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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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## PART I

OF IMMEDIATE INTEREST

## EAST-WEST NEGOTIATIONS

Khrushchev chose the occasion of a day's recess in his talks with Prime Minister Macmillan to make a tough speech on 24 February in which he countered the West's proposal for a four-power foreign ministers' conference with a call for a heads-of-government meeting. His offer to sign a nonaggression pact with Britain probably was deliberately designed to embarrass Macmillan and place him in a difficult spot in view of the likelihood of a British general election later this year. Khrushchev rejected the West's position on the level, composition, and agenda of East-West talks and vigorously reaffirmed the USSR's unwillingness to discuss German reunification and its determination to defend East Germany.

Khrushchev charged that, in proposing negotiations on the foreign minister level, the Western powers "obviously" wish to involve the USSR in a "labyrinth of diplomatic negotiations so that we will get bogged down for several years." Condemning the exclusion of other countries which fought against Hitler's Germany, such as Czechoslovakia and Poland, he called the Western proposal "not a businesslike formulation of the questions," and said, "We cannot agree with this."

The Soviet premier called instead for a meeting of the heads of government, who alone "can take the necessary decisions." He failed to list the participants at such a conference except to say they should be "the powers in question who

are fully responsible for ensuring universal peace."

While the Soviet leaders probably will press the West to accept parity of representation at a heads-of-government meeting, it is unlikely they will stick on this point. 25X1  
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In his Moscow speech, Khrushchev insisted that the first task of a summit meeting should be the conclusion of a German peace treaty which would include a solution of the Berlin question. A summit meeting should also, he stated, examine questions of European security, the withdrawal of troops from foreign territories, military disengagement, and disarmament questions such as the reduction of armed forces and prohibition of nuclear weapons and tests.

The speech gave further evidence that, in the absence of agreement with the Western powers on a peace treaty with both German states, the USSR plans to sign a separate peace treaty with East Germany either prior to or simultaneously with the transfer to the East Germans of control over access to Berlin. Khrushchev claimed that the signing of a treaty "with the two German states or with one of them" would invalidate all the obligations regarding Germany's occupation,

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"both ours and those of our allies." Hence, he added, maintenance by the Western powers of their occupation functions, or, if challenged, defense of their rights to access to West Berlin, "are out of the question."

The Soviet press attaché in East Berlin had told West German correspondents on 19 February that the USSR, by a separate peace treaty, wishes to establish the sovereignty of East Germany "beyond all legal doubt." Otherwise, he added, the West might be in a better legal position to challenge East Germany's sovereign rights over access to Berlin. He also hinted that such a treaty might be concluded before 27 May.

Macmillan's Visit

Khrushchev may have believed that Prime Minister Macmillan, under pressure from domestic public opinion to bring about a relaxation of world tensions, would be forced to respond favorably to the Soviet call for a heads-of-government meeting and a nonaggression pact. There are reports that Macmillan and his delegation are moving toward the view that only a heads-of-government conference could provide a realistic discussion of European problems.

Khrushchev's public advocacy of an Anglo-Soviet nonaggression pact apparently was a deliberate attempt to embarrass Macmillan. Neither side had raised this subject in the private talks, although some reference to it was

apparently made in a toast by Gromyko. Khrushchev's speech has evidently put an end to any ideas Macmillan may have entertained that such a pact could provide one tangible but harmless result of his visit to the USSR.

The British press, which had been printing rumors that a non-aggression pact might be concluded, raised a chorus of objections to Khrushchev's proposal and especially to the context in which it appeared. Sharpest words came from the staunch pro-Conservative Telegraph, which called it a "calculated trap," acceptance of which would constitute "appeasement, pure and simple." Khrushchev's insistence on summit talks received a mixed reaction in Britain.

Soviet press articles over the past week have emphasized the "positive" aspects of the visit, particularly the benefits of personal contact between high government leaders. The usual daily anti-British items have disappeared from the Soviet press, and Pravda and Izvestia have carried editorials citing the World War II alliance and Khrushchev's 1956 visit to Britain as high points in Anglo-Soviet relations.

West German Reaction

The West German press reports that Khrushchev's speech was received in Bonn government circles with disappointment and amazement. Bonn is now reported to feel that the

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optimism over Macmillan's trip was premature. Some papers commented that Khrushchev's apparent rejection of a foreign ministers' conference opens up a "new situation" for the Western

powers; others criticized a possible British-Soviet nonaggression pact as the first move in paralyzing the Western determination to stand firm on Berlin.

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**SOVIET-IRANIAN RELATIONS**

Soviet Premier Khrushchev and the Shah of Iran continue to exchange recriminations following Khrushchev's personal attack on the Shah in his speech at Tula on 17 February. In a 24 February speech at Moscow, the Soviet premier again charged that the Shah's regime is seeking the aid of external forces for protection against its own people. His remarks on the Shah personally were somewhat more temperate than at Tula.

The Soviet propaganda campaign is part of a mounting effort by the USSR to discredit the Shah and undermine the prestige of his regime in Iran. Moscow's increasing emphasis on the dangers of an Iranian bilateral defense agreement with the United States is probably designed to justify Soviet countermeasures after the agreement is signed. The Shah stated publicly on 21 February that Iran would not invoke the agreement unless attacked and denied Soviet charges that rocket-launching sites would be set up in Iran. His statements are unlikely to satisfy Moscow, however.

Soviet Ambassador Pegov has told various individuals in Tehran during the past week, according to Iranian Prime Minister Egbal, that if Iran signs the agreement with the United States the USSR will occupy Azerbaijan Province in northwest Iran. Unconfirmed reports of this alleged Soviet threat

have been repeated by press and diplomatic circles in Tehran. Pegov emphatically denied at a UAR Embassy reception on 22 February and again to reporters on 24 and 25 February having made any such statement.

Bloc diplomats at the UAR reception reportedly stressed the gravity of the situation which would arise if Iran concluded the bilateral agreement with the United States, and Pegov's public denials have called attention to the possibility of such a Soviet move.

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The Tehran government may welcome the wide publicity given the alleged Soviet threat in order to enhance its pose of staunchly resisting intimidation, and to strengthen its claim for American moral and material support. According to the American ambassador, it is widely believed in Tehran that the Shah ordered a harsh note sent to Moscow regarding Khrushchev's Tula speech. Iranian Foreign Minister Hekmat, however, apparently only delivered a verbal protest to Pegov regarding Soviet radio attacks.

The Shah declared to the Iranian Parliament on 24 February that a Russian military attack on his country would start

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World War III and that Iran was not afraid of any foreign threat. The Shah asserted that the USSR had personally insulted the nation and his person, and he charged that Khrushchev's attack on him was "contrary to international etiquette." The Iranian ruler denied the Soviet premier's claims that he feared his own people or that he put money in British banks.

In his Moscow speech, Khrushchev again asserted that the Shah was seeking American assurance of help to "deal with forces which might act against him, with his own Iranian people," and reiterated that "no external forces will be able to save the rulers who turn against their own people." Apparently to authenticate his interpretation of the Shah's motives, the Soviet premier declared, "We already have the text" of the US-Iranian agreement. Soviet diplomats in Tehran, however, pressed the Americans at a reception on 23 February for information as to the date of signing and the wording of the agreement.

The Moscow speech, somewhat more conciliatory in tone than



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Khrushchev's previous remarks and lacking implied threats, may be intended to blunt excessive Iranian charges of Soviet intimidation, as well as to reinforce Moscow's pose of thwarted friendship. The Soviet leader, who described relations with Iran as "very bad," said he did not want to worsen them, but wanted them to improve. Soviet propaganda broadcasts in Persian, however, have made appeals to "patriotic" Iranian Army officers to frustrate the defense agreement, and also have recalled how officers in Egypt and Iraq overthrew "hated regimes" in their countries.

**CAMBODIA**

The Cambodian military situation remains obscure, following the occupation of the Siem Reap headquarters of disident General Dap Chhuon on

22 February by a government armored convoy led personally by Army Chief of Staff Lon Nol. Phnom Penh's announcement that Chhuon barely escaped in time

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with only a few followers and that the bulk of his forces remain loyal to the Sihanouk government appears exaggerated.

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[redacted] Chhuon left at least 48 hours earlier with his entire garrison, believed to number several hundred.

Chhuon's present whereabouts, strength of forces, and intentions are unknown. Before the government's decisive response to Chhuon's declaration of dissidence in a letter to the throne, he had been actively planning an early general uprising against Sihanouk. At that time, he claimed the loyalty of some 3,000 troops, including the Palace Guard in Phnom Penh and three battalions scattered throughout the northwestern provinces of Siem Reap and Kompong Thom.

Presumably, Chhuon will engage in guerrilla warfare against the Sihanouk regime, which he is convinced is leading Cambodia into the Chinese Communist camp. In such a role, Chhuon benefits from broad ex-

perience as the leading resistance fighter opposing the return of French rule in Cambodia after World War II. The government's apprehension is indicated by tightened security measures being taken in the Phnom Penh area and by the appearance of a strong bodyguard for Sihanouk. On 24 February, Sihanouk stated that insecurity will "reappear" in Siem Reap and will also follow in other provincial centers as a result of activity by "foreign-supported" dissident bands.

Meanwhile, Vietnamese-Cambodian relations have been exacerbated as a result of Sihanouk's public accusations of Saigon's involvement in the Chhuon plotting. The Diem government has refuted Sihanouk's claim that two "Vietnamese officers," along with a radio transmitter, were seized at Chhuon's villa in Siem Reap. Saigon previously had strongly protested Sihanouk's charge that Vietnam's representative in Phnom Penh was the ringleader of foreign intrigue in Cambodia.

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PART II

NOTES AND COMMENTS

PROSPECTS FOR INCREASING MEMBERSHIP OF EUROPEAN COMMON MARKET

Sentiment in the European Common Market (EEC) is reportedly increasing in favor of offering Greece, Turkey, Denmark, and possibly Austria the prospect of early association with the EEC. Such a geographical extension would significantly increase the Common Market's already considerable influence in free world affairs; at the same time, it would almost certainly aggravate the conflict over the proposed Free Trade Area (FTA), a divisive issue in the North Atlantic community.

While it has always been likely that the EEC would ultimately gain new members, the suggestion of taking immediate steps in this direction is a direct consequence of the collapse of the FTA talks last fall and the subsequent efforts of the EEC Commission to propose a basis for their resumption. Commissioner Rey--the EEC's "foreign minister"--told Ambassador Butterworth on 19 February that it was part of his FTA plans to propose "some real political gesture to encourage adherence to or association with the EEC."

these inducements would include an extension of the EEC's 12- to 15-year transitional period for the removal of tariffs and quotas, an increase in the \$1 billion capital of the European Investment Bank, and institutional changes in the EEC Council and Commission.

As a tactical move in the dispute over the FTA, an EEC offer along such lines would have political importance. It

would tend to divide the solid front of those countries, led by Britain, which have been hoping that loose multilateral ties with the EEC would solve their essential trade problems and at the same time perhaps delay the rapid progress toward Continental unity.

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The "close association" of Greece, Turkey, Denmark, and Austria, if carried out, would add some 35,000,000 consumers to an economic union which already rivals the US or the USSR in population and aspires to the creation of a "federal Europe."

An offer of association bordering on full membership would raise problems for all four countries. The Greeks and the Turks, who could use some of the development funds at the disposal of the European Bank and who at best could hope only for limited participation in the FTA, may be the most receptive to the idea of direct ties with the EEC. Agricultural interests in Denmark have long favored full EEC membership, but a reluctance to break with the other Scandinavian countries would probably require a major political decision.

The most serious problem, however, would probably be faced by Austria, which, while economically dependent on the EEC, has been warned by the USSR that such an association would be considered a violation of Austrian neutrality.

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## EUROPE'S COAL CRISIS

The overproduction crisis in Western Europe's coal industry has confronted the European Coal-Steel Community (CSC) with the potentially most disruptive situation in its seven-year existence. The CSC's High Authority has been compelled to consider drastic measures which are difficult to administer, displeasing both to producers and consumers, and by no means certain to cure the coal industry's ills.

Corrective measures--primarily a curb on imports of American coal--have not been effective. Aggravated by low industrial demand for coal, a mild winter, and continued high production at the mines, unsold stocks of coal now have reached 25,000,000 tons and could climb another 8,000,000 tons by the end of 1959. While many observers believe this surplus will gradually decline as economic activity revives, this view may be too optimistic in light of the prospective 10-percent increase in fuel oil imports expected this year.

Although the tonnage of excess coal is greatest in West Germany, the problem has proved difficult in Belgium, where many of the older coal mines are noncompetitive. Under pressure from the CSC, Brussels now has agreed to close submarginal pits and to undertake a general reorganization of the mining industry. This has caused serious labor unrest in the affected mining areas, however, and a threatened general strike has compelled the shaky government coalition to delay the closing

schedule. The Socialists have brought the politically thorny issue of nationalization to the fore as a possible remedy.

Under pressure from Belgium, the High Authority has begun consultations to see if there is sufficient support within the CSC to declare a "manifest crisis." This would involve the introduction of production quotas and the institution of community-wide import controls. If restrictions of output cannot be agreed on, the High Authority may attempt to encourage "voluntary" production



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## BRILLIANT IDEA FOR THE RUHR: COAL ALPS AS TOURIST ATTRACTION

cuts by providing unemployment benefits for miners who would lose their jobs in the process. The Netherlands, as a coal-importing country, will be loathe to accept import restrictions, which would mean a further loss of transit business for the port of Rotterdam.

In view of its past reluctance to supervise too closely the CSC's coal and steel industries and its desire to maintain a nonprotectionist reputation

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abroad, the High Authority's willingness now to consider drastic measures indicates a fear of losing control of the situation. While Brussels' threats to take unilateral action can probably be discounted,

Bonn's recent decision to impose tariff quotas without adequate reference to the CSC gave cause for some concern. Consequently, the High Authority cannot afford any further weakening of its position.

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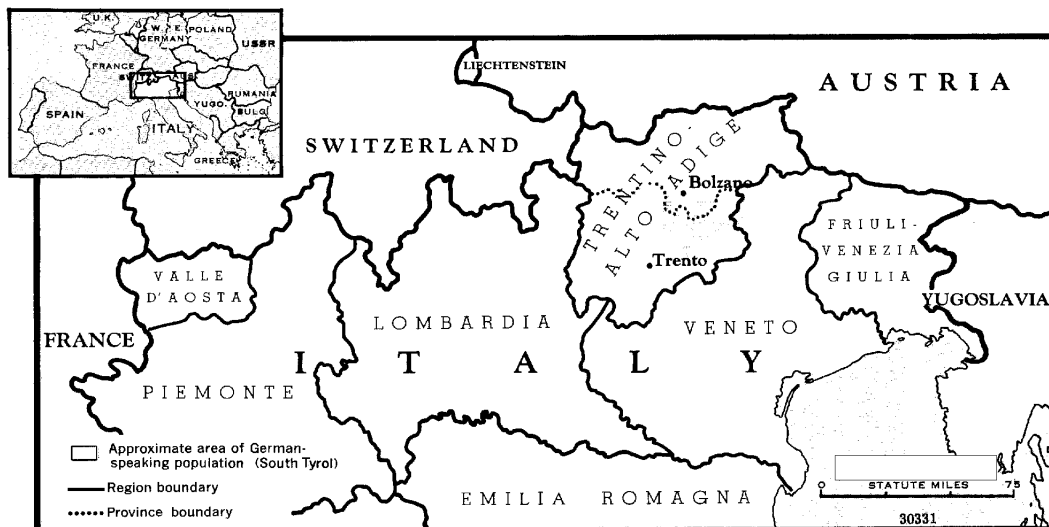
**AUSTRIAN MINORITY IN ITALIAN TYROL POSES PROBLEM FOR ROME**

Renewed agitation for cultural autonomy among the German-speaking minority in the former Austrian South Tyrol--roughly the area of Italy's Bolzano Province--increases the problems of Premier Segni's new government. If Segni yields to rightist opposition to greater autonomy for that area, serious disturbances could result. Moreover, the three South Tyrolean People's party deputies, once consistent supporters of Segni's Christian Democrats, would probably join the parliamentary opposition, which now embraces all the other parties except the rightists. If he yields to South Tyrolean pleas for greater regional au-

tonomy, other regions may raise the old question of decentralization of federal power.

So far, student demonstrations of a strongly Fascist flavor have taken place in a number of Italian cities, and the Bolzano court has been ordered to inquire into a charge of "antinational activities abroad" lodged by the Italian neo-Fascists (MSI) against the five South Tyrolean leaders who went to Vienna to inform the Austrian Government of their problem.

The De Gasperi - Gruber agreements of 1946 called for local autonomy for the



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Trentino - Alto Adige Region, which comprises Bolzano and Trento Provinces, but the German-speaking population in Bolzano has continued to charge Rome with failure to provide it equal cultural privileges.

In protest against a new Italian housing law, South Tyrol People's party members of the regional assembly quit their posts, leaving the Italians in a quandary in view of a constitutional provision that the assembly must represent German- and Italian-speaking groups in proportion to their size in the regional council, where the Christian Democrats have 21 out of 48 councilors. The People's party has 15. Matters came to a head when Italian officials, claiming that disturbances might take place, refused to permit several Austrian dignitaries to attend a 19 February celebration commemorating the 150th anniversary of the death of the Tyrolean patriot, Andreas Hofer.

The People's party now has proposed to the Italian Parliament that Bolzano be given local autonomy and separated from Trento Province, which is largely Italian.

The Austrian Government, facing national elections this year, may seek Western intervention and has threatened to take the dispute to an "international forum."

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Premier Segni told Parliament on 24 February that the South Tyrol problem is an internal Italian matter, but added that he would welcome consultations with Vienna. The Austrians, disturbed by Segni's speech, have recalled their ambassador for consultation.

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**NUCLEAR TEST TALKS**

Statements on the nuclear-test-cessation issue in Khrushchev's 24 February speech in Moscow were intended to support the Soviet delegation's efforts at the Geneva talks to prepare Moscow's public position should the negotiations break down. Khrushchev charged the United States and Britain with seeking to prevent agreement so that they may resume nuclear tests and warned that, while the USSR would regret it, "we shall be compelled to do the same in the interests of our security until a wise settlement is found."

The principal burden of his remarks on the test issue was to present the Soviet position in a "reasonable" light in contrast with that of the West. He strongly attacked the Western position as "absurd and unacceptable," treating at length the Anglo-American viewpoints on voting in the control commission, staffing of control posts, the functions of the control organization administrator, on-

the-site inspection teams, and new data on detection of underground explosions.

Khrushchev charged that, while "only two or three weeks" should have been needed to prepare and sign a treaty on test cessation, the United States and Britain have delayed the negotiations with the apparent intention of "thwarting" the talks and laying the blame on the Soviet Union. He stated that Western proposals at Geneva were designed to give the United States and Britain power "to dictate their will to the Soviet Union" through majority control in the commission. He charged that the Western proposal on staffing of the control posts would force the USSR "to hand over our territory to supervision by the aggressive NATO bloc ... such proposals do not stand a chance of being accepted."

The Soviet delegation at Geneva this week continued its efforts to discredit the Western

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position in the talks. Charging that the Western delegations were ignoring world public opinion, Soviet chief delegate Tsarapkin on 24 February read into the record a long series of highly emotional messages from individuals inside and outside the bloc appealing to the conference to reach agreement.

On 20 February the Soviet team complained about "distortions" in the Western press of Moscow's position on staffing of the control posts. Tsarapkin then "restated" the Soviet position on this issue, suggesting for the record that foreign "controllers" in the Soviet plan for staffing the posts predominantly with nationals from the host country would perform not only operating tasks but also "some executive functions."

Queried on this statement on 23 February, he stated that there had been "no change" in the Soviet position concerning operating and executive functions of the controllers, but that the Soviet delegation would be prepared to discuss later the question of what technical or administrative functions could be assigned these foreign personnel.

On 23 February Tsarapkin introduced a draft article on peaceful uses of nuclear explosions, stating that, although the Soviet position remains that explosions of all types should be subject to universal cessation forever, Moscow wants to prevent the peaceful-uses issue from becoming an obstacle to agreement.

The article would require submission in advance of "a full description and blueprints" of the device to be detonated, internal and external inspection

of the device, and strict international control of the site of the explosions. The Soviet delegate charged that failure of the American proposal on peaceful uses to provide for technical inspection of the device is evidence of the West's desire to evade real cessation of tests by testing bombs under the guise of peaceful explosions.

In New York, members of the Soviet United Nations delegation have approached the American mission in an effort to discover whether the United States will break off the talks at Geneva and refer them to the 82-member Disarmament Commission. According to one Soviet representative, the possibility of reaching agreement in the commission after a breakoff at Geneva is remote. There are still no indications, however, that Moscow will take the initiative in ending the negotiations. UN Secretary General Hammarskjold doubts that a majority of UN members would be overwhelmingly convinced by reading the record of the Geneva talks that the West's position is unassailable. He fears the West has a tendency to feel too confident that its case on record would carry in debates in larger forums.

A member of the Soviet delegation in Geneva said privately that the USSR did not expect any Western moves at the talks until after the conclusion of the Macmillan visit to Moscow. Despite the rather severe tone of Khrushchev's remarks on the test-cessation issue on 24 February, Moscow probably still hopes to succeed in including in a joint communiqué at the close of the visit a statement which it could claim represents British endorsement of Soviet views on a permanent cessation of tests.

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**SINO-SOVIET BLOC EXPANDING ECONOMIC RELATIONS WITH IRAQ**

An Iraqi economic delegation headed by the ministers of economics and development arrived in Moscow in late February to conclude an economic and technical aid agreement with the Soviet Union. Arrangements will be made in Moscow for training Iraqi personnel in both the Soviet Union and Iraq. The Iraqi delegation also intends to review with Soviet officials some government-owned projects in Iraq which could benefit from Soviet experience in raising technical standards and the level of productivity. The announced reasons for the mission's visit, along with the composition of the mission itself, suggest that Moscow will engage in a wide range of activities in Iraq, including industrial, irrigation, transportation, and petroleum projects.

Talks on Soviet participation in Iraq's new development program were begun in Baghdad last month and resulted in an agreement in principle on preliminary offers of Soviet aid. The Soviet delegation reportedly considered participation in about half of the fifty-odd projects called for under the new Iraqi development program. Unconfirmed reports of the magnitude of the Soviet line of credit involved have ranged from \$50,000,000 to \$100,000,000, with repayment to be at a low rate of interest over a ten-year period--probably in hard currency.

The present Iraqi Government has also concluded trade agreements with the Soviet Union, Communist China, and six of the seven European satellites. Although trade goals in terms of value have not yet been released, Baghdad has apparently assured itself of markets for most of its limited exports other than oil, particularly dates. The bloc will probably have a substantial export surplus in its trade with Iraq, however, and this should result in a net gain of hard currency of the bloc countries.

Most of the Soviet bloc countries formerly traded with Iraq, but they rarely provided more than 2 percent of Iraq's imports. Iraq exported nothing to the bloc in 1957 and a negligible amount in 1958. Bloc exports to Iraq--goods formerly imported from the West--should rise appreciably in the next few years, especially if the schedules called for by the trade pacts are realized.

Hungary has made overtures to Iraq concerning the opening of an air service between the two countries, and the USSR recently extended an invitation to the Iraqi minister of communications when he scheduled a trip to Budapest and other satellite capitals.

In the past two months the Soviet Union has supplied Iraq with arms and military equipment

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reportedly worth \$170,000,000. Four shiploads of materiel have thus far been delivered to the Persian Gulf port of Basra. Moscow, under its arms agreement with Baghdad, will supply jet bombers and fighters, tanks, artillery, and other equipment--possibly including small naval craft. About 50 Soviet military

specialists are in Iraq training Iraqi military personnel to use the Soviet arms now being supplied,

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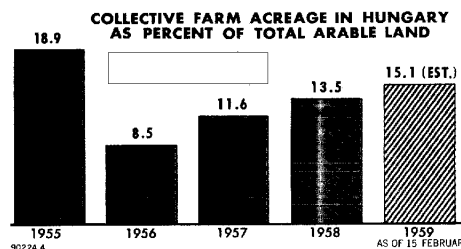
**NEW COLLECTIVIZATION DRIVE IN HUNGARY**

The Hungarian regime, having decided last December to step up the pace of collectivization, is resorting to coercive measures against independent farmers, in violation of repeated assurances of respect for the "voluntary principle." At its central committee plenum last December, the Hungarian party called for the dispatch of 500 agitators and propagandists from Budapest to towns and villages to join regional and local teams in organizing the "voluntary" formation of cooperatives. What was then advertised as a propaganda campaign to induce peasants to join the cooperative movement is now emerging as a highly organized and coercive drive.

In mid-February Budapest reported that 59,000 new members and 525,000 acres were added to advanced-type collectives during the first six weeks of 1959. These figures, indicating an expansion in a six-week period of at least 11 percent, not only suggest coercive tactics but also reflect a major switch from the previous policy, which emphasized the formation of less-advanced types of collectives. Moreover, measures for making the collectives more "attractive" through direct financial subsidization, preferential marketing, and tax benefits were supplemented last

week by a decision of the Council of Ministers, which raised income and property taxes on all except small-scale private farmers retroactive to 1 January.

Isolated instances have been reported of police tactics by party officials to force recalcitrant peasants to join the collectives. The American Legation has received reports that farmers holding out have been summoned to militia stations,



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interrogated at length, and detained overnight for further questioning. The legation has also learned that excess security personnel from the cities have been sent to the countryside to bolster local militia units.

To date, the regime seems to be exerting its major effort in the western counties of Hungary--particularly the Gyor-Sopron region, where peasant resistance to collectivization

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has been strongest in the past. Concentration of pressure on the western counties suggests that the regime may have selected this area for a pilot drive aimed at gauging the extent and seriousness of peasant resistance.

The present level of food reserves is sufficient for the time being to cope with any disruption resulting from the campaign. If the campaign stretches into the spring planting season, 1959 production may be disrupted.

Kadar has long held out against pressure from Stalinists in the Hungarian party to step up the pace of collectivization and to employ coercive measures against the peasants. His recent statements, however, indicate a change in his position, possibly as a result of pressure from Moscow and from Stalinists within his own party. Kadar's claims that "conditions" now warrant this change in tempo, however may now be an accurate reflection of his views.

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**CHINESE COMMUNIST TRADE DRIVE**

Total Chinese Communist trade with the free world grew in 1958, but exports increased at a slower rate than did imports. In Southeast Asia, however, reaction to Peiping's aggressive trade tactics has caused closer regulation of Chinese trade, and in Europe, traders complain that China is failing to fulfill export contracts. Peiping's economic offensive in Southeast Asia has been set back by local reaction to aggressive Chinese trade tactics. In Malaya, China's branch banks are being closed, legislation is proposed against dumping, and quotas and embargoes have been imposed on Chinese goods. In Singapore, Chinese trade has been increasingly regulated. Last year Peiping retaliated with a ban on trade with Malaya and Singapore but later resumed direct trade with Singapore and indirect trade with Malaya through Singapore. Despite obstructions during the last half of 1958, China's trade with these countries amounted to \$100,000,000--an increase of one third over 1957.

The cancellation of all official trade with Japan over

the problem of Japanese recognition of China and the sale of large amounts of rice to increase China's influence in Indonesia--a traditional customer of Southeast Asian rice producers--have resulted in growing awareness of the political motivation behind China's trade policy and greater recognition of the potential economic threat posed by Communist China. Peiping's exports continue to grow despite these hindrances. Incomplete statistics for 1958 indicate that Chinese exports to the area may exceed those of 1957 by more than 10 percent.

The domestic demands of China's "leap forward" program have in some cases, however, affected the availability of commodities for export. Traders in the United Kingdom, Finland, West Germany, and Hong Kong report that Peiping is failing to fulfill its export obligations. Most frequently, these minor cancellations and postponed deliveries appear to be a result of mismanagement and over-taxed transport facilities in China.

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Partial trade figures for China's 1958 trade with Western Europe reveal that Chinese exports exceeded those of the previous year. Imports from the area have surged ahead and probably are at least 60 percent higher than in 1957. These

enlarged imports reflect the diversion of purchases from Japan to Western Europe and an increased demand for Western machinery and raw materials to support China's expanded industrialization program.

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**PEIPING MANEUVERING IN SUPPORT OF JAPAN'S SOCIALIST PARTY**

Communist China's recent statements on Sino-Japanese relations are aimed at weakening the ruling Liberal-Democratic party in Japan's upper-house elections in June and helping the opposition Socialists.

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Peiping's latest move to convince the Japanese that it will cooperate only with anti-Kishi elements was Chou En-lai's statement

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The Chinese have also rejected Kishi's offer to hold talks between the two countries on the ambassadorial level.

that China would agree to resume limited trade with selected Japanese firms, but only on the condition that these firms are not "anti-Chinese Communists." The possibility of resuming partial and selective trade with small- and medium-size Japanese enterprises--a program of "people's trade"--has received considerable attention in the Japanese press.

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Peiping apparently hopes that rejection of Kishi's offer to resume trade will favor the Socialist party, which can claim that it is best able to break the trade impasse. The Chinese have indicated that the Socialists are the only party acceptable to Peiping for trade talks.

In the hope that Peiping's tactics will boomerang, as they did last May, Japanese Vice Foreign Minister Yamada has called Chou's statement interference in Japan's internal affairs and warned that Tokyo could not approve the proposed Chinese Communist procedure. Japanese Foreign Minister Fujiyama criticized the "ideological strings" attached to such trade.

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**SOUTH KOREAN POLITICAL DEVELOPMENTS**

There has been little abatement of the internal South Korean political struggle precipitated by the administration's use of force on 24 December to enact legislation designed to ensure President Rhee's re-election in 1960, although the conflict has been overshadowed by the recent flare-up in relations with Japan. Despite a strong display of bipartisanship regarding Japan, the administration continues to suppress sporadic demonstrations protesting the new National Security Law, and the National Assembly remains deadlocked on the issue. Factionalism in both the governing Liberal party and the opposition Democratic party, as well as maneuvering for the succession to 84-year-old President Rhee, appears to have been intensified.

The faction within the Liberal party that advocates harsh action to secure the re-election of Rhee has exploited the crisis to challenge the power position of ailing party chief Yi Ki-pung and his moderate faction. There also have been tentative indications that Yi Pom-sok, strong man of the disbanded National Youth corps and a former Rhee lieutenant, may be maneuvering to resume an active political role.

In the Democratic party, Vice President Chang Myon, who is competing with his Democratic coleader Cho Pyong-am for the party's 1960 presiden-

tial nomination, has resisted Cho's efforts to compromise with the Liberals on the security law issue. Cho's actions have caused speculation that he may be planning to bolt the Democratic party.

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Rhee still appears to retain the loyalty of the army and national police leaders--key elements in any attempt to unseat him by unconstitutional means. Recent widespread shifts in the military high command appear to assure Rhee of the continued support of his top military commanders. The intensified factional plotting, aimed at gaining control of the spoils of power after Rhee's rule, however, suggests that the country may be headed for a period of mounting political strife as the 1960 election date approaches.

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**DISUNITY IN THE LAOTIAN GOVERNMENT**

Political conflict in Laos between young civil and military reformers and old-line conservative politicians threatens to split the new cabinet. The

immediate issue is Prime Minister Phoui Sananikone's inability to win cabinet approval to implement promises made to his party--the Rally of the Lao People

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(RLP). The four civilian cabinet members from the reformist Committee for the Defense of the National Interests (CDNI), together with the three military officers in the cabinet, have blocked Phoui's efforts to create important provincial posts for RLP deputies and name them to an "advisory council."

Phoui and the RLP have reacted sharply, apparently convinced that the reformers' rigid attitude stems from CDNI determination to consolidate its gains in the government and to supplant the RLP as the leading representative of non-Communist Laotian nationalism. If denied government patronage and an opportunity to associate itself directly with the large-scale village aid and public works program, the RLP would probably disintegrate.

Phoui and the RLP are maneuvering to undermine the CDNI's position by splitting its alliance with the army.



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The influential crown prince appears to be supporting the CDNI and its military collaborators in the conflict with Phoui and the RLP.

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Laos' disunity may weaken its determination to withstand mounting Communist bloc pressure to retract its 11 February denunciation of the Geneva accords and to reactivate the International Control Commission (ICC). Peiping put this issue before the Geneva cochairmen--Great Britain and the USSR--in a 19 February note requesting them to take "speedy action."

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## INDONESIA

President Sukarno appears likely to obtain approval for a government reorganization which will strengthen his own power and reduce that of Parliament, but at the price of significant compromises on some elements of his plans. He officially announced on 20 February that the cabinet had agreed on the reinstatement of the 1945 constitution and participation of "functional groups" in Parliament.

Sukarno also stated that prior to his April trip abroad he would appear at a plenary session of the Constituent Assembly--which has the task of

drafting a constitution--to request the readoption of the 1945 document. In addition, Sukarno will ask the cabinet to draft two bills for Parliament's acceptance, one to reduce the number of political parties, and the other to permit functional representation in Parliament. Sukarno hopes these changes can be completed by August.

The battle between Sukarno and the political parties over the core of his plan--representation in Parliament by such groups as labor, peasants, and the army--has ended in compromise. As it now stands, the plan no longer guarantees a means

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of controlling expected Communist parliamentary gains in the 1960 elections.

Although functional representatives would theoretically comprise half the legislature, these individuals would be selected by the parties and would be elected as party members. Thus they would not be appointed by the army-dominated National Front and screened by Sukarno as originally planned. The only appointive seats would be 35 reserved for the military, police, and village guards.

The principal remaining instrument in Sukarno's plan for obstructing increased Com-

munist influence in the government will be the greater powers available to him under the 1945 constitution. This flexible document provides for a strong executive and is actually geared for "emergency" government. Former Vice President Hatta has commented, however, that it is doubtful whether Sukarno will either undertake serious day-to-day governmental responsibilities himself or be willing to give anyone else a free hand.

Despite the widely heralded government changes, the task of obstructing the Communist party in Indonesia is likely to continue to rest with the army.

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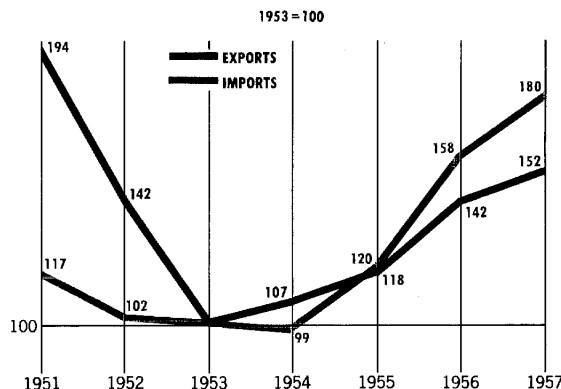
**PAKISTAN'S FINANCIAL DIFFICULTIES**

The Ayub government has informed the American Embassy in Karachi that Pakistan's financial position is considerably weaker than it previously estimated. Foreign-exchange reserves--including gold--amount to only \$162,000,000, the lowest figure on record for this time of year. The foreign-exchange gap for the first half of 1959 is estimated to be at least \$30,000,000 and may be considerably more.

scale food-grain imports has required extensive foreign exchange.

The government--despite sharp cuts in civil and defense expenditures--does not have the funds to provide adequate imports of raw materials for private industry. If imports are held at the level presently

The major reason for this situation is Pakistan's increasingly unfavorable terms of trade. The prices of the country's exports have not risen as fast as the prices of its imports. In addition, Pakistan has had considerable difficulty selling its cotton, and the necessity for large-

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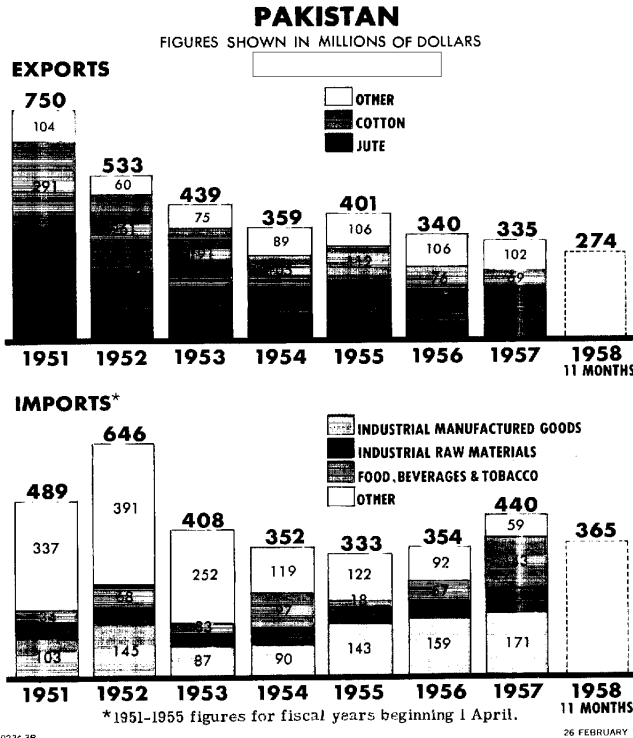
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scheduled, the shortage of consumer goods will make it extremely difficult to prevent renewed inflation. In addition, Karachi does not have the funds to complete economic development projects now under way. Karachi believes its ability to hold prices down and expand the economic development program will be key factors in its ability to retain popular support. Recent reports indicate a more critical popular attitude toward the regime's failure to improve economic conditions rapidly.



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The government has decided to cut defense imports by 40 percent below recent levels, has canceled plans to purchase three submarines, and is scrapping the navy's only cruiser.

Pakistan has secured a \$28,000,000 long-term loan from

the United Kingdom and has arranged a \$25,000,000 stand-by credit from the International Monetary Fund. Finance Minister Shoaib, who now is in Washington, claims that his government's energetic fiscal and economic reforms and firm pro-Western policy entitle it to increased American aid.

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**MIDDLE EAST DEVELOPMENTS**

Iraq

The Iraqi regime, while allowing cordial press reporting of the event, apparently succeeded in reducing to a minimum any impact from the celebrations of the first anniversary of the UAR. Prime Minister Qasim did not attend the UAR Embassy's party on the occasion, although he appeared at the Soviet Embassy's Soviet Armed Forces Day reception two

days later. Those Iraqis who did come to the UAR Embassy on 22 February to extend congratulations were harassed by Communists, who gathered outside the embassy compound shouting "down with Nasir," throwing stones at guests and cars, and even invading the embassy itself at one point. These activities were tolerated by the Iraqi police, who seem to have arrested only pro-UAR persons in the melee.

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Other Communist activities in Baghdad drew attention away from the UAR celebration. An Arab student conference was held there last week, and, in contrast to the Arab literary conference in Kuwait last December, the UAR delegation threatened to withdraw from the conference because of the dominance of Iraqi leftists. Also during the week the Communists sponsored an Iraqi "workers' rally," which the local Communist press hailed as the first expression of the "solidarity of the proletariat" in the new "democratic" republic of Iraq, and which was addressed by the chief judge of the military court conducting the current series of political trials.

These activities appear to have had government blessing, and were impressive in their orderliness and organization. They suggest that Qasim still relies on the Communists to provide him with "street" support, and that the Communists are taking full advantage of the situation to demonstrate their prowess.

UAR

Nasir has attempted what seems to be some domestic and foreign fence-mending. In his speech on 21 February, which had been touted as an "important" one, Nasir dwelt at length on the advantages which the creation of the UAR had brought to Syria. He recalled that the Syrians themselves demanded the union and asserted that it is largely up to them to pull themselves together and make it work.

By frequent references to Arab nationalism's mission to bring about "social revolution," Nasir indicated his awareness that he faces in the leftist Iraqi regime a competitor for leadership of the forces of change in the Near East, as well

as a new Arab government which is not under his influence.

Bloc-UAR Relations

Nasir has also sought to dispel any popular impression that his attacks on Communists have resulted in a withdrawal of Soviet support for the UAR. He and Khrushchev have both publicly affirmed that, while "ideological differences" remain, close cooperation between their governments will continue. Nasir revealed in his 21 February speech that, following Khrushchev's criticism before the 21st party congress of the UAR's anti-Communist campaign, he had written the Soviet premier for an explanation, and quoted Khrushchev's 10-page reply as stating that Cairo's attitude toward Communism is purely an internal matter.

The UAR President also dismissed the possibility of Jewish emigration from the USSR by quoting the Soviet Government newspaper Izvestia's denunciation of Western reports to this effect. By these words, and by some conciliatory references to Iraq, Nasir appears to be initiating a gradual retreat from his vocal anti-Communist campaign.

Khrushchev, speaking extemporaneously in Moscow on 24 February, praised Nasir's remarks in Cairo which had charged "imperialists" with seeking to disrupt Soviet-UAR relations and reaffirmed Soviet support for the UAR and other underdeveloped countries.

However, despite assurances by bloc leaders and indications that Nasir is moving toward a somewhat more conciliatory position on Iraq, it is doubtful that the basic contest for influence in Iraq between the Soviet Union and the UAR will be affected. 25X1

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**AFRICAN EXTREMISM IN NYASALAND**

African nationalism in Nyasaland, under the leadership of extremist Dr. Hastings Banda, is presenting the white-settler-dominated Federation of Rhodesia and Nyasaland with its most severe challenge since its founding in 1953. The federal government has mobilized the white territorial reserves of Southern Rhodesia and reinforced the troops and police in Nyasaland as a result of the riots there. The Southern Rhodesian Government has declared a state of emergency. The security forces have acted promptly against the rioting, but continued disorders, spreading to other parts of the federation, are expected as part of a civil disobedience campaign.

There is growing sentiment among European settlers in the Rhodesias for a separate status for Nyasaland, but Rhodesian and British officials oppose such action at this time. The nationalist agitation, designed to secure Nyasaland's secession from the federation, will play an influential role in the 1960 discussions between Britain and the federation on Rhodesian independence and could lead to an earlier breakup of the federation.

Dr. Banda has revitalized the Nyasaland African Congress and launched a successful campaign to discredit the moderate African leaders of Northern and Southern Rhodesia. Already

thousands of Nyasas working in the mining area of Northern Rhodesia have left moderate nationalist organizations to form new branches of the Nyasaland



African Congress. Nyasa nationalists are believed to have been instrumental in organizing the current strike of 5,000 African workers at the Kariba Dam site.

Banda has proclaimed unyielding opposition to the federation and has warned his followers to be prepared to suffer imprisonment "by the millions" to win freedom for Nyasaland. His preaching of positive action and civil disobedience resulted in serious riots at Blantyre in January and an intensification of disorders at scattered points throughout Nyasaland since 19 February.

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Banda has taken advantage of the sharp rise in the African's distrust of the white government. In early 1958 Southern Rhodesia's racially liberal prime minister fell from power and last June the basically European electorate gave increased support to segregationist-minded candidates. Since then the influence of nationalist organizations has increased among the politically articulate Africans. There has been a growing distrust of official promises regarding a

multiracial program for Rhodesia.

In 1960 the question of the federation's revised constitutional position--particularly early independence--is to be discussed by British and Rhodesian officials. Many important circles in London distrust Rhodesia's racial policies, and the Nyasaland agitation in favor of breaking up the federation is likely to strengthen those groups that desire to deny the present federation independence.

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**LATIN AMERICAN COMMUNIST MEETINGS IN CUBA**

Cuban Communists, after five years of illegal, underground existence during the Batista regime, now are staging a series of overt demonstrations and meetings concerned with both internal and foreign matters. The first important public meeting, a three-day session of the national committee of the Popular Socialist (Communist) party (PSP) that began on 26 January, dealt with the domestic situation and emphasized issues which would identify the party with the program and policies of the provisional Cuban Government.

The Cuban Communist party now is apparently becoming increasingly concerned with international meetings, perhaps partly in response to a Latin American Communist effort during the past year to achieve greater coordination among the various parties and partly as an attempt to regain the prominence--both in Cuba and abroad--that it enjoyed during the early 1940s. At the Soviet 21st party congress last month, Cuban delegate Severo Aguirra delivered a well-publicized speech claiming considerable credit for the PSP in ousting former dictator Batista.

Several Latin American Communist delegations have been invited to meetings in Havana in late February. At one meeting, to which the Costa Rican and Nicaraguan parties have been invited, the present "excellent" position of the Cuban party and its past and present efforts to support and influence the Castro government are to be discussed, as well as plans to overthrow the government of Nicaraguan President Somoza.

This last point reflects increasing Communist efforts to exploit and benefit from the popular antidictator upsurge encouraged by Castro. Communists have already formed an organization of Nicaraguan exiles in Venezuela which they hope will become the instrument of Nicaragua's "liberation" and are believed to have considerable influence in a similar Dominican group in Venezuela.

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**GUATEMALAN POLITICAL DETERIORATION**

A rapid deterioration in the Guatemalan political situation is becoming evident. The corruption of President Ydigoras' closest advisers, including members of his family, is receiving increasing public attention. This, combined with the President's political maladroitness and a worsening economic situation resulting in part from a decline in income from coffee exports, has so weakened his position that the government may fall.

The newly reconvened congress, which contains an anti-Ydigoras majority, is likely to increase tension by demanding the interpellation of cabinet ministers on charges of governmental irregularities and by investigating graft in high places. Ydigoras, probably aware of his danger, is believed preparing to reorganize his cabinet by dropping some of those most publicly identified with graft.

He may also attempt to divert public attention from his difficulties by making another of his political grandstand plays--such as his only partially

successful attempt in January to exploit a territorial waters dispute with Mexico and earlier efforts to arouse nationalistic fervor over Guatemala's claim to British Honduras.

Plotting to oust the regime is increasing among several disparate groups ranging from the extreme right to the moderate left and appears more widespread now than at any time since Ydigoras assumed office a year ago. The plotters are working at cross purposes, however, and their efforts to unite have thus far been unsuccessful. Nevertheless, if the present political deterioration continues and the opposition is able to achieve a degree of unity, a coup attempt would become a virtual certainty.

Key army officers, the ultimate locus of political power, have already begun to show an interest in the plots. They have been responsive to public pressure in the past and, once convinced that the majority of the people are against Ydigoras, they are likely to withdraw their support from him. His overthrow would then follow quickly.

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**PANAMANIAN UNREST**

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The substantial public support which quickly rallied to the 19-20 February demonstration against graft in Panama City's municipal council apparently impressed the small and powerful group which, in shifting combinations, dominates Panamanian politics.

The council's reluctant decision to take a 90-day leave of absence while it is being investigated undoubtedly resulted

from pressure exerted by leaders of the administration's coalition party--to which most of the councilmen belong--since the national administration was also a target of the protests. An opposition Liberal party leader promptly supported the demonstrators, while National Guard Commandant Vallarino, whose backing is essential to any Panamanian government, was unusually careful to avoid any strong-arm methods in handling

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the crowds which kept the capital in turmoil for several days.

The situation was calmed, at least temporarily, on 21 February when President de la Guardia appointed an interim city council which includes six members named by the revolutionary municipal junta formed by the demonstrators. Ramon Pereira, the radiobroadcaster who first attacked the council and led the crowd which seized the city hall, accepted the temporary council and urged the public to return to normal activity. However, some agitators accused him of selling out and unsuccessfully tried to start riots among the demonstrators.

The intense struggle now being waged among opposing groups within the oligarchy for advantage in the next presidential elections has probably heightened their responsiveness to public opinion. Neither of the parties eligible to name candidates, however, is liable to make any real effort to solve the gross maldistribution of wealth in Panama, which is the basic cause of the country's chronic unrest. Ricardo Arias and Aquilino Boyd, the two outstanding presidential aspirants, are both adept at raising nationalistic issues--which divert attention from domestic problems--by attacking the United States' position in the Canal Zone.

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**UNREST IN PERU**

Rising unrest among Peru's 5,000,000 Indians--who make up half the population--is suggested by recent violence among the long-docile Indian miners and by the increasingly frequent attempts of predominantly Indian mobs to seize land. Factors contributing to the unrest are Communist agitation, increasing contacts between the poverty-stricken Indians and the relatively wealthy coastal

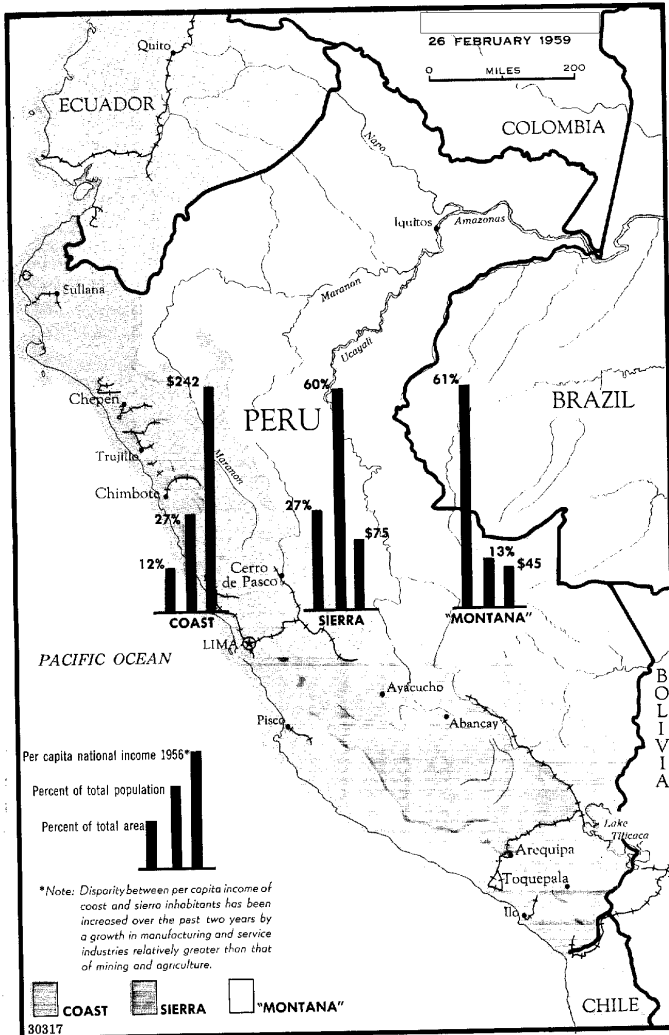
dwellers, and depressed conditions in mining and agriculture, the principal occupations in the Indians' Andean homeland.

Peru's Indian population is concentrated in the Sierra--the Andean regions above 9,000 feet. Most speak no Spanish, are illiterate in any language, and have thus far played no role in Peru's political life. Some are employed in copper,

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and agrarian reform. Since then a progressive weakening of the government has eliminated any prospect for effective leadership from the top in either field. Consequently, groups of discontented and poverty-stricken people have recently forced the government to help them by taking direct action.

Continued failure of the governing class in Peru to provide for the political, social, and economic evolution of the Indians may cause this unorganized and leaderless mass to coalesce and take effective revolutionary action. The Indians would probably find eager leaders among the increasingly able Peruvian Communists, whose strength is estimated at 6,000. With a reawakened sense of unity among Peru's Indian population, revolutionary action would be difficult to contain since most enlisted men in the Peruvian Army are Indians.

**Agitation Among Miners**

lead, and zinc mines, which have been adversely affected by the depressed market for nonferrous metals. Most still engage in subsistence farming, but this has been made more difficult in recent years by repeated devastating droughts. Many are migrating to the coastal cities, attracted by the much higher standard of living there.

One of the first moves of the incumbent conservative government on taking power in 1956 was to appoint a commission to draw up a program for housing

In both Peru and Bolivia, work in the mines of the Andes has always been an exclusive province of the Indians, since only they are accustomed to hard labor at altitudes between 9,000 and 16,000 feet. A sharp contrast between the Bolivian and Peruvian Indians, however, has often been noted in recent decades. Whereas in Bolivia deaths of both miners and supervisors in violent riots have been almost commonplace, the Indian miner in Peru has been noted for his docility. Nationalization of the mines has long been a rallying cry for Bolivia's miners but has only recently begun to gain currency

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in Peru. The Peruvian Indian's docility now has disappeared, opening a promising field for Communist exploitation.

Communist success in exploiting unrest among the Indian miners was first clearly evident at the Toquepala copper installation in southern Peru, site of a \$230,000,000 US investment scheduled to bring Peru's 1960 copper exports to almost half those of Chile. A Communist-led strike of 6,000 workers in November 1957 led to two deaths and considerable violence, forcing the government to send troops and to suspend constitutional guarantees throughout the nation. The known Communist organizers were subsequently discharged, but at present a covert union organization there is reported under Communist control.

At the headquarters of the large US-owned Cerro de Pasco copper mines in central Peru--where Communist influence among miners has long been strong--a riot last November resulted in serious injuries to four dependents of US and Canadian management personnel. Government troops were again sent in. In anticipation of continuing trouble--borne out by the strike which began 18 February--the company recently purchased a building near the principal shaft as permanent quarters for government troops.

At San Cristobal, an installation of the Cerro de Pasco company, a mob of several hundred miners on 27 January seized a former union official employed in the mine office and the mine superintendent, beat them, and forced them to sign resignations from their jobs. A ranking official of the Cerro de Pasco corporation stated on 29 January that agitation, "presumably Communist," had been behind the incident and that the San Cristobal mine and nearby concentrating plant

would suspend operations until the police arrested the persons responsible.

Communist-linked agitation against management does not seem to be directed exclusively against US-owned companies. Incidents at the largest Peruvian-owned mine, where the union's secretary general is apparently a Communist, recently prompted management there to move the families of the staff to Lima.

Mass Attempts to Seize Land

Indian attempts to seize land by mass action have become increasingly frequent over the past year. Poor crops in the Sierra have prompted seizures of agriculture land. A rapid population growth combined with a stepped-up migration to the cities--which has created an explosive housing problem throughout Latin America--has in Peru resulted in mass seizures of suburban land.

A government commission recently settled a violent dispute over agricultural land in favor of the peasants by giving them 33,000 acres of fertile land. The decision followed Peru's first outbreak of open violence over agrarian reform, when a mob of 2,000 which assaulted police headquarters was driven off with tear gas, cavalry, and gunfire, leaving three dead and 15 wounded.

Three recent invasions of suburban property by squatters in widely separated cities highlight the housing problem. In Arequipa, Peru's second largest city, several thousand people recently hired a fleet of trucks, taxis, and horsecarts to transport themselves and all their possessions during one night to a plot of unused private land. They had begun to construct ramshackle shelters and hovels, when a large contingent of armed police forced them to leave.

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In the northern coastal city of Chimbote, some 1,500 families were squatters, mostly on private land. The government now has allocated an old government-owned airfield to their use.

In Lima, where a mass nighttime migration to win land was successful three years ago, some 300 families recently took over an old sandpit, claiming that the site belonged to the state and therefore was available for "colonization." Even police threats to set fire to their shacks failed to move the invaders.

Peruvian Communists have already persuaded some Indians that a Communist regime would restore the communal life maintained under the Incas prior to the Spanish conquest. Commu-



INDIANS IN PERU

nists have also encouraged the Indians' belief that US drought relief has been prompted by a desire to fatten them, as human fat is preferred in the United States for greasing machinery. The resourcefulness displayed thus far by the Communists in Peru suggests that they might one day be able to organize a violent revolutionary upheaval.

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## THE SOVIET REGIME'S PROBLEM WRITERS

A small but well-known and respected group of Soviet writers, who prior to the Pasternak affair last year had expressed discontent with Moscow's literary dicta, now protest in silence. Their lack of literary output speaks eloquently of their contempt for the regime's demand that they write with "socialist realism."

The Soviet system insists that all art must be immediately understandable to everyone. Considerations of artistic form are taboo, both as distracting from the main purpose and as tending to lessen instant understandability on the part of the "masses."

Khrushchev's goal in this respect is the same as Stalin's was. Stalin's methods, however, led to artistic sterility. Khrushchev apparently recognized that if he wished creativity in Soviet writing, he had to allow writers somewhat more leeway in expressing their own convictions, while standing ready to curb those excesses which appeared dangerous. These curbs when applied have in general been limited to public criticism of the offender and organizational reshufflings. Pasternak's expulsion from the Writers' Union in October, an extreme measure, was the first such expulsion since 1954. The hoped-for masterpiece combining

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literary worth and "socialist realism" has not yet appeared.

The Writers' Ferment

Post-Stalin literary activity in the Soviet Union has presented for the most part a picture of widespread "disengagement" on the part of many writers. However much they may be committed to the socialist system, the writers do not believe either in its present glories or in their assigned function as propagandists.

A whole series of literary works in prose and poetry has affirmed the importance of the individual as opposed to the collective. Problems of human relations, ideologically suspect because they distract attention from the primary goal of building for the future, were brought under examination. With this attention to the individual came an insistence that promises for the future no longer justify a sacrifice of the "elementary conveniences of life."

Short stories and novels presented ordinary individuals --"us"--at odds with the helpless before "them," a machine-like bureaucracy composed of rude, arbitrary, and cynical careerists. One writer, more frank than wise, declared publicly that a tribe of bureaucrats had seized power throughout the country.

Demands for greater freedom for the artist were heard, as well as assertions that art must not be distorted to serve party ends and charges that ideologically safe authors were "shying away from the real issues of life." Efforts by the regime to bring this restiveness under control were met by the "feat of silence" or by the "theory of distance."

The "feat of silence" referred originally to the re-

fusal of a small group of 12 recalcitrants, whose professional prestige is high, to yield to demands for recantation in May 1957. Their continued refusal encouraged other lesser known and previously orthodox writers both in the RSFSR and in the non-Russian republics to express open and explicit opposition to party pronouncements on literature. At the All-Union Theatrical Conference in October 1958, one dramatist reportedly climaxed a vigorous defense of a play which had been attacked as heretical with the charge that his colleagues who write in obedience to party dictates belonged "to an estate somehow reminiscent of courtesans."

Other writers avoided the regime's demand for literature which would inspire confidence and hope for the future by turning to the past for their themes. The "theory of distance"--that a writer can properly describe events only from a considerable "distance in time"--was revived. The reappearance of this "theory"--which was sharply condemned by the party before World War II --brought in its wake a renewed interest by the people of the non-Russian republics in their own national history and characteristics.

Post-Pasternak Decorum

The regime's sharply outraged reaction to Pasternak's Nobel Prize award in late October halted public expressions of literary nonconformity, but it has not elicited positive statements of support from the great majority of the nonconformists. The regime's continuing denunciations suggest that heresy is still widespread. The condemnation of Pasternak by a group of writers, published on 27 October, was remarkable in that it was signed by so few persons of any real literary importance.

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The regional writers' congresses--being held in preparation for the Third USSR Writers' Congress--have taken place for the most part in an atmosphere of great decorum, but with few exceptions the only voices heard have been those of "safe" regime spokesmen.

The most important of these meetings, the First RSFSR Writers' Congress, took place from 7 to 12 December 1958 after an unexplained postponement of two months. The chairman of the RSFSR Writers' Union, L.S. Sobolev, delivered a scathing denunciation of Pasternak, strongly condemned the "theory of distance," and urged contemporaneity of themes and "togetherness" in work. He admitted that some of the damage done by revisionists in literature, especially to youth, has not yet been undone and that the "authority of some writers' names sets a bad example."

Sobolev announced the formation of four committees to be headed by himself and his deputies in order to provide advice and assistance for all literary production in the RSFSR.

The first secretary of the USSR Writers' Union, A. Surkov, also admitted in his closing address to the congress that the Pasternak affair had "disoriented some progressive writers and put in their hearts some doubts about the rightness of our decision."

The Third USSR Writers' Congress, originally scheduled for December, was quietly postponed and no new date has been announced for it. The Lenin Prize Committee for literature and art, after an unexplained delay of two weeks, announced on 11 February that it had narrowed the field of candidates from 26 to four. In May 1958 the same committee, after a long and embarrassed silence,

announced that none of the literary works nominated had been considered worthy of the prize and that none would be awarded for 1958.

One of the four survivors this year was among those rejected in 1958. The novel Struggle Along the Way has been severely criticized since it describes the stubborn resistance of an oblast party secretary and a plant director to all efforts at liberalization after Stalin's death. Two of the other candidates are relatively little-known Kazakh writers, and the fourth is a dramatist who has been restive in the past. The committee may again be experiencing difficulty in agreeing on a work which combines artistic worth and ideological orthodoxy.

The Literary Community

The "disoriented" writers are vastly outnumbered by their more conventional colleagues, but they make up in professional prestige what they lack in numbers.

Mikhail Sholokhov, whose highly praised novel The Quiet Don won a Stalin Prize, has reportedly been experiencing difficulties in infusing his work with sufficient ideological orthodoxy. Yevgeny Yevtushenko, the most promising of Russia's younger poets, was heavily criticized for individualism and other unsocialist attitudes throughout 1958 and has refused to change his ways. Vladimir Dudintsev, the author of Not by Bread Alone, after great pressure from the regime, promised in 1957 to write a more "socially realistic" novel on the fishing industry, but he thus far has managed to produce only a short moral tale for children, preaching kindness to dumb animals.

Poet Alexander Tvardovsky was praised by Khrushchev in

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1957 as a writer previously misled into errors who was now showing convincing signs of reform and in June 1958 he was rewarded with the editorship of the monthly New World. His first action was to publish one of his own poems reminding his critics that in a few years the "line" on literature would again change and that they would then be reproaching him for not doing what they now forbade him to do.

The stubborn or deeply disgraced writers have chosen silence. The more verbally agile have made amends of sorts but, as in the case of Tvardovsky, the regime cannot count on their continued conformity--much less on their serving as ideologically pure models for younger writers.

A few relatively well-known men such as Surkov and Sobolev have been consistently doctrinaire in their approach and have never questioned the official line in literature. Most of them lack professional prestige as literary craftsmen, however, and are chiefly useful as regime spokesmen.

The remainder, and by far the most numerous group, are writers whose reputations have not been made because of youth, because of lack of any real ability, or because they write in minority languages. The regime appears to be making a definite effort to encourage writers from the provinces--at least 11 of the 26 originally nominated for the 1959 Lenin Prize are from the non-Russian republics--partly to lessen the influence of the restive Moscow and Leningrad authors. But, because their professional reputations are slight, they can scarcely provide great inspiration for youth.

Impact on Public and Regime

The degree to which this literary restiveness remains a literary problem, of interest chiefly to professionals, or reflects a similar rejection of "socialist realism" by the reading public, is not known. Soviet literary statistics are normally confined to triumphant announcements of the number of books printed, without breakdown even as to fiction and non-fiction. The occasionally published criticism that far too many of these remain unsold also discreetly omits any further analysis.

Criticism of the Soviet stage during the past year, however, suggests that the public does reject the ideologically approved "socialist realism" in the theater. The chairman of the central committee of the Trade Union of Cultural Workers charged indignantly that theaters "still tend to give preference to box-office receipts to the detriment of the ideological and artistic quality of the repertoire."

On 17 January the USSR Ministry of Culture announced the withdrawal of state subsidies "at the request of the theaters" as their contribution to the national economy. The subsidies were withdrawn once before, after World War II, but many theaters found themselves in financial straits, and after the death of Stalin they were restored. The renewed financial strain for many theaters will bring the box-office problem into sharper focus at a time when the regime is engaged in tightening ideological discipline among writers, and some encouragement may be provided those writers who, according to Surkov, have been "disoriented."

Continued silence on the part of talented writers does

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not present a serious threat to the regime. It does, however, confront the regime with an awkward choice of alternatives, all somewhat unsatisfactory: sufficient pressure to bring the writers completely under control would run the risk of arousing fears, both internally and abroad, of a return to Stalinism. Suffi-

cient relaxation to evoke some genuine creativity would risk the spread of revisionist ideas outside the purely literary field. Acceptance of the writers' continued silence, however, is handicapping the regime's efforts to gain the enthusiastic support of the people. 25X1

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## ANNEX

## SINO-SOVIET BLOC ACTIVITIES IN SOUTH ASIA

1. General Bloc Policy:

The Sino-Soviet bloc continues to give South Asia, especially India, high priority in its long-range plans for the expansion of Communist influence in Asia. Moscow continues its efforts to reduce Western political and economic influence and eventually to deny the area to the West by encouraging neutralism.

2. Both Moscow and Peiping, however, have unofficially shown dissatisfaction with Indian Prime Minister Nehru and New Delhi's international posture in the past six months. Chinese Communist delegates at the writers' conference at Tashkent in October bitterly accused India of following a "spineless" foreign policy, and in December, Pavel Yudin, a top Soviet theorist and ambassador to China, criticized Nehru's attitude toward Communism and compared China's "marvelous successes" with India's relatively slow pace of internal development. Yudin asserted that under Congress party leadership, India had failed to realize its full economic potential.

3. Peiping's coolness has been most noticeable in regard to the problem of the Sino-Indian border, where, aware of Indian sensitivity, Peiping has pursued a policy of polite harassment. China blocked a projected visit to Tibet by Nehru and hindered his visit to the principality of Bhutan, which Chinese maps continue to carry as Chinese territory. In December, Peiping guardedly expressed a willingness to consider "a new way of drawing the boundary of China." India's

subsequent refusal to negotiate has resulted in a similarly hard position by the Chinese, who continue to publish maps showing as Chinese many areas claimed by India, despite a recent protest from the Indian Foreign Ministry.

4. Diplomatic Activity:

India has diplomatic and consular ties with all bloc countries except North Korea and East Germany. East German Premier Grotewohl made an unofficial visit to India in January in an unsuccessful quest for recognition. Several bloc ambassadors resident in New Delhi are accredited to Ceylon, but the USSR, Communist China, and Czechoslovakia maintain embassies in Colombo. Pakistan has diplomatic relations with the USSR, Communist China, and Czechoslovakia and formal trade ties with Poland and Hungary. The USSR and Communist China continue to handle their relations with Nepal through missions in New Delhi. In Afghanistan, missions are maintained by the USSR, Communist China, Poland, Czechoslovakia, and Hungary.

5. Economic Activity: In terms of India's total trade, that with the bloc probably did not increase significantly in 1958 and will probably continue at no more than 5 percent, including goods imported for the Bhilai steelworks. During 1958, however, India looked to the bloc for new markets because of the critical Indian foreign-exchange shortage and increased competition in Southeast Asian markets for some of India's chief exports, especially textiles. Trade agreements signed in 1958 with the USSR and East Germany for the first time provided for payment of trade balances in Indian goods rather than sterling. The new five-year trade agreement with

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the USSR signed in November stipulated that India's repayment of Soviet credits could now be made exclusively in Indian goods.

6. In the field of economic assistance, the bloc has extended India at least \$304,000,000 in credit, of which an estimated \$120,000,000 had been utilized by the end of 1958. Two agreements--one concluded in January--establish bloc influence in the public sector of India's petroleum industry. Remaining bloc credits are earmarked for important projects such as a heavy machine building complex, and coal and power development. The political implications of bloc credits to India have become more apparent as the Indian Communist press has increasingly emphasized the importance of such credits for developing the public as opposed to the private sector of the economy. India is considering several additional bloc aid offers made in 1958 by the USSR, East Germany, and Poland.

7. In Nepal the USSR is pressing for acceptance of its December offer of a \$7,000,000 credit which spelled out an agreement in principle made during King Mahendra's visit to the USSR in June 1958. A Soviet economic delegation arrived in Katmandu in mid-February to open talks on the offer, which encompasses a variety of projects desired by the Nepalese Government for roads, agriculture, mineral exploration, and civil air. Nepal has received \$12,600,000 in economic aid from Communist China, and has drawn about \$4,200,000 of this in Indian rupees to use for budgetary support.

8. Ceylon's trade with the bloc, almost entirely with Communist China, declined for the second consecutive year, to about \$43,000,000--or less

than 8 percent of total trade--for the first ten months of 1958 compared with \$49,000,000 for the same period in 1957 and \$54,000,000 in 1956. The decrease in 1958 resulted from Ceylon's failure to meet its rubber export commitments to Communist China, chiefly because of loading delays.

9. During 1958 Ceylon lagged in utilizing Sino-Soviet economic development loans despite continuing initiatives from Moscow and Peiping, largely because of Ceylonese inexperience in economic planning and the government's preoccupation with domestic troubles. The bloc has extended a total of about \$60,000,000 in credits and grants. Slightly more than one fourth of this amount had been obligated for specific uses by the end of 1958. Ceylon approved a plan to use a little over \$3,000,000 of the Chinese credit to construct a textile weaving plant, and contracts have been signed for two of the 16 projects proposed for Soviet aid--a small steel mill and a sugar cane cultivation project.

10. Some increase in Pakistan's trade with the bloc was noted by the end of 1958 as a result of a growing number of barter transactions. Pakistan entered into barter arrangements with Czechoslovakia, Communist China, and Poland in an attempt to overcome its foreign-exchange difficulties and find markets for raw cotton and jute. Pakistan's total volume of trade with the bloc in 1957 was \$30,000,000, or 4 percent of total foreign commerce. Since June 1958, Pakistan has arranged to exchange for cotton or jute 150,000 tons of Chinese coal, 100,000 tons of Chinese rice, and 50,000 tons of Polish coal.

11. Afghanistan's bloc trade accounted for approximately 40 percent of Kabul's total foreign trade by mid-1958.

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Trade with the USSR, its principal bloc trading partner, appears to have registered a substantial increase during the latter half of 1958. Afghanistan now imports about 75 percent of its gasoline and kerosene from the USSR and will soon be importing all of its aviation gasoline.

12. Afghanistan continues to be one of the priority targets for bloc economic aid efforts in South Asia. In January the USSR agreed to a number of support projects including expanded military training in the USSR, further port development on the Amu Darya River, introduction of jet air service, and a gift shipment of 40,000 tons of Soviet wheat. These agreements will apparently be carried out at Soviet expense. In 1958 several Soviet projects were completed, and Afghanistan concluded contracts for several new ones. An agreement for aerial mapping of northern Afghanistan was concluded in July, and the USSR continues petroleum and mineral explorations in that area.

13. Of a total of \$159,-000,000 in major bloc credits extended to Afghanistan to date, approximately \$127,000,-000 had been obligated by the end of December including \$38,-000,000 drawn for economic development and \$32,000,000 for arms purchases. Soviet military equipment, including aircraft, tanks, and small arms, was delivered during 1958 under agreements concluded with the USSR and Czechoslovakia. Afghanistan has received bloc arms actually worth about \$75,-000,000 under the two agreements, which totaled about \$32,000,000.

14. Cultural and Propaganda Activity: The USSR, which carries on the bulk of this activity in South Asia, has intensified its native-

language activity since the last report. Weekly output of USSR radiobroadcasts in Bengali, Tamil, Urdu, Pushtu, Hindi, and English has been increased by 10.5 hours to a total of 70 hours a week. There is still no indication when Peiping will implement its announced plans for a Hindi program. The Soviet Foreign Languages Publishing House added works in Pushtu and Tamil to its lists in 1958, and published grammars and dictionaries in Hindi, Urdu, and Bengali.

15. The number of bilateral friendship societies of South Asia has remained stable. There are eight such societies in India with numerous branches. The Indian Government has cautiously expressed displeasure over their activities. In Ceylon, Communist efforts have still not succeeded in expanding the number of outlets of the three bloc friendship societies, while Pakistan's societies continue to remain relatively inactive. In Nepal, there are friendship societies for the USSR, North Korea, and Communist China.

16. Communist propaganda materials, both imported and domestically produced, are widely available at low prices in India and Ceylon. The USSR and Communist China continue to use the tactic of paying non-Communist newspapers in India and Ceylon to print bloc propaganda, but this practice has been discouraged by the new Pakistani Government.

17. Subversive Activities: The Communist party of India (CPI) has a membership of around 230,000--the fourth largest outside the bloc--as compared with 125,000 in early 1957. This rapid growth appears to be the result of lower membership requirements and the "peaceful parliamentary" approach to power which the party has generally espoused

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since the Soviet 20th party congress in 1956. The party emerged from the 1957 general elections as the largest opposition party in the national parliament (29 of 494 elected seats) and in the state assemblies of Andhra and West Bengal and captured the government of Kerala State. The party is already preparing the ground for a powerful bid in the 1962 national elections to win majorities in Andhra and West Bengal.

18. The position of the Kerala Communist regime has grown more difficult since July, due to attacks on students and labor groups and the failure of the state to improve food production and attract capital investment. Strikes and civil disturbances there have damaged Communist prestige on the national level. As the Communist position in Kerala has grown more difficult, factional infighting between moderates who wish to continue the peaceful parliamentary approach and those who favor forceful opposition tactics has intensified.

19. In Pakistan the Communists continue to be numerically weak, numbering about 3,500, of whom less than 1,000 are in West Pakistan. Since the army coup in October, repressive governmental policies have sharply reduced their already limited effectiveness.

20. Of Ceylon's three Marxist parties, the most influential--the Trotskyite Ceylon Social Equality party (LSSP)--is the principal opposition party, with 14 out of 99 seats. The Moscow-oriented Ceylon Communist party (CCP), with an estimated membership of 4,000, now has the least political influence. The third party, a splinter dissident Communist group which has displayed a strong tendency toward "revisionist Communism" similar to that of Yugoslavia, is in the

government coalition and has two ministers in the cabinet. In addition, a newly created Singhalese nationalist party has adopted a political stance on a number of issues closely parallel to that of the CCP. Although there is intense dissension and competition among the four, based on personalities and doctrinal differences, each party has an importance disproportionate to its size. The LSSP, which controls over half the island's urban labor force, is capable of calling strikes that can paralyze the economy, and it constitutes a major threat. The LSSP is extending its political appeal on an island-wide basis and especially among the peasants, from whom it has previously had little response.

21. In Afghanistan there are no organized political parties, although there are some pro-Communists in the bureaucracy and the intelligentsia. In Nepal the Communist party membership is about 3,000. The party has probably made some headway among students and peasants since the four-year ban on the party was lifted in 1956. If it follows out its present plans to contest 70 of the 190 parliamentary seats in the country's first general elections in February 1959, its political foothold may be somewhat increased.

22. Reaction to Bloc Activities: The Indian, Ceylonese, and Afghan governments remain confident that they can cope with the risks inherent in their bloc contacts while balancing their neutralist foreign policies between East and West. Pakistani and Nepalese leaders are more cautious about expanding relations with the bloc, the former because of its strong pro-Western orientation and the latter because of the country's exposed position between China and India. All South Asian countries regard

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increased trade with the bloc as desirable, but the Afghan Government, which already has an extensive economic relationship with the bloc, would probably like to reduce the rate of expansion in view of its present large trade commitment. All countries of the area except Pakistan are receiving bloc economic aid.

23. Chinese maneuvering on the border problem, together with recent attacks by Chinese writers, have probably raised suspicions considerably among politically aware Indians, who are already very conscious of the fact that they are in an economic development race with China.

24. South Asia's governmental relations with the bloc have not yet been appreciably affected by the recent unofficial attacks on India by Soviet and Chinese spokesmen, nor have these attacks yet impeded the further development of economic ties. Prime Minister Nehru, as is his custom, refused to engage in polemical debate after being attacked by Soviet theorist Yudin. During the reporting period, however, a series of events within the bloc, including further attacks against Yugoslavia, the Paster-nak case, and the Chinese development of communes, have generally created an adverse impression on the South Asian intelligentsia.

25. Communist parties are increasingly viewed by the masses as the parties which most consistently concern themselves with local problems, but politically sophisticated South Asians see them as parties closely linked to the bloc. In India, government and Congress party leaders are becoming increasingly concerned with the Communists' political challenge for national leadership. Government efforts to curb Communist infiltration of important

career positions in the civil and military services have generally been successful throughout South Asia. Among the Indian people, however, there appears to be an increasing tendency for persons dissatisfied with the Congress party to turn to the Communists.

26. The Outlook: South Asian neutralism provides a continuing basis for bloc claims that the area's views are identical with the bloc's on many major international issues. For the near future at least, the bloc will probably continue its "peaceful penetration" tactics in South Asia, and Moscow will continue to expand its economic trade and aid efforts. Bloc initiatives might be modified should further clashes of interest develop between India and the bloc, particularly Communist China. In other South Asian countries, economic problems and the necessity of economic plan cutbacks have considerably enhanced the possibility of increased local Communist and bloc influence. Moscow's willingness to liberalize terms for trade and aid will probably affect the extent to which the area's countries increase economic relationships with the bloc.

27. Nepal is likely to enter into some form of economic aid agreement with the bloc during 1959. The Afghan Government's commitment to a relatively rapid economic development in which bloc aid plays a large share makes it especially vulnerable to any future bloc economic pressures. Fear of a more hostile Pakistan and tensions arising from Baghdad Pact developments are factors that may increase Afghanistan's sense of vulnerability.

28. In most South Asian countries, the maintenance of internal political stability is a matter of increasing importance. Further claims by

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local Communists in India will be governed by the outcome of the Congress party's efforts to revitalize itself and the success achieved by the Congress government in meeting India's five-year-plan goals. The growing influence of Communists in Indian labor unions provides a strong potential for future

economic disruption and renders government control of the Communist threat more difficult. The Kerala "experiment," both as to the Communists' performance and the central government's handling of the problem, 25X1 will continue to be an important determinant of further Communist successes.

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