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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

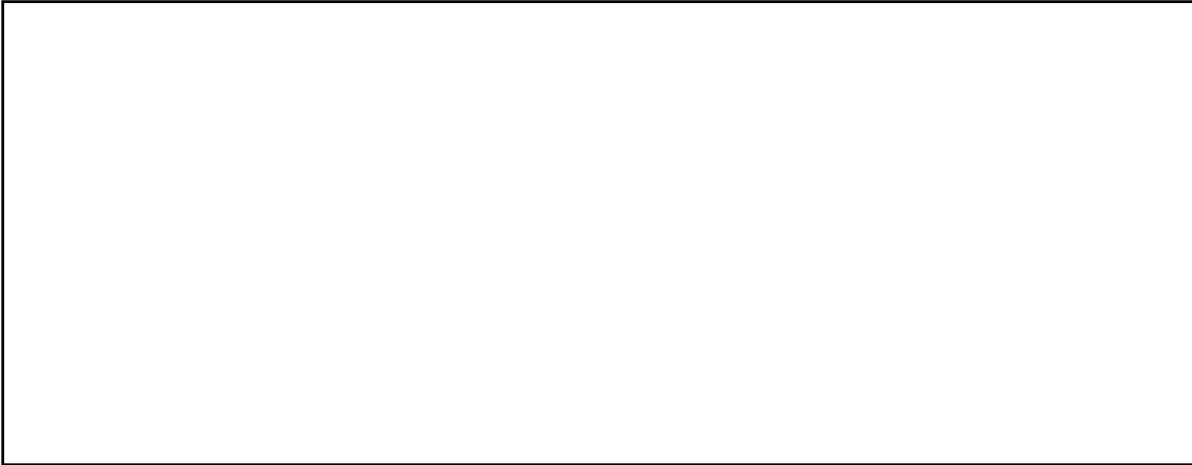
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**T H E   W E E K   I N   B R I E F**

**PART I**

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**OF IMMEDIATE INTEREST**



**EAST-WEST NEGOTIATIONS . . . . . Page 3**

The Soviet leaders have expressed their satisfaction with the outcome of the East-West exchange which produced agreement to convene a foreign minister's conference on 11 May. High Soviet Foreign Ministry officials have been obviously relieved that a foreign ministers' meeting has been arranged. Moscow is continuing its efforts to demonstrate its desire for negotiations. Soviet propaganda reaction to the NATO ministerial meeting was relatively restrained. [Redacted]

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**TIBET SITUATION . . . . . Page 5**

Although the revolt in Lhasa has been suppressed, rebel activity elsewhere in Tibet continues to pose a problem for Peiping. The Chinese Communists are conducting a major propaganda campaign to suggest wide support among Tibetans for their actions. Reaction among press and official circles in India and many other areas remains for the most part highly critical of Peiping. [Redacted]

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**PART I (continued)**

**MIDDLE EAST HIGHLIGHTS . . . . . Page 8**

The Iraqi regime remains tense and alert to possible new efforts to overthrow it, and the Communists continue to increase their strength in the country. Baghdad is concerned with the Iraqi-Syrian border area. There apparently has been some small build-up of UAR ground and air units in eastern Syria. Cairo is continuing its propaganda warfare and has instituted a new "Voice of Free Iraq."

The Baghdad regime meanwhile has accelerated moves to oust the few remaining Western business enterprises in Iraq. Since the Mosul uprising, the Iraq Petroleum Company has been harassed by arrests of Iraqi personnel, although its operations have not yet been affected. Prime Minister Qasim also is considering nationalizing the French share in the company and may grant the Soviet Union an offshore oil concession in the Persian Gulf. In at least one instance, a development contract formerly held by a Western company has been taken over by the USSR.

[Redacted]

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**PART II**

**NOTES AND COMMENTS**

**CHINA'S PEOPLE'S CONGRESS TO NAME MAO TSE-TUNG'S SUCCESSOR . . . . . Page 1**

Mao Tse-tung's successor as chairman of the Chinese Communist Government, probably Chu Te, will be "elected" at the Second National People's Congress opening in Peiping on 17 April. The agenda for the congress will include a report on the work of the government, the adoption of the national economic plan and state budget for 1959, and the election of leading government personnel.

[Redacted]

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**CHINESE FOREIGN TRADE SLOWS . . . . . Page 2**

Communist China's foreign trade drive, which reached record heights in 1958, is apparently slowing down. Increased imports from Western Europe to meet the demands of the "leap forward" in industry have led to a substantial trade deficit with this area which has not been offset by the usual large export surplus in trade with Asian countries. In view of China's limited foreign exchange reserves, a high export volume must be maintained or Peiping may be forced to cut back imports of manufactured goods and raw materials from Western Europe.

[Redacted]

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**PART II (continued)**

**"COMRADES' COURTS" TO AID KHRUSHCHEV'S DRIVE AGAINST HOOLIGANISM . . . . . Page 3**

Khrushchev, in his present drive against hooliganism, drunkenness, and other types of "social misdemeanors," has turned to the "comrades' courts" as another device to promote "collective" responsibility for the maintenance of public order. These courts--informal tribunals of negligible influence in the past--are to be given broader powers. They apparently will supplement the work of the newly organized workers' militia in relieving the regular militia and judiciary of some of the burden of handling minor offenders. [redacted]

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**GUINEA DEVELOPING CONTROLLED ECONOMY . . . . . Page 4**

Recent decrees issued by the Touré government in Guinea are an effort to establish a controlled economy and lessen dependence on France. The new republic has also shown a receptivity to expanded political and economic relations with the Soviet bloc. These growing ties with the bloc, however, probably reflect a desire for a neutral foreign policy rather than a definite alignment with the Communists. [redacted]

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**SOUTH VIETNAM'S SECURITY PROBLEM . . . . . Page 5**

Security sweeps being conducted in South Vietnam highlight the Diem government's persistent campaign against the numerically small but well-entrenched Communist military underground. Sizable government forces are attempting to clean out a strong enemy band north-east of Saigon, and Vietnamese marines are using commando tactics against Communist enclaves in the southwest. The over-all security problem continues to divert much of the government's energy and resources from the economic field, where progress has been slow. [redacted]

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**JAPANESE COURT DECISION HELPS SOCIALIST ANTI-US CAMPAIGN . Page 6**

Uncertainty in Japan over the legality of the US-Japanese security treaty will make it difficult for Prime Minister Kishi to effect an early revision of the treaty in order to strengthen his political position prior to the upper-house elections in June. The government is confident that the Supreme Court ultimately will reverse a lower court declaration that the presence of foreign troops in Japan is unconstitutional, but not in time to prevent the Socialists from exploiting the issue in the elections. [redacted]

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**PART II (continued)**

**FIDEL CASTRO'S VISIT TO WASHINGTON . . . . . Page 7**

Fidel Castro, who arrives in Washington on 15 April on an unofficial visit, still seems intent on making drastic social and economic reforms in Cuba. The prime minister's methods are increasingly those of a dictator. Some of his advisers are pro-Communists, and opposition to his government is steadily rising. In foreign affairs he has taken an anti-US position. During his visit here, he will probably attempt to justify his policies and may also seek financial aid. [redacted]

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**COMMUNIST ACTIVITIES IN MEXICAN LABOR . . . . . Page 8**

Mexico's expulsion on 3 April of two Soviet diplomats accused of complicity in a crippling nationwide railroad strike still in progress was evidently an attempt to rally national feeling behind the government's decision to curb Communist influence in the labor movement. Dissatisfied workers may still support Marxist labor leaders accused of conspiracy. The government's public position will be strengthened by Argentina's expulsion on 7 and 8 April of five Soviet bloc diplomats similarly accused of interfering in internal affairs. [redacted]

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**COMMUNIST INFLUENCE IN BRITISH GUIANA . . . . . Page 9**

The Communist-led People's Progressive party in British Guiana, after a year and a half in office under the limited powers afforded by the colonial constitution, remains the strongest political force. The party, however, now faces internal difficulties, some popular disillusion, and a potentially more competitive opposition. Principally because Cheddi and Janet Jagan are concentrating on their ministerial duties, the party's membership has declined, its funds have dwindled, and the Communists' efforts to extend their influence in the party have largely failed. [redacted]

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**FINNISH GOVERNMENT DIFFICULTIES . . . . . Page 10**

Finland's minority Agrarian government has been successful in concluding a 1959 trade agreement with the Soviet Union, the issue which led to the fall of its predecessor, but it still faces serious financial difficulties and a high level of unemployment which the Communists are seeking to exploit. Remaining in office largely because the other non-Communist parties fear a new cabinet crisis might reopen the question of Communist participation, the Sukselainen government is making tentative moves toward broadening its parliamentary base. [redacted]

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PART II (continued)

NEW LABOR UNREST IN SPAIN LIKELY . . . . . Page 10

Labor dissatisfaction over inflationary pressures and a growing willingness to defy the Franco regime may lead to strikes in Spain during the next few weeks. The Communist party may try to force the moderate opposition groups to participate to some extent in nationwide labor agitation. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

STATUS OF THE FRENCH COMMUNIST PARTY . . . . . Page 1

The French Communist party still retains a mass electoral following and the most extensive political organization in France despite the virtual elimination of the party's National Assembly representation in the November elections and its lesser setbacks in March, when it was ousted from numerous municipal administrations. These defeats have caused serious financial problems and encouraged criticism among the rank and file over the rigidity of party leadership. The top leaders, however, have shown little disposition to change party policies and seem to be counting instead on dissatisfaction with the government's economic program--such as occurred to some extent in the March elections--to restore Communist influence. [redacted]

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UNREST AMONG PALESTINE REFUGEES . . . . . Page 3

Recent rioting and strikes in Jordan and Lebanon again emphasize the potentially disruptive influence of the Arab refugees displaced during the Palestine war of 1948. Their "temporary" status has assumed a degree of permanency, and there is little prospect of a solution to the problem of their existence as wards of the United Nations. The refugees, now totaling over one million, are still determined to achieve repatriation and compensation for their losses, while Israel is equally adamant in opposing repatriation. The mandate of the UN Relief and Works Agency for Palestine Refugees expires on 30 June 1960. [redacted]

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GREEK ECONOMY IN 1959 . . . . . Page 5

The Greek economy will be in a precarious position throughout 1959. A continuing deterioration of the country's foreign exchange position, the major problem

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**PART III (continued)**

facing Athens, is not likely to be reversed, and the government will push hard for more American aid. Barring both a substantial and sustained rise in the level of investment, which the Greeks alone cannot achieve, there may be a loss of public confidence and a return to the chaotic economic conditions which prevailed before the stabilization program was begun in 1952. [redacted]

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**SINO-SOVIET BLOC FOREIGN TRADE PRICING PRACTICES . . . . . Page 9**

The Sino-Soviet bloc's foreign trade pricing policies are designed primarily to acquire scarce foreign exchange. The bloc's aim is to expand existing markets or open new ones in order to acquire the hard currencies it must have to purchase the free world goods necessary for its ambitious industrialization programs. In a period of general economic contraction, as in late 1957 and 1958, the Soviet effort can occur only at the expense of free world suppliers, whose prices are sometimes undercut severely by bloc traders in order to gain a foothold in Western markets. [redacted]

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**BULGARIA INTENSIFIES ECONOMIC PACE . . . . . Page 11**

Bulgaria's political, economic, and cultural life has been transformed since the seventh party congress last June. The Bulgarian regime's economic program, mainly an effort to reflect the new policies of the Soviet 21st party congress and of Khrushchev's theses for the Soviet Seven-Year Plan, is also a result of Soviet pressure on the satellites to coordinate economic planning, and of internal pressures for reforms. Bulgaria hopes to realize startling advances through greatly increased pressures on the people, particularly the peasantry. Growing apprehension is already reported among the populace, but the implications of this plan are not yet clear to most Bulgarians. [redacted]

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## EAST-WEST NEGOTIATIONS

The Soviet leaders are preparing for the next phase of the contest over Berlin and Germany against a background of apparent satisfaction with the outcome of the exchange of notes which produced agreement to convene a foreign ministers' conference on 11 May. High Soviet officials, in talks with Ambassador Thompson, have been obviously relieved that a ministerial conference has been arranged.

Thompson believes the "almost pleading" attitude of Foreign Ministry officials in stressing the importance of a summit meeting reflects both Khrushchev's pressure on them to arrange a heads-of-government meeting and their realization of the dangers of the situation brought about by Khrushchev's Berlin move.

Soviet officials are probing for indications of the Western position in the forthcoming talks. Deputy Foreign Minister Zorin attempted to elicit information from Ambassador Thompson on 3 April by remarking that Khrushchev knew what Secretary Dulles wanted but is now uncertain what American policy objectives are. Gosplan director and party presidium candidate member Kosygin asked Thompson on 25 March how the United States would frame a foreign ministers' agenda. He professed fear that Washington will attempt to load down the conference with so many problems that the talks would go on for years, putting off a summit meeting indefinitely.

The relatively restrained Soviet propaganda reaction to the NATO ministerial meeting

in Washington reflects Moscow's continuing efforts to demonstrate its desire for a negotiated settlement.

Corridor Incident

Moscow attempted to extract further political advantage from the C-130 incident in the Berlin air corridor on 27 March by raising the question to the diplomatic level. The Foreign Ministry note of 4 April to the United States termed the flights above 10,000 feet a "gross violation of existing regulations" and charged the United States with attempting to "worsen" conditions for a foreign ministers' conference, if not completely to "frustrate the agreement on East-West talks." The USSR's decision to follow up an earlier protest at the Berlin Air Safety Center with this formal diplomatic note probably was an effort to capitalize on British press and official criticism of the flights.

After recalling recent statements by Western ambassadors to Gromyko that unilateral actions by any government would not promote success of the forthcoming negotiations, the Soviet note said the USSR would not only refrain from any unilateral actions that might aggravate the situation but would also "go out of its way" to facilitate negotiations. The note reaffirmed Moscow's intention to observe "present regulations and accepted practice of communications along the routes linking Berlin with West Germany" until East-West talks take place.

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In addition to reassuring Western public opinion that Berlin access controls would not be turned over to the East Germans prior to negotiations, this formulation probably was also intended as a warning that the USSR will respond to further flights above 10,000 feet by fighter harassment and possibly even a staged "accident."

Western Consultations

The NATO foreign ministers' meeting and the prior discussions among the French, British, German, and American representatives led to agreement on the broad lines for the forthcoming negotiations with Moscow. Despite sharp differences of opinion, the general principles of positions to be taken on the German question, European security disarmament, and Berlin were agreed on and approved for submission to the four-power working group which reconvenes in Paris on 13 April. The final substantive positions will be submitted to the four foreign ministers on 29 April for approval prior to the 11 May Geneva conference. The working group will also work out tactics for the negotiations.

In four-power discussions on 31 March, West German Foreign Minister Brentano, apparently on last-minute instructions from Adenauer, rejected the working group's plan for unification in stages, which had originally been presented by Bonn.

In outlining to the North Atlantic Council the principles which are to guide the working group's study of German reunification, the four foreign ministers supported proposing the establishment of an all-German committee, during a transitional period provided the principle of free elections is accepted. This committee would, among other tasks, formulate a draft law for free elections for an

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all-German national assembly which would in turn draft a constitution and form an all-German government.

The foreign ministers also instructed the working group to study the possibility of security measures in a special zone and how such measures, and general disarmament progress, should be linked with German reunification. The working group is also to prepare a statement of general principles to govern a German peace treaty to be presented in East-West negotiations and to develop, if practicable, a Western draft peace treaty for possible use at a conference. The group will study whether the West should include some proposal on Berlin as part of a general Western proposal, as well as possible separate proposals on Berlin for readiness if the USSR refuses to discuss a general German statement.

In the meetings, discussion of the German situation

showed complete agreement on negative points such as no reunification without free elections, no neutralization of Germany, no abandonment of West Berlin, and no US-UK-Canadian withdrawal from the Continent.

Aside from a strong desire to negotiate a peaceful settlement, the approach to positive formulas lacked focus, largely because no really substantive proposals for a Western position on Berlin were evident in the four foreign ministers' report to the North Atlantic Council. Italy and the Netherlands in particular noted the need for more information in order to win public opinion. Canada, Norway, Belgium, and Italy expressed willingness to consider some type of special security zone arrangement provided it is accompanied by efficient inspection and control. Canada and Norway also favored exploring a possible UN role in guaranteeing a Berlin solution. [redacted]

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## TIBET SITUATION

Although the revolt in Lhasa has been suppressed, rebel activity elsewhere in Tibet apparently continues to pose a problem for the Chinese Communists.

The Communists appear to be having serious supply problems in Lhasa. [redacted]

that food supplies are dwindling rapidly.

Otherwise the Chinese appear to have the situation in Lhasa well in hand and are rapidly restoring order in the city.

Their puppet, the Panchen Lama, has moved from his traditional seat at Zhikatse to Lhasa and has been installed as acting chairman of the Chinese-sponsored "Preparatory Committee," which has replaced the local Tibetan government. Maintaining the ostensibly temporary nature of his appointment, he will operate from a new palace rather than from either of the Dalai Lama's homes. The Panchen Lama will leave 9 April to attend the National People's Congress in Peiping, where he will strongly endorse Peiping's policy of suppressing the revolt [redacted]

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MIDDLE EAST HIGHLIGHTS

Unrest in Northern Iraq

The Qasim regime in Iraq remains tense and alert to the possibility of new efforts to overthrow it. Its attention is focused on Iraq's northwestern frontier with Syria, where Shammar tribesmen armed by the UAR are carrying out sporadic border raids.

Although there is no question of the activity of the tribal elements on the frontier, no large-scale build-up of UAR regular forces on the Syrian side of the border has been noted.

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UAR propaganda, meanwhile, has maintained a steady barrage of stories that a major uprising has taken place in the Kirkuk area of northeastern Iraq and that there are widespread mutinies in the army. A new clandestine "Voice of Free Iraq," apparently located in Egypt, began broadcasting on 5 April.

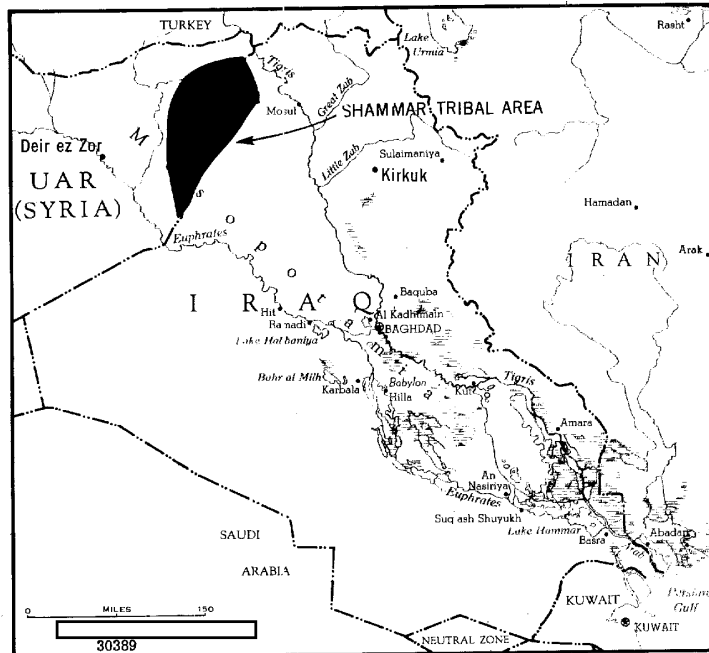
A possibility of internal disturbances appears implicit in two forthcoming major rallies of the Communist-front Peace Partisans--the first scheduled on 10 April in Ramadi, the second on 14 April in Baghdad.

Cairo propaganda, in publicizing the passage through the Suez Canal this week of a Soviet ship repatriating 820 Kurdish men, women, and children, apparently seeks to play on a possible Iraqi Arab fear of the strengthening of the Kurdish minority. Cairo claimed the ship was transporting "855 armed Kurdish volunteers" who were to enlist in a pro-Communist Iraqi "foreign legion."

Baghdad, however, maintains these people are merely members of the Barzani tribe who have been in exile in the Soviet Union since 1947; their leader, Mulla Mustafa Barzani, returned to Iraq from the USSR last summer.

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Foreign Companies in Iraq

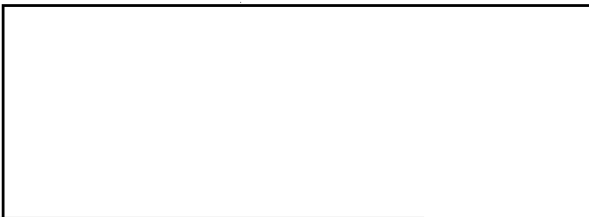
Moves to oust the few remaining Western companies in Iraq have been sharply accelerated since the uprisings at Mosul in March. The Iraq Petroleum Company (IPC), which had been relatively unhampered before the revolt, now is being harassed by arrest of its Iraqi personnel; its operations, however, have not yet been affected. More than one third of the 157 Iraqi nationals occupying high technical and managerial posts on the IPC staff at Kirkuk have been arrested.

In a move designed to weaken Nasir's control over the 70 percent of Iraq's oil transport which moves through Syria, the strongly pro-Communist Iraqi minister of economy has told IPC that the government wants the company to construct a pipeline from the Kirkuk oil fields in northern Iraq to the Persian Gulf.

Partly as a consequence of the recent \$137,500,000 Soviet aid agreement, Baghdad canceled the contract of the British firm making plans for a new steel mill and assigned construction responsibilities to the Soviet Union. The Iraqi cabinet also canceled contracts on 2 April signed with two French firms to design a textile factory and to construct a natural gas pipeline from Kirkuk to Baghdad.

The increasing number of arrests of foreign nationals is hampering operations of the foreign companies. By refusing to grant re-entry visas to technicians returning from home leave and by forcing them to submit to elaborate restrictions and surveillance, Baghdad is rapidly reducing the number of competent technicians in the country. Moreover, these men have not yet been replaced by Communist bloc nationals. Iraqi Airways has been unable to replace most of the British pilots and engineers hastily dismissed some time ago. Baghdad has appealed to Western embassies to aid in "satisfying the urgent requirements of the Iraqi Airways" for senior pilots and engineers.

At the American-operated but government-owned Dura Oil Refinery at Baghdad, the hiring



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[Redacted] Baghdad may have engineered the arrest in an effort to

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[Redacted] providing a basis for sequestering or nationalizing the company.



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Prime Minister Qasim had previously said he was considering nationalization of the 23.-75-percent French share of IPC. He reportedly is also considering whether to grant the USSR a concession in the Persian Gulf in an offshore area recently relinquished by the Basra Petroleum Company--another IPC affiliate.

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of many unqualified pro-Communist personnel has resulted in a marked deterioration in the plant's safety. Many Americans have already left, and the remainder are planning to leave when their short-term contracts expire.

Barring a sudden reversal of the present government's Communist orientation, most Western business interests probably will have left Iraq by the end of 1959.

Arab League

After five days of hotel-room conclaves in Beirut, the Arab League political committee on 7 April issued a communiqué which clearly indicated that its efforts to calm the UAR-Iraq dispute have so far come to nothing. The committee, which did not include representatives from Iraq, Jordan, Tunisia, or Libya, urged that all Arab states adhere to a policy of "nonalignment and nonsubservience," appealed to Iraq to be "in harmony" with the other Arab states, and charged a subcommittee with the task of "studying" ways to implement these resolutions. Even this seemingly innocuous conclusion was too much for the Sudanese delegation, which publicly stated it approved of only "some" of the points.

Behind the scenes, there appears to have been resentment on the part of many delegates against the UAR, and particularly against its fiery deputy foreign minister, Farid Zeineddine, for trying to use the meeting simply as a sound-

ing board for UAR attacks on Qasim. There is also in the background a sentiment on the part of a number of Arab leaders that however much they dislike the Iraqi regime, they do not wish to join in attacking it in such a way that Nasir will appear the only beneficiary.

UAR

Inside the UAR, the anti-Communist campaign has continued, with police raids against the remaining Egyptian Communist party members. The purge of pro-Communist elements from official positions has been accompanied by an independent drive against corruption. The latter also has been developing for some time, and is being pushed by Nasir to counter a growing feeling that in some respects his regime has begun to match the corruption of the old monarchy.

Nasir may be particularly sensitive to domestic political currents at this time because of reportedly widespread doubts in Egypt that he can "get away with" a policy which is hostile to both the Soviet Union and the West. UAR officials, possibly reflecting something of this concern, have urged the West to make some move, either a public gesture or an offer of private support, which would indicate that the West will back Nasir if necessary. Nasir himself, however, does not appear to desire such gestures or to want to take the initiative in asking for assurances of stand-by aid. [redacted]

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**PART II**

NOTES AND COMMENTS

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**CHINA'S PEOPLES' CONGRESS TO NAME MAO TSE-TUNG'S SUCCESSOR**

Communist China's Second National Peoples' Congress (NPC) will open in Peiping on 17 April. Its most conspicuous action will be the "election" of a successor to Mao Tse-tung as chairman of the regime. The congress, elected every four years by lower level congresses, in theory is the highest organ of government, corresponding to the USSR Supreme Soviet. It meets annually. Like the Supreme Soviet, however, its actual legislative functions are largely ritualistic, but it does provide Peiping with a forum in which to disclose the main outlines of government policies and plans.

Peiping has announced that the agenda for the congress will include a report on the work of the government--probably by Chou En-lai--the adoption of the national economic plan and state budget for 1959, and the election of leading government personnel.

Mao has said he does not want another term as chairman of the government. Instead, he wants to concentrate on national policy and devote more time to writing on theory. There seems little reason to doubt this, since he is retaining all of his party posts.

In confirming his decision

[redacted] that he would not seek re-election, Mao implied that his health was also a factor. [redacted] that it was necessary for him to relinquish his post as chairman of the regime because his concurrent government and party responsibilities were "too great"

and he was "getting old." [redacted]

Mao's successor in the largely ceremonial government job will probably be a popular and high-ranking but fairly unimportant party stalwart like the present vice chairman, Chu Te. The congress will also select a vice chairman, the chairman of the NPC Standing Committee, and the premier. There has been no indication, however, that Liu Shao-chi or Chou En-lai will vacate the latter two posts.

The congress will examine the draft 1959 economic plan outlining a "bigger, better, and more all-around leap forward" for this year. The draft plan, which was adopted by the party central committee last week, retains the highly ambitious targets first proposed last December. The central committee said it "firmly believed" the Chinese people would continue their "hard, faithful, and honorable work" to overfulfill the plan. The congress may also hear a report on the "tidying up" operations in the communes. The central committee has just concluded that the work has been carried out "properly" and that the communes are "healthy."

Foreign policy statements at the congress will be designed in part to offset the widespread view that Communist China is the most truculent member of the bloc. During the past year Peiping suffered a decline in prestige

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for this reason in Poland, and many non-Communist countries--including Indonesia, India, and Burma--tend to view the Chinese Communists with increasing suspicion. Peiping will attempt to minimize the effect on Afro-Asian countries of the Tibetan

revolt by denying that it is widespread or is continuing, stressing that the large majority of Tibetans support and approve of "central leadership" of the "autonomous" region.

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**CHINESE FOREIGN TRADE SLOWS**

After reaching record heights in 1958, Communist China's foreign trade drive is apparently slowing down, and recent reports indicate that Peiping is encountering difficulties in meeting its export commitments.

In 1958, Communist China's export drive in the free world was pursued aggressively, particularly in Asia, from which Peiping receives a large portion of its foreign exchange earnings. Toward the end of the year, however, shortages developed in the supply of commodities normally exported from China.

In the first three months of 1959, mainland exports to Hong Kong declined appreciably, and China began to cancel major contracts for exports to Britain, Finland, West Germany, and France. In almost every instance these cancellations and delays involved traditional Chinese export items such as textiles, cement, animal by-products, industrial raw materials, hogs, rice, eggs, and other foodstuffs.

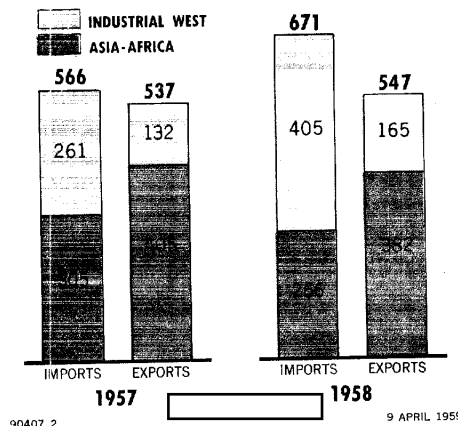
These difficulties thus far are believed to have arisen from temporary, localized transportation deficiencies and greater Chinese consumption of certain raw materials. Persistent

reports of export shortages and complications indicate, however, that these difficulties are probably widespread and not restricted to certain localities.

The inefficient use of labor during last year's iron and steel campaign and the dislocations introduced by the communalization drive almost certainly

**COMMUNIST CHINA  
SELECTED TRADE WITH THE FREE WORLD**

(ESTIMATED IN MILLIONS OF DOLLARS)



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led to a general decline in the production of those export commodities which require large amounts of labor in processing. In the long run, the "leap forward" movement may enhance Peiping's export potential, but its

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immediate effects appear to be hindering expansion of foreign trade.

Although the value of canceled contracts has not been large, the unfavorable publicity probably has been very embarrassing to Chinese trade officials who have worked hard to prove China's worth as a reliable trading partner. Indemnities have been paid to injured firms in some cases, and the Chinese have assured importers that present difficulties will soon be corrected.

Communist China's trade with Western Europe in 1958 was much greater than in 1957, but a 55-percent increase in imports was accompanied by only a 25-percent increase in exports,

leaving an import surplus of about \$240,000,000 with that area. Previously this deficit --\$130,000,000 in 1957--was covered by China's large surplus in trade with Asian countries. Peiping's trade deficit with its major free world trading partners grew from only \$30,000,000 in 1957 to more than \$120,000,000 in 1958.

In view of China's limited foreign exchange reserves, the present trend probably cannot continue for long. A high export volume must be maintained or Communist China may be forced to cut back imports of manufactured goods and raw materials from Western Europe.

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## "COMRADES' COURTS" TO AID KHRUSHCHEV'S DRIVE AGAINST HOOLIGANISM

Khrushchev, in his present drive against hooliganism, drunkenness, and other types of "social misdemeanors," has turned to the comrades' courts as another device to promote "collective" responsibility for the maintenance of public order. These courts--informal tribunals of negligible influence in the past--are to be given broader powers.

The courts will apparently be in the nature of an officially organized citizens' vigilance committee. In this respect they have much in common with the neighborhood mass meetings empowered under the recently enacted "antiparasite" laws to exile speculators, beggars, and others living on money not gained through "socially useful work." The courts will probably supplement the work of the newly organized workers' militia in re-

lieving the regular militia and judiciary of some of the burden of handling minor offenders.

The Soviet press was quick to follow up Khrushchev's remarks at the 21st party congress that "the time has come to pay more attention to comrades' courts...which should examine not only cases of a production nature but questions of daily conduct and morals." A number of articles have appeared praising the idea but pointing out the obvious need for altering the existing statutes governing the courts' operation if they are to function as Khrushchev has specified.

One factor which apparently has attracted Khrushchev to the courts is that they possess many of the features of a show trial, geared to influence the attending spectators as well as the defendant. In these terms,

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the comrades' courts are designed to supplement the penal actions of the regular courts with a primarily prophylactic function.

In recent years comrades' courts have existed only in factories and enterprises. The workers elect members of the court who then elect a chairman, usually a member of the factory management, and a deputy chairman. The court meets in open session, and the workers in the enterprise are encouraged not only to attend but

to take the floor. The most severe sentences the courts can recommend to the factory director are dismissal or demotion, however, and existing statutes limit their jurisdiction to cases of absenteeism and production misdemeanors.

The press has indicated that comrades' courts are being established on collective farms, and the suggestion has been made to set up similar ones in apartments and neighborhoods to handle "social" infractions.

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## GUINEA DEVELOPING CONTROLLED ECONOMY

The Sekou Touré government's recent tightening of economic controls and its expansion of commercial ties with the Soviet bloc may presage a major shift of Guinea's social and governmental philosophy away from free enterprise and toward state socialism. Moreover, the arrivals in Conakry in late March of two shipments of Czech arms--probably a gift for internal security needs--and a 30-man Czech military mission demonstrate Guinea's receptivity to close bloc ties. These arrivals, according to the French chargé in Conakry, are in violation of the French-Guinean technical assistance accord of 7 January.

A series of presidential decrees enabling the government to exercise broad controls over labor, domestic commerce, international trade, and foreign firms reflect the government's desire to establish a controlled economy. Quotas have been imposed on principal agricultural exports. Newly imposed import

restrictions are directed primarily at the franc zone, which accounted for about 75 percent of Guinea's total foreign trade in 1958.

The government is refusing to grant import certificates for articles of French origin on the grounds that they must be imported from East European countries with which Guinea has barter agreements. France charges that such actions violate franc zone regulations. In addition, African importers in Guinea are given preference over foreign--largely French--importers in handling all goods covered under the agreements with Czechoslovakia and East Germany.

Recognition of the danger of bloc operations in Guinea is reflected in the United Nations Secretariat's decision to send a Swedish consultant to Conakry to investigate Communist penetration efforts there in addition to examining prospects for extending technical assistance.

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Paris, stating that these developments in Guinea are detrimental to friendly relations, has decided to delay sending an ambassador to Conakry for at least another two months.

Guinea's increasing ties with the bloc probably are part of an attempt to lessen its dependence on France and to pro-

vide means of expressing a neutralist foreign policy rather than a decisive move toward the East. The minister of economics and planning stated on 24 March that Guinea "cannot tie itself to France" but must seek aid wherever available, including the United States or Eastern Europe.

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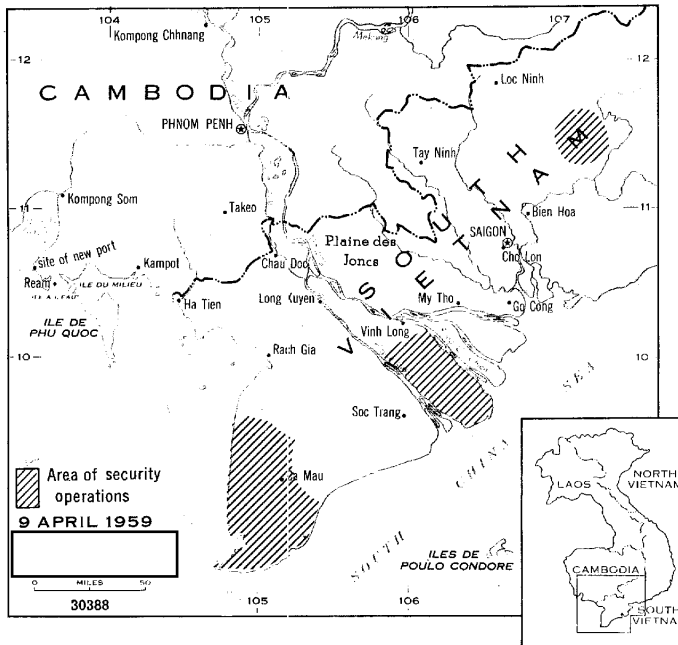
**SOUTH VIETNAM'S SECURITY PROBLEM**

South Vietnam's persistent security problem posed by the well-entrenched Vietnamese Communist military underground, estimated at more than 2,000 men, is highlighted by recent military operations northeast of Bien Hoa and in the Ca Mau Peninsula in the southwest. These operations, conducted by units of the regular armed forces, which number some 145,000, instead of the less effective paramilitary forces normally responsible for internal security, are the latest of the special efforts mounted periodically by the government against Communist concentration points.

in extensive security operations begun in early March against a stubborn pocket of armed Communists and remnant sect forces believed to number as many as 500. The three paratroop battalions, two infantry regiments, and miscellaneous units now committed by the government have encountered unusually strong resistance, receiving 60- and 81-mm. mortar fire and suffering land-mine casualties. The embryonic Vietnamese Air Force, in its first use against Communist

The marshy Ca Mau region, the thickly forested area north of Saigon, and the swampy Plaine des Joncs near the Cambodian border are endemic trouble spots where the Communists have taken advantage of the difficult terrain to set up semipermanent enclaves.

In the Bien Hoa area, slow progress has been made



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dissidents, has flown several bombing and strafing missions but apparently has been generally ineffective against poorly defined targets.

The present security sweep by a reinforced Vietnamese marine battalion in two provinces of the Ca Mau Peninsula is being conducted by squad and platoon units using commando-type hit-and-run tactics. Such factors have proved effective in this area of interlacing waterways and tall marsh grass where the Communists have achieved virtual control over whole villages and districts. The marine forces have killed a number of Communists, including several political commissars, and have concentrated on destroying enemy food sources.

The Bien Hoa and Ca Mau operations are designed to prevent the growth of dangerous concentrations of Communist underground strength. Most government efforts, however, are directed toward combating scattered incidents of Communist terrorism in the rural areas and in fighting a continuous propaganda war for the loyalty of the Vietnamese people. In the face of unrelenting pressure by the Communist political and military underground, the Diem government has been forced to divert much of its energy and resources from the economic field, where the rate of progress--which has been slow--is a major factor in determining South Vietnam's long-range stability.

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## JAPANESE COURT DECISION HELPS SOCIALIST ANTI-US CAMPAIGN

The opinion of the Tokyo district court that the presence of foreign troops in Japan is unconstitutional may make it more difficult for Prime Minister Kishi to effect an early revision of the US-Japanese security treaty. The Kishi government is appealing the case directly to the Supreme Court, but a decision is not expected for several months. In the interim, the Socialists will be able to exploit the issue for the upper-house elections in early June.

The district court on 30 March acquitted seven Japanese nationals who were indicted under a special criminal law for trespassing on an American air base in 1957. The court declared the law invalid on the grounds that it affords protection to foreign forces in Japan whose presence is a violation of the Japanese Constitution.

The court cited Article 9 of the Constitution which stipulates that "land, sea, and air forces, as well as other war potential, will never be maintained."

Pending the appeal, the court's opinion will have no immediate effect on the legal status of American forces in Japan. Kishi's own party already is divided over the extent of the revision of the US-Japanese security treaty, however, while the opposition Socialists have formed a united front with the Communists and leftist labor to oppose it. The Socialists also hope the court opinion can be used to offset the damage to their position which resulted recently when a Socialist mission to Peiping identified the party with Chinese Communist objectives in Asia.

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The government is confident that the Supreme Court, with its more conservative judges, will reverse the lower court decision, but the constitutionality of the Japanese forces themselves could come into question. Although the government has proceeded with a gradual military build-up on the premise that every nation has an inherent right to provide for its own defense, this interpretation has not been tested legally.

The court may rule only on the criminal law, avoiding an opinion on the status of the American and Japanese forces. If the Supreme Court overrules the lower court decision in clear-cut terms, however, the public and legal debate which has been stimulated may lead to a clarification of Japan's right to take adequate steps for self-defense, and be in effect a judicial sanction for US-Japanese defense arrangements.

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**FIDEL CASTRO'S VISIT TO WASHINGTON**

Cuban Prime Minister Fidel Castro, who arrives in Washington on an unofficial visit on 15 April, has made very clear during his three months in power his desire for radical economic and social reforms to help Cuba's lower classes, which are suffering from chronic unemployment and underemployment. His methods, however, are ineffective and are increasingly those of a dictator, and opposition to his government is steadily rising.

Castro's actions, springing largely from his extreme nationalism and idealism, may also have been influenced by the opinions of his advisers, some of whom are pro-Communist. His programs for agrarian reform and reducing the cost of living appear to have been formulated without concern for their ultimate economic repercussions and have taken on the aspects of a campaign against "vested interests" and the upper-or middle-class professional and business groups.

Castro's policies are manifested in an isolationist or "neutralist" position in foreign affairs. His tendency to blame United States economic and political influences for all of Cuba's ills has resulted in strong anti-US statements, particularly his answer to former Costa Rican President Jose Figueres' moderate and pro-US speech in Havana on 22 March. Consequently, Castro is becoming isolated from the rest of Latin America, including the liberal bloc which supported his revolution, as well as from the United States.



FIDEL CASTRO

Castro continues to run a "one-man show" and has made little effort to relinquish his position as arbiter of all government policies and actions. A man of no previous administrative or government experience--he is reportedly showing the strain of a heavy schedule. He tolerates no criticism of himself or his government and continues to make frequent lengthy public speeches to bolster his popularity, now fading noticeably except among the lower classes.

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Convinced that he is the victim of a biased press in the United States and elsewhere, Castro while here will probably attempt to explain and justify his actions. He may also, as he stated in a recent television interview, seek financial aid and a larger sugar quota in the US market. His aversion to

foreign investment in Cuba is limited to private investment which can gain control of Cuban industries or resources; it does not extend to foreign loans on a government-to-government basis or from international lending agencies. [REDACTED]

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**COMMUNIST ACTIVITIES IN MEXICAN LABOR**

Mexico's expulsion on 3 April of two Soviet diplomats accused of complicity in a nationwide railroad strike was evidently an attempt to rally national feeling behind the government's decision to curb Communist influence in the labor movement. This influence has been increasing rapidly, but the government evidently minimized the threat of Soviet intervention until evidence of it became clear to President Lopez Mateos.

Recent Mexican administrations have kept wages very low in order to help the country's economic development, depending on broad social benefits and political largesse to union leaders to keep the well-organized labor movement loyal to the dominant Party of Revolutionary Institutions (PRI). Many of the anti-Communist labor leaders have been discredited because of their corruption and political subservience at the expense of union interests. This situation has given active Marxists increasing opportunities to gain influence in many key unions by demanding legitimate labor benefits, and it is a threat to the PRI's political power with its strong labor base. The government had, however, hesitated to

challenge the Communist union leaders directly.

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The government now has accused the railway union head, Demetrio Vallejo, of involvement with Soviet agents in a master plan to foster labor agitation in Mexico. Its case will be strengthened in Mexican public opinion by Argentina's expulsion on 7 and 8 April of five Soviet bloc diplomats similarly accused of interfering in internal affairs.

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There have been frequent demonstrations for Vallejo's release, and many skilled railroad workers refuse to return to work despite strong government pressure to end the economically serious strike. Dissatisfied workers in the railway and other Communist-influenced unions are likely to suspect the government's actions as an indication of its determination to control labor for its own ends. There already have been loud complaints that union heads hastily installed to replace arrested leaders are government stooges. [REDACTED]

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COMMUNIST INFLUENCE IN BRITISH GUIANA

The Communist-led People's Progressive party (PPP) in British Guiana, after a year and a half in office under the limited powers afforded by the colonial constitution, remains the strongest political force. The party, however, now faces internal difficulties, some popular disillusion, and a potentially more competitive opposition.

Concentration by party leaders on their ministerial duties at the expense of party organization has led to a significant reduction in dues-paying membership and in funds but has not yet enabled the PPP to point toward much economic progress or advance toward self-government. The PPP has therefore lost some popular support. The party has good working relations with the colonial governor, however, who backs its efforts to get foreign development aid. The British continue to hope that the responsibilities of office will moderate the views of PPP leaders, and they expect to hold talks this summer in London on further economic aid and development of further self-government. The governor sees the PPP as more

dangerous if in opposition and able to devote full time to party work.

Party leader Cheddi Jagan, who in effect heads the government, and his wife, Janet, no longer maintain their formerly undisputed control over party

**LEADERS OF BRITISH GUIANA'S PEOPLE'S PROGRESSIVE PARTY**

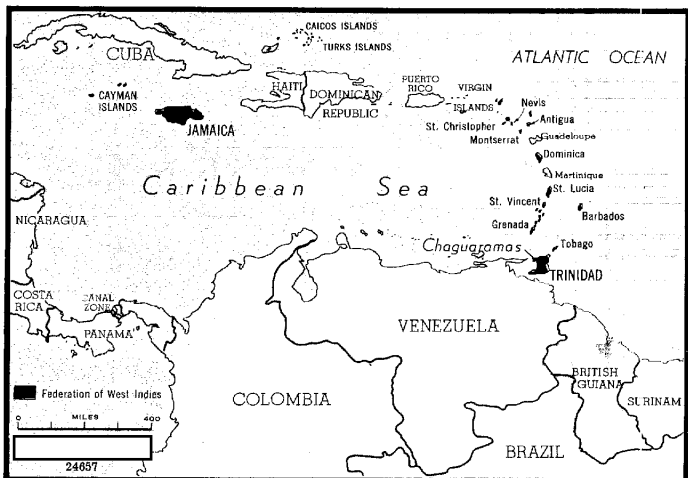
MEMBERS OF GOVERNMENT EXECUTIVE COUNCIL	MINISTERIAL POST	PARTY OFFICE
Cheddi Jagan	Trade and Industry	Leader
Janet Jagan	Labor, Health and Housing	Secretary
Brindley Benn	Community Development and Education	Chairman
Edward Beharry	Natural Resources	Senior Vice Chairman
Ram Karran	Communications and Works	Treasurer
<b>YOUNGER ELEMENTS</b>		
Ranji Chandisingh	Editor of Thunder	
Miles Fitzpatrick	Party organizer	
	Junior Vice Chairman	
Derek Jagan	Organizer and lecturer	

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policy, their most serious rift being with the ambitious and apparently non-Communist Edward Beharry. Efforts by the Communist inner core of the PPP to organize youth and women's groups, indoctrinate party members with Marxist lecturers, infiltrate the labor movement, and reduce police efficiency have been largely unsuccessful.

The opposition has made but little headway. The principal opposition party, the People's National Congress, recently absorbed another small group. The major obstacle to the growth of this Negro group is its inability to attract much support from the East Indian half of the population. Opposition leader Burnham's support of the West Indies Federation also clashes with the East Indian PPP's fear of Negro predominance in it. Jagan defers to this fear, although he apparently would like to join in order to gain wider influence.



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**FINNISH GOVERNMENT DIFFICULTIES**

Finland's minority Agrarian government has been successful in concluding a 1959 trade agreement with the Soviet Union, the issue which led to the fall of its predecessor, but it still faces serious financial difficulties and a high level of unemployment which the Communists are seeking to exploit politically.

Prime Minister Sukselainen took office on 13 January after the USSR refused to conclude a trade agreement with the majority coalition of the Social Democrat Prime Minister Fagerholm. Under the agreement obtained by Sukselainen in mid-March, Finland will not have to reduce the level of its exports--about \$140,000,000--but remains economically highly dependent on the USSR, particularly as a market for Finland's high-cost metalworking industry and as a source of some raw materials such as petroleum.

In contrast to its tough attitude toward the Fagerholm government, the Soviet Union granted certain concessions, such as carrying over into the new agreement Finland's export surplus of \$13,000,000, reducing Finland's quota of Soviet automobiles, and allowing Finland to repay the ten-year \$10,000,000 gold loan made in 1954 with exports instead of gold or hard currency.

Domestic financial problems, however, are causing Sukselainen serious difficulties, principally an anticipated budgetary deficit this year of almost \$70,000,000. The government has obtained some loans from domestic banks, but the parliament has rejected proposals for increasing revenues. As a result, a "cash crisis" is in the offing. Furthermore, unemployment is at a postwar record of almost 100,000, and while it appears to have reached its peak, it remains a fruitful topic for Communist agitation and criticism.

The Sukselainen government remains in office largely because the other non-Communist parties fear a new cabinet crisis might reopen the question of Communist participation. There has been considerable talk about broadening the cabinet, and informal discussions may be going on. Fagerholm apparently is seeking to prepare the way for future participation in the government by reconciling the divergent elements within his Social Democratic party and by making it more acceptable to the USSR. However, progress in healing the schisms within the party and the trade unions is very slow.

(Concurred in by ORR)

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**NEW LABOR UNREST IN SPAIN LIKELY**

Labor dissatisfaction over inflationary pressures and a growing willingness to defy the Franco regime may lead to strikes in Spain during the next few weeks.

The economic condition of most Spanish workers is precari-

ous, despite indications that the cost of living has leveled off since the first of the year. Each spring since 1956 sporadic strikes have broken out, particularly in the industrial north. The general lessening of popular fear of the regime, which has recently become more apparent,

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may be an important psychological factor this year. Strike activity could be triggered by the government's program to reorganize the economy in order to qualify for aid from the International Monetary Fund, or by layoffs of surplus workers aimed at lowering production costs to enable Spain to compete in a free European market.

The illegal Spanish Communist party--with an estimated

membership of some 5,000--will probably try to persuade the moderate opposition groups to support nationwide strike action in the next few weeks. These groups have heretofore been reluctant to collaborate with the Communists, but, if strikes seem likely, they may feel obligated to cooperate to some extent with the Communists, who are the best organized of all the clandestine parties.

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## PART III

PATTERNS AND PERSPECTIVES

## STATUS OF THE FRENCH COMMUNIST PARTY

The French Communist party (PCF) still retains a mass electoral following and the most extensive political organization in France, despite the virtual elimination of the party's National Assembly representation in the November elections and its lesser setbacks in March, when it was ousted from numerous municipal administrations. These defeats have caused serious financial problems and encouraged criticism among the rank and file over the rigidity of party leadership.

The top leaders, however, have shown little disposition to change party policies and seem to be counting instead on dissatisfaction with the government's economic program-- such as occurred to some extent in the March elections-- to restore Communist influence.

Electoral Decline

The greatest blow to the PCF has been the marked drop in its electoral strength. Under the Fourth Republic, it could count on at least one quarter of the electorate in national elections, but in both the constitutional referendum last September and the National Assembly elections in November, the Communist vote was well under 20 percent. The party's loss of political power is more apparent in the reduction of PCF deputies from 144 to 10, and in the large inroads made in Communist strength on municipal councils under the new majority electoral system. The result is a severe financial

and patronage loss to the party.

There was a swing back to Communist candidates in the municipal elections last month, largely because of the popularity of some local Communist personalities and discontent with the government's austerity program. On the second round, moreover, the Communists unexpectedly benefited from the majority system to win some towns they had not previously controlled. They were eliminated, however, from many municipal posts in smaller towns where they had long been entrenched.

In the elections of 26 April for the Senate, which is chosen by communal and departmental representatives, the Communists will probably win at most one or two seats.

Party Organization

The top leadership and the hard-core organization of the PCF have thus far remained virtually unchanged by France's political upheavals, and membership is apparently stabilized at about 250,000, as compared with the 5-6,000,000 votes the party was able to attract under the Fourth Republic. The

FRENCH COMMUNIST PARTY'S ELECTION RECORD

ELECTION	VOTES RECEIVED	PERCENTAGE OF VOTE RECEIVED	SEATS WON
1951 NATIONAL ASSEMBLY	4,926,530	26.5	97
1953 MUNICIPAL	2,953,165	16.9	24,206
1956 NATIONAL ASSEMBLY	5,532,631	25.7	145
1958 REFERENDUM	4,624,511*	20.8	—
1958 NATIONAL ASSEMBLY	3,882,204	18.9	10
1959 NATIONAL ASSEMBLY	3,269,480	16.3	20,454

\* Total negative vote, which also included the non-Communist opposition

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delayed effects of recent electoral setbacks on the PCF organization may, however, prove serious.

A retrenchment in expenditures has already been forced by the loss of over 130 parliamentary salaries

[redacted] and by lessened

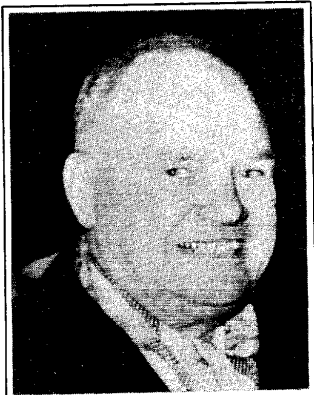
and the party is already making use of this organization to regain prestige by exploiting workers' unhappiness over the government's austerity program. Nor does the party seem as fearful as it was last fall of being outlawed under the new constitutional requirement that political parties must "respect the principles of national sovereignty and democracy."

[redacted]

Party Program

After each electoral setback, the French Communist leadership has maintained that the party program is still valid, and it has repeated its familiar themes in the draft theses prepared for the May party congress. At a 3-4 October central committee "post-mortem" on the constitutional referendum, Secretary General Maurice Thorez acknowledged the scope of the PCF defeat but attributed it to outside forces--police pressure, pro-Gaullism, the desire for a change, Algerian terrorism, and threats of civil war. Following the November parliamentary elections, politburo member Etienne Fajon told the central committee there was nothing wrong with the party line except failure to apply it correctly.

The PCF's present program attacks the Debré government and President de Gaulle on the grounds that they represent incipient fascism, pursue economic policies inimical to the working classes, and continue the war in Algeria. It accuses the government of subservience to the United States and West Germany. It also continues to stress the theory--which only Thorez among modern Communist leaders plays up prominently--that the working classes become progressively and absolutely poorer under capitalism. The practical application of the PCF program seems to consist



THOREZ

opportunities to profit from municipal contracts. Many party officials, including 13 members of the politburo, failed to win parliamentary seats in November and may have to be given full-time employment within the party bureaucracy, despite a general reduction in force of party personnel. Several party dailies have been closed down

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Communist control of France's major labor union, the General Labor Confederation, has not been questioned, however,

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of calling on rank-and-file Socialists to abandon their own leaders and join the Communists in a mass opposition movement.

Dissatisfied Party Supporters

Since 1956, many PCF supporters have been criticizing the party for being too rigid, and in recent months they have expressed dissatisfaction over the party's "unrealistic" or "obscure" guidelines. Self-justification on the part of the leaders after the electoral debacles led to a public airing of "left-wing" dissidence in the "Sorbonne cell" of the PCF. The cell challenged the "blind optimism" of the party directors, their conservatism, their "wrong concept" of political unity, their servility toward the Soviet Union, and their "incapacity" to produce a Marxist analysis of the French situation. Disciplinary action against this cell has been followed up in party publications by warnings to other opposition elements.

Criticism by Communist sympathizers seems to have been widespread, however, judging from a poll conducted by the monthly Realités among Frenchmen who are not members of the party but who normally vote for the PCF. They complained about

the clannish, conservative, self-perpetuating party bureaucracy, and indicated that their loyalty had been reduced to a matter of feeling their own interests better protected by the Communists than by some other alternative, such as De Gaulle.

Prospects

PCF leaders may indulge in some "self-criticism" at the party congress scheduled for 27-31 May, but it seems unlikely there will be any major changes in party organization or policy, especially in view of the good reception given by Moscow to the French delegation which attended the Soviet 21st party congress.

PCF leaders seem to be counting rather on the growth of mass dissatisfaction with the De Gaulle regime to restore the party's position. Having already made an electoral comeback between November and March as a result of the government's austerity program and having maintained their labor union strength unimpaired, they are probably confident of profiting from any marked deterioration of the French economic situation. Their propaganda suggests that they also hope to gain from any decided swing toward a rightist, authoritarian government.

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## UNREST AMONG PALESTINE REFUGEES

Recent rioting and strikes in Jordan and Lebanon again emphasize the plight and potentially disruptive influence of the Arabs who were displaced during the Palestine war of 1948. Their "temporary" status by now has assumed a degree of permanency, and there

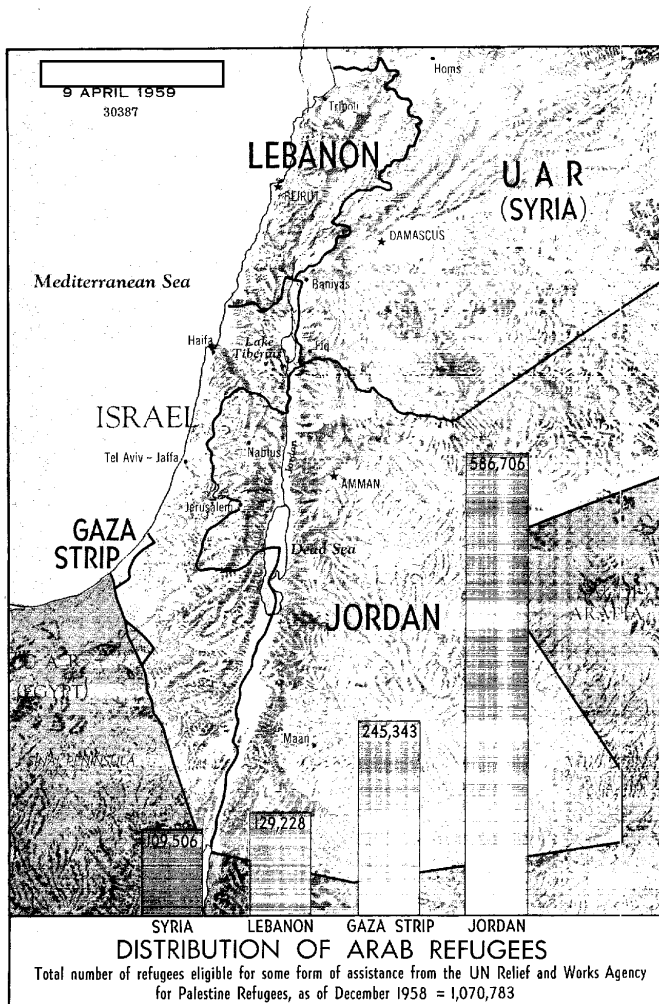
is little prospect of a solution to the problem of their existence as wards of the United Nations.

The mandate of the UN Relief and Works Agency For Palestine Refugees (UNRWA), which administers the program

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Jordan's refugee problem has contributed significantly to the country's internal instability. Further complicating the situation is the fact that 180,000 frontier villagers, not technically defined as refugees, are nevertheless "economic refugees" because they lost lands which now lie on the other side of the truce line. UNRWA regards these people as the most destitute elements in Jordan. A total of 270,000 Jordanian refugees are not eligible for UNRWA aid.

Rioting in Jordan occurred late in March when Jordanian supervisors of UNRWA activities were severely beaten by several refugees who had been caught stealing and giving short weight to relief items. Subsequently, a threatened strike and a walkout of students at a UNRWA-operated commercial training school in Jordan resulted in closure of the school. Most of the student strikers came from Nablus, long a center of Communist activity among refugees, whose living conditions make them easy prey for Communist propaganda and recruitment. Jordanian police made several arrests and confiscated considerable Communist literature there on 1 April.

supporting the refugees, expires on 30 June 1960. The issue of continuing international support of the refugees beyond that date is being considered by UN officials. Secretary General Hammarskjold plans to recommend at the General Assembly meeting in September the continuation of UNRWA with some minor adjustments.

The Arab refugees now exceed one million according to UNRWA, and over half of them are living in Jordan. The remainder live in Syria, Lebanon, and the Gaza strip administered by the UAR. About 70 percent of those in Jordan live in West Jordan, the area of mandated Palestine which did not become part of Israel.

Revelation during the riot that the refugees had weapons indicates that considerable blood might be shed if fighting between Communist and pro-Nasir refugee elements should break out as a result of the Iraqi-UAR dispute. Refugee unrest has also been evident in Lebanon where, in

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December and again in late January, a strike, or boycott, of UNRWA services occurred when refugees demanded various changes in the agency's activities, administrative procedures, and personnel.

The refugees as a whole remain determined to achieve their "rights," including repatriation to their former homes in Palestine and compensation for the losses they have suffered. Most of them resist integration where they now reside; they continue to equate any rehabilitation scheme with abandonment of their political rights. They are supported in this attitude by the Arab states' official policies.

Israel is equally adamant in its opposition to repatriation, fearing the dilution of its predominantly Jewish population and the development of an internal threat to its security. Last November, how-

ever, the Israelis expressed a willingness to compensate the refugees without insisting, as previously, that such payments be part of a general Arab-Israeli peace settlement. The offer was subject to the conditions that the displaced Arabs remain outside Israel and that international financial assistance would be made available to help settle their claims.

The prospect of significant progress toward reaching a settlement of the refugee issue remains remote. A recent report regarding UNRWA's activities in Jordan states that the agency long ago was forced to abandon its earlier dreams of accomplishing its mission through large-scale works programs that would integrate the refugees in the Arab world. The report concludes with the observation that neither a long-range solution of the Arab refugee problem nor a successor organization to UNRWA is yet in sight.

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## GREEK ECONOMY IN 1959

The Greek economy will be in a precarious position throughout 1959. A continuing deterioration of the country's foreign-exchange position, the major problem facing Athens, is not likely to be reversed, and the government will push hard for more American aid. Barring both a substantial and sustained rise in the level of investment, which the Greeks alone cannot achieve, there may be a loss of popular confidence and a return to the chaotic economic conditions which prevailed before the stabilization program was begun in 1952.

Basic Instability

Although economic activity has expanded steadily in the past few years, Athens has made little progress in eliminating the country's basic weaknesses. The gross national product, in real terms, has risen more than 5 percent annually since 1955. The increase, however, was distributed unevenly, causing economic discontent and fostering the growth of the extreme left.

There are still 1,000,000 underemployed in rural areas and 200,000 unemployed in the

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cities out of a total population of about 8,000,000. Underemployed and unemployed persons now amount to about 25 percent of the labor force.

The archaic landowning system also restricts agricultural output. More than two thirds of the family farms are less than 12 acres in size, usually of widely separated strips. Despite the fact that more than two thirds of the population live in rural areas, agricultural output constitutes less than one third of the gross national product. Foodstuffs are the largest single category of Greek imports.

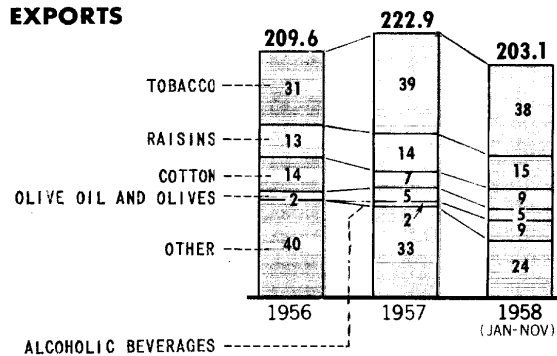
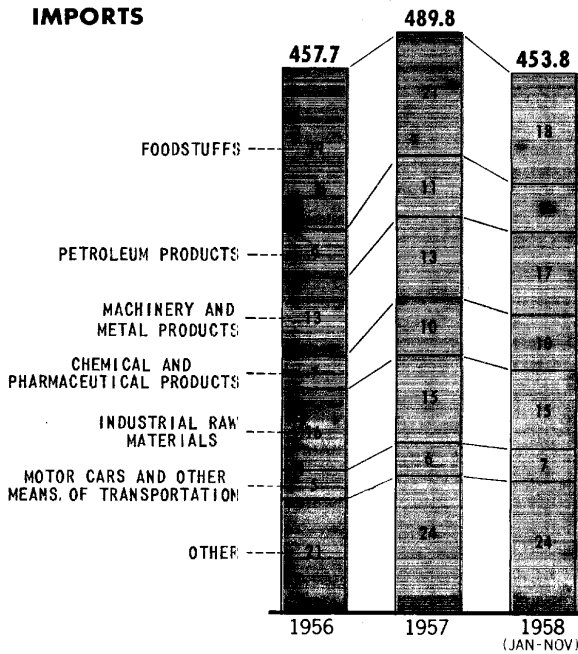
Industrial production in 1958 was 60 percent higher than in 1953, but agricultural production fell in 1958, holding down the over-all rise in gross national product for the year. Gross national product had increased 9 percent in 1957, when agricultural output was relatively high, compared with less than 5 percent the previous year.

Even the relatively small and admittedly inadequate investment program is out of balance. In 1958 about half of the investment in fixed assets consisted of nonproductive housing and commercial construction. In contrast, investment in manufacturing amounted to only about 2 percent of the total. This year the government plans to supply about 30 per-

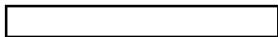
cent of investment funds. Under the proposed one-billion-dollar, five-year development plan, its share of the total will increase. Projects under this plan will be partially financed by a \$47,600,000 loan from West Germany as well as by American aid. Some of the German loan, however, will be spent for consumer goods.

**GREEK FOREIGN TRADE**  
MILLION DOLLARS

*Red figures indicate percentage*



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## CURRENT INTELLIGENCE WEEKLY SUMMARY

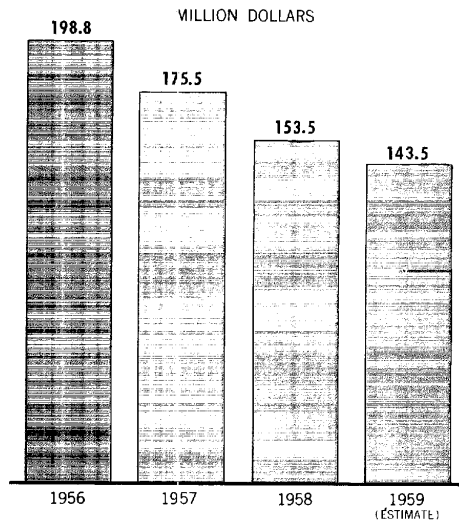
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Foreign Exchange Problem

Greek gold and foreign-exchange holdings have continued to decline since 1956, dropping by \$23,000,000 in 1958. While exports are expected to increase in 1959, lower remittances from shipping and a higher level of imports probably will produce a further loss of \$10,000,000 to \$15,000,000 by the end of the year. Reserves now are barely adequate to cover imports for three or four months and are below the \$180,000,000 considered "safe" by officials of the International Monetary Fund.

These officials have been concerned that even a modest reduction below the "safe" level might undermine confidence in the national currency. Thus far, however, there has been no loss of confidence, partially because the Greek Government has been making overoptimistic statements to the press which, according to Prime Minister Karamanlis, are inconsistent with the facts of the economic situation.

The confidence of the Greek public in the currency is a relatively new development. Greece has been subject to violent economic and political fluctuations, especially since World War II. Such fluctuations have conditioned the public to hoard gold and other "real assets" and to accept periodic flights of capital as a reality of economic life. The drastic currency devaluation of 1953 and the resultant surface stability, however, engendered confidence and caused

**GREECE: GOLD AND HARD-CURRENCY ASSETS**

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a marked increase in savings deposits--from about \$19,000,000 in 1953 to over \$180,000,000 by the end of 1958.

In the interests of retaining this new public confidence in the Greek drachma, Athens is reluctant to take measures, such as sharply restricting imports, which could precipitate a rush to withdraw funds. Thus a portion of the loss in the gold and foreign exchange reserves is accounted for by payments for imports of consumer goods. A move to restrict imports drastically is not considered economically and politically feasible by the government.

Balance of Payments

Even under favorable conditions, Greek exports rarely cover half of the costs of the country's imports. Last year's imports were \$300,000,000 more than exports. Athens must rely largely on earnings from shipping and, more recently, on the tourist trade, and remittances from emigrants. These funds, however, were less than in 1957, partly because of the world-

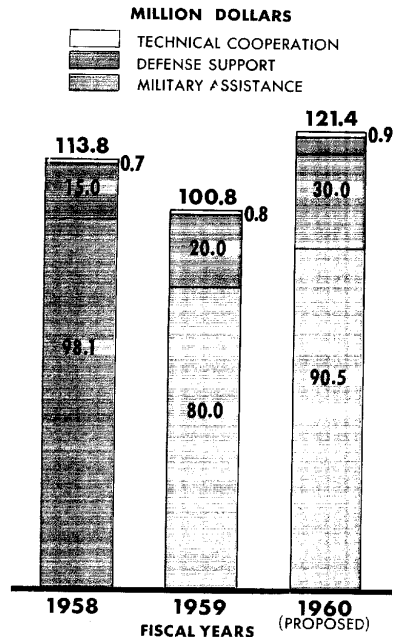
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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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## AMERICAN AID TO GREECE



wide shipping depression. In late 1958, 10,000 Greek seamen and about 480 Greek-owned ships were idle.

This year imports are likely to rise by at least 8 percent, and, although exports should rise, the gap will widen substantially. Even with an appreciable increase in the amount of American aid utilized this year, Athens will find it necessary to use its dwindling foreign exchange reserves to pay for imports. The tighter import controls inaugurated in August 1958 have, however, reduced new credit granted to Greek importers by foreign firms.

Prospects

Measures taken by the government to conserve the coun-

try's foreign exchange holdings are inadequate, and Athens, barring increased Western aid, may face a crisis by midsummer. The government probably fears further limitation on imports of consumer goods would be exploited by the opposition and by the growing extreme left wing. Even if imports are cut back sharply, the danger of a sudden economic crisis would persist, since the Greek economy is dependent on a high level of economic activity in Europe and the world generally.

Greek Government officials claim their country can do nothing more on its own to avoid a possible economic crisis; they point out that Athens has already adopted sound monetary and fiscal policies and liberalized its trade and payments arrangements in accordance with American wishes. These officials note that a crisis might temporarily be averted if certain domestic economic measures were taken. Such moves, they assert, would result in a serious loss of confidence in the country's economy and would cause disastrous results. In the short run, Greece will seek increased American aid--\$30,000,000 more in defense aid alone in fiscal 1960 than in 1959.

Over the long run, Greek economic development in productive areas will have to be speeded up and increased consumption postponed. Any move to hold down the rising Greek standard of living--still the lowest in Western Europe--probably would diminish further the popular support for the Karmanlis government.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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## SINO-SOVIET BLOC FOREIGN TRADE PRICING PRACTICES

The Sino-Soviet bloc's foreign trade pricing practices are designed primarily to acquire scarce foreign exchange rather than to disrupt the free world's economic stability. The bloc's aim is to expand existing markets or open new ones in order to pay in hard currencies for stepped-up purchases of free world goods required for its ambitious industrialization programs. In a period of general economic contraction, as in late 1957 and 1958, this can occur only at the expense of free world suppliers, whose prices are sometimes undercut severely by bloc traders in order to gain a foothold in Western markets.

The bloc probably would not sacrifice export earnings for any extended period by unloading large quantities of goods at bargain prices in order to disrupt Western economic life. Such large-scale price-cutting would mean a large reduction in bloc foreign exchange receipts. This does not mean, however, that a bloc country would not cut its price over a considerable period in order to oust a free world supplier permanently from a given commodity market in a particularly important target country.

There is abundant evidence that bloc firms have engaged in vigorous price-cutting, occasionally offering discounts of 20 percent or more under prevailing prices, in order to overcome various obstacles in expanding sales or marketing their goods abroad. This action on occasion has reduced the earnings of certain free world producers and temporarily disrupted some free world commodity markets. Allegations

that bloc countries are engaged in dumping--selling goods abroad below domestic prices or costs--are virtually unprovable, because the bloc's foreign prices are purposely isolated from internal places or production costs.

Most, if not all, of the commodities which the USSR has recently offered the West in exceptionally large quantities have at least two features in common. First, they are in easy supply, relative to present bloc needs; second, the Western commodities affected by Soviet sales have been characterized by limited competition among sellers and artificially high prices, even in depressed markets. Thus it appears that Soviet sales are not being used as a means of disrupting the economic stability of the free world, but as a more efficient means of acquiring necessary foreign exchange.

Soviet Sales in Western Europe

Exceptionally large supplies of tin, aluminum, asbestos, and other commodities were offered in 1957 and 1958 by the USSR for sale in Western Europe--in some cases at prices considerably below those prevailing on the world markets.

The Soviet justification for the more extreme examples of price-cutting is that the inability of the USSR to guarantee long-term continuity of supply makes Western buyers unwilling to transfer purchases from their normal sources of supply to the USSR except at bargain prices. The commodities offered by the USSR are most often those whose prices have been maintained artificially despite the recession and thus afford the best

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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opportunity for acquiring foreign exchange.

The unprecedented quantity of tin offered by the USSR in 1957-58 for sale in the West seriously disrupted the already depressed Western market. Before its tin was accepted for trading in organized markets, the USSR priced this commodity below that of free world producers. With the acceptance of Soviet tin on the London Metals Exchange, however, its sale to the free world at prevailing market prices was guaranteed, thus raising the price.

In 1955 the USSR for the first time became a net exporter of aluminum, and since that time its sales have offered increasing competition to the major Western producers. In 1958 the leading Canadian producer cut its price for the first time in ten years; the USSR responded by offering to undersell all bidders by 10 percent. In contrast to this practice of cutting prices in the face of a declining market, the USSR charged premium prices when aluminum was in short supply in 1955. In both situations the prime Soviet objective was to maximize foreign exchange earnings.

Western producers of asbestos and flax also have felt the impact of large Soviet exports since 1956. Asbestos sales, made at reported discounts of 20 to 25 percent, cut deeply into the Western European markets of Canada's several large producers.

#### Chinese Sales in South Asia

Over the past several years, increasing quantities of mainland Chinese goods have

appeared on South Asian markets in direct competition with traditional suppliers. To gain markets for their textiles and light manufactures, Communist China's trade companies have offered low prices which permit local merchants to profit from sizable mark-ups. Attractive credit terms have been arranged through local offices of Communist-owned branches of the Bank of China.

Through such inducements, South Asian imports from Communist China in 1958 increased 11 percent above those in 1957. Although such purchases continue to be less than 3 percent of the area's total imports, Peiping's trade balance there provides it with foreign exchange to be used to pay for its rapidly expanding purchases from Western Europe.

The difficulties encountered by the traditional suppliers in South Asian markets, however, cannot be attributed in any great degree to Chinese competition. Their problems result largely from the general deterioration in economic conditions in the area, which is an outgrowth of the general decline in world commodity prices and the mounting internal economic problems in individual countries.

In 1957 and 1958 there was a decline in the world market prices of major exports and consequently foreign exchange earnings of the South Asian countries.

In order to maintain sales, exporters to South Asia, were forced to lower prices. Especially affected were export organizations of Communist China, which had been trying to enter and establish themselves in markets there.

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## BULGARIA INTENSIFIES ECONOMIC PACE

Since early October 1958, Bulgaria has made tortuous efforts to launch a program in the spirit of the USSR's Seven-Year Plan. Whereas the old administrative structure and tempos of development were "correct" for a country making the "transition from a capitalist to a socialist society," new ones now are required which will reflect the "victory of socialism" in Bulgaria.

With this ideological justification and patterns provided by the Seven-Year Plan, Bulgaria has embarked on a campaign to fulfill its new Five-Year Plan in three to four years. Its "great leap forward" has astronomical production targets in many fields and calls for a sweeping administrative reorganization, ostensibly designed to decentralize economic and political controls.



## Bulgaria's "Leap Forward"

A special plenum of the party central committee, meeting from 2 to 4 October, called for a gradual amalgamation of the country's approximately 3,400 collective farms in a drive to fulfill ahead of schedule the Third Five-Year Plan presented in June 1958. Bulgaria's lead-

ers, however, did not feel this drive was sufficient either to cope with pressing internal problems or to fulfill the country's share in the new economic surge called for by the Soviet Seven-Year Plan. Party First Secretary Todor Zhivkov on 11 November told another plenum of the central committee that a Bulgarian "great leap forward" was necessary.

Concerned with creating the "material and spiritual preconditions" for beginning the gradual transition to Communism in five or six years, the "leap" involves all aspects of political, economic, and cultural life. It calls for drastically increased production goals and seeks to enroll all the people through such measures as the obligatory donation of 30 days' free manual or "production" labor a year and through the introduction of continuous work shifts in industry.

The collective-farm amalgamation program having been virtually completed by mid-December, Zhivkov addressed a set of theses to the central committee at yet another plenum on 15-17 January 1959, which called for broad administrative and economic reorganization of Bulgaria along the lines of the decentralization Khrushchev ordered in the USSR. Bulgaria's program contains many Bulgarian innovations. The new "administrative-economic" region, with its general competence over most facets of life within its territory, is an expansion of Soviet efforts at decentralization embodied in the sovnarkhoz.

The program finally enacted by the National Assembly in February and March, however, does not have the radical exuberance of the speeches and press comments of November and December.

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stimuli was the bloc's pressure to bring Bulgaria's planning cycle into accord with those of the other European satellites, which are scheduled to begin new plans around 1961.

Mere fulfillment ahead of schedule, however, would not of itself eliminate the serious weaknesses which both Soviet and Bulgarian officials have frequently cited in the Bulgarian administrative structure,

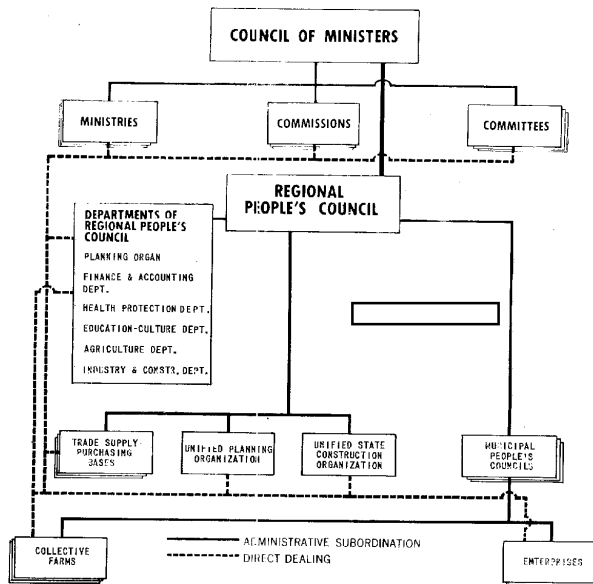
mainly the almost strangling growth of red tape and bureaucracy. Popular dissatisfaction, spreading gradually into the lower party echelons, has also centered on the problem of unemployment and on the disparity between living conditions and salaries of party or government officials and those of common peasants or laborers.

The affinity of the party hierarchy for the hard-line spirit of the Chinese program apparently resulted in the formation of at least one commune "in the image of" its Chinese counterparts. This commune, the result of excessive local zeal, was disbanded soon after its formation. Zhivkov's efforts at restraining such enthusiasm are evident in his 10 March report to the assembly, in which he admitted that "exaggerations" had occurred in the amalgamation of collectives, resulting in a "mechanical" creation of a few "very large" collective farms.

How It Came About

The Bulgarian programs were the result of both internal and external stimuli. One of the most important external

BULGARIA  
ORGANIZATION OF "ADMINISTRATIVE-ECONOMIC" REGION



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with the party and its program, which obviously has not been able to fulfill the many promises of a better future. This disillusion has crystallized in demands for reform, which caused the Bulgarian leaders, acting on the Chinese example, to introduce such "leveling" features as the "voluntary" labor schemes. Talk about a raise in the minimum wage, a cut in the salaries of top officials, and a guaranteed monthly and yearly income reflect a similar stimulus.

Factionalism Not an Issue

Vulko Chervenkov, who in the past had been mentioned prominently as leading a faction in the party, now is reported to be gradually losing his influence. The long-standing mutual dislike of Khrushchev and Chervenkov, which is credited with blocking Chervenkov's attempts to replace Zhivkov as first secretary, has become common knowledge in the middle and lower party ranks. These functionaries now feel less compulsion to cater to Chervenkov's wishes, realizing that he can never resume the first secretaryship as long as Khrushchev is in power.

Although Zhivkov has the firm support of Khrushchev, he may not be confident

of the loyalty of those functionaries who once were firm supporters of Chervenkov, and the likelihood of a gradual easing of these people from positions of power should not be discounted.

The extent in the rank and file of "liberal" opposition to the leadership is unclear. While the reversion to more demanding policies over the last six months would indicate at best the temporary eclipse of those who might favor a more liberal policy if given the opportunity.

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"Kostovism" continues to have some support from the party ranks.

Kostovism, described as a vague feeling rather than an organized movement, takes its name from Traicho Kostov, second-ranking Bulgarian Communist before his execution in 1949 for advocating more independence from Moscow. It is doubtful that "Kostovism" will in the



CHERVENKOV

foreseeable future crystallize into a movement, however, if only because there is no practical alternative to continued subservience to Moscow.

How It Affects the People

Although it is partly an answer to the popular clamor for reform and for improvement in

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the standard of living, the program actually negates these effects by placing intense pressures on all the people. While the regime has decreed the gradual abolition of the labor-day system of payments for the collective farmers in favor of a guaranteed minimum monthly and annual wage, and the increased production demanded is supposed to result in higher incomes, the "leap" will require the farmers to work more diligently than in the past during the winter months on local improvement projects and, where possible, in local industry.

There is little evidence of active opposition during the past winter to the increased demands on the farmers, although the press revealed that many of the scheduled mass labor projects were not completed by the beginning of the planting season. Whether because of poor preparation or because the goals were completely unrealistic, the targeted doubling of agricultural production in 1959 has been cut back to a "mere" 74-percent increase over the 1958 figure. While this may be more realistic goal, its achievement is probably impossible.

The regime has stated that in the future the minimum monthly wage for industrial workers will be raised from 400 to 600 leva (about \$88), and that in most industries the workweek will be reduced gradually from six to five days. On the other hand, the regime apparently intends immediately to force the workers to produce more and better. The anticipated wage reform will undoubtedly be accompanied by higher production quotas.

Intelligentsia and Youths

The two potentially most dissident groups, the intelligentsia and the youths, are also to be enrolled in the "leap." Having stamped out the last surviving dissidence in the Writers' Union early last year, the regime now can call

for an advancement in cultural work in all fields to reflect the "popular upsurge." Frequent critical press attacks suggest that these two groups are not cooperating fully.

Bulgaria's youths continue to be the primary object of regime dissatisfaction. The Dimitrov Union of Communist Youth was revamped at its ninth congress and new ruling bodies were set up. In the period from October to January, Zhivkov told the union it was necessary to recruit all youths into the "leap," implying that they must play the major role in stamping out "bourgeois" tendencies among the young people. That this goal has not been achieved is indicated by Zhivkov's remarks to the National Assembly on 10 March. Speaking of the necessity to maintain the powers of internal security organs, he said the punitive measures must be increased--"particularly concerning the youths."

Lack of enthusiasm among youths for the "leap forward" and for Communism in general--as evidenced by the popularity of Western culture--worries the regime, which therefore intends to combat these "manifestations" not only by the youth union, but also by the schools and by the state. The proposed reorganization of Bulgaria's educational system along the lines of the proposed Soviet reorganization, designed to create a "love of labor" among youths, will mean that students will be educated for assuming specific jobs and will be required to spend part of the educational year in "on-the-job training."

Students' leisure time will be taken up in union activities and "voluntary" labor projects. Many of the projects will be assigned to the Youth Brigades, which were ordered in March to expand so as to include considerably more than the 100,000 youths who participated in 1958.  (Concurred in by ORR)

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