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COPY NO. 57

OCI NO. 4064/59

27 August 1959

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 4
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C 25X1
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AUTH: HR 70-2
DATE: _____ REVIEWER:

CENTRAL INTELLIGENCE AGENCY

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CONFIDENTIAL 24-228517

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PART I

OF IMMEDIATE INTEREST

EAST-WEST RELATIONS

On the eve of President Eisenhower's trip to Western Europe, Soviet propaganda, while continuing to welcome the Khrushchev-Eisenhower visits and the possibility of a relaxation of tensions, laid increased emphasis on the differences among the Western powers and on the opposition in certain Western circles to the visits and to an East-West detente.

Earlier charges of a "Bonn-Paris axis" determined to forestall any such detente have been revived. Commentators have asserted that Britain, in view of the success of Macmillan's trip to Moscow, favors the exchange of visits, while France and West Germany, as well as "certain business and military leaders" in the United States, are opposed. Propagandists allege that Adenauer intends to use the President's trip to Bonn to prevent an East-West agreement on disarmament and a nuclear weapons ban. France's intention to carry out nuclear tests in the Sahara is laid to its desire to "poison the political atmosphere."

Khrushchev's recent personal messages to several world leaders apparently were designed mainly to encourage the impression that his exchange of visits with President Eisenhower is only the opening phase of a long series of top-level meetings. Pravda has termed the exchange of visits the "beginning of great

negotiations between East and West." The Soviet leader probably also hoped to minimize the unifying effects of President Eisenhower's trip to the three Western capitals.

The British press has carried reports of a letter from Khrushchev to Prime Minister Macmillan with the speculation that it also referred to the Khrushchev-Eisenhower exchange of visits and to the Berlin and German issues.

In an unusually lengthy message to Chancellor Adenauer dated 18 August but not published until the day of President Eisenhower's arrival in Bonn, Khrushchev reiterated in moderate language the Soviet position on Berlin and Germany and urged the chancellor to reconsider his entire policy. He pointed out that the economies of the USSR and the Federal Republic are complementary and stressed the advantages to both of increased trade.

Stating that the USSR attaches great importance to the forthcoming exchange of visits with President Eisenhower, the Soviet premier declared, "We are probably on the eve of a historical turning point in the policy of the two existing blocs --from further estrangement to gradual rapprochement and the settlement of outstanding issues."

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In addressing letters to UAR President Nasir and Iraqi Prime Minister Qasim, Khrushchev evidently hoped to reap the benefits in good will that could be obtained by this demonstration of Soviet concern for their interests and desire to obtain their views on international issues. He solicited Qasim's opinions on Middle Eastern problems and assured him he would emphasize to President Eisenhower the Soviet Union's determination to prevent "imperialist conspiracies" against Iraq.

The Soviet ambassador to Yugoslavia called on President Tito on 17 August and may have brought Tito similar verbal or written assurances from Khrushchev regarding the forthcoming talks.

Replying on 12 August to a message from Indian President Nehru, Khrushchev stated he shared Nehru's belief that the visits will have "positive significance" and "help to relieve international tension and achieve necessary agreements."

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COMMUNIST CHINA CUTS BACK 1959 TARGETS

Peiping has "readjusted" downward to a significant degree China's four main production targets for 1959--for coal, steel, grain, and cotton. The Chinese admit "over-assessments" of agricultural production figures in 1958--grain and cotton output claims are reduced drastically, and 1959 targets for both were lowered to only one half the original goals. The readjustments of 1959 targets are a setback for the prestige of Mao Tse-tung and his lieutenants who encouraged the most extravagant expectations of rapid economic development. The leadership's call for further intensive effort on the economic front indicates there is to be no relaxation of "leap forward" pressures on the masses.

Peiping's decision was contained in a communiqué issued on 26 August by the Chinese Communist party central committee, following its eighth plenary session at Lushan during the first two weeks in August. The communiqué attributes the "readjustment" to a reassessment of last year's production claims and recent serious floods and droughts over large areas.

Official investigations during the first half of this year revealed exaggerated reports from statistical units and hasty harvesting and storage because of inadequate labor. The findings enabled final

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verification of only 250,000,000 tons of grain--375,000,000 tons had been claimed earlier --and 2,100,000 tons of cotton --3,350,000 tons had been claimed. This grain figure still appears to be inflated, with actual output probably no more than 220,000,000 tons.

The new steel target confirms that the "back-yard" steel program was unsuccessful. "Native" steel, which accounted for 3,000,000 of the 11,000,000 tons verified for 1958, is no longer included in the national plan, and steel output for 1959 is scaled down by 33 percent. The Chinese Communists have apparently accepted the fact that production of steel by other than "modern" techniques is economic waste from the point of view of both materials and labor input. The new goal of 12,000,000 tons in 1959 is probably feasible.

Revision of the coal target probably reflects a planned cutback in production by the small local mines. The cutback in total coal production for 1959 should have no retarding effect on China's industrialization, and the new target is much more realistic.

The "verified" figures announced in the communiqué correspond closely to Western estimates of Chinese Communist capabilities in 1958. Publication of these "verified" figures tends to support the view that Communist nations, like others, find it necessary to have accurate and reliable statistics in order to operate their economies efficiently and coherently. Reliable control figures play a significant part in the effective management of planned economies.

COMMUNIST CHINA'S "READJUSTMENT" OF
"THE FOUR MAJOR TARGETS"
(PRODUCTION IN MILLION TONS)

	CLAIMED FOR 1958	VERIFIED 1958 OUTPUT	1959 PLAN (PROMULGATED FEBRUARY 1959)	ADJUSTED TARGET FOR 1959
STEEL	11	11*	18**	12***
COAL	270	270	380	335
GRAIN	375	250	525	275
COTTON	3.35	2.1	5	2.3

* 3 "Primitive" and 8 "Modern"
** Both "Primitive" and "Modern"
*** All "Modern"

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The communiqué confirms earlier indications that the slogans "great leap forward" and "leap forward" have been redefined in much more modest terms. A Peiping People's Daily editorial on 6 August asserted that a 10- to 20-percent increase could be fairly called a "leap." At least some 1959 goals are scheduled to exceed these percentages. The Second Five-Year Plan targets

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proposed in 1956, previously set aside as too conservative, have been revived and proffered as realistic goals for 1959 which can be overfulfilled by sustained maximum effort.

The admission of false claims for 1958 and the readjustment of goals for 1959 entail a loss of prestige for Mao Tse-tung and his lieutenants who were most prominent in the "leap forward" from its inception. The latter group of party-machine leaders--including Liu Shao-chi, the party's second-ranking figure; Teng Hsiao-ping, the party secretary general; and Tan Chen-lin, the secretariat's specialist in agriculture since 1957--had taken the lead with Mao in exhorting the "leap" and in threatening those opposed to a headlong course. For example, Liu, during the height of the program in the spring of 1958, denounced those who still had misgivings and were waiting for the autumn harvest to prove them right; "they will lose out in the end," he said. Similarly, Tan in February 1959 threatened those who felt that "leap" figures were "not reliable," and told them to solve their "ideological problems" before they damaged the whole program.

Another group of party leaders--principally senior administrators and economic specialists, possibly including Premier Chou En-lai--appeared to have varying degrees of res-

ervation about the "leap" from the beginning. Although they too foresaw a period of rapid economic advance, they seemed to disapprove of some features of the program, such as the very heavy reliance on exhortation and coercion in general, and in particular the incitement to unrealistic agricultural goals. The views of these leaders were to some degree reflected in those of the "gloomy clique," which was periodically assailed in the party press and whose position now has been vindicated.

Despite this latest in a series of reverses which his policies--both domestic and foreign--have suffered in recent years, Mao apparently continues to dominate the party. The communiqué on the "leap" notes that the party plenum was held under Mao's "guidance" and it concludes by urging the party and people to unite under Mao's leadership. Similarly, the central committee resolution affirms at several points the general wisdom of Mao, "the great leader of our party."

Chinese Communist pronouncements to date do not suggest that Mao will fix the blame for the "leap's" shortfall on the party-machine leaders, despite their failure to deliver what they promised. The resolution attempts to save face for this group by asserting that the "great victories" of 1958 and thus far in 1959 have resulted from the increased 25X1 role of the party machine and the principle of "putting politics in command." 25X1

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SITUATION IN LAOS

Communist partisan forces retain the initiative and are circulating throughout large areas of northern Laos, propagandizing and intimidating the population. The Communists are still operating in small bands but can concentrate adequate strength to seize individual posts. Elements of the former Pathet Lao battalion that rebelled in May have arrived in Sam Neua Province from their refuge athwart the Laotian - North Vietnamese frontier in Xieng Khouang Province. These troops are now threatening a government post in southeastern Sam Neua Province.

Insurgency has spread to eastern Luang Prabang Province, where the Communists are reported to have executed a number of progovernment village chiefs and forcibly indoctrinated the villagers. The families of government administrators and the affluent have been entering the royal capital at Luang Prabang in a steady stream from these areas.

There have been several incidents in areas only 60 miles northeast of Vientiane, the administrative capital, and there are reports from other provinces that small bands have infiltrated to propagandize and organize potential guerrilla forces. These activities may be in preparation for a country-wide expansion of guerrilla operations when the wet season ends in about two months.

Pro-Communist Vietnamese refugees from northeastern Thailand are reported to have entered central and southern Laos in several small bands. Their presence in Laos would add to the government's securi-

ty problems, especially since there are already some 14,000 Vietnamese living in southern Laos, many of whom might be susceptible to Communist propaganda.

Morale in some Laotian Army fighting units is believed low, and the poorly informed civilian population in the provinces is extremely susceptible to rumors and propaganda spread by Communist cadres. At the top levels of the government and the army, however, morale is high and there is confidence that Laos will receive external assistance if the situation worsens.

Bloc Reaction

Moscow has not yet replied to the British proposal--presented to the Soviet ambassador in London on 17 August--for a joint UK-USSR demarche to the UN secretary general to send a neutral observer to Laos. Soviet propaganda--although sharply reduced in quantity the past six days--continues to attack alleged US military preparations in Laos and to demand the reactivation of the International Control Commission (ICC). Pravda has asserted that the United States has "virtually taken control" of the Laotian armed forces and given "almost open military support" to Vientiane. A Soviet broadcast of 24 August for the first time referred to the "present civil war in Laos."

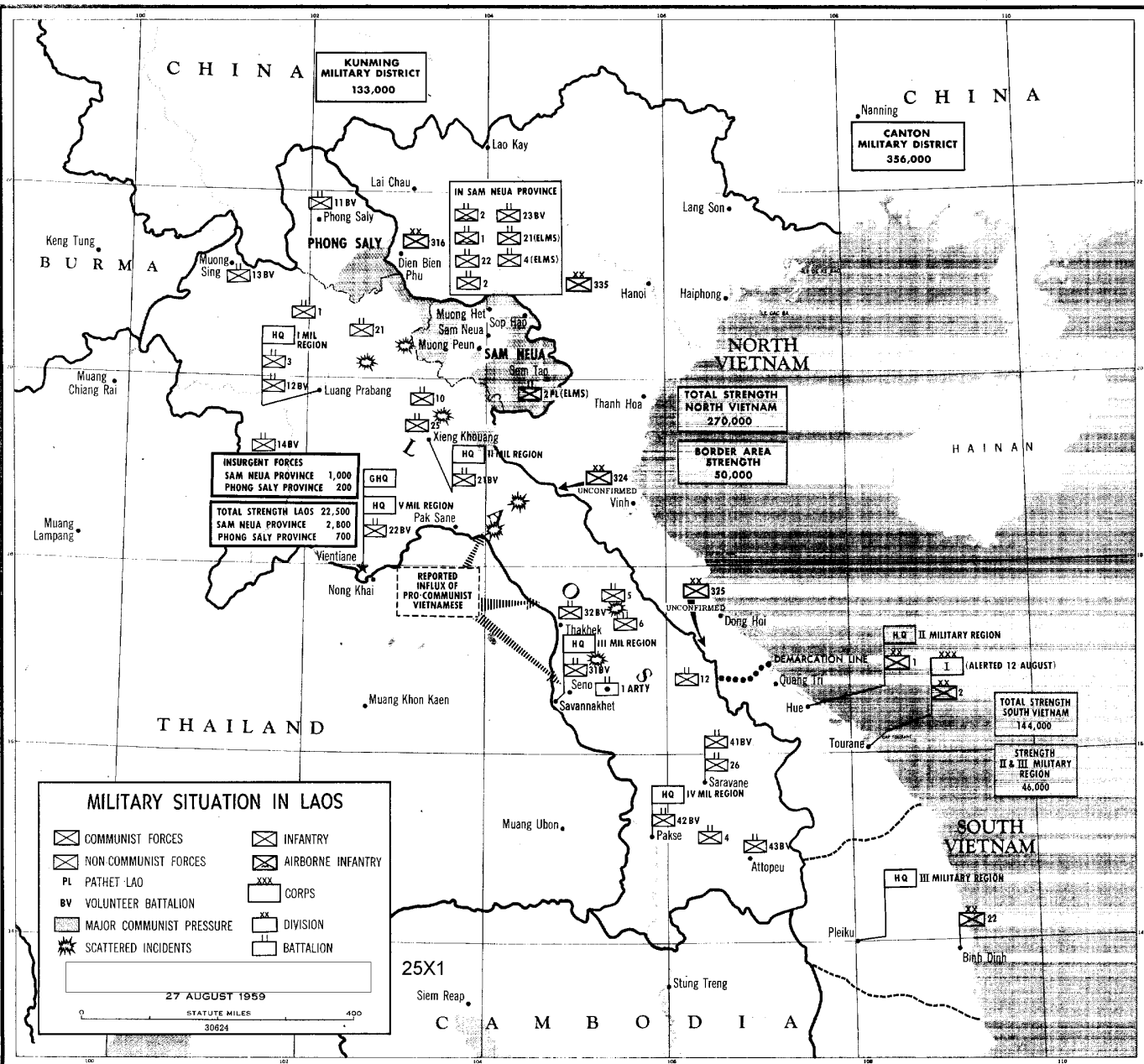
Peiping has not made any formal statements on the situation in the last week, but like Moscow has vigorously protested the introduction of US-manufactured planes from Taiwan. In line with this protest, the

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entire bloc propaganda machine can be expected to object vociferously to the public announcement that the United States will finance an increase in the Lao-tian Army and militia.

Hanoi continues to carry the major portion of bloc propaganda on Laos. In a 25 August Foreign Ministry statement, North Vietnam catalogued the sins of the United States and

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Phoui Sananikone governments in "repudiating" the Geneva agreements, "provoking" the civil war, and "betraying" the former Pathet Lao. The statement also asserted that "as a signatory of the Geneva agreements and a country neighboring on Laos," North Vietnam cannot remain indifferent to the serious situation which directly threatens the security of North Vietnam and the peace in Indochina and Southeast Asia. Rejecting any consideration of UN action, Hanoi again called for reactivation of the ICC and strict adherence to the Geneva agreements as the only solution to the present situation.

The Foreign Ministry statement differs in emphasis from statements attributed to the Laotian Neo Lao Hak Zat (NLHZ) leadership by not making demands for domestic reforms which would automatically result in giving the Communists a privileged status in the Laotian community; it may therefore represent minimum Communist objectives. The domestic demands made by NLHZ spokesmen include the creation of a coalition government with Communist participation, the realignment of Laos' pro-Western foreign policy, and would constitute, in effect, a return to the privileged position secured in the 1957 unification settlement.

UN Moves

UN Secretary General Hammarskjold, with the concurrence of the Laotian emissary to the UN, in a letter to Nehru on 22 August suggested that the Indian prime minister approach Hanoi and Vientiane in an effort to work out a "mediation formula" leading to the appointment of a "neutral" mediator.

Hammarskjold considers the most logical way to appoint a mediator would be for the ICC to request him to appoint one. The secretary general would probably choose a Swiss, since he believes the mediator should be an "absolute neutral" and non-Asian. Although Hammarskjold admits that his plan might require a formal meeting of the ICC outside Laos to approve a request for a mediator, he does not believe one such meeting would reactivate the commission.

In reply to Hammarskjold's proposal, Nehru suggested that assurances of "active support" would be needed from Britain and the USSR, as Geneva cochairmen, and from Poland and Canada, as members of the ICC. While not rejecting the proposal, Nehru apparently wants to ensure that there is agreement among all concerned before India commits its good offices.

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PART II

NOTES AND COMMENTS

CARIBBEAN HIGHLIGHTS

The situation in Haiti is the most pressing element in the continuing tension in the Caribbean area which led to the recent conference of the American foreign ministers in Santiago. The newly strengthened Inter-American Peace Committee (IAPC) has been requested to come to Haiti to investigate the 13 August landing there of a small rebel force from Cuba.

The invasion force, which never posed a serious military threat to the Duvalier regime, has apparently been dissipated, with only a few members still at large in the hills of Haiti's southern peninsula. Government officials identified four prisoners taken to Port-au-Prince as Cubans. The Haitian Government continues to maintain that all the invaders except the leader, a French national of Algerian origin, were Cubans.

Other invasions anticipated by President Duvalier have failed to materialize. With the IAPC now focusing its attention on Haiti, the external threat to the government has abated at least temporarily. The current outbreak of hostility toward the Catholic Church, however, could sharpen internal opposition to Duvalier and, according to US Ambassador Drew, constitutes "an act of political folly which could well lead to his downfall."

Although nominally a Catholic, Duvalier has long been at loggerheads with the church, which he has charged with engaging in "subversive" activi-

ties against the government. The general belief that Duvalier has practiced voodoo rites in the presidential palace has also exacerbated his relations with the church, which has long combated pagan cults in Haiti.

Duvalier has apparently averted a possible break with the Vatican by reversing his decision to arrest or request the recall of Archbishop Poirier, a French citizen who had been ordered arrested for having protested the expulsion last week of two French priests. The Vatican had threatened to excommunicate all connected with the arrest.

The public has reacted calmly to this affair as well as to an incident earlier this year when government troops and police broke up a religious funeral procession and seized the body of opposition leader Clement Jumelle. Haiti's concordat with the Vatican comes up for renewal next year, however, and popular opposition could be aroused by further antichurch actions which opposition elements could construe as indicative that Duvalier may not renew the concordat.

Cuban Foreign Minister Raul Roa returned from the Santiago conference claiming a "historic victory" for Cuba. The conference, he alleged, had been conceived principally by the US to "isolate internationally the Cuban revolution" and to establish an inter-American police force "to strengthen the shaky position of" Latin American

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dictators, but failed to achieve these ends. Roa indicated satisfaction with the declaration and resolutions signed at Santiago but doubted that the Organization of American States "already abundantly discredited," could convert them to reality.

Meanwhile, the Cuban Government has decreed a 30-per-

cent reduction in the rates of the predominantly American-owned electric company which supplies about 90 percent of Cuba's electric power. Fidel Castro himself, according to his minister of communications, refused the company a prior opportunity to challenge the government findings, which had been promised both to the US ambassador and to the company president.

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DE GAULLE REVIEWING ALGERIAN POLICY

President de Gaulle's current tour of Algeria may preface a fresh French initiative for peace prior to the Algerian debate in the UN General Assembly session opening on 15 September. While there is no indication that he is changing his stand against recognizing the rebels as sole representatives of Algeria, he may be considering a meeting including the rebels to discuss the political future of Algeria.

army, which is imbued with the idea that it has a "mission" to "save" North Africa for the West, and appears to be totally unwilling to "abandon" Algeria.

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De Gaulle had tended to believe

He may still hope to win acceptance for a "choice place" for Algeria in the French Community, presumably an autonomous status. In any event, De Gaulle's aim will be to induce the rebels to admit that they are only one of a number of elements representing the Algerian people.

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that his policy toward Algeria was already sufficiently clear. Nevertheless, government apprehension over a possible slowdown in the military campaign is apparent in De Gaulle's present tour of military installations and in Premier Debré's recent carping demands for the "fullest support" from France's allies, and suggests that some new gesture may be in the offing. Debré's speeches were reportedly cleared with De Gaulle, who may advance similar demands as a prerequisite to any new overtures to the rebels.

Meanwhile, most Algerians rebel leaders continue to advocate negotiations. Although the intransigent among them no longer openly demand recognition of Algeria's "right to independence," they insist that any negotiations in Paris must be preceded by contacts in a neutral area, and must include discussion of Algeria's political future. While they have stated that the door to independence "must not be closed," rebel leaders have alluded favorably to some form of French - North African association to include Morocco, Algeria, and Tunisia.

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Despite De Gaulle's liberal views on Algeria's eventual political system, he must still maneuver under pressure from the

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Political tensions in Baghdad remain acute amid the uncertainties created by waves of conflicting rumors. The anti-Communist "nationalists" are embittered by Prime Minister Qasim's maneuvering but, at the same time, are heartened by Brigadier Tabaqchali's vigorous attack on the Communists and on Communist influence in the Iraqi Government during his televised trial this week before the "peoples court."

The Communists seem to have little to gain at the moment from provoking new disorders, since this might well serve only to alienate Qasim further. Fear of Communist violence, however, appears to be real, and this probably accounts for the apparently grossly exaggerated assertions of wide-scale violence last week in the Kurdish area of Sulaymaniya in eastern Iraq.

Economic difficulties, which have been given relatively little publicity amid the political turmoil, are becoming more immediate problems for the Qasim regime. Grain, barley in particular, has skyrocketed in price, and with the slowing or stoppage of imports from Iraq's

normal Western sources, the stage has been set for dangerous inflation and corruption. "Expeditors" in Baghdad are already reported to be selling import licenses for grain at a rate of \$2.80 per ton.

The president of the Baghdad chamber of commerce has announced that, because of bad weather and confusion in the agrarian reform, the harvest has been only 45 to 55 percent of normal. The regime is seeking to facilitate imports, but grain shortages, added to the now chronic unemployment, may still further complicate the political situation.

Arab League Conference

Arab diplomatic activity has been concentrated this week on setting the stage for the Arab League conference which is to open in Casablanca on 1 September. Iraq, piqued over the rejection of Baghdad as the conference site, appears to have decided finally not to send a delegation. This decision reduces the importance of the meeting, which it was hoped might provide the means of promoting a modus vivendi between the Qasim and Nasir regimes.

The Arab diplomats will vary considerably in status, since Jordan, for example, will be represented by Prime Minister Majalli, while Saudi Arabia's delegation will be headed merely by the education minister. Nevertheless, the delegates are expected to produce some new manifesto on the Palestine refugee problem as well as to hash over Algeria and other old issues.

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Discussion of Palestine results from the need for a reply to UN Secretary General Hammarskjold's recent proposals for the continuation of the United Nations relief program in a drastically modified form, but a new pronouncement on the area will not necessarily be arrived at easily.

The Jordanian Government is already irritated by "suggestions" from Lebanese Christian leader Peirre Jumayyal and from the notorious fanatic Haj Amin al-Husayni, ex-grand mufti of Jerusalem, calling for the creation of a Palestine government and the concentration of all refugees in West Jordan. Such a government would most logically be set up there because it is the former eastern area of Palestine and contains the largest number of refugees.

Israel

Saudi Arabia and the UAR apparently are continuing to stand firm against Ceylon's desire to send Ceylonese crews to Eilat in the Gulf of Aqaba to pick up two Israeli frigates the Ceylonese have purchased. Ceylon's ambassador to the UAR has returned to Colombo for consultations on the issue. Israel this week moved another torpedo boat overland to Eilat from the Mediterranean, but this merely brings the Israeli flotilla in the gulf back up to normal strength.

Prime Minister Ben-Gurion meanwhile is returning from a holiday in southern France-- official Israeli announcements said he was resting in a "hospital." Israeli officials in Paris have denied that Ben-Gurion's presence indicates any new military or other agreements between France and Israel, but the visit nonetheless may well have had some effect on Israel's decision on any action it may take in its dispute with the UAR over use of the Suez Canal. Shortly after Ben-Gurion left Marseilles, allegedly cutting short his "vacation," official Israeli sources stated to the press that Israel would take the issue to the UN General Assembly this fall.

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Domestically, the Israelis are preparing for parliamentary elections which are scheduled for mid-November. There has been serious unrest and growing political consciousness among the Jews of North African and other so-called "Oriental" origin in Israel, who feel they are being discriminated against by the dominant, better educated Israelis of European background. This has made the elections appear less predictable in outcome than previously.

Most Israeli parties are making special efforts to appeal to the Orientals, although the conservative General Zionists are seeking to reassure their members of European background that their party will resist the lowering of economic and cultural standards which might result from a sudden surrender to the demands of the Oriental community. The election campaign so far is quiet, however, so much so that a number of stalwarts of the dominant Mapai party were observed sleeping during an election rally address by Foreign Minister Meir at a Tel Aviv theater last week.

Lebanon

The recent departure from Lebanon of Christian ex-President Chamoun on an Aegean cruise, the embarkation of extremist Moslem leader Saib Salaam on a European tour, and the seclusion of Druze leader Kamil Jumblatt in his castle in southern Lebanon add assurance that the country is returning to a period of political peace unknown since the spring of 1958. Chamoun's failure in particular to derive capital from the assassination in July of his principal lieutenant has seriously weakened his hold over the Lebanese Christian community, although some unexpected

incident of violence could enable him to resecure his following.

Concurrently with Chamoun's temporary retirement and loss of influence, there has been a somewhat parallel reduction in the standing and influence of the UAR. Part of this decline results from the shift in Communist tactics from supporting Nasir to favoring Iraq's Qasim as the model Arab leader. Communist influence in this respect is particularly impressive to Prime Minister Karami, much of whose support in his home area of Tripoli in northern Lebanon depends on the Communists.

The multiplicity of pro-UAR groups operating within Lebanon has also adversely affected the UAR position, since the UAR Embassy and UAR intelligence frequently appear to be at odds with each other while Nasir's Syrian hatchetman, Abd al-Hamid Sarraj, operates independently of both and at times, it would appear, even in conflict with Cairo's policy. In consequence, several former Lebanese rebel leaders now speak openly against Nasir.

The general public's weariness with conflict and its disillusion with its former heroes may smooth a cabinet change scheduled for October. The reorganization is necessitated by the illness of Foreign Minister Uwayni, now hospitalized in Paris with a heart ailment. Ambitious politicians, maneuvering behind the traditional desire of religious minorities for cabinet representation, are seeking to expand the cabinet beyond its present four-man size. The major contest seems likely to occur over the Druze seat, since the Druze remain sharply divided between the supporters of the traditionalist Majid Arslan and the "socialist" Jumblatt.

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Yemen

The Imam is continuing his violent purge of civil and military officials.

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Yemeni officials have despair of any improvement in the government as long as the Imam lives. So far, however, there is no indication that the Imam has taken direct action against his son,

Crown Prince Badr, and the Yemeni radio has reiterated that Badr is still the heir to the throne despite the machinations of the imperialists.

Yemeni government business, meanwhile, is at a standstill, with the exception of the police and prison administration, and Yemeni officials believe it may be another month before the Imam's policy line becomes evident.

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MOSCOW SEEKS TO IMPROVE RELATIONS WITH THE UAR

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Moscow is renewing its efforts to re-establish close political ties with Cairo and to consolidate its position as chief source of economic and military assistance to the UAR. Soviet leaders apparently hope they can offset recent steps by Cairo to improve relations with Western countries, particularly the United States, and thus reduce the UAR's economic dependence on the bloc. Nasir has also decided not to allow UAR students--now home on vacation--to return to the Soviet Union because they have shown the effects of political indoctrination by Soviet authorities.

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[Redacted]

[Redacted]

The bloc has recently received favorable publicity in the UAR on projects under its \$168,000,000 credit to the Syrian region. The UAR has announced that the Soviet Union will begin work on a number of water projects, including both hydroelectric and irrigation schemes. Considerable fanfare was also given the opening in

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early August of the Homs oil refinery, which was constructed with Czech economic and technical aid.

Work has already begun on a number of the enterprises called for under the Soviet \$175,000,000 economic aid credit to Egypt, and most of the contracts for the remaining projects have been completed.

Preparations for construction of the first phase of the

Aswan High Dam--to begin in late 1959--are progressing rapidly. In early August the UAR minister of public works announced that the prices for construction equipment and the materials to be used had been agreed on. A group of more than 80 Soviet engineers and technicians, including the USSR's chief expert on dam construction, has begun to arrive. [redacted] (Prepared jointly with ORR)

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EAST GERMAN PRESSURE FOR ACCESS CONTROLS APPEARS SUSPENDED

The USSR, in a move probably related to the upcoming Khrushchev-Eisenhower talks, has apparently reversed a June decision which appeared to forecast increased East German harassing tactics against Allied

traffic to Berlin and has decided not to press at this time for more East German authority on the access routes.

General Zakharov, the Soviet commandant in Berlin,

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replying, on 22 August to his American counterpart's protest over East German interference with official American travelers on the autobahn, said these harassments "seemed unnecessary" and that he would look into the matter. Having just returned from a two-month absence, Zakharov seemed surprised to learn of the matter. The acting Soviet commandant on 30 July had replied in a similar conciliatory vein to an American protest over East German interference with a US military train.

These two almost apologetic replies follow sporadic efforts during the Berlin crisis to assert East German authority on the autobahn. On 22 June the acting Soviet commandant had stated in a letter to the US commandant that, while the USSR accepted the responsibility to control Allied traffic at the checkpoints, the autobahn itself was beyond the Soviet "sphere of influence." The effort to impose East German control has mainly been on the autobahn, with only a few minor attempts to include East Germans in the checking procedure on the railroads. Moscow evidently considered the heavily traveled autobahn route most susceptible to East German encroachment.

This apparent Soviet decision not to press for East German authority on the access



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routes probably does not please the East Berlin leaders, who are sensitive on the sovereignty issue and would like to push ahead to improve their regime's status wherever possible. Concern over this issue may be one reason party boss Ulbricht is presently conferring with Khrushchev on the Black Sea coast.

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Ulbricht may fear that Khrushchev, in his coming talks with President Eisenhower, may make

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some concession at the expense of East German aspirations for sovereignty.

While an agreement that would bar East Germany permanently from trying to assert its sovereignty over the ac-

cess routes is unlikely to result from the Khrushchev-Eisenhower exchange, the East Germans will probably be restrained from interfering with Allied traffic at least until after the visits.

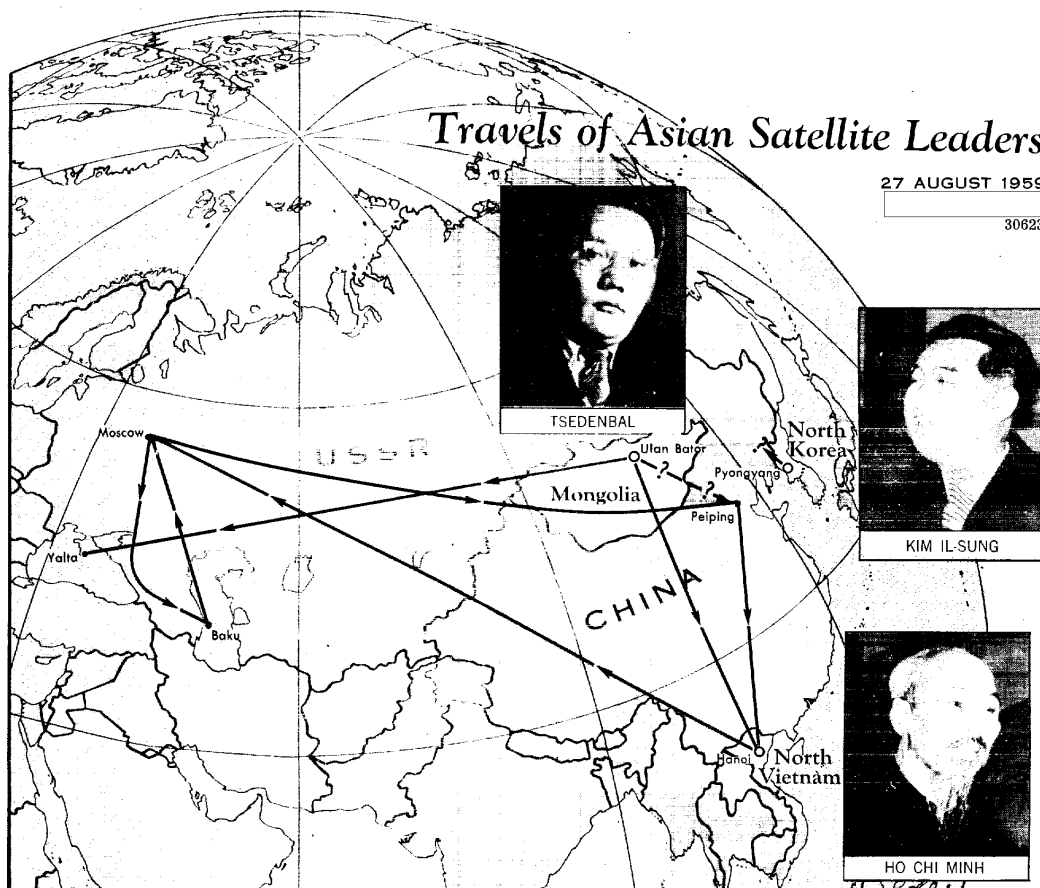
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CONSULTATIONS AMONG ASIAN COMMUNIST LEADERS

During July and part of August, when Communist China's leaders were absent from Peiping, two of the three other Asian Communist chiefs visited Moscow--one going on to Peiping--and the third was absent from his capital. This suggests the likelihood of consultations with China and the USSR covering a broad

range of Far Eastern issues.

Ho Chi Minh of North Vietnam visited both the Soviet Union and Communist China within the past few weeks. He met informally in Moscow in early July with Kremlin leaders. He then spent about a month on a "vacation" tour of parts of the USSR. After leaving the Soviet



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Union, Ho made a leisurely trip through Communist China, partly by train, during which an unexplained gap in his schedule could have allowed time for a conference with Chinese leaders. He was given an official reception in Peiping on 21 August by government Chairman Liu Shao-chi and Premier Chou En-lai and left for Hanoi on 25 August.

On 20 August, while Ho was in Peiping, Soviet Premier Khrushchev received Mongolian First Secretary Tsedenbal in Yalta for "friendly cordial talks," according to Moscow newspapers. Furthermore, Ulan Bator announced that Tsedenbal would visit Hanoi shortly in response to an invitation from the North Vietnamese party and government. Since Tsedenbal is not known to have visited Communist China since 1952, he may stop off at Peiping en route to or from Hanoi for a meeting with Chinese leaders.

While North Korea's Kim Il-sung is not known to have participated in the putative meeting of Chinese leaders nor to have journeyed outside the country during the summer, he was absent from Pyongyang for a period of about five weeks coincident with

the absence of Communist China's leaders from Peiping, and could thus have joined their meeting or visited other bloc nations.

There has been no public report of the topics discussed at the announced meetings involving Asian Communist leaders. The meeting of Chinese leaders was probably concerned largely with domestic matters, but the Laotian situation must have been considered. In view of Ho Chi Minh's prior contacts with Soviet leaders, it is possible that he served as intermediary in a move to coordinate bloc policy on Laos. Five members of the Chinese Communist party politburo believed responsible for military affairs were not reported present at a Supreme State Conference in Peiping on 24 August and may still be discussing military problems.

Khrushchev's meetings with at least two Asian Communists suggest that another motive in these recent contacts may have been his desire to reassure Asian members of the bloc that their interests would not be slighted during the forthcoming exchange of visits between himself and President Eisenhower.

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SITUATION IN TIBET

Peiping continues to be plagued with armed resistance in Tibetan areas and possibly faces a new flare-up of rebel activity. Tibetans in India seem fairly well informed on the present situation in Tibet. Areas of combat have been pinpointed in recent statements by the Dalai Lama's brother.

Chinese Communist troops, which may number over 100,000 in Tibet alone, appear to be attempting to eliminate armed dissident groups by cutting them off from money, food, and supplies, by eliminating elements of the population friendly to rebels, and by carrying out mass trials of "reactionaries" opposed to the reform program.

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Unconfirmed rumors persist that the Communist-sponsored Panchen Lama has been placed under house arrest in Lhasa because of his leadership in a projected new uprising. A British newsman for the Communist London Daily Worker now in Lhasa has denied the rumors, and a group of foreign newsmen reportedly interviewed the Panchen Lama at his residence in Zhikatse.

Reports of Chinese Communist incursions below the Tibetan border continue to draw considerable attention in South Asia. 25X1



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The Dalai Lama stated on 23 August that he is not surprised by reports of the Panchen Lama's arrest and that there is "every possibility" the reports are true. He described the Panchen Lama as a "man with feeling" for his country, people, and religion, and one whose attitude may well have been affected by Communist atrocities in Tibet.

Within Tibet, the Chinese continue to harass foreign nationals and to restrict their travel. Nehru told the Indian Parliament on 24 August that Communist China had advised India to discourage pilgrimages to Tibet because of an 25X1

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"expedition" against the rebels. Officials of both Nepal and Bhutan are concerned over recent Chinese actions in Tibet. Nepal has complained to Communist China about treatment of Nepalese traders and is "investigating" reports that Chinese troops are attempting to exercise authority in border areas of the kingdom; Bhutan

apparently has abandoned its historic policy of isolation, and its prime minister will arrive in New Delhi on 7 September to discuss security problems with Nerhu. The Indian prime minister on 25 August re-emphasized India's "responsibility to defend Bhutan and Sikkim" against "any incursions." [redacted]

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JAPANESE - SOUTH KOREAN RELATIONS

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Negotiations which began between Japan and South Korea on 12 August for the settlement of outstanding differences have only limited prospects for improving relations between the two countries as long as Seoul persists in its efforts to block the repatriation of Korean residents in Japan to North Korea. Seoul is continuing to delay the exchange of Japanese fishermen held in Korea for violations of the Rhee Line for those Koreans detained for illegal entry into Japan, has not resumed trade with Japan, or stopped the seizures of Japanese fishing boats.

Seoul is insisting that the settlement of the legal status of Korean residents in Japan be given priority over the numerous other issues, claiming that unless Japan agrees to remove alleged legal and other forms of discrimination, these Koreans will not have a "free choice" of residence. The South Korean press is continuing to urge that the talks be used to block repatriation to North Korea, and has commented favorably on President Rhee's statement that all Korean residents are South Korean citizens and cannot be sent anywhere without Seoul's consent.

[redacted]

Tokyo is willing to discuss the legal status of Korean residents provided this will not prejudice the repatriation to North Korea and that Seoul is prepared to exchange detainees immediately. Although irritated by the recently resumed seizures of Japanese fishing boats, Tokyo is unlikely to use force in patrolling the Rhee Line.

Meanwhile, steps are being taken to carry out the repatriation agreement between the Japanese and North Korean Red Cross Societies signed at Calcutta on 13 August. Marcel Junod, vice president of the International Committee of the Red Cross, arrived in Tokyo on 23 August to oversee the repatriation processing. The Japanese Red Cross will soon undertake initial repatriation procedures, and the first repatriation ship is expected to depart for North Korea in early November. [redacted]

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BLOC RENEWING ECONOMIC AID ACTIVITY IN INDONESIA

The signing of additional protocols for implementing the Soviet Union's \$117,500,000 aid program in Indonesia suggests that Moscow intends to revitalize the bloc's lagging economic efforts there.

According to a recent announcement, top priority under present implementation contracts will be assigned to the Asian Games stadium project to be built with \$12,500,000 in Soviet credits. This stadium reportedly will seat some 100,000 persons and, although difficult to justify in the light of Djakarta's pressing economic needs, is calculated to provide the maximum psychological impact on Indonesia's population.

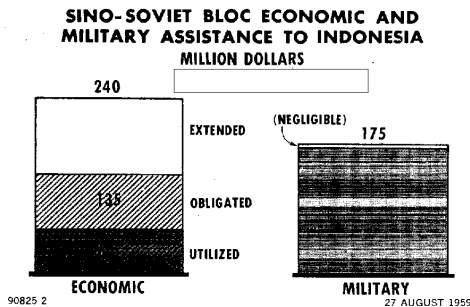
Although the Indonesian Government wanted a recent credit of \$5,000,000 for educational purposes to be split among various educational institutions already in existence, the Soviet Union insisted that it be used to establish a technological institute at Ambon, the capital of the Moluccas--an area in which Soviet influence has been negligible. Construction has reportedly been postponed indefinitely by the Indonesian Government, increasingly concerned over Soviet motives in this area.

Of the more than \$240,000,000 in economic aid extended to Indonesia by the bloc since 1955, some \$135,000,000 has been obligated but only about \$60,000,000 utilized. Most of the credits used have been delivered in the form of equipment, foodstuffs, and consumer goods, and only about \$13,000,000 has been used on economic development projects.

The good will generated by such projects has been off-

set to a large extent by difficulties and misfortunes. A tire and rubber plant, contracted early in 1956 from Czechoslovakia, was not formally inaugurated until 6 May 1959--one and one-half years behind schedule; it is the first bloc project successfully completed in Indonesia.

The East German sugar mill in Jogjakarta, after having broken down last year, was reopened in May and apparently is operating successfully, but only



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after incurring the wrath of local sugar producers who suffered during the delay. Complaints of faulty bloc equipment continue to be heard among Indonesian officials, who generally prefer Western equipment. These difficulties, however, also reflect Indonesia's shortage of trained technicians and the absence of a sound maintenance system.

Other bloc projects in Indonesia, most of which are still in preliminary stages, include a \$5,000,000 shipyard built with Polish help, a Soviet-assisted glass factory now under construction, two steel plants, and a large Soviet program for building roads in Borneo. Communist China, which makes its greatest contribution to the bloc's economic offensive

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in trade with Indonesia, recently augmented its efforts by extending a \$30,000,000 loan to equip three textile mills, a soda factory and a cement plant.

Difficulties and delays in implementing these agreements have been balanced by timely and efficient deliver-

ies under the large military aid program. Since early 1958 the bloc has provided Indonesia with almost \$175,000,000 in military assistance. With the arrival of two W-class submarines on 25 August, deliveries under existing military agreements have virtually been completed. (Prepared by ORR) 25X1

INDONESIAN INTERNAL PROBLEMS

The new Indonesian Government, faced with mounting inflation and a scarcity of essential goods, took its first major remedial measures on 24 August when it took over 90 percent of the deposits in bank accounts exceeding 25,000 rupiahs (approximately \$555 at the new rate of exchange) and devaluated by 90 percent 500- and 1,000-rupiah bank notes. Import taxes on luxury goods were increased, a complicated export-certificate system introduced two years ago was abolished, and the exchange rate was fixed at 45 rupiahs to the dollar, replacing the former rate of 11.4 to the dollar.

The government reportedly expects the withdrawal of 8.5 billion rupiahs from the 31 billion formerly in circulation as a result of the currency reform, and the withdrawal of 3.5 billion from the freezing of accounts. The measures will probably be principally effective, however, in undercutting extensive black-market operations rather than in reducing general price levels. The

government also hopes the reforms will hurt the Sumatran and Celebes rebels by forcing their counterfeit notes, mostly of high denomination, out of circulation.

The reforms, involving an obvious effort to protect low-income groups from the effects of devaluation, will seriously damage Indonesia's business and moneyed classes, with the Chinese probably the principal victims. The currency losses, combined with the freezing of bank accounts, will make the operation of much large private enterprise virtually impossible. Provision has been made, however, for exemptions from the freeze for certain categories of institutions and for purposes consistent with government financial and economic policy.

The Communists apparently have scored a victory in gaining the army's reluctant approval for the convening of the party's sixth national congress on 7 September. The explanation for their success appears to be

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a combination of Communist bluff, an army mistake, and interference by President Sukarno on behalf of the party.

The party had earlier applied for and received army permission--granted apparently in ignorance of the scope of the meeting--to convene the congress on 22 August. Party Secretary General Aidit ignored a later army request for "indefinite postponement" of the congress, claiming that permission had already been granted. There are indications that at this point President Sukarno over-

ruled army efforts to cancel the meeting and possibly suggested the compromise date of 7 September.

The party is anxious to hold the congress, having repeatedly postponed it from its initially scheduled date in mid-1958, largely because of army pressures. With an increased membership and a domestic situation less favorable to Communist interests, party leaders wish to brief cadres and lay down revised tactical lines.

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NATIONAL ASSEMBLY ELECTIONS IN SOUTH VIETNAM

Various control measures and the absence of organized political opposition assure a victory for the Diem government in South Vietnam's National Assembly elections on 30 August. The administration's political apparatus is even more encompassing today than in March 1956, when the nation's first general elections produced a solid pro-Diem legislature. Less certain, however, is the smoothness with which the elections will take place, particularly in view of possible disruptive tactics by the Communist underground.

The majority of the 123 assembly seats at stake will probably be filled by members of the National Revolutionary Movement (NRM), the government's instrument for political control of the masses and the only significant party participating in the elections. "Independent" candidates enjoying covert government support are expected to win the bulk of the remaining seats. Government favorites probably face their most serious challenge

in Saigon, where an average of ten candidates are competing for each of the prefecture's nine seats. In the absence of real policy issues, the ten-day campaign period has been waged largely on personalities. A new factor in the elections will be the votes of the approximately 100,000 Chinese naturalized by decree since 1957.

President Diem is anxious for the elections to appear as democratic as possible for reasons of international prestige, particularly with the psychological impact on the North Vietnamese masses in mind. The government, however, apparently is prepared to resort to intimidation and to marshal military votes to defeat candidates considered inimical to national interests. Included in this category are several candidates backed by the labor unions, which are believed to have been penetrated by Communists. Aside from considerations of political reliability, Diem is interested in improving the quality of the unicameral legislature's membership.

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Despite stringent security measures imposed during the election period, particularly in the Saigon area, Communist-instigated acts of terrorism aimed at discrediting the Diem government are possible. The

assassination of two American MAAG members near Saigon on 8 July attests to the increasing aggressiveness of the well-entrenched Communist underground.

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RULING ALLIANCE PARTY SWEEPS NATIONAL ELECTIONS IN MALAYA

The more than two-thirds majority in the House of Representatives won by the ruling Alliance party in the 19 August general elections improves immediate prospects for political stability in the Federation of Malaya and apparently assures the continuation of the federation's pro-Western orientation and moderate domestic policies. The Alliance won 73 of the 104 seats in the House, which replaces the partially elected Legislative Council formed prior to Malayan independence. Of the principal opposition parties, the Pan-Malayan Islamic party won 13 seats, the Socialist Front, eight, and the People's Progressive party, four.

The sweeping victory is a personal triumph for Abdul Rahman, who resigned as prime minister in mid-April to devote full time to campaigning and to strengthening the Alliance organization. Rahman resumed office on 21 August and announced a new, but as yet incomplete, cabinet which is expected to place new emphasis on economic development. New ministries for national development and information will probably be created, as well as a separate ministry of justice.

The government's large majority will allow it to amend the constitution to provide more effective antisubversive measures before declaring an end to the stringent emergency regula-

tions in effect as a result of the 11-year-long Communist rebellion. At the same time, the Malays as a race failed to obtain two thirds of the seats, and this eliminates for the present the danger of unilateral amendment of the constitution by one racial group.

The election results reflect a steady decline in the strength of the multiracial Alliance, despite its victory, and a trend toward polarization of voting along racial lines. The Alliance's percentage of the total vote was only 51.4 percent in contrast to 55.5 percent in the state elections earlier this year and about 80 percent in the 1955 national elections.

For the first time, the Alliance, which controlled 50 of 52 elective seats in the previous legislature, will face significant legislative opposition, especially in foreign affairs, where all opposition parties will be united against the government's pro-Western policies. Internally, however, the opposition will probably be sharply divided on racial issues between left-wing Chinese and Malay nationalists. The Alliance will also have firm control of the new 38-member Senate. Twenty-two senators will be elected by the 11 state legislatures, nine of which are controlled by the Alliance, while 16 25X1 mainly pro-Alliance senators will be selected by Malaya's Paramount Ruler.

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NORTH AFRICAN STATES BID FOR ECONOMIC INDEPENDENCE

Morocco and Tunisia, having reached stalemates in economic negotiations with France, apparently are consulting on measures to resist French economic pressures. Following a first round of talks in Rabat, Moroccan Deputy Premier Bouabid is spending several days this week in Tunis. The two governments may be considering simultaneous announcement of their withdrawal from the French franc zone.

Since midyear the Moroccan Government has been beset by financial paralysis, partly resulting from the cumulative effects of Paris' devaluation of the franc in December and from its freezing on 1 July of Morocco's foreign exchange balances -- a maneuver aimed at forcing Morocco also to devalue its currency. Ultrationalistic groups of both left- and right-wing tendencies have been pressing the government to break away completely from economic and financial dependence on France, and they consequently oppose devaluation.

The Ibrahim government, already split regarding the economic need to devalue, is re-

ported to have decided on 19 August to leave the franc zone. It may hope that the fanfare of such an announcement would blunt the political repercussions of devaluation. Exploring alternatives to devaluation, the Ibrahim government has discussed economic aid with the USSR, possibly including short-term foreign exchange assistance. It is also pressing the United States for retroactive payment of duties on materials imported into Morocco in connection with the American air bases.

Tunisia, which also refused to align its dinar with the French currency last December, seems to have fared somewhat better financially than has Morocco. President Bourguiba has accompanied his many threats to leave the franc zone with a more effective fiscal policy and a concerted effort to expand Tunisia's foreign trade with non-franc areas, including the Soviet bloc.

Most recently, on 20 August, Bourguiba announced the abrogation effective 1 October of the Tunisian-French customs union. This gesture--designed primarily to curb domestic criticism that

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he is too cooperative with France--was virtually meaningless, however, because agreement had already been reached with France on new customs regulations which in effect would nullify the customs union.

Were Morocco and Tunisia to break away from the franc zone, both governments probably would increase their demands for economic assistance from the United States and become more receptive to Soviet aid overtures.

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ETHIOPIAN RELATIONS WITH US MAY DETERIORATE

Ethiopian officials deny that the recent agreements reached by Emperor Haile Selassie in Moscow and Prague signify a change in Ethiopia's traditional pro-Western orientation. Nevertheless, an apparent change in the attitude of Ethiopian officials toward the Kremlin and the veiled threats directed at the United States by Acting Prime Minister Aklilou and Foreign Minister Deressa suggest that American interests in Ethiopia face difficulties.

The American Embassy in Addis Ababa believes the "red-carpet" treatment accorded the Emperor and his aides by their Communist hosts contributed to a considerable change in their attitude toward Moscow. Aklilou told the embassy that he had seen in the Soviet Union "real personal liberty," and "millions of gay, well-dressed, and well-fed Russians." Furthermore, he is convinced that the leaders of the Kremlin want peace.

Both Aklilou and Deressa have reiterated that Ethiopia's acceptance of bloc assistance indicates no change in its relations with the United States; they insist that the credits were accepted for economic reasons. Deressa reasons that since the amount and direction of assistance from the United States is insufficient for Ethiopia's needs, aid from other

sources is necessary. He asserts that Ethiopia's reliance on private enterprise--both foreign and domestic--has failed to industrialize the country and that a study of the movement of investment capital to underdeveloped economies throughout the world convinces Addis Ababa that economic progress must be directed by the state, as in the Soviet Union.

Aklilou and Deressa declare that continued good relations between Addis Ababa and Washington depend on the degree of American support in the UN. They claim that Addis Ababa has been subjected to considerable political embarrassment over its support of US positions in the UN, especially from the Afro-Asian nations. They warn that unless the United States supports issues of primary importance to Ethiopia, such as its border dispute with Somalia and the Greater Somali issue, Addis Ababa will be forced to align with the Afro-Asian group and with the Soviet bloc.

The embassy comments that the arrival in Ethiopia--probably in October--of large numbers of bloc personnel in connection with implementation of the Moscow and Prague credits, the new respectability attained by Moscow, and Addis Ababa's pique over American failure to support Ethiopia in the UN will greatly facilitate bloc activity there and complicate US relations with Ethiopia.

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GRIVAS BECOMES MORE ACTIVE IN GREEK POLITICS

General George Grivas, former leader of the Greek Cypriot underground organization EOKA, is becoming steadily more active in Greek politics. His attacks on government "corruption," his call for greater social justice, and his demand that Greece be "respected" by its allies are the major planks of his political platform.

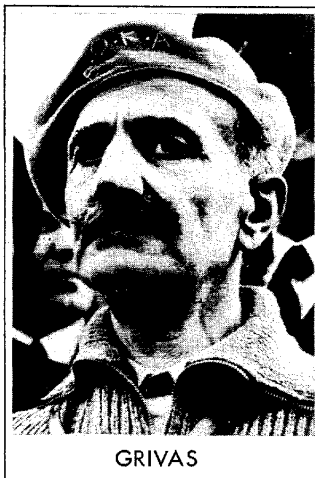
Grivas has already suggested that he might be called to power by popular demand, but his drive for the premiership probably will not hit full stride until release of his memoirs in September. These memoirs are said to be extremely critical of the Karamanlis government's attitude toward EOKA during the Greek Cypriot struggle and will probably present in detail the basis of Grivas' opposition to the negotiated Cyprus settlement of last February.

Grivas apparently hopes to remold his reputation as an extreme rightist by adopting policies more likely to appeal to center and left-of-center voters and to attract the widespread opposition to the Karamanlis government revealed in recent elections. At present, those who oppose the right-center policies of Karamanlis must either continue to support the rapidly disintegrating center parties or cooperate with the Communist-front United Democratic Left.

While Grivas' opposition to the Cyprus agreement and call for eventual inclusion of Cyprus and northern Epirus (southern Albania) in a "greater Greece" are designed to appeal to the nationalists, his advocacy of reforms, redistribution of wealth, and economic planning are aimed at the left-of-center elements. In addition, he may pick up some

support from the far left by advocating an amnesty for political prisoners, an "atom-free" Balkan zone, and equal friendship for all nations.

Grivas needs the support of established politicians and political organizations. Thus far, however, while not discour-



GRIVAS

aging opposition politics or anti-Karamanlis deputies in the government party from contacting him, Grivas remains uncommitted to any existing party program or leader.

Grivas has several alternative strategies in his drive to power, but each poses difficulties. If he waits until the scheduled 1962 parliamentary elections, his popularity may wane and his drive lose momentum. If he seeks to replace Karamanlis by parliamentary means now--a defection of 20 deputies would bring the premier down--King Paul might call for elections at once, and Grivas lacks the organization necessary to wage a successful electoral campaign. A military coup is not without precedent in Greece, but most senior military

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officers are believed loyal to the regime. Moreover, Grivas also faces the opposition of a politically shrewd prime minister, the Communists, and probably the palace.

While Grivas does not appear to be a serious threat

to the Karamanlis government at the moment, any political or economic crisis in Greece might be the catalyst that would attract to Grivas the mass support he needs to become premier.

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BRITISH LABOR PARTY'S VIEWS ON EAST-WEST RELATIONS

The ten-day visit to the USSR by British Labor party leaders Gaitskell and Bevan will provide an opportunity to test Khrushchev's reactions to their proposals for easing East-West tensions. Since preparations for the Eisenhower-Khrushchev exchange will overshadow their own trip--beginning 29 August--the Labor leaders may be eager to dramatize their meetings with the Soviet leaders in view of the general election campaign expected this fall. Labor is especially concerned about the Conservative party's popular lead, which had increased to 5 percent in mid-August opinion polls.

The Labor party has seen the electoral appeal of its approach to East-West relations

BRITISH LABOR PARTY'S NUCLEAR POLICY

1. Indefinite suspension of Britain's nuclear weapons tests.
2. Ultimate abandonment of nuclear weapons through organization of a "nonnuclear club" embracing all nations except the United States and the Soviet Union.
3. "Fighter control" of American bases in Britain, while honoring Britain's NATO commitments.

increasingly stolen by the Macmillan government. Labor's proposals for easing East-West tensions retain a distinct character, nevertheless--mainly the "Gaitskell Plan" for a broad central European neutral belt. As described in conversations with American Embassy officials, Bevan's and Gaitskell's views stem partly from a conviction

that normalization of relations --with the satellites as well as with Moscow--may prove more important in preserving peace than maintaining the West's present military stature.

"GAITSKELL PLAN" FOR EUROPEAN SECURITY

1. Gradual withdrawal of all foreign military forces from a "neutral zone" of West and East Germany, Poland, Hungary, and Czechoslovakia.
2. Establishment of controls over national armed forces in this zone.
3. German reunification on the basis of free elections.
4. Guarantee of territorial integrity of neutral zone states by themselves and by the United States, Britain, and the Soviet Union.
5. Withdrawal of Germany from NATO and of Poland, Hungary, and Czechoslovakia from the Warsaw Pact.

While believing the West would gain propaganda advantage from appearing more "flexible," the Labor party leaders insist that only "self-enforcing" agreements should be reached. They give full credence to Russian fears of German military resurgence--a worry Bevan and many Laborites share. They would encourage independent Polish actions, as by discussing with the Poles the Rapacki Plan for a nuclear-free zone, and see no harm in accepting de facto dealings with the East German regime if these would facilitate Western access to Berlin.

The Labor party's official disarmament policy, formulated in June, is similarly keyed largely to possible propaganda

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purposes, with little prospect of any actual British sacrifice.

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A major trade union's abandonment on 21 August of its demand for unilateral British disarmament strengthens Gaitskell and Bevan's position for the Moscow talks.

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UN MEMBERS CRITICAL OF PROPOSED DISARMAMENT GROUP

The negative reaction of the 20 Latin American countries to the Geneva foreign ministers' proposal for a ten-member disarmament group--consisting of representatives of five Western and Soviet bloc countries--will be shared by many other UN members resentful of their exclusion from disarmament negotiations. The Latin American bloc, which in the past has strongly opposed the USSR's demand for parity between East and West in UN bodies, now feels "let down and exposed" and will be reluctant to take a similar strong stand in the future.

On 20 August the Latin American group was briefed by Ambassador Lodge on the proposed new disarmament group. The reaction was immediate and negative. While most of the ambassadors remained "glum and silent," the Brazilian, Argentine, and Ecuadoran ambassadors spoke out strongly. The Brazilian said the proposal completely ignored the UN charter and warned that some "essence" of the UN must be injected into the proposed group or "we could expect a bad vote on disarmament" from the General Assembly.

The group objected to the exclusion of Asian and Latin American members from disarma-

ment discussions and regretted the inclusion of only NATO countries on the Western side. Acceptance of parity was characterized as a "premature concession" to the USSR. The Ecuadoran ambassador believes this will seriously undermine the West's stand against parity in other UN bodies.

Many other UN members, such as India, which has desired active participation in disarmament negotiations for many years, probably share these views. Some have already objected to the proposal because of the lack of an effective link to the UN.

To meet this criticism and make the proposal more palatable to the majority of UN members, Secretary General Hammarskjold has agreed to call a meeting of the 82-member UN Disarmament Commission just prior to the opening of the next session of the General Assembly. There he will state his willingness to appoint an observer, presumably a high-ranking member of the secretariat, to the proposed group. Although Hammarskjold basically does not like the composition of the new group or its lack of effective ties to the UN, he is willing to lend the full weight of his office to break the impasse in disarmament negotiations.

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PART III

PATTERNS AND PERSPECTIVESPOLISH-SOVIET RELATIONS

The harmony in Polish-Soviet relations demonstrated during Khrushchev's tour of Poland in mid-July contrasts sharply with the hostility evident in October 1956, when Khrushchev arrived in Warsaw fearing Gomulka's accession to power might lead to an attempt to withdraw Poland from the Communist bloc. There are many indications, as Khrushchev claimed in his speech on 21 July, that the Polish and Soviet leaders have overcome their differences. Khrushchev has decided that Soviet purposes will best be served by permitting the Polish party and state a substantial degree of internal autonomy--within the general framework of Communist ideology--to satisfy Polish social, economic, and cultural requirements.

Gradual Change

This improvement in relations has been a gradual process. By 1958, Gomulka's altered attitude on such issues as the Hungarian revolution, Yugoslavia, and the role of the Soviet Union in the "socialist camp" apparently had dispelled most of Khrushchev's reservations. The consolidation of Gomulka's position within the Polish party and the relative success of his policies, together with his position on revisionism, seemed to vindicate Khrushchev's acceptance of the Polish leader in 1956.

At the same time, the greater rigidity demonstrated by other Communist leaders--including the Chinese--strengthened the belief of many Polish Communists that Khrushchev was the only bloc leader with whom they could deal. This belief apparently was bolstered by the effusive cordiality with

which Khrushchev received Gomulka and the Polish delegation during their lengthy visit to the USSR in October and November 1958. There is evidence that Khrushchev used this visit to "sell" the Polish leadership to influential circles of the Soviet party apparatus. On his return to Poland, armed with Khrushchev's qualified acceptance, Gomulka was able to deal more effectively with his opponents in the party and to consolidate his position in preparation for the party congress in March 1959.

If there are elements of Gomulka's brand of Communism that Khrushchev does not like--and presumably there are--it appears certain that he has resolved to tolerate them for the sake of harmonious relations. Khrushchev probably views conditions in Poland today as the best that can be expected under the circumstances and far better than he anticipated in 1956.

The Two Leaders

Gomulka's own character appears to have been an important factor in the present state of relations between Poland and the Soviet Union. In his approach to difficult problems, the Polish leader has repeatedly demonstrated great strength of character, combined with a keen sense of political realism, and, within the framework of Marxism-Leninism, a singularly undogmatic flexibility. The speed with which Gomulka gained control of and revived the Polish party heightened Khrushchev's respect for him.

Reports of the development of mutual respect--if not actual friendship--between Khrushchev and Gomulka appear borne out by

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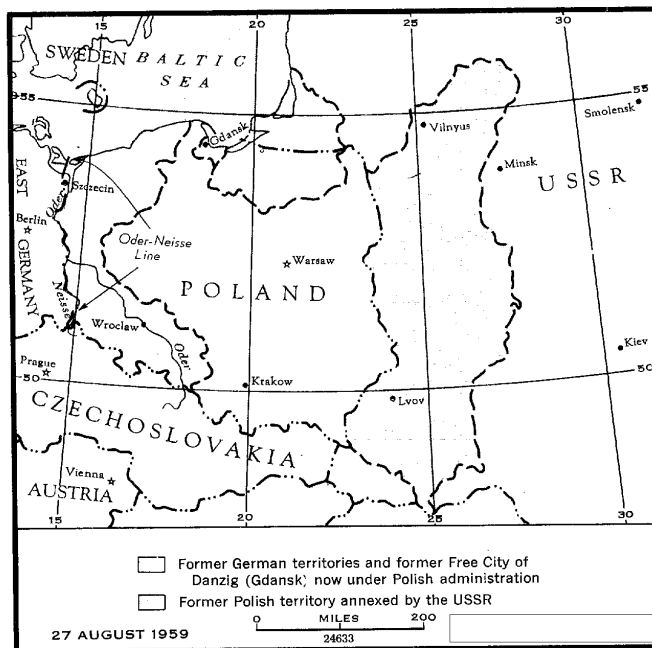
the Soviet leader's warm praise of Gomulka during his tour of Poland last month.

For his part, Gomulka frequently praised Khrushchev and the Kremlin during the July visit. He apparently had lost his former distrust of Khrushchev, probably because he has come to believe that the Soviet leader is a pragmatist who realizes that Gomulka's approach is the only effective way to "build socialism" in Poland. At any rate, in the numerous speeches throughout the visit there were no indications of a divergence of views, such as was noted on previous occasions. Gomulka has declared full support for Soviet policy on a German peace treaty, a settlement of the Berlin problem, Communist China's right to Taiwan, and nuclear testing.

The Oder-Neisse

International recognition of the Oder-Neisse line as Poland's legitimate western boundary is a major preoccupation of Polish foreign policy, and Warsaw realizes that only the USSR can guarantee the boundary, in view of the Western powers' refusal to recognize its validity until there is a peace treaty with Germany.

Khrushchev chose Szczecin --the former German port of Stettin--as the locale for his speech pledging support for the Oder-Neisse line. There he reiterated Soviet determination to maintain the boundary and promised that the USSR would fight to defend it if necessary. Aware of the Polish



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feeling that the Western Territories are irrevocably Polish, Khrushchev could not have missed the significance of the fact that he received more enthusiastic applause for this speech than on any other occasion during his tour.

Approval of Gomulka's Road

In his 21 July speech in Warsaw on the occasion of the 15th anniversary of Poland's "liberation," Khrushchev approved Poland's right to handle its domestic affairs in its own way. He stated, "One cannot demand that the Polish party, in solving any question of the internal life of Poland, pursue a policy which coincides fully with the policy of the Communist party of the Soviet Union. Each country must build socialism and advance toward Communism by taking into consideration its national, cultural, and ideological peculiarities." In none of his speeches was there any evidence of pressure on Poland to adhere more closely to the Soviet pattern.

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Khrushchev categorically rejected the idea that Poland occupies a special place among the "socialist" countries because of differences in approach to domestic problems.



Gomulka and party with Khrushchev during 1958 visit to Moscow.

His warning to the imperialists of the futility of their "hope of tearing Poland away from the socialist camp" was also designed to discourage any elements in Poland which might be susceptible to Western influence.

Khrushchev lashed out at both dogmatists and revisionists within the Polish party. While terming revisionism the greater danger, he warned the Polish dogmatists that they were wrong in attempting to emulate the Soviet example too closely. Their opposition to Gomulka only weakened the party and provided "a nourishing soil for revisionists and opportunists."

Polish "Freedoms"

There is no evidence that Khrushchev sought to persuade Gomulka to restrict the freedom of the Polish people, which is greater than that in any other bloc country. The leading revisionists and dogmatists remain at liberty, although they have been under some pressure from the regime to desist from "deviations." While Gomulka has tightened controls, he has

rejected any drastic restrictions on this liberty. The press, despite certain restrictions, has remained lively and undogmatic, with more freedom of expression than is found

elsewhere in the bloc. The Polish press sometimes even takes issue with Soviet criticism of the Polish scene, and it also carries a substantial volume of news coverage and feature stories about life in the West.

The universities, which were largely freed from political control following the events of October 1956, have managed to retain most of

their internal freedoms, even though the teaching of Marxism-Leninism is being reintroduced. There have been some restrictions



Khrushchev and Gomulka on Polish warship during the Soviet premier's 1959 visit to Poland.

on university publications, especially in the social sciences.

The existence of these freedoms is known within the intellectual and liberal circles

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of other bloc countries; thus it is a potential source of trouble for their leaders, always concerned lest the intellectuals use the Polish example to demand greater freedom of expression.

An accord with the Soviet Union has many implications for the Polish domestic scene. Gomulka can, for the time being at least, pursue his own internal policies without fear of Soviet pressure. Regime policies toward the church, the peasantry, and the press may harden somewhat, but Gomulka is unlikely to go so far as vigorous persecution of the church or excessive oppression of the peasants. While he probably would like to curtail some freedom of expression, he is strongly opposed to any return to police-state methods.

Polish Agriculture

Perhaps the most important of Khrushchev's statements dealt with the most crucial issue in Soviet-Polish, and indeed Polish-bloc, relations--collectivization of agriculture. Warsaw's refusal to make any determined efforts to push collectivization since Polish agriculture reverted almost entirely to private farming after Gomulka's return to power in 1956 is a particularly serious deviation from standard bloc policy at a time when all other bloc countries are accelerating their drives for collectivization.

Nevertheless, Khrushchev explicitly endorsed the Polish regime's unorthodox agricultural course. His speech at the Plawce cooperative farm near Poznan was a folksy attempt to convince the peasants of the superiorities and benefits of collectivized as opposed to private farming.

At the same time, however, he repeated that "you cannot forcibly drag people into cooperatives" and that in a few years these same peasants would agree with him on the virtues

of collectivization. His emphasis on persuasion and his rejection of the use of force in collectivization--while hypocritical in the light of Soviet and bloc practice and perhaps carrying overtones of pressure for greater speed--appear to eliminate for the time being the likelihood of friction between Poland and the USSR over the collectivization issue.

Effect on the Bloc

Although the pragmatic Soviet approach to Poland may be designed for that country alone, it is possible that other satellite regimes may consider that Khrushchev's statements on freedom to determine internal policies have a general application. Many of his statements in Poland could be seized on by leaders or factions in other bloc countries to justify independent or divergent policies. Poland's deviation from orthodox Communist organization in the countryside--apparently with Soviet approval--is a striking anomaly within the bloc and may heighten whatever difficulties other bloc countries are encountering in pursuing the universally unpopular policy of collectivization.

Khrushchev may not be greatly concerned over the potentially disruptive effect of his toleration of Polish differences from other bloc countries. He may hope that he can exert pressure on other satellite leaders to minimize any disruptive effects of the Polish practices during the next few years, while Poland's deviation will in time diminish. Khrushchev may expect Gomulka to step up the tempo of socialization in Poland, narrowing the differences between that country and the other Communist countries.

On the other hand, if the gulf between Poland and the remainder of the bloc continues to widen, it may cause such difficulties that Khrushchev might decide the risks of forcing greater conformity on Poland are not as dangerous as permitting Poland to continue its present favored course. 25X1

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SEVENTH WORLD YOUTH FESTIVAL

The Seventh World Youth Festival held in Vienna from 26 July to 4 August--the first one outside the bloc--apparently fell far short of Communist expectations, and its failure to realize objectives can be regarded as a major propaganda setback for the bloc. In holding the meeting in Austria, the USSR hoped to demonstrate that it was not a Communist-dominated front and to further the bloc's posture as advocate of peaceful coexistence, particularly among delegates from underdeveloped areas.

The festival had a moderately successful beginning, but a series of unpleasant developments, outbreaks of physical violence, well-organized antifestival activities, and an apparent miscalculation by the planners regarding anti-Communist feelings caused the atmosphere to degenerate until the close, which was marked by disillusionment for many. The brutal and violent tactics employed by local Communist "goon squads" and bloc security officers against any antifestival demonstration, incipient hostility, and even anti-Communist sentiment did most to thwart the Communists' objectives and damage their cause.

The festival organizers seem to have miscalculated the nature of anti-Communist activities.

it would appear that the festival authorities were prepared to put down hostile demonstrations and physical violence; they were not prepared, however, for the large, well-organized, and effectively executed counterpropaganda campaign of the anti-Communist elements. They apparently real-

ized their error too late to devise effective countermeasures.

Handicaps

Bloc efforts to ensure that the event would live up to its advance notices were hindered by the absence of a favorable atmosphere such as prevailed at the previous festival held in Moscow in 1957. The Communists could not control either the apathy of the Austrian people or the antipathy of Austrian youth groups, who not only refused to participate but set up counterattractions throughout the city. An anti-Communist daily newspaper was published in seven languages and distributed to the delegates. There was strong opposition from the Austrian church, and the boycott of festival news by the non-Communist Austrian press minimized popular interest and limited local attendance at cultural events.

On the surface, Austrian officials displayed a relatively "correct" approach: they were generally cooperative; provided facilities; attempted to discourage the more provocative antifestival activities; afforded excellent police protection; and, at the last moment, sent a top-ranking civil servant to represent the government at the opening ceremonies.

Many antifestival activities of the Austrian youth organizations, however, were both actively and tacitly supported by local officialdom; considerable problems for the festival organizers also developed because of lack of organization, inefficient administrative arrangements, and Austrian lethargy.

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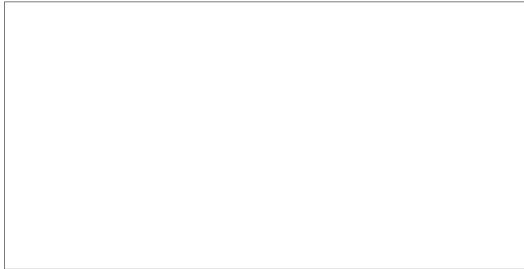
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Heavy rains, mediocre to poor housing--some in remote areas--bad food, and transportation difficulties (despite an influx of bloc buses) discomfited the delegates. With few exceptions, the events were neither well nor enthusiastically attended. Activities were decentralized, and on only three occasions were mass rallies held. Some seminars were effectively disrupted by anti-Communists who insisted on presenting non-Communist points of view. The interplay of pro- and antifestival elements was an underlying current.

Bloc Protective Measures

To minimize the dangers of exposure to Western influences, bloc delegations were made up of hand-picked, loyal Communists, cultural performers, and athletes. Contrary to figures in the Western press, there are reports--still unconfirmed--of only three defections among bloc delegates. Bloc delegates were isolated from other festival participants--billeted in Soviet installations in restricted and distant areas, including houseboats on the Danube, and transported to and from events in bloc buses. They discussed subjects and answered questions with an inflexible Communist line.

Polish delegates were the freest in discussions with Westerners, Rumanians the most carefully controlled, and Chinese

Communists the most ideologically hidebound. The well-disciplined Czechs often policed festival functions.

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The true nature of the festival became clear to many of the delegates early, when initial attempts at free discussion and expression of ideas met with strong ideological responses or complete silence. African-Asian delegates at a special gathering on the second day of the festival were emphatically told by the Chinese Communists that Tibet was "an internal matter" and would not be discussed.

The split among the approximately 350 American delegates was a large factor in setting the tone. The non-Communist majority--denied recognition in favor of the pro-Communist faction--publicized the "rigged" leadership of the US delegation and used the issue to point up the undemocratic direction of the festival.

Moscow radio gave considerably less propaganda attention to the Vienna festival than to the 1957 event--790 items compared with 3,048. A sizable proportion of broadcasts to Western Europe concentrated on rebutting Western "slanders" against the festival. Early propaganda charged that "reactionaries" had tried to make the festival impossible through pressures on the Austrian Government; later broadcasts, however, placed primary blame for "obstructionist" tactics on the United States and West Germany, accusing them of financing the "wrecking activities," including the use of "antifestival publications" and "paid agents."

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Evaluation

The communiqué at the close of the festival claimed 18,000 participants from 112 countries; Western sources estimated a total of about 14,000 delegates. Some nations--including Ghana, the UAR, Burma, Sudan, the Philippines, and Thailand--banned participation, and a number of others took steps to prevent attendance. The image of the festival as depicted by the free-world press was one of dissension, conflict, and violence, and the festival's reputation certainly suffered from this publicity.

for the festival. The Soviet press widely publicized the 5 August communiqué which proclaimed the "success" of the meeting, made possible by the "profound belief in progress, freedom, and peace among nations" brought to Vienna by "millions of young people throughout the world." Pravda on 6 August set the propaganda stage by stating that the festival demonstrated the unity and solidarity of the youths of all continents, "in spite of the efforts of international reaction to hinder it."

The head of the Hungarian delegation, in a speech on his return to Budapest, proclaimed the meeting "a complete success, exceeding all expectations." He admitted that the "difficulties of a political nature were many times greater than financial obstacles," but asserted that they "did not hamper or even reduce the worldwide success of the festival." He stated that the "hackneyed and discredited propaganda slogans of the other side" had failed, and that "the accusation that the festival is an exclusive Communist affair only to carry out propaganda" had "collapsed irrevocably" before the display of peace and friendship.

It is unlikely that the festival will again be held in a Western European city. Since a return to a bloc location would generally be regarded in the free world as a retreat, the Communists may seek a neutral Asian cite. The Preparatory Committee reportedly hopes to hold the next festival in Colombo, Ceylon, which had offered to be host for the 1959 event.

the organizing committee was "horribly chastised" by Soviet officials and told that the festival was "not half as successful as expected." The committee was criticized for being too defensive against Western measures and reprimanded for having lost control of festival participants--allowing them to roam over the city, to engage in discussions, and to be provoked by Western reactionaries who were not "exposed or attacked with sufficient vehemence."

The bloc has already begun its effort to offset the unfavorable publicity by exaggerated and distorted praise

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RECENT DEVELOPMENTS IN AFGHAN-SOVIET RELATIONSHIPS

The USSR's continued blandishments, which have been welcomed in Afghanistan, and Kabul's fear of the military government in Pakistan have resulted during the past year in a major expansion of ties between Kabul and Moscow. In its effort to keep Western influence in Afghanistan to a minimum, Moscow has given Kabul the largest sum of grant aid yet provided a free-world country and has increased the quantity of its military assistance. Soviet leaders apparently hope that the magnitude of their own ties with Afghanistan will completely overshadow those of the West.

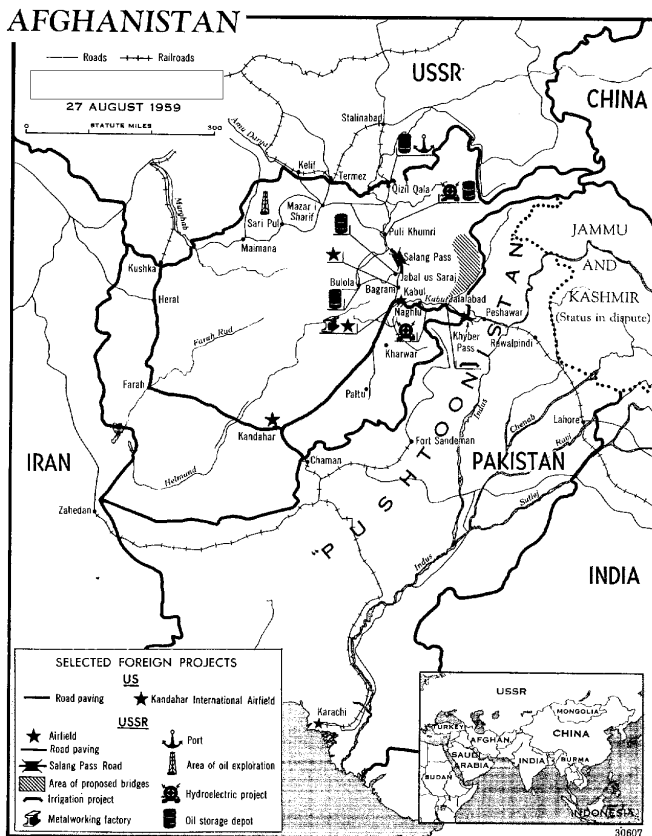
turn the local balance of power further against Afghanistan.

Expanded Relations With USSR

As a result of a visit by Foreign Minister Naim to Moscow

Fear of Pakistan

After a period of increasingly cordial relations with the West which reached a peak in the summer of 1958, the Afghans reacted strongly to a series of developments during the following fall and winter. They were especially disturbed by the ouster of Pakistani President Mirza, with whom they felt they could do business on the Pushtoonistan issue--Kabul demands that the Pushtu tribesmen in Pakistan be given the right of self-determination. The Afghans were also bothered by the bilateral defense agreements negotiated by the United States with Pakistan and with Iran, which they feared would



early in January 1959, the Afghans received the first large-scale grant aid ever given by Moscow to a free-world country. This aid is being used principally on a road project, the largest single development project scheduled in Afghanistan, which, it is said, will cost \$80,000,000.

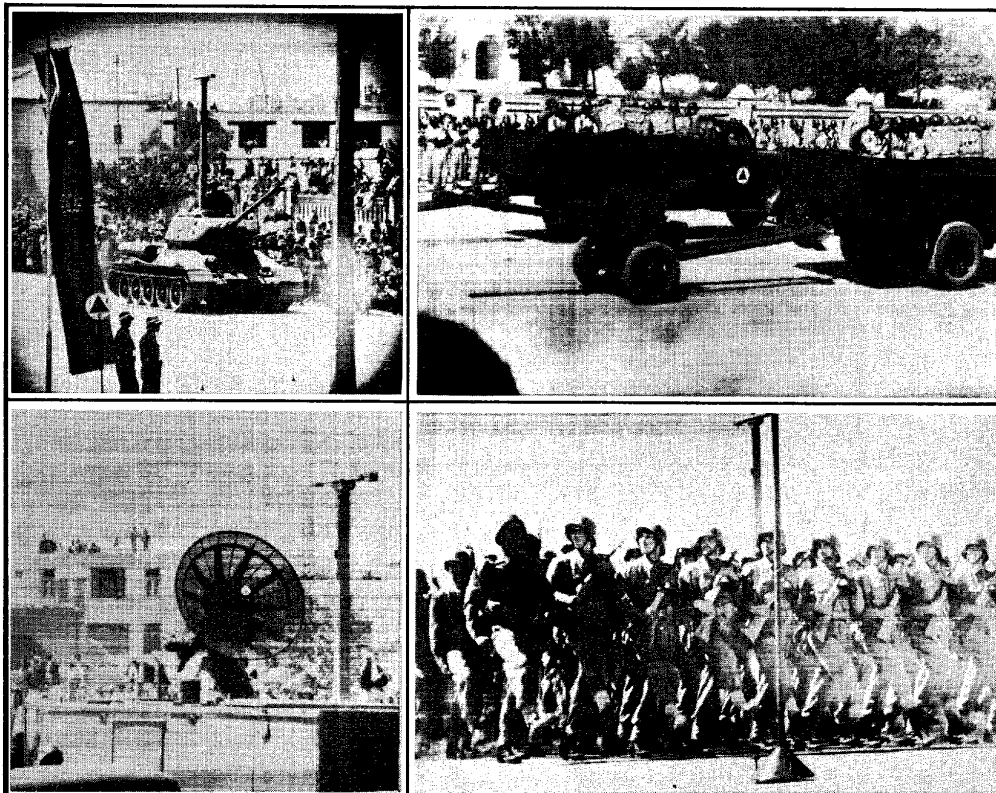
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Afghanistan is becoming increasingly dependent on the USSR for spare parts for its weapons as it modernizes its army and air force. The USSR now accounts for over 40 percent of the country's foreign trade, and the Afghans would find it costly to shift their markets in a short time should they be threatened by a less friendly Soviet trade policy.

Soviet projects are implemented, as well as by the favorable terms offered by the USSR. In addition, the Afghan Government seems to feel it can safely accept a large increase in Soviet assistance without endangering its own control of the country, since there has been no apparent effort by Soviet technicians to propagandize or engage in subversion.

SOVIET MILITARY EQUIPMENT IN AFGHAN INDEPENDENCE DAY PARADE

Early assistance from the USSR generated a desire for more aid, and the recent agreement will probably induce Afghanistan to seek still more.

The Afghans appear impressed by the speed with which

Kabul Relaxes Its Guard

Confident of its ability to deal safely with the USSR, Prime Minister Daud's government seems to be relaxing its guard somewhat. The Afghan Government has opened up new

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areas of its territory to Soviet activity. In the past, there has been a rough north-south division of the country, with Russian technicians working in northern Afghanistan and Western technicians mainly in the south. This division will cease with the introduction of the Soviet technicians who are to work on the new road from the Soviet border to Kandahar, Afghanistan's southernmost major city.

Also of interest is the assistance being provided by the USSR in building three bridges just north of the Khyber Pass. The powerful Mohmand tribe living in this border area, like other Pushtu tribes, strongly opposes any attempt by "outsiders," including the Afghan Government, to strengthen controls over tribal territory. Mohmands opposing a road-building project in the tribal area killed a district official last December. Introduction of Soviet technicians into this sensitive tribal area may therefore create additional friction both with the tribes and with Pakistan.

Cooling Relations With West

Daud's willingness to expand Afghan ties with the USSR apparently reflects a belief that the chief threat to his regime comes from Pakistan. Kabul strongly resents the failure of the present military regime in Pakistan to respond to Afghanistan's Pushtoonistan campaign. Daud may also suspect that the Pakistanis are capable of attempting to overthrow his government and replace it with another more friendly to Karachi.

Kabul seems to consider that American interest in Afghanistan has cooled, and finds this especially disturbing in view of its suspicions of Pakistan. In December 1958, Daud initiated a new policy of public opposition to the Baghdad Pact, denouncing US military aid to

Pakistan and Iran as compelling Afghanistan to take steps to redress the local balance of power.

Subsequently, there have been complaints in Kabul that the United States is not genuinely interested in helping Afghan economic development and that it is deliberately employing a "go-slow" policy in implementing its assistance projects in Afghanistan.

Daud and his colleagues probably also see as an indication of American indifference the comparatively slight show of high-level official US interest in Afghanistan as compared with the frequent and extensive displays of interest by Moscow. Since the visit by Bulganin and Khrushchev to Kabul in December 1955, there have been frequent exchanges of cultural delegations and high-level visits, featuring lavish red-carpet receptions in the USSR for the Afghan King and a number of his ministers.

Present Position

The Afghans have reacted toward what they consider the hardened attitude of the Pakistani military regime and the cooling interest of the West by stepping up their propaganda against Karachi's "oppression" of Pushtu tribesmen living in Pakistan and by an occasional commentary critical of the United States. Most recently, Kabul's propaganda has even claimed that US-Pakistani defense agreements are intended to convert Pakistan's Pushtu region into an American military base.

On the other hand, Afghanistan's leaders have in the past clearly shown they are aware that Soviet friendship is motivated by world-wide aggressive ambitions. They probably believe the controls of their own police state will provide protection against any attempts at subversion. They probably also hope that Moscow's goals will fall

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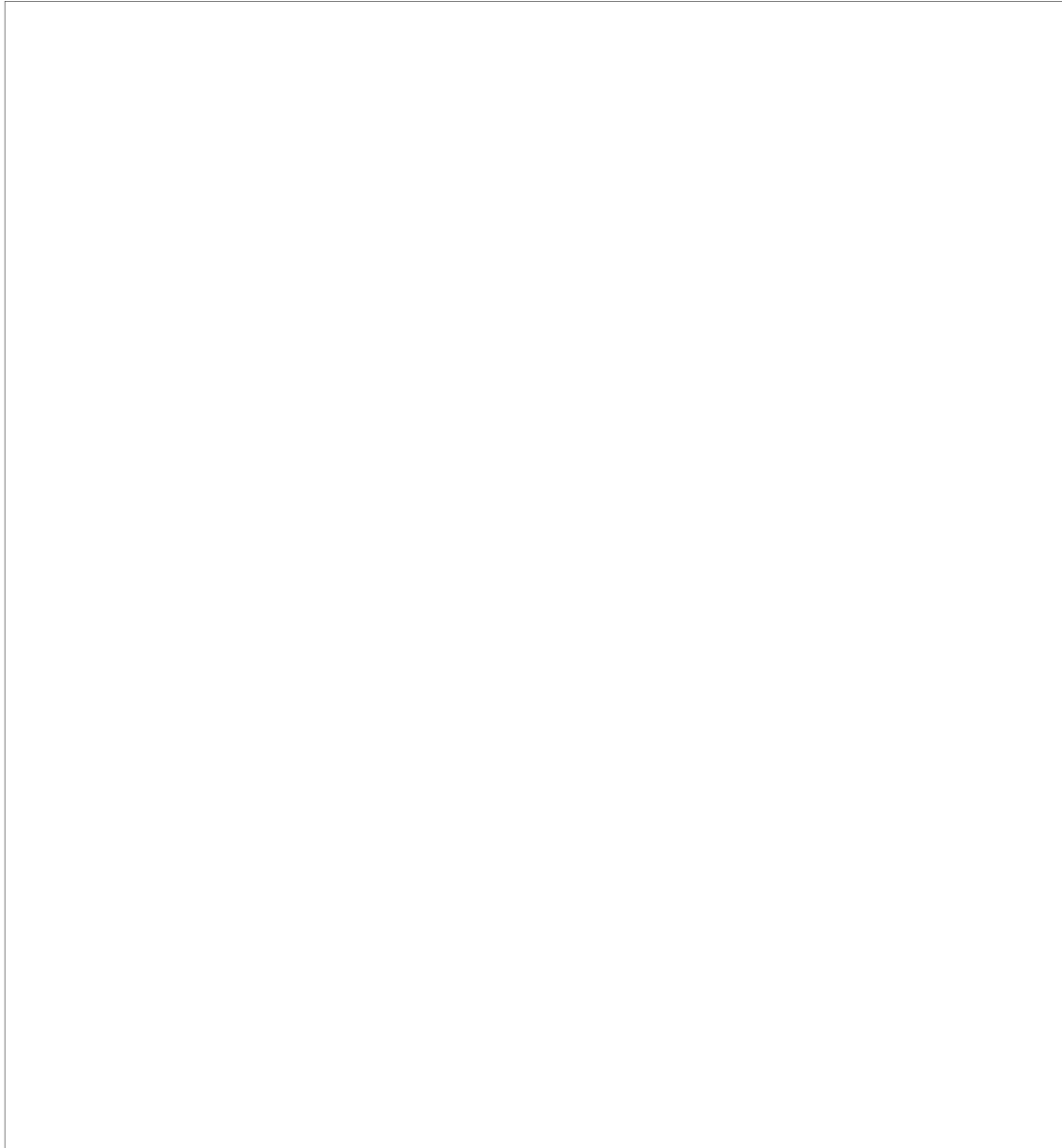
short of making Afghanistan a Soviet satellite and remain limited to keeping Western influence in Afghanistan to a minimum. Although the Afghans are still sensitive to infringements on their independence,

they may find that the sheer magnitude of their growing ties with the USSR will make it increasingly difficult to set national policy without reference to Soviet wishes.

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