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imports of industrial equipment and plants. The British were given lists of prospective Soviet purchases running in excess of a billion dollars with the proviso that Britain make reciprocal purchases or extend credits. Britain has set aside almost \$150,000,000 in government credit guarantees for its exporters doing business with the USSR. Italy, which has had some success in selling major industrial installations, has recently been approached for new credits to support a

continuation or growth in this trade.

Soviet traders in Japan are offering to place substantial orders for industrial goods and transport equipment for the development of the eastern USSR if Japan agrees to accept increased amounts of Soviet fuels and raw materials and deferred Soviet payments. The Austrians have been told that the extent of future Soviet imports of industrial goods depends directly on an expansion of Austrian purchases of Soviet goods.

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JAPANESE SOCIALIST SPLIT PROMOTES MODERATE TRADE UNIONISM

The recent split in the Socialist party has improved prospects for the growth of a responsible, anti-Communist labor movement in Japan. Suehiro Nishio's formation of a new socialist parliamentary group has given the moderate Zenro labor federation a long-sought political base for expansion, chiefly at the expense of the large, extreme-leftist Sohyo federation.

Zenro, with an estimated 800,000 members, now is less than one quarter as large as Sohyo. In the wake of the Socialist split, however, Zenro has succeeded in gaining new member unions and in fostering labor support for the Nishio group. The federation's 1960 action policy, which is expected to be adopted at the annual convention in late November, probably will concentrate on winning over unions which have maintained a reluctant affiliation with Sohyo because of its domination of the Socialist party, heretofore labor's only political voice.

Nishio's efforts to counter Sohyo's pro-Communist radicalism--by terminating organized

labor's participation in political struggles and working through Zenro for strictly labor objectives--was the major factor which led to the Socialist split. Nishio objected to the concept of the "working-class party"--a concept he felt blinded Socialist leaders to the potential for attracting support



NISHIO

from small businessmen, farmers, and other middle-of-the-road elements. His new group has emphasized that while it is initially based on moderate trade unions, it will not be dominated by labor interests.

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Elements of key unions within Sohyo already have announced their support of the Nishio group. Approximately 10 percent of the estimated 400,000 members in the National Railway Workers' Union (Kokuro) --Sohyo's second largest affiliate--have decided to support Nishio. A smaller group, in the large Coal Miners' Union (Tanro), also has bolted Sohyo.

Zenro's relatively greater success in gaining wage increases in important industries,

particularly for textile workers, and its preference for opposition to the revised US-Japanese security treaty through parliamentary means also may tend to attract new members. Japanese organized labor, however, is primarily under hard-core leftist control which will make Zenro's expansion contingent on the effectiveness of the formal political party which Nishio is expected to organize in early 1960. 25X1

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ANTI-US SENTIMENT IN PERU

A controversy over a US oil company's possession of aerial photographs of its concessions in eastern Peru has given rise to strong anti-US sentiment in that country, both in the Congress and in the press. Another company--the Peruvian subsidiary of Standard Oil of New Jersey and Peru's largest producer--came under sharp congressional attack earlier this year when the government raised domestic petroleum prices and may also be drawn into the present dispute. The incident could have adverse effects on US investments in the country, which totaled approximately \$820,000,000 in 1958--an estimated 84 percent of all foreign investment in Peru. Of this amount, about \$143,000,000 was invested in the petroleum industry.

The Air Ministry has charged that the photographs were "illegally" obtained in violation of a 1948 aerial-mapping agreement between Peru and the United States. Peruvians assert that unauthorized disclosure of aerial mapping to a private company constitutes a violation of military security. Ultra-conservative and pro-Communist elements, which frequently join

in political alliance, have magnified the incident, denouncing the company and the US Government for "violating" Peru's military security and national defense.

The Chamber of Deputies on 2 November overwhelmingly approved a motion presented by three pro-Communist deputies urging abrogation of the mapping agreement and expulsion of the company from Peru. Both progovernment and opposition parties were significantly united in support of the motion. Opposing parties have joined in anti-American outbursts on two other occasions in the past two years: an attack by the Senate in 1957 on the proposed US lead and zinc tariffs and widespread criticism in 1958 of the setting of quotas by the United States on lead and zinc which lead to a cabinet decision to seek markets for these products in the Soviet bloc.

Foreign Minister Porrás has expressed concern to Ambassador Achilles that any further parliamentary debate on the oil company issue--such as is expected shortly--would be a "Roman holiday" for criticism of the United States and US investments in Peru.

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BURMA

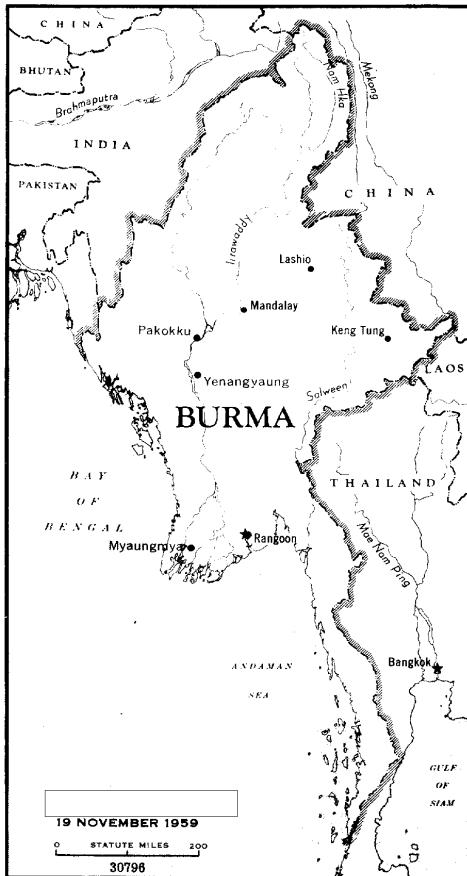
The two factions of the Anti-Fascist People's Freedom League (AFPFL), Burma's governing party, until its split in 1958 and General Ne Win's subsequent takeover, are now well into their campaigns for the general elections, announced for January or February 1960. The "Clean" faction appears to be capitalizing successfully on the long-established person-

al popularity of its leader, former Premier Nu. It has scored sweeping victories over the "Stable" AFPFL faction of U Ba Swe, also a former premier, in the first three municipal elections held since Premier Ne Win took office. This was accomplished despite the arrest and conviction of major "Clean" leaders for corruption, army preference for Ba Swe, and

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the superior discipline and organization of the latter's following.

In September the "Clean" faction gained several upset victories in the voting for municipal council seats in the Irrawaddy delta town of Myaungmya, and on 11 November it won all 21 council seats in the central Burma town of Pakokku by a vote of 11,318 to 4,500. On 17 November the "Clean" faction gained 10 of the 14 council seats in the important oil town of Yenangyaung. It appears possible, in the urban areas at least, that U Nu may be on the

way toward a significant political comeback in the 1960 national elections.

Neither faction of the AFPFL yet appears confident of victory, although their campaign preparations, including the well-publicized Buddhist monastic retreats of both U Nu and U Ba Swe, are well under way. Each concedes that the margin of victory is likely to rest in the less accessible rural areas, where neither party is well organized and where the voters are most vulnerable to pressures from the army and armed insurgent groups.

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The army role in the coming elections may depend on its leaders' relative distaste for the two AFPFL factions. Although they continue to prefer Ba Swe, their disillusionment with U Nu's political expediency and tolerance of corruption has been partially offset by their dislike of Kyaw Nyein, a ruthless politician who is U Ba Swe's closest colleague.

Ne Win has announced that no army personnel will stand for election and has ordered army personnel to maintain a nonpartisan role. Nevertheless, the army is expected to intervene at least with sufficient force to ensure the defeat of most pro-Communist candidates, and it may use its influence further. In addition, army leaders are reported insistent that whichever faction wins, the new government carry forward the political and economic reforms instituted under Ne Win.

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PHILIPPINE ELECTIONS

Results of the Philippine senatorial and provincial elections held on 10 November confirmed the basic strength of the incumbent Nacionalista party, but they also revealed the extent of President Garcia's unpopularity, particularly in urban areas. Administration-backed candidates won five of the eight seats in the nationwide senatorial race, as well as 33 of the 54 provincial governorships and about half the 28 mayoralties. Nacionalista candidates most closely identified with President Garcia, however, were defeated.

The opposition Liberal party has been strengthened by the election of three senators, giving the opposition bloc a total of six seats in the 24-man Senate. The Liberals increased their control of provincial governorships from 4 to 19 and won eight mayoralties. The Liberal minority leader of the House of Representatives, Ferdinand Marcos, received more votes than any other senatorial candidate.

The newly created third-party opposition movement, the Grand Alliance, failed to win any major office and may face extinction or eventual absorption by the Liberals. Efforts to unite the opposition may continue to be hampered, however, by rivalry for position on the opposition presidential

ticket in 1961. The claim of Philippine Vice President Macapagal to the role of Liberal standard-bearer, already challenged in the past, may be threatened additionally by the emergence of Marcos as a popular figure.

None of the Nacionalista party's successful senatorial candidates is a close Garcia follower, and in two provinces and six chartered cities, including the major cities of Manila and Cebu, Nacionalista candidates openly opposed to the President were victorious. The party's top senatorial vote-getter, the younger brother of President Magsaysay, is a son-in-law of Nacionalista chief Rodriguez, with whom Garcia has been battling for party control.

The election results may cause Garcia to become increasingly preoccupied with political maneuvering to improve his chances in the 1961 presidential race, to the further detriment of efficiency and responsibility in his administration. Despite the relative ineffectiveness of the administration's campaign theme of economic nationalism--carefully divorced from anti-Americanism--Garcia has announced that he will continue to follow a "Filipino first" policy. This may take the form of increased harassment of foreign business interests as a means of diverting attention from domestic attacks on the administration.

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RECENT DETERIORATION OF AFGHAN-PAKISTANI RELATIONS

Relations between Afghanistan and Pakistan have deteriorated sharply during the past two and a half months, mainly because of Kabul's concern with

growing tribal unrest along its border with Pakistan and with the propaganda campaign recently launched by Karachi on the issue.

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In early September the Ayub government began to retaliate against Afghan propaganda supporting Kabul's Pushtoonistan policy, which demands the right of self-determination for Pushtu tribesmen living in Pakistan. Karachi's propaganda outburst was concurrent with and possibly designed to encourage tribal reaction against Kabul's efforts to promote social and economic reforms in the area. This opposition culminated recently in a serious attack by Mangal tribesmen on an Afghan Government road-building crew.

Karachi has publicized Kabul's difficulties with the tribes, and Pakistani press reports of interviews with tribal leaders coming from Afghanistan have featured the Afghan Government's "repression" of the Pushtus and the "escape" aspect of the border crossings.

The Pakistani press references to Kabul's reforms as a source of the unrest have some basis, as the tribesmen resent the unveiling of Afghan women as well as the government's road-building program in the area; they feel new roads will only subject them to greater government control. However, Kabul probably regards Pakistan's publicizing of such issues as designed solely to provoke further disturbances and to intensify opposition throughout the country to the government's policy of abolishing the veil.

Each side has accused the other of military overflights. Top Pakistani Air Force officers have cited numerous recent border overflights by Afghan twin-jet bombers, which Kabul probably has used in controlling

tribal disturbances. Continued Afghan violations of Pakistani air space would intensify and lend credibility to Karachi's accusations and possibly provoke military retaliation by Pakistan.

Pakistani President Ayub and Afghan Prime Minister Daud have expressed their willingness to discuss mutual problems, but Pakistan's delay in arranging a meeting and Daud's reservations concerning the proposed dis-



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cussions suggest that neither side is ready to make the concessions necessary for a rapprochement. The extent of their professed desire to improve relations presumably will become apparent during Afghan Foreign Minister Naim's preliminary talks with Ayub, to be arranged sometime after 25 November.

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TRIBAL WARFARE IN RUANDA-URUNDI

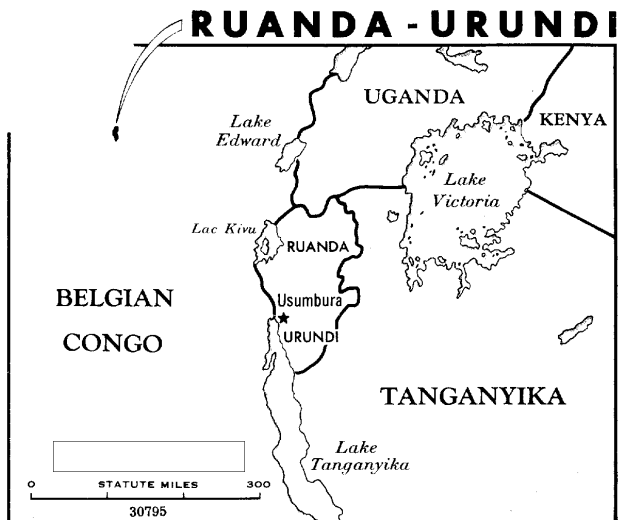
Tribal warfare in the Belgian trusteeship of Ruanda-Urundi--with the fighting concentrated in the northern kingdom of Ruanda--resulted in over 200 deaths before the situation was brought under control by Belgian troops over the week end of 14 November. Representatives of the long-influential

Belgian officials state that primary responsibility for the fighting appears to lie with the UNAR, an association of Watutsi chiefs who desire independence for Ruanda under conditions which would perpetuate Watutsi dominance of political affairs in the territory. Bahutu leaders, on the other hand, reportedly desire the partition of Ruanda-Urundi into tribal zones, a plan which if executed would presumably leave them in control of much of the two kingdoms. The Bahutus comprise over 85 percent of Ruanda-Urundi's population of 4,500,000.

A Belgian "reform" program, announced on 11 November, but formulated prior to the fighting, would appear to favor the Bahutus, with whom the Belgians have enjoyed good relations. The Brussels program envisions the creation of two con-

stitutional states in Ruanda-Urundi to replace tribal rule by the end of 1960. Both states would retain their present kings, but the Belgian King would for the time being remain sovereign of the territory. No attempt would be made to define in advance the relationship between the two kingdoms or between them and Belgium.

Brussels appears to envision eventual independence for Ruanda-Urundi, but after a transitional period of longer than the four years planned for the Belgian Congo. Belgium has stated that it would welcome a UN investigation of the situation in Ruanda-Urundi, and that it will abide by the trusteeship agreement which requires that the final status of the territory be decided by negotiations in the UN framework.



Watutsi tribe, which appears to have been badly defeated by its Bahutu enemies, reportedly plan to make undefined "representations" before the UN Trusteeship Council.

Sporadic clashes between the two tribes began in early November, apparently after members of the Watutsi-dominated Ruanda National Union (UNAR) assaulted a Bahutu chief. The fighting which followed was marked by considerable destruction of cattle and crops and has led to a serious food shortage in mountainous Ruanda, which has long suffered from overpopulation. An undetermined number of Watutsis have taken refuge in the Belgian Congo and Uganda.

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AFRICAN LEADERS SPLIT OVER ICFTU TIE

Disagreement among African leaders over the question of African labor's affiliation with the Western-oriented International Confederation of Free Trade Unions (ICFTU) has culminated in rival plans to establish two "all-African" labor groups. It has also led --two months before the scheduled second All-African People's Conference (AAPC) meeting in Tunis--to the first public airing of the serious friction which has developed between Ghana's Prime Minister Nkrumah and Kenyan nationalist Tom Mboya, who cooperated effectively last December to check extremists at the AAPC's first meeting in Accra.

Last month Nkrumah, who has long been anxious to establish an independent African labor movement as an adjunct to the pan-African political movement, suddenly gave the signal for the Ghana Trades Union Congress (GTUC) to sever its tenuous tie with ICFTU. Simultaneously, in a move to undercut an African regional conference long planned by the ICFTU, labor organizations throughout Africa were asked to send representatives to Accra to participate in a preparatory committee for the formation of an "All-African Trade Union Federation." Although the promoters forecast a turnout of 60 African unionists, only some 23 delegates from 13 countries participated in the 5-9 November meeting. Moreover, many of these were of little or no im-

portance in African trade union circles.

The dominant elements at the meeting, in addition to the representatives of the Nkrumah-controlled GTUC, were the delegations from the Moroccan Labor Union--nominally an ICFTU affiliate--and from Guinea Presi-



dent Sekou Touré's neutralist General Union of Workers of Black Africa. The meeting authorized a seven-member "headquarters bureau" of the committee to make preparations for holding a constituent congress next May in Casablanca, Morocco.

The ICFTU conference held in Lagos, Nigeria, between 9 and 15 November drew a far wider and more representative response. Chaired by Mboya, who strongly defended the free-world labor organization as a

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vehicle for African nationalism, the conference adopted resolutions providing for the creation next February of an autonomous ICFTU regional organization for Africa. Other resolutions took as militant a stand on current African political issues as did the Accra committee, toward which a conciliatory attitude was taken.

Nkrumah and his allies, however, are apparently determined to implement their plans

even at the risk of provoking a schism within the African nationalist movement. In a public statement released on 10 November, Ghana's top trade union official blasted the Lagos conference as a "gathering of imperialist stooges" and denounced Mboya as "opportunistic" and "reactionary." In addition, Nkrumah is attempting to undermine Mboya's domestic position by building up Oginga Odinga, a more radically inclined and seemingly more pliant Kenyan leader.

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PART III**PATTERNS AND PERSPECTIVES****POLAND'S ASSIMILATION OF THE FORMER GERMAN TERRITORIES**

Poland's eastern and western boundaries were both shifted westward following World War II. Moscow, insisting on the validity of the 1939 Soviet-German agreement on the partition of Poland, forced Warsaw to cede some 70,000 square miles of its eastern territory to the USSR. As compensation, the Allies at Yalta and Potsdam gave Poland the right of military occupation and "political administration" of approximately 40,000 square miles of German territory east of the Oder and Neisse rivers. The area of administration included the southern part of East Prussia and the former free city of Danzig (Gdansk). These "recovered territories" make up one third of the total area of present-day Poland.

Legal Status

There is a significant difference in the legal aspects of the two territorial changes affecting Poland. Whereas the cession to the Soviet Union was a permanent change by treaty, Polish administration of the German territories is only temporary, pending a peace treaty with Germany which presumably will include a final definition of Germany's frontiers. It is this status which plagues Warsaw and makes the unfinished business of the "recovered territories" a major element of the political, economic, and psychological life of Poland.

For the Poles, the "German problem" is mainly a matter of maintaining their country's western border and securing general recognition of the legality of its status. If these lands should be restored to Germany, Poland would be reduced to a rump state of insignificant proportions and power,

and crippled politically and economically.

Regarding both Russians and Germans as traditional enemies, the Poles are faced with a troublesome dilemma. Occupied by Soviet troops, ruled by a Communist government, and bound to the USSR by increasingly strong political, economic, and military ties, Poland realizes that its territorial integrity depends on the Soviet Union, which has adopted the role of protector of the Polish state and of Polish rights to the German territory.

The Poles have no love for East Germany, but the Ulbricht regime has signed a treaty with Poland recognizing the Oder-Neisse line. West Germany, on the other hand, has steadfastly refused to agree to the cession of the territory, although it has renounced the use of force to change the border.

Poles maintain that only another war--or, as they cynically put it, another Soviet-German deal--can change Poland's western boundary.

Basis of Polish Claims

The Polish claim to permanent possession of the "recovered territories" is based on three major premises: 1) the fact that, nearly 15 years after the war, the area has been effectively de-Germanized and has become an integral part of Poland; 2) Allied agreement that Poland should be compensated by Germany for the territory annexed by the Soviet Union; and 3) the "historically Polish nature of the western territories."

In 1939 the population of the western territories consisted of 7,100,000 Germans and

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1,300,000 Poles; in 1958, according to Polish statistics, there were 7,500,000 Poles and only 6,000 Germans in the area. The West German Government, however, claims that there are approximately 1,300,000 Germans there.

Determination of who is a Pole or a German differs. The West German figure obviously includes prewar inhabitants of the area who chose Polish citizenship in 1946. Many Germans were evacuated by the German Reich in the latter part of the war when the approach of the Soviet armies caused a mass exodus. In addition, large numbers of Germans were deported by the Poles during 1945. The census of 1946 revealed that about 2,000,000 Germans remained in the area. Most of these moved to Germany during the next two years, with the majority going to West Germany.

The overwhelmingly Polish character of the population

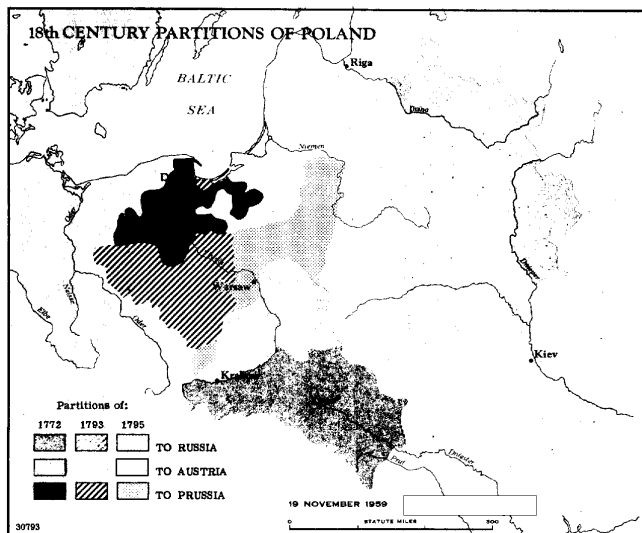


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is an important element in Warsaw's confidence that it will retain the western territories. The impracticability of a mass movement of the present inhabitants out of the area except as a result of war encourages the Poles in their belief that they will remain there.

Yalta and Potsdam

The Poles argue that the provisions of the Yalta Agreement regarding territorial compensation for Poland at Germany's expense were confirmed at Potsdam and labeled "final" by the Western powers and the USSR. They point out that the transferred territory was not placed under Allied occupation and was clearly differentiated from the other German territory, and that the "final demarcation" of the Polish-German border was to be effected after the conclusion of the peace treaty. The terms "demarcation" or



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"delimitation" of Poland's western frontier, used in the agreements, do not imply to the Poles that there were any doubts concerning the irrevocable nature of the cession of the territory to Poland.

Poland also claims that the Allies themselves confirmed the transfer of the territory when they assisted the Poles in evacuating the Germans from the area. Since the Potsdam Agreement provided for the administration of occupied Germany as a unit, Poland claims that the separation of the western territories from the occupation zones shows that the Allies intended to give Poland de jure as well as de facto possession.

West Germany rejects the Polish argument, maintaining that the wartime agreements placed these areas only temporarily under Polish administration. The question of the final disposition of Germany's "lost provinces" was left to be decided at a peace conference, the West Germans contend.

The Western powers have refused to commit themselves beyond stating that the problem can be settled permanently only by a peace treaty with a unified Germany. Prominent Western officials visiting Poland usually refuse invitations to visit the western territories, lest their travel in the area be construed as recognition of the validity of Poland's claim. Bonn spokesmen have declared repeatedly that the demand for the return of the "lost provinces" cannot be dropped. Poland has been heartened, however, by recent statements by French officials that the Oder-Neisse should be accepted as Poland's western frontier.

Fear of Germany

Poland's greatest fear is a reunified Germany. The Poles realize that East Germany's recognition of the Oder-Neisse line has little meaning in the long run, and they know that a unified German state would not consider itself bound by the East German action. Poland fears that any discussion of a peace treaty with the Germans or serious negotiations looking toward reunification would only reopen the question of the validity of its claims to the territories. In the Polish view, a powerful, unified Germany would soon make demands on Poland for territorial readjustments.

The issue of the western territories is one on which the Polish people and the regime agree. The people are susceptible to regime-inspired propaganda that Western non-recognition of the Oder-Neisse line implies bad faith and a preference for war-guilty Germany over the Nazis' innocent victim, Poland. The regime, therefore, portrays the countries of the Soviet bloc, including East Germany, as friends of Poland, and casts the West in the role of supporters of German "militarism and revanchism."

This image of bloc support for the Oder-Neisse line is not particularly impaired by the fact that the USSR seized Polish territories in the east. Most Poles refuse to comment on the eastern lands or to compare the respective values of the areas that Poland lost and gained as a result of the war. They have put these territories out of mind, even though the loss of many Polish cities--especially Lvov--was keenly resented.

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Reconstruction and Development

The western territories have come a long way from their wartime devastation and the difficult period of their resettlement to their present situation as one of the best developed areas of Poland. An important result of the territorial and population shifts was the transformation of the country from a predominantly rural, agricultural country into an urban, industrial one. This was largely due to the annexation of the already urbanized and industrial German lands, rather than to a significant increase in industrialization in the old Polish territory. The addition of German Silesia with its great industrial capacity and large deposits of coal, iron ore, and other valuable minerals was especially important.

Even the agricultural lands gained from Germany, although less extensive than those lost to the Russians, are more productive than those in the east. The new lands also were used for the resettlement of an estimated 2,000,000 Poles forced by the USSR to leave the eastern territories. In addition to increasing Poland's industrial and agricultural potential, the acquisition of the western territories gave the Poles possession of the important Oder River waterway system and the ports of Szczecin (Stettin) and Gdansk, vastly increasing Poland's foreign trade capability.

Current Status

While farm production in the western territories is approximately 20 percent lower than before the war, it nonetheless accounts for about a fourth of Poland's livestock, 28 percent of the nation's grain,

nearly a fourth of its potatoes, and 40 percent of its sugar beets.

When the Poles took over the area in 1945, more than 60 percent of the land was lying fallow, and only 10 percent of the prewar livestock remained. The Poles estimate that in 1945 some 60 percent of the prewar industrial capacity of the area had been lost either through destruction or removal of equipment by the Germans or the Russians. They also claim that 45 percent of the urban dwellings were uninhabitable, 70 percent of the railway system destroyed or dismantled, and all the loading and floating installations at the port of Szczecin destroyed or removed.

The Poles maintain that 1957 industrial production in the western territories exceeded that of the prewar period by 50 percent and constituted 25 to 28 percent of total Polish industrial output. The former German area now produces all of Poland's ships, nearly all its brown coal, and substantial proportions of other items. Forty-two percent of Polish railway lines and 43 percent of all hard-surfaced road are located in the western territories. Much of the credit for the communications net and industrial capacity, however, belongs to the Germans.

Poles in the western territories demonstrate considerable enthusiasm for reconstruction and transformation of the area. In population, economic structure, and cultural life, the western territories are no longer German. The Poles have left their stamp on the area, and it has become an integral part of Poland. 25X1

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MODERNIZATION OF SOVIET CIVIL AIR FLEET

The recent development of the Soviet aircraft industry is marked by the greatly increased priority given the production of transport aircraft. Five new transport models for Aeroflot, the Soviet civil airline, have appeared in the last few years, and four of them now are believed to be in series production. At present seven plants, constituting about 35 percent of the floor space in Soviet air-frame plants, are used to build transports for Aeroflot. Two other factories are producing military transports. Rapid strides are being taken toward creating the world's largest national air fleet to compete increasingly in international commercial aviation.

Aeroflot's Role

Aeroflot's operations differ markedly from those of the typical American commercial airline. To hold down costs, poorly loaded flights are frequently delayed, canceled, or combined with other flights. Aircraft and personnel losses are acknowledged

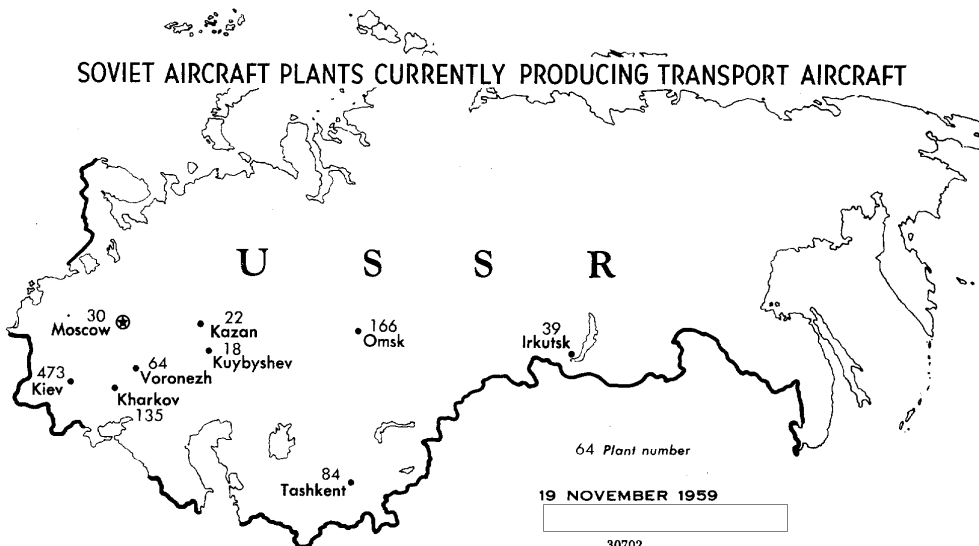
only when it is impossible to conceal the information.

VIP and other special flights of the largest and latest aircraft to neighboring bloc capitals appear to take place quite frequently. Aeroflot also serves an important function in maintaining contacts between the USSR and neutral countries which have accepted extensive Soviet economic and military assistance.

In mid-1959 there were personnel changes in the top echelons of Aeroflot. The new directors probably are expected to tighten government control of the organization and to improve its efficiency.

Competition With Free World

The number of passengers carried by Aeroflot in 1959 may be as much as 50 percent over 1958--12,000,000 as compared with an estimated 8,000,000 last year. New types of aircraft were produced in large numbers in 1958 but, because of technical difficulties and Aeroflot's

SOVIET AIRCRAFT PLANTS CURRENTLY PRODUCING TRANSPORT AIRCRAFT

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conservative training policy, they apparently did not come into use in large numbers until this year.

Aeroflot's 1965 target for passengers handled is

CIVIL AVIATION IN THE UNITED STATES AND THE USSR

	PASSENGER MILES (BILLIONS)			FREIGHT TON-MILES (MILLIONS)		
	1951	1957	1965	1950	1957	1965
USSR	1.0	3.0	29*	147	400	1,644*
US	13.2	31.3	75**	239	993	2,055**

*PLAN

**ESTIMATE, BASED LARGELY ON CURRENT TRENDS

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about 48,000,000, or six times the number flown in 1958. On the basis of present and anticipated rates of aircraft production, this goal should be achieved easily, particularly if the airline continues to reduce its fare-rate structure. American scheduled airlines handled 49,000,000 paying passengers in 1958 and may handle about 54,000,000 in 1959.

Moscow apparently plans for Aeroflot to compete successfully with the airlines of the free world. The USSR is astride the shortest great-circle route between Europe and the Far East, and Soviet leaders are actively working to establish Aeroflot as a major link between these areas.

The USSR has sought agreements permitting the expansion of Aeroflot's international routes. In the 1955-58 period, it concluded air agreements with Yugoslavia, Finland, Austria, Norway, Sweden, Denmark, India, Afghanistan, France, Belgium, the Netherlands, Britain, and the UAR. Informal discussions have taken place between Aeroflot and Pan American World Airways in which Aeroflot officials have indicated reciprocal tourist movements would

be desirable, but formal negotiations on an intergovernmental level have been stalled for over a year by the USSR. The only new route established outside the bloc in 1959 has been the biweekly service between London and Moscow.

At present, the Soviet Union is especially interested in obtaining new routes and concessions in the Middle East and Africa. Prevented from establishing regular services across Greece, Turkey, Iran, and Pakistan, the Russians have made noticeable progress in obtaining air rights and other concessions in Afghanistan, Iraq, the UAR, and Ethiopia. In the meantime, pressures for both overflight rights and actual civil air agreements have been directed against Greece and Iran, accompanied in the case of Iran by a limited amount of authorized and unauthorized overflying to Iraq.

Sales of Transports

The USSR has encountered little enthusiasm on the part of other countries to buy its high-performance aircraft, and there have been no such sales outside the bloc. Even within the bloc, only three jet TU-104s have definitely been sold--to Czechoslovakia for service to Bombay, Cairo, and Moscow. A few turboprop IL-18s may go to the European satellites and China.

Attempts were made in 1958 to sell TU-104s at bargain prices to Japan, Egypt, and other countries, but there were no transactions. The TU-104 does not appear to be economically competitive with free world aircraft. Proposed sales have generally been tied in with agreements for reciprocal air rights

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which strongly favored the USSR.

Even in the case of aircraft such as the IL-18 and the turboprop AN-10, which are more economical than the TU-104 and can operate from shorter, unimproved runways, there is not likely to be great interest outside the bloc. Aside from international competition, the world market for large modern transport aircraft has definite limitations, since such aircraft, if not used intensively, soon constitute a burden for the purchasing countries.

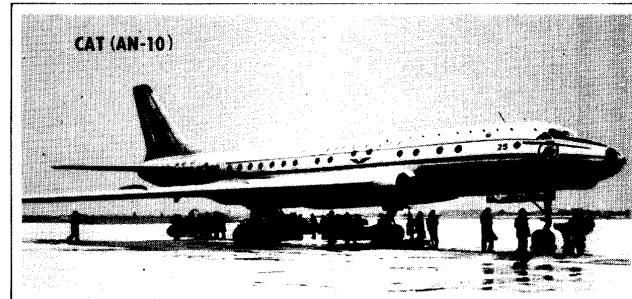
New Transports

The one pure jet transport now known to be in series production in the USSR is the TU-104B, the 100-seat version of the TU-104 (Camel). This aircraft is supplementing the older 50- and 70-seat versions in Aeroflot operations. Through September 1959, approximately 60 TU-104Bs and 110 TU-104s and TU-104As had been produced.

The TU-110 (Cooker), a four-engine version of the Camel, was originally displayed in 1957. There still is no evidence of its production in numbers, however, and according to recent statements made by designer Tupolev, the Camel B will be built instead.

The second type of modern transport in production, and the first Soviet turboprop transport aircraft to enter regular civilian service, is the four-engine IL-18 (Coot), which carried cargo late in 1958. There

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will be several versions. Through September 1959, about 85 Coots had been produced.

The AN-10 (Cat), a four-engine turboprop transport aircraft designed to operate from

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USSR: PRODUCTION HISTORY OF PLANTS CURRENTLY PRODUCING TRANSPORT AIRCRAFT

PLANTS	1955	1956	1957	1958	1959
KAZAN NO.22	Camel A Badger	Badger	Badger	Camel B Badger	Camel B
KHARKOV NO.135	Fresco Midget	Fresco Midget Camel	Camel A	Camel A	Camel A**
OMSK NO.166	Beagle	Camel	Camel A	Camel A	Camel A**
MOSCOW NO.30	Crate Beagle Mascot	Crate Beagle Mascot	Crate Coot	Coot	Coot
TASHKENT NO.84	Crate	Crate	Crate	Camp Crate	Camp***
VORONEZH NO.64	Beagle Badger	Badger	Badger	Badger Cat	Cat
IRKUTSK NO.39	Beagle	Beagle	AN-12 Beagle	AN-12	AN-12***
KIEV NO.473	Colt	Camp* Colt	Camp* Cat * Colt	Cat * Colt Clod	Clod
KUYBYSHEV NO.18	Bear	Bear	TU-114D	Cleat	Cleat

* Prototypes. ** Production probably is phased out. *** Military Transport.
RED Denotes transport aircraft.

passengers and identified as the AN-16, reportedly is under development, but it is believed that this aircraft has not yet been flown.

Soviet press reports suggest that production of the AN-14 (Clod), a small utility transport aircraft with spectacular shortfield performance and powered by two piston engines, was to begin at Kiev during 1958. To date, however, only a few Clods have been observed at the factory airfield.

rough airfields, was displayed at Moscow in 1957. Its seating capacity, originally 70, has been increased to 100. Although series production of the Cat is well advanced--65 or more having been produced through September 1959--operations were limited until recently. This delay may have been due to stability difficulties, reflected by later design changes made in the tail surfaces. An increase of the tail area was first noted in the fall of 1957 and has been incorporated on most of the aircraft observed since that date. An enlarged and improved version of the Cat, seating 130

The fourth of the modern Soviet transports in series production for Aeroflot is the TU-114 (Cleat)--world's largest transport aircraft--which is capable of carrying 120 passengers for distances of up to 5,400 nautical miles and 220 passengers for shorter distances. This aircraft, first displayed in Moscow in 1957, has been used in several flights outside the bloc for prestige purposes, such as the recent trips to New York and Washington. Until a second TU-114 flew to Washington, these trips had been made by one plane, the prototype TU-114 first displayed in 1957 and numbered 5611. Tupolev says that the TU-114 is in series production.

PERFORMANCE COMPARISONS OF MODERN TRANSPORTS

AIRCRAFT	Camel TU-104	French Caravelle	Cat AN-10	British Vanguard	Coot IL-18	Lockheed Electra	Cleat TU-114	Boeing 707
Engines	2 jet	2 jet	4 turboprop	4 turboprop	4 turboprop	4 turboprop	4 turboprop	4 jet
Gross Weight (lbs.)	157,000	94,000	112,400	141,000	134,000	113,000	407,000	295,000
Payload (lbs.)	22,000	19,840	26,200	25,000	23,000	26,500	39,700	40,000
Passenger Capacity	70-100	64-80	84-126	96-138	75-100	66-85	120-220	131-162
Range with Payload (nautical miles)	2,300	1,250	1,250	2,275	2,800	2,380	5,400	4,160
Cruising Speed (knots)	450	430	335	380	340	350	485	515

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It is believed 16 had been produced through September.

By 1 October 1959, about 460 large modern transports had been produced, of which about 340 were of the four types which are becoming basic in the new civil air fleet--TU-114s, IL-18s, AN-10s, and versions of the TU-104. Combined production of these latter types is apparently continuing at a rate of 15-20 per month. If present production rates continue, by the end of 1960 the inventory could reach between 500 and 600 of these high-performance aircraft.

The majority of the transports--of the four basic types--produced so far are subordinate to Aeroflot.

Aeroflot is believed to possess in addition to these new transports over 1,500 twin-engine, piston-driven airplanes--IL-2s, IL-12s, and IL-14s. Two years ago there were only 25 TU-104s and no four-engine transport aircraft in service.

By comparison, US airlines which had at that time 1,735 aircraft including some 800 four-engine piston types and about 50 new Viscount turboprop transports, now have 1,830 air-

craft, including 250 jet and turboprop types.

Aeroflot still has many problems to solve before it can become a really first-class airline. Civil airports with paved runways are still very few, and modern airways and traffic control systems have not yet been installed at all of these. Ground handling equipment, passenger service facilities, and terminal buildings are badly lacking, although major improvement is scheduled under the present Seven-Year Plan.

Military Use

One noteworthy factor about Aeroflot is the relative ease with which its aircraft could be utilized for moving military personnel. An estimate of the current ready strength of Aeroflot high-performance aircraft gives the airline a capacity sufficient to airlift approximately 15,000 men at one time. This excludes all high-performance aircraft undergoing repair or modification and all those assigned to the military service or awaiting assignment. The estimated maximum range between stops for such an airlift is about 1,250 miles.

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(Prepared by ORR)

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NILE WATERS DEVELOPMENT ENTERS NEW PHASE

As a result of the UAR-Sudanese agreement signed last week over how to share the waters of the Nile River, the UAR's Aswan High Dam project, with long-term expectations of increased cultivable acreage and of new hydroelectric power development, now can be pushed with fewer international complications. International financing may also become available for the Sudan's own large-scale irrigation proj-

ects, centering on the \$100,000,000 Roseires Dam.

Nevertheless, the agreement does not seem to be a step toward an over-all international control program for the Nile waters, since it sets off the Sudan and the UAR against the six other riparian states--Ethiopia, Uganda, Ruanda-Urundi, Tanganyika, and the Belgian Congo. In addition, it is not likely to end Sudanese-UAR

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differences, since some important problems have merely been postponed for future consideration.

The Sudanese negotiators won a major victory over the



heretofore intransigent Egyptians in the month-long discussions which ended in the ratification of the agreement. It is concerned essentially with each country's share of unused Nile waters. Domestic critics of the Sudanese Government nevertheless have attacked certain provisions as a "giveaway," particularly the "loaning" to Egypt of a portion of the Sudan's share for a number of years. There has also been some Sudanese criticism, largely politically inspired, over the amount of compensation Egypt will pay for flooding Sudanese lands when the Aswan High Dam is completed.

Early Difficulties

The Egyptian Government proposed in 1952 a major expansion of the country's cultivated land by construction of a \$1.2 billion dam at Aswan. Initially, Cairo sought Western financing for the foreign exchange costs of the dam; but American and British aid offers were withdrawn in 1956, and in 1958 Nasir accepted a Soviet offer to lend the equivalent of \$100,000,000 to build the first stage of the project. Construction now has begun.

The Sudan is the only other of the eight riparian countries using significant quantities of Nile water for irrigation. It agreed in principle in late 1957 --with some misgivings--to the Aswan project, but it rejected Egypt's plan for sharing the surplus waters which would be made available.

For almost two years both governments remained adamant; the Sudan insisted that the total Nile waters be divided 75 percent for Egypt and 25 percent for itself. In addition, Khartoum claimed that the dam's reservoir, which will extend 125 miles into the Sudan, would displace about 50,000 Sudanese and flood valuable resources. The Sudan's demands for water were calculated on the basis of careful study, but the Sudanese compensation figure of \$100,000,000 was set high for bargaining purposes. It would have been political folly for any Sudanese government, especially the present somewhat shaky Abboud military regime, to have yielded substantially on the waters issue.

UAR President Nasir, apparently feeling pressure to get on with the High Dam and recognizing at long last that no Sudanese government would be able to give in, intervened personally to make the agreement possible. Not only did Egypt yield on the waters question, but Cairo proposed the compromise figure of \$43,200,000

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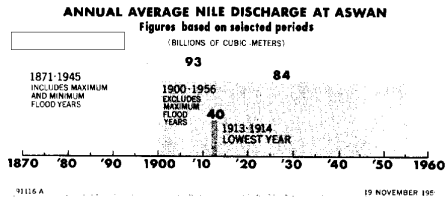
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for compensation--an amount which seems more than adequate.

The New Agreement

The Nile flow, as measured at Aswan, has averaged 84 bil-



lion cubic meters of water a year during this century. The new agreement sets forth the Sudan's "acquired" share--the water it is already using--at 4 billion and Egypt's at 48 billion. Most of the remaining 32 billion flows on into the Mediterranean. The High Dam is designed to conserve this wasted water and thus make use of an additional 22 billion cubic meters annually. The 10 billion difference between the total flow and the amount available after the High Dam is constructed is accounted for by evaporation at the reservoir.

The agreement sets the Sudan's share of this surplus at 14.5 billion and only 7.5 billion for Egypt, giving Khartoum a total of 18.5 billion and Cairo 55.5 for the 75/25 ratio the Sudan has been demanding.

The final allocation of water thus, on its face, reduces sharply the irrigation benefits Cairo expected from the dam. Originally Egypt planned to have a total of from 61.2 to 62.3 billion cubic meters of water available; this would have permitted Egyptian irrigated acreage to expand by 1,349,400 acres--from the present 6,383,700 to 7,733,100--and would have allowed conversion to perennial irrigation of the 695,460 acres of land normally irrigated by flooding. Depending on the crops planted, the new allocation reduces by more than 30 percent the amount of new land which can be irri-

gated by the Aswan scheme. Other benefits from the High Dam, such as electricity, would remain unchanged.

To offset the effects of the reduction, Egypt has agreed to construct with the Sudan a number of works in the Sudanese equatorial swamps designed to increase the flow of the Nile above the average 84 billion cubic meters. Any additional water thus made available will be distributed equally between the two countries, as will the cost of construction.

Since it will be many years before the Sudan will be able to use even its present quota of water, the agreement gives Cairo the right to build such projects by paying the entire cost, although the Sudan will pay its share when it is ready to make use of the water. About 13 billion cubic meters now are lost by evaporation and absorption in these swamps. To increase the water available to Egypt for irrigation before these projects are finished, the agreement allows Cairo to borrow up to 1.5 billion cubic meters annually from the Sudan.

Problems

The Nile waters pact apparently was drafted in rather

EXCERPTS FROM THE NILE WATERS PACT

The Republic of Sudan agrees on the principle of granting the UAR a loan of water from the Sudan's share in the waters of the High Dam to enable it to carry on with the stipulated programs for agricultural expansion. The UAR's request for this loan will be made after reviewing its programs for five years from the date of the signing of this agreement. If this review by the UAR shows that it is still in need of the loan, the Republic of Sudan will grant it a loan not exceeding 1.5 billion cubic meters of its share, on condition that the loan expires in November 1977.

(Appendix 1)

As the benefits of the stipulated shares of the two republics from the surplus of waters resulting from the High Dam will not start before the building of the High Dam and its operations, the two sides will agree about the organization of their agricultural expansion during the transition from now until the building of the High Dam, so that it will not affect their present water needs.

(Article 6)

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vague terms in order to put off a number of problems for later solution. The "loan" of water may cause difficulties, since no repayment program is specified. It is also not clear whether the UAR "review" required to establish a need for such a loan is open to questioning by the Sudan.

One of the most serious gaps may be the lack of provision for years when the Nile flow falls substantially below average. The agreement calls for drawing up plans to cope with such a situation which "will not harm" either country. But if a crisis should develop, it would be difficult to avert serious damage to both states.

The agreement also leaves an opening for continued wran-

gling between Egypt and the Sudan about how the water is to be shared prior to the construction of the Aswan High Dam. Furthermore, the claims of other riparian countries are recognized only by a statement that the UAR and the Sudan will adopt a unified stand in dealing with them.

The over-all agreement thus appears to be a major accomplishment made possible chiefly by Egyptian willingness to pay a steep price. It is not, however, definitive in a number of important respects, and differences of interpretation are still likely to plague Sudanese-Egyptian relations. Deep-rooted Sudanese suspicion of Egypt's intentions is also likely to make it difficult to implement the agreement.

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