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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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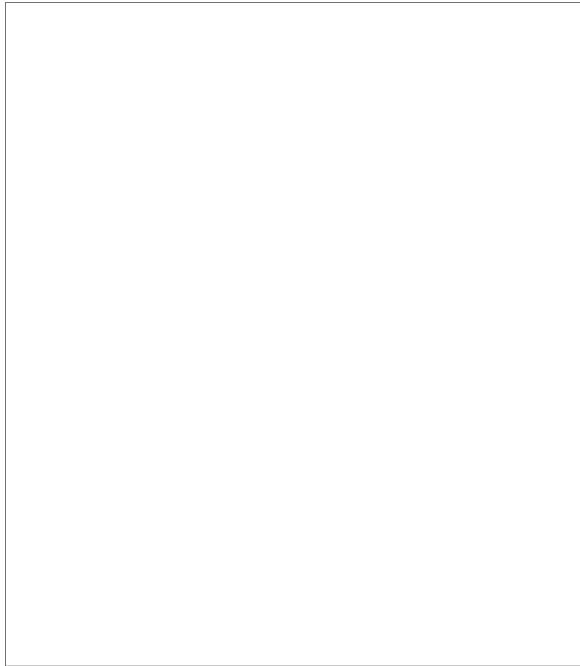
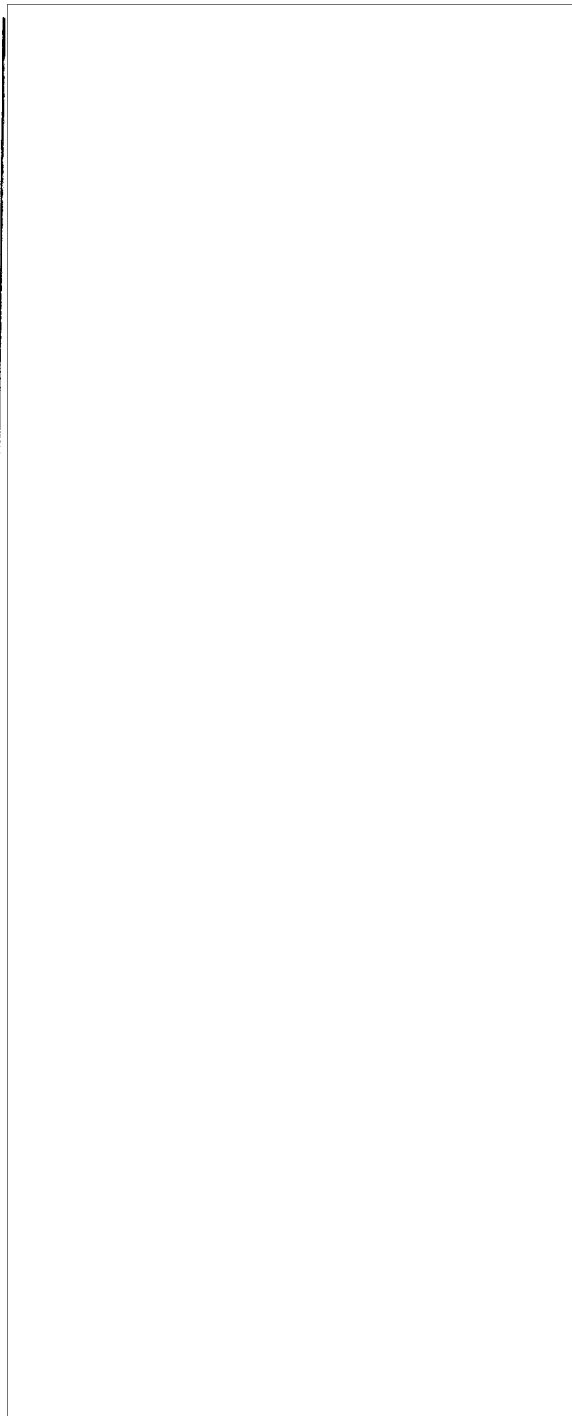
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PART I  
OF IMMEDIATE INTEREST

THE GERMAN QUESTION

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Moscow is attempting to encourage West German opposition parties to make a major public issue of Chancellor Adenauer's rejection of any negotiations on a German peace treaty. Soviet propaganda attacks on Adenauer's alleged intransigence have been accompanied by Soviet Ambassador Smirnov's warnings to Social Democratic party (SPD) leaders that the Soviet peace treaty proposal is the last chance for reunification. The Soviet leaders probably hope such pressure tactics will isolate Adenauer and either force him to modify his position on peace treaty negotiations and recognition of the East German regime or lead to a revolt against his foreign policy leadership among the Christian Democrats as well as the opposition parties.



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The Soviet effort to influence the West German opposition is quite evident in Moscow's propaganda, which has taken pains to brand the Bonn government as the main obstacle to a German peace treaty. One commentator, after describing the warm reception the draft treaty has received in both capitalist and neutral countries, asserted that only Bonn has maintained an intransigent attitude, "while Washington and London, although rejecting the Soviet proposal, have not closed the door."

Free-world pressures for flexibility appear to have shaken Chancellor Adenauer's strong resistance to any negotiations or flexible counter-proposals on Berlin or a German peace treaty. Following a series of cabinet meetings and talks with a top Bonn Foreign Ministry official recently returned from Washington, Adenauer publicly indicated his willingness to discuss counter-proposals with the Western Allies. Christian Democratic Union leaders have indicated, however, that Adenauer will probably maintain his position that a controlled disarmament agreement is a necessary precondition to solution of the German question.

Bonn has been concerned over the favorable press treatment of Mikoyan's visit as portending a split between Bonn and Washington on the question of free elections and German unification. Mikoyan's glib approach, it was feared, would obscure the fact that Moscow has not modified its original stand on Berlin. Consequently, Adenauer probably feels it necessary to adopt a more flexible attitude in order to point up Moscow's own intransigence

as well as to satisfy demands for greater initiative on the German problem.

American officials in Bonn feel that Adenauer ultimately would prefer negotiations limited to Berlin--even if this involved recognition of East Germany--to a conference on European security in which the West would be under strong public pressure to accept a disengagement plan. Adenauer may feel that by linking controlled disarmament to German unification he can avoid any high-level East-West talks limited to the German question. Bonn could then revive its proposal--even though rejected by Moscow--for a permanent four-power commission to discuss all aspects of the German problem, possibly with the participation of German "experts."

British Reaction

The British press continues to show a keen desire for "positive" Western responses on Berlin and Germany. The Economist argues that it now is in the West's interests to achieve a military disengagement.

These sentiments presumably extend into some official circles. In an aide-memoire to Washington on 13 January, London suggested the West seek a Soviet guarantee that the East Germans would carry out erstwhile Soviet obligations relating to Berlin, London also advocated some form of UN guarantee or presence in the whole of Berlin going beyond the part assigned to the UN in the original Russian note.

East German Confederation Plan

East German party boss Ulbricht, in an attempt to demon-

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strate continued flexibility and desire to negotiate, on January proposed a plan for confederation of the two Germanys which incorporated most the elements of earlier East German proposals on this subject. The confederation, he suggested, would have as a supreme organ an all-German council of 100 members nominated on a basis of parity by the parliaments of the two German states from their parliamentary deputies.

Ulbricht envisages the all-German council as a purely advisory body which would have no directive power over the parliaments of the two German states. It would first devote its efforts to the signing of a peace treaty and thereafter deal with such questions as concluding agreements with other countries on foreign trade, maritime shipping, and the confederation's accession to international organizations. It

would make recommendations on a wide range of problems between the two Germanys, forming a number of commissions and committees to handle such matters as financial settlements, trade, transportation, insurance and labor problems, and cultural matters. It would also fix the numerical strength of the two countries' armed forces.

Ulbricht emphasized that the confederation would be temporary and would lapse when the provisions of a peace treaty had been carried out, Germany reunified, and "all-German elections" held for a national assembly. His reference to all-German elections, a concept Ulbricht did not clarify, may be designed to enhance the plan's attractiveness to the West, which has consistently demanded free elections as a prerequisite to reunification.

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**MIDDLE EAST DEVELOPMENTS**Iraq

Iraqi Prime Minister Qasim's order limiting the functions of the Communist-dominated Popular Resistance Force does not seem yet to have produced a significant reduction in Communist strength, and the regime has made no additional anti-Communist moves.

Qasim's first interview with the new American ambassador indicated no shift in his outlook. Qasim reiterated his hope for American help and friendship, said he was determined to pursue a "neutral" course in foreign relations, and complimented American contractors as more honest and efficient than others working

in Iraq. He still appeared deeply suspicious of Western intentions, however, and also repeated again the "rumors" American subversive activity which, he said, he "of course" did not believe.

UAR

Nasir's internal anti-Communist campaign is becoming somewhat muted. Press articles attacking the Communists continue to appear sporadically in UAR papers and in UAR-controlled organs in other countries, but have become more selective. In the Syrian region, large numbers of Communists arrested in the early sweeps appear to have been released by the police after signing a document abjuring

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Communism and promising to refrain from any future party activity. Higher level Communists reportedly are being held for more intensive interrogation, along with some prominent pro-Communist personalities.

Nasir seems also to be trying to drown out the pro-Communist overtones which have marked several Afro-Asian conferences in Cairo. An Afro-Asian youth conference scheduled there for 2-8 February is to run concurrently with a UAR youth festival. The regime reportedly intends to import some 2,500 Syrian youths for the festival, which will consist of parades and other well-publicized activities. The UAR youth group intends to invite the 450-500 foreign delegates expected for the Afro-Asian conference to attend only the closing ceremonies of the festival. The rest of the time they presumably will be expected to observe and admire the fervent support of Arab youth for the Nasir regime. The youth meetings are to be followed by the annual session of the Afro-Asian People's Solidarity Council, which both the UAR and the Communists seek to exploit.

The USSR's public attitude toward Nasir's campaign has moved closer to open criticism, but Moscow continues to avoid independent comment. On 19 January Moscow radio beamed to Arab listeners an attack by the Moroccan Communist party calling Nasir's action a "blow to democracy" which will hinder the Arab struggle against imperialism. On 9 January a Warsaw newspaper claimed that Nasir is "no longer the symbol of Arab unity for the Iraqi populace." The Indonesian Communist party secretary general has also criticized Nasir's moves as part of Egyptian domination of Syria, and the French party paper L'Humanité has published a "communiqué" of the

outlawed Algerian Communist party charging that the UAR action is aimed at "Arab patriots" who supported Nasir against the imperialists in the Suez crisis.

Nasir's relations with the West have undergone further improvement with the initialing of a financial accord with Britain. Under the terms of this agreement, which is subject to further negotiation before it is formally signed, London will release Egyptian sterling balances, amounting to about \$200,000,000, frozen since the Suez crisis. In return the UAR will pay Britain about \$67,000,000 for nationalized British properties and for damage to sequestered properties. Those in the latter category are to be returned to their British owners. War claims were not involved in this agreement, nor British claims for compensation arising out of Egypt's seizure of the Suez base.

Kuwait

A new UAR gesture toward Kuwait may be in the making. A military mission, headed by the Syrian commander of the UAR First Army, flew to Kuwait on 17 January, ostensibly to return formally the earlier visit to Cairo by Kuwait's deputy ruler, who also controls the sultanate's security forces. The Ruler of Kuwait is vacationing in Lebanon.

So far there has been no announcement of significance, but one purpose of the trip almost certainly is to demonstrate continuing UAR interest in Kuwait and to ward off any Iraqi designs on this oil-rich state.

Lebanon

A dispute over whether the language of instruction in Lebanese law courses should be

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Arabic or the traditional French has produced another upsurge of sectarian tension in Lebanon. Christian and Moslem students have engaged in strikes and counterstrikes, three students have been injured in clashes, and the cabinet is reported deeply divided on the issue.

While this particular question seems likely to be settled by compromise, the flare-up is likely to support fears in both communities that civil strife may be renewed in the next few months. The government, which is receiving little in the way of leadership from President Shihab, has never made a serious effort to disarm the population, and each group accuses the other of maintaining armed training camps.

Yemen

Yemeni Crown Prince Badr, the principal proponent of closer

relations between Yemen and the Sino-Soviet bloc, has sought to sabotage an agreement by which the United States would supply 15,000 tons of wheat to alleviate possible famine conditions in Yemen. Badr is reported to have persuaded the Imam to accept in addition to the American offer an offer of 10,000 tons of Soviet wheat

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Yemeni officials previously estimated that 15,000 tons is the maximum which Yemen's port facilities could handle during the two-month period when both shipments would arrive.

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**CAMBODIA**

A new period of strained relations with the West appears to be rapidly developing in Cambodia. Premier Sihanouk has lashed out against a "foreign plot" allegedly aimed at eliminating the nation's monarchical system and neutral foreign policy in favor of a pro-SEATO republican form of government. Sihanouk has openly accused Thailand of mounting a military conspiracy against his government in league with "traitorous" Cambodian elements headed by former royal councilor Sam Sary and exiled former premier Son Ngoc Thanh. American and South Vietnamese complicity in the intrigue is being strongly implied.

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This trend may presage a closer accommodation of Cambodia with the Communist bloc. Strong criticism of the West and SEATO preceded Sihanouk's initiation of economic and political ties with the Sino-Soviet bloc in 1956. Again, expansion of these ties last July to include full diplomatic relations with Peiping followed complaints of Western bias against Cambodia in its border dispute with South Vietnam. Sihanouk has frequently vowed that he would turn to the Communists for support in the event he felt threatened by the West.



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PART II

NOTES AND COMMENTS

SOVIET PARTY CONGRESS

The special Soviet 21st party congress, scheduled to begin on 27 January, is expected to acclaim Khrushchev's policies and add to the adulation already being given him. It may mark the complete victory of Khrushchev over his opponents by ousting members of the "antiparty group" from the party. It may also make some changes in the central committee, although a major revamping appears unlikely.

The oblast party conferences and republic party congresses held throughout the country in preparation for the national congress have ended, and the delegates they elected are beginning to arrive in Moscow. The early appearance of some top party officials from posts outside the capital may indicate that the congress is being preceded by high-level discussions, possibly including a preliminary report by Mikoyan on his trip to the United States.

The only item on the formal agenda is Khrushchev's report on the new Seven-Year Plan. The text of this report was approved by the central committee in November, but since then criticism of specific provisions and omissions has appeared in the Soviet press. Khrushchev may take these "suggestions" into account, and the plan finally approved may differ slightly from the draft.

The congress will probably not limit itself to its formal agenda. Recent republic party congresses discussed a variety of domestic problems despite

the fact that the Seven-Year Plan was the only substantive item on their agendas, and Khrushchev implied there would be several topics when he told US Ambassador Thompson at a New Year's reception in Moscow that the congress had a heavy schedule.

There is little to indicate what additional topics might be discussed. Presidium member Suslov said in October that the congress would deal exclusively with internal matters. Since then the development of the Berlin crisis and Mikoyan's trip to the United States may have changed the original plans.

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Present indications are that the congress will confirm existing policy rather than inaugurate changes, but the possibility of a surprise in this regard cannot be ruled out.

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**SOVIET ECONOMIC REPORT FOR 1958**

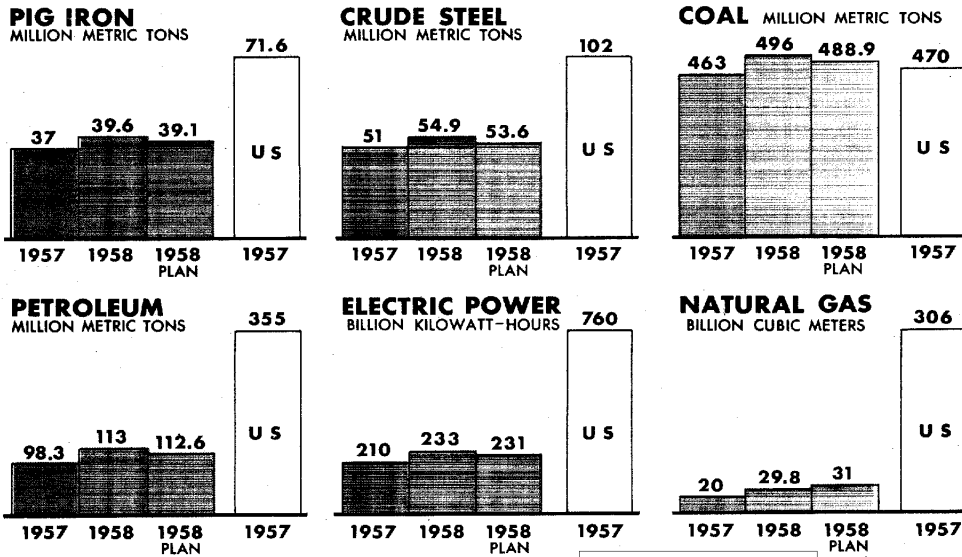
The USSR's gross industrial output in 1958 increased 10 percent over 1957 and the grain harvest was the biggest in Soviet history, according to the official year-end statement issued in Moscow on 15 January. This industrial increase is identical to that reported for 1957 over 1956 and is higher than the average annual increase--8.6 percent--necessary to meet the Seven-Year Plan (1959-1965) goals in Khrushchev's theses. This year's plan fulfillment was apparently published earlier than usual to give the forthcoming 21st party congress, convening to approve the Seven-Year Plan, a current statistical statement of achievements.

A Pravda editorial on the report states that the actual increase of 10 percent in industrial output as opposed to the planned 7.6 percent "shows strikingly"

that the average annual increase planned for the Seven-Year Plan is "fully justified and realistic." A large over-fulfillment also marked 1957, when the plan called for a 7.1-percent increase. Both these instances of conservative planning will be cited at the 21st party congress as justification for adopting the higher rate of planned growth presented in the theses on the Seven-Year Plan. This higher rate is believed feasible.

The 11-percent rise in producer goods in 1958 is the same as in 1957, but the increase in consumer goods was only 7 percent, compared with 8 percent in 1957. In the case of consumer goods, while the category of light industry showed a greater growth than in 1957, the increase in the food industry category was smaller than

**SOVIET PRODUCTION OF SELECTED ITEMS**



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in the preceding year. The food industry output increase next year may be large because of this year's record agricultural output.

The 6-percent rise in industrial labor productivity continues the recent trend of a diminishing rate of increase--8, 6.9, and 6.5 in 1955, 1956, and 1957 respectively. The decline in 1957 and 1958 is not surprising since an acceleration of the program for reducing the workweek has occurred.

Total capital investment increased more than 11 percent over 1957 to 235 billion rubles. Centralized capital investment, though fulfilling the revised 1958 plan by only 97 percent, still exceeded the original plan of 199 billion rubles by 3 billion rubles. In addition, capital investment financed outside the plan by enterprise and local means increased 32 percent over the 1957 level to 33 billion rubles.

The plan for construction work was overfulfilled, but deliveries of equipment were only 92 percent of plan. These equipment shortages were pronounced in the chemical and ferrous metallurgical industries. Construction of urban housing increased by one third over 1957 and was significantly more than planned. Construction of rural

housing declined somewhat. Despite a relatively successful year in terms of the volume of capital investment, the plan for the commissioning of new capacity was not met. This, and the underfulfillment of plans in at least two priority industries, chemical and metallurgical, indicates continuing difficulties in the administration of investments.

Record crops of grain, sugar beets, and sunflower seeds were harvested, but the production of cotton, potatoes, and vegetables in 1958 was either about equal to or somewhat less than in 1957. In 1958 the number of livestock continued to increase as did the output of livestock products. The rate of increase in meat and milk production in 1958, however, was roughly half as great as the increase during 1957.

According to the plan-fulfillment report, the Soviet Union surpassed the United States in total milk production in 1958. The original goal was to surpass the United States in per-capita as well as total production in 1958, but the USSR still has a long way to go to achieve this. Furthermore, the announced Soviet total includes milk other than from cows, and Soviet and American methods of reporting milk production differ.  25X1  
(Prepared by ORR)

**BRIGADES OF COMMUNIST LABOR**

"Brigades of Communist Labor," lauded as the "first cells of the future Communist society," have recently been introduced in factories and workshops throughout the USSR. The movement, which will probably receive plaudits at the forthcoming 21st party congress, is part of a general drive to

stimulate labor productivity by presenting the attainment of Communism as a very real goal.

The work of the brigades, it is hoped, will offset the possible retarding effect of reduced hours of work--now being implemented--and smaller

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increases in the labor force during the Seven-Year Plan period. The movement is expected to make work more attractive to Soviet youth and differs from earlier production drives in that it aims to improve not only the work habits but also the personal conduct of the workers. It also seeks to improve the worker's attitude toward social responsibility.

Labor brigades, first introduced early last November, became widespread after the announcement of Khrushchev's theses for the Seven-Year Plan.

in early Soviet history known as "Saturday workers." The Saturday workers' movement, which bore Lenin's personal approval, was introduced at a time when leading Bolsheviks were heralding the Soviet Union's transformation into a Communist society. The movement was to work against bourgeois egoism and customs and to discourage personal laziness and lack of discipline. Labor movements from then until the present-day brigades, however, stressed primarily improvements in work habits and generally omitted considerations of per-

**KROKODIL ILLUSTRATES SOME TARGETS OF  
"BRIGADES OF COMMUNIST LABOR"**


SHELTERED FROM WORK BY MIDDLE-SCHOOL DIPLOMA



TIPLER ON THE JOB

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At first, work teams simply pledged to increase their pace, organize their leisure, and moderate their personal conduct, but late in November the central party apparatus, through its Komsomol branches, began to regularize the movement. A set of commandments was formulated and competitions among work brigades vying for recognition as "Communist labor brigades" were publicized in the press.

The movement was accorded ideological legitimacy by being compared to the movement

sonal conduct and social consciousness of the workers.

Stakhanovism followed the Saturday workers' movement, and, although it was one of the best known of the productivity movements, it was not used as the historical antecedent for the "brigades"--presumably because it became very unpopular in its later years. Furthermore, the purpose of Stakhanovism was to encourage individual productivity--thus making it unsuited as a model for a movement which stresses the competitive group. There continue to

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be "socialist competitions," which in recent years have received more emphasis than Stakhanovism, although their purpose appears to be more limited than that of the present brigade campaign.

Each brigade must subscribe to the slogan "To work and live as a Communist" and accept the following code: 1) to look on labor not only as a means of existence but as a physical and spiritual necessity; 2) to negate ego and to work for the best interests of the state and community; 3) to study conscientiously to raise labor skill and general educational and political level; 4) to break with "survivals of the past"--i.e., drunkenness, hooliganism, and foul speech; and, 5) to proselyte potential brigades.

Besides their role in providing a fresh labor movement,

the brigades are expected to make work appear more attractive and socially acceptable to Soviet youth. This is in response to Khrushchev's criticism, voiced in his proposals for educational reform, that students are unprepared for practical life and eschew work in industry and agriculture. Likewise, the brigades may, by publicizing night-school programs and correspondence training in technical schools, overcome the resistance of parents who insist that their children receive the special advantages of higher education.

It is difficult to determine the actual number of brigades. Many were organized before the regime began to support the movement officially, and others probably are being organized unofficially in some parts of the USSR.   25X1  
(Prepared by ORR)

## BULGARIA PLANS SWEEPING REORGANIZATIONS

Plans for a radical reorganization of the entire Bulgarian state and economic structure, announced by a central committee plenum in mid-January, appear to follow closely the Soviet pattern of regional economic administration.

The Bulgarian reorganization is to be accomplished by the elimination of many central government ministries and by the elimination of the present regional and district administrative system. Instead, some 30 administrative economic units are to be set up which will be intermediate in size between the region and district. These presumably will take over operational management of enterprises previously exercised by the central ministries. The new units are also intended to bring about "a unification of the

entire political, state, economic, and cultural life in a given territory."

Those ministries scheduled to be eliminated are those for heavy industry, light industry, communal economy, public health and welfare, food industry, electrification and water supply, and construction materials. On the central governmental level, however, committees or commissions are to be set up which presumably will retain some of the centralized control functions of the former ministries. As in the USSR, the administration of foreign affairs, national defense, interior, trade, and agriculture and forests will be retained on the central level in the form of ministries. Unlike current Soviet practice, however, the new administrative units will have jurisdiction

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over agricultural units within their boundaries.

The system of state administration through Peoples' Councils in the regions and districts will be altered so that the jurisdiction of the councils will correspond to the new boundaries. This placing of responsibility for cultural and political life under the jurisdiction of local organs, suggestive of Chinese commune practice, goes beyond the purely economic nature of the Soviet sovnarkhoz system. It may thus be a unique Bulgarian adaptation which seeks to combine the economic functions performed in the USSR by the sovnarkhozy and the political functions of the Soviet oblasts.



CHERVENKOV

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ZHIVKOV

Almost all the Bulgarian leaders--including Zhivkov--incline to a hard-line attitude, making them sympathetic to at least the spirit of Peiping's original commune program. Zhivkov, however, is probably more conscious of the necessity to please Moscow than is Chervenkov, who is an unreconstructed Stalinist and, on the strength of his visit to China in October, the country's "Chinese expert." There is good evidence that Zhivkov is in Khrushchev's favor and, conversely,

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that Khrushchev and Chervenkov have a strong mutual dislike for each other.

The plans announced in mid-January, which are so clearly based on the Soviet example, demonstrate that Zivkov's policies, launched

last October and November, continue to prevail. The question of Chinese Communist influence in Bulgaria, however, as suggested by the terminology and spirit of Bulgaria's economic program, may not yet be fully resolved within the Bulgarian party leadership.

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**CZECH AGRICULTURAL POLICIES**

Czech agriculture, for which a 12-percent rise was planned in 1958, not only failed to increase production over 1957, but again failed to surpass prewar output levels. For the present, a solution is being sought primarily through mechanization, although a reorganization of collective farms and machine tractor stations (MTS) may be in the offing. The regime is bent on forced draft collectivization and other policies, however, which tend to antagonize the rural population and hold little promise for significant improvement.

The decision to double last year's deliveries of farm machinery from all sources, including some from the MTSs, to the collectives is a genuine effort to better performance, although the inventory of collective-owned machinery now is small. Previous experience with ownership of equipment by collective farms has been satisfactory, whereas organizational defects and inadequate staffs--both in training and numbers--at MTSs have caused endless problems. In addition, Prague plans a sharp rise in agricultural machinery imports in 1959-60.

Diminution of the MTSs' role suggests that Czechoslovakia might eventually follow the Soviet lead in revising or

abolishing them, although the Czechs have stated that their country has not yet reached the necessary stage of development. While collectivization in Czechoslovakia is not yet completed and farming units now are too small for the abolition of MTSs to be economical with present models of machinery, there are indications that collectives may be merged into larger units. Furthermore, the government for several years has made light farm equipment available to collectives, and, by sufficiently increasing machinery supplies, the justification for MTSs would be partially eliminated.

Bulgaria, the only satellite where collectivization is essentially completed, recently effected mergers which reduced the number of collectives by more than three fourths in less than three months. Party chief Zhivkov has stated that Bulgarian MTSs will gradually be abolished.

If the Czech regime succeeds in its plans to increase the amount of machinery available to the collectives, the amount of agricultural investment, and the number of young agricultural workers, some improvement in production will result. However, present supplies of chemical fertilizer and farm machinery, although far exceeding those before the war, are inadequate for realizing current production

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plans. Lack of spare parts further limits the effectiveness of farm machinery. These deficiencies are accompanied by insufficient technical training at the farm level and a lack of incentives, all of which perpetuate low productivity and stubborn noncooperation on the part of collective members.

The regime appears far from ready to work out an effective incentive program. Rapid collectivization during the past two years has magnified the need for machinery, driven the peasant to the city, and

otherwise intensified agricultural problems leading to production stagnation--yet collectivization will be pushed in 1959-60. Premature consolidation of collectives--now a possibility--would also disrupt production, as would any abolition of private plots, a step being rumored among the peasants. Recommendations in recent editorials that collectives allocate less farm income to wages and more to the purchase of machinery reflect the regime's 25X1 preoccupation with mechanization but expand the list of peasant grievances. [redacted] (Prepared by ORR)

**CONSERVATIVE PARTY COMPROMISES IN JAPAN**

A last-minute compromise between Japanese Prime Minister Kishi and his rivals in the ruling Liberal-Democratic party virtually assures Kishi's reelection as party president on 24 January, but party factionalism is not completely resolved and probably will continue to preclude his exercising firm leadership. The overriding factor in the compromise appears to have been general conservative concern for maintaining party unity in the face of a difficult Diet session and upper house elections in June. The terms of the compromise have not yet been revealed, but they presumably involve a commitment by Kishi to appoint some of the rival leaders to cabinet or party posts in the near future.

Kishi's compromise with the dissidents apparently is a temporary respite. In the area of foreign policy, in particular, Kishi may be forced to give ground on several important issues. Paramount is the question of closer relations with Communist China; on 21 January Kishi told a press conference that

Japan would be willing to hold ambassadorial talks with Peiping's representative if the occasion presented itself. In addition, the stalemate in talks with South Korea and a rapidly developing movement in Japan for the repatriation of some 300,000 Korean residents to North Korea may force Kishi to abandon his "wait and see" attitude on this issue.

The opposition Socialists, invigorated by the defeat delivered to Kishi on the police-powers bill during the last session of the Diet, are anxious to frustrate approval of an expected revision of Japan's security treaty with the United States. They also hope to hamper passage of the budget bill, which incorporates Kishi's public pledges for reduced taxes, a national pension system, and a health insurance program. [redacted]

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**TAIWAN STRAIT SITUATION**

The Chinese Communists appear to be varying their activity in the Taiwan Strait in order to demonstrate that they hold the initiative and to exert psychological pressure on the garrisons of the off-shore islands. They have held amphibious training exercises near Amoy under observation of the Nationalists, hit the islands with larger but less frequent bombardments, constructed additional gun emplacements and field fortifications, and may have brought in more artillery and artillery radar.

Nationalists report that long-range, large-caliber guns may have been set up opposite the Chinmens. American observers on Chinmen believe the heavy Communist bombardment of over 30,000 shells on 7 January was in reaction to the increased effectiveness of Chinese Nationalist counter-battery fire. Another reason, however, is probably to demonstrate that Communist China did not suffer a defeat in previous military activities in the strait.

In an effort to demonstrate "leniency" and to stress that the Nationalists can maintain their position only on Peiping's sufferance, Communist batteries did not fire on three recent odd calendar dates.

For the past two months the Chinese Nationalists have concentrated on Communist batteries located in the Lien Ho area on the mainland opposite Tateng Island, and apparently have silenced many of them. The Chinese Nationalists' concentrated firing is apparently based on the theory that heavy damage to one area will injure Communist morale more than

light damage in scattered areas. Nationalist fire on 3 January was believed to be particularly effective; the Nationalists claim 19 artillery positions and two ammunition dumps destroyed by a barrage that included a large number of eight-inch projectiles.

Recent statements by Nationalist Chief of Staff Wang Shu-ming referring to the recent Communist amphibious exercise near Amoy suggest that considerable concern has been aroused in Taipei. However, Chiang Kai-shek's statement on 16 January that the Chinese Communists will bear watching during the next few weeks appears to be designed to divert American attention from the Mikoyan visit to the United States and the Berlin situation to the strait situation.

During the relative quiet since the bombardment of 7 January, Peiping has continued propaganda broadcasts and political efforts through Hong Kong to erode Nationalist morale and divide the United States and Taipei. To this end, emphasis is being placed on alleged American efforts to replace Chiang Kai-shek with a more pliable ally through backstage maneuvering with a "third force."

The Chinese and American negotiators in Warsaw are now meeting once a month rather than twice a month. The next meeting is to be held on 13 February. At the 9 January meeting, Ambassador Wang Ping-nan repeated Peiping's demand that the discussions concentrate on the withdrawal of American forces from the strait.

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## GENEVA TALKS

Nuclear-Test Cessation

The decision by Britain and the United States on 19 January to abandon their position linking duration of the test cessation with satisfactory progress on disarmament was received favorably by Soviet chief delegate Tsarapkin, who, however, again demanded that the West introduce its draft article on duration itself. Tsarapkin stated that this modification of the Western position made prospects for a treaty "brighter." He charged, however, that dropping this condition eliminated only one of the weakest points in the Western posture.

In a press interview on 20 January, Tsarapkin minimized the importance of the Western move and reiterated the Soviet demand for "a permanent agreement free from conditions." He alleged that the United States and Great Britain, by continuing to insist on linking duration of such agreement to periodic review by the three powers of the functioning of the control system, were seeking a treaty from which they could escape at will.

Despite the Soviet delegate's daily reiteration of Moscow's stand on a permanent unconditional agreement, the negotiations have proceeded at a somewhat more rapid pace in the past week than at any time since they resumed on 5 January. The Soviet delegate agreed on 19 January to discuss Western draft articles on control, but he asserted that any real prog-

ress would depend on settlement of the key questions of duration, voting procedures in the control commission, and staffing of the control posts. On the second "key question," Tsarapkin stated that the Soviet delegation is prepared to provide a list of decisions--which it believes must be subject to the "unanimity rule"--as soon as the West introduces its draft on the first question.

Discussions on 20 January centered on the third question--particularly the issue of international vs. national staffing. Before the session began, the Soviet delegation forwarded written questions to its Western counterparts requesting that they clarify at the meeting their position on international staffing of control posts and barring of nationals from certain positions at these posts in their own countries.

After the American delegate presented the Western position, Tsarapkin suggested the prospect of compromise on this issue, but warned that any resolution must be made on the basis of national staffing plus controllers from the "other side." In the long run, the Soviet leaders probably would agree to any compromise which would guarantee continued Soviet control of the activities of personnel stationed on bloc territory.

Soviet propaganda continues to accuse the United States and Great Britain of trying to block the negotiations. A commentary on 20 January, similar

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in nature to a prepared statement read by the Soviet delegate on the same day, dismissed the latest Western move as "another of those wearying examples" of tactics used to avoid agreement. The commentary charged that before relinquishing this "road-block," the Western delegates introduced an even more formidable one--the American paper on the difficulty of detecting underground nuclear explosions.

Surprise-Attack Talks

Soviet reaction to the Western rejection of Moscow's overture to reconvene the surprise-attack talks has been confined to propaganda media. On 20 January Izvestia charged the Western powers with sabotaging the talks when it became obvious that the negotiations would not be a source for intelligence information on the Communist bloc.

(Concurred in by OSI)

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**RESULTS OF THE NENNI SOCIALIST CONGRESS**

The victory of Pietro Nenni's "autonomists" over the pro-Communist faction at the Italian Socialist party's congress in Naples will have important long-range political consequences if Nenni can build an effective non-Communist left in Italy. Nenni's increased appeal to a number of left-wing Democratic Socialists is already evident, but even if their defection to his party should result in the overthrow of the Fanfani government, his party's participation in a successor coalition is not anticipated.

Nenni's faction now has control of his party's central committee, with 47 of the 81 seats, and of the party directorate, with all its 15 seats. Nenni will probably prefer not

to disrupt the national political scene immediately while he is consolidating his position. Nevertheless an immediate threat to the government could result from the attitude of left-wing Democratic Socialists, who have been anxious for a rapprochement with the Socialists.

Even if the governing coalition is weakened by defections, Socialist support would still be possible on socio-economic reform measures which right-wing Christian Democrats oppose, and the Socialists could sustain Fanfani despite the opposition of his own right wing. On the other hand, fear of a Christian Democratic rapprochement with Nenni Socialists could inspire the right-wing Christian Democrats to topple Fanfani at once.

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In any event, no early participation of the Socialists in a government coalition is in prospect. If Fanfani is overthrown, he is likely to be succeeded by a minority Christian



NENNI

Democratic government dependent on the Liberals and Monarchists or a coalition of the Christian Democrats with Democratic Socialists and Liberals

supported by the Monarchists. Both of these possibilities could be exploited by Nenni to establish the Socialists as the principal democratic opposition.

Nenni's objective will be to attract the Democratic Socialists as well as dissident Communists, and to hang on to his own party. To do this he will be forced to proceed with caution, equivocating where necessary and permitting continued ties with the Communists in the local governments, and in the General Confederation of Labor, where the Socialists are seeking a greater voice. His ability to orient his party away from the Communists can be measured by its success in providing a loyal opposition which can support the Christian Democratic government on crucial issues. It can also be gauged by the extent to which pro-Communists are eliminated from local and federation posts, and in the policies the party daily Avanti! follows. [redacted]

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**INSTABILITY CONTINUES IN LIBYA**

In Libya, Arab nationalist sentiment, vigorously supported by UAR President Nasir's propaganda machine [redacted]

[redacted] is steadily gaining ground. Pro-Nasir officials now occupy important positions in both the central government and the provincial governments of Tripoli and Cyrenaica, and plotting against the regime continues.

Prime Minister Abd al-Majid Kubaar, whose initial policies were basically pro-Western, has tended more and more to cater to the popular attitude. In his speech from the throne on 30 November, Kubaar capitalized on a few words of praise for the Libyan Government included in Nasir's lengthy 27 November address and announced that "friendly and fraternal relations

with the brother United Arab Republic have increased in strength." Press media in both countries followed with an exchange of compliments.

Libyan Defense Minister Shaaban is scheduled to go to Cairo on 24 January to obtain tanks, armored cars, and heavy machine guns from the UAR. [redacted]

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[redacted] Nasir presented the King with six armored cars for his personal bodyguard in October 1957.

Kubaar has given a good deal of press play recently to the long-standing Soviet economic aid offer, which reportedly

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includes a \$28,000,000 credit. On 7 January, the government's press office announced that the Council of Ministers had formed an ad hoc committee to "study and discuss" the offer. At the same time, Kubaar is negotiating for more US economic aid and for a revision of the financial clauses of the American base agreement.

The continuing pro-Western attitude of King Idriss makes unlikely any immediate decision for closer relations with the USSR. Nevertheless, conscious of the trend of popular opinion, the Council of Ministers may now

for the first time give serious consideration to the tempting Soviet aid proposals.

The 69-year-old King has made no real effort to build up the power and prestige of his successor designate, young Prince Hasan al-Rida. Only the personal loyalty to the King of most key political, tribal, and military figures keeps the present government in power. Yet, in spite of warnings on deteriorating internal security, the King shows no inclination to take resolute action. [redacted] (Concurred in by ORR)

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**CYPRUS**

The Greek and Turkish foreign ministers following their talks in Paris from 18 to 20 January are cautiously optimistic about the possibility of a Cyprus settlement. These and other exchanges of views between Greece and Turkey, which have occurred since mid-December, have resulted in agreement on several provisions for a settlement based on some form of guaranteed independence for the island. Previous Turkish insistence on a military base on Cyprus--occupied solely by Turkish troops or by Turkish, Greek, and British forces--may be modified. This could lead to a compromise on this issue which might involve the creation of a NATO base.

The cordial atmosphere in which the foreign ministers' negotiations took place and the changed attitude of the press in both countries toward an accommodation indicate that both governments now wish to resolve the Cyprus issue. The influential editor of the Turkish newspaper Vatan is in Greece with the full support of the Turkish Government in an attempt to improve Greek-Turkish relations. Important newspapers in both countries have recently empha-

sized the common problems facing their nations and have recalled the friendship existing before the Cyprus problem became paramount in their relations.

While Greek relations with Turkey seem improved, there is no corresponding improvement in relations between Athens and London. The Greek Government has repeatedly blamed the British for trying to sabotage the Greek-Turkish rapprochement, and both Greeks and Greek Cypriots are bitter over British failure to proceed faster toward ending emergency regulations on Cyprus.

Greek Cypriots are also incensed by rumors that the British will soon publish a report recommending that the Greeks and Turks be given separate municipal governments in the five major towns on Cyprus. EOKA, however, apparently remains committed to observe its self-proclaimed truce of 24 December. [redacted]

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**ARGENTINE LABOR UNREST**

The protest general strike in Argentina which began on 18 January was called by Peronista and Communist-influenced unions primarily to undermine President Frondizi's policies and embarrass him during his visit to the United States. The strike received support, however, from other labor elements which strongly object to the sharp price rises since the initiation on 1 January of the US-backed austerity and stabilization program.

The effectiveness of the Peronista strike call, estimated at 80 percent on its second day, was enhanced by the lack of other than railroad transportation in many areas, by the closing of many businesses, and by the support of some independent labor sectors. In view of the growing discontent among labor--generally over rising prices--the strike was joined on a 48-hour basis even by a few unions of the anti-Peronista bloc, which is concerned over its competitive position in the incomplete trade-union elections.

Much of the labor unrest over the past few months derives from confusion and factionalism within organized labor, and it was partly for this reason that Frondizi supported the new basic labor law of last August calling for a central labor organization and new elections in all unions. Anti-Peronista elements, how-

ever, have denounced the law and election procedures as favoring Peron's former supporters, who used organized labor as an instrument for political control.

This dispute has delayed elections and encouraged anti-Peronista leaders to call a few strikes to prove they are looking out for labor's welfare. Because of this controversy and the opposition to the stabilization program, labor unrest is likely to continue for some time.

The Communists are apparently supporting the Peronista drive for trade-union control in the hope of obtaining important positions within the unions. In view of the party's membership of only 80,000 to 90,000, this tactic would increase their influence more than would a drive for union leadership in competition with the Peronistas who, although split among themselves, are believed to be the largest single group. The government holds the Communists partly responsible for the present unrest and raided the party's headquarters while rounding up strike leaders.

Since the country is still under state of siege, the military forces are taking firm measures --including the mobilizing of petroleum and transport workers --to suppress further strikes or violent demonstrations. The armed services seem capable of controlling the situation. 25X1

**CASTRO MAY AID OPPOSITION TO LATIN AMERICAN DICTATORS**

The new Cuban Government, even before it has had time to become effectively organized, is under pressure to provide material support for revolu-

tionary action against the remaining Latin American dictators. A few days after the fall of Batista, exiles from various authoritarian regimes

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began arriving in Cuba seeking support for their plots.

The new Cuban leaders, some of whom have already publicly indicated their sympathy for the efforts of other Latin Americans to overthrow their dictators, now are chiefly concerned with consolidating their own government. The tendency in the government to refer all decisions to Fidel Castro is seriously hampering effective administration and causing responsible officials to become increasingly frustrated and disillusioned. Raul Castro, who commands the armed forces in Oriente Province and is the only rebel commander known to have acted independently of his brother's orders on occasions during the civil war, is inclined to rash actions and may cause difficulties.

As the government becomes consolidated, there will probably be a strong temptation to aid revolutionary groups of other Latin American countries. Generalissimo Trujillo of the Dominican Republic, who was openly sympathetic to Batista

and granted him asylum, is probably the dictator most hated by the new Cuban leaders. Nicaraguan exiles recently arrived in Cuba, however, are reported to be seeking Castro's aid for a prior invasion of Nicaragua.

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"General" Miguel Angel Ramirez, chief of the long-dormant Caribbean Legion which he is attempting to reactivate, arrived in Cuba [redacted]. The Legion, an irregular military force of professional revolutionaries and idealists dedicated to ousting area dictators, was active a decade ago, and Ramirez led an abortive plot in 1947 against Trujillo in which Fidel Castro, then a 21-year-old student, took part.

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In Haiti, where President Duvalier's distrust of the army has forced him to rely on his unpopular civilian militia, the opposition appears to be looking to Fidel Castro for support.

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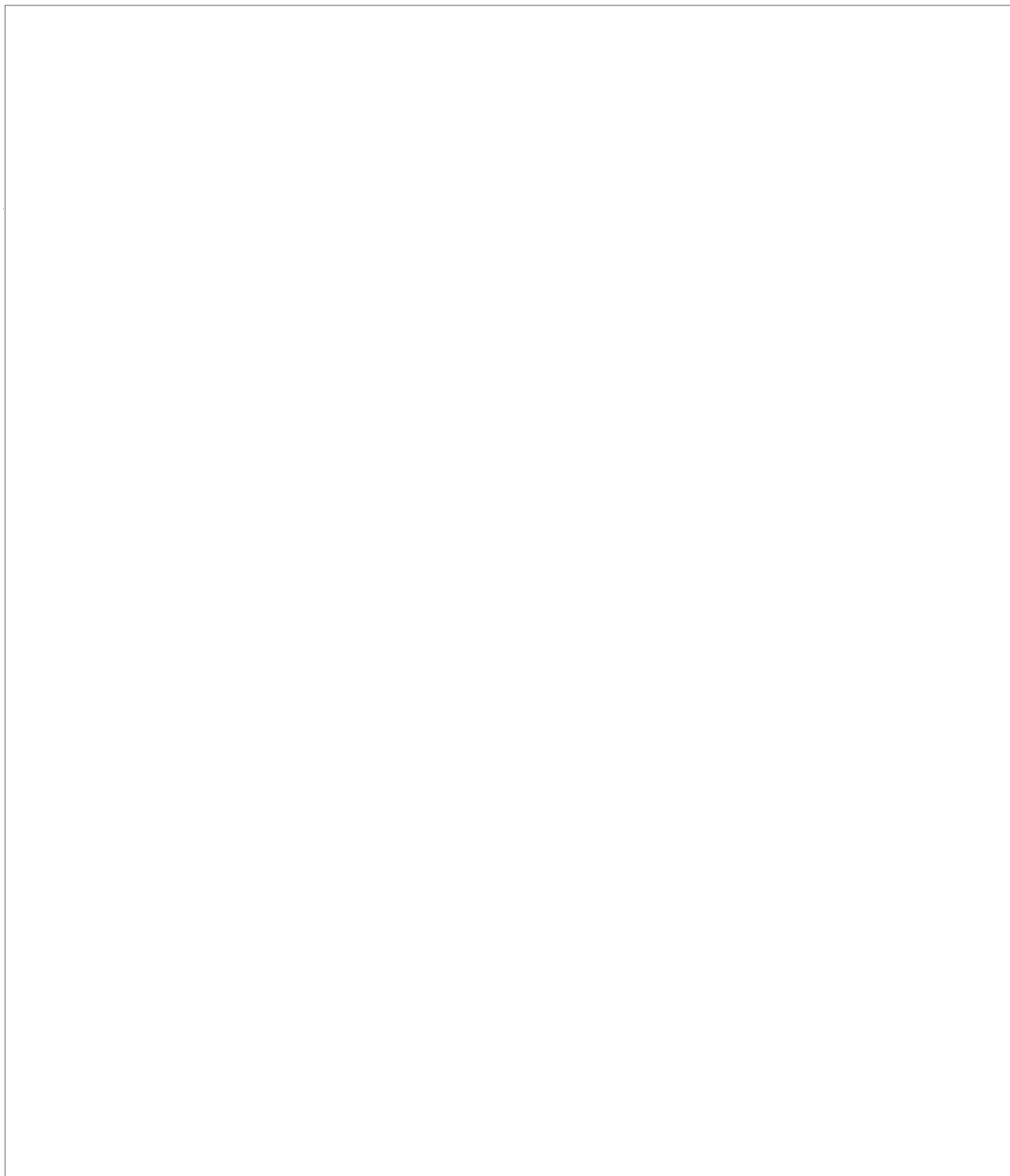
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**PORTUGAL'S GROWING DISSATISFACTION WITH SALAZAR**

Antonio de Oliveira Salazar, premier and virtual dictator of Portugal since 1932, is facing increasing popular dissatisfaction with the coun-

try's economic and political stagnation. Popular opposition to his regime appeared on an unprecedented scale during and following last May's presidential

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election campaign, and even supporters of the present form of government are becoming convinced it is time for a change.



SALAZAR

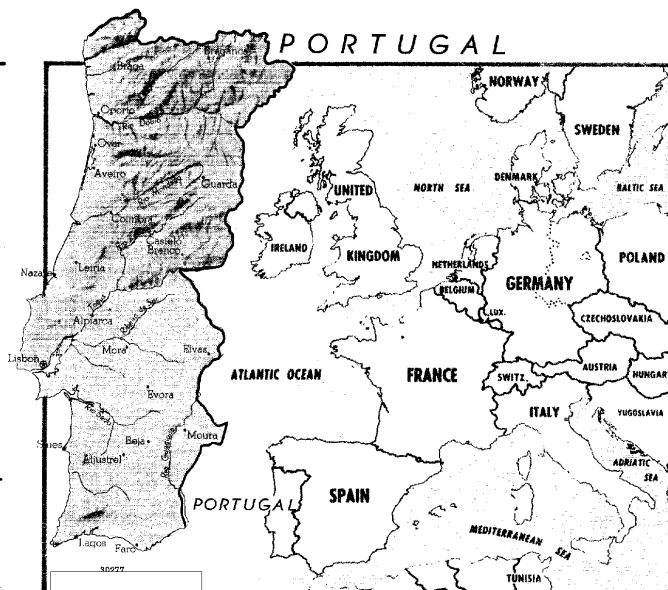
There are rumors that the premier will retire next April on his 70th birthday, but Salazar seems resolved to stay in power, and there appears to be no group at present prepared to oust him.

Salazar's rule started in the Finance Ministry in 1928, and Portugal's fiscal and monetary system and its banking structure are still fundamentally designed to prevent a recurrence of the inflation the country suffered in the 1920s. Stability has been maintained at the expense of economic expansion. In the era of the OEEC and the emerging Common Market, a growing number of Salazar's countrymen are concerned over the fact that Portugal has the lowest standard of living in Western Europe and that its rate of

economic growth is considerably below that of most of the other less-developed OEEC countries.

The restrictive tendencies of the Portuguese corporative state have aggravated the stagnation of the economy. The corporations, in which both labor and management are represented, are in fact dominated by the government; with strikes forbidden and wages consistently low, there is little pressure to raise productivity. Limitations on the exercise of free enterprise and local suspicion of foreign capital and industrial innovations keep opportunities for foreign private investment to a minimum.

The long-standing curbs on freedom of the press and other democratic processes have apparently served to keep the Salazar regime itself ignorant of the extent of popular discontent. It seemed genuinely surprised at the active campaign for the presidency conducted by General Humberto Delgado in May and June, and

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by the widespread political and social unrest revealed by the rioting in Lisbon and Oporto at that time.

Opposition to Salazar Regime

Avowed opposition to the Salazar government continues to make itself felt. Delgado's ability to supply effective leadership to the opposition is increasingly questioned, however, in view of his unrestrained public utterances and generally eccentric behavior since he lost the election. Delgado--now in political asylum in the Brazilian Embassy in Lisbon--is reported to have alienated much of the support he enjoyed in mid-1958, although his prestige still appears to be high in Oporto, the industrial and commercial capital and traditional center of antiregime activity. Opposition leaders there regard him as one of the most likely candidates to head a new government should Salazar retire soon.

These leaders believe political parties could be effectively organized as soon as Salazar steps down so that elections could be held within six months. They envisage Christian Democratic and Democratic Socialist parties as the most likely successors to the Salazar-controlled National Union and they maintain that under a government sponsored by them there would be no legal provision for a Communist party. They say they had discussed the possibility of common action with the Communists but then rejected the idea. They dismiss the Portuguese Communist party as very weak, with perhaps 100 or 200 members and no following.

These Oporto opponents of the regime maintain that they are the true anti-Communists in Portugal, and they are somewhat critical of the United States and other Western

governments for having given financial and diplomatic support to Salazar since the end of World War II.



Proregime Critics

An increasing number of regime supporters are concerned over Salazar's reluctance to undertake any extensive changes in policy and would welcome his early retirement. For example,

Many junior officers are dissatisfied because politics determine promotions and harsh measures were taken against opposition election rallies in May. Discontent among the military probably inspired a circular issued in November by opposition elements in Oporto to army personnel, urging cooperation in a move to oust Salazar.

The Roman Catholic hierarchy in Portugal also has misgivings over the premier's policies. The cardinal patriarch of Lisbon advised Salazar that by failing to give other men a chance in the government he was throwing the country into the hands of the Communists. The bishop of Oporto,

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in a letter to Salazar in mid-July, declared that some aspects of the regime's social policies were in conflict with church doctrine and, in effect, he proposed the creation of a Catholic party.

Formal criticism of government policies has also come in recent months from a group of Coimbra University professors and from the Portuguese Legion, a semiofficial organization with some civil defense and domestic espionage duties. Even members of the National Union agree that the government must do something to win popular confidence. The Oporto health commissioner complained in November that the regime is "out of touch" with the people.

The American Embassy in Lisbon believes that "it is indeed the disheartened of the regime that pose the biggest threat to Dr. Salazar." Embassy officials sense that a regrouping of forces is under way in government circles. Defense Minister General Botelho Moniz, ex-defense minister Colonel Santos Costa, and former minister of the presidency Marcelo Caetano are apparently intent on strengthening their individual positions in order to qualify as likely successors to Salazar.

Prospects

Salazar seems resolved to remain on the job. His appointment of Colonel Arnaldo Schulz, a "strong-man" type, as interior minister on 28 November suggests that he wants rigorous treatment of opposition attempts to arouse public sentiment against the regime. This seems evident also in the arrest in November of four well-known liberals who were jailed for a week, allegedly for subversive political activity, but actually for having signed a public protest against the government's refusal to allow Aneurin Bevan to lecture in Lisbon. By boosting mili-

tary and civil service salaries 10 to 43 percent on 1 January to equate salary levels more nearly to the cost of living, Salazar has moved to strengthen the loyalty of functionaries to the regime.

Salazar is unlikely to make any real concessions to popular demands. His 6 December speech before the National Union suggests that he is determined to "see things through" along established policy lines. The speech was basically a plea for the party to inspire enthusiasm for the regime. It reflected concern and annoyance over internal political developments but warned, with a reference to the bishop of Oporto's critical letter, that unless those responsible for church doctrine brought deviators into line, the sphere of church action would be limited.

Should the bishop of Oporto be forced out of his office, as a Foreign Ministry official intimated in mid-November, the battle lines might be drawn between church and regime. The conservative Catholic press, commenting on Salazar's 6 December speech, declared that individual priests have the right to express themselves even on political subjects. It had previously declared that the church cannot abdicate its right to state the needs of social justice, even at the risk of displeasing those in power, and that it would fail to fulfill its mission if it allowed itself to be identified with a particular regime.

Widespread as the dissatisfaction against Salazar appears to be, however, no group yet seems ready to act on it. In any event, it is questionable whether the opposition, despite its high estimate of its own potentialities, can win sufficient support from the army to effect a coup. Effective moves to modify or replace the present regime will probably come from among its present supporters.

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**CHINESE COMMUNIST MILITARY DEVELOPMENTS DURING 1958**

**Taiwan Strait**

The military operation in the Taiwan Strait showed that the Chinese Communists have made progress in combined arms operations and highlighted the power of their artillery against the offshore islands. It also demonstrated, however, a substandard performance of their air force against the Chinese Nationalists, despite the occupation of the coastal airfields by Communist fighters, which greatly inhibited Nationalist overflights.

On the basis of equipment and numbers, the Communists

should have made a much better showing, but inferior air tactics, resulting from poor or incomplete pilot training, and a lack of aggressiveness caused them to lose 33 aircraft as against only four Nationalist fighters, including two reconnaissance aircraft. Nationalist pilots indicated that Communist planes did not give the performance which would be expected from MIG-17s when flown by skilled pilots.

Taipei's use of the Sidewinder air-to-air missile may have given the Communists pause in engaging Nationalist fighters.

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The Chinese Communist Navy did not directly participate in the crisis except to use motor torpedo boats against Nationalist supply vessels.

The large numbers of troops brought into the Fukien area during the crisis reflect an improved logistics capability.

Withdrawal From North Korea

In a joint communiqué on 18 February 1958, Chou En-lai and Kim Il-sung announced the Chinese Communists would withdraw from North Korea. Subsequent announcements from Peiping stated that the withdrawal would be completed in three stages, with the final phase to be completed before the end of 1958. Chinese Communist troops in North Korea at that time totaled about 300,000 and included five armies--the 1st, 16th, 21st, 23rd, and 54th.

The first phase of the withdrawal, involving the 16th and 23rd armies, was completed during March and April; the second stage in August with the withdrawal of the 21st and 54th armies; and the third stage on 26 October. Two of the armies--the 16th and 23rd--are believed to be in Manchuria, while the others may have been deployed to South and Southeast China. There are reports that some troops may have been sent to Tibet.

Soviet Military Aid

Soviet military aid to Communist China continued on a fairly large scale during 1958, but indigenous war-production facilities were also expanded--thus decreasing Peiping's de-

pendence on Moscow in its drive to become a first-rate military power.

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Chinese War Production

Chinese Communist facilities now are producing mortars up to 160-mm. caliber, and various artillery pieces. A program of construction of Soviet-designed warships, begun in 1955, apparently continues.

Organizational Changes

Other developments during the year include the reorganization of certain administrative and supply organizations and the implementation of a reserve program which is to be responsible for training the militia.

The "rectification" campaign, which affected virtually all aspects of Chinese Communist life, increased party control over military command and administration at all levels. Other results of the "rectification" program last year were increased emphasis on the study of Communist doctrine and the return of Chinese Communist officers to the ranks for at least one month a year.

Current Capabilities

The continued Soviet support in the form of material and technical aid to the Chinese Communist armed forces and the strides being made by the Chinese Communists to achieve greater independence by the expansion of their own war-production facilities foreshadow an ever-increasing military threat in the Far East. Despite the great strides being made,

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however, there are several areas where improvements will be necessary before Peiping can rank as a first-rate military power. Thus far the principal element of Peiping's military power is its large ground force, in size second only to Moscow's.

This force relies largely on overwhelming the enemy by numerical superiority, but it is not prepared to wage a nuclear war nor defend against a nuclear attack. Although there have been numerous reports of missile installations, there is no firm evidence that Peiping possesses operational tactical missiles.

The principal weakness in the Chinese Communist Air Force seems to be inadequate pilot training.

The navy, although it has received modern types of Soviet-

designed vessels from its own shipyards, will continue to remain principally a coastal defense force for some time to come. The lack of experience in deep-water operations and the limited number of deep-water vessels are factors which will restrict the development of a naval threat for some time to come.

Although there are many vessels which could be used to stage an amphibious assault against the offshore islands, the type of lift capability necessary to mount an invasion of Taiwan itself is inadequate, and this deficiency is not likely to be soon remedied. The Chinese Communists have, however, the capability to undertake operations against the offshore islands at any time and, if not opposed by American forces, could press these operations to a successful conclusion. 25X1

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