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CURRENT INTELLIGENCE WEEKLY SUMMARY



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~~SECRET~~
CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 July 1958

PART I

OF IMMEDIATE INTEREST

LEBANESE SITUATION

Interest in the possibility of a political compromise of the Lebanese situation has revived since UN Secretary General Hammarskjold's mission. Two rebel spokesmen, Abdullah Yafi and Husayn Uwayni, believe conditions probably will not permit Parliament to elect a president on 24 July or even on 23 September, when President Chamoun's legal term expires. Their suggestion is that Chamoun finish his term, but that agreement be reached now on a mutually acceptable successor and on a new cabinet.

Yafi and Uwayni admitted that opposition leaders are not in close touch with each other and are uncertain of their objectives; it is therefore problematical how many rebel leaders would go along with such a compromise. Nevertheless, the suggestion is a significant comedown from previous rebel demands that Chamoun quit unconditionally now, and the rebels may well be willing to bargain further.

Chamoun himself gives no sign of willingness to compromise, however, and has given no indication, [redacted] that he has changed his long-held opinion that he alone is capable of maintaining

Lebanon's pro-Western orientation. Chamoun clearly expects no support from the UN observation group; press reports from Beirut indicate that relations between the UN officials and the government are strained. Under these circumstances, Chamoun might well ask for further UN Security Council action, possibly as a prelude to a request for Western intervention, if the military situation should suddenly deteriorate.

Lebanese army action during the past week has been more vigorous than previously, but has remained within the defensive policy set by army commander General Shihab. Severe fighting in Tripoli was contained; the rebels inside the city, probably short of ammunition and supplies, apparently sought to open supply lines to rebel forces to the east. A somewhat similar situation may prevail in Beirut. Rebel

[redacted]

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[redacted] offensive moves toward Beirut, which began on 30 June, may have had as one aim the resupply of insurgent elements still holed up in the Moslem quarter there.

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CONFIDENTIAL

~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

GOMULKA COMPROMISES ON NAGY, YUGOSLAV ISSUES

Polish party First Secretary Gomulka's decision to break Poland's official silence on the Hungarian executions and to take a sharper line on Yugoslavia in a speech at Gdansk on 28 June was probably made under strong Soviet pressure to get into step with the bloc on these two vital issues.

Although the Polish leader criticized Nagy as a revisionist who capitulated to the counter-revolutionaries during the Hungarian uprising, he did not echo the bloc's charge that Nagy was responsible for a "long-prepared conspiracy," and he avoided comment on the justice or severity of the verdict. He severely criticized the "false and injurious" Yugoslav position which, he said, only serves the aggressive aims of the imperialists. The Yugoslavs appear to have received the statement without rancor and to be adopting a position of friendly criticism

toward the Poles, in distinct contrast to the sharpness of their exchanges with other bloc countries.

Gomulka's statement was carefully phrased to appease the USSR by a stronger subscription to Communist orthodoxy and solidarity while trying to avoid taking a position on the Nagy execution. Poland's disapproval of the death sentence had been made clear by its long public silence on this action.

If Gomulka is pressured to take a stronger stand on the Nagy issue and to make additional statements to appease the Kremlin, he would probably do so, but would continue to insist on Poland's right to its own "road to socialism." Continued defiance would inevitably bring him face to face with the Soviet capacity for military intervention. Reports last week that Soviet military forces were on the move to bring pressures on the Polish leader were apparently false, but nonetheless point up that the Kremlin's "presence" leaves Gomulka few opportunities for real independence.

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SOVIET MOVES ON EAST-WEST NEGOTIATIONS

Premier Khrushchev's letter of 2 July to President Eisenhower was intended to reassure the non-Communist world that recent events in Eastern Europe do not presage a reversion to a harsh Stalinist line in Soviet foreign policy. Khrushchev appears anxious to overcome the damaging effects of

the Hungarian executions and to recapture the initiative on summit talks. At the same time, however, Moscow attempted at the opening of the Geneva technical talks to force the United States to agree in principle to a cessation of nuclear tests independent of other aspects of the disarmament problem, or,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

failing this, to throw the blame on the United States for a breakdown of the talks.

In an effort to display fresh initiative on a subject which both sides have frequently proposed as an agenda item at summit talks, Khrushchev called for a joint study by military experts from the United States, the USSR, and possibly "certain other states" of measures to prevent surprise attack. These experts would draw up recommendations which would be considered by a heads-of-government conference.

Khrushchev's choice of this subject for a new overture to the United States probably was designed to appear as a response to repeated American policy statements stressing the importance of preventing surprise attack and calling for technical discussions on this and related issues.

This move is reminiscent of a similar Soviet effort to dissipate the hostile reactions throughout the free world to the suppression of the Hungarian uprising in 1956. Moscow issued an omnibus statement on disarmament on 17 November 1956 which indicated for the first time Soviet willingness to discuss aerial photography over a zone in Europe 500 miles on either side of the line dividing NATO and Warsaw Pact countries. Moscow at that time also suggested holding a summit conference to discuss disarmament and other issues.

Khrushchev's new initiative, in Moscow's view, has the additional advantage of again focusing world attention on Soviet charges of provocative American nuclear-armed bomber

flights toward Soviet frontiers. In his letter to President Eisenhower, Khrushchev pointed out that these flights have made the problem of preventing surprise attack "especially acute." He said that "on the day when the American Government issues the order to cease flights of this kind, the danger of atomic war, which threatens mankind, will be greatly reduced."

Soviet propaganda has begun to link the forcing down of a US Air Force transport aircraft in Soviet Armenia on 27 June with Moscow's earlier allegations concerning Strategic Air Command bomber provocations. Moscow radio declared on 3 July that "this time the SAC has been caught red-handed" and charged that this incident proves that the United States "is not telling the truth when it asserts that the US Strategic Air Command is not committing acts of provocation toward the Soviet Union."

This propaganda may foreshadow a major Soviet diplomatic offensive, including another appeal to the UN Security Council, using this latest incident to show that provocative US flights are not restricted to the Arctic area. The counselor of the Soviet Embassy in Paris has stated that the USSR intends to be as difficult as possible regarding the release of the US Air Force crewmen, since they deliberately burned their downed aircraft--an act which Soviet authorities consider as destroying evidence of espionage.

The Soviet bloc experts attending the Geneva technical talks on detecting nuclear tests are carrying forward Moscow's campaign to force the United States to make an unequivocal

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

statement agreeing that the experts' discussions should be "subordinated" to the "main task" of achieving a test cessation agreement. The Soviet leaders apparently decided to send their delegation to Geneva only after they realized that their 25 June aide-memoire, with its implied threat of a boycott, had failed to draw the United States into a polemical exchange on the issue of a prior agreement to halt tests. Moscow's 28 June note significantly omitted the boycott threat but charged that the United States had evaded clarifying its position on the purpose of the experts' meeting.

At the opening session of the Geneva talks on 1 July, the Soviet chairman immediately raised this issue by insisting that his delegation would refuse to proceed with technical talks until the Western delegation made an "unequivocal" statement agreeing that a test cessation is the objective toward which the scientists would be working. If the West concedes this point, he said his delegation would be willing to

"spend any amount of time" necessary to reach agreement on controls.

Moscow probably will interpret any Western acceptance of the Soviet definition of the purpose of the talks as constituting a commitment to a test cessation. If, on the other hand, the West rejects the Soviet demands, Moscow probably believes it will be able to throw the blame on the United States for a breakdown of the talks. With this end in view, the leader of the bloc delegation presented an outline of Soviet views on detection methods--obviously prepared for possible future publication--designed to show that the USSR is not hostile to inspection and is ready for serious discussions once the political hurdle is overcome. He emphasized, however, the argument frequently repeated in Soviet propaganda that technical controls merely provide additional guarantees and are not essential for a cessation of tests--a line Moscow will undoubtedly follow if the talks break down.

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SECRET

CONFIDENTIAL

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CURRENT INTELLIGENCE WEEKLY SUMMARY

3 July 1958

PART II

NOTES AND COMMENTS

STATUS OF THE USSR SEVEN-YEAR PLAN

Production goals for 1956 for a number of major Soviet industries have been announced during the past few months, indicating that the main lines of economic development for the forthcoming Seven-Year Plan (1959-65) have been established. The average annual rates of growth required generally are below those contemplated in the original Sixth Five-Year Plan (1956-60). They are, nevertheless, above the rates envisioned by Khrushchev last November in his 15-year forecast and the rates planned for 1957 and 1958.

The Seven-Year Plan was to have been completed by 1 July, according to last fall's directive. However, no announcement concerning the plan emerged from the two central committee meetings held during the last two months, both of which discussed economic problems. The American

Embassy in Moscow has recently received a report that publication of the plan may be delayed until September, which would mean that work remains to be done on the plan or only that publication is to be delayed. The fact that individual goals have already been revealed for such important areas as ferrous metallurgy, fuel and power, building materials, chemicals, and consumer goods suggests that remaining decisions would relate to distributing production responsibilities rather than to such matters as rates and direction of growth.

The Seven-Year Plan is the first long-term plan to be drawn up under the new sovnarkhoz-type administrative structure and the first in which a concerted attempt apparently has been made to coordinate Soviet and satellite economic

USSR: PRELIMINARY GOALS OF SEVEN-YEAR PLAN (1959-65)

		PRODUCTION				ANNUAL INCREASE (%)		
		1957	1958 PLANNED	1965 7-YR. PLAN	1972 KHRUSHCHEV'S FORECAST	1956-60 ORIGINAL 6TH 5-YR. PLAN	1958-72 KHRUSHCHEV'S FORECAST	1959-65 7-YR. PLAN
PIG IRON	MILLION TONS	37	39	64	75-85	9.9	5.3	7.3
CRUDE STEEL	MILLION TONS	51	53.6	80	100-120	8.6	5.3	5.9
FINISHED STEEL	MILLION TONS	40.2	41.7	68-69	-	8.3	-	7.3
PETROLEUM	MILLION TONS	99	113	230	350-400	13.3	9.4	10.5
CEMENT	MILLION TONS	29	34	76-82	90-110	19.5	8.6	12.9
NATURAL GAS	BILLION CUBIC METERS	18.5	31	145	260-310	32	16	24.9
ELECTRIC POWER	BILLION KWH	210	231	500	800-900	13.5	9.8	11.7
WOOLEN TEXTILES	MILLION YARDS	305	315	547	600-710	6	5.2	8
SILK TYPE TEXTILES	MILLION YARDS	880	-	1,624	-	15	-	8
KNITWEAR	MILLION PIECES	463	-	940	-	9	-	9
LEATHER FOOTWEAR	MILLION PAIRS	315	342	515	600-700	9	4.9	6

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3 JULY 1958

CONFIDENTIAL
~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

relationships on a long-term basis. Either of these circumstances may have required more work than was contemplated nearly a year ago when work on the plan was begun.

The date of publication of the plan may be determined in part by an attempt to maximize the considerable propaganda possibilities inherent in a seven-year plan which apparently will reflect an optimistic appraisal of Soviet economic capabilities. Both the individual goals announced thus far and a

report in Le Monde on 31 May giving information obtained by members of a French delegation to the Soviet Union suggest that industrial production will be scheduled to increase approximately 10 percent annually during the seven-year period. Such a plan, following a relatively troublesome two-year period in which continued high rates of growth seemed to be threatened by raw-materials supply problems and inadequate plant capacities, would be particularly impressive. 25X1

(Prepared by ORR)

CEMA CONSIDERS ECONOMIC INTEGRATION PROBLEMS

The ninth plenary session of the Council for Mutual Economic Assistance (CEMA), which concluded in Bucharest on 1 July, discussed the problem of transforming into action Khrushchev's suggestions for increasing bloc economic integration. The communiqué announced a program for more cooperation. Implementation, however, will be slow and beset by disagreements between member governments interested in preserving their national economic interests and domestic sources of supply.

The differing points of view of the industrially developed member countries and those basically agricultural countries aspiring to industrial development probably were discussed at this meeting. Bulgaria, for example, has complained to Moscow that the more economically advanced states are applying world market prices to intra-orbit trade. Bulgaria, with relatively low labor productivity, cannot compete on this basis and is consequently un-

able to maintain its trade with Czechoslovakia and Poland. Furthermore, the Bulgarians charge that the leading industrial satellites are not complying with CEMA directives to aid in developing Bulgaria's industry and are instead expanding their own production to avoid purchases from Bulgaria.

Czechoslovakia, with a highly developed economy, reportedly is resisting Soviet pressures to reduce consumer goods production and buy certain of these goods elsewhere in the interest of promoting a division of labor within the bloc. Czech officials claim such action will lower living standards and increase domestic political difficulties.

Implementation to date of economic specialization, designed to lead to the rational economic development of the Soviet bloc as a whole, has been quite limited. Because of nationalistic tendencies within the satellites, plans which the

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

ninth CEMA session promulgated on 1 July to promote such specialization do not break sharply with former policies and trade patterns directed at achieving as much self-sufficiency as possible. Additional committees to promote coordinated planning were established, but, at most, CEMA member states

probably agreed only to forego production plans not yet well established. The gradual integration process in Western Europe, however, may foster increased economic cooperation in the bloc to provide a more unified front and a stronger trade bargaining position vis-a-vis the West. (Prepared by ORR) 25X1

YUGOSLAV-BLOC RELATIONS

Recent developments in Yugoslavia's dispute with the Sino-Soviet bloc tend to discredit bloc allegations that there will be no return to the Stalinist methods used following the 1948 break. Yugoslav protestations, however, that there is no essential difference in the methods used now and in 1948 seem to exaggerate the situation. Anti-Yugoslav manifestations are steadily increasing, and the concern of Yugoslav officials over a further increase in pressures does not appear unfounded.

Despite its dispute with Yugoslavia, the Sino-Soviet bloc has generally voiced a desire to maintain "correct" diplomatic relations. Nevertheless, whether the snub Peiping administered Tito's departing ambassador last week will be followed by similar, perhaps concerted, moves by the rest of the bloc remains unclear. Recent Albanian attacks, however, branding Tito an "enemy and traitor" suggest that Moscow does not oppose attempts to provoke Tito into withdrawing his ambassadors and placing diplomatic relations on the purely formal level which was the general pattern between 1949 and 1954.

The execution of Nagy may open the way for anti-Tito trials similar to those which occurred

after 1948. Bloc propaganda has already accused Yugoslavia of actively directing agents in the satellites to subvert the "fraternal parties." Albania has been particularly vituperative on this matter, and the Bulgarian press has hinted at a further crackdown on several writers recently fired for alleged Titoist leanings.

Bloc propaganda on many recent occasions has equaled if not surpassed the vitriolic tone employed against the Yugoslavs subsequent to 1948. The Albanians, Chinese Communists, Czechs, and Bulgarians are most extreme in this respect. Portions of Yugoslav broadcasts originating in Belgrade have been jammed since 19 June, apparently from Hungary, and the bloc may be contemplating a resumption of the 1949-54 blackout of all Yugoslav transmissions.

Moscow's offer of 28 June to hold "businesslike" discussions with Belgrade on questions concerning economic relations in conjunction with the USSR's suspension of credits to Yugoslavia suggests that the USSR does not contemplate the imposition of a total economic boycott similar to that in 1949. Since the outbreak of the present dispute, both Poland and East Germany have signed agreements which will increase the level of trade with Yugoslavia.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

The terms of the Soviet offer, however, do not envision the reinstatement of the suspended credits, but simply hold out for Belgrade the possibility of getting industrial development materials in exchange for Yugoslav commodities. The move appears to be tactical, timed for the arrival of UAR President Nasir as Tito's guest and to counter the sympathetic reception Tito's attacks on Soviet "aid with strings" have had among "neutralist" nations. Moscow's offer simply restates a proposal contained in the suspension note last May which was rejected by Belgrade and blames the Yugoslavs for the resultant strain in relations.

Besides the absence of an economic blockade [redacted]

[redacted] No emigré groups are known to have been formed, although some pro-Cominformist Yugoslavs have made their escape to the bloc. Some scheduled visits by bloc delegations to Yugoslavia have been canceled, but many other exchanges are taking place. Yugoslav newsmen

are still present in all bloc capitals.

Reflecting Yugoslav concern over an intensification of the bloc's anti-Yugoslav activities, Belgrade has recently adopted a policy more in line with its protestations of "independence" between East and West. Yugoslav support of many Soviet foreign policy objectives is now frequently balanced by favorable comment on Western policy. Yugoslav Foreign Minister Popovic made the unprecedented remark in a recent speech that the USSR was attempting--like the West--to conduct its foreign policy from a position of strength.

During his negotiations with Nasir, Tito will presumably make a major attempt to strengthen his independent position between East and West. Belgrade undoubtedly hopes its more "neutral" foreign policy will increase the possibility of Western loans, which the Yugoslavs have indicated they will seek in order to compensate for the recent cancellation of Soviet credits. [redacted]

[redacted] (Concurred in by ORR)

NEW HUNGARIAN THREE-YEAR PLAN (1958-60)

The new Hungarian Three-Year Plan schedules increases in production for 1960 only about half as great as those envisaged under the Second Five-Year Plan (1956-60), which was scrapped in the fall of 1956. The investment timetable and foreign trade goals would have to be fulfilled as planned--a feat rarely achieved--if even the modest over-all target is to be reached. In addition,

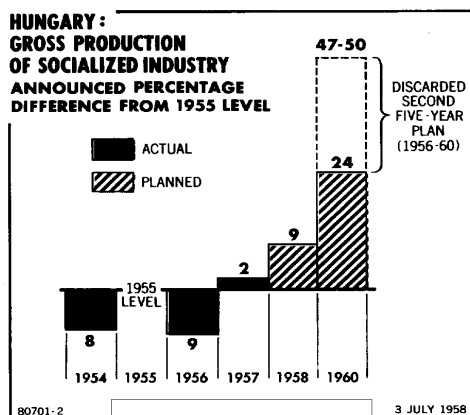
if this year's harvest is below average as expected, it could cause the plan to fail. Personal consumption is the only sector for which plans could be cut back, but any lowering of the living standard would increase tension between the populace and the regime and would endanger production plans by removing the incentives given farmers and workers since the revolt.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

During the three-year period, production in socialized industry is to rise 22 percent above the 1957 level, with rates of growth for heavy industry exceeding those for light; agricultural output is



to increase 12 to 13 percent, "provided weather conditions are average." Although Hungary may not achieve agricultural targets, the modest industrial goals may be realized, since the level of production planned for 1960 is only about 6 percent above that claimed to have been reached during the fourth quarter last year.

Investment, lower under the Three-Year Plan than before the revolt, is primarily for replacement rather than for new construction. In the allocation of investment funds, heavy industry is again emphasized, while the share for agriculture is reduced. Farmers are being told to do their own investing. Allocations show a marked shift in favor of the electric power industry at the expense of engineering and metallurgy, which received much larger portions in earlier plans. Hungary is

poor in power resources, but is still depending heavily on its engineering industry for increasing exports.

Although information on the Three-Year Plan does not include specific goals for foreign trade, the unpublished 1958 plan reportedly demands adjustments necessary to re-establish a balance of trade. This may not be achieved this year; during the first quarter of 1958, Hungary continued to import more than had been planned. A poor harvest this year may cause the export plan for food products to fall short and could make necessary an increase in food imports. Repayments on foreign loans in 1959 and succeeding years will continue to hamper recovery toward a favorable balance of trade.

As a result of scheduled production increases, national income is supposed to rise 13 percent by 1960, and real wages, according to planning chief Arpad Kiss, are to "exceed the 1956 level by 6 percent." If Kiss is quoted correctly, real income during the Three-Year Plan is actually to be depressed, since real wages rose during 1957 by 14 to 16 percent and peasant income by 8 to 10 percent. The regime previously admitted that no increase in living standards can be expected for the three-year period, and an actual lowering is indicated under the difficult circumstances. Production in 1957 recovered to the 1955 level, but national income did not, and the budget was balanced only with the help of foreign credits, which created a temporary and spurious prosperity. (Prepared by ORR)

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SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

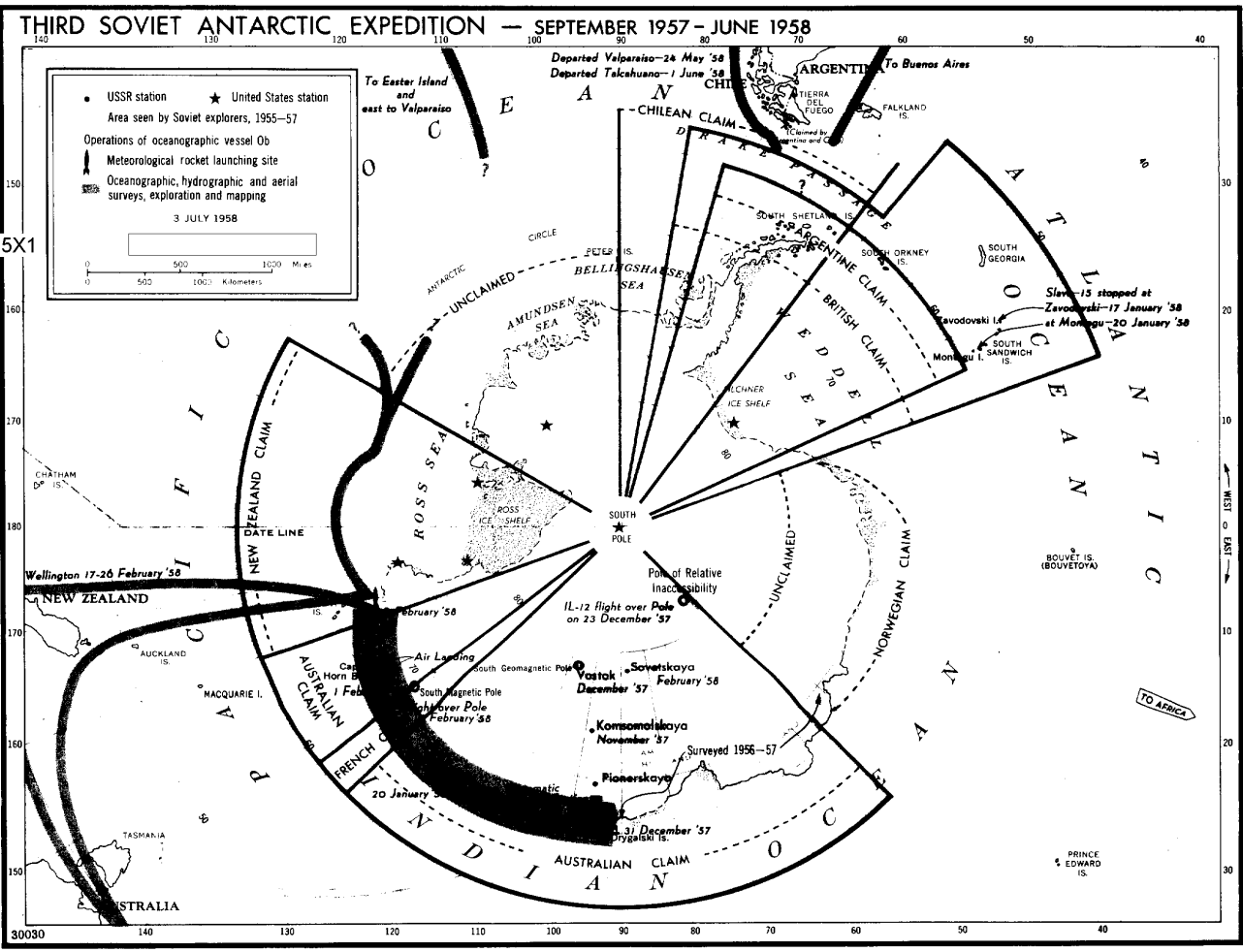
3 July 1958

SOVIET ADVANCES IN THE ANTARCTIC

The Soviet position in Antarctica has been enhanced by the work of the third Soviet Antarctic expedition from September 1957 to June 1958. The expedition supplied existing and additional new stations with improved equipment, established a 180-man replacement staff to continue operations through the winter, set up a new station, Vostok, at the South Geomagnetic Pole, continued oceanographic and hydrographic operations of the vessel Ob, and began meteorological rocket launchings from the Ob.

Only one major goal of the expedition was not met. Sovetskaya station had to be temporarily established 400 miles short of the Pole of Relative Inaccessibility. Plans for next season call for its relocation at this most remote spot on the continent.

The expedition also set up Komsomolskaya station as an intermediate station between Mirny and Vostok and Sovetskaya, bringing to six the number of manned Soviet stations. Two automatic meteorological stations



SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

were established, one 153 miles south of Mirnyy and the second at Drygalski Island. Cross-country glaciological studies indicated base rock in some places to be hundreds of meters below sea level, suggesting that the Antarctic may not be a continent but rather a series of islands under a massive ice sheet.

Operations of the Ob included extensive hydrographic and oceanographic surveys in the Indian and South Pacific oceans. Over 7,000 square miles along the coast were explored, including serial photography along more than 1,000 miles of coastline east of Mirnyy. Previously unknown areas were mapped, and numerous significant corrections were made to earlier charts. One new island, Chugunov, was discovered 37 miles northwest of Oasis Station, and claims are made that 35 other geographical features were discovered.

The Soviet whaling fleet, normally operating incommunicado in the South Atlantic, broke into the news when its research

vessel Slava-15 landed operation parties on Zavodoski and Montagu islands in the South Sandwich Islands group.

The USSR still has not extended its cold-war antagonisms into Antarctica, probably to preserve the cooperative attitude which was developed during the IGY and which is necessary for the continuation of a scientifically productive international post-IGY program.

The Soviet note accepting an invitation to attend a US-proposed Antarctic conference is the first official statement reserving the right to make a claim, calling for the continuation of research in Antarctica "for a long time into the future," and expressing a desire for freedom of research by international agreement. It also champions--as the USSR did in its memorandum of 1950--the interest of any nation wishing to participate, making specific reference to India. 25X1
(Prepared by ORR; Concurred in by OSI)

CHINESE COMMUNISTS PUSH AGRICULTURAL CAMPAIGN

Prospects for an increase in most agricultural products this year in Communist China are good, but not as favorable as statements emanating from Peiping would indicate.

The prestige of Mao Tse-tung and his most influential lieutenants is heavily committed to a "giant leap forward" in construction and production, and particularly in agricultural production. Liu Shaochi at the party congress in May pleaded

for special efforts in 1958, in order to "prove to the doubters" that they are wrong.

Agricultural officials have made some extravagant "estimates" of this year's crops, and even the more sober statements predict an increase of 10 to 20 percent in grain output.

The basis for the current predictions of unprecedented harvests is the extensive work done in water conservation last

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

winter and spring. In the six months ending 30 April, Peiping claims to have brought 58,000,000 acres under irrigation, an increase of 69 percent. Virtually all of this increase comes from small, local projects. A sizable portion of the expansion, of course, does not involve much actual construction, and regime spokesmen have warned peasants that much of this work will probably be washed away by summer rains. Nevertheless, important increases in crop yields should result.

The central government, in addition to providing more chemical fertilizers, insecticides, and powered irrigation equipment and farm machinery than in past years, has ordered urban workers and members of the armed forces to help in rural work. To boost the program, even such notables as Premier Chou En-lai have taken part in "socialist labor" on water conservancy projects.

To stimulate aggressive planning at the local level, two sets of targets were established. The central authorities drew up an original set that was "reasonable" and "certain" to be accomplished; the regional organizations "examined and debated" the assigned targets and then announced their own goals, which almost always greatly exceeded the targets set by the central government. On this high tide of enthusiasm, some local authorities pledged to complete in one year the long-range goals set for 1967.

Despite unfavorable weather in many important agricultural areas, nearly all reports echo the theme that harvests this year will set new records provided no serious calamities occur.

On 30 June the Ministry of Agriculture announced that ac-

ording to "first results" the summer harvest--winter wheat, rape, and barley, which ordinarily constitute about one sixth of total grain production--had reached 47,500,000 tons, 17,500,000 tons more than last year. This increase is almost as large as the increase claimed by Peiping for all food crops during the First Five-Year Plan.

This claim is made in spite of dry weather that has persisted since last autumn in the major wheat-growing areas. Peiping has admitted that winter wheat acreage had been reduced from the previous season's 67,675,000 acres to 59,675,000 acres, which would mean that startling increases in yields would be necessary to reach the claimed level of output.

In South China the prospects for a large early rice crop are good, despite excessive rains during May in Hunan, a flood along the Kan River in Kiangsi, and more than the usual trouble with insects in some areas.

Peiping probably has not had time to gather accurate statistics to substantiate its claims for crops already harvested. Tan Chen-lin, member of the secretariat of the central committee and the regime's chief spokesman on agricultural matters, suggested that early claims were inflated when he admonished the agricultural cooperatives to pay attention to honesty and exactness in reporting production figures. Regime spokesmen warn that the autumn harvest--which provides the great bulk of agricultural production--can still be greatly influenced by weather and that an intense effort is still required of the peasants.

(Prepared by 25X1
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SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 July 1958

DE GAULLE'S PROBLEMS WITH THE MILITARY

An important factor delaying French Premier de Gaulle's elaboration of a precise policy on Algeria may be the necessity of assuring complete control over the French Army there. Recent and prospective appointments to key military posts seem aimed at consolidating the government's position.

Many career officers, isolated in Indochina and Algeria for several years and embittered by the vacillation of Paris, are less susceptible than their elders to De Gaulle's prestige and are intoxicated by the success of the 13 May coup. They are increasingly suspicious of De Gaulle's reliance on the political figures they denounce.

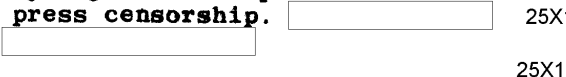
De Gaulle fears clarification of his views would crystallize opposition from the various elements in Algeria. The European settlers use the slogan of "integration" to cover their intention of retaining the status quo. Some military elements seem to believe that full integration of Algeria into France is possible. Many army officers, however, are intent only on retaining Algeria for France; they feel the way to hang on to Algeria is to give the Moslems increased political, economic, and social status, even if this means some sort of a federal relationship.

The premier's sudden replacement of Army Chief of Staff

Lorillot by General Andre Zeller may have been prompted by concern over unrest among junior officers. 25X1



The government's jitters over these issues were apparent on 26 June when it seized two leftist weeklies which charged a purge of liberal political and military elements in Algeria. De Gaulle previously had publicly rejected the practice of press censorship. 25X1



SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

SPLIT WITHIN MOROCCAN ISTIQLAL PARTY

The stability of the Moroccan Government, formed in May by moderate Istiqlal Premier Ahmed Balafrej, is threatened by a split within the ruling party. The moderate leadership of the party, which also predominates in the government, is challenged by a powerful left-wing faction which seems determined either to force the party to adopt its neutralist anti-monarchical views or to break away and form an opposition party. Specifically, this faction demands that the party's congress, now scheduled for 25 September, be convened in July.

Istiqlal, after its formation in 1944, became the most important group in the Moroccan struggle for independence. As a result, it attracted members with a variety of political views. Its organizational structure is largely the work of Ahmed Balafrej, who has served as secretary general since the party's inception. After Balafrej entered the government in the spring of 1956, however, his party functions were delegated to Mehdi ben Barka, considered the leader of the left-wing faction. He is a member of the party's political committee and president of the Moroccan Consultative Assembly.

The party has been on the verge of splintering several times since Morocco became independent on 2 March 1956. By astute maneuvering, the moderates have avoided a formal split

and maintained their ascendancy. The present situation, however, appears to be by far the most serious to date, and the party's executive committee is reported as a last resort to be considering the expulsion of Ben Barka and his principal lieutenants--Mahjoub ben Seddik, secretary general of the Istiqlal-affiliated Moroccan Labor Union, and Abdullah Ibrahim, former minister of labor. The expulsion of Ben Seddik, who is said to be completely under the spell of Nasir, might lead to the creation of a labor party which could pose new difficulties for the Moroccan Government.

Moderate party leaders within the government, competing with left-wing leaders for popular support within the party, are taking a more intransigent line on popular issues. This was particularly noticeable in the joint communiqué issued on 15 June at the close of the visit of Ghana's premier, which declared an intention to follow a "foreign policy based on non-alignment," a theme adopted some months ago by the left-wing faction. Endorsement of nonalignment was carried one step further on 30 June when the Moroccan Government lodged a strongly worded protest with the American Government regarding a routine change in command at the American air base at Nouasseur, which the Moroccan press on this occasion played up as an "aggressive design of the United States to commit Morocco to side with the West."

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

UAR MAY SOON ISSUE A UNIFIED CURRENCY

Despite denials by both Cairo and Damascus of any impending currency reform, rumors of an imminent change are increasing. [redacted]

[redacted] Syrian businessmen, in order to avoid financial losses, are said to hope that Egypt will devalue its pound before any unified currency is issued. Egyptian devaluation appears unlikely, however, since it would be tantamount to an admission of Nasir's failure in the economic sphere, and currency reform imposed by Cairo could increase Syrian conservative opposition to Nasir.

In mid-1956 the Egyptian pound was bought and sold relatively freely at close to its par value of \$2.88. However, the economic stagnation which followed the Suez seizure, coupled with Soviet cotton-purchasing practices, soon resulted in a steady decline in the pound's value. Thus far, Cairo's stopgap measures have failed and by 20 June, after a temporary increase in value in early 1958, Egyptian pound notes dropped on the Zurich market to an all-time low of about \$1.62--or less than 57 percent of par.

Unlike the Egyptian pound, the Syrian currency is stable, relatively easily convertible into foreign exchange, and backed by substantial gold and foreign currencies. Following union with Egypt on 21 February, there was a flight of capital from Syria to Beirut and Zurich, reflecting the apprehension of the business community over Nasir's designs. Prompt action by Syrian financial authorities succeeded, at least temporarily, in restoring confidence in the currency.

Plans for introducing a unified currency reportedly call for exchanging 10 or 11 Syrian pounds for one new "dinar." Since this exchange rate understates the real value of the Syrian currency by about 43 percent, it would amount to a virtual expropriation by Egypt of millions of dollars worth of Syrian pounds. Such a move would enable Egypt to acquire a major portion of Syria's \$70,000,000 worth of gold and foreign exchange at cut-rate prices.

If Nasir undertakes such plans, it would indicate that he believes the conservative forces in Syria have been effectively neutralized and that the stage has been set for an accelerated Egyptianization of Syria. [redacted]

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FINNISH PARLIAMENTARY ELECTIONS

The Finnish quadrennial parliamentary elections on 6 and 7 July will be held at a time when Finland's relations with the Soviet Union, particularly on the question of increased economic ties, have again become a major concern.

President Kekkonen, who made a state visit to the USSR

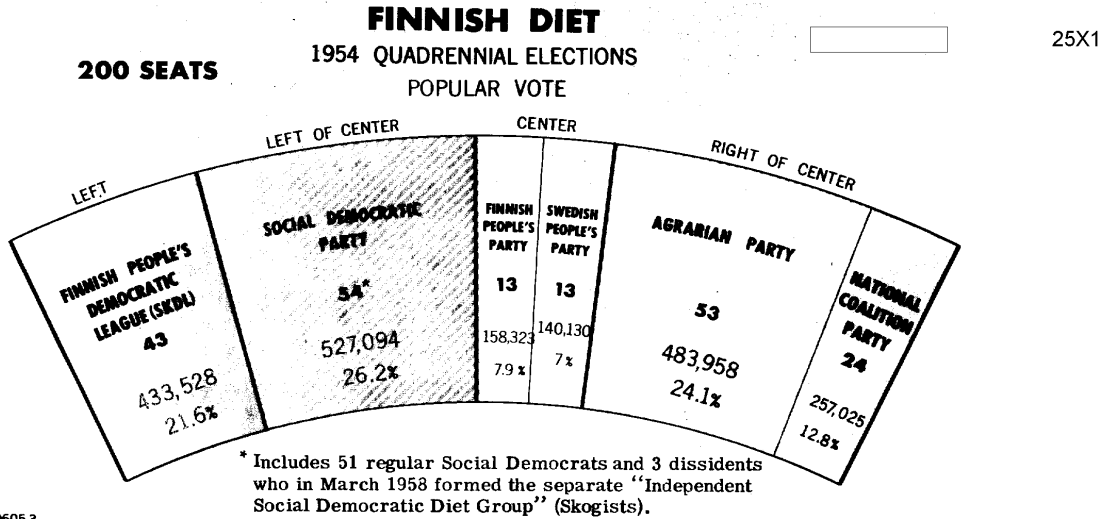
from 22 to 31 May, returned with a Soviet offer of a ruble loan of \$100,000,000 to \$125,000,000 for industrial development, particularly in the depressed northern provinces. In view of the shortage of development capital, there will be some sentiment among the non-Communist parties favoring the Soviet loan, but

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CURRENT INTELLIGENCE WEEKLY SUMMARY

3 July 1958



it is unlikely that Parliament will approve utilization of the entire amount.

At the same time, Finland desires to strengthen its economic ties with the West and is considering specifically some form of association with OEEC, if such a development will not adversely affect Finland's trade commitments with the USSR.

Foreign policy matters have been the most conspicuous subject in an election campaign which has been described as unusually passive. The Agrarians have sought to present themselves as the party best suited to continue former President Paasikivi's policy of rapprochement and cooperation with the USSR. The other non-Communist parties agree that the primary objective of Finnish foreign policy must be to maintain a strictly neutral position in big-power disputes and to pursue a policy of friendly cooperation with the "big neighbor to the east."

The Finns are presently confronted by a number of serious economic problems, such as budgetary difficulties, the

relationship of farm prices to the wage level, and the shortage of investment capital for industrial expansion. The election may help to clarify the situation by indicating public opinion on party programs. Since November 1957, Finland has been governed by nonpolitical cabinets made up largely of civil servants, and a delineation of public opinion may permit the formation of a more responsible and normal political government.

While the recent executions in Hungary may affect adversely the fortunes of the Communist-front Finnish People's Democratic League (SKDL), the league may profit from the long-standing feud between the trade union faction and the party organization. Splinter Social Democratic candidates are running in only four districts. While they are unlikely to be elected, the regular ticket may suffer. The Agrarians, the largest party in the country, may gain a few seats in addition to the 53 they now hold. No party is expected to obtain a majority, however, and the most likely outcome of the election will be the formation of an Agrarian-dominated coalition government.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 July 1958

GROWING UNREST IN PORTUGAL

Manifestations of unrest in Portugal which characterized the recent presidential election campaign are likely to continue after the inauguration of President-elect Americo Thomaz on 8 August. The Salazar regime's refusal to make concessions to check political discontent may encourage Communist activities.

Strikes or partial walk-outs have been reported in 12 widely separated localities in the past month, and in late June a demonstration of farm laborers in central Portugal resulted in two deaths from police gunfire. Slogans carried in the demon-



SALAZAR

stration suggest it may have been instigated by the Communists.

Dissatisfaction is also reported among junior army of-

ficers, whose general discontent has been heightened by Defense Minister Colonel Santos Costa's political activity. They resent his use of the military to repress disorders during the election campaign and his alleged firing of the director of the Military College for failure to dismiss two officer-teachers sympathetic to the opposition candidate, General Humberto Delgado. Many army officers are also described as highly critical of the regime's policy of branding as Communists those who do not agree completely with it.

The regime will probably try to alleviate discontent by expanding housing, school, and hospital construction, but is also planning more restrictions on freedom of expression. Prime Minister Salazar on 30 June publicly proposed changing the constitution to provide for the election of the president by the upper house of Parliament rather than by direct popular vote. Such moves are likely to antagonize supporters of the regime who considered Delgado a demagogue but shared his view that socio-political conditions could be improved. Salazar is reported unwilling to listen to the advice of conservatives.

[redacted] 25X1
[redacted] who has been urging him 25X1
to give others a chance in the 25X1
government if he wishes to avoid
throwing the country into the
arms of the Communists. [redacted]
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POLITICAL DETERIORATION IN HAITI

Political and economic conditions in Haiti have deteriorated to the lowest point since the 16-year American occupation ended in 1931. Dr. Francois Duvalier, President since

last October, appears to have made considerable headway in suppressing his domestic opponents, but in the process, the army has been so weakened by continuing purges that it

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 July 1958

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may no longer be able to preserve law and order.

Racial and class tensions have been aroused to such a pitch that the mulatto minority, the country's social and economic elite, is under a virtual reign of terror. The government, although strongly biased in favor in the blacks, has had few resources and little time and energy to devote to improving the extremely low living conditions of the Negro masses, who are becoming increasingly sullen and restive.

The opposition, though disorganized and with most of its leaders in exile, nevertheless continues determined to force Duvalier's ouster. A seemingly coordinated campaign of arson, which began on 24 June, may be part of the opposition's efforts.



Inflammatory radiobroadcasts directed from the Dominican Republic against Duvalier for the past several months confirm Trujillo's direct interest in Haitian affairs. Reports that he has offered material assistance to Duvalier's enemies have been increasingly frequent since Duvalier ousted pro-Trujillo General Kebreau as Haitian army chief of staff last March.

It is unlikely that Duvalier's opponents would stay united if and when they succeeded in ousting him. No identifiable Haitian leader or political group has sufficient popular support or politico-military strength to bring stability to the country in the near future. There is real danger that the reported Trujillo-backed plot, or any other violent act, might spark uncontrolled and spontaneous rioting and looting among the Haitian masses. The result could be a state of near anarchy.

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THE NEW BELGIAN GOVERNMENT

The formation on 1 July of a Social Christian party (PSC) cabinet, Belgium's 13th postwar government, ends a month-long political crisis but ushers in a period of political instability, which will probably continue until autumn when the Brussels Fair is over and new elections can be held. The PSC holds only a slim majority in the Senate and failed

to gain control of the Chamber of Deputies in the 1 June elections, but succeeded in ousting the Socialist-Liberal coalition of Prime Minister Van Acker by registering a 5-percent vote gain over 1954 figures. As a consequence, the new government can be overthrown at any time by the Socialists and the Liberals, both of whom refused to join the Social Christians in

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

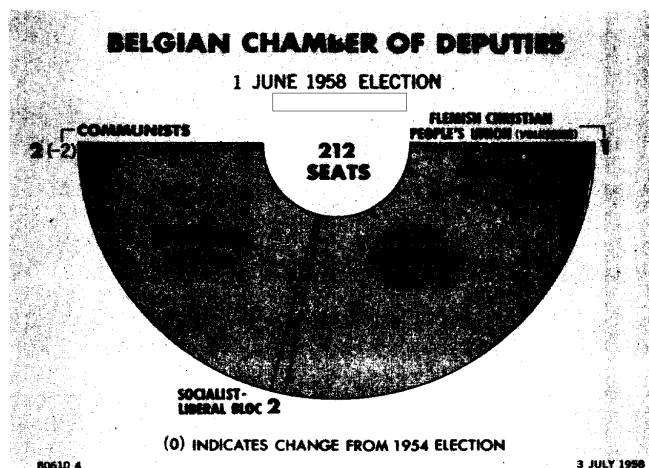
3 July 1958

a coalition and are eager to recoup their election losses.

Gaston Eyskens, prime minister in the PSC-Liberal coalition of 1949, heads the new government. He is considered an outstandingly able man, but faces a number of controversial domestic problems, including serious overproduction in the high-cost coal industry. He may be forced to resort to increased restrictions on coal imports from the United States as a short-term solution, but mounting stocks will necessitate more decisive and politically difficult measures. Another controversial measure included in the Eyskens program is "free education" for children up to 18 years of age. He will probably try to restore to parochial schools, in the face of bitter Socialist and Liberal opposition, subsidies reduced by the previous government.

The prime minister is firmly committed to NATO, but will attempt further to reduce the military service term as promised by the PSC during the election campaign. The Socialists and Liberals, with the next election in mind, would probably hesitate to oppose this measure. Arthur Gilson, the new defense minister, is a firm believer in a gradual reduction and possible elimination of compulsory military service in favor of long-term volunteers to fulfill Belgium's commitments to NATO.

Other foreign policy changes are unlikely. Eyskens, as well as the new foreign minister, Pierre Wigny, favors European integration as well as NATO, and is favorably disposed toward the United States. However, the new foreign commerce minister, Andre Duquae, who will act



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as foreign minister in Wigny's absence, has been critical of American trade policies. The new minister of economic affairs, Raymond Scheyven, reportedly favors increased East-West "contacts," including contacts with Communist China. Recognition of Peiping is generally favored in Belgium, but has never been actively pursued because of American opposition.

The appointment of a new minister of colonies has been delayed, although Governor General Petillon of the Belgian Congo reportedly has been offered the position. Many Belgians hope for a more progressive policy in the Belgian Congo with the departure of traditionalist Liberal Minister of Colonies Buisseret.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

INDONESIA

The North Celebes dissident capital of Manado fell on 26 June, but resistance is continuing in other areas of the peninsula, directed from new rebel headquarters in the hills south of Manado. The dissidents, in their effort to continue armed opposition to the Djakarta government, are receiving assistance from Nationalist China.

Chiang Ching-kuo, Nationalist China's security chief, has stated his government will give the dissidents as much support as possible.

In Sumatra, dissident guerrilla activity against economic targets continues to increase. As of 28 June, facilities of seven estates in the Medan area and one palm oil factory had been completely destroyed. Several other estates have been

the targets of destructive raids. Communist estate workers in the area are again being given arms, creating a further security threat.

Army Chief of Staff General Nasution told the American army attaché on 28 June he had ordered armed guards placed on the estates to protect them from dissident attacks and had given orders some time ago for measures to prevent damage to the oil fields and installations in Central and South Sumatra. Government troops in North Sumatra are being reinforced in an effort to control guerrilla activity there.

The government has taken another step toward supplying critically needed interisland shipping by signing a contract with Poland on 26 June for the construction of 24 ships. Earlier this year, the Soviet Union sold Indonesia ten small merchant ships and two small tankers. Indonesia has also negotiated the purchase of nine ships from Japan under a reparations program.

SOUTH KOREAN POLITICAL SITUATION

President Rhee, now 83, continues to be the dominant political figure in South Korea, but with increasing age has begun to display a greater dependence on his political subordinates. During the past two years, he has allowed his ministers increased authority and responsibility, although he has continued to shift government officials virtually at will. Concurrently he has del-

egated considerable authority over Liberal party affairs to his chief political lieutenant, Yi Ki-pung.

Rhee's appointment of Cho Yung-sun, a compromise nominee, as chief justice of the Supreme Court is a recent indication of the President's mellowing attitude in handling domestic affairs. Despite his long-standing displeasure over the judiciary's

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

failure to give him the unquestioning obedience he demands from other branches of the government, Rhee accepted Cho as a second choice for the post following prolonged judicial opposition to his first-choice candidate. Cho, nevertheless, probably will be more susceptible to presidential influence than his predecessor.

As a result of the Liberal party victory in the 2 May National Assembly elections, Yi Ki-pung was easily re-elected speaker, and, despite a rise in party factionalism earlier this year, he appears to be successfully tightening his control over party affairs.

The opposition Democrats also are attempting to improve party discipline, anticipating that the administration will

call elections some time before 24 January 1959 for the as-yet-unconstituted upper house of the legislature. Long-range prospects for Democratic harmony, however, are likely to be jeopardized by factional maneuvering for the party's 1960 presidential nomination.

As the new assembly session gets under way, the Liberals are allowing the Democratic opposition to question several ministers regarding the procurement of faulty soap for the military, the embezzlement of 37,000 bushels of government-held rice, and alleged election irregularities. The Liberals, however, probably will use their control of the legislature to prevent the Democrats from seriously obstructing the work of the assembly for any great length of time.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

3 July 1958

PART III

PATTERNS AND PERSPECTIVES

ULBRICHT AND THE EAST GERMAN COMMUNIST PARTY

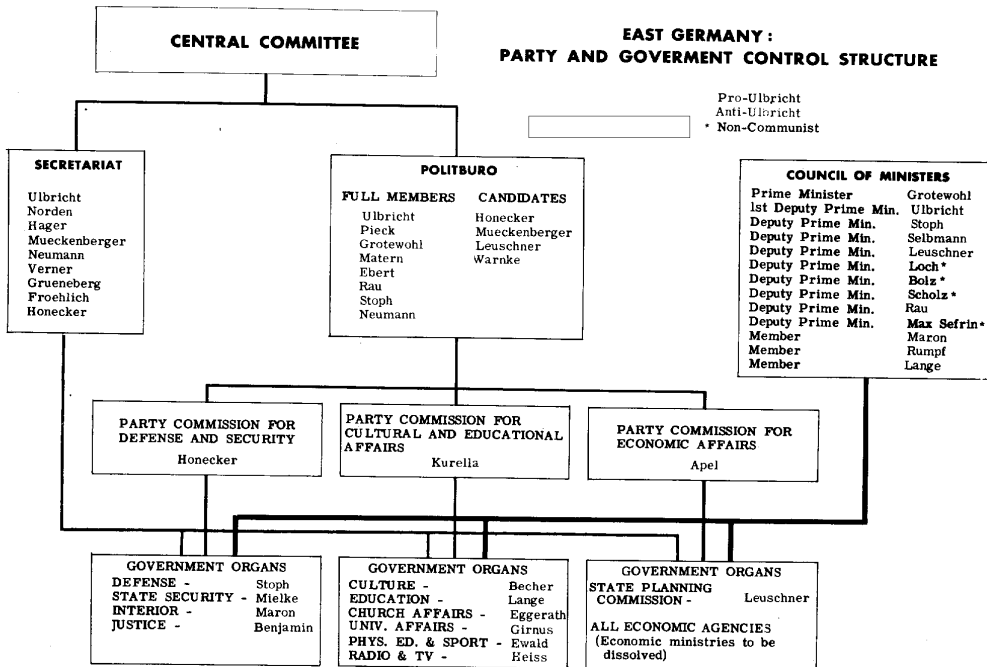
Walter Ulbricht, tough old Stalinist leader of the East German Socialist Unity (Communist) party (SED), is carrying forward his plans to assure his continued control of the party. Recent occurrences indicate that the SED is not the strong, monolithic structure Ulbricht would like, and he is proceeding ruthlessly to prevent any possible opposition moves either prior to or during the party congress beginning on 10 July, in an effort to present to the country and the world a facade of party solidarity.

Party Shake-up

The shake-up Ulbricht considered necessary in several district party organizations emphasizes the party's fundamental weakness and reveals the lack of genuine support for the Ulbricht

leadership at the middle and lower echelons. Old-time local leaders were replaced by new men in an attempt to rejuvenate the lethargic party apparatus and demonstrate to dissident and apathetic functionaries that safety for them lies only in diligent activity on behalf of Ulbricht.

Something of the scope of the shake-up was revealed by secretariat and politburo member Alfred Neumann to the 36th central committee plenum held on 10 and 11 June. He noted that the composition of a large segment of the SED leadership at the local level had proved unsatisfactory and that district leaders had often been lax--at times to the point of "sabotage"--in carrying out instructions from superiors. To correct this situation, the



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958



SCHIRDEWAN



SELBMANN



ULBRICHT

central committee formed special "brigades" to visit each district headquarters during the party conventions which elected delegates to the party congress. The major task of the "brigades," of course, was to ensure that only loyal Ulbricht adherents were elected and thereby forestall the possible eruption at the congress of protests against his dictatorial rule.

In his speech, Neumann mentioned specific shortcomings in the party leadership in the Halle, Erfurt, Cottbus, and Gera districts. Because of their inability to cope with ideological, economic, and organizational problems, these area executives had to be "strengthened." Neumann said that only quick and effective action by the central committee in changing the composition of the leadership at the district level had prevented a serious setback for the party. He criticized district organizations for failure to combat "opportunistic and revisionistic views" with sufficient vigor, and for permitting party educa-

tion to lag, with the result that stagnation in both thought and action had become increasingly evident.

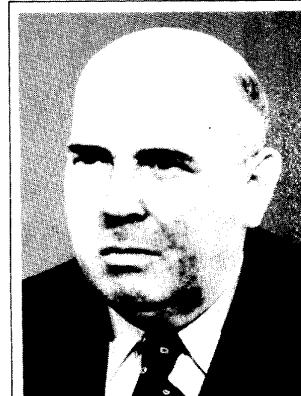
Neumann warned against a tendency to adopt liberalistic and revisionistic interpretations of events and emphasized the need to combat the "opportunistic policy of the factional group." In this connection, he reminded his audience that "the central committee has unanimously and resolutely warded off the attempt of the opportunistic Schirdewan-Wollweber-Ziller group which was favored by Comrades Oelssner and Selbmann.

Attitude Toward Schirdewan

Since the 36th plenum, probably encouraged by the Nagy



OELSSNER



WOLLWEBER

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958



the Soviet compound at Karlshorst. Since the latter move would have to be ordered by Soviet authorities, it appears that Ulbricht is taking the initiative in trying to persuade the Russians to approve more drastic action against his opponents.

Party publications are now reflecting the tougher line and have begun to refer to Schirdewan and Wollweber as "enemies of the party." Former party theoretician Fred Oelssner and Deputy Planning Commissioner Fritz Selbmann, both of whom have opposed Ulbricht in the past, have been requested, along with Schirdewan, to submit explanations of their conduct to the politburo. Such requests are demands for public self-criticism, presumably at the party congress. While Oelssner may comply, Selbmann almost certainly will not, and it is doubtful that Schirdewan and Wollweber will

execution, Ulbricht has apparently made a dramatic shift from his former moderate attitude toward the Schirdewan group--purged from the leadership in February 1958--and has intensified his attacks on this opposition faction. He is said to be passing the word that the case of former Minister for State Security Ernst Wollweber, a loyal Communist functionary since 1919, is not just a party disciplinary problem, but that he must be brought to public trial. Ulbricht has also ordered cancellation of Wollweber's free medical treatments and is attempting to have him ousted from his quarters in

confess abjectly, as Ulbricht probably has demanded.

The execution of Schirdewan or Selbmann, however, both of whom have some popularity in the party and among the people, would undoubtedly cause a wave of revulsion and resentment against Ulbricht which might be difficult to control. Since few East Germans, even party members and functionaries, were really convinced that Schirdewan had done anything which warranted removal from his party posts, even fewer would swallow Ulbricht's explanation that his guilt was so heinous as to require his execution. Ulbricht

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

probably has no desire to create martyrs who might be more troublesome dead than alive. Furthermore, a blood bath would not help East Germany's efforts to prove its respectability and fitness to join the family of nations as one of two legitimate German states.

The stepped-up campaign against the group identified with Schirdewan indicates that there is more pro-Schirdewan sentiment within the SED than is desirable from Ulbricht's standpoint and that he is determined to take whatever steps necessary to suppress it. The Austrian announcement that Chancellor Raab's visit to Moscow would be postponed for one week from 13 July because Khrushchev "will be abroad" raises the possibility that he may attend the congress. His attend-

ance--his second visit to East Germany within a year--would be construed as support for Ulbricht and his hard-line policies and would virtually guarantee that the continuing controversy over the Schirdewan-Wollweber affair would not erupt in an embarrassing display of factionalism.

While there is undoubtedly substantial opposition to Ulbricht on both personal and political grounds, the odds would appear to favor his riding out the present wave of opposition. However, Ulbricht's control of the SED and his support by the USSR are mutually interdependent: the USSR would have no use for a leader who could not control his own party, and, without the knowledge of Soviet support for Ulbricht, the SED would quickly throw him overboard.

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INDONESIAN DISSIDENTS INTENSIFY GUERRILLA WARFARE

The Indonesian central government is faced with the problem of guerrilla activity by several thousand armed dissidents, even though resistance on Sumatra ended in early May and has all but ceased in North Celebes. This activity has already been more intense and effective than any dissident actions during the more conventional phase of the civil war, and, in the months to come, will constitute a serious drain on central government resources. There may be serious political repercussions, not necessarily in the direction hoped for by dissident strategists.

Although the army controls the major towns in North and Central Sumatra, Djakarta has been unsuccessful in re-establishing its former authority

on the island, principally because of the presence of guerrilla bands, passive resistance among large segments of the population, and the reluctance of experienced civil officials to resume their former posts. The dissidents have been particularly active in ambushing government troops, destroying bridges and vehicles, and in making hit-and-run night attacks on government-held towns.

Most recently, the Sumatran dissidents have embarked on a systematic campaign to destroy the economic assets of Sumatra, which are of critical importance to the economic viability of Indonesia. Installations on seven rubber estates in the east coast region of North Sumatra have already been razed.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

In addition to the rubber estates in North Sumatra, some of which are American-owned, Caltex and Stanvac oil installations in Central Sumatra and possibly those in South Sumatra may become targets for guerrilla attacks or sabotage.

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With the collapse of organized resistance, the dissidents have probably concluded that economic warfare is the most effective means still open for forcing Djakarta to accept the revolutionary government's demands. The dissidents still hope for a new government in Djakarta which will be anti-Communist in orientation and which will also satisfy their desire for a greater economic return from the provinces' natural wealth.

The dissidents are capable of causing considerable damage, particularly in North Sumatra. While government forces there outnumber the dissidents possibly by as much as four to one, these troops are widely dispersed and preoccupied with the restoration of normal conditions in the larger towns. With their present strength, they cannot prevent widely scattered guerrilla attacks on rubber and tobacco estates in addition to maintaining the security of their own positions and lines of communication. In the face of mounting dissident activity, reinforcements from Java may be required to permit central government forces to maintain even the present inadequate level of security in North Sumatra. Army Chief of Staff Nasution, affirming his concern over the problem, has indicated

that armed guards will be placed on the major estates, protection of which is a seemingly impossible task for present troops in North Sumatra.

Major Nainggolan, the dissident operational commander in North Sumatra who is based in the Lake Toba region, is reported to have 1,000 men under arms and allegedly would have no difficulty in substantially augmenting that force if it were not for a shortage of weapons. One tribal group in North Sumatra--the Bataks, many of whom are Christian--is said to be completely united against the Javanese, and dissident sources claim over 10,000 youths have volunteered for service.

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In Central Sumatra, dissidents seem finally to be recovering from the defeat suffered at the hands of the sizable central government force which landed in the Padang area in late April. Dissident forces have been reorganized, and the rebels have launched night attacks against towns in the Bukittinggi area. Several districts north of Bukittinggi and east and southeast of Padang are reported clear of central government troops and under dissident control, and at least one government counter-attack is said to have been repulsed.

The Central Sumatran rebels have as yet made no attempt to sabotage Caltex and Stanvac oil installations, possibly because of a lack of trained demolition

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CURRENT INTELLIGENCE WEEKLY SUMMARY

3 July 1958

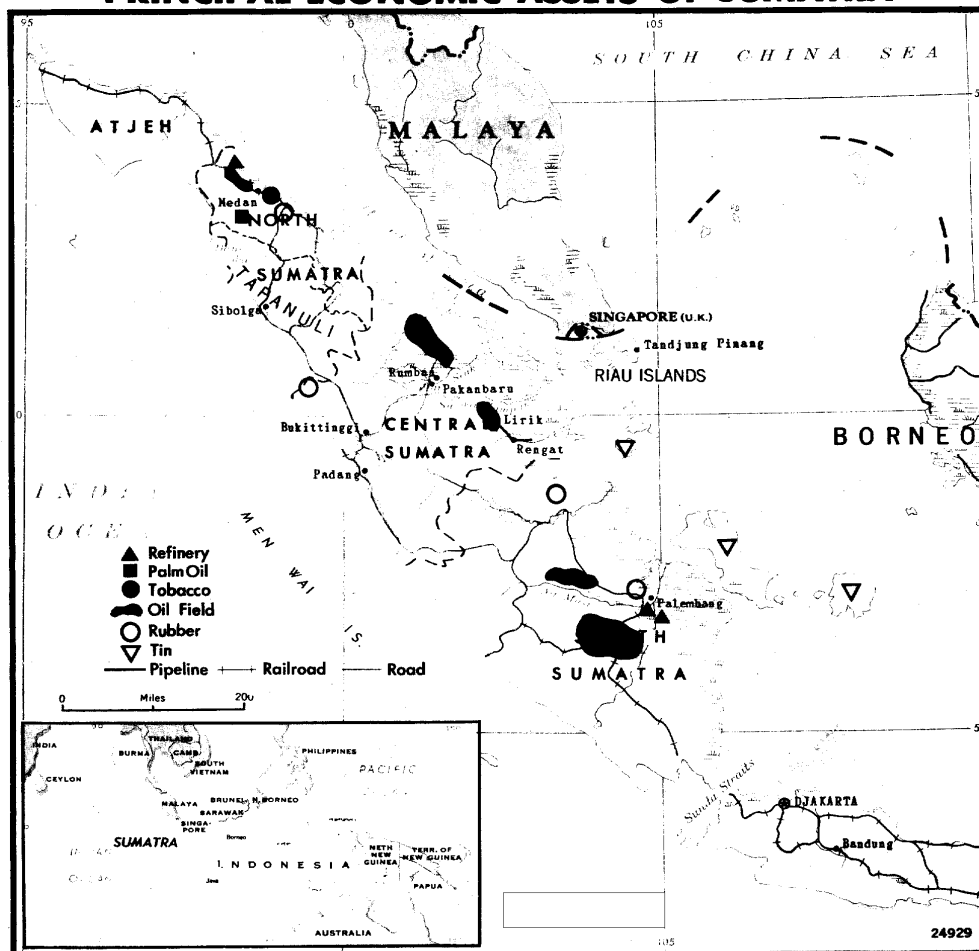
personnel. Acts of terrorism in Central and perhaps South Sumatra, however, might bring about a disruption of production, thus achieving the same goal.

With the collapse of formal resistance in North Celebes, dissident forces there under the command of Lt. Col. Sumual will probably also revert to guerrilla warfare. While Celebes is of less economic importance than Sumatra, its copra exports are in normal times an impor-

tant source of government revenue and foreign exchange. Moreover, the continued commitment of a sizable number of troops from Java needed to cope with guerrilla warfare in North Celebes will put a further strain on the Djakarta government.

Dissident guerrilla warfare will undoubtedly hurt Djakarta, both because of the military drain and the loss of revenue from destroyed installations. It is open to question, however, whether it will have the effect apparently intended by the dissidents of making the central government more amenable to compromise. On the contrary,

PRINCIPAL ECONOMIC ASSETS OF SUMATRA



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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

the gulf between the two sides may actually widen, and there is the additional danger that Djakarta might turn increasingly to the Sino-Soviet bloc for economic aid to compensate for any loss of revenue.

The dissidents' guerrilla warfare tactics will also provide the Indonesian Communist

party and its affiliated front groups with yet another opportunity to appear on the "side of the angels" by voicing indignation over what must seem to the average Indonesian loyalist to be the wanton destruction of the nation's vital economic assets. [redacted]

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OVERSEAS CHINESE EDUCATION IN TAIWAN AND COMMUNIST CHINA

Mainland Chinese political movements since the turn of the century have traditionally sought the personal and material support of Overseas Chinese communities in Southeast Asia and elsewhere. With the emergence of two Chinese regimes, Peiping and Taipei are competing for Overseas Chinese loyalties. The primary targets in Southeast Asia for both Communist and Nationalist China are the politically active student-age Chinese, who have provided the popular leadership for all Chinese movements since World War I.

Nationalist and Communist governments alike have particularly receptive audiences in Southeast Asia because of the strong cultural and emotional ties the Chinese communities have maintained with the homeland. When possible, Overseas Chinese students in Southeast Asia have sought Chinese schooling from the primary grades through the university level. Primary and middle-school training has usually been provided through local community schools supported by Chinese business groups.

Opportunities for higher education, however, have been lacking in the Overseas communities, and mainland Chinese universities have long been

the goals of Overseas Chinese seeking higher education. The fall of mainland China to the Communists did not halt this movement but tended to encourage it--particularly as Communist China appeared to be gaining a position as a major power and to be exercising growing influence over Southeast Asia.

Accurate statistics on Overseas Chinese going to the mainland are not available. Between 1951 and 1956, the number of Overseas Chinese students in mainland universities is estimated to have been 4,000-5,000 per year. Recently there has been a marked decline in the numbers from Malaya, Singapore, and Indonesia, the main sources of students going to the mainland. This decline has, however, been partially offset by increased numbers from Burma, Laos, and Cambodia.

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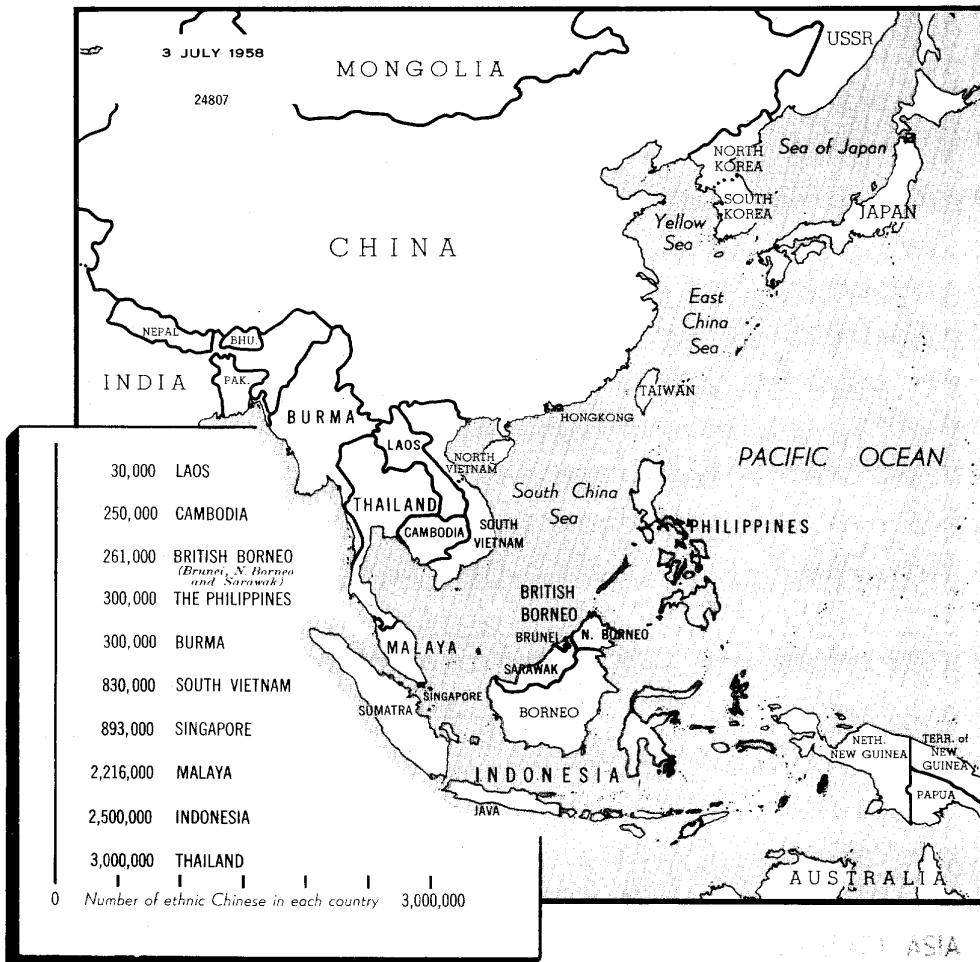
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there will be a net decline in the number of students from Southeast Asia in coming years. The chief reason is the restrictions which Peiping is placing on all higher education, because of overtaxed facilities. Also, there is a declining interest on the part of Peiping in catering to Overseas Chinese

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958



students. Formerly, special privileges were extended to these students, but now they are increasingly being charged fees for their schooling. In addition, the Overseas students are reported dissatisfied with the food, lodging, and educational opportunities provided. Many have been found to be inadequately prepared for higher education and have been shifted off to technical schools and lower grade vocational training, while others appear to have become disillusioned with the political content of their training.

In the past, Taiwan had little appeal as an educational

center. Its facilities were little known and its government appeared unstable. Few Chinese had been educated there during the 50 years of Japanese occupation. Today the situation on Taiwan presents an encouraging contrast to that on the mainland. Overseas Chinese suspicions regarding the stability of Taiwan and the worth of its educational facilities are being overcome, while Nationalist doubts about the loyalty of Chinese living elsewhere are gradually being eliminated.

There has been a steady improvement in the quality of colleges and universities on Taiwan and an increase recently

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

in the number of Overseas Chinese going there for education. In 1951 there were 60 Overseas Chinese enrolled in schools on Taiwan. By early 1957, 2,014 new Overseas students were registered, and in the fall there was reportedly a total of 6,363 such students studying there.

As of March 1958, Taiwan had six universities--five supported by the national and provincial governments and one by American missionaries--and five independent colleges, three of which are privately financed. In addition there are six government-sponsored technical institutes and at least 168 middle schools. All of these are open to Overseas Chinese students. At present, 53 percent of American educational aid to Taiwan is spent on projects assisting Overseas Chinese to obtain an education on Taiwan.

This trend to Taiwan has been encouraged by the develop-

ment of Chinese Nationalist government and private scholarships, fellowships, and other aid programs for the Overseas Chinese and by a general, if vague, expectation that Taiwan will remain, for the foreseeable future, free from mainland domination.

On the basis of present trends, it can be expected that proportionately fewer students will be going to the mainland and more to Taiwan in the future. On the other hand, should opportunities increase in Southeast Asia either in national universities or in Chinese colleges, the flow of students to Communist China and Taiwan may well be reduced. Continual pressures by national governments for assimilation, as in Thailand, Malaya, South Vietnam, and Burma, will also tend to restrict the movement of students to either the mainland or Taiwan.

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PERONISM IN ARGENTINA

To the majority of Argentine workers, Peronism is a symbol of the new economic and political status Peron gave them and, in this sense, Peronism remains strong. President Frondizi achieved office by successfully exploiting this view of Peronism among the electorate. The military, who would vigorously oppose any revival of influence of Peron's followers, strongly resent Frondizi's priority attention to amnesty for the Peronistas and his slow action on economic problems. The Peronista rank and file as well as the leadership is split over whether Peron is now the best agent for their interests.

Frondizi realizes that Peronista-instigated strikes could threaten both political stability and his economic program, which emphasizes the need for increased production. He faces the difficult task of winning Peronista support without critically antagonizing either the military or Peron, who is supporting Frondizi at least temporarily on condition that labor's rights be protected. Within this framework and with his promise of democratic government, including free political and labor activity, Frondizi has less room for maneuvering than did Peron.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

Peronism and Labor

Under Peron, Labor became the most powerful single political force, and, since Peron's



FRONDIZI

flight into exile in 1955, it has demonstrated its determination not to return to its pre-Peron status. Peron's improvement of the near-feudal conditions for many sectors of Argentine labor and his build-up of the formerly weak General Confederation of Labor (CGT) from some 250,000 members into a powerful organization claiming 6,000,000 members were the main reasons labor backed Peron for the presidency in 1946 and 1951. To the majority of workers, the fact that Peron used dictatorial methods in granting them this new economic and political status was less important than the gains achieved.

Having acquired a power status and a dominating influence in the Peronista party, labor exerted pressure on Peron which was often successful but on occasion was crushed by force. Many leaders became casualties, but labor had realized its strength and gained valuable experience, especially at local levels, where there was relatively free organization. When Peron in 1954 crushed the Communist-led strikes which had capital-

ized on the issue of deteriorating real wages, he lost considerable labor support. His creation of a General Confederation of Employers was also resented by labor as a threat to their special interests.

Frondizi's Approach

Frondizi's inaugural address on 1 May highlighted his campaign promises to promote a full amnesty, national conciliation, and "the rule of law," and emphasized as well the seriousness of the economic situation, which he termed a "national crisis." Once in office he gave priority attention to an amnesty bill, approved by Congress and signed by him on 22 May.

The amnesty law forgave political, military, labor, and common crimes committed with a political intent and revoked restrictions on political and labor activity by Peronistas. The bill did not revoke the provisional Aramburu government's decree outlawing the Peronista party and banning propaganda under the Peronista label, but this is now under congressional consideration.



PERON

Frondizi in May made an equally conciliatory gesture toward Peronista labor by canceling Aramburu's decree turning

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

over control of the CGT to an executive board of labor leaders, mostly anti-Peronistas. Mainly because of large-scale Peronista abstention from union elections during the Aramburu regime, anti-Peronista elements had won control of 32 unions controlling some 1,500,000 members, while the Peronista-Communist bloc won elections in 62 unions, which controlled only 800,000 members. Anti-Peronista labor leaders fear Frondizi's intervention may now forecast his support of Peronista elements when the CGT elections are held in the near future.

Frondizi has also granted executive pardon to a number of formerly important Peronista officials whose cases were not covered by the amnesty law. This action, which absolved Peron's last federal police chief of torture charges, particularly offended conservative military elements, who felt the spirit of forgiveness was going too far. The executive pardon also renewed speculation as to whether Frondizi would pardon Peron of treason charges, despite the obvious threat to stability in such a move and despite Frondizi's declaration that the courts would decide Peron's case.

Peron

Although Peron denounced the amnesty law as a "trap," he in fact acknowledged its legal basis by submitting through his lawyer a petition for benefits under the law. The judge's decision, which was that some of the charges against Peron were covered by the amnesty law but that of treason was not, may serve to establish Peron's guilt in the eyes of some former Peronistas and thus aid Frondizi in reducing Peron's prestige through legal processes.

Despite this, Peron on 9 June reiterated his pre-electoral support of Frondizi at a

Peronista celebration commemorating the abortive Peronista revolt of June 1956. In a message recorded in exile in the Dominican Republic, Peron instructed his followers to "support the work of national recuperation and to collaborate in this direction with the work of Arturo Frondizi." Peron also warned that "if the Frondizi government abandons the national line and the defense of the people, then we will move into the opposition."

Peron's message tends to support reports of a Frondizi-Peron agreement to the effect that the government will permit Peronistas to engage freely in political activity, provided Peron remains abroad and ends Peronista obstructionism and hostility toward the government.

Peronista Groupings

There are three principal groups asserting Peronista leadership: the so-called Peronista Tactical Command which follows Peron's orders, a group of neo-Peronista leaders who disavow Peron, and the Peronista leadership in labor. These factions are more akin to pressure groups than to large well-organized political parties, and there is an area of overlap in their activities and influence.

The failure of Peronista leaders to reorganize effectively has been attributable not only to the provisional government's repression of party activity but even more importantly to disagreement and conflicting ambition among the Peronistas themselves. The dearth of effective Peronista leadership stems in part from Peron's former practice of preventing the development of outstanding leaders who might have become his competitors.

The lack of Peronista unity was sharply reflected in both the constituent assembly

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

elections in July 1957 and again in the general elections last February. In both cases Peronista leadership was split on participation. In the July elections, the blank vote, which was considered to be mainly Peronista and in response to Peron's orders, amounted to scarcely one fourth of the total, in contrast to the 1954 Peronista polling strength of about two thirds of the total vote. These weaknesses, in combination with Peron's loss of strong military support, help explain why Peron has given Frondizi his conditional endorsement.

a revival of Peronista influence. There are some signs of their discontent over Frondizi's appointment of Peronistas to important but subcabinet-level positions, although only two of Frondizi's eight cabinet members represent the left wing of his party and his congressional majority is dominated by the moderate wing. The strongest dissatisfaction, however, occurs in those anti-Peronista quarters --civilian as well as military-- which were previously antagonized by Frondizi's demagogic campaigning for the Peronista vote, which contributed heavily to his landslide in the electoral college.

The appointment of other nonparty members as well as Peronistas has caused dissension within the UCRI, which has been debating opening the party registers to Peronistas prior to party elections. Those who opposed the proposition on grounds that regular UCRI leadership would be reduced, lost out on 12 June, when the party formally announced its new policy of "national integration."

There have been intermittent reports that Peron might return to Paraguay--his first place of exile--although President Stroessner, reputedly a friend of Peron, believes Peron would first ask permission, which would be refused. Stroessner has also expressed the opinion that Peron would soon return to power in Argentina and might retaliate for any unfriendliness from Paraguay.

Anti-Peronista Reaction

The military are determined to prevent Peron's return or

The growing concern over a possible revival of Peronista influence was acknowledged in late June by two top officials. In a nationwide radio address on 23 June, the interior minister implicitly sought to reassure anti-Peronista elements and warn Peronistas that the government's recent political measures were not intended to help the Peronistas regain power. One passage referred to elements who delude themselves in believing they have vested rights and in expecting a "resurgence to power." According to Vice President Gomez, this was a clear warning to the Peronistas.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

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

1. General Bloc Policy: Sino-Soviet bloc activities directed at Japan during the last six months--the period of this report--were characterized by intensive efforts--including crude political and economic pressures and harsh propaganda attacks--to influence the Kishi government to modify its anti-Communist policies in favor of closer relations with the USSR and Communist China. Bloc leaders are striving especially to bring about a deterioration in Japan's relations with the United States in the hope of causing a retraction of American influence throughout the Far East and of leading eventually to the withdrawal of American military forces from Japanese and Okinawan bases.

2. Bloc propaganda and local Communist and front groups continue to agitate against the presence of American forces, and to exploit widespread Japanese pacifist sentiments and concern over such themes as nuclear testing and bases and rearmament. Peiping is making a major bid through the lure of increased trade to use the Japanese business community to bring pressure on Kishi for political ties. Prior to the general elections in May, both Moscow and Peiping tried to aid the Socialist opposition--which favors closer ties with the bloc--by launching propaganda attacks on the Kishi government and by their activities in the negotiations for commercial and fishery agreements.

3. Diplomatic Representation: Japan has diplomatic relations with the USSR, Poland, and Czechoslovakia. Their missions in Tokyo are staffed by

approximately 85 bloc nationals, of whom about 60 are attached to the Soviet mission. The Soviet mission is highly qualified: a large percentage of the personnel consists of Japanese experts and linguists, many of whom served previously in Japan, and the new ambassador, N. T. Federenko, a deputy foreign minister since 1955, is one of the Kremlin's top experts on China and the Far East. The Soviet Union is also scheduled to establish a commercial mission with a 25-man staff, at which time the diplomatic mission will be reduced by five persons.

4. During the period of this report, Communist China made intensive efforts to force Tokyo to take the first steps toward recognition of the Peiping regime. In March it appeared that with the conclusion of the fourth annual trade agreement, which called for the exchange of trade missions and guarantees by the Japanese Government regarding the operation of the agreement, Communist China was progressing toward its goal of eventual recognition. Tokyo refused, however, to recognize the "right" of the Chinese Communists to fly their flag over the proposed trade mission, and on 1 April Peiping bitterly accused Kishi of blocking enforcement of the trade agreement. Subsequently, Communist China called a halt to Sino-Japanese trade and cultural exchanges, deadlocking its campaign for closer relations. Rumania, Hungary, and Bulgaria have also continued to seek diplomatic ties with Japan. The Japanese Foreign Ministry had deferred consideration of exchanging representatives with these countries for over a year, but as of early June preparations for establishment of relations were apparently under way.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

5. Economic Relations:

Japan's trade with the Sino-Soviet bloc in 1957 totaled \$186,000,000, a threefold growth since 1950; over the same period, however, the bloc's share of Japanese commerce declined from 3.5 percent to 2.6 percent. Although Japanese trade with Communist China fell by 20 percent last year, it still accounted for three fourths of Japan's total trade with the bloc. Japan's other main bloc trading partners were the USSR, North Vietnam, and East Germany. Japanese sales to bloc countries included iron and steel products, machinery, chemicals and fertilizers, rayon yarn, rubber belting, and other finished products, while imports consisted largely of soybeans and other oilseeds, fuels, foodstuffs, lumber, and industrial raw materials. Japan's trade with almost all bloc countries is characterized by large import surpluses, most of which are settled by Japanese payments of sterling.

6. Japanese commercial relations with the USSR are covered by governmental agreements. The current trade agreement, concluded in December 1957, provides for a \$28,000,000 level of trade each way, but the rate of trade thus far in 1958 is far below this level. In 1956, as part of the Soviet campaign to normalize relations with Japan, the Japanese Government agreed to a 10-year convention to regulate fishing on an annual basis in a prescribed area of the northwest Pacific. Moscow has since used the annual negotiations of the convention as a political lever to weaken Tokyo's position on other issues and to pre-empt additional areas for the expansion of Soviet fishing, including the Sea of Okhotsk, which will be completely closed to Japanese salmon fishing after this year.

7. A shipping agreement concluded in June 1958 authorizes both Soviet and Japanese ships to serve the Japan-Nakhodka (near Vladivostok) and Japan - Black Sea routes. Initial sailings are expected before the end of June, but the USSR does not have ships available for the latter route. The USSR also is pressing Japan for a commercial air agreement which would authorize flights between Tokyo and Khabarovsk in Siberia. The Japanese are opposed to an air agreement which does not give them overflight rights to Moscow, and they plan to reject a Soviet inducement to allow Japan Air Lines to purchase TU-104 jet transports at \$1,100,000 each.

8. Japanese business interests have concluded four private trade agreements with Communist China since 1952, but the agreement negotiated in March 1958 precipitated the major dispute which led Peiping to suspend virtually all Sino-Japanese trade. Communist China and private Japanese fishing interests also have had agreements covering Japanese fishing in portions of the East China Sea; the most recent agreement expired on 12 June, at which time Communist China announced it would not renew the pact because of the "hostile" attitude of the Kishi government. In April the Japanese Government signed a trade and payments agreement with Poland. Private Japanese firms also concluded trade agreements with Bulgaria and Rumania in 1957 and with North Vietnam in March 1958.

9. Cultural and Propaganda Activities: Exchanges of delegations between Japan and bloc countries increased from approximately 155 in 1956 to about 200 in 1957. Japanese groups visiting bloc countries in 1957 outnumbered bloc delegations traveling to Japan by over three to one. Half of the Japanese delegations visited Communist China,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

while Soviet groups accounted for about one half of the bloc delegations visiting Japan. Significant visits to Japan thus far in 1958 include an extended tour throughout Japan by the Bolshoi Ballet and a two-week appearance in April by the Leningrad Symphony Orchestra at the Osaka International Trade Fair. The orchestra was transported on two Soviet jet airliners, the first commercial jet transport aircraft to appear in Japan. On 18 April Japan and the Soviet Union concluded an agreement to facilitate tourist travel between the two countries, and on 11 June Moscow formally proposed an agreement regulating cultural exchange activities.

10. Bloc radiobroadcasts beamed at Japan total approximately 47 hours per week, a slight rise since late 1956. Programs originating in the USSR account for about one half the total, with Communist China and North Korea supplying the remainder. In 1957 six Soviet feature films were shown in Japanese theaters, as compared with two or three each year from 1949 to 1956. The USSR has also entered the documentary, educational, and cultural short-film field with considerable success and has succeeded in some cases in placing shorts on the same bill with popular American full-length features.

11. Bilateral friendship societies are a major instrument in stimulating closer political and economic relations with the bloc and cultural exchange travel. With the formation in 1957 of a society urging closer ties with North Vietnam, at least one such group exists for almost all bloc countries; there are 11 such societies, with an estimated 400 branches, for friendship with Communist China, and 12 societies, with an estimated 175 branches, for friendship with the USSR.

12. Subversive Activities: The Japan Communist party (JCP) has undergone a sporadic decline in membership since its post-war high of 100,000 and now has an estimated 45,000 members, according to Japanese authorities. In the May 1958 general election, the JCP polled 989,000 votes--2.5 percent of the total--losing one of the two Diet Lower House seats it had won in 1955. The party increased its percentage of the total vote by one half percent, largely because its candidates remained in the race in almost every district, instead of withdrawing in favor of the Socialists as many did in 1955.

13. Since late 1957 the JCP has intensified its open efforts to effect a united front with the Japan Socialist party, which advocates essentially a policy identical to that of the current "peaceful" Communist line. The JCP's position as an important political force rests mainly on its ability to exploit popular grievances and labor unrest, its influence over left-wing Socialists, students, and intellectuals, and its manipulation of a large number of front organizations.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****3 July 1958**

25X1

25X1

17. Japanese Reactions to Bloc Activity: Japanese feeling toward the USSR and Communist China is conditioned by traditional attitudes: the Japanese fear and distrust the USSR and generally believe that as Orientals they know how to deal with the Chinese better than do Westerners. There is widespread and fairly intense pressure in Japan for closer relations with Communist China, although the Kishi government has relegated diplomatic ties to the indefinite future. Peiping's direct pressure on the Kishi government in May boomeranged and probably cost the Socialists some seats in the Diet elections; it failed, too, at least temporarily, to secure official trade ties.

18. The consistently "tough" Soviet policy toward Japan--rejection of Japanese demands for return of the controversial southern Kuril Islands, increasing restrictions on fishing in the northwest Pacific, and continued Soviet accusations that Japan is subservient to the United States--has generally antagonized the Japanese. Tokyo's willingness to restore relations in 1956 with the USSR stemmed from the necessity of gaining a fishing agreement and from a strong desire for diplomatic relations with all major powers, political ideology notwithstanding.

19. The Outlook: The Sino-Soviet bloc's "tough" policy

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 July 1958

toward Japan has been largely counterproductive in moving toward long-term objectives, and a continuation of this approach would probably serve further to irritate Tokyo. Moscow and Peiping will continue, nonetheless, to manipulate such sensitive political and economic issues as trade and regulation of fishing. The appointment of such a high-level official as Federenko as Soviet ambassador probably reflects concern in Moscow over its recent loss of prestige in Japan by its heavy-handed tactics in opposing Kishi in the recent election. The Soviet Union is likely therefore to concentrate on cultural and scientific matters in the near future, while both bloc and local Communist propaganda will continue efforts to portray

the USSR as the champion of international peace and of nuclear disarmament.

20. The Kishi government, now endorsed by the electorate in its policy of cooperation with the free world, will probably be somewhat less subject to neutralist pressures from within Japan. Although postwar political and economic changes make a phenomenal growth in Japan's trade with the Chinese mainland, as envisaged by many Japanese, almost impossible, the lure of increased trade--particularly if Japan's free world markets do not continue to expand--will probably force Tokyo in the long run to move toward closer relations with Communist China.

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