their ability to deal with the USSR, however.

Ankara has urgently requested Western economic aid and is impatient at the delay required for surveys, such as the one about to get under way by the IMF and OEEC. Economic survey teams representing these organizations are due to arrive in Ankara in mid-June. [redacted]

INDONESIA

Government operations against North Celebes and particularly the area surrounding the dissident capital of Manado have increased in intensity during the past week, and the encirclement of Manado is progressing. Djakarta on 9 June landed troops at Bitung, an important port approximately 35 miles by road from the dissident capital. Indonesian Army communiqués state that the government has taken an airfield 80 miles west of Manado, and that key offshore islands in the Manado-Bitung area have been occupied.

Information Ministry announcements from Djakarta claim

that government forces, with the aid of loyalist guerrillas, have occupied eight small towns in the three major areas of troop activity--around Bitung, Gorontalo, and Poso. The air force has been reported active since 8 June in the Manado area against airfields, dissident shipping, army barracks, and other military targets. Three government corvettes shelled the dissident capital on 8 June.

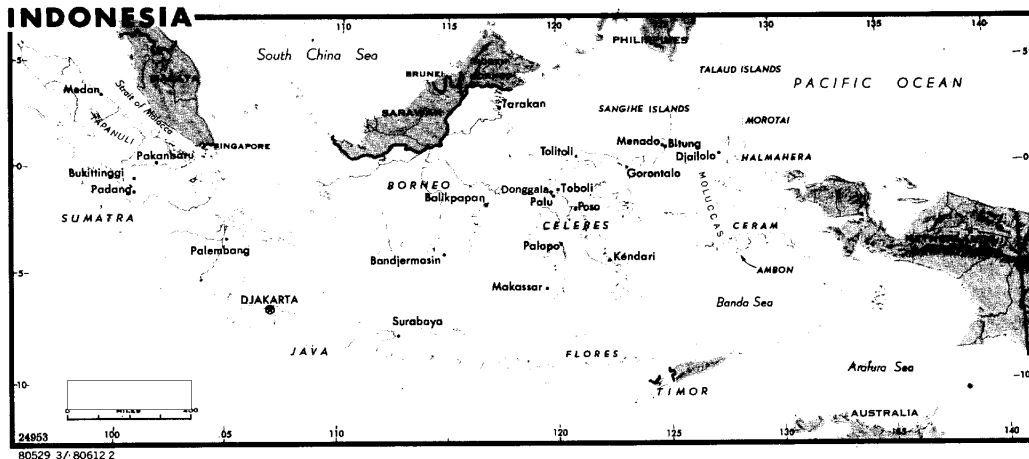
Although discussions on a cabinet reshuffle apparently are continuing, Abdulgani, the vice chairman of the National Council, told the American ambassador it was doubtful anything would be done before the end of June.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958



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11 June and apparently will be turned over to the Indonesian Navy.

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Two small Soviet tankers arrived in Djakarta on 10 and

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SECRET

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CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

PART II

NOTES AND COMMENTS

SOVIET NUCLEAR POWER PROGRAM DELAYED

Although the Soviet Five-Year Plan (1956-1960) called for the construction of nuclear power stations with an installed capacity of 2,000-2,500 electrical megawatts (EMW) by the end of 1960, present indications are that the installed capacity of stations specifically designed for power production will not exceed 700 EMW by that time. At least 200 EMW of generating capacity, based on the use of heat from plutonium production reactors, will also be installed. In spite of its failure to achieve its goals, the USSR, with a total of at least 900 EMW, will probably be first in the world in terms of nuclear power plant capacity.

Analysis of papers prepared by the Belgrade World Power Conference and the Soviet reply to a UN questionnaire on peaceful uses of atomic power led by July 1957 to the conclusion that the installed capacity of nuclear electric-power stations by the end of 1960 would amount to about 1,400 EMW.

Subsequent information

has led to a new, lower estimate. In November 1957 a representative of the Main Administration for the Construction of Atomic Power Stations, under the USSR Ministry of Electric Stations, writing about the current program, mentioned only one large nuclear power station, of 420 EMW capacity and two reactors, which will begin generating power in 1960. The description of this station coincides with the pressurized-water reactor station which a Soviet official at the Belgrade World Power Conference said was under construction.

A second large nuclear power station with two 100-EMW graphite-moderated reactors has been

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under construction. In the earlier estimates, this station was expected to have a capacity of 400 EMW by 1960. Re-design of the reactors has, however, limited progress, and it is now estimated that only one reactor with a capacity of 100 EMW will be completed by the end of 1960.

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In the absence of contrary evidence, it is assumed that the four smaller experimental reactors included in the Sixth Five-Year Plan, with a combined capacity of 175 EMW, will be completed by 1960. The total capacity of the reactors designed for power production would therefore approach 700 EMW.

In addition to the foregoing reactors publicly announced as specifically designed for power production, it is reported that two reactors now under construction at a major atomic production center at Tomsk will have an associated electric-generator system with a capacity of about 200 EMW and are expected to be in operation well before the end of 1960. From their location, these are believed to be plutonium production reactors, the heat from which will be used to generate electricity. This use of heat from plutonium production reactors is in accordance with remarks made by Academician I. V. Kurchatov in 1956 at Harwell. There is no indication, however, that such power was included in the original 1960 goals for atomic power stations.

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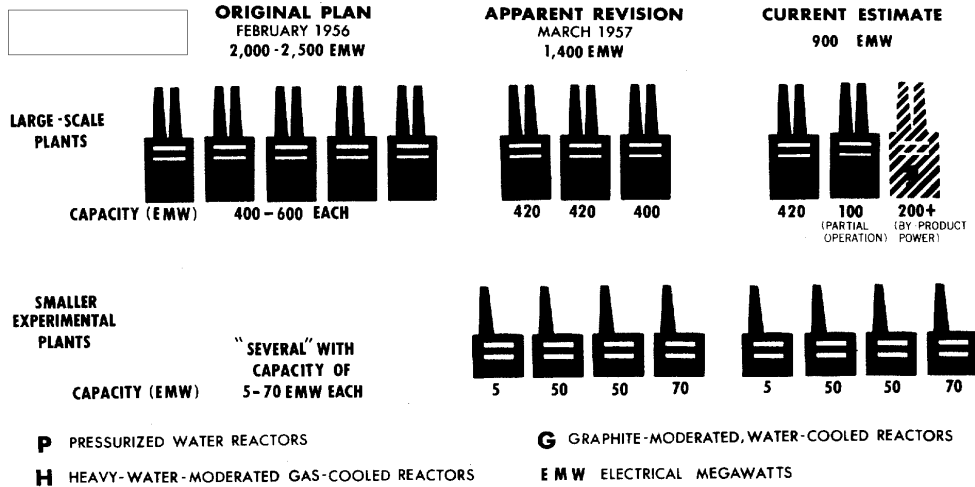
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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

SOVIET NUCLEAR POWER PROGRAM

(TO BE COMPLETED BY THE END OF 1960)

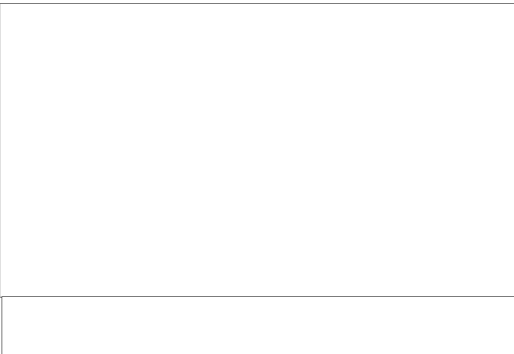


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12 JUNE 1958

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This decrease in the amount of nuclear generating capacity to be installed through 1960 indicates that the USSR was overly optimistic with regard to its ability to solve quickly the technical problems associated with the construction of large-scale power reactors.



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SOVIET INTEREST IN WESTERN PLANTS AND EQUIPMENT

Soviet interest in purchasing machinery and equipment in Western markets was given renewed publicity by the Soviet announcement last month of new plans for expansion of the USSR's chemical industry, and by Khrushchev's trade proposal to the United States last week.

The USSR has been seriously negotiating for Western

plants and equipment since mid-1957, when a contract was signed for a \$28,000,000 British tire plant. In the last two weeks the USSR has ordered in Western Europe about \$30,000,000 worth of synthetic fiber and cement plants. A French firm is to supply materials and construct the "world's largest cement plant" in the USSR worth \$14,000,000. Krupp of West Germany

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

has just secured contracts to deliver \$12,500,000 worth of machinery to produce synthetic fibers and may conclude additional contracts for cement plants among other things.

A British company expects to conclude negotiations this week for at least one, and perhaps three, large synthetic fiber plants and a cellophane factory using "maximum automation," as requested by the USSR. Requests from American firms for export licenses suggest a recent increase in Soviet interest in US machinery, plant equipment, and technical know-how as well.

The USSR is also negotiating in Western Europe for food-processing machinery, equipment for the production of plywood and plastics, and several other types of chemical and synthetic plants. In addition, the USSR renewed last month its invitation to a Swedish firm to submit a bid on a major 1,900-mile oil pipeline system, the cost of which is estimated at more than \$300,000,000. Late in 1957 an American firm was approached by Soviet representatives interested in acquiring specialized iron ore mining and processing equipment which could cost up to \$1 billion.

Soviet inquiries to the United States largely concern machinery and technical data to produce synthetic fibers, but requests for export licenses also indicate that negotiations have occurred in regard to refrigeration equipment and metal and raw materials processing machinery. Export requests for the delivery of US machinery and plant equipment to the USSR reached \$13,500,000 by early June, compared with only \$3,700,-

000 in 1957 and \$6,000,000 in 1956. The American equipment for which the USSR has negotiated this year includes \$7,500,000 worth of plants and technical data to produce synthetic fibers, and over \$5,000,000 worth of machinery to process metals. In addition, an application was approved in principle in March for an export license for two very large gold dredges valued at \$12,000,000.

The wide publicity given to the USSR's plans for raising living standards and its efforts to purchase equipment in the West suggests that while political motivation still ranks high, these activities are not a repetition of the abortive negotiations with Britain in 1954. At that time large orders for British plant equipment--including textile, agricultural, and power generating machinery, and machine tools and television equipment--were placed but subsequently canceled.

It is unlikely, however, that the USSR seriously expects the United States Government to grant it short- and long-term trade credits to support a large expansion of trade as suggested in the Khrushchev note. Furthermore, the USSR's declarations that its trade with Britain could soon reach \$550,000,000 a year and that Soviet-US trade could total "several billion dollars in the next few years" overstate Soviet trade capabilities. Khrushchev has stated that the USSR is willing to use gold to support an increase in trade. However, the USSR's foreign trade and its commitments in East Europe already require large gold sales, which amounted to \$300,000,000 last year. [redacted]

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

INSTRUCTIONS ON RELATIONS BETWEEN SOVIET ARMY AND PARTY REVISED

The "Instructions to Party Organizations in the Soviet Army and Navy" issued in 1957 have been somewhat revised, according to recent articles in Red Star and Soviet Fleet. The original instructions were intended to define the extent of party control of military affairs, but recent evidence indicates that their application, presumably resulting from misinterpretation of Zhukov's ouster, led to considerable confusion. The revisions seem intended to outline more clearly the rights and privileges of the military commanders vis-a-vis the party.

The problem of party control versus military authority is one which has always plagued the Soviet Army. The introduction and then abolition of political commissars, the creation of deputy commanders for political affairs at all levels of the armed forces, the removal of the latter from company level and below are some of the devices which have been tried and found wanting. The original instructions, which apparently attempt to draw a line of demarcation between party and military authority, were interpreted as a sign of the ascendancy of the military, personified by Marshal Georgy K. Zhukov.

After the purge of Zhukov in October 1957, however, the tempo of party activity among the military increased, with stress placed on those elements in the instructions which increased party control in the armed forces. Criticism of lax party training began to appear in the press, and military training schedules were revised to provide more time for political work. Local party committees were encouraged to pay a more active part in military

affairs, and greater prominence was given in the military districts to the military councils on which the ranking civilian party official is believed to sit.

Since Zhukov's ouster, the heads of the chief political directorates in at least half of the 18 military districts and in three of the four naval districts have been demoted or shifted. The replacement in late 1957 of Colonel General A. S. Zheltov as head of the Chief Political Directorate of the Ministry of Defense by Colonel General F. I. Golikov, a professional military officer, indicates, however, that, despite this increased political activity, there is no intent to undermine the commanders' authority in military matters.

Military commanders have evidently been sorely harassed by overzealous party officials in recent months. By May this year articles in Party Life and Red Star indicated dissatisfaction on the part of the military with the increased participation of civilian party officials in military affairs and confusion regarding the limits on the authority of political officers.

Judging from the few excerpts of the original instructions which have appeared in the Soviet military press, it would seem that the commander was formerly authorized to direct the work of the party organization "in person or through his deputy." The revision drops the reference to the deputy and makes a distinction between the duties of a commander who is a party member and one who is not. The former apparently is given greater authority. One of the other revisions seems designed to protect the commanders from

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

criticism from below. The new wording states that party infractions by commanders and political officers will be examined "by party commissions

attached to a higher political organ," thus relieving commanders from criticism by their subordinates. [redacted]

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SOVIET COMPOSERS OFFICIALLY CLEARED

A decree of the party central committee of 28 May officially clears Dmitri Shostakovich, Aram Khatchaturian, the late Sergei Prokofiev, and other leading Soviet composers of the stigma attached to their names during the later years of Stalin's life.

The new decree, which attributes much of the blame to Molotov, Malenkov, and Beria, and formulizes what in fact has been Soviet policy toward these composers for over a year, is probably designed to serve several purposes: to confirm Khrushchev's cultural policy of "comradely persuasion" of erring artists, to facilitate the planned exchange of composers with the United States, and to discredit Malenkov and Molotov in yet another sphere. There is no indication, however, of any softened policy toward composers and musicians, or any artistic figures, who fail to toe the party line.

The chief emphasis of the decree and of the related Pravda editorial of 8 June is on spelling out cultural policy. Quoting copiously from Khrushchev, Pravda makes the distinction between the sweeping condemnations of these composers during the later years of Stalin's lifetime and Khrushchev's policy of timely "persuasion" and "explanation."

The decree suggests that Stalin's personal preference for simple melodies and folk themes was at the bottom of the mistaken criticism, but it adds that his cultural policy

"was rather unfavorably influenced by Molotov, Malenkov, and Beria." Khrushchev made similar charges in his pronouncements on literature published in August 1957, although Molotov's name was omitted.

At that time, Malenkov was characterized as Beria's "shadow and tool" who "very skillfully" took advantage of Stalin's weaknesses in the last years of his life. This, however, is the first time Molotov has been linked publicly with Beria. Now, by putting the taint of Beria publicly on Molotov, it will probably have the effect of reminding people that Molotov is still very much repudiated, even though his Eastern European policies may seem to be vindicated in practice.

This objective seems, however, to have been secondary. In view of the exchange visits to the United States of composers--including Shostakovich and Khatchaturian--scheduled for next fall and winter, the leadership probably feels it advisable to point up for foreign consumption the improved treatment accorded cultural figures by the post-Stalin regime and also to make clear to these composers just what the limits are on their creative activity and individual expression.

Perhaps these top composers, together with the playwright and full member of the party central committee A. E. Korneichuk, whose record is also cleared by this decree, are such valuable assets to

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

the leadership that they could insist on having their names formally cleared in return for services rendered.

In the regime's perennial campaign to stimulate cultural "production" of high artistic quality without encouraging artistic expression at variance with the party line, control of the musical sphere is the most difficult of all cultural fields to maintain, principally because of the abstract nature of music, which does not readily lend itself to analysis for political content. In October of last year, after a

series of blistering attacks in the press, the chief editor and several of the staff of the journal Soviet Music were fired for "discrediting the party's leadership" of the arts.

However, the desired conformity was not achieved. Pravda on 8 June again severely criticized Soviet Music for recent "revisionist" articles which, under the guise of "attacking the cult of personality, tried to cast doubt on the basic propositions of party decisions." [redacted]

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YURY ANDROPOV, SOVIET ADVISER ON BLOC POLICY

Recent activities of Yury Andropov, Soviet ambassador to Hungary at the time of the Hungarian revolt in October-November 1956, suggest that he may have increased influence on Soviet policy toward the bloc. He is now head of the Soviet party central committee's department dealing with bloc party affairs.

The absence of party secretary Mikhail Suslov from the recent meetings in Moscow left Andropov as the principal adviser to the Soviet leaders in their talks with bloc leaders. He participated in conversations Khrushchev had with the party and government leaders of East Germany, Bulgaria, Hungary, North Korea, and China, and took part with party secretary Mukhitdinov in talks with North Vietnamese leaders. Andropov's deputy, I. T. Vinogradov, participated in the talks with Rumanian leaders.

Andropov, furthermore, was the only party functionary with experience in intrabloc

relations selected to accompany Khrushchev on the premier's recent trip to Sofia. This visit, ostensibly to observe the Bulgarian party congress, was clearly used to further the present Soviet policy of tightening bloc discipline and solidarity.

A party careerist, Andropov served between 1940 and 1951 in the Karelo-Finnish Republic as Komsomol first secretary, wartime partisan leader, Petrozavodsk city party boss, and then republic party second secretary. In 1951 he was transferred to work of an undisclosed nature in the central party apparatus in Moscow. Following Stalin's death, he was assigned as Soviet chargé in Hungary, and succeeded Yevgeny Kiselev as ambassador to that country in July 1954. In March 1957 he was transferred back to Moscow to head the newly created party department for bloc affairs, then under the supervision of Suslov.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

Soviet bloc policy today, particularly regarding relations with Yugoslavia, may thus reflect some of the knowledge and experience Andropov gained in Hungary, particularly in the period immediate before and after the Hungarian revolution. For example, the charges in Khrushchev's 3 June speech at the Bulgarian party congress that the Yugoslav Embassy was "in essence a center" for the Hungarian revolutionists and "a refuge for the capitulatory, treacherous Nagy-Lozonczy group" may well have been inspired by Andropov.

Boris Ponomarev, former Comintern worker who now heads the Soviet central committee's department dealing with Western and possibly all nonbloc Communist parties, did not participate in the recent Moscow talks, probably because it was strictly a bloc affair, although he was invited to the dinner for the visiting delegations on 24 May. For over a year before Andropov returned to central party work, Ponomarev had had apparatus responsibility for relations with both bloc and Western Communist parties. Andropov's increasing influence would thus seem to be at least partially at Ponomarev's expense. [redacted]

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CHURCH-STATE TENSIONS INCREASE IN POLAND

Tensions between the church and the government in Poland, which have long smoldered beneath the surface, are now being discussed in the press. If the conflict is intensified, popular opinion would probably rally to the church, thereby further reducing party First Secretary Gomulka's popularity. Gomulka and the Polish primate, Stefan Cardinal Wyszynski, met for the first time on 7 January

1958, according to recently available information. Their ten-hour discussion resulted in only minor concessions to the church, involving permission for priests to study in Rome and the return of certain church treasures. Wyszynski's major demands --restoration to the church of the charity organization Caritas and property confiscated by the former Stalinist regime and permission to print a Catholic daily newspaper--were rejected by Gomulka. The regime will probably not grant further concessions.



GOMULKA

In one of the sharpest attacks on Wyszynski since his release from four years of "house arrest" in October 1956, the Polish army paper Zolnierz Wolnosci accused the cardinal on 2 June of failing to condemn "the wild fanaticism of the clergy." The newspaper was referring to continuing instances in rural areas of parish priests refusing burial in church cemeteries to nonbelievers. Zolnierz Wolnosci also objected to the cardinal's having stated, in

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958



WYSZYNSKI

connection with preparations for the Polish millennium celebrations, that religion has always been a national link of the Polish people.

One impasse between church and state came to light on 4 June, when the Warsaw daily Zycie Warszawy revealed that the government had broken off negotiations over the distribution of relief supplies do-

nated by an American Catholic welfare agency. The following day, in his first direct public criticism of the government, Wyszynski stated that the joint negotiations "have not given results...and the difficulties seem to be insurmountable."

Wyszynski, in breaking his long abstention from direct comment on government policies, may be warning Gomulka that any retreat on church policies along the lines of the recent restrictions put on cultural affairs will be strongly resisted by the church hierarchy. He may also be attempting to reassure the predominately Catholic Poles and right-wing elements of the clergy that the church, in reaching a modus vivendi with the Communists, has no intention of collaborating actively with the government. Finally, the cardinal, aware that Gomulka fears his widespread popularity, may feel that continued silence in the light of the recent breakdown in the negotiations weakens Wyszynski's position. 25X1

YUGOSLAVS TAKE PRECAUTIONARY MEASURES AGAINST PRO-COMINFORMISTS

The reported arrests in Yugoslavia of Soviet sympathizers are probably precautionary in nature and not indicative of a substantial active opposition to Tito. Belgrade is determined to forestall any Soviet intrigues with dissident Yugoslavs similar to those which developed following the 1948 break. The arrests will serve to warn Moscow that the Yugoslav Government is prepared to move against any activity directed at the Yugoslav party, as well as a warning to any Yugoslav Communists who may be wavering in the present dispute with Moscow.

According to press reports from Belgrade of 7 June, nearly 200 persons have been arrested in a government roundup of pro-Soviet sympathizers and "security risks." Several of those detained reportedly had copies in Serbo-Croat of Khrushchev's speech delivered in Sofia on 3 June in which Yugoslavia and its leaders were bitterly attacked. The speech was not published in Yugoslav newspapers. The critical portions, however, were excerpted and broadcast to Yugoslavia by Moscow.

Rumors circulating in Belgrade claim that several ex-Cominformists have fled to

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

neighboring satellites. Surveillance and security checks along Yugoslavia's borders have been tightened.

Tito's top aide, Vice President Aleksandar Rankovic, at the Yugoslav party congress on 23 April disclosed that a number of former Cominformists were still actively hostile, and warned the USSR that Belgrade would not permit anyone to use these individuals a second time against the regime.

A resumption of widespread arrests on the level of those which followed the 1948 break is unlikely inasmuch as pro-Soviet Yugoslavs now constitute only a small group outside of the party--most of the former Cominformists were not readmitted to the Yugoslav party.

According to official figures, 15,800 Cominformists were prosecuted in Yugoslavia between 1948 and 1955, only 1,400 of

whom were still in jail in 1956. Most were arrested in 1948 and 1949. Within Yugoslavia, Cominform sympathizers were most numerous during that period in the armed forces and the universities.

After the 1948 break, many pro-Soviet sympathizers were arrested trying to escape to neighboring countries, where defectors were used by the Soviet bloc to broadcast propaganda against the Tito regime. Camps and training centers for subversive activity were set up in these countries along the Yugoslav borders. There was little evidence of sabotage within Yugoslavia, however, and Cominform efforts were directed primarily toward building up an underground organization and creating dissatisfaction with the regime rather than with perpetrating acts of open resistance. The Yugoslav security forces prevented these operations from becoming a serious threat.

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THE BLOC AND THE WORLD COTTON MARKET

The Sino-Soviet bloc's imports of raw cotton from underdeveloped countries have increased about 40 percent since 1955. Egypt is its main source, supplying approximately 70 percent of the 216,000 tons imported in 1957. Syria, which first supplied cotton to the bloc in 1956, is now the second most important supplier, accounting for a little over 10 percent of the bloc's imports last year. Since 1955, bloc imports of cotton from Egypt and Syria have almost doubled, while imports from Pakistan and Brazil have decreased appreciably.

The European satellites are the primary bloc importers

of cotton, but the USSR, itself a major producer and exporter of raw cotton, has substantially increased its imports of cotton from Egypt and Syria as part of its economic offensive in the underdeveloped countries. Since the Soviet Union's imports of cotton exceed its requirements, it is believed that some of this cotton is probably re-exported to the European satellites.

During 1957, Egypt became increasingly dependent on the bloc as a market for its cotton, with about 57 percent of its entire output going to that area. Probably about 25 percent of the proceeds of these exports were used to pay for

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

the more than \$250,000,000 worth of bloc arms purchased since 1955. Partly because of the need for a large volume of exports to the bloc to pay for arms and essential imports such as petroleum products and partly because of the inherent difficulties in regaining Western markets, no great change in the trade pattern with Egypt and Syria is expected in 1958.

Although a shortage of raw cotton has prompted Peiping to curtail the cotton cloth ration in the past two years, Communist China has reduced its imports from nonbloc countries since 1955. An important part of the regime's agricultural policy is to become self-sufficient in cotton production, and recently Peiping announced that large-scale reclamation projects were under way in Sinkiang to prepare new land for cotton growing.

SINO-SOVIET BLOC COTTON IMPORTS AND SOURCES OF SUPPLY
TONS

	EGYPT	SUDAN	SYRIA	BRAZIL	PAKISTAN	IRAN	GREECE	TOTAL	
1956	USSR	14,591	—	—	—	4,041	—	18,632	
	CHINA	23,724	2,874	—	6,548	32,854	—	65,996	
	EUROPEAN SATELLITES	48,763	8,506	—	15,228	—	1,206	73,793	
	TOTAL	87,077	11,379	—	21,772	32,854	5,247	158,280	
	TOTAL EXPORTS	277,375	284,136	—	175,708	168,873	29,756	28,458	964,062
% IMPORTED BY BLOC	31.3	4.0	—	12.3	19.4	12.6	neg.	16.4	
1957	USSR	8,929	—	968	—	1,018	1,448	12,363	
	CHINA	13,988	11,643	2,214	1,180	15,057	—	596	44,647
	EUROPEAN SATELLITES	63,400	9,227	7,537	11,816	—	3,631	3,515	99,126
	TOTAL	86,317	20,870	10,739	12,966	16,075	5,079	4,110	159,156
	TOTAL EXPORTS	234,244	244,840	56,240	142,931	132,045	40,371	42,397	903,668
% IMPORTED BY BLOC	36.7	6.0	19.0	9.0	12.1	12.5	9.6	15.7	
1958	USSR	65,796	1,997	2,633	—	2,058	2,998	75,480	
	CHINA	27,391	2,343	8,106	25	10,925	—	48,890	
	EUROPEAN SATELLITES	58,776	1,795	13,199	7,733	—	4,834	5,268	91,002
	TOTAL	151,963	6,035	23,938	7,758	12,983	7,830	5,266	215,772
	TOTAL EXPORTS	264,119	80,428	86,727	na	118,352	39,129	49,874	618,459
% IMPORTED BY BLOC	57.5	9.9	27.6	na	10.9	20.0	10.5	34.8	

12 JUNE 1958

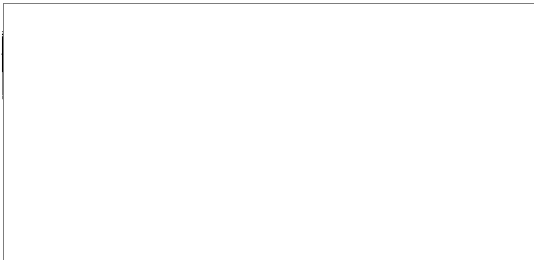
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The bloc, with the exception of Poland, imports no cotton from the United States, the world's largest exporter of raw cotton. In 1957, Poland imported 36,000 tons of US cotton under Public Law 480. (Prepared by ORR)

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CYPRUS

Long-feared communal clashes between Greek and Turkish Cypriots have continued following the explosion of a bomb near the Turkish Information Center in Nicosia on 7 June. Rioting has spread throughout the island, and several deaths and scores of injuries have been reported. The government has banned processions and public gatherings, imposed curfews in all major towns, and called on Turkish- and Greek-Cypriot leaders to restrain their followers. Control of Turkish-Cypriot mobs is particularly difficult for the government, as a large proportion of the police force is made up of Turkish Cypriots.



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Governor Foot may also have hesitated to antagonize the Turks on the eve of the announcement of a new British policy for Cyprus, which London subsequently presented in both Ankara and Athens. Announcement that these proposals are scheduled to be made public by 17 June has provoked bellicose speeches by Turks and Turkish Cypriots, who

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

fear that the new plan will not provide for partition--Turkey's announced ~~aine~~ qua non for settlement of the Cyprus issue. The Turkish-Cypriot riots were probably timed to exert the greatest possible influence on the British Government's plans for Cyprus.

In Athens, the Greek Government reacted calmly but angrily to events on Cyprus, called for an immediate meeting of the NATO Council, postponed indefinitely the return of the Greek ambassador to Ankara, and warned that it would appeal to the UN Security Council if attacks on Greek Cypriots continued. Archbishop Makarios, just back in Athens from Egypt where he secured public support from President Nasir for Cypriot self-determination, called on Greek Cypriots to organize for their own defense. Prior to the communal outbreaks on Cyprus, both Makarios and Premier Karamanlis

had indicated willingness to accept the anticipated British proposals for Cyprus if eventual self-determination were not specifically precluded.

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BRITISH-ICELANDIC FISHING DISPUTE WIDENS

The British-Icelandic dispute over territorial fishing limits continues to generate difficulties for the Western alliance. Iceland's insistence on unilaterally declaring a 12-mile limit on fishing rights is stimulating similar claims from other countries. The USSR has announced its support for Iceland's position, and pressure is increasing on the Macmillan government to take a tough line toward Iceland. The US Embassy in London warns of a growing danger that both sides may become committed to unalterable positions.

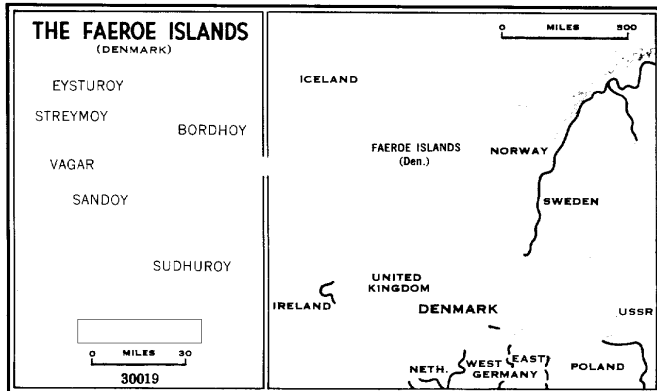
Iceland's intractability is summed up in the foreign minister's remark that no single party there can publicly say it favors negotiations. The

chain reaction started by Iceland is evidenced in a 6 June declaration by Denmark's Faeroe Islands' local legislature that it also is adopting a 12-mile fishing limit effective on 1 September. Although the provincial legislature has no authority in matters affecting foreign relations, this move puts strong pressure on the Danish Government to support the Faeroese demands--and, by analogy, similar demands regarding Greenland. Also on 6 June a Norwegian Foreign Ministry official commented that it would be almost impossible for his government to avoid similar action if the Faeroe Islands' or Greenland's fishing limits are extended.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958



conomic sanctions, but it is generally believed that any reimposition of London's boycott on Icelandic fish would be countered by a purchase offer from the USSR, which has already supported Iceland's right to fix a 12-mile limit.

The official British view still is that a unilateral declaration contravening

In Britain, there is great annoyance at Iceland's refusal to negotiate and strong pressure both inside and outside the Macmillan government to take a strong line. A sizable element in the cabinet, apparently including Foreign Secretary Lloyd, is said by the American Embassy to consider Iceland "an impudent upstart that ought to be smacked down." The British press has mentioned eco-

international law cannot be accepted but that an amicable settlement can be negotiated by the countries concerned agreeing to waive some of their acknowledged maritime rights. The Foreign Office working level believes the best prospect of maneuvering Iceland into such negotiations lies in talks with Denmark on Faeroese and Greenland waters which might lead to a regional conference which the Icelanders could scarcely ignore.

CORRUPTION CASE SHAKING AUSTRIA'S COALITION GOVERNMENT

The disclosure that prominent Austrian political and banking officials are deeply involved in a widely publicized corruption case is threatening to undermine the coalition which has governed Austria for almost 13 years. Interparty relations are already considerably strained and a government crisis could result if the completed investigation makes it possible for either coalition partner to approach the electorate comparatively untarnished.

This latest scandal--there have been several in postwar Austria--has been brought to light by the recent shutdown of the largest privately owned steel company in the country and the dismissal of its 1,200

employees. The company, headed by Johann Haselgruber, who has made a sizable fortune with deliveries of embargoed items to the Soviet bloc, now owes some \$10,000,000 to the Austrian Savings Bank. Haselgruber obtained large advances by making heavy contributions to the People's party and, it is suspected, by paying substantial kickbacks to individual bank officials as well.

But for the suspicion that some of these bank officials may be Socialists, this situation would be tailor-made for Socialist exploitation--either in forcing policy concessions on outstanding coalition issues, or in eventually taking the case to the polls. A campaign fought

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

on such issues as the personal integrity of coalition leaders, the safety of "widows and orphans' savings," and the nationalization of private enterprise would be certain to be bitter. Whether interparty cooperation could be re-established after such a contest would be open to question.

Equally serious consequences might also result, however, from an attempt by the coalition parties to hush up the affair if both, in fact, are involved. Most Austrians

recognize that the "coalition system" has been an almost essential stabilizing mechanism for reconciling the prewar hostility between Socialists and Catholics. Some have also been aware, however, that the lack of real political opposition has prevented effective policing of government shortcomings. Public cynicism over the reliability of these parties, which heretofore have received 89 percent of the votes, could encourage the development of the extremism which the Austrians have heretofore rejected.

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PAKISTAN AND AFGHANISTAN NEGOTIATE TRANSIT AGREEMENT

Pakistan and Afghanistan on 30 May reached agreement on a ten-year transit agreement which probably will result in routing increased Afghan trade through Pakistan and an improvement in the political climate between the two countries. Although Afghan officials have stated that the transit agreement will not be ratified until chronic disputes over trucking rights are settled and American financing for extension of a railroad from Pakistan to Torkham in northern Afghanistan is assured, the advantages to Afghanistan indicate the likelihood of ratification in the near future.

The agreement provides that customs duties no longer will be collected--and later rebated--on goods in transit to and from Afghanistan, a procedure which has caused friction in the past. Pakistan will earmark an area in Karachi port as an Afghan transit area, which will provide Afghanistan with nearly all the advantages of a free port. The agreement also specifies that the railway will be extended from Chaman across the border to Spin Baldak, and Pakistan has



25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

agreed to meet Afghanistan's requirements for railway cars on both the Karachi - Spin Baldak and Karachi - Landi Kotal routes.

Two problems remain which could delay ratification of the agreement. A meeting by 15 June has been called to settle disputes as to trucking rights on the Chaman-Kandahar and Kabul-Peshawar routes, and the Afghans state that if no solution is found, the transit agreement will not be ratified. In addition, the two governments have agreed to study the extension of the railway from Landi Kotal to Turkham, and Afghan officials reportedly plan to insist that the United States agree to finance such an extension before they ratify the agreement. In view of the ad-

vantages to the Afghans of the transit agreement and an American offer to finance improved Afghan transportation facilities if a transit agreement is reached, they probably will be flexible on these issues.

The provisions of the transit agreement should eliminate some of the problems that have contributed to the poor relations between Karachi and Kabul in the past. The day-by-day working of the agreement, however, will be in the hands of low-level officials who are less concerned with improving relations. Progress in eliminating past difficulties probably will be slow, but even so, it is likely that Pakistan's importance relative to the USSR as a transit route will be increased.

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CEYLON

Emergency rule invoked in Ceylon by the governor general on 27 May after five days of violence between the Tamils and Singhalese continues, evidently with parliamentary approval, although Parliament did not formally vote to extend it, and how long it will remain in effect is unclear. Peace has been restored, but special police and military forces are stationed in the areas dominated by the Tamils.

The government apparently has decided that the only practical way to solve the immediate crisis is to crack down on the leaders of the 2,000,000-strong Tamil-speaking minority, despite the fact that Singhalese extremists provoked the initial riots on 23 May. Some 58 Tamil Federal party leaders have been arrested, including one senator and all eight Federal party par-

liamentary representatives. The leader of an extremist Singhalese group was also arrested, probably as a token measure of justice as well as a warning to extremists on both sides that further violence will not be tolerated.

The Singhalese majority is likely to be satisfied as long as the government does not grant the Tamils wider linguistic and political recognition and maintains its disciplinary attitude toward the Tamils and the Singhalese extremists, with whom most Singhalese are not in sympathy.

The Federal party, whose political effectiveness had diminished even prior to the recent violence, probably will be further weakened as a result of the widespread arrests of its leaders. The Tamils probably will maintain an uneasy peace

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

for the time being because of the absence of leadership and the informal extension of emergency rule. The Tamils' bitterness will remain, however, and renewed agitation is likely in the future.

An emergency closed session called by Parliament on 4 and 5 June to discuss the crisis appears to have been relatively calm. The opposition apparently made no effort to overthrow Bandaranaike's government, possibly because of Bandaranaike's

willingness to blame the Tamils rather than the Singhalese for recent violence. Parliament is scheduled to reconvene on 24 June, when business is expected to be devoted entirely to the presentation of Bandaranaike's third and most crucial budget. It is unlikely that there will be any serious consideration of a final solution to the Tamil-Singhalese problem at that time. The Soviet press has suggested that "colonial powers" provoked the crisis. [redacted]

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BURMA

Premier Nu, relying on 44 votes of the Communist-dominated National Unity Front (NUF) and the six votes of the Arakan National Unity Organization, narrowly won the 9 June confidence vote in Parliament by 127 to 119. Burmese leaders fear he will thus be under severe Communist pressure for a negotiated settlement with the insurgent Burma Communist party (BCP), and Home Ministry officials speculate that he may have agreed to legalization of the BCP in return for NUF parliamentary support.

The closeness of the parliamentary vote and the diversity of Nu's support strengthen the probability that he will call for general elections following the budgetary session of Parliament in August. Elections would occur within 60 days after being called. If the insurgent Communists are made a legal party and the split among non-Communists persists, the Communists and their followers would probably make major gains in parliamentary membership. Already the leftists are profiting from the Anti-Fascist People's Freedom League (AFPFL) split, as war-weary rural voters appear to

be accepting the NUF campaign line of "Peace with Nu and the NUF." Nu recognizes the likelihood of Communist gains--and is expected to disown both the Communists and the NUF before the election--but he reportedly expects to increase his non-Communist support sufficiently to offset left-wing gains.

The possibility of violence will increase sharply during the election campaign and immediately following the announcement of returns. The army has declared its readiness to take action should Communists be included in the government, and Communist electoral gains would increase the prospects of trouble among the Shan tribesmen of eastern Burma. The Mahadevi of Yaungwe, wife of Burma's first president, is prepared to lead a Shan secessionist movement should the Communists win. This would almost certainly launch a civil war, as the government is pledged to fight, if necessary, to preserve the union.

Parliament, which in the past has been a rubber stamp for the AFPFL, now has its first opportunity to control government policies, but it is likely

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

to accomplish little. Each contending faction will be maneuvering to build up its own strength and undermine its opposition. The stability of Nu's government is especially uncertain as the NUF, which is

not represented in the cabinet, has committed itself to vote for the government only on specific votes of confidence and otherwise to continue in the opposition. [redacted] 25X1

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OKINAWAN DELEGATION TO VISIT US

The chief executive of the Ryukyu Islands, Jugo Thoma, and a government delegation will begin negotiations in Washington on 25 June requesting a revision of the American policy of "lump-sum" payments for land acquired by US forces and, as a substitute, the payment of an annual rent subject to renegotiation every three or five years. In addition, Thoma probably will propose an expansion--with further US aid--of the economic development program, which the Ryukyans consider nearly as important as the land-rental issue.

Ryukyans are opposed to lump-sum land payments because they regard the procedure as tantamount to complete surrender of proprietary interest in the land and because the single-payment system fails to take into account possible inflation. They were encouraged by US High Commissioner Moore's announcement on 11 April that further land acquisition and lump-sum payments would be suspended pending a review of American policies in Washington. The delegation's visit is largely the result of that announcement.

Thoma, in a conversation with Ambassador MacArthur in Tokyo, has commented that pressure for immediate reversion of

Okinawa to Japan would subside and become less subject to political agitation if the United States solved the land problem and aided the economic development program.

At the same time, however, the American Consulate in Naha believes the delegation is fearful that direct contacts between the Ryukyus and the United States Government might jeopardize Japan's residual sovereignty over the islands. The members therefore planned to consult with Tokyo en route on any political or legal question which may affect the position of the Ryukyus. The Ryukyans desire to limit rental contracts to the period of American administrative control and, in this way, hope to obtain an indication of a date for the termination of the American occupation.

As an aftermath of recent American guided-missile demonstrations on Okinawa, Communist propaganda accusations that the United States is turning the island into a nuclear weapons base have encouraged the Ryukyuan legislature to pass a resolution calling for the complete ban of such weapons from the islands. The delegation to Washington probably will discuss this subject in its forthcoming visit. [redacted] 25X1

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

VENEZUELA'S COMMUNIST PARTY IMPROVES POSITION

The Venezuelan Communist party has improved its position during 1958. Two top Venezuelan Communists, Jesus Faria and Gustav Machado, state that three of Venezuela's 13 cabinet ministers now are dues-paying Communists and the party has close contacts with two others. While they may be boasting, Finance Minister Mayobre was in fact active in Communist party affairs at least in the 1930's; Foreign Minister de Sola was legal counsel for the Czech Legation in 1950 and deposited a Czech bank draft in 1954; Education Minister Pizani is acceptable to leftist-inclined students; and Interior Minister Namu Quevedo has apparently failed to stimulate his police to anti-Communist action.

According to the new election law promulgated on 23 May, all political parties previously organized in accordance with legal requirements are considered legal--a provision which at least temporarily legalizes the Venezuelan Communist party as well as the mass-supported leftist but non-Communist Democratic Action party. Furthermore, general friendliness toward the Communists as corevolutionaries who helped overthrow the dictatorship has not been dissipated. A right-of-center former president, Lopez Contreras, told the press in late May for example, "I have not quarreled

with the Communists...Gustavo Machado is my friend."

A key factor in the prolongation of a climate friendly to the Communists is the dominant Communist influence among newsmen. This influence--to a considerable extent a legacy from the dictatorship--is sufficient to give most news stories an anti-US slant and keep criticism of Communists out of the papers, even in comment on the riots during Vice President Nixon's visit. The wide extension of this friendly climate is indicated by the election in late May of a reported pro-Communist as president of the Federation of Chambers of Commerce.

Of late, however, Venezuela's three major non-Communist parties have shown signs of turning away from the Communists. They have issued joint political statements, pointedly excluding the Communists.

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CONTINUING POLITICAL UNREST IN PANAMA

Important cabinet changes and substantial concessions to student demands made by President de la Guardia following the recent antiadministration riots in Panama will not solve

the dissatisfactions which caused the outbreaks, and political tensions will continue. Disgruntled officials ousted from the cabinet will probably challenge the President's authority

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

within his already tenuous coalition party, and serious divisions of opinion among high administration officials are a threat to his retention of power.

The replacement of the politically ambitious foreign minister, Aquilino Boyd, by a career diplomat is interpreted by the American Embassy as an indication that De la Guardia hopes to avoid exploitation of Panamanian-US issues for domestic political purposes. This view is borne out by the subsequent resignations of two of Boyd's most nationalistic advisers, one of whom has proposed that Panama receive half the gross revenues of canal operations. Boyd's ideas will probably find welcome support outside the cabinet, however, since there have been many charges that De la Guardia has failed to defend Panama's claims in the Canal Zone.

Ousted Labor Minister Cecilia Remon, astute widow of the assassinated former president, now may decide to assist her brother-in-law, [redacted] politician Alejandro Remon, in his reported plan to withdraw the large Remon faction from the government coalition.

National guard leaders, who are De la Guardia's main support and who incurred strong public resentment by their use of force to quell the riots in late May in which several people were killed, are displeased with his promises to curtail their unregulated power. De la Guardia made these promises to striking students whose demonstrations for school improvements were turned into antiadministration violence by nationalistic opposition political groups and some leftists. The guard commandants and other administration leaders of the traditional ruling clique are suspicious of a group of liberal presidential advisers of Marxist background whom De la Guardia refuses to dismiss.

Since no president of Panama has completed his term since 1936, there is much speculation that one or a combination of those groups which oppose De la Guardia's moderate policies may decide the best solution for the present unrest--which is hurting Panama's already weak economy--would be to remove him from office. Encouraging anti-US agitation by student groups and by the unemployed would be one means of attacking the President. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

PART III

PATTERNS AND PERSPECTIVES

DE GAULLE AND THE FRENCH UNION

While an Algerian settlement is Premier de Gaulle's most pressing problem, he seems to envisage changes in the status of all French territory overseas, mainly by establishing a federal relationship with France. Any such plan will probably be fitted into the existing framework of the French Union, which is itself largely the result of ideas developed toward the end of World War II by De Gaulle's Free French Movement.

Creation of French Union

The concept of the French Union was born of idealism and of gratitude for aid given by the overseas possessions to the Free French cause during World War II, reinforced by the necessity to hold the empire together in the face of a rising tide of nationalism which had already caused the loss of Syria and Lebanon. The issue of imperial reform had not arisen before 1940, since the various parts of France's empire were separately run from Paris, and nationalist demands for independence were still faint.

Prewar French colonial theory provided little means of satisfying such demands through grants of territorial political autonomy. Its dominant concept was the "assimilation" of native elite groups to French civilization--the ultimate goal being full French citizenship and a share of the Paris-controlled administration of the territory.

De Gaulle endorsed the idea of a French Union composed of overseas territories tied to France in a federal system, but he left French politicians to work out the specific arrangements which finally emerged in the constitution of the Fourth Republic in October 1946. The

initial draft framework for the French Union had promised a free choice of adhering or not adhering to the union, full racial equality, and the establishment of territorial assemblies with power to shape local policies and control local administration.

Later in 1946, when the hopes of the native colonial populations had been aroused, the protests of French settlers in the overseas possessions, amid growing fears in France itself of the rising tide of nationalism in North Africa, brought about sharp revisions in this first liberal framework. Freedom to withdraw from the union was abolished, the white settlers were granted a privileged status in the form of separate electoral colleges, and the natives were converted into "citizens of the French Union" rather than full-fledged French citizens.

A federal executive, a high council for union affairs, and a federal assembly were established, but it was left to the French Parliament to measure the degree of autonomy for each overseas area--and it has in practice shown little inclination to increase this autonomy. In the territories themselves, French officials continued to exercise their customary authority.

Structure of French Union

The French Union is designed to encompass territories diverse in nature and political status. At the center is Continental France, including Corsica. Next come what are known as the overseas departments, consisting in the main of the older French colonies, generally with a sizable French settler element, and well assimilated to the

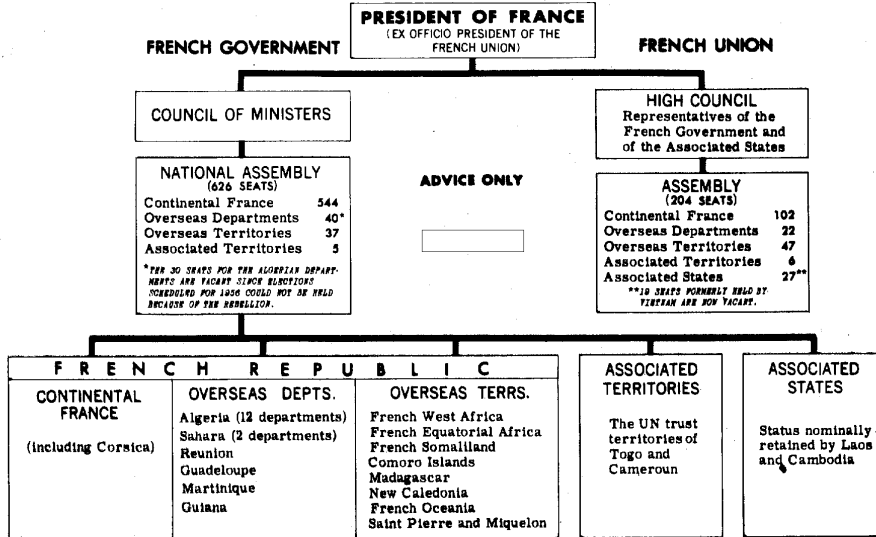
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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

STRUCTURE OF THE FRENCH UNION



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12 JUNE 1958

political institutions of France proper. Martinique, Guadeloupe, Guiana, and Reunion were promoted to this status in early 1947, and part of Algeria belongs in this category.

The overseas territories, on the other hand, have primarily non-French populations and are ruled by a colonial administrator with comparatively little attempt to integrate local institutions with those of France.

Both the overseas departments and territories--which account for the bulk of the colonial area--are considered parts of the French Republic and are represented in the French Parliament. The overseas areas, with a total population of about 50,000,000, have 82 deputies in the National Assembly, while Continental France, with some 44,000,000, has 544 deputies.

A separate category of "associated territory" was set up for the two former mandated areas, now the UN trust terri-

tries of Togoland and Cameroun. The question of whether these two areas can legally be included in the French Union is not yet settled. The UN agreement gives France full power to administer them in accordance with French law as an integral part of French territory, and they have, in fact, been administered in the same way as overseas territories, though more recently they have been granted virtual autonomy.

The French Union's final category is that of the "associated states"--overseas areas with status defined by a treaty relationship with France. Cambodia and Laos technically belong in this category since, although now completely independent, they retain nominal ties with the French Union. Paris intended that Tunisia and Morocco become associated states, but nationalist feeling against France was so high that they remained, until they achieved independence in 1956, "protectorates" of France with status determined by treaty outside the French Union.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

Administrative Organs

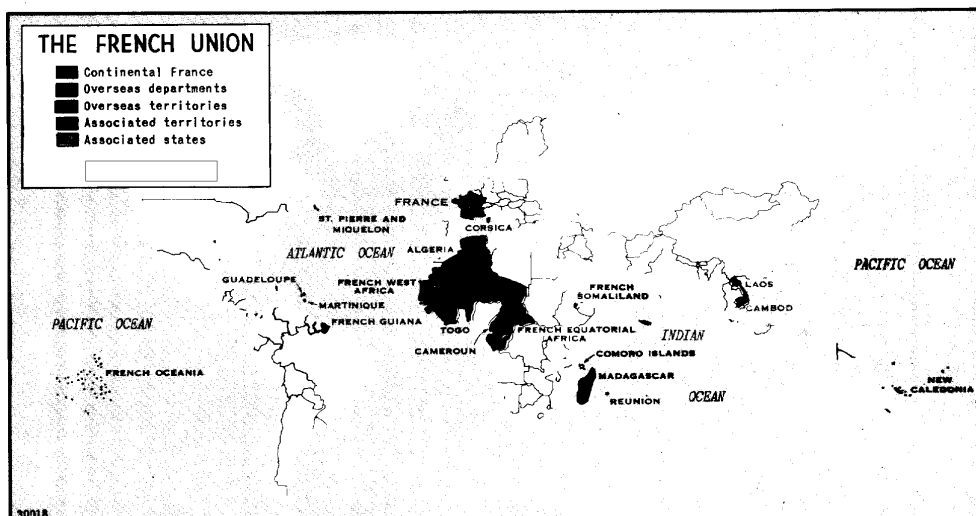
The federal organs of the French Union consist of a federal executive, the President of France, who represents "the permanent interests of the Union"; a High Council, composed of representatives of the French Government and from each associated state; and a federal assembly. None of these has more than advisory power.

The High Council, meant to coordinate policies of the associated states with those of France, did not meet until five years after it was established, and now is largely defunct. The Assembly of the French Union, whose members are elected half by the French Parliament and half by the overseas possessions, has met periodically since November 1947, but with no powers other than to vote resolutions and give advice, which does not have to be accepted. Its deliberations draw little attention. Originally viewed as a way to avoid swamping of the French Parliament by overseas deputies, it has aroused the suspicion and jealousy of the National Assembly deputies, who fear the creation of an effective rival.

Reforms

Recognition of the need for some evolution within the overseas territories developed gradually and was finally acted on during the Mollet government when a basic statute for overseas territories was approved by Parliament in June 1956. It gave the government broad powers to redefine the responsibilities of assemblies in the overseas territories. This law also provides for measures for social and economic development in the territories and authorizes a single-college electoral system for municipal, territorial, and national elections.

The passage of this basic statute by heavy majorities in both houses reflected again the growing fear in France that reform in Africa south of the Sahara may come too late to forestall events such as have already occurred in North Africa. In French West Africa it has whetted the political ambitions of African nationalist leaders and led to growing demands for equality of the colonial areas with France in the Union. The April victory of the leading native independence party in Togoland, which won two thirds of the seats in

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

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the territorial assembly, will also exert heavy pressure for change both in French Africa and on De Gaulle.

De Gaulle's chief task is to convince the overseas territories that he can put reality behind this facade; his chief asset seems to be his own conviction that he alone enjoys the confidence of the overseas territories in sufficient degree to elicit their collaboration. Success in his effort could bring more than symbolical advantages to the dependent areas and become a vehicle for steady and orderly progress.

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AFGHAN PRIME MINISTER DAUD TO VISIT THE US

Afghanistan's Prime Minister Prince Sardar Mohammad Daud, whose first official visit to the US is to begin on 23 June, is attempting to bring progress to his country while maintaining an independent and stable government. Likely to remain in power for the foreseeable future, he will probably continue his efforts to secure aid from both the Soviet bloc and the free world as long as he believes such assistance can be accepted without jeopardizing Afghan independence.

Daud has visited many countries in the last two years--

the USSR, Pakistan, Turkey, Austria, Czechoslovakia, Poland, Egypt, and Communist China, as well as India and Burma. He probably considers his invitation from the United States a further demonstration of Afghanistan's rising importance in international affairs.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

Daud's Policies

Since World War II, Afghan leaders have seen the emergence of a number of independent Asian powers whose voices have been increasingly heard in international circles and whose economies have been bolstered by foreign economic aid. Conscious of Afghanistan's geographic isolation and economic backwardness, these leaders--and especially Daud--have sought to modernize and publicize their country.

At the same time, Kabul has recognized that the prewar protection afforded by the country's buffer position between the USSR and British power in India no longer exists. Consequently, Kabul has attempted--within its capabilities--to assure the independence of Afghanistan by trusting in the efficacy of the United Nations and by dealing equally with the Sino-Soviet bloc and the free world.

**DAUD**

Under Daud, Afghanistan has assiduously developed its international contacts. It has established diplomatic relations with a number of free-world nations as well as with Eastern European countries and Communist China. It has participated increasingly in the sessions and the special organizations of the United Nations. It has sent delegations to international conferences, dispatched and welcomed state visitors and cultural and trade missions, and has concluded trade and air agreements.

Within Afghanistan, Daud's government is concentrating on the modernization of the country's economy, military establishment, administration, educational system, and, to some degree, of Afghan society, all

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958



under the watchful eye of Daud himself.

Modernization of the primitive Afghan transportation system is being emphasized first. Under the Soviet \$100,000,000 loan secured in 1955, the Bagram airport, the Jungalot vehicle workshop, and the Salang Pass road have reached the construction stage. The \$15,000,000 Soviet oil exploration agreement signed in January is intended to help solve Afghan foreign exchange difficulties which partly result from the need to import all POL supplies for a growing truck fleet.

American aid is also largely concentrated on transportation. Under an ICA-financed management contract, Pan American Airways is converting Afghan Ariana Airlines into an international carrier. The United States has also undertaken to construct an international airport at Kandahar, and domestic airports elsewhere, but Kabul is dissatisfied with this program because it is far behind schedule. The USSR is appar-

ently working hard to outdo the United States by building the Bagram airport on schedule.

The United States has offered grant aid to pave roads and build a railway extension across the border from Pakistan following ratification of the recent Afghan-Pakistani transit agreement. This aid would be Kabul's first major success in its new policy of accepting only grant aid in order to keep a serviceable debt level.

One reason for the Daud government's slowness in launching major agricultural projects envisioned under the \$100,000,000 Soviet loan may be dissatisfaction with the slow development of the Helmand Valley under a program originally financed by Export-Import Bank loans and now receiving ICA aid.

The Afghan prime minister has also secured Czech and Soviet loans totaling over \$32,000,000 for weapons, including jet fighters, tanks, anti-aircraft artillery, and smaller arms, which apparently have all been delivered. Soviet-constructed weapons courses have been under way for the past year. In addition, a long-established Turkish military training mission provides courses on military theory in Kabul, and Afghanistan has begun sending officers to the United States for training.

Daud is willing to accept help from American and other free world advisers in revising parts of his administrative structure and operations, most notably in the Ministry of Finance and possibly soon in the Ministry of Planning. Similarly, American and other free-world teachers are helping to develop the country's rapidly expanding educational system. In contrast, no Soviet advisory aid has been accepted and only one Soviet professor teaches in Afghanistan.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

Daud considers Islam a major obstacle to modernization and is doing his best to undercut the power of the feudal mulahs (religious leaders). Proceeding cautiously, he is trying to prepare the Afghan people for gradual abandonment of the veil, despised by educated Afghans as a symbol of backwardness.

Attitudes Toward US and USSR

Daud believes the United States showed little interest in Afghanistan until the USSR concluded aid agreements with Kabul and that Washington is concerned more over Soviet activity than about Afghanistan's

well-being. However, he apparently accepts this situation as one to be exploited. His main interests during his visit to the United States will probably be in evidence of American interest in Afghanistan itself and in possible aid offers. The fact that Daud has not accepted help from the USSR in any advisory capacity, as he has from the West, suggests that he intends to avoid Soviet influence at the policy-making level. Daud may be somewhat naive, however, in believing that his police state is safely able to accept large numbers of Soviet technicians and military instructors.

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OUTLOOK FOR INDIA'S SECOND FIVE-YEAR PLAN

India, after encountering serious economic difficulties during the second year of its Second Five-Year Plan (1956-61), now faces its gravest financial crisis. A drought, a severe setback in the textile industry, and failure to obtain the financial resources needed to fulfill the plan indicate that not even its principal targets will be fully met. The government's inability to reach the goals on which it has staked its future, combined with the political deterioration of the Congress party organization, could result in widespread popular acceptance of the Communists' claim that a democratic system cannot bring about rapid, sustained economic growth in an underdeveloped country.

Scope of India's Plans

India's basic difficulty is caused by the size and nature of the Second Five-Year Plan,

which calls for the expenditure of about \$15 billion compared with about \$6.5 billion actually spent during the First Five-Year Plan (1951-56). Of this amount, the government is to spend around \$10 billion and private industry around \$5 billion.

The present plan also emphasizes the rapid expansion of industrial production, whereas its predecessor concentrated on the more familiar task of raising agricultural output. In addition, by emphasizing industrial growth, a larger proportion of financial resources must be secured in the form of foreign exchange to pay for imported equipment. Funds thus tied up in large industrial projects are slower to yield results than investments in agriculture.

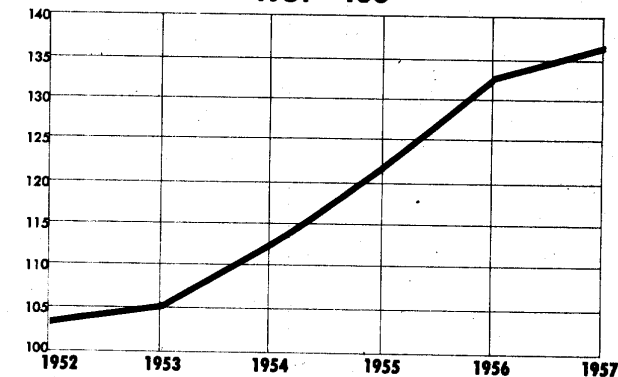
Progress Under Second Plan

During the first year of the second plan, both industrial

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

**INDIA: INDUSTRIAL PRODUCTION
1951 = 100**

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12 JUNE 1958

food-grain imports-- chiefly under US Public Law 480--the use of imports for current consumption prevents the government from building up stockpiles for future emergencies. Since agriculture still accounts for nearly half the country's total production, the decline in food-grain output probably will cause total output to remain stable or even to decline somewhat.

Outlook for Plan

and agricultural production expanded rapidly. Industrial production increased by 8.9 percent in 1956, while food-grain output increased by 5.2 percent in the 1956-57 crop year. By late 1956, however, it became evident that the plan was putting a much heavier strain than anticipated on India's foreign exchange reserves, which decreased from \$1.566 billion to \$1.103 billion that year.

This rapid decline in reserves forced the government to restrict imports drastically, and the inability of some firms to obtain raw materials caused their production to decrease in 1957. Industrial growth was also slowed during 1957 by a decline in the output of textiles--India's most important industry. While many factors contributed to this decline, the main ones appear to have been a too rapid expansion in recent years, heavy excise taxes, and a desire for better quality textiles.

A drought in eastern India caused the food-grain output to fall from 68,700,000 tons in 1956-57 to an estimated 65,700,000 tons in 1957-58. While the effects of the drought are being offset partially by reducing stockpiles and by large

Far more serious than the difficulties of the past year is the fact that the government recently decided that its share of plan expenditures must be cut for a second, and possibly even a third, time. Faced with rising prices of domestic as well as imported industrial goods, the government had found by early 1957 that to fulfill its planned expenditures for the five-year period would require about \$11.5 billion, a sum clearly beyond its ability.

This dilemma caused the government to adopt the concept of a "hard core" calling for the expenditure of \$10.08 billion, as originally planned, but constituting a cut of about 12 percent in actual accomplishment because of higher prices. More recent studies by the Indian Planning Commission have made it clear that the country cannot mobilize this amount, and the government now hopes to spend only \$9.45 billion. Although no formal cut has yet been made in the \$5 billion to be spent by private investors, private firms are now having difficulty in securing foreign exchange licenses.

The government, unwilling for political reasons to announce a further cut in its expenditures,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

has decided to divide the plan into two parts. The first, amounting to \$9.45 billion, is the part for which it claims resources are, or are likely to become, available. The remaining \$63,000,000 will be implemented if resources can be found.

Actually, the first part has become the newly revised plan, and there is considerable doubt if even that will be completed. The American Embassy in New Delhi believes \$9 billion is the most India can hope to obtain, since neither domestic nor foreign exchange resources for a larger sum are likely to be available. In addition, since the government has spent only about \$3.15 billion during the first two years of the plan, it would be hard pressed to spend over \$6 billion during the final three years even if the money became available.

If India can mobilize the necessary internal resources, it will still face an increasingly critical foreign exchange situation during the next ten months. The government's recent balance-of-payments projection for the remainder of the plan indicates a deficit of \$1.317 billion--a considerably larger figure than earlier estimated--after taking into account all presently assured foreign aid. Of this figure, the deficit for the fiscal year ending in March 1959 is \$617,400,000. The enlarged deficit is mainly the result of a lower and more realistic estimate of export earnings, particularly in view of the American recession and the slowdown in economic growth in Europe.

India's foreign exchange reserves amounted to only

\$561,000,000 at the beginning of the current fiscal year on 1 April and declined to \$521,000,000 by 23 May despite a British prepayment of \$45,000,000 for pension obligations. Indian officials think they can risk letting the reserves decline to \$210,000,000 for a short time at the end of the current fiscal year next March. They believe, however, that India must have reserves of at least \$420,000,000 at the end of the plan in 1961, since large sums must be available for repayment of foreign loans.

Consequences of Cutbacks

Despite the two cuts already made, most important industrial, agricultural, and transportation projects are still scheduled to be carried out. Expenditures for power and irrigation have been cut by 10 percent, however, and those for village and small-scale industry have been reduced by 20 percent. Most of the cuts have been made in the social services sector of the plan, and, if a further cut is necessary, Indian leaders will probably try to concentrate the cuts in this sector. This would pose serious political dangers

INDIA: AGRICULTURAL PRODUCTION

	FOOD GRAINS (MILLION METRIC TONS)	1949-1950 = 100		
		FOOD GRAINS	ALL OTHER	TOTAL
1950-51	50.0	90.5	105.9	95.6
1951-52	51.2	91.1	110.5	97.5
1952-53	58.3	101.1	103.8	102.0
1953-54	68.7	119.1	104.7	114.3
1954-55	65.8	114.4	120.4	116.4
1955-56	65.3	113.5	120.7	115.9
1956-57	68.7	119.1	129.8	123.0
1957-58	65.7 (EST)	114.1 (EST)		

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12 JUNE 1958

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 June 1958

to the Congress party, however, as the services provided by the government--especially in the community development field--are the most tangible benefit the average Indian sees for the sacrifices he is making for the plan.

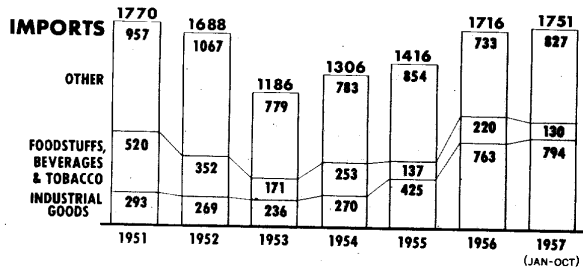
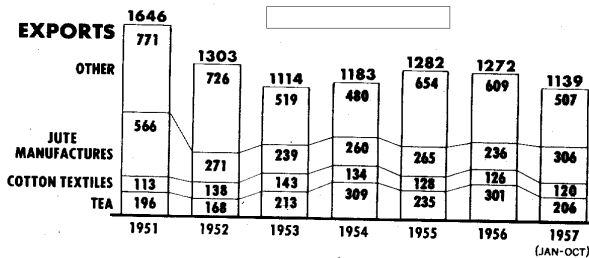
The extent to which government expenditures of only \$9-9.5 billion will cause a short-fall in the scheduled goal of raising national income by 25 percent depends on several factors. If, as seems likely, private investors reach at least

A possibly more serious repercussion would be the effect on employment. The Planning Commission estimates that there will be only 6,500,000 new nonagricultural jobs under the revised plan compared with an estimated 7,900,000 under the original plan. Since the labor force will increase by 10,000,000 during the plan period, and the chronic underemployment in agriculture will prevent any sharp gain in agricultural employment, India probably will end the plan with more unemployed than when it began.

Provided the critical foreign exchange situation does not force New Delhi to cut plan expenditures below approximately \$9 billion, India will succeed in accelerating its rate of economic growth during the second plan period. Continued rapid population growth and failure to reduce unemployment, however, are likely to cause many Indians to feel they are receiving little benefit from the economic growth they see taking place.

If the Congress party is able to revitalize itself and restore its earlier close ties with the people, it probably will be able to convince them that future plans will bring greater benefits. If the Congress party organization continues to deteriorate, however, the people will become more susceptible to the Communists' argument that a democratic system cannot bring about a rapid and sustained rate of economic growth in an underdeveloped country.

INDIA : TOTAL TRADE
MILLION DOLLARS



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12 JUNE 1958

80 percent of their target and crop harvests are favorable, national income should increase at least 20 percent. While this would be a better record than the 18-percent increase achieved under the first plan, the short-fall would nevertheless cause per-capita income to rise only 2 percent a year instead of the 3 percent originally scheduled.

will be able to convince them that future plans will bring greater benefits. If the Congress party organization continues to deteriorate, however, the people will become more susceptible to the Communists' argument that a democratic system cannot bring about a rapid and sustained rate of economic growth in an underdeveloped country.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

CZECHOSLOVAKIA TODAY: ACHIEVEMENTS AND PROSPECTS

Czechoslovakia, the "model satellite," approaches its 11th party congress opening in Prague on 18 June with a political and economic stability unequalled in Eastern Europe. The party, headed by Antonin Novotny, Moscow's chosen lieutenant, continues to display a united front, although some internal party frictions are believed to exist.

Although rumblings of discontent, stemming from mass dislocations of administrative workers and repressive policies in agriculture, are reported throughout the country, the party leaders have not been openly opposed, in part because the population has long been stable and cautious and the living standard is relatively high. Government leaders will brook no interference in completing the "construction of socialism" as quickly as possible in the hope that Czechoslovakia will become second only to the USSR in the "socialist camp."

Congress Agenda

The theses of the congress were contained in a letter to the people drafted at a central committee meeting in September 1957 on the tasks essential to completing the "building of socialism" in Czechoslovakia. The letter called for country-wide discussion of the theses and invited suggestions on the proposed party program. The letter stated that Czechoslovakia had already made great strides toward achieving a "socialist" society.

At a central committee meeting in April, Novotny outlined the agenda for the congress, at which he will give the principal report. He said the party should concern itself primarily with the tasks of removing the "remaining class antagonisms in Czech society," achieving "socialist production's decisive triumph" (complete socialization) in agriculture, increasing worker participation in the direction of the state in order to broaden

"socialist democracy," and completing Czechoslovakia's cultural revolution. These tasks comprise the prerequisites established by the Soviet Union in 1936 for declaring that the essential "foundations of socialism" have been laid.

In making such a declaration, Czechoslovakia would be the first bloc member, after the Soviet Union, to achieve this advanced status, although Bulgaria has announced completion of most of the prerequisites. Radio Moscow reportedly stated on 24 February that Czechoslovakia would become the second state in the history of the world to "build socialism." At



SIROKY

the same time, however, Czechoslovakia is reorganizing its industrial structure and completing the collectivization of agriculture, while simultaneously increasing productivity in both fields in order to meet the goals of the Second Five-Year Plan (1956-1960).

Congress Preparations

The central committee letter of September 1957 led to party district conferences, which elected delegates to regional conferences at which the program was discussed. At the regional conferences held in April, the draft program was completed and delegates to the congress were

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

elected. The preparations also included a drive for new party members from among the most sought after elements--workers, peasants, and youths, who are largely disinterested in party work--in order to improve the party's "social composition." The indifference of youths toward party membership has frustrated past programs to increase their participation and has resulted, over the years, in an overage party membership, a matter of growing concern to party leaders.

Party membership in June 1954 was 1,385,610, plus 105,624 candidate members. No figures have been released since then, but in June 1956, Novotny pointed out that only 36.3 percent of the members were workers and 7.3 percent peasants--a clearly "unsocialist" situation, which the party is strongly attempting to redress.

According to American Embassy sources in Prague, the party has been thinning its ranks along with the administrative decentralization program and the resultant reduction in the bureaucracy. Older members who have been only nominal party members since 1948 are being eliminated. The party apparently hopes the thinning process will reconstitute the party on a narrower, more reliable base.

Party Leadership and Control

Novotny received Khrushchev's laying on of hands during the latter's visit to Czechoslovakia in July 1957. Since that time he has been first among equals within the party. Before the death of President Zapotocky in November 1957, Novotny had functioned with the chief of state and Premier Siroky in a smooth and efficient triumvirate. Since that time there have been recurrent rumors of serious antagonism between Novotny and Siroky, particularly over the economic reorganization program.

High-level party dissension over Novotny's hard-line poli-

cies is said to be continuing, and even increasing, as the party congress draws near, but disagreements do not appear serious enough to disrupt the leadership, although Novotny's increasingly orthodox course presumably has heightened the discontent exhibited during the minor thaw of 1956.

Since Novotny's assumption of the presidency in November 1957, the regime's internal security measures have been tightened perceptibly, the vigilance campaign has sharpened, ideological conformity has been stressed, and a generally "harder" line has been followed in the regime's external relations. The American Embassy in Prague



NOVOTNY

feels the present leaders envision their party as the one satellite party which has successfully vindicated the orthodox course --and see it as Moscow's logical European junior partner.

The Czechs have always interpreted Moscow's doctrine militantly and apparently arrogate to themselves a special role in the antirevisionism crusade. Czechoslovakia has thus displayed an unyielding, condemnatory stand in the present bloc campaign against Yugoslavia.

The extensive purge carried out by the party in 1950-52, which involved the famous Slansky trial, eliminated major party factionalism in Czechoslovakia

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 June 1958

and unified the party under former President Gottwald, mentor of the present leaders. Since that time, no figure has emerged around whom dissident party elements might coalesce to alter the existing power situation. Under Novotny, party control has continued to be stressed and strengthened; his program has reflected his desire to achieve a strong, faithful, ideologically pure party responsive to his control, and Moscow's recognition of him as top leader has strengthened the "hard-line" party officials.

Popular Discontent

Although economic decentralization is not listed on the agenda, the congress will probably discuss the regime's ambitious program which was begun on 1 April. Economic decentralization requires that the existing structure be streamlined and the authority of individual enterprises increased. So far it has involved extensive changes in the industrial complex and in governmental ministries as well as an administrative reduction in force. The regime has shown great determination in carrying out its program in spite of attendant personnel and production dislocations.

Despite popular discontent, the population is not any more disposed than in the past to make trouble. The program for economic decentralization, however, has caused widespread disaffection. As many as 100,000 persons may have been affected by the labor relocation plans.

The government has continued its intensive agricultural collectivization campaign, begun in mid-1957, and has made rapid headway in the Czech lands of Bohemia and Moravia. The program met with resistance in

Slovakia, but recently the Slovak peasants apparently began to feel it was useless to hold out any longer against regime pressures.

The regime claims that 72 percent of agricultural land has been socialized, that 85 percent will be socialized by 1960, and that full socialization will be accomplished within the following year or two. These ambitious goals are probably realizable and are an important prerequisite in the regime's plan to complete the "construction of socialism." The push to complete collectivization is also designed to extend further the regime's control over the traditionally independent Slovak peasantry and thus complete its hold over the agricultural population.

The regime is alert to the fact that its programs have caused dissatisfaction and has indicated, both through propaganda and its vigilance campaign, that it will brook no interference or challenge.

Slovakia

The Slovak region has presented the central government with special problems. Separatism, always a tendency in Slovakia, reasserted itself after the 20th Soviet party congress in the form of renewed manifestations of nationalism, party dissidence, and an outspoken literary campaign which departed radically from the accepted principles of "socialist realism." Following repeated warnings, Prague finally acted against the dissidents, removing some from positions of party responsibility. Only elements responsive to Prague's will can be expected to remain in power.

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