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CURRENT INTELLIGENCE WEEKLY SUMMARY



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PART I

OF IMMEDIATE INTEREST

EAST-WEST NEGOTIATIONS

Foreign Minister Gromyko appears to be playing for time at Geneva on the assumption that the Western powers will eventually take the initiative in working out a compromise formula on Berlin at a minimum cost to the USSR--a formula which will open the way to a summit meeting.

Khrushchev and Gromyko have maintained their unyielding posture on Berlin and a German peace treaty in public statements and have categorically rejected the Western proposals for an all-Berlin solution. In his speech on 30 May in Tirana, Khrushchev declared, "We do not have to make any concessions because our proposals have not been made for bartering." The Soviet leaders apparently are counting heavily on their ability to exploit any divergences among the Western powers regarding terms for an interim Berlin arrangement.

Soviet propaganda is stressing that alleged Western intransigence is imposed by West German "revanchists and militarists," abetted by French "ruling circles." In his Tirana speech on 30 May, Khrushchev made a thinly veiled attack on President de Gaulle, remarking that certain French statesmen, who not so long ago "fled from the German troops to Britain and other countries," have failed to "draw the relevant lessons from the two wars started by German militarism."

In the plenary session on 30 May, Gromyko defined the task of the foreign ministers' conference regarding Berlin as replacing the wartime four-power agreement on Berlin by a new agreement which adjusts the Berlin situation to present conditions in Germany. He defended the Soviet free-city plan for West Berlin and called for a four-power pledge of noninterference in the internal affairs of the free city and a guarantee of its "free relations" with the outside world.

Gromyko also introduced a proposal for a permanent commission composed of the four powers and East Germany to ensure that the free-city status is observed. The counselor of the Soviet Embassy in Paris had suggested to an American official in Geneva on 29 May that free access and political freedom of West Berlin should be guaranteed by a "joint commission" composed of the four powers only. It is likely that Gromyko will declare himself willing to bargain on the composition of such a commission to demonstrate the USSR's desire for productive negotiations.

Pressure on Bonn

Soviet propaganda attacking the allegedly negative attitude of the West German delegation at Geneva has been accompanied by private efforts to induce the opposition West German Social Democrats (SPD) to push their

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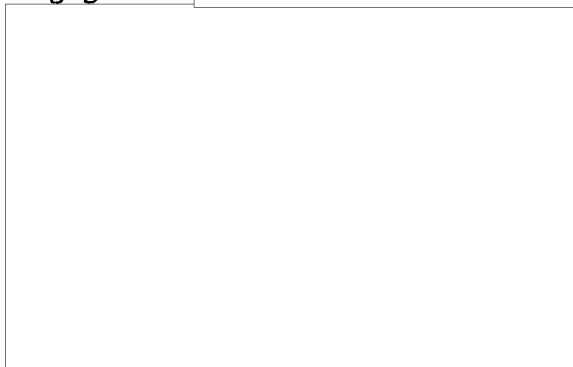
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plan for reunification and dis-
engagement



The SPD proposal provides among other things for an all-German committee with equal representation, a ban on nuclear weapons, withdrawal of foreign troops from a Central European zone including Germany, Poland, Czechoslovakia, and Hungary, and the withdrawal of these countries from NATO and the Warsaw Pact. The Russians probably believe that these aspects of the plan can be exploited to embarrass the Bonn government and bring further pressure on the Western position.

Evidencing close coordination on this question with Moscow, East German party First Secretary Walter Ulbricht on 24 May declared that members of the Bonn parliament who are "advocates of a peaceful solution of the German question" should explain their viewpoint to the various delegations at Geneva.

In line with this, the party organ Neues Deutschland on 27 May appealed to the SPD to propagandize its plan and introduce it at Geneva as "the plan of a great part of the West German people who are not in

accord with Adenauer's policy." The article concluded, "Thus the SPD's road must lead to Geneva."

East Germany

In a press interview on 27 May, Ulbricht reiterated the standard East German line on Berlin. He attacked the Western proposals on Berlin, called for a peace treaty with both German states if possible or, failing this, with East Germany alone, and reaffirmed the bloc position that a separate treaty would end Western rights to remain in West Berlin. On the question of East Germany acting as the agent of the USSR in exercising Berlin access controls, Ulbricht resorted to an ambiguous reply which might possibly imply that his regime would agree to accept this role.

Ulbricht also stated that in the event West Berlin is converted into a free city, communications between East Berlin and the Western sector would continue. He asserted that East Germany would have "no objections in principle" to United Nations participation in guaranteeing West Berlin's status as a free city, although "certain practical questions" would have to be worked out with the East Germans.

The East Germans stepped up their attacks on Bonn's alleged "militarism" and "fascism" with a press conference in Geneva conducted by Defense Minister Lt. Gen. Heinz Hoffman. The Swiss-manned secretariat of the International Press Center subsequently issued a sharp warning

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to the East German delegation that further abuses of the center's facilities would lead to the withdrawal of privileges,

West German Opinion

The majority of West German and West Berlin editorial opinion expects two results from the current foreign ministers' negotiations: a communiqué agreeing to maintain the status quo in Berlin, with no definite time limit; and an agreement on a summit conference. Bonn's statement in Geneva ruling out an interim, status quo agreement lasting only until the summit meeting was interpreted as a move to forestall British consideration of such a solution,

Most papers saw the conference as entering a crucial stage in which the alternatives were a limited Berlin agreement leading to a summit meeting or a new "crisis."

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MIDDLE EAST HIGHLIGHTS

Iraq

Non-Communists in Iraq are hopeful that Prime Minister Qasim intends to further limit the influence of the Communists, although Qasim has still made no positive move in that direction. Encouragement comes in part from a new tone in Baghdad radio during the past two weeks but this may have been due to the absence of the radio boss, Salim Fakhri, in Moscow. On 1 June the radio returned to a more familiar line, warning that erroneous interpretations of Qasim's view of political party activities had left an opening for the "imperialists" and "reactionaries" to exploit.

The radio also hailed the departure from Baghdad on 1 June of an Iraqi delegation, headed by a Communist leader and made up largely of fellow travelers, which is to explain Iraq's "republican" policy to other Arab and North African states. The delegation's first stop is Morocco, and it hopes to visit Tunisia, Libya, the Sudan, Saudi Arabia, and Lebanon as well.

Widespread rumors in Iraq of an impending anti-Communist coup attempt appear to be a by-product of the apparent coolness between Qasim and the Communists. Several of the rumors have put the coup date in early June.

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There are even more persistent rumors that Qasim's pro-Communist aide-de-camp, Col. Wasfi Tahir, and the pro-Communist army chief of plans, Brigadier Taha Ahmad, are to be given ambassadorial appointments. So far there is no substantiation of any of these rumors, although there may have been some incidents, as reported in the Baghdad Communist press, of anti-Communist activity in outlying districts.

Qasim's own attitudes remain as ambivalent as ever. He has explained that the cancellation last week of the Iraqi-American military assistance agreement, and of the special assistance agreement which followed Iraq's adherence to the Eisenhower Doctrine, was to remove "factors of animosity" between the Iraqi and American peoples. He also asserted that he knows the Iraqi Communists as "sincere, patriotic" people, and he said he was certain that "sincere" people would not become "plotters."

Sudan

General Abboud, after an initial period of indecision, this week ordered the arrest of the two top leaders of the abortive military coup attempt of 22 May. The Sudanese Government has announced that Brigadiers Shannan and Abdullah, along with a number of junior officers, will be tried for treason by a court martial. Abboud's move followed the conclusion of an army investigation into the coup attempt. A meeting of army commanders was held in Khartoum at the end of last week to hear the evidence, and it apparently de-

cided to back Abboud in restoring discipline and curbing the junior officers' movement.

The Abboud regime moved at the same time against Sudanese leftists. A number of civilian leaders of the Communist party and other left-wing organizations have been arrested as well as some leaders of the pro-Egyptian National Unionist party. There appears to be no real relationship between the arrests and the conspiracy in the army, although the Communists may have utilized the recent period of uncertainty to increase their activity.

While General Abboud and the relatively conservative senior officers seem to have successfully asserted themselves, the basic problems which produced dissatisfaction among the junior officers have not been solved, and a new movement may develop. Its development would be hastened if Abboud gave new signs of appeasement; according to some reports, he has relieved Brigadier Hasan Bashir Nasir, who was one of the Shannan group's most determined opponents, as deputy army commander.

UAR

UAR President Nasir seems to be in one of his more relaxed and moderate moods. Although Cairo's propaganda machine is replying as usual to attacks it feels have been made on the UAR, no special campaigns seem to be under way, and in this atmosphere the UAR has been considering and pursuing further negotiations with its old enemies, Britain and France.

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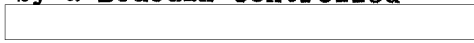


While Nasir is willing, for both diplomatic and more pressing economic reasons, to accelerate a rapprochement with France, he still clearly fears that such a development would be used against him by Moscow, Baghdad, and other enemies. Nasir also believes that the time has come for a "re-examination" of the UAR's relations with Britain. Real progress toward a final settlement of the aftermath of the Suez war has been stymied by Cairo's unwillingness to accord diplomatic priv-

ileges to the British financial mission in Cairo.

Jordan

The Jordanian monarchy's sense of security does not appear to have been materially enhanced by the arrest of former chief of staff Sadiq Shara on charges of plotting a coup during King Husayn's recent world tour. Amman remains full of rumors of further retirements of army officers who are not acceptable to the Bedouin officer clique, although there are a few signs that the government may be trying to avoid complete domination by a Bedouin-controlled army.



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PART II

NOTES AND COMMENTS

KHRUSHCHEV IN ALBANIA

Khrushchev arrived in Tirana on 25 May for a scheduled 12-day visit, accompanied by Defense Minister Malinovsky, presidium member Mukhitdinov, Deputy Foreign Minister Firyubin, and six other officials. The ostensible purpose for the visit was to strengthen the appearance of bloc solidarity and to demonstrate Soviet concern and interest in Albania. At the same time, Khrushchev used the occasion to make pronouncements on "the German question," the foreign ministers' and summit conferences, and to sharpen the Soviet attack on projected US missile bases in Italy and Greece.

In his most explicit statement on missile bases while in Albania, Khrushchev also warned that if Greece "embarks on the same dangerous road as Italy" in yielding to US pressure, the USSR and Albania would be forced to "agree to the establishment on Albanian soil of rocket bases aimed at Italy and Greece."

Khrushchev recalled a proposal first made by Rumanian Premier Stoica in September 1957 for a Balkan conference of heads of government to discuss "consolidation of peace in the area." He also renewed a proposal first made by Bulgarian Premier Yugov in January 1958 for a Balkan zone in which nuclear weapons and rockets would be prohibited. Subsequent propaganda by Moscow suggests that the bloc may follow this up with a call for a regional "summit conference"--to include Yugoslavia, Greece, Turkey, and Italy--in order to discuss the creation of a nuclear-free zone in the Balkan and Adriatic area.

The Soviet delegation's visit to traditionally anti-Yugoslav Albania was accompanied by a marked abatement in anti-Yugoslav propaganda by the bloc countries, and the official communiqué placed renewed stress on the "normalization" of state relations with Belgrade.

Continued references in speeches and in the final communiqué to "revisionism" as the main danger to the Communist movement, however, indicated that no alteration has occurred in the bloc's basic attitude toward Yugoslavia.

It was rumored that Khrushchev would attempt to meet with Tito during the visit, but no such meeting took place. Tito at the time was making a deliberate show of unconcern by touring eastern Serbia.

Speculation in Western newspaper circles concerning an impending "meeting" of bloc leaders in Albania also was not borne out by events. The speculation arose from the simultaneous presence in Albania of East German Premier Grotewohl and Chinese Defense Minister Peng Te-huai,

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and from a statement by an official Yugoslav spokesman that overflight clearances had been requested "from most East European countries to Albania." By 4 June, however, all of the Soviet delegation had departed, and there was no evidence that any other bloc leaders had arrived in Albania.

Khrushchev and Malinovsky arrived in Budapest on 4 June--rather than 6 June, when their Albanian visit was scheduled to conclude--in order to meet with Hungarian leaders. [redacted]

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POLISH COMMUNIST PARTY EXTENDING ITS CONTROL

Developments in Poland so far this year suggest a tightening of party and government control over domestic affairs. The effort has become more pronounced since Gomulka emerged from the third party congress in March as undisputed master of the Polish party. While the Polish regime still retains characteristics which set it off from its orthodox Communist neighbors, Gomulka has been moving to restrict practices which are inconsistent with Communist philosophy.

Gomulka has long wanted to strengthen the party's hold over the population at the expense of the Catholic Church, and at the party congress he warned the church to stay out of politics. The state has recently reinterpreted the law exempting church funds used for religious purposes from taxation. If applied extensively, the new taxation would tend in the long run to make the population more dependent upon the regime for social and charitable services. Gomulka can be expected to move cautiously so as not to jeopardize the internal stability he has achieved.

In the countryside, the regime's policy has been to use persuasion rather than coercion

to extend party influence. The state continues its support for private farmers--a sharp departure from bloc practice. Since the party congress, the regime has encouraged the development of a countrywide network of agricultural "circles"--loose cooperative associations. Local party organizations will give economic aid to the "circles," a move which will increase present dependence on the party.

Problems with dissident intellectuals and recalcitrant youths still plague the regime. Gomulka's remarks on writers at the party congress indicated that the regime would continue to force conformity with its policies and would not permit revisionist literature to be published. Economic sanctions, such as refusal to publish an author's work, may in time force many writers to be more cooperative. The regime is approaching the subject cautiously, however, apparently to avoid accusations of having returned to the abuses of the pre-Gomulka era.

In the universities, the regime is demanding political indoctrination courses and imposing greater discipline. Incoming students and instructors will be screened for proper political orientation, and those students

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who are of worker or peasant origin will be given preference. Compulsory courses in Marxism-Leninism will be reintroduced in the universities, probably next fall, to combat the strong currents of liberalism and anti-Marxism.

While Polish police and judicial practices continue in

sharp contrast to those in other satellites, the regime claims that the prosecution organs have been compelled to return to summary procedures to deal with the "dangerous situation" resulting from the widespread economic crimes. This is a definite step backward in the legalization of Polish court practice effected since 1956.

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DROUGHT IN BALKAN SATELLITES

A crop failure is likely in the southern European satellites this year unless the drought which began last summer ends soon. By the end of May, the situation had become critical in Bulgaria and Rumania--especially in the Danubian Plain and the Dobruja area--and was only slightly less serious in Albania. The gravity of the situation in Hungary has been at least temporarily alleviated by rains since mid-May.

Beginning in the summer of 1958, the drought generally reduced yields of grains harvested in late summer below average, and has continued practically unbroken through the middle of May. In only two of the past twelve months has precipitation in the southern satellites been normal or above. Long-range forecasts by Bulgarian meteorologists predict below normal precipitation for June in the Danubian Plain, a major grain-producing region for both Bulgaria and Rumania.

The development of winter grains--wheat and rye--and of spring-planted crops has been retarded; pastures, early vegetables, and first cuttings of hay will also suffer. Unless at least normal precipitation occurs throughout June and July, the drought will not only lower

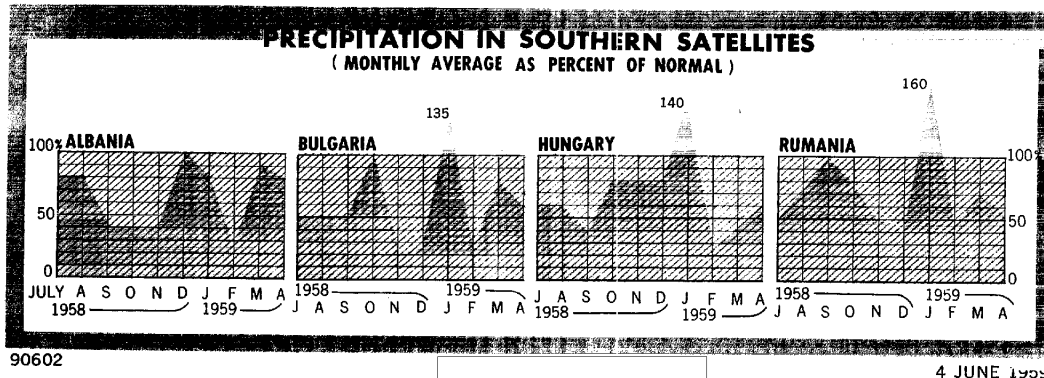


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small-grain production for the second consecutive year but will have a disastrous effect on over-all agricultural production.

In addition to drought, other developments which normally have adverse effects on agricultural production have been taking place in these satellites. Rapid collectivization drives or vast organizational changes have occurred throughout the area since the 1958 harvest. Bulgaria has followed extensive merging of collective farms with initial reorganization of machine-tractor stations, labor and payment innovations, and introduction of an agricultural procurement system similar to that in the USSR. Hungary almost doubled the socialist sector of agriculture by tripling the area in collectives between mid-December and the end of March. Albania and Rumania have combined less dramatic col-

lectivization with substantial organizational changes.

Below average grain production coming after these drives and organizational changes could increase unrest among peasants and retard collectivization. If the drought goes unbroken, export obligations of agricultural commodities to other bloc countries cannot be fulfilled and the USSR will once again have to supply urban populations of the southern satellites with large quantities of grain.

Crop prospects in the northern satellites--Czechoslovakia, East Germany, and Poland--where distribution and amounts of precipitation have been more nearly normal, are relatively much better--at least for the winter grains, which usually constitute 50 percent or more of grain production in that area.

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(Prepared by [redacted] ORR)

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PEIPING'S FARM WORRIES

Communist China's Minister of Agriculture Liao Lu-yen warned in a recent speech that the nation may "lose" some 14,-000,000 tons of foodstuffs--almost 3 percent of the year's goal--as a result of a reduction

in acreage planted to early crops, and he urged all communes to use "every inch" of arable land to plant late crops. This is the first public suggestion from the regime that the 1959 crop may not measure up to the

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party's heady expectations. These were based on a claimed doubling of food-grain production last year--a claim which grossly overstated the results of a good crop year.

There may be some basis to Liao's fears of a short-fall as a result of acreage reductions. It is possible that the regime's brave talk about the practicability of reducing sown acreage while farming limited areas with the intensive cultivation methods introduced last summer did lead to actual reductions.

Peiping is also concerned about the effect this spring of other "leap forward" farm policies. Indiscriminate application of intensive cultivation methods has led to the threat of widespread lodging--the inability of grain to stand up during the ripening period. Usually caused by heavy rain and wind, lodging can also result from the close planting and heavy manuring practices advocated by Peiping. A more rational application of these techniques is being urged.

Anxiety over peasant reaction to extravagant farm goals may lie behind the strictures in a recent edition of the theoretical journal Red Flag against targets which "deviate from reality." The journal cautions that farm goals cannot be set by a "handful of men behind closed doors" but must be openly discussed with the farmers themselves. It went on to argue the case for setting actual targets some 10 to 20 percent below feasible levels in order to give the peasants a chance to "achieve awards and gain satisfaction." In addition, local cadres have once again been

warned against padding production forecasts "level by level" as they are passed upward to Peiping.

Peiping continues to give broader application to measures designed to increase peasant incentives. It has recently attempted to encourage individual peasants to raise hogs by providing that they can raise hog feed on individual plots set aside for the purpose and that they be ensured of a profit plus a share of the pork. For the past month or more, the Chinese press has abounded with articles designed to "motivate the masses" to a speedy and careful harvest of early crops, in an effort to avoid last fall's losses. These articles have also emphasized the need to transfer the state's increasing share off the commune as quickly as possible.

Peiping's anxiety is heightened by a very tight food situation in both city and countryside. Shortages in large cities have been described as "grim," with evidence of malnutrition noted. A growing black market in food is reported from Shanghai, and retail prices of food are said to be on the rise in Peiping. As to rural areas, rations have been reduced on some communes in Central China, and the inadequacy of the diet in communal mess halls in South China has been widely reported. The situation has not gotten out of hand, but the regime is insisting that strict conservation of food must continue to be practiced even after the early harvest.

(Prepared by
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CHINESE COMMUNISTS ATTEMPTING TO STEM REFUGEE FLOW

The continuing flight of refugees from the mainland is leading to greater Chinese Communist efforts to intercept them and has already resulted in minor incursions into the territory of neighboring countries. There have been no clashes with non-Communist troops, however. Peiping probably is motivated by a desire to put an end to refugees' stories of dissatisfaction with communes and other difficult conditions, including food shortages.

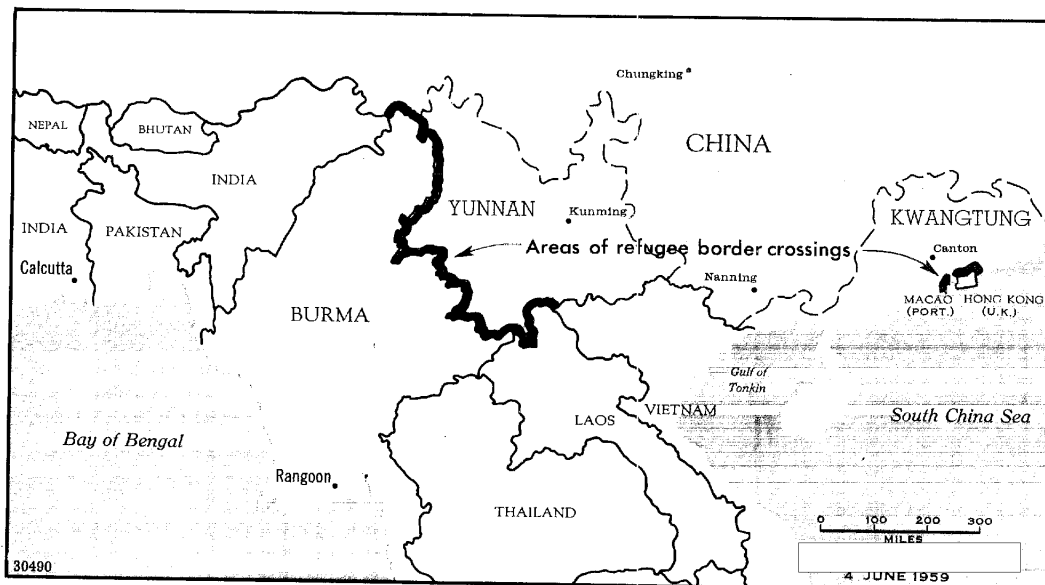
Two reported border crossings into Burma last week by Chinese patrols were probably in pursuit of refugees from Yunnan Province. The movement of people from China into Burma increased sharply last fall with the attempted establishment of communes among border peoples--a program which reportedly has been postponed indefinitely in western Yunnan. Agreements were made with Burmese border authorities at that time to allow only those holding permits to cross the border. For the past seven years the

Chinese had permitted the migration of border peoples, and in some cases even provided emigrés with forged Burmese documents to prevent their arrest in Burma.

Chinese Communists patrols also entered Laotian territory on several occasions in April in search of refugees and Chinese Nationalist irregulars and have used force and persuasion to try to induce refugees to return.

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The fairly constant flow of mainland Chinese into Macao now is made up almost wholly of escapees. On 31 May a group of over 50 Chinese--mainly farmers--reportedly fled by boats in one of the largest escapes into Macao. The Chinese Communists in recent weeks have been seizing and firing on such boats attempting to escape. Communist gunboats reportedly maintain a 24-hour patrol outside Macao and have on occasion entered its harbor to force back mainland



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fishing junks. The Portuguese authorities, aware that the enclave continues to exist only on Communist sufferance, have not protested such Communist activity.

The Chinese Communists had previously not hindered the flow of refugees into Hong Kong and had rejected or ignored British requests that border crossings be controlled. Last month, however, a Chinese Communist tugboat intruded nine miles into British waters around Hong Kong and seized two fishing junks

which had sought refuge from the mainland. The occupants of the junks swam ashore at the approach of the Chinese vessel. The British have not yet protested the incident, stating they want first to ascertain all legal points. Their hesitancy probably arises from a continuing desire to avoid a showdown over enforcement of China's unilaterally declared 12-mile territorial-waters limit in the Hong Kong area.

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JAPANESE - NORTH KOREAN REPATRIATION TALKS

Talks at Geneva between representatives of the Japanese and North Korean Red Cross Societies on repatriation of Korean residents of Japan to North Korea are drawing to a close and are likely to end in compromise, according to the chief of the International Committee for the Red Cross (ICRC). Formal agreement has not been reached and depends on further negotiations.

The talks began on 13 April and dragged on for several weeks, largely because of Pyongyang's opposition to Japanese proposals for participation of the ICRC in the repatriation process. Failure of the two sides to reach common ground resulted in a recess of nearly two weeks beginning 8 May. When the North Koreans rejected a so-called "final" Japanese plan on 20 May, it appeared that the negotiations might be broken off.

After private discussions between leaders of the Japanese and North Korean delegations, the Japanese Government decided on a modified proposal in which Tokyo retreated from its earlier

insistence that the ICRC participate directly. The new proposal, presented on 1 June, permits the ICRC to advise on the organization and operation of a repatriation system and ensure that the system operates "justly, properly, and impartially."

One reason for North Korea's intransigence in the talks may have been a desire to exploit the Japanese political situation to gain concessions from Tokyo. The Japanese Government has been under considerable domestic pressure to make arrangements to repatriate those of Japan's 600,000 Korean residents who wish to return home, and Prime Minister Kishi's Liberal Democratic party would have profited from any progress shown at Geneva. Indications of a less negative response to Tokyo's latest plan by the North Korean delegation came as elections to the upper house of Japan's Diet were already under way.

Agreement between Japan and North Korea may precipitate a formal rupture of stalled negotiations for the normalization of relations between Seoul and

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Tokyo. Such action by Seoul probably would be accompanied by a renewal of threats to use force if necessary to block any attempt to repatriate Koreans to North Korea. Ambassador Dowling in Seoul has commented that, should actual repatriation begin, the Rhee government might resort to drastic action no matter how ill-advised such action might be.

An agreement to repatriate Koreans from Japan to North Ko-

rea would enhance Pyongyang's international status. Such an agreement would further advance North Korean interests by complicating the already badly strained relations between South Korea and Japan and by diminishing Seoul's standing in the eyes of the world. Japan's dilemma is to balance these factors against its desire to get rid of a troublesome minority group. [redacted]

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25X1**COMMUNIST PROSPECTS UNDER THE LEFTIST SINGAPORE GOVERNMENT**

Pro-Communists can be expected to take full advantage of the greatly improved climate for subversive activities in Singapore following the landslide victory of the left-wing People's Action party (PAP) in the 30 May general elections. The Communist-infiltrated PAP will dominate the legislative assembly, where it holds 43 of 51 seats. The constitution which created the new partially self-governing State of Singapore was promulgated on 2 June. The British retain control of external affairs and defense and a voice in internal security.

The new governing party almost certainly will not invoke Singapore's ant subversion laws in the stringent manner of the former government. As a result, there is likely to be a marked increase in Communist influence on the island, especially in such highly susceptible groups as labor unions and in the Chinese schools.

Communist prospects may also be enhanced by a decline in British prestige and ability to control subversion. The successful PAP demand that the British release from jail eight pro-Communist PAP leaders on threat of refusing to form a government has already cast doubts on British ability to counter future PAP moves.

Release of the extremist PAP leaders, several of whom enjoy great personal popularity, will improve Communist chances for a dominant position in the party and, through it, the government. Meanwhile, it is doubtful if the PAP "moderates" can successfully prevent infiltration of all levels of government by the estimated 50 percent of the active workers in the party who are pro-Communist.

The British have built a number of ant subversion safeguards into the new constitution.

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It is questionable, however, how effectively these safeguards can be administered under a PAP government. Moreover, the government, even if it should come



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increasingly under Communist influence, will probably be careful not to provide the British with a clear-cut reason for exercising their right to suspend the constitution.

Britain's hopes for maintaining its position in Singapore short of suspending the constitution rest in large part on the prime minister - designate, Lee Kuan Yew. While under present conditions dependence on Lee may be the best alternative, it is a risky one. Lee [redacted]

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[redacted] may prove to have neither the desire nor the influence necessary to control the extremist elements in his party. [redacted]

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LAOS

The commander of the rebellious Pathet Lao battalion has requested that negotiations be reopened for the return of the unit to Laotian Army control. The army plans to reply with a leaflet drop offering the Pathet troops a choice of integrating into the army or returning to their villages as civilians. The army considers that the negotiations may be part of Pathet stalling tactics to gain time for external assistance. [redacted]

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The army intends to launch an attack against the battalion if the current negotiations

fail, but is probably incapable of preventing its escape if it breaks up into small groups. Premier Phoui Sananikone told the American chargé on 29 May that Prince Souphannouvong and other leaders of the Communist-front Neo Lao Hak Zat party (NLHZ) will be charged with inciting the Pathet battalion to open rebellion. He said that no action will be taken to suppress the functioning of the NLHZ as a political party.

North Vietnam's Premier Pham Van Dong has dispatched a series of letters, the latest dated 2 June, to the Vientiane government, which warns that the "rekindled" civil war is "drawing nearer and nearer to our frontier" and insists that the country is being transformed into an "aggressive" American military base. In the

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past two weeks, he has also sent formal letters to the USSR, Britain, India, Communist China, and France, protesting the arrest of NLHZ leaders and the action taken against the rebellious battalion. All of Dong's notes have characterized Vientiane's moves as violations of the 1954 Geneva agreements constituting a serious menace to peace in Indochina, and they demand the immediate recall of the Laotian International Control Commission (ICC).

security capability while providing the domestic Communists with a degree of protection from possible government repression. The recently achieved US-French agreement on joint training of the Laotian Army would probably have to be reviewed if the ICC were to return.

Peiping has followed up Chinese Communist Foreign Minister Chen Yi's 25 May letter to the cochairmen with a spate of propaganda. The People's Daily on 3 June warned that any action in violation of the Geneva agreements would "threaten the security of China."

Neither Peiping nor Hanoi has threatened military action to aid the dissident battalion, but may now find it advantageous to imply that such action might be taken. Hanoi has announced that its border units have been warned to be on the alert against any "provocations."

The Communist bloc considers that the return of the ICC would serve to limit US efforts to strengthen Laos' internal

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INDONESIA

The refusal of the Constituent Assembly in three separate votes to approve President Sukarno's demand for a return to the 1945 constitution has created a political stalemate in Indonesia. The 1945 constitution, which would increase executive authority at the expense of Parliament and political parties, is a facet of Sukarno's concept of "guided democracy" in which the army would also gain increased political power.

Rejection of the constitution resulted from the stand of the Moslem parties that the 1945 document does not provide suf-

ficient guarantees to the Islamic religion. By demanding an amendment to this effect, which Sukarno is unwilling to grant, they succeeded in preventing the necessary two-thirds vote to adopt the constitution. Wholehearted support for Sukarno's position came, paradoxically, only from the Communist party, which apparently is determined to avoid alienating the President.

The initiative for breaking the present deadlock now rests with the army and Sukarno

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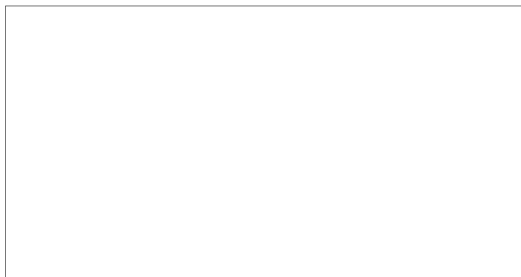
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Furthermore, in addressing the Constituent Assembly on 27 May prior to the voting, Premier Djuanda warned that failure to approve the constitution might precipitate "undesirable events" similar to those in neighboring countries--apparently referring to a possible army coup.

Following the assembly's rejection of the constitution and its decision to recess indefinitely as of 3 June, Army Chief Nasution on 2 June banned all political activity throughout Indonesia, in what could be a preliminary step to an army takeover. Nasution, however, may have imposed the ban to avoid political disruptions during a period of critical decisions. Since he is believed unlikely to act without approval of Sukarno and Djuanda, a solution within a legal framework will probably be sought. Attempts by Premier Djuanda to reach a compromise with the Moslem parties may also continue.

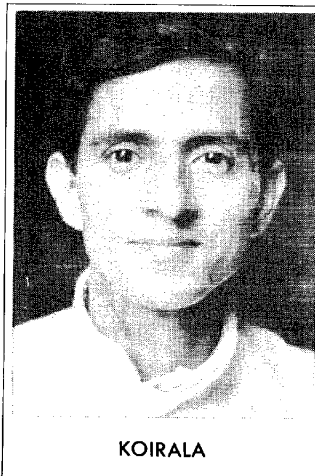
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THE NEW GOVERNMENT IN NEPAL

Prime Minister Koirala's new government, which took office in Katmandu on 27 May, controls an absolute majority in parliament and may, for the time being at least, create a relatively stable situation in Nepal. Koirala has stated his intention of concentrating on land reforms, education, small industries, and health. Internationally he will probably try to maintain a neutral position between the USSR and Communist China on the one hand and

India and the West on the other.

Koirala, who also holds the posts of defense and foreign



KOIRALA

affairs, is assisted by seven other ministers and 11 deputy ministers, all apparently from his Nepali Congress party. He expects parliament to convene



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in late June. In the immediate future, parliament is expected to support his policies. However, dissension within Koirala's own party and machinations by King Mahendra or by opposition leaders may eventually reduce the government's effectiveness. The King [redacted]

[redacted] may seek to undermine him if Koirala's domination of parliament appears to threaten the royal paramountcy.

Koirala has welcomed the agreement--signed by the previous government--for establishment of a Soviet Embassy in Katmandu and has indicated that the United States is also welcome.

The USSR has promised to construct a hydroelectric plant, a hospital, and two factories and to survey for a road.

There is also US aid for projects in agriculture, mining, health, education, and village development and a new agreement on aviation. In addition to supplying five planes to Nepal, the United States will provide equipment for nine airfields, including one at Mustang on the

Tibetan border. This last may become a target for Chinese Communist propaganda regarding "American air bases" in the Himalayan area.

Koirala has remarked that Nepal's friendship with India has become closer and that relations with Communist China will be unimpaired. Peiping has the treaty right to open a consulate general in Katmandu, and the Chinese ambassador, who resides in New Delhi, may have broached the subject of opening a resident mission when he had an audience with the King in Katmandu on 1 June. Katmandu says it has no Tibetan refugee or border problems and probably would comply with any Chinese request to establish such a mission.

Koirala, however, has been supported by India in his political campaigning, and he might try to balance any increased Chinese influence by expanding Katmandu's ties with New Delhi. Nehru is to visit Katmandu from 11 to 15 June and probably will caution the Nepalese not to expand their international relations too rapidly. [redacted]

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ISRAELI SHIPPING THROUGH THE SUEZ CANAL

Since the 1956 Sinai campaign, Israel has partially circumvented Cairo's restrictions on Israeli shipping through the Suez Canal by chartering 39 foreign-flag ships to carry its cargoes. No Israeli-flag ship has attempted to transit the canal since 1954 when the Bat Galim was seized and confiscated and its captain and crew imprisoned for three months. Earlier this year, however, cargoes from two Israeli-chartered ships were seized, and the Danish Inge Toft now is being

detained, preparatory to possible confiscation of its cargo.

This latest incident occurred despite UAR assurances to UN officials in the last two months that Israeli ships should be permitted to transit the canal if their cargoes did not "endanger the canal's security" and if the shipping manifests showed the cargoes were not Israeli owned. Israeli advance publicity of the "test" by the Inge Toft, however, may have prompted Cairo to take some

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action against the ship to avoid hostile Iraqi press and radio attacks charging UAR "softness" toward Israel.

The UAR contends that it learned only early this year of Israeli chartering arrangements.

According to UAR authorities, the Israeli charters make the vessels "enemy" ships, and confiscation of their merchandise is justified regardless of ownership of the cargoes at the time of seizure.

Ceylon, to which some of the merchandise had been en route, has made a vigorous protest to Cairo, and Denmark has also made representations concerning the Inge Toft. Other governments have thus become more directly involved than heretofore in Israel's dispute over use of the canal.

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LIBERIA INCREASING ROLE IN AFRICAN NATIONALISM

Liberia's President Tubman appears determined to associate his country more closely with the militant African nationalism of Prime Minister Nkrumah of Ghana and President Touré of Guinea. Although Tubman was recently re-elected over only token opposition to another four-year term, he now apparently feels he must make a major effort to remove the stigma of "black agents of the imperialists" which other Africans widely apply to the ruling Americo-Liberian oligarchy.

Tubman is also aware of the growing strength of the younger elements within the ruling party who demand Liberia's closer identification with Africa and a more dynamic governmental policy to counteract Ghana's increasing prestige. Furthermore, officials in Monrovia may be concerned about the danger of antiregime activities in the tribal hinterland organized by Guinean elements across the poorly policed frontier.

The new policy line has recently been reflected most strikingly in Tubman's agreement to permit nine independent African states to hold a conference on



TUBMAN

Algeria in Monrovia in August. At this gathering, which is certain to annoy France, Liberia may go along with a forthright statement of support for the Algerian rebels. It will

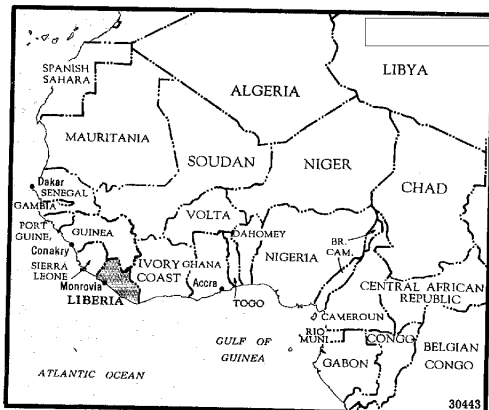
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probably hesitate, however, to extend diplomatic recognition to the Algerian rebels' provisional government.

In another gesture obviously aimed at demonstrating Liberia's solidarity with African nationalism, two exiled



extremist nationalist leaders from Cameroun have recently been accorded warm receptions in Monrovia. Tubman is reportedly planning an early public statement, similar to that by Nkrumah and Touré, endorsing the Cameroun extremists' demand for UN-supervised legislative elections before

their country receives its independence, now scheduled for 1 January 1960.

Plans appear well advanced for Tubman, Nkrumah, and Touré to meet in Liberia in July, presumably in an attempt to reconcile conflicting proposals for associating the independent African states more closely. Tubman had earlier proposed an "Associated States of Africa" which would involve a coordination of nonpolitical activities among the independent countries. Ghana and Guinea in their rather vague declaration of 1 May envisaged a "Union of Independent African States" with stronger government ties including a union bank, common flag and defense policy, and single citizenship.

Tubman apparently hopes this meeting will result in a general policy agreement among the three leaders and pave the way for yet another conference in Monrovia, to be attended by all independent and near-independent African states.

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AFTERMATH OF ALGERIAN ELECTIONS

Victories by leading moderates in Algeria's 31 May elections for the French Senate threaten the political dominance of Algeria's European extremists for the first time since De Gaulle's assumption of power. Only in the city of Algiers, long a stronghold of sentiment for integration with France, did extremist sentiment dominate the balloting.

The elections appear to be a victory for De Gaulle, who has long sought the emergence

of valid spokesmen for Algerian Moslems as a counterpoise to the rebel National Liberation Front (FLN) and the extremists. Although the elections were indirect, with 6,067 "grand electors" choosing 32 senators, Moslem participation was assured by stipulations that two thirds of the electors and 20 of the senators were to be Moslems. The elections were notable for the extent to which Moslems were willing to participate in French-sponsored elections in the face of possible rebel terrorism.

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The emergence of any Moslem "third force" in Algeria would be a threat to both the rebels and the European extremists. A recent increase in instances of rebel terrorism may in part reflect concern among the rebels over the possibility that they are losing the support of uncommitted Moslems.

Among the European settlers, the elections may presage the further isolation of those extremists who seek to perpetuate their privileged economic and political position in Algeria. The alliance between the extremists and the French Army, which in 1958 brought about the downfall of the Fourth Republic, has degenerated, and there now is little coordination between the army and the faction-ridden "committees of public safety." The settlers remain a politically powerful force, but they suffered in the senatorial elections from having boycotted previous balloting for the "grand electors."

With the election results in mind, the Algerian bloc in the French National Assembly may further modify its program. Following De Gaulle's public refusal to be pushed into espousing "integration," it has changed its demands for the "integration" of Algeria with France to "unification."

De Gaulle's willingness to move ahead with politico-economic measures for Algeria was reflected in the introduction in the assembly of a bill which provides the inclusion in the French budget of the heretofore separate Algerian budget and the extension of French currency to Algeria. Such moves toward "economic integration" may be designed in part to reassure Algeria's European settlers and the army that a negotiated settlement of the war would not mean France's abandonment of Algeria.

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THE US VISIT OF THE THREE "EUROPEAN PRESIDENTS"

The official visit to Washington from 9 to 11 June of the presidents of the European Economic Community (EEC), the Coal-Steel Community (CSC), and EURATOM comes at a time of growing concern over the future institutional development of the European Community movement.

Stronger by treaty than either the EURATOM or Common Market (EEC) commissions, the CSC High Authority is in an especially difficult position. President Finet and his colleagues have been in a caretaker status since their appointments expired last February, and despite pleas for action, the member governments have declined thus far either to reappoint the present incumbents or to agree on replacements. Coinciding with the sharp rebuff given by representatives of member countries to the High Authority last month on its handling of the coal crisis, this delay has convinced some observers that anti-European elements, particularly in France and West Germany, want permanently to impair the High Authority's influence.

The EURATOM and Common Market commissions are in a

somewhat better position, but their relations with the national governments--represented by the two Councils of Ministers--have been delicate. The councils, for example, have rapidly expanded the staffs of permanent national representatives in Brussels--staffs which potentially compete with the commissions in the conduct of Community affairs.

This reluctance to see supranational institutions mature rapidly is probably also a factor in the long deadlock over the site of the "European capital." The EURATOM and Common Market commissions are de facto in Brussels, the CSC High Authority remains in Luxembourg, and all of them are physically separated from their potentially strongest source of support--the European Parliamentary Assembly in Strasbourg.

The three presidents probably hope that their Washington visit will not only assist them in coping with opposition from European government representatives, but also increase American interest in the European Community's potential as a free-world "partner." President Hirsch of EURATOM has recently

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PAUL FINET
(Belgium)

President, CSO High Authority, since January 1958, member of High Authority since 1952. Metallurgist by profession, but has spent most of life in trade union activities. Became secretary general of Belgian General Federation of Labor in 1946. In CSO, has been concerned primarily with labor and social affairs.



ETIENNE HIRSCH
(French)

President, EURATOM commission, since February 1959. Educated as civil mining engineer, spent much of early life in research activities connected with improvement of fuels. Became associated with Jean Monnet in 1943 as member of Free French Forces, worked closely with him during early postwar years, and succeeded him as commissioner general for the French recovery plan when Monnet was appointed first CSO president in 1952.



WALTER HALLSTEIN
(German)

President, EEC Commission, since January 1958. Law professor in various German universities during the interwar period. Prisoner of war in US, Hallstein returned to this country in 1948 as guest professor at Georgetown University before entering Bonn government. Formerly foreign affairs expert in Bonn Chancellory, still very close to Adenauer.

said that the "most important subject of interest" which he and his colleagues could discuss during their visit is the need to maintain the community's economic growth at an annual rate "approximating that of the USSR."

Common Market officials have also stressed the importance of American support in working out the EEC's relations

with the international trading community. The three presidents will probably discuss their ideas on a program of economic and technical assistance to underdeveloped areas, reiterate their support of the US-proposed round of world-wide tariff negotiations to begin next year, and seek US reactions to the possible association of other countries with the Common Market.

THE SITUATION IN NICARAGUA

President Luis Somoza's attempts to provide a peaceful transition period of increasing political freedom following his father's long dictatorial regime have received severe setbacks from both domestic and exiled opposition forces. He has taken prompt action against both, but opposition efforts will probably continue. There was early widespread public cooperation in a general strike

called on 29 May by a domestic opposition unity group representing widely disparate economic and political interests. At one point, Somoza is reported to have offered important concessions to the leader of the Communist-dominated General Confederation of Workers in an effort to forestall vital confederation support of the strike. Later, the arrest of opposition leaders, the enforced silence

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of the nongovernment press and radio, and the effects of martial law reduced the impact of the strike.

The Nicaraguan Government has appealed to the Organization of American States for intervention to prevent attacks by numerous Nicaraguan exile groups known to be active in other Caribbean countries. In Costa Rica, President Echandi has already restricted the non-Communist Nicaraguans there who are probably supported by ex-President Jose Figueres. This group sent the two planeloads of revolutionaries which landed in Nicaragua on 31 May and 1 June and set off some fighting in central provinces. The revolutionaries apparently have received little internal support.

Dr. Enrique Lacayo Farfan, exiled head of the National Op-

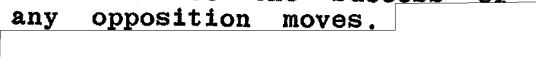
position Union, has been coordinating efforts of non-Communist groups



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President Somoza's statements on the current crisis indicate that he feels his efforts at moderation have been used against him and that the tough policies recommended by his father had merit. He is probably supported in this view by his brother General Anastasio Somoza, Jr., commandant of the 5,000-man National Guard, generally considered the chief deterrent to the success of any opposition moves.

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STATE OF SIEGE REIMPOSED IN PARAGUAY

Paraguayan President Stroessner's political position is increasingly delicate. His anxiety is reflected in his ordering the arrest of some 40 leaders of the ruling Colorado party and in his dissolution of Congress, which consists exclusively of Colorado members. Along with the state of siege, reimposed for 60 days on 30 May after several student disturbances, these moves seem a panicky reaction to increasing antidictator pressures both within Paraguay and in Latin America generally.

The strongest pressure on Stroessner has been recent criticism by dissident Colorado leaders, including those arrested, who urge speedier and fuller political reform. Affirming

that the country was facing one of its worst crises, these leaders in mid-March had recommended various measures, including a full amnesty and consultation with opposition leaders on the best way to attain "institutional normalcy" most rapidly. Since they wanted the Colorado party and their own group to get the credit for such steps, these leaders resented Stroessner's lifting on 28 April of the 12-year state of siege by presidential decree, rather than through Congress.

Other Colorado circles, including part of the military, have favored more caution in altering Paraguay's traditional one-party rule, seeing a threat to their special privileges as well as to the security of the

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regime. Extremists opposition elements, especially exiles active in plotting, saw the regime's liberalizing moves as undercutting potential support for an outright revolt. Their desire to bait Stroessner into unpopular security measures, as they have done in the past, was probably one factor in the recent student demonstrations against the rise in bus fares.

Stroessner's reimposition of the state of siege will probably be interpreted as a sign of weakness and will encourage expanded plotting. The armed forces, his main power base, are reported firmly behind him, but the addition of acute Colorado party dissension to labor and student unrest may help corrode his military support.

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PART III

PATTERNS AND PERSPECTIVES

INFLUENCE ON DE GAULLE'S DECISIONS

Concentration of the decision-making power in France in the hands of the president has created opportunities for individuals on De Gaulle's personal staff and the staffs of some cabinet members to distort information on which he bases major policy decisions and to misrepresent decisions he has made. Most of these individuals seem to be aggressive, ambitious men identified with the French Resistance in World War II. Personal rivalries and De Gaulle's habit of ranging far afield for information somewhat limit their power, but their influence appears to be growing and at critical moments could seriously circumvent the President's control over major policies--particularly in foreign affairs.

Policy decisions in the Fourth Republic were primarily the product of political compromises in the National Assembly, which determined what major decisions a government could take without the risk of overthrow. Under the Fifth Republic, parliament's role has been minimal, and decisions of profound significance have been made by De Gaulle personally. Shifting decision-making from the 500-plus deputies to one man has not only changed the process, but has also sharply focused the target for those who would manipulate policy.

This situation has opened quasilegal portals of power to the personal staffs of the President, the premier, and the other cabinet ministers. These staffs prepare basic policy reports, collect and present dossiers on current matters, and transmit instructions from the President and government to the administrative machinery of the state, which executes the decisions as transmitted. This layer of the

bureaucracy was important under the Fourth Republic also, but then had to share its influence on policy decisions with parliament, the army, and the labor unions.

De Gaulle's Aloofness

Confusion in procedures for taking decisions was to be expected in the early stages of the new regime, and particularly under the ambiguous provisions of the new constitution, which divides the executive power. This confusion is compounded, however, by De Gaulle's deliberate self-restraint--in accordance with his view of himself as primarily an arbiter--in trying to avoid imposing his personal views to settle intramural disputes except where broad policy principles are involved.

An example concerned Finance Minister Pinay's threat to resign unless he received exclusive jurisdiction over all financial matters and the counterclaims of Minister of State Lecourt and Community Secretary General Janot to control of financial affairs of the new French Community. This dispute was never decisively "settled" by De Gaulle, and Pinay was induced to remain only after a loose modus vivendi gradually came about. Moreover, De Gaulle has also avoided--from personal preference as well as because he recognizes expert competence--interference in ministries or other government agencies primarily concerned with technical matters.

De Gaulle's aloofness and refusal to become embroiled in what he regards as "petty details" of policy give conscientious staff personnel the opportunity to expedite important matters, but other actions of less scrupulous "staff men" have come to

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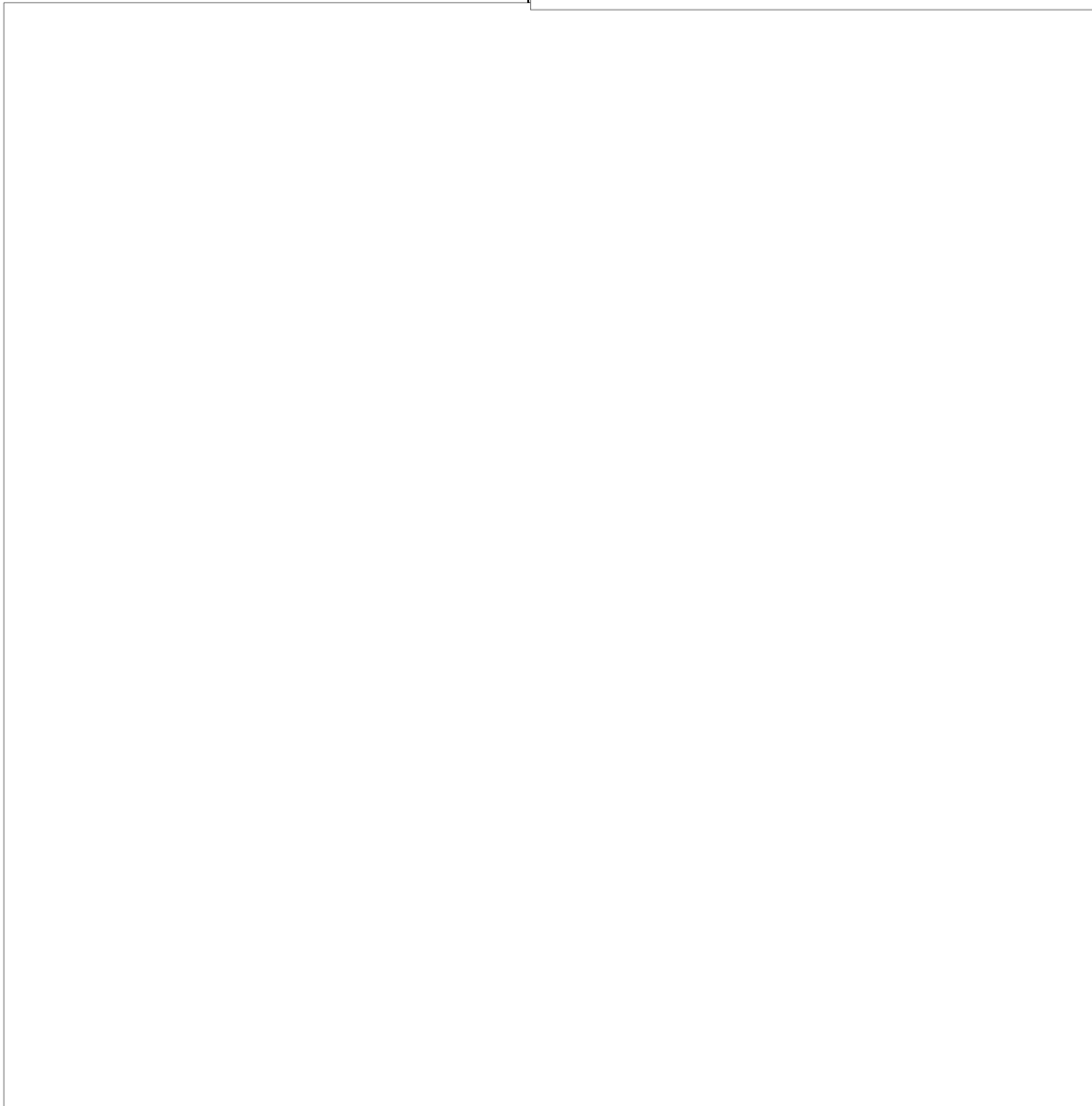
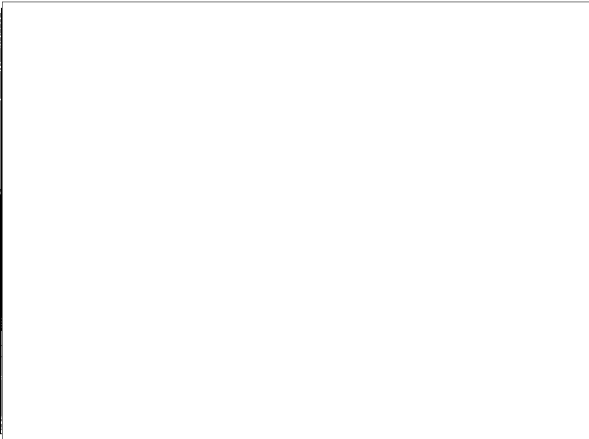
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public attention. According to the Paris daily Le Monde, the final draft of one of the numerous recent major decrees "sur-reptitiously" retained a section which De Gaulle had severely criticized in a cabinet meeting and had ordered deleted. Le Monde also charged that alarming reports and cables on relations between France and "a newly independent state" were fabricated. This was inadvertently revealed when a government spokesman referred to them in a press conference.

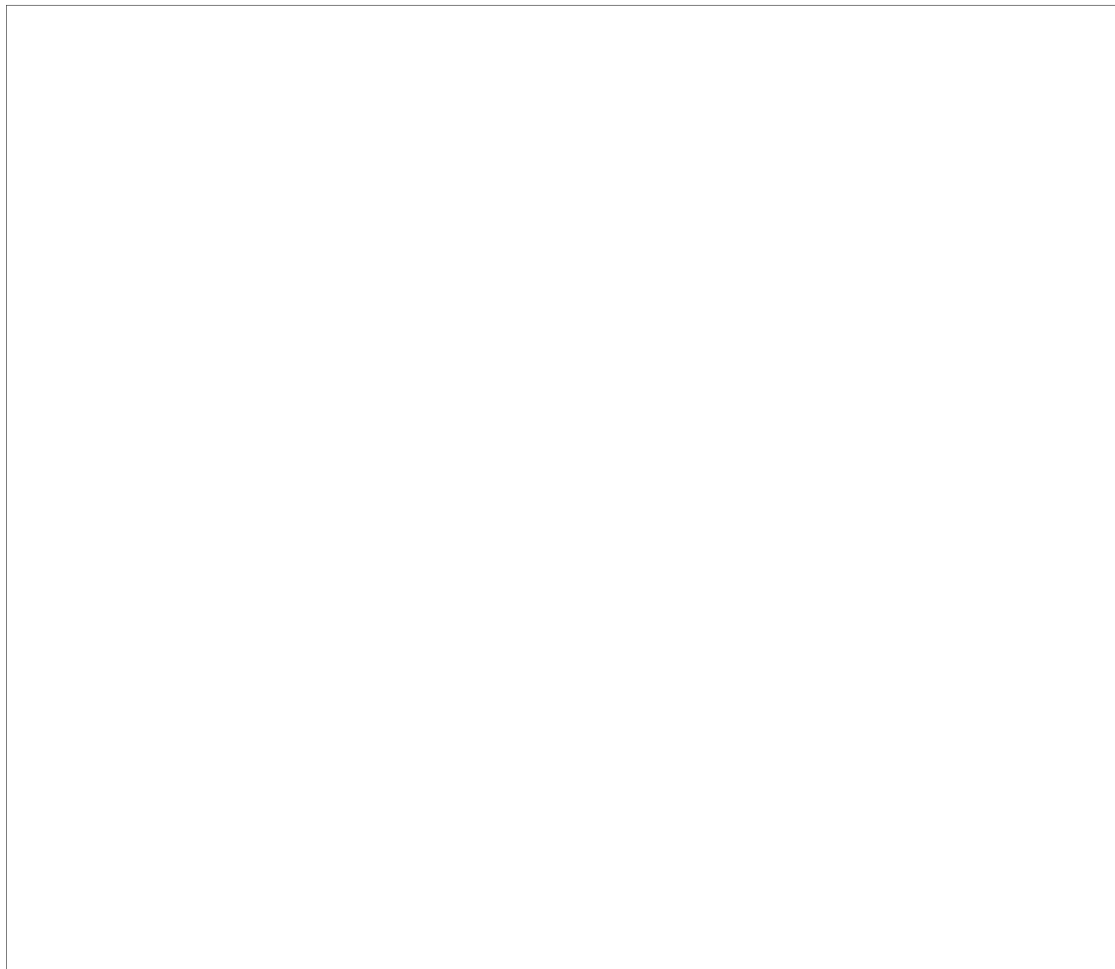


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SOVIET INDUSTRIAL TECHNOLOGY

The Soviet regime will attempt at a central committee meeting this month to lay the foundation for introducing improvements as rapidly as possible in industrial technology, particularly with respect to mechanization and automation. Progress in these fields is especially important to achieve the ambitious gains in industrial productivity envisaged during the Seven-Year-Plan period (1959-65). These gains are necessary to

compensate for additions to the labor force smaller than heretofore resulting from the low birth rate during and after World War II, as well as to permit the promised continued reduction in the workweek.

Earlier this year a State Committee for Automation and Machine Building was established to aid the mechanization and automation programs. The State Scientific-Economic Council, which was

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set up at the same time, may also have a role in formulating solutions for these problems.

The USSR can, over the next seven years, make impressive improvements in the average level of its industrial technology by the broadened exploitation of many generally known techniques as well as by pioneering advances. The extent of the opportunity to advance is indicated by the fact that the capital investment plan for 1959-65 envisages total "productive investment" about twice that of the preceding seven years.

Status of Industrial Technology

Soviet industry has demonstrated a capability to incorporate advanced techniques into the rapidly expanding industrial base of the USSR. In many areas of heavy industry, which historically has been accorded the highest priority, technological practices have been introduced which are on a par with the best in the West. In some cases, as in blast furnaces, petroleum extraction, machine building, and prestressed concrete, the Soviet Union has made notable pioneering adaptations and developments.

On the other hand, the food-processing, textile, and other light industries are far behind. Certain types of transport, civil telecommunications, and some aspects of construction have been accorded only grudging attention, and many technological practices in these areas are similar to those used in the West some 25 years ago.

The unevenness which occurs within as well as between industries is primarily the product of political and economic decisions and of historical circumstance in the USSR, rather than of significant technological failure. Soviet technological development started from a small base compared with the West. It has been and is conditioned by

different scarcity relationships and industrial requirements, it is directed toward different political objectives, and its progress is gauged in accordance with a different rationale and a different scale of values.

Central directives emphasize increased physical output rather than increased quality. For example, technological advances in the iron and steel industry have been concentrated largely in the blast furnace and the open hearth because of the commanding demand to maximize steel output rather than to improve the quality or diversity of products. As a result the Soviet Union has established a new world standard for efficient blast-furnace operation; however, certain problems in mining, ore preparation and rolling-mill and finishing technologies have not been accorded equivalent priority.

These directives tend to discourage the introduction of new technology because of the likelihood of disruptions, which would jeopardize output goals. Furthermore, they inspire a conservatism in plant management which results in a considerable lag between development and practical application. For example, an automatic line for producing wheel rims had not been installed in one automotive plant in 1958, although it had been in storage at the plant for a year. At the same plant an automatic line for stamping wheel discs had been left untouched for two years.

Another important factor affecting industrial technology is the Soviet policy with respect to obsolescence. The great emphasis on expanding current output has tended to foster retention of existing capacity and has kept older, technologically less advanced plants in operation much longer than is the case in the West.

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Automation

Both in the West and in the USSR, no clear distinction can be made between the terms "mechanization" and "automation." Generally speaking, however, mechanization refers to replacing human labor with machinery, and automation to replacing human control with mechanical or electronic devices.

Soviet progress in developing automatic control systems is more readily discernible in military than in industrial applications. The USSR lags behind the United States in the range and extent to which developments in automation are applied to industrial practice, but when applied, Soviet technology is not inferior to that in the United States.

Substantial advances have been made in research and development involving servomechanisms and electronic and communication instruments, as well as devices capable of performing a sequence of logical, self-correcting operations. In his theses on the Seven-Year Plan, however, Khrushchev criticized the lag in industrial application of Soviet research achievements in automation. He also admitted that a lag exists in implementing mechanization when he derided the low level of Soviet industrial mechanization and pointed to the fact that manual labor represents up to 50 percent of the entire working time of the Soviet machine-building industry.

The most highly automated sectors of the Soviet industrial economy are the electric-power and ferrous-metallurgical industries. Even in these industries, applications of automation have been more widely applied to some processes than to others. For example, automation in steel manufacturing has made a significant contribution to the iron-and-steel-making process,

in contrast to the rolling and other finishing processes.

In other industrial sectors, such as the chemical and petroleum refining industries, the USSR has made only relatively minor advances in applying modern techniques of automation and mechanization. While these Soviet industries have been making effective use of simple automatic control instruments, in the United States several chemical and petroleum companies have announced that in 1959 they will achieve truly automated plants, i.e., the entire manufacturing process will be fully controlled by a computer-based, closed-loop scheme of automation.

In the machine-building sector, the USSR lags far behind the United States in the range and extent of industrial application of automation and mechanization. The greatest number of such Soviet automatic and semi-automatic lines are installed in the plants of the automotive and associated industries such as piston, engine-block, and bearing factories. The USSR has pioneered in three areas: an automatic piston factory, an automatic bearing line, and an automatic gear-making line.

The significance of each of these automated endeavors is not only that they produce products automatically, but also they serve as laboratories in which the USSR is developing the fundamentals necessary for a systematic approach to building future automatic lines. During the period of the Seven-Year Plan (1959-65), a total of 50 additional experimental plants are to be built to cover every sector of the Soviet industrial economy.

Electronic Computers

The USSR has been more successful in developing the production of analogue computers than digital computers. At least

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ten different types of analogue computers were reported to be in serial production in early 1958.

The USSR has encountered serious difficulties in producing electronic digital computers in quantity, particularly in the case of the high-speed and very-high-speed types. Their use in the USSR has been confined mainly to large scientific and design establishments. Production has not been adequate to permit their application to problems of industrial automation and business data handling.

Responsibility for the current lag in production of digital computers and other instrumentation for automatic control of production processes has been placed squarely on the electronics industry. According to 1958 Soviet reports, automa-

mation in the USSR is being "greatly impeded" by failure of the electronics industry to achieve "mass production of standardized miniaturized components, standardized elements and subassemblies, and especially semiconductor devices."

In one report a specific example was cited in the development of the small M-3 digital computer. This machine, designed in 1954, was not yet in commercial-scale production by the middle of 1958. Also Academician Blagonravov, a prominent scientist, has charged that the length of time between design and industrial production of instrumentation in the USSR is "inadmissibly long--four to seven years, as against one to two years in the United States." (Prepared by ORR; concurred in by OSI)

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AFGHANISTAN'S USE OF THE \$100,000,000 SOVIET CREDIT

Several large Afghan development projects under the Soviet \$100,000,000 line of credit granted in early 1956 have entered the construction stage, resulting in an increase in obligated funds from about \$12,000,000 in 1957 to possibly \$71,000,000. Several of the projects originally planned under this credit, however, remain indefinitely suspended. Emphasis on transportation development continues, but more attention is being given hydroelectric and irrigation dam projects. The projects under construction are located in northeast Afghanistan, along the main transportation artery connecting the Soviet border with the Khyber Pass.

Soviet bloc credits outside the \$100,000,000 loan, in-

cluding \$32,391,000 for arms aid and \$15,000,000 for oil exploration, probably totaled about \$59,000,000 by the early spring of 1959. In May, however, Afghanistan and the USSR concluded a new economic cooperation agreement which provides for the construction of a 470-mile road from the Soviet border to Kandahar.

Progress Since 1957

Construction was completed in 1958 on three relatively small Soviet projects under the \$100,000,000 credit. These were the oil storage depots at Qizil Qala, Pul-i-Khumri, and Pul-i-Matek, which were already under construction at the beginning of the 1957 summer building season.

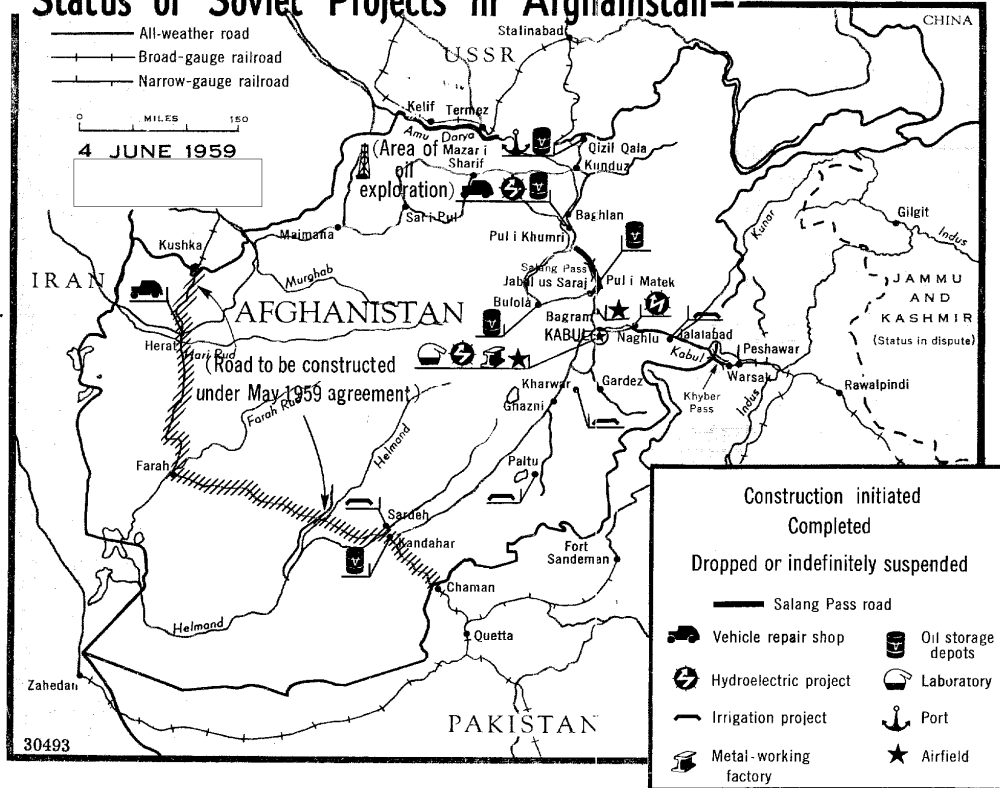
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Status of Soviet Projects in Afghanistan



Nine larger projects entered or remained in the construction stage in 1958. Two, the Bagram military airport and the Jungalot group of workshops in Kabul, were begun in 1957. Seven others entered the construction stage in 1958. These were the Salang Pass road and tunnel, the runway at the civil airport in Kabul, the Qizil Qala river port, the Naghlu and Pul-i-Khumri hydroelectric projects, the Jalalabad irrigation dam project, and an oil storage depot at Bulola.

The Afghan Government apparently has not yet taken advantage of the Soviet offer made in the spring of 1958 to do free surveys for additional projects, presumably to speed up utilization of the \$100,000,000 line of credit, and no new projects appear to be under construction.

On the other hand, eight projects have apparently been

indefinitely suspended. These are the Kabul fertilizer plant, the Kabul physical laboratory, the Herat and Pul-i-Khumri vehicle repair shops, the Sardeh, Paltu, and Kharwar irrigation projects, and an oil storage depot at Kandahar.

Transportation Emphasized

Projects under the \$100,000,000 line of credit which will contribute to the development of Afghanistan's transportation system are being emphasized. The three oil storage depots completed in 1958 were all along the road from Qizil Qala, on the Soviet border, to Kabul. This road will eventually be considerably shortened by the \$12,000,000 Salang Pass road and tunnel project.

The other projects which have reached the construction stage are also located along the road connecting Qizil Qala and

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Kabul and on the road leading from Kabul to the Khyber Pass. The development of this artery will facilitate Afghan trade with the USSR and the bloc under the terms of the new transit agreement signed on 8 January 1959.

In addition, the new economic and technical assistance agreement signed by the Afghan delegation in Moscow on 28 May 1959 provides for Soviet construction of improvement of the Herat-Kandahar road, the western artery leading from the Soviet border to Pakistan. This project may be financed by a new credit rather than under the \$100,000,000 loan.

Dam Projects Started

The Afghans are using part of the \$100,000,000 credit for dam projects to expand their hydroelectric power capacity and to provide additional irrigation waters to increase agricultural production.

On 30 December 1957, Kabul approved a construction agreement for a dam near Jalalabad. This dam is part of an irrigation project which may use as much as \$23,000,000 of the credit. The Afghan Government may feel such an expensive project in this region is desirable for prestige reasons. Jalalabad lies near troublesome Pushtu tribal areas, and the Pakistani Government, which competes for prestige among these tribes, is building an even more ambitious dam at Warsak, across the border.

Kabul also approved agreements in 1958 for construction of the hydroelectric projects at Naghlu and Pul-i-Khumri. The Naghlu project, however, may be subject to further price negotiations, since the USSR has apparently raised its cost estimates and now anticipates that over \$12,000,000 in scarce Afghan domestic currency will be required.

Soviet Technicians

Increased construction activity on projects under the \$100,000,000 credit has led to an influx of Soviet nationals. An estimated 800 bloc technicians may be working on development projects in Afghanistan, probably mainly in Kabul, Bagram, the Salang Pass region, and in the oil exploration area west of Mazar-i-Sharif, where work is being carried out under the separate \$15,000,000 oil exploration agreement.

The Afghan Government, however, is sensitive about political activity by foreign technicians and limits Afghan contacts with foreigners. Bloc technicians apparently observe Kabul's strictures in this matter.

Utilization of Funds

Afghan Foreign Minister Naim indicated in December 1957 that his country would use all of the Soviet \$100,000,000 credit. It seems likely that the entire amount will be obligated by 1964, when the Afghan Government must begin repayment over a period of 22 years. The remaining funds available under this credit, however, may be spent on new projects rather than those which now appear to be indefinitely suspended.

The Afghans will probably continue to proceed cautiously because of shortages of Afghan domestic funds required by foreign-assisted projects and because of shortages of Afghan technical and administrative personnel. The USSR--presumably to overcome this caution--has offered free surveys for projects and free consumer goods to sell on the Afghan market to generate needed local funds. For the same purpose, it has made a gift of 40,000 tons of wheat. The Afghans may feel that the sooner the remaining uncommitted portion of the

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\$100,000,000 credit is converted into completed projects, the sooner Afghanistan's gross national product and ability to repay the credit will rise.

The Afghans feel that the great Soviet technical and

economic assistance should be balanced in part by free-world participation in Afghan economic development programs, and Kabul has secured increased free-world assistance, mainly from the United States.

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MAO TSE-TUNG'S ARRANGEMENTS FOR A SUCCESSOR

Mao Tse-tung has taken a number of steps since 1956 to prepare the Chinese Communist party and the Chinese people for his eventual replacement as party chairman--perhaps in 1961--by his favorite lieutenant, Liu Shao-chi. Liu's appointment as chairman of the government appears to have been the latest of these. Mao's arrangements seem well calculated to provide a smooth transition and to encourage the continued solidarity of the party leadership. There are, however, several possible threats to an orderly succession.

Liu's Rise

Liu knew Mao when both were students in Hunan, but they were not close. After two years in the USSR, Liu joined the Chinese Communist party in 1921 and thereafter became known chiefly as a labor organizer. He was named to the Chinese Communist party politburo in 1931--a year earlier than Mao--when it was dominated by Comintern-sponsored youths.

In 1932 Liu followed other party leaders from Shanghai to Mao's "soviet"--a rural base--

in Kiangsi in South China. There he reportedly stood with Mao in opposing the Comintern-sponsored group which, with Chou En-lai, continued to dominate the party.

When the Chinese Communists were dislodged from their Kiangsi base in 1934, Liu joined the Long March to the north as a political officer. In January 1935, at a party conference in Tsunyi during the march, Liu supported Mao in a winning showdown with the Comintern's favorites--whom Mao accused of bungling.

Liu and Chou both supported Mao in another intraparty dispute in 1935--the question of the destination of the Communist forces. After arriving in Shensi (Mao's choice), Liu became an underground leader against the Japanese forces then in China. He returned to Yen-an in Shensi in 1937 and, shortly thereafter, supported Mao in another winning fight--as to what kind of "united front" to establish. He apparently began at that time to specialize in party organizational work.

Liu first appeared as a spokesman for Mao on party affairs

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LIU SHAO-CHI & MAO TSE-TUNG

in 1939, in writing on the training of a party member. In the next four years, while engaged in party work in various parts of China, Liu published several other articles of this kind. One of these set forth principles for the party's first "rectification" campaign.

Mao became chairman of the central committee in 1943, and changes in the politburo and secretariat left those bodies completely responsive to him. His politburo included himself, Liu, Chou, Chu Te, and Chen Yun, of the party's current officers. The secretariat was built around Mao, Liu, and Chou.

Liu's Emergence as Favorite

Liu emerged as Mao's first lieutenant in 1945. His report to the party's seventh congress was second in importance only to Mao's, and the congress adopted a revised party constitution which Liu had apparently drafted. Mao

was elected chairman of the central committee, politburo, and secretariat, and Liu was re-elected to those bodies below him. Chou En-lai and others were named below Liu in the hierarchy. Later in the year, Liu was acting chairman of the party in Mao's absence.

When the Peiping regime was proclaimed in 1949, Mao became chairman of the Central People's Government, while Chou was given the key government post of premier. Liu retained the more important role of Mao's first lieutenant for party work and continued to build his base of power in the party machine.

When the Peiping regime was reorganized in 1954, Mao became chairman of the People's Republic of China and Liu became chairman of the body which theoretically supervised the cabinet. Chou En-lai was again named premier.

Also in 1954, Liu, presiding over a central committee

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plenum in Mao's absence, denounced unnamed party leaders for factional activity. Shortly thereafter, Teng Hsiao-ping became the party's secretary general, working under Mao and Liu in supervising the party machine, and in 1955 he announced the purge of two top party leaders --which Liu's denunciation had



TENG HSIAO-PING

foreshadowed. From that time Teng seemed to be Liu's chief aide for party affairs, just as Liu was Mao's.

At the party's eighth congress in September 1956, Mao revealed some preparations for his eventual replacement as party chairman. One of these was the provision in the revised party constitution for the central committee to establish the post of "honorary chairman"--which would permit Mao to step aside during his lifetime.

Mao in effect designated a group to carry on in the event of his retirement or death. The congress, re-electing Mao chairman of the central committee and politburo, named four of his "close comrades" as vice chairmen and confirmed the post of secretary general. Mao and these five became the politburo standing committee--a small superpolitburo, now numbering

seven in all, which was to replace the outgoing secretariat but would have no chairman.

At the same time, Mao once again made it clear that he favored Liu Shao-chi to succeed him as the party's principal figure. Liu was named first among the vice chairmen of the central committee and politburo and placed immediately below Mao on the politburo standing committee; Chou En-lai was named below Liu. Even more strikingly, Liu was chosen to deliver the four-hour "political report" to the congress--the equivalent of the report Mao had made to the 1945 congress.

Liu's close associate Teng Hsiao-ping was re-elected secretary general and named to head the new secretariat, which was to administer and coordinate the party machine at all levels. Teng thus became--and remains--the only party leader concurrently a member of the politburo, standing committee, and secretariat. Teng gave the report on the party's revised constitution--a subject Liu was assigned in 1945.

Liberalization" and Reversal

In the period from the eighth congress in 1956 to the summer of 1957 there were indications of possible disagreement between Mao and Liu--relating chiefly to Mao's experiment with "liberalization." For much of this period, Mao was contributing to the Soviet Union's troubles by encouraging dissident forces in Eastern Europe. He was also insisting on his "hundred-flowers" program at home, coinciding with the "ebb tide" in China's economic growth. Liu Shao-chi and Teng Hsiao-ping played very small public roles in late 1956 and early 1957; they may have believed that some of Mao's policies were ill conceived.

In this same period, Mao looked thin and tired

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The question arose as to whether other party leaders would attempt to exploit his ill health and his mistakes.

Liu seemed to remain a faithful servant, however--one content to let Mao step aside at a time of his own choosing. In June 1957 Mao himself signaled the change to a very hard line in both intrabloc and domestic affairs. He strongly reaffirmed orthodox positions, justified the "antirightist struggle," and linked the party's "rectification" campaign with the task of a speedier advance in "socialist construction." In July, Mao set forth "clear-cut principles" for a nationwide rectification campaign.

Thereafter, Liu Shao-chi and Teng Hsiao-ping played the major roles in helping Mao repair the damage, regain both political and economic momentum, and restore his personal prestige. Teng was chosen to state publicly, in September

1957, the leadership's plans for indoctrinating the entire populace in basic dogmas. "Party-machine" figures--principally Liu, Teng, and Teng's deputy Tan Chen-lin--took the lead in exhorting an "upsurge" in economic growth, which became the "great leap forward" of 1958. Mao and Teng went to Moscow in late 1957 to state the party's hard line on intrabloc relations, announced simultaneously by Liu in Peiping.

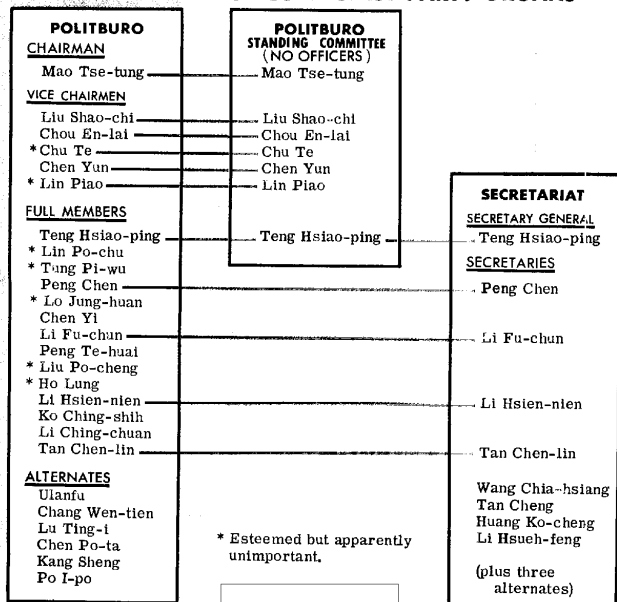
Throughout the winter of 1957-58 the Chinese press gave further touches to the image of Liu as Mao's successor. There was much personal publicity for Liu which stressed his close association with Mao from the earliest days of the party, gave him some of the credit for the party's unswervingly correct course under Mao, and made an effort to brighten his gray and solemn personality.

The party congress of May 1958 provided further evidence of Liu's stature and of the increase in prestige and power of Liu's "party-machine" associates. Liu was again chosen to give the principal report to the congress. Moreover, in his report he felt free to group himself with Mao as having been right all along in intra-party disputes on policy. The other two major reports were given by the "party-machine" figures Teng Hsiao-ping and Tan Chen-lin. After the congress, three new politburo members were named--all persons close to Liu and Teng as well as to Mao.

Mao and Liu in The Past Year

Sometime prior to July 1958 it was

PRINCIPAL CHINESE COMMUNIST PARTY ORGANS



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decided to establish the huge "people's communes" as the "basic unit" of Chinese society. Liu was firmly identified with this program. In July he told some students that Communism in China could be realized "very soon" --the most extreme claim attributed to any Chinese party leader.

Late in 1958, Mao took another step toward retirement, asking that he not be renominated for the largely ceremonial post of chairman of the government. He said he wanted to conserve his time and energy to deal with questions of theory and national policy. This was plausible, especially in the light of the need for further study--and theoretical justification--of the audacious commune program.

The central committee plenum which approved Mao's resignation also retreated some distance in the commune campaign--modifying both Peiping's claims for the program and the practical program itself. This action, following the regime's withdrawal from the Taiwan Strait venture, provoked much speculation that Mao was being forced to step down. However, the only party leaders strong enough to press Mao--the "party-machine" group--were the very ones most closely associated with Mao's major policies since mid-1957. Mao retained all of his party posts, and the December plenum emphasized that Mao himself had ordered the modification of the commune program and that his "guidance" would continue.

The central committee met again in April 1959, with Mao presiding. Of several changes in the government posts announced thereafter, the naming of Liu to the government chairmanship was the only significant one. Chou En-lai was named to another four-year term as premier, and Chou's entire cabinet was re-appointed.

Mao's decision to give the rather empty and wearisome government chairmanship to the already burdened Liu surprised many observers. There has been speculation that Liu is being retired into the job.

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Assuming, however, that Liu is not seriously ill, the most plausible explanation of his appointment is that Mao saw it as a necessary step in preparing the Chinese people--as he has been preparing the party since 1956--to accept Liu's eventual primacy. That is, in becoming accustomed to "Chairman Liu" of the government succeeding Mao, the populace will be better prepared for "Chairman Liu" of the party succeeding Mao. The Chinese press, by distinguishing between Chairman Mao "the great leader of the Chinese people" on the one hand and Chairman Liu and other leaders of the government on the other, continues to underline the greater importance of the party post and to discourage speculation that Liu has already displaced Mao.

Prospects for the Succession

Any plenum of the central committee can establish the post of "honorary chairman" and elect new officers, but a further substantial period of build-up for Liu would seem desirable. Thus, assuming that Mao's health remains passably good, it seems likely that Mao will keep the party chairmanship at least until the party's ninth congress in 1961, which will coincide with the 40th anniversary of the Chinese Communist party.

Mao's arrangements seem calculated to provide a smooth transition in the party leadership and to encourage a

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continuation of the remarkable solidarity of that leadership. There are, however, several possible developments which could alter the entire picture.

One such possibility is that Mao will give further thought to the "King Lear problem"--the problem of securing obedience after one has relinquished the instruments of power. Mao may recognize that once he has given up his party posts and the composition of key party organs has changed, he will have no assurance that his wishes will be carried out. Contemplating this prospect, he might choose not to step aside for anyone.

Should Mao attempt to retain the party chairmanship indefinitely, Liu, who is already 61, might gather his "party-machine" group and make a fight for it. This possibility would increase sharply if an ill and arbitrary Mao were to find himself a new favorite whom he regarded as more responsive to his will.

Another disruptive possibility is that Mao will die before the transition is effected. In such an event, Liu might be

challenged by a coalition of key figures who have been important not primarily in party work, but as senior administrators, economic specialists, and military men. Some of these latter figures seem to have resented the role of the "party-machine" group in leading the party's major campaigns of the past two years and to have disapproved of important features of these campaigns.

Perhaps the most serious concern for Liu is the possibility that his "party-machine" group will prove unstable. With Mao gone, Liu's position would seem to depend in particular on the support of Teng Hsiao-ping, whose strength in the party machine is already formidable and can be expected to grow. If an ambitious Teng were to join the opposition to Liu, Liu might well succumb to such a combination.

In sum, the question of Mao's successor is not closed. Liu remains, as he has for 14 years, the leading candidate for the post of party chairman. He may have to fight for the job, however, and he might not win.

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