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3 September 1959

CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

KHRUSHCHEV PREPARES FOR TALKS Page 1

Soviet Premier Khrushchev ended his Crimea vacation with a speech on 30 August which was a further effort to create a favorable climate for his visit to the United States. He characterized Soviet-American relations as "somewhat better than in the past" and cited President Eisenhower's press conference statement on 25 August as establishing a "good basis for a beneficial exchange of views." In the October Foreign Affairs, Khrushchev underscored his contention that the only alternative to peaceful coexistence on Soviet terms is the "most destructive war in history." Khrushchev's favorable comment on Chancellor Adenauer's recent reply to the Soviet premier's letter of 18 August was intended to make it appear that even Adenauer is moving gradually toward an accommodation with the USSR based on Western acceptance of the status quo in Eastern Europe and East Germany. Moscow moved to strengthen its position on the nuclear test cessation question by announcing on 28 August that the USSR will not conduct any further tests "if the Western powers do not resume the testing of atomic and hydrogen weapons."

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KHRUSHCHEV'S ENTOURAGE FOR HIS AMERICAN VISIT Page 4

Khrushchev will be accompanied on his 12-day visit to the United States by at least 95 persons. His immediate party, to which additions are still being made, will include members of his family and a number of government officials of ministerial rank. The remainder of the delegation is composed principally of a staff of 30, personal guards, servants, and a 39-man press corps. Thus far the delegation does not include any of Khrushchev's associates on the party presidium or any high-level military or trade official.

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BORDER INCURSIONS SHARPEN TENSION BETWEEN INDIA AND CHINA Page 6

Prime Minister Nehru's statements in Parliament detailing Chinese Communist border incursions have had a powerful impact in India. India's once strong regard for China is now at a new low. Peiping's three-mile penetration into Assam on 25-26 August probably resulted in large part from a belief that the recently activated

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THE WEEK IN BRIEF

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PART II (continued)

DE GAULLE'S ALGERIAN POLICY Page 3

There is mounting expectation in Paris that De Gaulle, reportedly assured that he now has the necessary support of the army in Algeria, will soon make new proposals for an Algerian solution in an effort to strengthen France's case, particularly at the impending UN General Assembly session. His speeches to army and Moslem groups during his 27-30 August military inspection tour of Algeria stressed a three-part program for pacification, reconstruction, and self-determination which he believes can be made acceptable to France, to the Algerians, and to France's allies. [redacted]

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TUNISIA EXPANDS CONTACTS WITH SINO-SOVIET BLOC Page 4

Tunisia now seems to be moving to implement President Bourguiba's policy of nonalignment with either East or West by normalizing relations with the Sino-Soviet bloc. Tunisia had only minimal contacts with the bloc prior to midsummer, but late in July it announced the imminent exchange of diplomatic missions with Czechoslovakia. While Bourguiba is unlikely to permit the early exchange of other diplomatic missions, he may recognize Peiping. [redacted]

25X1

BLOC ECONOMIC APPROACHES TO GUINEA AND GHANA Page 5

The Soviet Union, in its drive to increase bloc ties with West Africa, recently extended to Guinea a \$35,000,000 economic aid credit providing for material and technical assistance in establishing industrial enterprises, developing agriculture, and building roads. Since October 1958, when Guinea gained its independence, bloc countries have made concerted efforts to establish close economic relations, frequently using gifts as a means of establishing rapport. Ghana, on the other hand, has resisted Soviet blandishments. [redacted]

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HUNGARY PLANS COMPLEX INDUSTRIAL PROGRAM Page 7

Hungarian plans for industrial growth during the next six years call for decentralization and for shifting the emphasis of the nation's industrial output to a greater concentration on industries best suited to Hungary's relatively ample manpower and shortage of raw materials. The program will be difficult to execute because of past investment errors, a chronic shortage of investment capital, and short-term conflicts among competing projects. Implementation of the over-all program would improve Hungary's position as an exporter and reduce problems of supply, manpower, and production costs. [redacted]

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PART II (continued)

PEIPING CONTINUES TO MODIFY COMMUNE PROGRAM Page 8

The Chinese Communist party central committee resolution of 26 August makes significant changes in Peiping's commune program. The commune is to remain as an all-purpose rural organization with important responsibilities in coordinating production, but the collective farm has in effect re-emerged as the basic production unit in the countryside. [redacted]

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COMMUNIST CHINA'S 1959 CROP OUTLOOK Page 10

There appears to be good reason for the growing concern manifested in recent party pronouncements in China over this year's crop prospects. The drought which started in late June in vital farming regions has already lasted long enough and spread over a broad enough area to make doubtful the attainment of even the regime's sharply reduced goal of a 10-percent increase in grain and cotton for 1959. This year's grain crop may even be smaller than last year's. [redacted]

25X1

NORTH KOREA REORGANIZES INDUSTRIAL MANAGEMENT Page 11

A top-heavy administrative system and a shortage of technicians for North Korea's drive to establish small-scale, local industry have prompted the Korean party central committee to reorganize the industrial management system. The committee has decided to merge or abolish existing central ministries and send some 20 to 30 percent of their managerial and technical personnel to rural areas. In addition, some ministerial functions are to be turned over to local management. [redacted]

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TAIWAN STRAIT SITUATION Page 13

While recent activities could indicate preparatory moves for a step-up in military operations, the Chinese Communists do not appear to be preparing for a major

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PART I (continued)

Indian outposts there challenged Chinese authority in the sensitive Tibetan border area. Reports of further Chinese incursions have not been confirmed. Peiping and New Delhi will probably agree to discussions on small areas in dispute, but any definitive over-all settlement is unlikely.

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SITUATION IN LAOS Page 9

The coordinated Communist attacks which began in north-eastern Sam Neua Province on 30 August may signal accelerated operations to win control of that Laotian province. A number of lightly held government posts have fallen to the attacking forces, which may have totaled three battalions.

Government troops, apparently anticipating a Communist drive on Sam Neua, are preparing a defensive line northeast of the provincial capital. The USSR on 27 August rejected a British proposal for a neutral observer in Laos and countered with a suggestion that the heads of the Polish, Indian, and Canadian delegations to the International Control Commission personally investigate the situation. Hanoi and Peiping remain firm in their demand for the reactivation of the commission.

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PART II

NOTES AND COMMENTS

MIDDLE EAST HIGHLIGHTS Page 1

Iraqi Prime Minister Qasim continues to maintain an uneasy balance among pro-Communists, anti-Communists, and his own followers. Trials of persons charged with instigating the Kirkuk disturbances are scheduled to begin soon and may have anti-Communist overtones. The UAR is maintaining its heavy propaganda against the Iraqi regime and on the Palestine issue; internally the UAR is preparing quietly for an extensive government reorganization.

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In the Sudan the trials of officers involved in the May coup attempt are nearly over, and the announcement of sentences could touch off further unrest in the army.

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PART II (continued)

military undertaking in the Taiwan Strait at this time. Peiping retains, however, the capability to initiate military action in this area with little or no warning. Recent typhoons have caused considerable damage and slowed activity in the area. [redacted]

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DISCONTENT REPORTED INCREASING IN RULING THAI MILITARY GROUP Page 15

Grumbling within the ruling Thai military group over Premier Sarit's alleged failure to consult it or to consider its interests seems to be growing. The latest important leader to express dissatisfaction is the commander of the key First Infantry Division in Bangkok. Although he claims steps will be taken in "the foreseeable future" to eliminate Sarit, malcontents within the military group do not appear at present to have a leader strong enough to challenge Sarit. [redacted]

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[redacted]

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FINLAND'S MINORITY GOVERNMENT MAY BE BROADENED Page 17

Prime Minister Sukselainen seems to be considering a broadening of his eight-month-old minority Agrarian government shortly after Finland's parliament reconvenes in mid-September. Domestic political stability favors an enlarging of the government's base--now only 47 seats in a chamber of 200--but Agrarian party leaders fear that inclusion of the regular Social Democratic leaders and the Conservatives might incur serious Soviet displeasure as in the autumn of 1958. The Communist-front Finnish People's Democratic League is not likely to be included in view of the continued opposition of most other parties. [redacted]

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PART II (continued)

PRENSA LATINA, CUBAN-BACKED NEWS AGENCY Page 18

Prensa Latina, a Latin American news agency formally launched on 9 June in Havana, was organized in response to Cuban Prime Minister Fidel Castro's bitter criticism of "foreign news monopolies" which he charged with deliberate distortion of events in Cuba during and after his revolution against the Batista dictatorship. Prensa Latina is believed to be substantially financed by the Castro regime, and its staff is composed largely of persons with an anti-US bias, some of them suspected Communists.

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PART III

PATTERNS AND PERSPECTIVES

KHRUSHCHEV'S VISIT TO THE UNITED STATES Page 1

Soviet Premier Khrushchev probably regards the forthcoming exchange of visits with President Eisenhower as the culmination of his persistent efforts over the past two years to bring the Western leaders into top-level negotiations under conditions he believes are favorable to the USSR. He apparently envisages the visits as the opening phase of a long series of meetings with Western leaders during which the Soviet Union hopes a combination of pressure and inducements, domestic and international, will gradually bring the West to accept the partition of Germany and Soviet hegemony over Eastern Europe. Probably Khrushchev does not expect to engage the President in definitive negotiations on major East-West problems, but will seek to cultivate a favorable climate for broader and more detailed talks later on.

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SOVIET INTEREST IN US TRADE Page 5

While in the United States, Premier Khrushchev will probably seek to advance the campaign he launched in June 1958 for a "normalization" of Soviet-US economic relations. Khrushchev and other Soviet leaders, who can procure in Western Europe most of the items they seek from the United States, apparently believe that expanded Soviet-US trade would serve important political goals. Elimination of American trade restrictions, and particularly the granting of credits for Soviet purchases, would be major steps toward what is probably Moscow's principal objective--removal of the stigma now attached in much of the free world to doing business with the USSR.

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PART III (continued)

CHINESE REPRESENTATION IN THE UNITED NATIONS Page 8

Nationalist China is expected to retain its seat at this year's UN General Assembly, but the gradual erosion of its support in the United Nations will probably continue, despite Peiping's aggressive actions in Tibet. Many UN members who believe Peiping must eventually be admitted are restive over continued postponement of the issue through the procedural device of an annual moratorium. The concept of universality of UN membership, plus the desire on the part of many countries to bind Communist China to the principles of the UN Charter and other international agreements, would work toward the seating of Peiping in any open vote brought about by a substantive discussion in the UN.

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THE STATUS OF TRADE UNIONISM IN ITALY Page 11

Over the past decade anti-Communist labor organizations have gradually become serious contenders with the Communist-dominated General Confederation of Labor as the principal bargaining agents of Italian labor. Prospects for the free unions are darkened, however, by an unusually strong antiunion stand by employers, which has tended to force the Catholic-oriented Confederation of Workers' Unions into unity of action with the Communist unions.

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PART I**OF IMMEDIATE INTEREST****KHRUSHCHEV PREPARES FOR TALKS**

Soviet Premier Khrushchev ended his Crimea vacation with a speech at Veshenskaya on 30 August which was a further effort to create a favorable climate for his visit to the United States. He characterized Soviet-American relations as "somewhat better than in the past" and said "we are quite satisfied" with President Eisenhower's press conference statement on 25 August which, he said, shows the President "is prepared to promote the removal of tensions." Khrushchev professed to see in this "a good basis for a beneficial exchange of views."

The speech also provided further possible clues as to the main themes Khrushchev will stress during his visit. He challenged the United States to engage in "peaceful competition" with the "socialist bloc" and called for an accommodation based on peaceful co-existence which would commit both sides to refrain from interference in each other's internal affairs and to settle "ideological disputes and other controversial problems" by peaceful means. Such an accommodation, according to Khrushchev, would open the way for agreements on disarmament, prohibition of nuclear weapons, and on "all other questions which worry the whole world."

The Soviet premier reaffirmed his desire for agreements on the "most acute international problems" and as-

signed top priority to a German peace treaty, which he claimed would "normalize the situation in Europe, remove the barriers between the two German states, and liquidate the remnants of the occupation regime in West Berlin."

Khrushchev's effort to create the impression that the Western leaders are moving gradually toward an accommodation with the USSR based on Western acceptance of the status quo in Eastern Europe and East Germany was reflected in his favorable comment on Chancellor Adenauer's recent reply to the Soviet premier's letter of 18 August. Khrushchev said the reply produced a "favorable impression" and noted that it was cast in a "more restrained tone" considerably different from earlier West German notes. He asserted that Soviet - West German relations could be improved "if deeds follow these words" and expressed hope that the Bonn government "really wants to make its contribution to easing international tensions."

Moscow radio added on 1 September that Adenauer's reply represents a "shift in the direction of sober considerations, and the quasi-clandestine station in Prague which broadcasts to Italy ascribed the chancellor's "sudden change of tactics" to his fear of being left behind in the development of the world situation.

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The main points Khrushchev will stress in the US are summarized in his article in the October Foreign Affairs, which underscored his contention that the only alternative to peaceful coexistence based on Western acceptance of the present bloc frontiers is the "most destructive war in history." He repeated the standard denial of Soviet aggressive intentions, but insisted that the superiority of the "socialist system" would be confirmed in history.

Nuclear Tests

In response to the recent announcements by the United States and Britain extending the suspension of their nuclear tests beyond the original one-year period which expires on 31 October, the USSR announced on 28 August that it will not conduct any tests so long as the "Western powers" do not "resume" their tests. This announcement formalized the pledge Khrushchev made in a letter published on 10 August to the leaders of the "European Federation for Atomic Disarmament" that the USSR is "ready to accept the most solemn obligation not to be the first to conduct any further tests of nuclear weapons." The announcement stated explicitly that a resumption of Western tests would free the USSR from this pledge.

In addition to placing the onus on the West for any renewal of Soviet testing, the USSR, by reaffirming its insistence on a permanent and uncondition-

al test ban, apparently is continuing its efforts to undercut and evade Western proposals for an atmospheric test ban and technical discussions on the problem of detecting underground tests.

Moscow's announcement raises the possibility that the Soviet leaders are seeking, in effect, to bypass the Geneva test talks and to draw the United States and Britain into an indefinite and uncontrolled test cessation without a formal agreement.

In recent weeks, Khrushchev has again voiced his long-standing skepticism regarding Western intentions in the Geneva nuclear test talks. In his letter to the European Federation for Atomic Disarmament, he said he saw no reason to believe that the Western powers would "show more readiness to put an end to nuclear tests" now than they had when the USSR unilaterally suspended its tests in March 1958. He added that "our misgivings are intensified" by the "negative attitude" of the United States and Britain in the Geneva talks.

Khrushchev's suspicion of Western proposals for international inspection and control were also reflected in his 30 August speech, in which he made the liquidation of Western military bases a precondition to Soviet agreement to establish a control system to enforce agreements to reduce armaments and withdraw forces from foreign territories. He asserted that

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the desire of the Western powers to place their "controllers" everywhere in the USSR while "retaining their military bases situated around our country" is not a "case for disarmament, but an ultimatum."

In another development in the disarmament field, Foreign Minister Gromyko on 1 September handed to Western representatives in Moscow a Soviet revision of a four-power draft communiqué on the creation of a new ten-nation disarmament group. Gromyko's proposed revisions were designed to establish a more direct link between the new disarmament body and the United Nations, in an apparent attempt to create a precedent for insisting on parity of representation on other UN organs.

Gromyko's revised text referred to the new group as a "disarmament committee" and avoided the phraseology proposed by the West which indicated that the group would be "outside" the United Nations. The Soviet text also omitted the appointment of a UN observer, probably because this would seem to place the UN in a separate status and imply that the new body was not an integral part of the UN.

Western European Views

President Eisenhower's visit to Western Europe has tended to lessen the apprehension voiced in Bonn and Paris toward the Eisenhower-Khrushchev exchange.

In a move to demonstrate his accord with the President's efforts to ease world tensions, Adenauer's conciliatory 27 August note to Khrushchev calling for renewed disarmament talks for the first time failed to insist on simultaneous talks be-

ing held on German reunification. The chancellor said that the progress in disarmament would facilitate the solution of other outstanding problems, such as German unity. Adenauer also stated that ideological differences need be no obstacle to cooperation between states and that "it is never too late to make a change for the better" in Bonn-Moscow relations.

Five days later, on the anniversary of Hitler's attack on Poland, Adenauer voiced regret for Hitler's attack, expressed German friendship and good will toward the people of Poland, and said he looked forward to the day when the German and Polish people could be good neighbors. While Adenauer probably feels that some understanding could be reached with the Poles, he does not intend to take steps toward formalizing relations until after the 1961 election.

Both West German Government and opposition party leaders have praised Adenauer's new approach to foreign policy which is regarded as an attempt to quash all talk about West German "obstructionism."

The semiofficial French Press Agency (AFP) on 1 September denied that France opposed the Eisenhower-Khrushchev exchange and expressed total confidence in the President. AFP affirmed that French reservations at the time of the announcement were based solely on the fact that France had been informed but not consulted. AFP described official Paris circles as attributing Adenauer's conciliation in his statement on Poland not only to Eisenhower's visit to Bonn and to Vice President Nixon's visit to Warsaw, but also to the "very clear" French policies in favor of Poland.

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The British attitude toward the coming Eisenhower-Khrushchev exchange continues overwhelmingly favorable. This parallels the Foreign Office's

press guidance that the government "wholeheartedly welcomes" the exchange. [redacted]

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KHRUSHCHEV'S ENTOURAGE FOR HIS AMERICAN VISIT

Khrushchev will be accompanied on his 12-day visit to the United States by at least 95 persons. His immediate party will include members of his family and a number of government officials of ministerial rank. The remainder of the delegation is composed principally of a staff of 30, personal guards, servants, and a 39-man press corps. Additions are still being made to the original list submitted by the Soviet Foreign Ministry on 28 August. Thus far the delegation does not include any of Khrushchev's associates on the party presidium or any high-level military or trade officials.

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The official delegation will include Foreign Minister Gromyko; Vyacheslav Yelyutin, minister of higher and middle specialized education; Vasilii Yemelyanov, head of the Chief Directorate for Peaceful Use of Atomic Energy; and Nikolay Tikhonov, metallurgical specialist who is chairman of one

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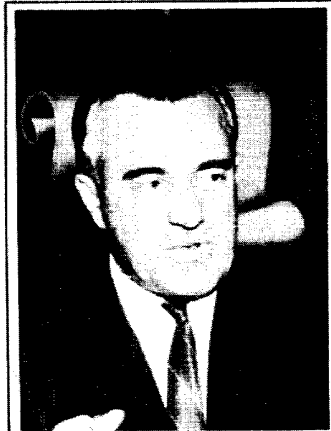
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TIKHONOV



YELYUTIN



ADZHUBEY

of the economic regions in the Ukraine.

Khrushchev's immediate party will also include Yuriy Zhukov and Aleksandr Markov, a professor of medicine. Zhukov, chairman of the State Committee for Cultural Relations with Foreign Countries, has recently played a prominent role in meetings between Khrushchev and Western statesmen and reportedly is a fast-rising Khrushchev protégé. Markov is chairman of the statistics section in a public health insti-

tute. Once an official in the Kremlin hospital, he may be accompanying the group as Khrushchev's private physician.

Soviet writer Mikhail Sholokhov was added to the original list following the much-publicized invitation extended personally by Khrushchev. Author of And Quiet Flows The Don, Sholokhov is generally acclaimed throughout the world as the Soviet Union's foremost novelist.

In addition to a large coterie of Foreign Ministry



YURIY ZHUKOV



SHOLOKHOV



BURDIN

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experts, Khrushchev is bringing with him a number of high-level propaganda officials, including Leonid Ilyichev, head of the central committee's agitprop department. Vladimir Burdin, who accompanied both Mikoyan and Kozlov to the United States and has been described as "one of the Soviet Union's leading intelligence experts on the United States," will also be a member of Khrushchev's staff. Two of Khrushchev's long-time personal assistants--G. T. Shuisky, and Andrey Shevchenko, an agri-



ILYICHEV



SHEVCHENKO

cultural specialist who has twice toured the United States with Soviet agricultural delegations--will make the trip.

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BORDER INCURSIONS SHARPEN TENSION BETWEEN INDIA AND CHINA

Prime Minister Nehru's statements in Parliament on 28 and 31 August detailing Chinese Communist border incursions have had a powerful impact in India. India's once-strong regard for China has reached a new low. Nehru has emphasized, however, that New Delhi, while strengthening its frontier defenses and repelling any incursions, will try to settle its border problems with Peiping by negotiation.

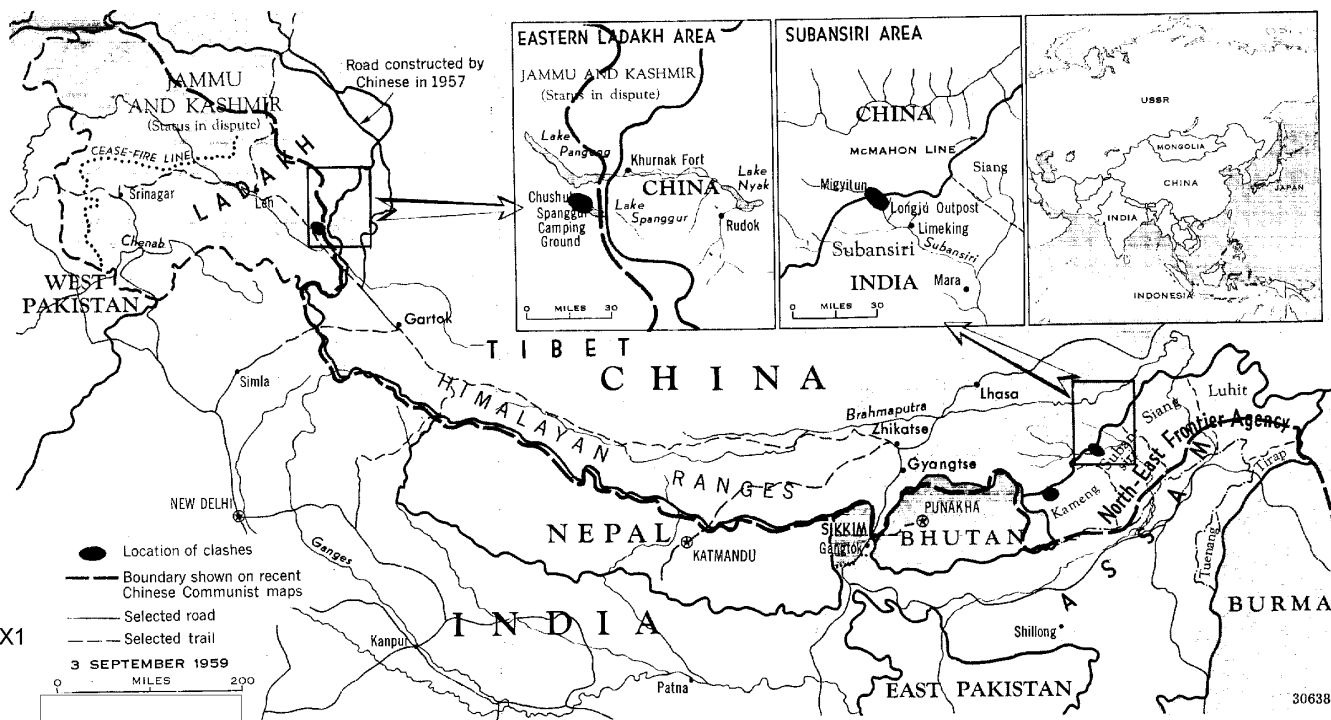
The most serious clashes took place in August in a virtually unexplored sector of the Assam-Tibet frontier. As a result of engagements on 25 and 26 August involving several hundred Chinese troops and smaller Indian border contingents, the Chinese captured the Indian outpost of Longju three miles south of the McMahon Line, forcing the Indians to withdraw to the less advanced post at Limeking. The McMahon Line follows

the Himalayan crest ridge and since 1914 has marked the boundary recognized by most countries but never accepted by Chinese governments.

Nehru labeled the violations of this territory in Assam as a "clear case of aggression," in contrast to the other incidents during 1958 and 1959 in the Ladakh area of Kashmir which he also disclosed. He felt disputes in Ladakh could be expected to occur in view of the poorly defined border and should be resolved by mutual discussion.

Nehru since 1950 has repeatedly pledged to defend the McMahon Line and he reiterated on 28 August that "there could be no alternative policy for us." He told Parliament that the entire northeast frontier area had been placed under military rather than civilian control. Army reinforcements have been moved

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to advanced positions but apparently for the present are not being deployed on the border itself. While highly placed Indian officials indicate that New Delhi does not intend to allow the Longju outpost to remain in Chinese hands, there is no firm information that action to retake the position is under way.

The Chinese penetrations have not gone more than a few miles south of the McMahon Line. These incursions probably stem in large part from Peiping's clear irritation with anti-Chinese sentiment displayed in India since the Tibetan revolt and from Chinese belief that Indian border troops have been aiding Tibetan escapees. In the context of the Tibetan developments, Peiping probably considers the recently acti-

vated Indian outposts along the McMahon Line a direct challenge to Chinese authority in the area.

Before the revolt, these Indian outposts were kept some miles below the frontier. Last spring, however, the Indians moved them up to the line and they promptly became the subject of Chinese protests. The Chinese reportedly asked that the outposts be withdrawn five miles until the boundary question could be settled, and Peiping has specifically charged that the Indian pickets near Longju "intruded" into Tibet.

While the 25-26 August attack on Longju seems intended to back up this particular protest, the Chinese probably also are seeking a general Indian

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disengagement along the entire Assam frontier. Peiping definitely considers New Delhi's influence detrimental to its integration of Tibet, and Indian nationals there are being deliberately harassed in what appears to be an effort to force them out gradually.

Farther west, in Ladakh, where the Chinese have established de facto control in the northeastern corner by building a road, they, like Nehru, probably feel the controversy to be less critical than in Assam. Nehru's admission that Ladakh boundaries are vague probably is viewed in Peiping as providing considerable room for maneuver.

So far, there has been no public comment from Peiping on the Indian charges of aggression. However, in a possible hint that Communist China is willing to enter into discussions with New Delhi on the border situation, Foreign Minister Chen Yi stated in a speech primarily directed toward developments in Laos: "In international affairs, we always stand for settlement of disputes between nations through peaceful negotiations."

The Indian Government on 1 September said it had no information on reported fresh Chinese incursions and engagements with Indian troops along the frontier.

In addition, the Bhutanese prime minister stated that the situation in Bhutan was quiet. He will discuss the problem of frontier security in a meeting

with Nehru on 7 September. Bhutanese leaders have welcomed Nehru's reaffirmation that India would defend their border state in the event of an external attack, and apparently would like New Delhi to expand its military aid. They are concerned, however, over signs that India is assuming diplomatic and defensive responsibilities for Bhutan beyond those granted in the Indo-Bhutanese treaty of 1949, and are exploring the possibility of establishing diplomatic relations with several major powers as a counterweight to Indian influence.

The recent Sino-Indian border clashes, apparently on a larger scale than previous skirmishes, are the latest in a series of such incidents along the Himalayan frontier over the past nine years. Other incidents are likely to occur in the future as the two sides seek to consolidate their positions. The Chinese, however, have confined their latest patrol forays to the vicinity of the McMahon Line, and apparently do not intend to drive south to the border shown on their maps.

Nehru appears willing to discuss certain limited border disputes, and Chen Yi has intimated Peiping may be willing. Communist China's past record of similar discussions with the Burmese has shown that Peiping will make no major concessions; Nehru likewise has said he is not prepared to discuss Chinese claims to "huge chunks" of territory. Negotiations, then, are likely to be prolonged indefinitely without producing any lasting solution. 25X1

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SITUATION IN LAOS

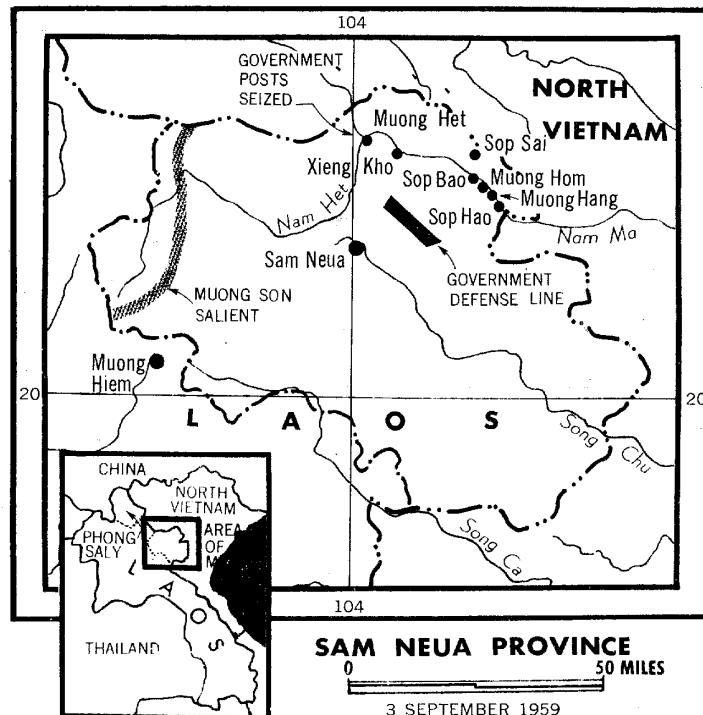
Heavy coordinated Communist attacks which began on 30 August along a broad front in northeastern Laos may signal a new phase of intensive operations to seize control of Sam Neua Province. The attacking force, which the American army attaché estimates may have totaled three battalions, swept over the Laotian Army's lightly garrisoned posts along the Nam Ma River and now poses a threat to Sam Neua town, the provincial capital. The Laotian Army has formed a defense line northeast of Sam Neua, and late press reports state that Communist patrols have been sighted 12 to 18 miles north of the town.

against the Communist stronghold in the Muong Son salient. This new Communist pressure may place government forces again on the defensive while small Communist bands circulate freely throughout the province, propagandizing and intimidating the villagers.

The situation in most of Phong Saly Province has remained relatively quiet, although there is a small concentration of Communist partisans operating in the extreme southeastern corner of the province. However, in both Phong Saly and Sam Neua, Laotian Army commanders consider the supply situation serious.

Communist dissidents are active in northeastern Luang Prabang Province, and toward the

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The attacks in northeastern Laos may have been timed to spread out government forces and stall the attack developing

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end of August about 1,000 people from this region had taken refuge in the royal capital, Luang Prabang. A government post at Muong Hiem in the extreme northeast of the province reportedly is threatened by several companies of Communist partisans.

Soviet Moves

The USSR on 27 August rejected Britain's proposal for a neutral UN observer to Laos, terming it a "substitute for the procedure" provided by the Geneva agreements, "directed at abrogation of the agreement concerning the International Control Commission (ICC)." In an interview with a British Foreign Office official, Soviet Ambassador Malik proposed instead that the heads of the three delegations of the suspended commission for Laos, together with "some auxiliary personnel," investigate the causes of the present situation and report to the cochairmen, Britain and the USSR. While the Soviet proposal is designed to appear to compromise on previous demands for return of the ICC to Laos, its reference to "the resumption of the International Commission's activities in Laos" and to "the functioning of the commission" as an "indispensable" and "integral" part of the Geneva agreements clearly shows that the Soviet aim is complete reactivation of the ICC.

Following the Soviet proposal a Pravda editorial on 30 August, claiming that the new American military assistance to Laos has "seriously aggravated" the situation, called for an

end of US "intervention" but did not demand the return of the ICC. TASS on 27 August asserted that the dispatch of UN observers to Laos would only be a maneuver to cover up American interference.

The entire Communist bloc has vigorously protested the American decision to send emergency aid to Laos, terming it "another serious violation of the Geneva agreements."

Hanoi-Peiping Responses

In a speech made on the occasion of North Vietnam's National Day on 2 September, Premier Pham Van Dong stated that American policy "directly and seriously threatens North Vietnam and jeopardizes peace in Indochina and Southeast Asia." In the next part of his speech, however, Dong commented on the forthcoming Eisenhower-Khrushchev talks, remarking that the "Vietnamese people believe that this exchange will help to settle problems between the East and West." Given the context of this statement, it suggests that Hanoi may expect the Soviet premier to discuss the Laotian situation during his US stay.

Chinese Communist Foreign Minister Chen Yi has been highly critical of American activities in Laos, using language which is markedly similar to Hanoi's, while adding that American actions menace the security of China as well as North Vietnam. In his speech, made on the occasion of Hanoi's National Day, Chen Yi categorically

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stated that the "neutrality of Laos must be guaranteed in accordance with the Geneva agreements."

The Communists have exhibited a certain sensitivity to Western accusations of aggression. Chen Yi flatly asserted on 2 September that China has never "encroached on other countries" and that "we stand for the settlement of disputes between nations through peaceful negotiations." On 3 September, Hanoi felt it necessary to issue a statement

categorically denying "recent allegations by Americans and royal Laotian circles that North Vietnamese Army units are on Laotian territory."

The Hanoi spokesman reasoned that the United States was attempting to "deceive world opinion" and to gain a pretext for expanding the civil war. He warned that the American and Phoui Sananikone governments must bear full responsibility for a situation which "they themselves created." [redacted]

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PART II**NOTES AND COMMENTS****MIDDLE EAST HIGHLIGHTS****Iraq**

Iraqi Prime Minister Qasim has continued to maintain an uneasy balance among pro-Communists, anti-Communists, and his own followers. On 30 August he issued a directive ordering: first, that in view of the opening of a new school year all students and teachers under arrest for "minor incidents" are to be released unconditionally or on bail; and, second, that all students and teachers, as well as "officials," are to stay clear of matters which do not concern them--i.e., politics.

On the anti-Communist side, the Iraqi lawyers' association, formerly a hotbed of left-wing sentiment, last week elected a relatively moderate president and executive board. The first administrative act of the new president is reported to have been the firing of practically the entire staff of the association. The Communist press has attacked the election bitterly, claiming that "democratic" elements were barred from the elections by reactionary maneuvering.

Another blow to Communist influence in a key area has been reported from Basra, where the garrison commander has confirmed that 185 Communists have been arrested in the port area for plotting the destruction of the port, police station, and post office. In addition, the government has announced that the commission investigating the Kirkuk disorders last July

has completed its report and that charges are being referred to military courts other than that of Col. Mahdawi, the notorious Communist tool. These trials may well develop further anti-Communist overtones.

Regarding Mahdawi, Qasim again last week told the American ambassador that only he--Qasim--and Foreign Minister Jawad were the official interpreters of Iraqi foreign policy and that his speech of 13 August supporting Mahdawi's "every word" was not intended to extend to foreign affairs or to all that Mahdawi had said in the past. Qasim's general attitude in his interview with the ambassador seemed little different from that of previous occasions; he again evinced suspicion of American intrigue against Iraq and urged the United States to support Algerian independence, an Arab cause which Iraq seems to be trying to adopt as peculiarly its own.

Additional evidence of economic malaise is accumulating. While the steady upward trend of wages during the first half of the year was abruptly halted on 14 July and new measures have been taken to restore labor discipline and increase production, there have been sharp increases in the prices of certain critical items--both locally produced goods, such as bricks, and imported items, such as structural steel. Grain prices also jumped again during the past week, and large imports of rice and wheat have been authorized.

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Cairo's propaganda remains aimed at the Iraqi problem and at the Palestine issue, which is now being considered by the Arab League conference in Casablanca.

Internally, Nasir is expected to streamline the regional governments of Egypt and Syria this fall, with major emphasis given to increasing Cairo's control of Syria through Syrian Interior Minister Sarraj. Nasir probably hopes the reorganization will allow more rapid and efficient action to solve the myriad of economic and political problems in Syria. He may be hard pressed to improve the situation, however, without increased use of arbitrary measures which have already caused Syrian resentment.

The creation of separate regional ministries under a central cabinet in Cairo at the time of union last year was largely a concession Nasir made to the Syrian desire for local representation. The National Union elections last July and the formation of the first UAR national assembly expected this fall will take care of local participation in government and allow Nasir to tighten his executive organization by eliminating the regional "cabinets." Whatever legislative powers the national assembly may be granted, however, are not expected to interfere with the Cairo regime's plans for reforming the generally laissez-faire Syrian economy and bringing it into line with the Egyptian economy, which is more closely controlled by the government.

Old-line politicians in Syria were given new life by

the regime's support of their successful efforts to undercut Vice President Hawrani's Baathist party in the July elections. Nasir seems almost certain, however, to disappoint the hopes of these politicians, whose narrower aims are fundamentally in conflict with his "socialist, cooperative" plans for the UAR. Hawrani, meanwhile, seems likely to lose out in the cabinet reshuffle and is already reported searching for allies in opposing Nasir's plans.

Nasir is unlikely to make the rapid progress he says he anticipates in solving Syria's economic troubles--which have been accentuated by two years of drought--without massive outside aid. Without this progress, and faced by still more political infighting, he will probably continue to rely on his own adroit handling of individuals and the public in Syria, backed by the tight security measures of hatchetman Sarraj. The time purchased by this kind of enforced stability may allow achievement of some of the promises made by the regime and get it safely past its present teething stage.

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The series of courts-martial against army officers involved in the abortive 22 May coup attempt are almost over, and the Abboud government's announcement of sentences, expected in the next few days, may lead to further trouble. The military government's hopes that the trials would provide a public example of resolute discipline and justice have not been fulfilled; the prosecution has, for the most part, failed to present convincing evidence, and one prosecution witness admitted that he had changed his testimony "after 90 days of jail and torture."

A large part of the populace--military and civilian alike--believes that the courts-martial were "rigged" from the outset. Many of the younger officers in three of the five regional commands are reported still antagonistic toward the present military leadership, and several influential political leaders are continuing to press for a return to civilian government.

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DE GAULLE'S ALGERIAN POLICY

There is mounting expectation in Paris that De Gaulle, reportedly assured that he now has the necessary support of the army in Algeria, will soon make new proposals for an Algerian solution in an effort to strengthen France's case, in particular at the impending UN General Assembly session. His speeches to army and Moslem groups during his 27-30 August military inspection tour of Algeria stressed a three-part program for pacification, reconstruction, and self-determina-

tion which he believes can be made acceptable to France, to the Algerians, and to France's allies.

De Gaulle recently told the Australian ambassador that he planned to make a public statement on Algeria prior to the 15 September opening of the UN General Assembly. A "special status" for Algeria in the French Community--presumably involving closer ties to France than those of the autonomous republics--may be proposed at

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the 10 September meeting of the Community's Executive Council.

Such an offer would involve no immediate change in Algeria's relationship to France, but the implication of the eventual right to independence could be used in a campaign to win France international support. Moreover, Paris probably expects that the presence of four African leaders of the Community on the French UN delegation will illustrate the support of France's Community partners for De Gaulle's Algerian policy.

Press accounts of the 26 August French cabinet review of the Algerian problem indicate that, although the ministers were divided, the majority appeared to favor a "liberal" solution. The cabinet reportedly agreed, however, to give De Gaulle a free hand to manage Algerian affairs.

De Gaulle's public insistence that the Algerian war is not a war of conquest, combined

with his praise of the army and appeals to it to have confidence in the country, indicate his concern over the army's reservations about a liberal policy. While his reference to "self-determination" apparently runs counter to last year's army demands for "integration," there has been no evidence of military unrest, according to French and American journalists on the scene.

Although the Algerian rebels continue to favor a negotiated solution to the war, insurgent leaders appear divided as to what would constitute acceptable terms for negotiations with the French. Rebel moderates, led by Ferhat Abbas, appear favorably disposed toward cease-fire talks with De Gaulle if Algeria's future political status is also discussed. The more powerful military group, however, would probably oppose any meeting held under conditions which might be interpreted as a rebel capitulation, and would probably demand--at least initially--early autonomy and a timetable for Algerian independence.

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TUNISIA EXPANDS CONTACTS WITH SINO-SOVIET BLOC

Tunisia now seems to be moving to implement President Bourguiba's policy of nonalignment with either East or West by normalizing relations with the Sino-Soviet bloc. Many Tunisians believe more contact with the bloc is necessary to demonstrate that their country is not subservient to the Western powers.

Prior to midsummer, Tunisia had negotiated trade agreements with most bloc states but otherwise had only minimal contacts. The small Czech, Soviet,

and Polish trade missions were not very active, and trade with the bloc in 1958 totaled less than 2 percent of Tunisia's foreign trade. At the end of July, however, Tunisia announced the imminent exchange of diplomatic missions with Czechoslovakia, and a one-man Bulgarian trade mission was established in Tunis. Since then, two Tunisian secretaries of state have visited the Soviet Union, and a delegation of four Tunisian women--including for the first time two who are Communists or Communist sympathizers--have gone to Peiping.

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A 26-member Tunisian delegation representing the national students organization, which is an associate member of the Communist-dominated International Union of Students, attended the World Youth Festival in Vienna as part of a North African group. Little publicity, however, was given to its departure or activities. Following the festival, five students went to East Germany, compared with 21 who visited West Germany. Despite government controls, students are curious about the bloc

Bourguiba, fearing the subversive and disrupting ef-

fect--particularly among the Algerian rebels--of Communist representatives in Tunisia, is likely to continue to keep tight control over bloc contacts and acceptance of invitations to visit the bloc. He is unlikely to permit the early exchange of other diplomatic missions but may allow the establishment of more bloc commercial missions. He recently received a Chinese Communist cultural group and may even recognize Peiping.

Although a comparatively sizable proportion of Tunisia's bloc trade is with Hungary, most Tunisians remember the harsh repression of the revolutionaries in 1956 by the Hungarian regime and have little desire to increase contacts.

BLOC ECONOMIC APPROACHES TO GUINEA AND GHANA

The Soviet Union, in its drive to increase bloc ties with West Africa, recently extended to Guinea a \$35,000,000 economic aid credit providing for material and technical assistance in establishing industrial enterprises, developing agriculture, and building roads. While the credit is to be repaid at 2.5-percent interest over a period of 12 years, Moscow--in keeping with the bloc's programs of economic penetration in other underdeveloped countries--presumably will accept partial, if not complete, repayment in Guinean commodity exports, thereby increasing the bloc's role in Guinea's foreign trade.

Since October 1958, when Guinea gained its independence, the Sino-Soviet bloc has made concerted efforts to establish close economic relations, frequently using gifts in an ef-

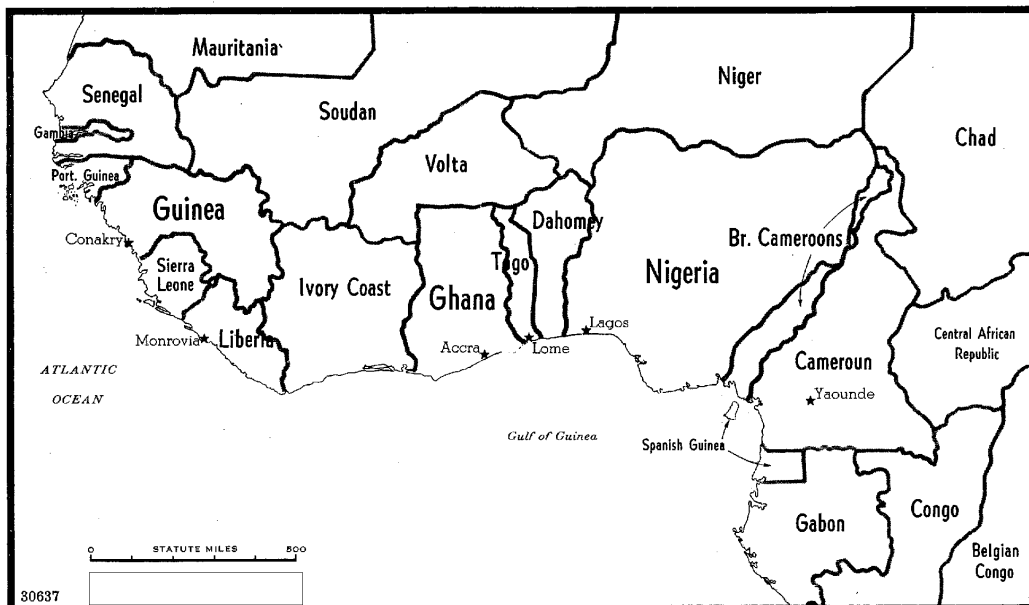
fort to establish rapport. Czechoslovakia presented a gift of military equipment to the Guinean Army in the spring of 1959, and later, in conjunction with Poland and East Germany, Prague gave Conakry road-construction machinery and fishing equipment. In addition, both East Germany and Czechoslovakia reportedly have offered to provide Guinea with a radio transmitter. Communist China made a gift shipment of 5,000 tons of rice in June.

In a recent interview with a Soviet correspondent, President Sekou Touré emphasized Guinea's desire to develop trade with the Sino-Soviet bloc. The Soviet Union, Czechoslovakia, Poland, East Germany, and Hungary have agreements with Conakry, and talks are believed to be in progress with Communist China.

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In the same interview, Touré revealed that Guinea is about to implement its first three-year economic development plan, which apparently will concentrate on agriculture--the basis of Guinea's economy. In view of the Soviet-Guinean economic and technical cooperation agreement, however, the plan apparently will include attempts to develop Guinea's nascent industry as well, which will provide the Soviet Union with an opportunity to exploit Guinea's need for economic specialists.

The bloc has already begun to take advantage of Guinea's lack of qualified technical personnel. There appear to be about 100 bloc technicians in Guinea, some of them working on public works projects being carried out by the Guinean Ministry of Interior. Others are investigating possibilities for developing other facets of the economy. There is also a Czech military mission advising the Guinean Army.

The bloc has been much less successful in its efforts to

expand economic relations with Ghana since it received independent status in early 1957, primarily because of Accra's reluctance to become involved with the bloc. A Soviet delegation failed this spring to arrange a trade pact after a three-week visit, and thus far no firm bilateral trade agreement has been concluded with any bloc country. The USSR, Czechoslovakia, East Germany, and Poland, however, have recently established permanent trade missions in Accra.

Both East Germany and Poland have offered industrial equipment to Ghana--presumably under medium-term credits--in order to stimulate trade, but neither offer was accepted. Bloc press reports of these proceedings suggested that more was accomplished than actually was the case. Accra, however, is committed to and needs extensive foreign aid for the multimillion-dollar Volta River project--for hydroelectric power and aluminum production.

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HUNGARY PLANS COMPLEX INDUSTRIAL PROGRAM

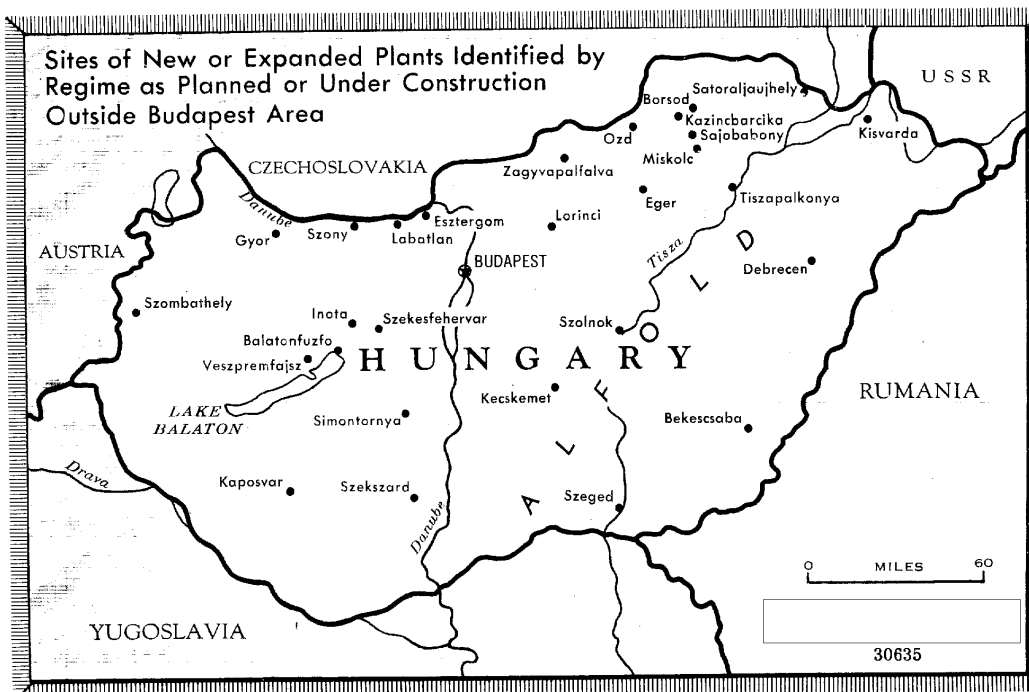
Hungarian plans for industrial development over the next six years call for decentralization and for shifting the emphasis of the nation's industrial output to a greater concentration on industries best suited to Hungary's relatively ample manpower and shortage of raw material. Moves to shift the emphasis, slated to be approved by a party congress in November, appear to have a three-fold objective of reducing total production costs, producing an export surplus to help cover the nation's foreign debts, and advancing the specialization policies of the bloc's Council for Mutual Economic Assistance (CEMA).

The machine and chemical industries are scheduled to grow almost twice as fast as total industry from 1959 to 1965. Among the branches of these industries to receive special at-

tention are telecommunications, precision instruments, bearings, machine tools, plastics, and fertilizers.

The regime has also manifested an interest in industrial decentralization because of the economic and sociological difficulties--such as periodic fuel and water shortages and overcrowding--resulting from the present concentration of industry and manpower in Budapest. Air-defense considerations may also influence plans for decentralization. A start has already been made in this program, and during 1961-65 there will be an increasing emphasis on the development of "industrially backward" areas.

Because these programs will compete for Hungary's limited investment resources, their simultaneous implementation will permit little or no deviation



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from plans. The fact that the regime insists that investments to expand existing capacities must exceed those for new construction will work against the decentralization program. In some cases it will also work against altering the composition of industrial output, since many old investment projects--left over from days when heavy industry was always given first priority--still remain to be finished.

Those plants and industries which have vested interests in Budapest are likely to act as a drag on the decentralization program. Furthermore, government policy for the last four or five years has emphasized raising the technical level and

HUNGARY	
TENTATIVELY PLANNED INDUSTRIAL EXPANSION FOR 1965	
PERCENTAGE INCREASES OVER 1958 PRODUCTION	
TOTAL INDUSTRY.....	60
MACHINE INDUSTRY.....	90
Telecommunications & precision instruments.....	100
Chemical & food-processing equipment.....	300
Main-line diesel locomotives.....	500
CHEMICAL INDUSTRY.....	100
Pharmaceuticals.....	100+
Nitrogen fertilizers.....	300
Synthetic materials.....	600

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labor productivity in present plants, rather than constructing new ones. This aim, although essential, is at variance with decentralization. On the other hand, growing strains on Budapest's facilities and the displacement of agricultural workers--as collectivization and mechanization proceed--may tempt officials to push decentralization.

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PEIPING CONTINUES TO MODIFY COMMUNE PROGRAM

The Chinese Communist party central committee resolution of 26 August makes significant changes in Peiping's commune program. In a measure said to apply "at the present stage," the resolution announced that the "production brigade" now possesses "basic" ownership of the means of production in the commune. The resolution confirms earlier indications that the lower level production brigade --in most cases corresponding to the pre-commune collective farm--has assumed more and more of the control functions formerly exercised by the commune administrative committee and in fact has become the major unit of economic activity in the countryside.

the December 1958 commune resolution has thus been transformed into a major reorganization of the commune system. The first change, evident in the decentralization of control, undercuts the original plan to transfer to the state within three to six years the controls over economic production and controls over distribution of income within the commune.

The relatively modest "tidying up" process inaugurated by

A second change is the virtual abandonment of the commune as a vehicle for rural industrialization leading to the rapid mechanization and electrification of agriculture. Last fall's rural iron and steel campaign resulted in a critical shortage of labor for reaping and storing the autumn harvest, disruption of the handicraft industry, clogging of the

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transportation system, and an end product of low-quality iron and steel, much of which was unusable.

By August 1959 the reversal of this major policy decision was almost complete. Many of the small-scale communal industrial installations have been scrapped, much of the original labor force returned to agricultural and handicraft pursuits, industrial raw materials and equipment in commune warehouses transferred to modern enterprises, and the commune, like the pre-commune collective farm, now is engaged almost exclusively in agricultural production.

A third change is the return to "private plots" as a means of increasing production to meet critical shortages of meat, vegetables, and other subsidiary farm produce. Recent reports reveal that so-called "free markets" have reappeared in certain areas as an additional incentive for stimulating individual production. Both "private plots" and the "free market" were attacked during the initial period of communalization as ideological aberrations.

A fourth change is the increasing recognition of material incentives as the stimulus for production in place of the earlier reliance on exhortation and enthusiasm. The original commune system of income distribution, combining a fixed monetary wage and "free" supply of goods in abundance, has been transformed. The former collective-farm practice of calculating individual income according to "labor points" has been revived to take the place of fixed wages. The "free" supply of food has been turned more and more into a form of incentive, with rations deter-

mined for each individual on the basis of age, health, and both the type and quantity of work performed. In effect the change vindicates Khrushchev's criticism of the communes as lacking proper incentives.

The final change is the continuing de-emphasis of mess-halls and other communal services. As originally conceived, the commune was to organize a collective way of life by means of communal messhalls, nurseries, kindergartens, and village "housing estates." By August 1959, however, the regime was back-pedaling rapidly in the face of widespread peasant discontent with these radical social experiments. Eating in the dining halls now is "voluntary"; placement of children in the nurseries and kindergartens is not obligatory; and the grandiose plans for rural "housing estates" are now shunted aside in the effort to increase food production.

The first of the original concepts of the commune to be revised was the ideological pretension that the commune and related programs constituted a special Chinese road to Communism permitting the achievement of this ultimate goal at a relatively early date. Next to go were the unqualified assertions of superiority for the commune as the organizer of a collective way of life. Even the image of the commune as a superior form of economic organization has become badly distorted as more of the institutional forms and practices of the pre-commune collective farm have reappeared.

Despite the changes, the party has not abandoned the commune system. The resolution adopted by the recent central committee plenum makes clear that the commune is to remain

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an all-purpose economic, social, political, and military organization with important responsibilities in coordinating farm production. The commune in practice, however, has changed

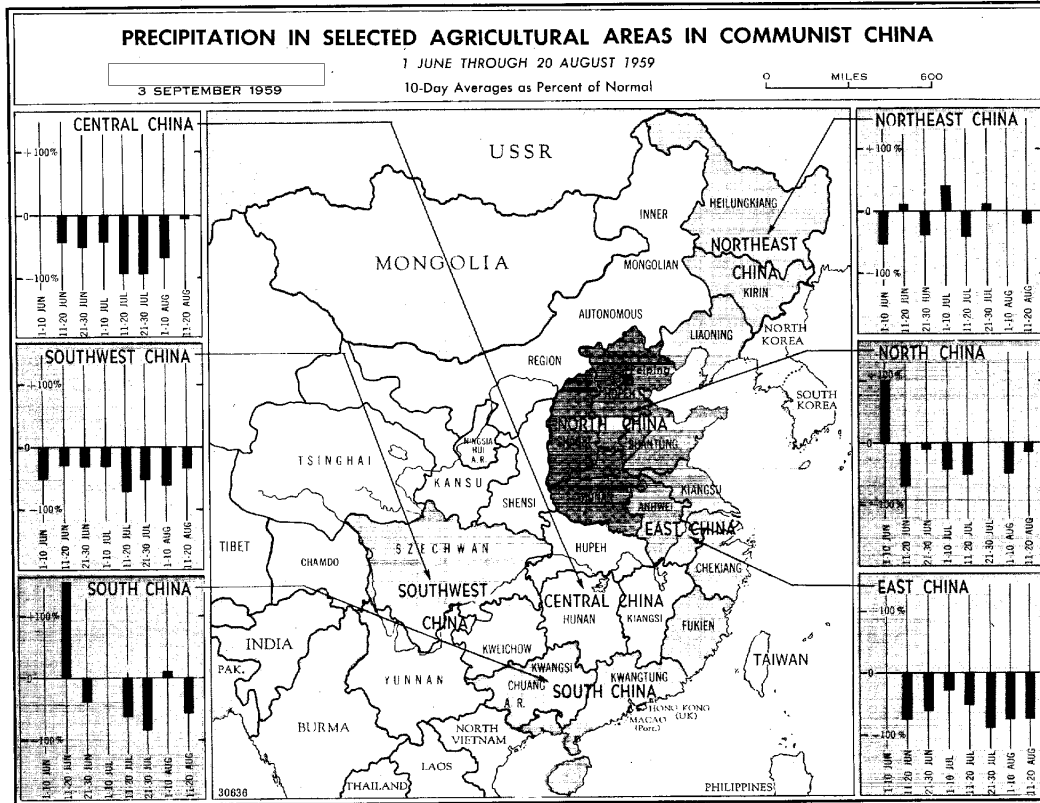
radically, and the pre-commune collective farm has in effect re-emerged as the basic production unit in the countryside.

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COMMUNIST CHINA'S 1959 CROP OUTLOOK

Growing concern over this year's crop prospects in China played an important part in the recent deliberations of the party leaders which culminated in the recantation of the wildly exaggerated "leap forward" production figures and targets. The resolution issued by the central committee after the

plenum early last month takes a most cautious view on agriculture, stating that fulfillment of even the modest revised goal of a 10-percent increase in grains and cotton depends on overcoming the "natural calamities" of flood, drought, and insects.



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The principal threat to Chinese agriculture at present is the drought which, starting in late June, has spread over vital grain- and cotton-producing areas of central China. High temperatures have aggravated the damage done by the lack of rain. Insect pests, including locusts, have also infested some of the same areas. Local storms have occurred in still other areas--the Fukien coast was struck by two typhoons in less than ten days, and the Peiping area has been hit by several heavy rainstorms. Damage in both cases, however, as in the case of Kwangtung floods in late June, was local in nature and of little significance for national crop totals.

A key question in assessing the results of the present drought is the effectiveness of the many small- and medium-size water-conservancy projects built by mass labor during the "great leap forward." In this connection, an Indian delegation which went to China early this year to study Chinese water-conservancy techniques observed that ponds for storing surface water were a major component in the improvements claimed by the authorities. The Indian experts felt that the capability of these ponds to provide water

during periods of drought was "uncertain"; they judged the ponds might be able to cope with dry spells of 20 to 25 days. The present drought has lasted much longer in most of the affected areas.

Peiping has acknowledged that water levels are low in many of its water-conservancy projects and that small rivers are dry. Its general approach, however, has been that these conservancy works, plus the "superiority" of the communes in organizing labor, were providing effective instruments against the drought. This is in line with the findings of the party leaders that "human will can triumph over nature"--a once-discarded notion of the "leap forward" which has recently been resurrected.

Rain in the past few days has relieved the drought in some areas, but the extent of the relief is not yet certain. The drought already appears sufficiently extensive, both in terms of time and area covered, to make doubtful the attainment of the regime's newly modest target of a 10-percent increase over last year's grain and cotton crops. The year's grain crop may even be smaller than last year's.

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NORTH KOREA REORGANIZES INDUSTRIAL MANAGEMENT

The central committee of the Korean Labor party has outlined a reorganization of the system of industrial management in North Korea. According to a central committee communiqué, the top-heavy administrative system and the shortage of technicians at the lower levels are hampering the drive to establish small-scale, local industry. Therefore central min-

isters are to be merged or abolished, and some 20 to 30 percent of their managerial and technical personnel sent to rural areas.

The Ministries of Electric Industry, Coal Industry, and Chemical Industry have been merged into the Ministry of Power and Chemical Industry. The Ministry of Procurement

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and Food Administration has been absorbed by the Ministry of Commerce, and the Ministry of Fishing Industry by the Ministry of Light Industry. The Ministries of Justice, Labor, Local Administration, and City Construction and Management were abolished. In addition, most of the factories under the Ministry of Light Industry producing basic consumer goods, as well as fishing enterprises, the construction and building materials industry, medium- and small-scale power stations, and "certain" collieries and irrigation projects are to be turned over to local management.

The new local industrial system is to concentrate on producing "mass consumption goods" and on supplying its own structural iron, building materials, fuel, and machine installations. This will shift to rural areas greater responsi-

bility for supplying locally needed industrial goods and presumably will permit the allocation of more state investment to large-scale heavy industry.

The policy of developing large enterprises "side by side" with medium and small factories, central industry with local industry, and combining modern and primitive techniques is the same, even to terminology, as that followed in China. The relatively moderate tone of the central committee communiqué, however, indicates North Korea does not now intend to emulate the more extreme aspects of China's "leap forward" program. North Korea is presumably attempting to profit from China's experience with the more serious dislocations inherent in an economic policy of this kind.

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TAIWAN STRAIT SITUATION

A series of typhoons has slowed military activity in the Taiwan Strait and will probably continue to hamper operations in this area through 7 or 8 September. It appears unlikely that the Chinese Communists are ready to initiate major military operations in the immediate future. During the latter part of August, however, Communist activity was

unusual in a number of ways which suggested that they may have been or may be preparing some operation possibly designed to increase tension in the strait. Such an operation might be carried through should the Chinese Communists believe it would be advantageous to draw attention to themselves during the Eisenhower-Khrushchev talks or should they desire to

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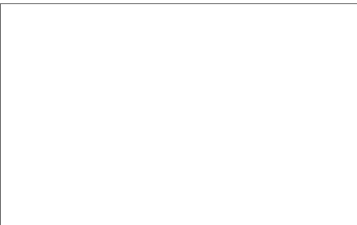
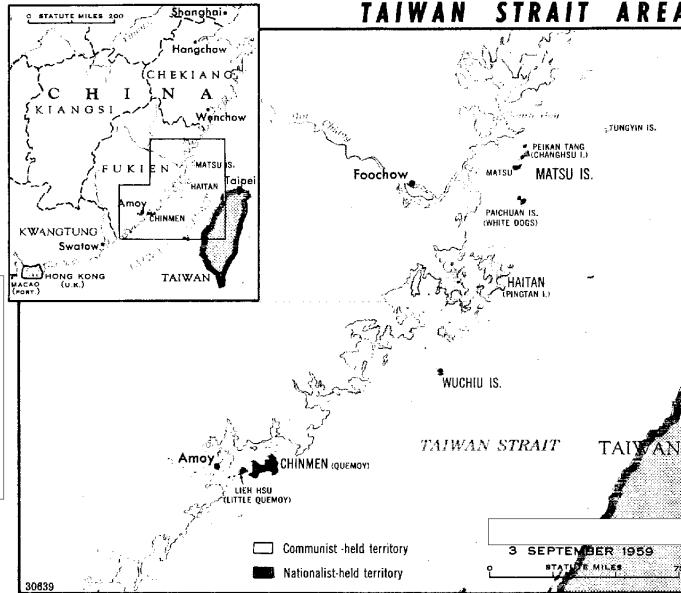
widen and multiply pressure against the United States during the Laotian crisis.

Military Activity

Artillery fire in the off-shore island areas has been very light and a large percentage of the shells fired are propaganda rounds. An unusually long ten-day cease-fire on the part of the Communists was broken on 27 August when 27 rounds were fired into the Chinmens and 24 rounds into the Matsus. Most of these shells contained propaganda. Troop sightings in the Amoy area have been high on a number of occasions, but the activity is believed related to the typhoons.

of "armed provocations" against China as a "fuse to this time bomb--Taiwan," and added that millions of people want the fuse and time bomb eliminated. The article apparently was intended as a reminder to the West that Taiwan cannot remain forever in its present status but, like recent Soviet commentary on the Taiwan situation, contained no sense of urgency.

The Nationalists are continuing to improve their defen-



One brief naval clash took place on 28 August, according to the Nationalist Ministry of Defense, when a Nationalist naval vessel engaged four Communist gunboats in the vicinity of the Wuchiu Islands. One Communist gunboat was reportedly damaged.

Propaganda

There has been virtually no comment on the Taiwan situation in Chinese Communist commentary in recent months. However, Peiping has reprinted parts of an article in the 31 August issue of the Soviet Army newspaper Red Star which described the American policy

sive posture and have moved howitzers to the Matsus; they have doubled their heavy artillery on the Matsus since last spring.

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DISCONTENT REPORTED INCREASING IN RULING THAI MILITARY GROUP

Dissatisfaction within the ruling Thai military group over the leadership of Premier Marshal Sarit seems to be growing. Complaints increasingly voiced, even by his principal subordinates, center on his alleged failure to consult the group on important policy matters or to consider the group's interests to a degree commensurate with its position as the main basis for Sarit's power.

Second-echelon officers, in particular, seem to be resentive over the lack of monetary rewards for their support of the regime. These officers are said to be complaining that it is virtually impossible for them to stay out of debt, now that they are no longer receiving on a regular basis the "gifts" to which they had been so long accustomed. A recent defense budget cut is also undoubtedly being construed as another indication of Sarit's declining concern for the welfare of his old military cronies.

willing and strong enough to challenge Sarit.

The likelihood of a coup attempt might increase should it become apparent that Sarit's improved health will permit him to stay on the job for an extended period.

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Malcontents within the military group do not appear at present to possess a leader

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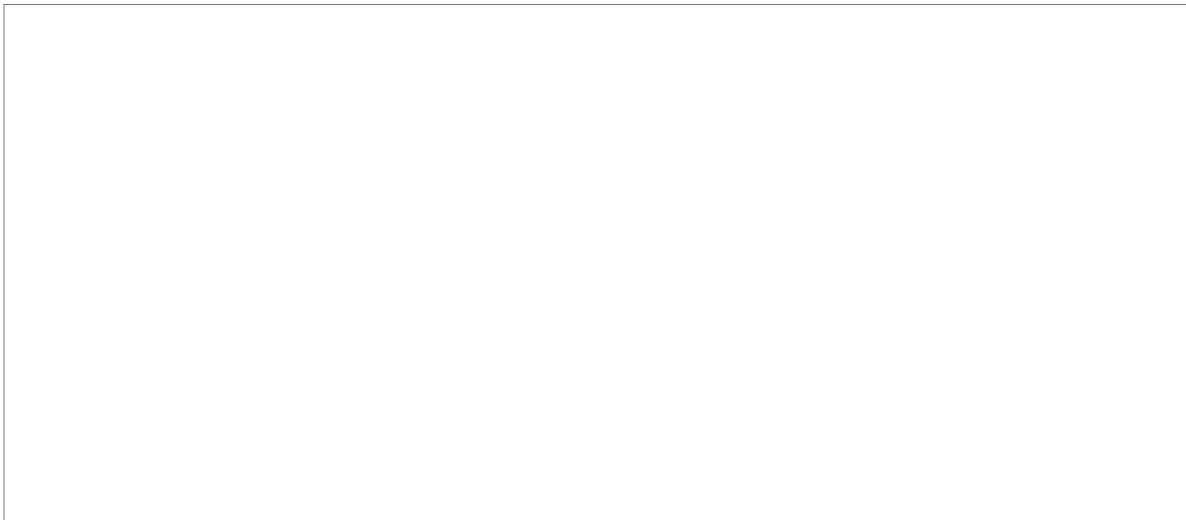
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FINLAND'S MINORITY GOVERNMENT MAY BE BROADENED

Prime Minister Sukselainen seems to be considering a broadening of his eight-month-old minority Agrarian government shortly after Finland's parliament reconvenes in mid-September. Domestic political stability favors an enlarging of the government's base, but Agrarian party leaders fear that inclusion of the regular Social Democratic leaders and the Conservatives might incur serious Soviet displeasure as in the autumn of 1958.

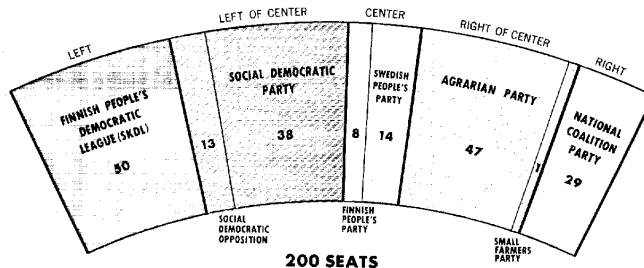
Sukselainen has recently been consulting with some of the other parties in regard to the 1960 budget. With the exception of the splinter Opposition Social Democrats, the non-Communist parties are apparently making cooperation in budgetary and economic matters dependent on a broadening of the government.

The Agrarians are apparently resisting this move on foreign policy grounds, feeling that they alone can over-

come Soviet objections to Finland's possible affiliation with the proposed little free-trade area. They recall that Moscow criticized several of the regular Social Democratic leaders in the five-party Fagerholm cabinet (September to December 1958) --such as Tanner and Leskinen-- of being too rightist and anti-Soviet and refused to negotiate a trade agreement for 1959 with Finland until the cabinet had been replaced by the Sukselainen government. By emphasizing the possible effect of any cabinet change on Finland's relations with the USSR, the Agrarian leaders are obviously seeking to maintain their party's key position.

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A broadening of the cabinet by adding only the small center parties--the Finnish People's and Swedish People's parties--would still mean an unstable minority government. Consequently, some Agrarians are tempted to consider cooperation with the Communist-front Finnish People's Democratic League (SKDL) and the Opposition Social Democrats. Some opinion outside Agrarian circles also favors inclusion of SKDL in order to force the Communists to accept responsibility for unpopular economic measures. However, the conservative rank-and-file Agrarians oppose including the SKDL, and the danger of a party split over this issue deters any rash action by Agrarian leaders.

One possible way out of the impasse would be to alter the usual procedures on forming coalitions so as to permit the prime minister - designate to select his own ministers from the ranks of the participating parties and not be bound to accept the parties' own selections. In this manner, the prime minister could use the Social Democrats to create a majority government and still avoid introducing controversial personalities. However, the question remains whether the inclusion of any Social Democrats would be acceptable to the USSR as long as the party is controlled by the Tanner-Leskinen elements, which are likely to remain in power at least until the 1960 party congress.

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PRENSA LATINA, CUBAN-BACKED NEWS AGENCY

Prensa Latina--Latin Press --a Latin American news agency formally launched on 9 June in Havana, was organized in response to Cuban Prime Minister Fidel Castro's bitter criticism of "foreign news monopolies" which he accused of deliberate distortion of events in Cuba during and after his revolution against the Batista dictatorship. Although Prensa Latina has tried to establish a reputation for independence and objectivity, it is believed to be substantially financed by the Castro regime, and its staff is composed largely of persons with an anti-US bias, some of them suspected Communists.

The new agency has opened bureaus in New York, Washington, and in nine Latin American capitals. Administrative headquarters are in Mexico, but

the editorial center is in Havana. The agency has considered opening offices eventually in Europe and Asia; its director, on his visit to Cairo last May, may have discussed such a move. The bitterly anti-US Major "Che" Guevara, a close Castro associate now nearing the end of a three-month "good-will" tour of ten Afro-Asian countries and Yugoslavia, is believed to have helped organize the agency and may be arranging for its coverage in Asia and Africa.

The staff comprises suspected Communists and others, including Director Massetti, who held prominent offices in former Argentine dictator Peron's Agencia Latina, a "news agency" that was in fact a strongly anti-US propaganda machine. Angel Borlenghi, a crypto-Communist who was Peron's interior minister, is reported

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to be an agency consultant in Havana.

Communist reaction to the establishment of Prensa Latina was highly favorable throughout Latin America, and TASS on 16 June reported the new press service's policy as one of countering the "bourgeois" news agencies which "discredit" progressive movements in Latin America. A member of a Chinese Communist "journalist" delegation visiting Cuba in June attended the inauguration of Prensa Latina (PL), and the newly established Havana office of Peiping's New China News Agency is located in the same building as PL headquarters.

Except in Cuba and Venezuela, Prensa Latina has been unable to win the acceptance

of Latin America's largest and most influential newspapers. It is probably hampered by its generally known association with the Castro regime and that government's growing unpopularity outside Cuba. Even in Cuba, where it has received moderate acceptance, there is no indication the new agency will replace established UPI and AP services.

Its best reception has been in Venezuela, where the press is probably the most leftist and nationalist in the hemisphere. Leftist papers in Mexico, Colombia, and other countries have subscribed to PL, as has the independent La Prensa of New York. The PL services radio and television as well as press outlets.

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PART III

PATTERNS AND PERSPECTIVES

KHRUSHCHEV'S VISIT TO THE UNITED STATES

Soviet Premier Khrushchev probably regards the forthcoming exchange of visits with President Eisenhower as the culmination of his persistent efforts over the past two years to bring the Western leaders into top-level negotiations under conditions he believes are favorable to the USSR. He apparently envisages the visits as the opening phase of a long series of meetings during which the USSR hopes a combination of pressure and inducements, domestic and international, will gradually bring the West to accept the partition of Germany and Soviet hegemony over Eastern Europe.

Khrushchev will arrive in a mood of high confidence based on the belief that Soviet technological and economic advances have shifted the world balance of power toward the Sino-Soviet bloc. He is determined to translate this shift into political gains and believes the West has no alternative but to recognize the bloc's enhanced power position.

Another factor conditioning Khrushchev's attitude is his apparent satisfaction that Soviet power tactics on Berlin were successful in overcoming Western resistance to high-level negotiations and in exposing a most vulnerable point in the Western position. Khrushchev has made no attempt to conceal the motivation of his moves to precipitate the Berlin crisis. In a speech to the All-German Workers' Conference in East Germany on 7 March he stated that his aim was the formalizing of "the existing situation in the center of Europe" as it emerged after World War II.

The Soviet leaders appear to believe that the Geneva foreign ministers' conference and the exchange of visits with President Eisenhower will open a new phase and introduce important changes in the terms of the East-West struggle. The great satisfaction among Soviet officials over the exchange agreement was reflected in the jubilant reaction of the Soviet Foreign Ministry press chief and a Pravda correspondent in

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August. They asserted that from the Soviet standpoint the Geneva talks had been a great success, since they had resulted in the long-sought invitation for Khrushchev to visit the United States and hold private talks with the President.

The Soviet spokesmen also expressed the belief that the President's invitation to Khrushchev signified a basic change in American foreign policy and greater American receptivity to the Soviet view that a relaxation of tensions could be achieved by US acceptance of the global "status quo." They professed to believe that the United States would make clear its recognition of the USSR's hegemony over "the socialist bloc" and said that Moscow in turn would accept the Western sphere of influence and engage only in "peaceful competition."

They stressed the USSR's need for time to consolidate economic and political gains within the bloc and contended that after this period of consolidation, Moscow would be in a position to resume a dynamic offensive against the West by "peaceful competition" which

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would end in a Communist victory.

Background

The Soviet leaders believe the exchange of visits marks a major turning point in East-West relations and signals a far-reaching change in the international climate which will operate to the USSR's long-term advantage. They feel the President's invitation offers the long-sought opportunity to demonstrate Soviet equality with the United States in international affairs.

The pace of events leading to the invitation, however, proved to be considerably slower than the Russians had expected two years ago in their mood of expansive and almost arrogant confidence following the announcement of the Soviet ICBM and the launching of the sputniks. Although Moscow at that time overestimated the immediate political impact of these events, the principal objectives of the campaign of "sputnik diplomacy" that followed have remained remarkably consistent.

The USSR's principal aim was to persuade America's allies that the threat of US retaliatory capacity, on which they had formerly relied as a shield against Communist pressures, was no longer effective. The Kremlin leaders expected the display of Soviet military prowess to spark a trend toward neutralism and prompt many non-Communist governments to reappraise the advantages of close alignment with and dependence on the United States.

In his interviews with American correspondents in November 1957, Khrushchev predicted that "a movement will develop in European and Asian countries against NATO, against the military bases on their territories." "You will see,"

he said, that one day these peoples "will awaken from their slumber and recognize the folly of depending on NATO and such alliances for their protection." Pravda forecast a rapid decline in American "military influence in Europe" and the collapse of the "whole NATO system based on domination by the United States."

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The Soviet leaders attempted to persuade the free world that the only alternative to a catastrophic arms race was a general "peaceful coexistence settlement based on the status quo."

Khrushchev and Bulganin offered a Soviet pledge not to attempt to overthrow capitalist regimes, in exchange for Western recognition of the status quo in Eastern Europe.

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Khrushchev defined the terms of such an accommodation in an interview on 7 October: "One thing only is needed (in order to ensure peace). To recognize what has historically taken place," i.e., the existence of the USSR, Communist China, and the satellites. "There must be no interference in their affairs. We, for our part, proceed from the realistic conditions of the existence of such capitalist states as the United States, Britain, France, and others, and that the social structure of these countries is the domestic affair of their peoples To live without war on a basis of peaceful competition--such is the foundation of co-existence."

The Soviet premier is determined to consolidate the USSR's position in Eastern Europe and freeze the partition of Germany before the growing military and political power of West Germany confronts the bloc with a dangerous challenge to the status quo in Central Europe. West Germany's decision in March 1958 to equip its

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forces with modern weapons probably was a major element in Khrushchev's decision to reopen the Berlin and German questions.

Khrushchev's move to precipitate a new Berlin crisis in November was the most far-reaching action in his campaign of "sputnik diplomacy." He seized this issue as a key to obtaining top-level negotiations under conditions most favorable to the USSR. The paramount objective of this phase of Khrushchev's drive has been to defeat once and for all the West's policy of nonacceptance of the Sovietization of Eastern Europe and to deal what US Ambassador Thompson has termed a "fatal blow at Western pretensions to challenging the existing boundaries of the Soviet empire."

Khrushchev's expectations again were disappointed when Soviet negotiating tactics at the Geneva foreign ministers' conference failed to force a split in the Western front. Soviet strategy at the conference rested heavily on the assumption that the British Government would ultimately take the initiative to work out an accommodation on Berlin in order to prevent the negotiations from collapsing, even if this required taking a position independent of the three other Western powers.

Khrushchev's Line in the US

President Eisenhower's invitation to Khrushchev introduced a new phase in the Soviet drive to win Western acceptance of the European status quo. While retaining in the background the threat of unilateral Soviet action to sign a separate peace treaty with East Germany and transfer controls over Allied access to West Berlin to the East Germans, Khrushchev apparently intends to concentrate on drawing the Western powers into protracted

negotiations which, in his view, will enable the USSR to exploit what Moscow conceives to be an irresistible drift toward a general accommodation which would involve at least tacit Western recognition of the status quo in Eastern Europe and East Germany.

Khrushchev struck the keynote of the new era in East-West relations in his letter of 18 August to Chancellor Adenauer: "We probably are on the eve of a historical turning point in the policy of the two existing blocs--from further estrangement to gradual rapprochement and settlement of outstanding issues with the view to ensuring peaceful coexistence of all states."

The two principal themes Khrushchev probably will emphasize in both his private discussions and public statements in the United States are the crucial importance of American-Soviet relations in maintaining world peace, and the urgent need to liquidate the "remnants" of World War II by concluding a peace treaty with the two German states.

In his speech at Dnepropetrovsk on 28 July, Khrushchev stated that if "other countries come to blows," they can be separated, "but if war should start between America and our country, no one else will be able to stop it. It will be a catastrophe on a tremendous scale." The Soviet premier will stress that therefore the United States and the USSR must settle their disputes peacefully, work for a relaxation of tensions, and "ensure the peaceful coexistence of states with different social and political systems."

Khrushchev can be expected to seize every opportunity to assure his listeners that a new era in East-West relations awaits only the removal of the

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"main obstacle"--the "remnants of World War II." He will urge the United States to recognize the reality of the irrevocable existence of the East German regime and to abandon its opposition to a peace treaty with both German states. He probably will play down the importance and danger of the Berlin problem and repeat the assurance he gave at his press conference on 5 August: that if agreement is reached on the larger German problem, "the question of West Berlin will be settled easily." He described the German peace treaty as the "Gordian knot"--when that is cut, "everything else will fall into place immediately."

In view of this preoccupation with the effort to maneuver the West toward acceptance of two Germanys as the key to legitimizing the whole Eastern European status quo, Khrushchev probably will prefer to subordinate other international issues in his speeches and discussions. He can be expected, however, to give considerable stress to questions bearing directly on Soviet-American relations.

He probably will reaffirm his endorsement of Prime Minister Macmillan's proposal for an annual quota of inspections of suspected nuclear explosions and press for early American acceptance of this concept. In order to sharpen this issue, he may indicate that there should be no difficulty in resolving other issues in the nuclear test talks, such as staffing and voting arrangements.

Khrushchev may renew his earlier proposals for a treaty of friendship and cooperation between the two governments. On the question of economic relations, he will underscore the points made during their US visits by First Deputy Premiers Mikoyan and Kozlov regarding the importance of an expansion

in trade in improving relations. Khrushchev may also propose some form of cooperation in extending aid to underdeveloped countries.

In his efforts to demonstrate the USSR's readiness to work toward a "peaceful coexistence" accommodation, Khrushchev probably will renew standard Soviet proposals for a nonaggression pact between NATO and Warsaw Pact members, creation of various nuclear-free zones, liquidation of foreign military bases, and mutual reduction and withdrawal of forces from foreign territories, particularly in Central Europe.

It seems unlikely that Khrushchev will press for detailed discussions of Middle Eastern and Far Eastern problems. With respect to the former, he probably will confine himself to repeating proposals for a joint declaration by the great powers condemning the use of force in "solving unsettled problems in this area," and committing the powers to a policy of noninterference in the internal affairs of Middle Eastern countries. He may also reaffirm the Soviet proposal for a ban on nuclear weapons and missiles in the Middle East.

In any discussion of the Laotian situation Khrushchev probably will blandly contend that the cause of the present crisis is the violation by the Sananikone government of the Geneva agreements of 1954 and the truce with the Pathet Lao in 1957, and that the immediate task is to ensure the fulfillment of these accords by reactivating the International Control Commission for Laos.

Khrushchev probably will refrain from any provocative statements regarding US policy toward Communist China and the Taiwan Strait question, limiting

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his remarks to general appeals for a more "realistic" American approach to contribute to "normalization" of Far Eastern conditions.

Outlook

The Soviet leaders almost certainly believe the exchange of visits will open the way for a summit meeting along the lines of the 1955 Geneva conference. Khrushchev expressed the hope on 5 August that the exchange "will facilitate the success of a meeting of the heads of government." He made it clear that his talks with President Eisenhower will not be a substitute for a broader summit meeting. He also indicated his desire for more frequent top-level discussions and said, "Every such meeting would result in a better appreciation of the questions it is necessary to settle and a better understanding of the positions of one's partners."

Moscow appears confident that a series of high-level conferences would provide increasing opportunities to draw the Western powers toward a gradual acceptance of the international

status quo. Moscow regards the participation of East German "advisers" in the Geneva foreign ministers' conference as an important victory for the bloc. On 5 August, in his final statement at Geneva, Foreign Minister Gromyko cited the participation of representatives of both German states as proof that a "realistic approach to the problems of Germany is gaining ground ever more confidently."

If, however, this period of negotiations does not yield the results the Soviet leaders desire, they presumably believe that protracted talks will at least weaken Western unity and determination in responding to Soviet moves to force Western recognition of East Germany by concluding a separate peace treaty and transferring access controls to the East Germans. In his message to Adenauer on 18 August, Khrushchev warned that if the Western powers "still oppose a peaceful settlement with Germany" after "all means of negotiations, all means of convincing our partners have been tried," the USSR will conclude a peace treaty with East Germany.

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SOVIET INTEREST IN US TRADE

The USSR can procure in Western Europe most of the items it seeks from the United States, but Soviet leaders apparently believe increased trade with the United States would achieve important political goals and would strengthen Soviet propaganda concerning peaceful co-existence. Official US endorsement of increased trade would probably be viewed by most non-Communist countries as a sign that world tensions were relaxing.

The Soviet leaders may also foresee, under these circumstances, greater receptivity to an expansion of economic relations with the bloc on the part of underdeveloped countries. Thus, rather than any substantial increase in actual commerce, the USSR probably seeks primarily to reduce the stigma attached in the free world to trading with the USSR by eliminating American restrictions applied to such trade.

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COMMODITY COMPOSITION OF SOVIET-UNITED STATES TRADE
PERCENT

SOVIET IMPORTS

	1930	1939	1947	1958
MACHINERY & TRANSPORTATION EQUIPMENT	76.3	50.3	73.1	20.0
IRON & STEEL	6.9	7.2	10.9	45.5
MOLYBDENUM ORE	—	12.1	—	—
COPPER	2.6	10.3	0.3	—
CHEMICALS	1.3	0.4	1.1	21.0
HIDES & SKINS	—	—	—	7.6
MISCELLANEOUS	12.9	19.7	14.6	5.9

SOVIET EXPORTS

FURS	12.1	53.8	58.5	36.3
NONFERROUS ORES	11.4	9.1	22.0	—
PLATINUM & PALLADIUM	—	4.5	4.5	15.2
BENZENE	—	—	—	33.8
MISCELLANEOUS	76.5	32.6	15.0	14.7

extension of major American credits and the elimination of American restrictions on trade with the USSR. The visits to the United States this year of Deputy Premiers Mikoyan and Kozlov, the latter accompanied by ten high-ranking trade officials, emphasize the importance the Soviet leadership attaches to its economic campaign vis-a-vis the United States.

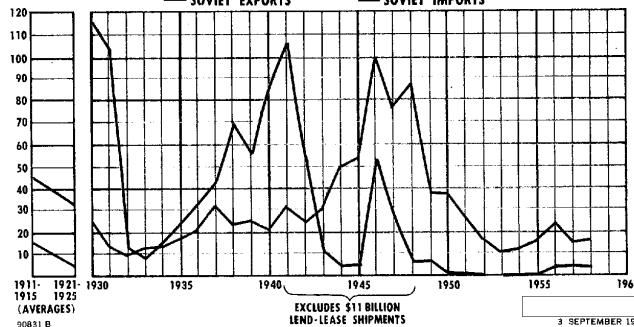
The volume of Soviet purchases of American goods--consisting chiefly of transport machinery and equipment and raw materials for heavy industry--has varied greatly. It assumed relatively large proportions only during World War II (under lend-lease) and, earlier, during the First Five-Year Plan (beginning in 1928) when imports from the United States helped the USSR to meet short-run objectives. American imports from the USSR have remained comparatively steady. They have consisted chiefly of furs and nonferrous metals and ores and, more recently, chemical raw materials.

Status of Trade

Khrushchev's visit to the United States may be used in part to further the persistent efforts begun in June 1958 to "normalize" Soviet-American economic relations. The Soviet premier wrote the President at that time, proposing Soviet purchase of about \$2 billion worth of technologically advanced American machinery and equipment, mainly for the production of chemicals, plastics, synthetic fibers, and consumer goods.

The proposal specified as a condition for such purchases the

SOVIET-UNITED STATES TRADE
(MILLION CURRENT DOLLARS)



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Since World War II, Soviet-US trade has declined. Despite the gradual elimination of some American export controls and the ostensibly vigorous Soviet campaign to increase trade, Soviet purchases have remained at low levels. In 1958 trade with the USSR was only seven hundredths of one percent of total US trade; less than one fourth of one percent of total Soviet trade was with the United States.

While American restrictive measures continue to limit trade, there is a wide area free of restrictions in which the USSR could expand trade if it wished. American traders, however, find Soviet officials only superficially interested in noncontrolled items, and instead, the USSR has increased efforts since 1958 to obtain American goods subject to trade restrictions.

Where Soviet trade enterprises do sound out American firms concerning possible purchases of unrestricted goods--such as textile mills, polyethylene plants, transistors, and certain kinds of petroleum machinery--they seek chiefly items embodying the latest technological developments. American firms are reluctant to provide late-model equipment and know-how on the basis of a single order, suspecting that the Soviet purchasers intend to use such equipment as models for their own plants. West European firms have met this by grossly overcharging for a plant which is expected to be copied.

Soviet foreign exchange reserves are limited, as are opportunities to finance greater purchases from the United States through an increase in corresponding exports. Consequently, the USSR has conditioned a growth in its purchases on the availability of American credits. But American legislation (the Battle and Johnson Acts) prohibits governmental and private loans to the Soviet Union in excess of 180-day commercial credits. The USSR would like these obstacles to expanded trade removed, again largely for political and prop-

aganda reasons. At the same time, purchases of American industrial goods on credit would accelerate the modernization of retarded Soviet industries and ease pressure on Soviet capital resources.

Ostensibly to ease the sale of Soviet goods in the United States, Moscow urges that most-favored-nation tariff treatment be extended. Most Soviet exports to the United States are not affected by the lack of such treatment; chrome ore, undressed furs, platinum, paper products, and many chemicals are duty-free regardless of origin. It is true, however, that a really significant expansion in Soviet exports to the United States would have to involve goods not now sold to the United States. Without most-favored-nation treatment such goods would probably be subject to high differential tariffs.

Prospects

Soviet purchases from the United States might expand to \$100,000,000 annually over the next few years if the USSR were encouraged by liberalized export licensing and the extension of some tariff concessions. The USSR probably would not be able to balance trade at this level by sales in the American market, but gold sales and foreign exchange earned elsewhere in free-world trade could support such a level of imports. A considerably larger volume of Soviet imports from the United States might be possible if American credits were extended and most-favored-nation treatment given Soviet goods.

Soviet trade with the free world is frequently subject to political motivations, and such considerations are believed to play an important role in the campaign to "normalize" trade with the United States. Liberalization of the rules restricting American trade with the USSR, whether or not such trade actually increased, would probably speed the growth of competition among free-world industrialized countries to seek an expanded share of Soviet trade. (Prepared by ORR)

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CHINESE REPRESENTATION IN THE UNITED NATIONS

Nationalist China is expected to retain its seat at this year's UN General Assembly, but the gradual erosion of its support in the United Nations will probably continue, despite Peiping's aggressive actions in Tibet. Many UN members who believe Peiping must eventually be admitted are growing increasingly restive over continued postponement of the issue through the annual moratorium. The concept of universality of UN membership, plus the desire on the part of many countries to bind Communist China to the principles of the UN Charter and other international agreements, would work toward Peiping's benefit in any open vote brought about by a substantive discussion in the UN.

The Moratorium

The UN General Assembly at each of its past eight sessions has voted a moratorium on consideration of the

Chinese representation question. This procedural device for delaying a decision requires only a simple majority of votes. Any vote on substance, such as an ouster of Taipei or admittance of Peiping, would require a two-thirds majority to pass; neither government seems to have sufficient support at this time.

For the first five years Nationalist China commanded a majority of over two thirds in favor of the moratorium. However, since the admission of 22 new UN members, mostly from Asia and Africa, Taipei has mustered only a simple majority. This fact has encouraged the nations which advocate Peiping admission--particularly India--to insist on substantive discussion of the Chinese representative question.

This year, for the fourth time, India has introduced an agenda item calling for substantive assembly consideration of the issue. This attempt is not likely to succeed. Prior to 1956, New Delhi was an active supporter of the USSR's bid for Peiping.

Substantive discussion would force UN members to choose openly between Taipei and Peiping. This would probably result in loss of support for Taipei from countries such as Britain and Pakistan which recognize the Communist regime but, on grounds of expediency, have in

MORATORIUM ON CHINESE UN REPRESENTATION
VOTES OF UN MEMBERS

	FOR	AGAINST	ABSTENTIONS	VOTES NOT RECORDED	TOTAL MEMBERSHIP
1951	37	11	4	8	60
1952	42	7	11	--	60
1953	44	10	2	4	60
1954	43	11	6	--	60
1955	42	12	6	--	60
1956	47	24	8	--	79
1957	48	27	6	1	82
1958	44	28	9	--	81

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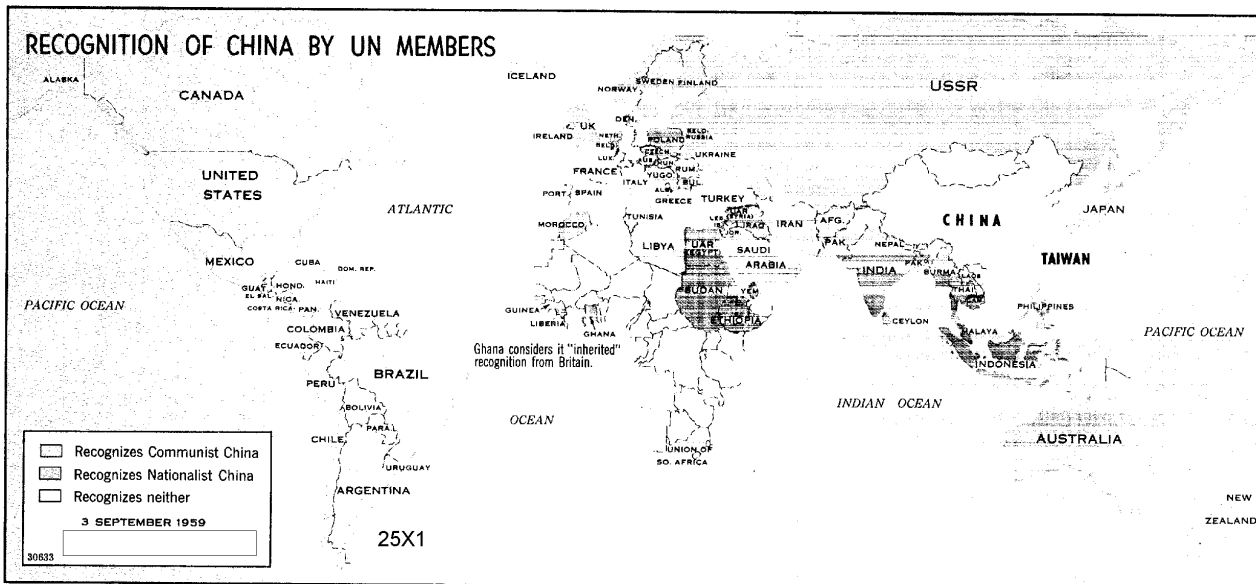
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in the past supported the moratorium. Britain's lead would probably be followed by other West European countries, as well as by such "old" Commonwealth countries as Australia, New Zealand, and Canada which have periodically expressed inclinations to see Peiping admitted to the UN.

Other UN members support Peiping's entry because they subscribe to the concept of the universality of UN membership. The UN Charter states that membership is open to all "peace-loving states which accept the obligations contained in the charter and, in the judgment of the Organization, are able and willing to carry out these obligations."

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Supporters of Peiping's membership are also influenced by the desire to bind the Chinese Communists to these charter principles and to other international agreements. They are particularly desirous of ensuring that Communist China be a party to any big-power agreement to ban nuclear tests or other forms of disarmament. They point out that since any such agreement will be accepted by the UN as a whole, Peiping as a member would automatically be bound by the terms of the treaty.

Some UN members are eager to see Peiping exposed to the rough-and-tumble of UN debates and voting line-ups, where possible differences between China and the USSR could be exploited.

The "Two Chinas" Concept

One of the major considerations involved in Peiping's entry into the UN is the problem of what to do with Taipei. To answer this, some UN members, including Japan and Britain, have suggested publicly that Communist China be given the "China seat" on the Security Council and Nationalist China

be admitted to the UN as Formosa. This plan has been categorically rejected by both Taipei and Peiping. The plan is still being promoted, however, and presumably would be formally presented to any study group the UN might set up to consider Chinese representation, or to the International Court of Justice if the assembly should request a ruling there.

14th General Assembly

The statistics on the number of UN members recognizing Taipei or Peiping still give the Nationalists the necessary majority for postponing the Chinese representation issue at the 14th UN General Assembly this year. While recognition does not necessarily guarantee a supporting vote, 29 of the 82 members of the United Nations at present recognize Peiping, 44 recognize the Nationalist government, and six recognize neither. The remaining three members are China and the Soviet Belorussian and Ukrainian republics.

Nationalist China is expected to retain the support of most of the Latin American bloc

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and of the Western and Asian nations allied with the United States in defense treaties, but it may lose the support of Ethiopia for the first time. Addis Ababa is reportedly considering recognition of Peiping and, as a first step, may abstain on the moratorium this fall. Guinea will vote on this issue for the first time this year and is not expected to support Taipei. Most newly constituted states from Africa tend to follow the lead of the Arab-Asian bloc on this issue.

The three European supporters Taipei lost last year-- Austria, Greece, and Iceland-- probably will abstain again this year. Greece abstained last year out of annoyance with the West over the Cyprus question, and Athens feels that reversal of its 1958 position so soon after the Cyprus settlement would be "indelicate."

Nationalist China's chief UN delegate fears that Taipei may lose some Latin American votes for the first time this year. It is unlikely, however, that any Latin American country would reverse its position and support Communist China at the forthcoming session.

Recent events in Laos may induce Vientiane to drop its policy of abstaining and revert to support for the moratorium. Taipei may also pick up the Libyan vote, in view of Libya's recent recognition of Nationalist China.

Other International Agencies

Communist China is not a member of any of the 11 specialized agencies of the United Nations, although membership is

not contingent on UN membership. The Universal Postal Union does have a "working relationship" with the mainland of China that permits letters to be sent there under postal union rules, but the Peiping government is not regarded as a member of the agency.

The specialized agencies have the authority to seat Peiping in place of Taipei, if a majority of their members so desire, but they have thus far followed the moratorium pattern set by the UN General Assembly. India and the USSR have made major but unsuccessful efforts to admit Communist China to these agencies, particularly the United Nations Educational, Scientific, and Cultural Organization and the International Labor Organization.

Peiping's Attitude

The Chinese Communists, convinced they will not gain admission this year, apparently are trying to put the best face on their continued exclusion. Peiping professes reluctance to have the Chinese representation issue raised this year in the UN, apparently concerned that a debate on representation would raise embarrassing questions with regard to Chinese Communist conduct in Tibet. Peiping has apparently made no formal request that India withdraw its sponsorship of the item. Despite the subsequent public indignation over the border friction with Peiping, New Delhi probably feels it must maintain its long-standing position on the question before the UN. In the past, Indian officials have expressed the view that Peiping's presence in the UN would place it under greater international restraint.

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THE STATUS OF TRADE UNIONISM IN ITALY

Over the past decade anti-Communist labor organizations have gradually become serious contenders with the Communist-dominated General Confederation of Labor (CGIL) as the principal bargaining agents of Italian labor. Prospects for the free unions are darkened, however, by an unusually strong antiunion stand by employers, which has tended to force the Catholic-oriented Confederation of Workers' Unions (CISL) into unity of action with the Communist unions.

Established in 1948 as an offshoot of the CGIL, the CISL has built up its strength to the point where membership of the two major confederations now is roughly 2,000,000 each. It is competing most strongly with CGIL among textile, agricultural, and white-collar workers; it lags behind CGIL in the metalworking, telecommunications, transportation, and maritime sectors. The ranks of free trade unionism also include the Italian Union of Labor (UIL), whose membership of some 250,000 is made up mainly of workers oriented toward the mildly leftist, anticlerical Democratic Socialist and Republican parties.

Cooperation between the two anti-Communist unions is probably better than at any time in the past, but a merger of the CISL and the UIL in the near future is unlikely, largely because of the subordination in some degree to Marxism in the case of the UIL and to Roman Catholicism in the case of the CISL. Both unions are also instruments to some extent of the political parties which gave them their original impulse.

The CISL, under the vigorous and competent leadership of Bruno Storti, has declared itself, notably at its national congress last March, in favor of freeing itself completely from political

and clerical influence. The desired degree of union autonomy, however, will be realizable only gradually at best, given the CISL's representation in the national parliament as a faction within the Christian Democratic (CD) party and its consequent dependence on the CD's political machine. This dependence is deplored by many CISL members, and a strong current of opinion was evident at the March congress to bar union members from holding a seat in parliament.

The dominant opinion, however, was that the time was not ripe to forego parliamentary representation in view of the CISL's still limited bargaining power in industry and the strong representation of the CGIL in parliament. The CGIL has 52 deputies, of whom 40 are Communists, including Agostino Novella, the secretary general of the CGIL; the CISL is represented by 33 deputies within the CD bloc.

Resistance to Unionism

In the early stages of its existence, the CISL was generally regarded by employers as a lesser evil than the CGIL, and its expansion was sometimes encouraged by management. This period has passed, and a stiffening attitude toward unionism in general has been evident among employers of late.

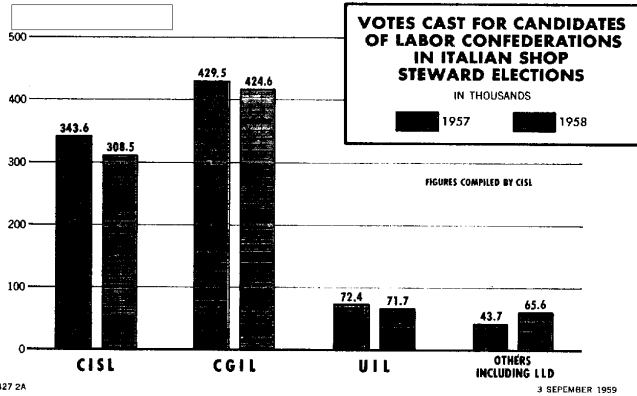
Plant managers frequently intervene in shop-steward elections through favoritism toward management-approved candidates or through outright intimidation. Industry has also been using two devices relatively new to postwar Italy. One of these is offering the workers shares of corporation stock on favorable terms, as in the Cornigliano Steel and Montecatini Chemical Companies. The other is encouragement of company unions.

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tige in the eyes of the worker than did the CISL.

Management's tough attitude in the recent strikes is a reflection of continuing prosperity and the Segni government's dependence on forces friendly to management --the CD right, the Liberals, the Monarchists, and the neo-Fascists. Moreover, participation in the Common Market presents

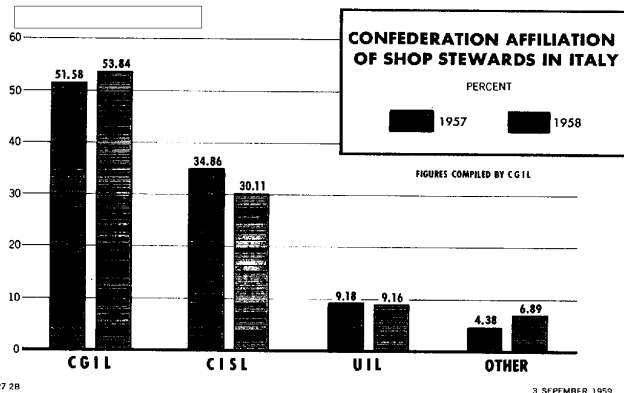
The most striking victory for management in this respect was the formation within the large FIAT industrial complex of the "Free Democratic Workers" union (LLD) in 1958. Company unionism has since been making slow but steady gains. In July the electric industry greatly increased its subsidies to "autonomous" unions. In the same month, a company union scored a decisive victory in the shop-steward election at a chemical plant in Florence.

the prospect of sharper competition for Italian goods and management is therefore all the more determined to hold the wage line. An important constant factor which strengthens management's hand is the existence of a pool of unemployed amounting to almost 10 percent of the total labor force.

Communist Unions' Advantages

The CGIL's principal points of strength relative to the CISL are: 1) its freedom to indulge in strikes, regardless of the consequences for the economy, 2) the Nenni Socialist party's requirement that its members belong to no union other than CGIL's, and 3) the financial backing of the Communist party. While the CISL has applied the strike weapon in a more

Management took an unusually rigid position during the 41-day seamen's strike, which ended in late July with very minor wage increases, and concurrent intermittent strikes by metal workers. In these circumstances the CISL, which is especially weak in the maritime sector, found itself obliged either to join forces with the CGIL or to abstain and thereby appear to act counter to the workers' interests. The CISL's policy was one of generally cooperating with the CGIL while dissociating itself from some of the more demagogic CGIL maneuvers. In these and other strikes during the first half of 1959, however, the CGIL gained more pres-



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responsible way--both out of conviction and as a result of pressure from the conservative wing of the CD party--the CGIL has been able to adopt what its enemies call a policy of "the worse, the better"--that is, the more chaos and conflict, the better from the standpoint of the Communist party.

The Nenni Socialist party's ban on union membership outside the CGIL reflects the party's apparent conviction that it can exert more influence in union affairs by accepting a junior status within the CGIL than by expressing its will through numerically weaker Socialist groups within the three labor confederations or by forming its own union. The numerical strength of the Socialists within the CGIL gives them a claim to union patronage which could hardly be maintained if each party member were free to enter the union of his choice. The result of these circumstances for the CISL is to limit severely its ability to proselytize within the CGIL.

CGIL financial strength derives to some extent from international Communist support, but it also has a solid foundation in Italy. The close relationship between the CGIL and the Communist party affords the CGIL far more press, transportation, and office facilities than the CISL can command. The Communist-controlled cooperative movement, for example, exploits a well-established Italian institution to the financial advantage of

the Communist party and, as needed, of the CGIL.

The CGIL has been sufficiently well entrenched to survive the strong campaign during the mid-1950s to reduce Communist strength in shop-steward committees, and some of the lost ground has been regained in the past year and a half. CGIL and CISL statistics agree that the CISL lost ground in 1958. While the CISL cites figures showing that fewer votes were cast for CGIL candidates in 1958 as compared with 1957, the CGIL ignores the number of votes cast, and claims a 2-percent increase in the number of seats held by CGIL shop stewards. Incomplete statistics for shop-steward elections during 1959 show gains by the CGIL in most elections.

In brief, the CISL faces a war of attrition rather than the prospect of any sweeping inroads into enemy territory. The leadership of the CISL is encouraging more regular collection of dues, gradually building its membership, providing training in the principles and techniques of modern unionism, and, most of all, attempting to make itself a pragmatic, "bread-and-butter" union, rather than instrument of political theory. The pragmatic approach offers the surest basis for closer cooperation with the anticlerical UIL and for the recruiting of new adherents among the large mass of leftist workers, many of whom would be happy to join a union which could bring them greater material benefits with no political or religious strings attached.

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