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CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

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1960

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PART I**OF IMMEDIATE INTEREST****KHRUSHCHEV'S ADDRESS TO SUPREME SOVIET**

The keynote of Khrushchev's address to the Supreme Soviet on 14 January was his portrayal of the growth of Soviet strength. Khrushchev claimed in effect that Soviet power, both economic and military, has achieved a "breakthrough"--so strengthening the bloc's position vis-a-vis the non-Communist world as to permit a one-third reduction in Soviet armed forces--a pronouncement which has major implications for East-West negotiations.

The USSR, he implied, is so far advanced in rocket weapons that the conventional ground, air, and surface naval forces and the military requirements which necessitated their maintenance have lost much of their earlier significance. He argued that formidable weapons the USSR already possesses and "incredible" weapons to come permit it to economize in the military sphere.

While Khrushchev sees war as marking the end of capitalism, he also recognized explicitly--for the first time--that neither great power could attack the other without receiving devastating retaliation. War thus is no longer a rational course for either side, and, in his view, the advance of Communism is thus facilitated, since the West can no longer resort to arms to stem the "tide of history."

Troop Reduction

In speaking of a reduction in the armed forces, Khrushchev

for the first time gave official figures on the size of the Soviet military establishment. He said the armed forces fell from 11,400,000 men in 1945 to 3,600,000 at present--about 640,000 less than American estimates. After the new reduction, he said, the armed forces would be down to 2,400,000 men. These figures apparently exclude security troops--believed to number 350,000 men.

A troop reduction of 1,-200,000 within the next two years would be in line with the decrease in the number of men reaching conscription age and with the growing needs of the economy for labor. The Soviet premier's references to some future military training within territorial units may indicate a plan to offset the effect of a reduction in regular forces. Large numbers of men could be trained under this supplementary reserve program without actually being conscripted into the armed forces.

Impact on Military Doctrine

The proposed troop reduction appears to reflect Khrushchev's own ideas on modern warfare--reliance on missiles as the chief element of offensive and defensive power. He played down the importance of surprise attack with modern weapons as not giving any country "an advantage for achieving victory." The Soviet Union, he implied, is developing a second strike capability--locating its "rocket facilities in such a way as to ensure

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duplication and triplication... so that if some of the means earmarked for a retaliatory blow were put out of commission one could always...hit targets from reserve positions."

Khrushchev further asserted that war would begin, not on national borders, but in the heart of warring countries. "Moreover, there would not be a single capital, not a single major industrial or administrative center, not a single strategic area which would not be subjected to attack, not only during the first days, but during the first minutes of the war."

Khrushchev implied that, after the proposed cuts, there will be a preponderant emphasis on a nuclear striking capability, although Defense Minister Malinovsky, who spoke after Khrushchev at the Supreme Soviet, clearly reasserted the need for maintaining a proper balance among the various arms. Malinovsky added that the Soviet Army and Navy now are training primarily for inflicting a "destructive retaliatory blow."

Khrushchev implied significant changes in the employment of the Soviet armed forces. The reductions in conventional forces suggest that mission priorities and the present disposition of these forces may have been re-examined, and may perhaps even result in a reduction of forces in East Germany. In general, the reduction in numbers will be offset somewhat by the continuing emphasis on firepower and mobility --in particular by a further improvement in Soviet airlift capabilities.

Evidence is lacking to support the Soviet leader's implication of substantial ICBM capability in being. His reference to "incredible new weapons" and his missile rattling seem in considerable part designed to reassure the Soviet public as well as to warn the Western powers that the projected reduction does not endanger Soviet security.

Conventional armaments were again played down by Khrushchev. He said the air force and navy had lost their former importance in view of the modern development of military equipment. Almost the entire air force, he said, is being replaced by rocket equipment, and the USSR will continue to cut and even discontinue production of bombers and other obsolete equipment.

In the navy, Khrushchev said, submarines are assuming great importance but surface vessels no longer play the part they once did. He added that Soviet armed forces to a considerable extent have shifted to rocket and nuclear arms, that some artillerymen and airmen will be used in newly formed rocket units, and that rocket and nuclear weapons will continue to be perfected until such time as they are banned.

Soviet military production programs in the recent past bear out Khrushchev's statements. Of eight plants producing bombers in 1955, only one does so at present. This plant has been producing one or two Bison heavy bombers per month over the past two years.

The future of Soviet fighter aircraft was not so clearly

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SOVIET FIGHTER AIRCRAFT PRODUCTION 1950-1960

Type of Aircraft	1950	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960 [†] ESTIMATED
FAGOT (MIG-15)	3,100	4,500	3,900	1,700	360	0	0	0	0	0	0
FLORA (YAK-23)	550	370	0	0	0	0	0	0	0	0	0
FRESCO (MIG-17)	0	0	400	3,300	3,700	2,900	2,000	1,200	0	0	0
FARMER (MIG-19)	0	0	0	0	26	490	1,100	1,300	190	0	0
FLASHLIGHT (YAK-25)	0	0	0	0	49	220	300	36	0	0	0
FITTER	0	0	0	0	0	0	0	4	63	170	190
FISHPOT	0	0	0	0	0	0	0	0	0	59	250
FACEPLATE/FISHBED	0	0	0	0	0	0	0	0	11	190	440
YAK-27/29	0	0	0	0	0	0	0	1	49	0	0
Totals	3,650	4,870	4,300	5,000	4,135	3,610	3,400	2,541	313	419	880

0019 38 Soviets have estimated capacity to produce approximately 2,500 fighters of the weight and complexity of the Fitter. 21 JANUARY 1960

written off but it has been placed in question. While design and production difficulties with new fighter types may be in large part responsible for the small numbers produced in the last year or so, they may also reflect some doubt about the future of the manned fighter.

Soviet naval shipbuilding has decreased rapidly after reaching a peak in 1955-56. Much experimental work has been done on new types of naval vessels, but no decision is apparent to mass-produce any of the new types on the scale of the 1950-55 programs.

Soviet Economy

In speaking of the Soviet economy, Khrushchev said the Seven-Year Plan could be met with or without the troop reduction and concurrent monetary saving, and that the budget could stand an increase in expenditures for the armed forces, if this became necessary, without detriment to the economic plan. The Soviet Un-

ion is proceeding, he said, not from budgetary weakness but from economic strength.

It is believed the USSR would probably have fulfilled the industrial targets of the Seven-Year Plan in any event, but a troop reduction will increase the possibility of over-fulfillment. Khrushchev's speech reflects a Soviet judgment that it is more advantageous to apply resources to advanced weapons or to economic growth rather than to large conventional military forces. This transfer of resources may actually have been going on for some time.

Khrushchev's statement that the armed forces at present comprise only 3,600,000 men--as opposed to 4,300,000 estimated heretofore--means that billions of rubles (some 20-25 billion rubles for 1960) more than estimated have been available annually in recent years for other military or economic purposes. In the future, after the additional future troop cuts, 16-17 billion rubles per year will be available for

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whatever use--advanced weapons, industrial investment, and consumer goods--Khrushchev wishes to make of them. The resources in terms of manpower and equipment represented by 16-17 billion rubles are not, however, immediately transferable to these ends.

The possibility that more resources than estimated have been used for military hardware for some years and the prospect that proposed troop cuts will make more funds available in the next few years will not alleviate the physical limitations on providing launching facilities, missiles, equipment, and trained operating personnel involved in attaining a force of 140 to 200 ICBMs on launcher by mid-1961. The time required to provide these after an initial operating capability has been achieved--in this case estimated to be 1 January 1960--is relatively fixed, and would not be altered significantly by allocating additional funds.

The Soviet premier pointed up the progress of Soviet industry in the past year. He said the growth in value of gross industrial production was "more than 11 percent," against a planned goal of 7.7 percent. Production of steel, coal, petroleum, and electric power was about as planned; labor productivity and housing plans were also reported overfulfilled.

Political Implications

It was obvious from Khrushchev's speech that his pro-

posals met considerable resentment; he went to some lengths to reassure his military people that those affected by the reductions will be given special treatment while adjusting to civilian life. He also took great pains to emphasize that Soviet strength will be in no way impaired by his proposed cuts. Khrushchev's proposals may stem from a fairly recent decision. Last March at a press conference, he said, "We are not going to reduce our armed forces further," adding that Western reluctance to agree to disarmament meant that the USSR must "keep its powder dry."

There are no doubt important groups in the Soviet Union which in some degree opposed the plan to cut the armed forces. Khrushchev himself has admitted from time to time that his military leaders are a problem because of their hidebound opposition to change. At the same time Khrushchev is quick to emphasize that he has consulted with the general staff. Almost immediately after the speech, Malinovsky and five others came to the podium to support the move. A subsequent rally at the headquarters of the Moscow Military District to support the proposals was attended by no less than five presidium members. Such rallies of the military are rare, the last ones being in 1957 when Zhukov was removed and in 1953 when Beria was ousted.

An official of the Soviet State Planning Commission stated

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in a 19 January interview on the subject of the demobilized personnel that manpower is in great demand, particularly in the northern regions, Siberia, the Urals, the Far East, and Kazakhstan, and pointed out that those who go to the new lands would receive special privileges.

Although there has probably been disagreement with Khrushchev over this program, any active opposition would have been expressed at the secret central committee session last month. In any case the plan now will be implemented as the law of the land, and those still in opposition will doubtless remain quiet.

East-West Relations

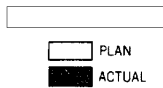
Khrushchev's speech is the most sweeping Soviet claim to date that the tide of history has turned decisively against the West and that the Western powers, in the forthcoming period of high-level negotiations, will have little choice but to accommodate Soviet views. Khrushchev appears to see little possibility that he can be forced to adjust his positions

on any of the major issues that will be discussed in forthcoming conferences. In Khrushchev's opinion, "Never before has the influence of the Soviet Union in international affairs, its prestige as a stronghold of peace, been so great as today. ...We support our proposals with practical deeds."

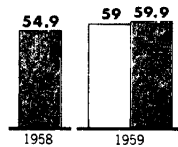
The Soviet premier buttressed his dramatic appraisal of the "relation of forces" in the world arena by depicting the Western coalition in a state of disarray and alarm. As in all his major foreign policy speeches since his visit to the United States, Khrushchev professed to see a marked shift in the Western, particularly American, attitude toward the USSR--a shift toward growing recognition that a "fundamental shift" in the East-West balance of power has occurred. He asserted that "ossified conceptions" in Western policy are breaking up, especially in the United States, and that Western statesmen have finally come to see that their "policy of strength" has failed.

With the exception of adding a nuclear test ban to the list of Soviet agenda proposals--disarmament, Germany, Berlin, and other important issues--the speech contained no changes in position or attitude toward the May summit meeting. Khrushchev made it very clear, however, that he expects the first meeting "will be followed by a number of summit meetings." He continued to side-step

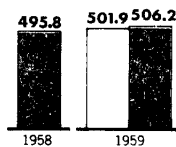
SOVIET PRODUCTION INCREASES



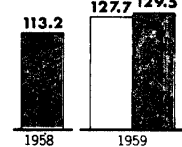
CRUDE STEEL
MILLION METRIC TONS



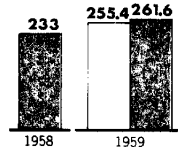
COAL
MILLION METRIC TONS



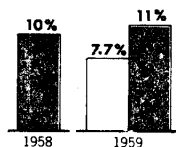
PETROLEUM
MILLION METRIC TONS



ELECTRIC POWER
BILLION KILOWATT HOURS



INDUSTRIAL OUTPUT
PERCENTAGE INCREASE



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the question of German participation. His assurance that the interests of small states not represented at the summit will be fully protected appears to have been addressed in part to the East Germans.

Khrushchev gave no hint that he believes his long-range strategy based on pressure for a German peace treaty and an end to the Western "occupation regime" in West Berlin needs to be altered in any significant way in view of developments

since the Geneva foreign ministers' conference. He repeated his now-standard warning that if Soviet efforts to conclude a treaty with both German states "fail to be crowned with success after all," the USSR will sign a separate treaty with East Germany "with all the consequences proceeding from this." However, he strongly implied that he foresees an indefinite period of high-level negotiations before the day of decision for unilateral action arrives.

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DE GAULLE'S GROWING DIFFICULTIES

The mounting discontent with De Gaulle's leadership, evident in his dispute with Finance Minister Pinay and in army restiveness over Algeria, spells increasing difficulties for the French President's policies and perhaps even for the continued operation of the parliamentary institutions as originally established by him. De Gaulle's central problem is to keep the Algerian issue from broadening rightist and army opposition. The Algerian rebels continue to keep open the possibility of cease-fire negotiations, but they probably view the growing opposition to De Gaulle as confirmation that De Gaulle's personal assurance of eventual self-determination is insufficient grounds for a cease-fire.

Pinay's ouster highlighted economic policy differences and emphasized the parliament's long-brewing irritation over its reduced role and over De Gaulle's "royal" method of running the government. It also reflected a general unhappiness with De Gaulle's attitude toward the Western al-

liance and European integration. There are strong indications that the rightist Independent party intends to go into open opposition to the government, and party leaders may try to force a special parliamentary session before the regularly scheduled 26 April session to discuss "economic policy and possibly Algeria."

De Gaulle has already hinted that an impasse with parliament would spur him to "go to the country" for a referendum on further constitutional changes. Article 16 of the constitution invests him with virtually dictatorial powers in time of "national crisis," but suspicion is mounting that he wants a more outright presidential system of government. No improvement in the relationship between the government and the political parties seems likely in the near future.

The recent manifestations of army discontent over Algerian policy, climaxed by General Massu's published criticism of De Gaulle, seem to have been timed to take advantage of the

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political setback given De Gaulle by Pinay's departure. A serious threat to the regime would result from close cooperation between these two currents of opposition.

The seriousness of the military opposition depends on the extent to which De Gaulle can continue to convince the bulk of the army that he will neither abandon it nor Algeria and that the French public is behind him. Despite the army's apparent acceptance of his assurances last fall, there have been indications of smoldering anxiety which has recently been fanned by fears that the special session of civil and military leaders on Algerian policy he has called for 22 January presages further concessions to the rebels. Recent signs of De Gaulle's willingness to bolster NATO may be a gesture to allay the alarm of pro-NATO top military leaders in order to retain their support on his Algerian program.

His public reaffirmation on 20 January of his Algerian policy thus challenges the loyalty of the army, which brought him to power. He wants to maintain army unity, however, and to shore up its prestige. He may therefore couple a new plea to the rebels to cease hostilities with a call to the army to intensify its pacification drive.

Although right-wing settlers in Algeria have been vocal in denouncing De Gaulle's self-

termination program, their opposition has suffered from the absence of active army support. Since mid-December, however, 26 Europeans have been killed in a sharp rise in terrorism in Algiers Department. Initial settler criticism of alleged army laxity in local security has led to new attacks on De Gaulle's Algerian policy. Rumors that the President plans to offer new "concessions" to the rebels on 22 January has prompted a declaration by the mayors of the Algerian Department that Algerians are determined to remain French "by taking up arms if necessary." One settler leader says 15,000 rightist militants are ready to take up arms against De Gaulle at any time.

The new unrest has been intensified by speculation concerning a special meeting of the Algerian Revolutionary Council in Tripoli. On 19 January, however, the meeting ended amid indications that it had been devoted more to streamlining the cumbersome rebel governmental machinery than to new moves in connection with De Gaulle's self-determination proposals. A rebel communiqué announced a shake-up of ministerial posts, together with the formation of a three-man "war cabinet" to prosecute the war. In contrast to settler fears that the rebels might make new moves toward a cease-fire, the rebel communiqué limited itself to keeping open the possibility of cease-fire negotiations.

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MIDDLE EAST HIGHLIGHTSIraq

Prime Minister Qasim's delay in granting licenses to groups which have applied for legal recognition under the political parties law of 6 January is increasing the rivalry be-

tween contending factions. The dissenting Communist splinter group, led by Daud Sayyigh, which applied for recognition appears to have suffered a setback by the withdrawal of six founding members.

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Although the Communists remain the best organized party in Iraq, they appear unsure of Qasim's attitude toward them, fearing that his policy is to keep an equilibrium between opposing political factions in the country. Qasim's reported declaration to Sayyigh on 15 January that there must be only one Communist party in Iraq has resulted in an intensified effort by the "orthodox" Communist press to discredit factionalism.

The declaration by pro-Communist People's Court President Colonel Mahdawi that he will form a "People's party" with the blessing of Qasim has introduced a new element into the political scene. This party could become a Communist front intended to unite leftist but non-Communist elements. Mahdawi intends to form his party after the termination of the current trials of Baathists implicated in the assassination attempt on Qasim about the end of January.

Jordan-UAR

Jordan's relations with the UAR, formally re-established last July, have again deteriorated. One issue which has assumed "crisis" proportions within the past week involves the status of the UAR Consulate General in Jerusalem, which was opened on 6 January. The UAR's request for an exequatur, however, apparently referred to the consulate general's intended

jurisdiction merely as territory "occupied by the Jordanian Army." This infuriated Jordanian Prime Minister Majali, since the area concerned was annexed and formally absorbed by Jordan in 1950 following the Arab-Israeli war. The consulate general now is closed.

On 19 January, Jordan announced that a "battle plan" for settling the Palestine problem would be presented to the forthcoming meeting of Arab League foreign ministers.

Majali has been irritated also by Nasir's pronouncements on Israeli plans for diverting Jordan River waters, another issue which affects Jordan more than other Arab states.

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Earlier this month, Majali

[redacted] said the UAR had failed to live up to the agreement made when diplomatic relations were resumed last July: he said the UAR had put exiled former Chief of Staff Nuwar, whose leadership of an abortive coup against King Husayn led to severed relations in 1957, on Cairo radio recently and Nuwar had asserted that Jordan was doing nothing on the Jordan waters question; Syrian MIGs fired on Jordanian aircraft over Jordanian territory on 12 December; and Nasir, in a recent speech, had labeled the short-lived Arab Union of Jordan and pre-revolutionary Iraq an "imperialist maneuver."

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Although the UAR promptly apologized for the air incident, claiming the Syrians thought they were chasing Israeli planes, Jordan has decided to arm all of its jets during their flights and to adopt a more aggressive defensive attitude toward any future intrusions. In view of the other differences between the two countries, the decision could lead to air clashes along the Syrian-Jordanian border as well as along the Jordanian-Israeli frontier. In general, however, Jordanian official sensitivity to these UAR pin pricks reflects the continuing basically uneasy situation of a Jordanian monarchy nearly surrounded by politically and socially revolutionary states.

Israel

The Israeli Government has decided it must step up its purchases of modern arms and military equipment during 1960 in order to "maintain the balance of power in the Middle East in view of the continuous arms flow to Arab countries." An Israeli Foreign Ministry source refused to say what types of weapons would be sought or which sources the Israelis consider most promising, but he indicated Israel would renew its requests for American arms. Foreign Minister Meir now is in Paris, where she may be seeking new French military aid commitments.

There has been an increase in the emigration of Rumanian

Jews to Israel during recent weeks, apparently involving mostly elderly persons and "family reunion cases." While the Jewish Agency, the Israeli immigration authority, does not presently feel the migration will be as large as that of late 1958 and early 1959, it is hoping to avoid any publicity concerning the new movement, fearing Arab protests might again jeopardize the exodus as they did a year ago.

Libya

Results of the 17 January elections to the Libyan House of Deputies point up the increasing popular dissatisfaction in Tripolitania Province over the policies of--and the widespread corruption within--the federal government. Only 12 of the 25 incumbents in the province who were running for re-election won, and several who spent large sums campaigning were defeated by young political unknowns. The government may no longer be able to count on support of a majority of Tripolitania's 35 deputies, even though the greater success of progovernment candidates in Cyrenaica and the Fezzan should provide the government with majority support in the House of Deputies as a whole.

In spite of its limited and circumscribed powers, the new House of Deputies is likely to become a sounding board for more and stronger criticism

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of governmental policy. Major changes in the Council of Ministers are likely.

Lebanon

The Lebanese parliament was enlarged last week from 66 to 99 seats as a prelude to parliamentary elections which probably will be held this year. While President Shihab admits that a 99-seat parliament is absurd for a country the size of Lebanon, he feels that the move will tend to avert "dangerous" competition between various local leaders for seats.

Shihab also believes that elections this year would ease political pressures remaining in the country as an aftermath of the Lebanese civil strife of 1958. However, his intention to make a radical change

in the Lebanese voting system by introducing the secret ballot, as well as carrying out a reapportionment of election districts, is sure to arouse violent objections from Lebanese political bosses.

Foreign Minister Uwayni, who has made himself the mouthpiece of the Arab League on the question of diverting Jordan waters, announced on 15 January that Lebanon will divert the Hasbani River as part of the league's scheme to harass Israeli plans to irrigate the Negev desert. The Karami regime will request a parliamentary appropriation of \$3,165,000 to carry out the project. Israeli reaction will probably be cautious, at least for the time being.

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THE CUBAN SITUATION

The Castro regime has reacted angrily to the US note of 11 January protesting the illegality of the seizure of American-owned properties in Cuba by the agrarian reform institute (INRA). Castro himself publicly attacked Ambassador Bonsal and called the note "threatening." The seizure of lands has been stepped up, and the government is apparently drafting a drastic urban reform law. The Cuban press is under mounting pressure to conform to the government line, and on 18 January one of Havana's leading independent newspapers was taken over by its employees when its management abandoned efforts to resist government-supported

efforts by the workers to "clarify" anti-Castro stories in the paper.

After eight months of extralegal takeovers of private lands, a Castro government official announced on 17 January that the INRA will start hundreds of court actions to expropriate Cuban as well as foreign-owned properties. The institute is already seizing significant acreages of sugar land, with this year's sugar harvest barely under way. Its executive director, suspected Communist Antonio Nunez Jimenez, declared on 12 January that "all large cattle ranches in Cuba now...belong to INRA, and in a few days all large sugar

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plantations will also come under INRA's control."

The government is planning to establish a National Institute of Urban Reform early next month, [redacted]

[redacted] it may parallel, in the urban real estate field, the methods and principles of the agrarian reform law.

The tendency of Cubans to invest their savings in highly profitable urban real estate has led in Cuba, as elsewhere in Latin America, to inflated real estate values and chronic housing shortages for lower

income groups. The new institute will probably be used further to curry favor with the masses at the expense of middle- and upper-income groups and will further increase the regime's already extensive controls over the country's economic and political life.

The American ambassador in Mexico reports close liaison there between the Soviet and Cuban embassies, with renewal of diplomatic relations a possible early objective. [redacted]

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PART II

NOTES AND COMMENTS

NUCLEAR TEST CESSATION TALKS

In his address to the Supreme Soviet on 14 January, Khrushchev exuded confidence that he can afford to stand firm on his present position at the nuclear test cessation talks in Geneva. He gave notification that such moves as the recent US announcement reserving the right to resume testing, "designed to bring pressure on the USSR," will be of no avail. While conceding that existing technical equipment "cannot provide absolute certainty" that underground nuclear explosions can be detected, he contended that violators "would cover themselves with shame, and they would be condemned by the peoples of the world."

Khrushchev appears to be playing for time on the assumption that the USSR, capitalizing in part on the British disposition for compromise, can extract further concessions from the United States on the nuclear test cessation issue.

The Soviet delegates at Geneva continue to avoid any further discussion of the difficulties in detecting underground tests, arguing that once a "fixed" quota of annual on-site inspections is agreed on, the reasons for the clash between American and Soviet experts on this question will disappear. The Soviet delegation is attempting to encourage the British to promote a compromise between the American and Soviet positions on the deadlocked technical issue.

Soviet delegate Tsarapkin asserted that British remarks on 15 January could "possibly" provide the way for resolving the technical impasse. The British delegate had asked whether the Soviet Union could agree to "temporary" control measures while the control system is being installed, if the West were to accept the on-site inspections quota proposal. The Soviet delegate said the British questions deserved "careful attention" and that he would reply shortly.

Moscow may calculate that British willingness to discuss any compromise which would assume settlement of the quota issue prior to final determination of the criteria to be used to send out inspection teams presents an opportunity for major inroads on the formal Western position that a technically reliable control system must be agreed on before agreement on a comprehensive test ban.

Moscow probably also assumes that the British line of questioning implies agreement to a moratorium on underground tests during the time the permanent control system is being set up. The Soviet delegate indicated privately last November that in event of disagreement in the technical talks, the USSR might consider a phased treaty, but stressed that the "crux of the matter" must be an obligation to halt all tests at the outset, regardless of the temporary nature of a ban on underground tests. Moscow may

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believe that the British suggestion could lead to a formula to ban all testing "temporarily" until a satisfactory system for detection and identifica-

tion of small underground explosions is developed, after which the ban would become permanent. [redacted] (Concurred in by OSI)

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KHRUSHCHEV'S LATEST STATEMENT ON SOVIET MISSILE CAPABILITIES

Soviet Premier Khrushchev's most recent statement on Soviet missile capabilities, made on 14 January at the opening of the USSR Supreme Soviet, is the most comprehensive official expression to date of the coming dominance of missile armaments in the Soviet military establishment. The speech gives his view that these new weapons are replacing more conventional ones.

Khrushchev said, "We already have so many nuclear weapons, both atomic and hydrogen, and the necessary rockets for delivering these weapons... that...we would be able literally to wipe the country or countries which attack us off the face of the earth." At the Hungarian party congress in Budapest on 31 November, Khrushchev said the Soviet Union had a stockpile of rockets with nuclear warheads sufficient "to raze to the ground all our potential enemies."

Both these statements are general and give no indication

of the quantities that might be involved. There is a great difference between the smaller stockpile of missiles required to destroy the major cities of the West and the greater quantity necessary to attack effectively and destroy Western retaliatory forces.

One of the few statements permitting a rough numerical estimate of Soviet intentions is Khrushchev's remark [redacted]

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[redacted] that the cost of shifting from conventional armaments to long-range missiles had been estimated by his military advisers to be 30 billion rubles. It is probable that expenditure of the 30 billion rubles, if indeed this were an approved program, would be made over a period of some five or six years, or to the end of the Seven-Year Plan (1959-1965). Such an expenditure might enable the USSR to produce and have on launcher by that time some 300 to 400 ICBMs and some 200 to 300 IRBMs (with ranges of 700 and 1,100 nautical miles).

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Over the past year Khrushchev has made a series of statements designed to create in Western eyes the impression of a rapid growth of Soviet military might in the missile field. In November 1958 he claimed in his "Theses on the Seven-Year Plan" that the "production of intercontinental ballistic missiles has been set up successfully." This implied that initial tooling of ICBM production facilities had recently been completed, that the technology of production was considered mastered and probably had been demonstrated, and that initial delivery of stockpile ICBMs was about to begin.

If it was an accurate representation of the status of the program at that time, this statement would have indicated a capability to begin deliveries of such missiles early in 1959, a development implied by Khrushchev's second major remark on ICBM production, made at the 21st party congress in January 1959. He then stated that serial production of intercontinental ballistic rockets had been organized.

According to a 1957 Soviet text on aircraft production, there are three stages involved in putting a new item into serial production: preparation for production; mastery of the processes of manufacturing by the production line; and serial production and mastery of modifications. Khrushchev's claim in November 1958 would imply that the second stage had been achieved, and the statement in January 1959 would suggest that all prep-

arations for the third stage had been completed.

Even if serial production were successfully organized at the beginning of 1959, as Khrushchev wished to imply, initial rates of production would be low and production would increase gradually during the year. The USSR, therefore, could not yet have been able to achieve production and deployment of large numbers of ICBMs.

However, a small stockpile of perhaps ten ICBMs--that is, enough to attack several key US urban areas--is believed to exist. Moreover, Khrushchev's recent statement, implying a large current missile capability, cannot be wholly discredited, in that the USSR probably has had sufficient time to possess significant numbers of 700-nautical-mile missiles and some 1,100-nautical-mile missiles capable of reaching targets in Western Europe and other peripheral areas.

On 14 November 1959, in a speech to Soviet journalists which cannot logically be related to his previous ICBM statement, Khrushchev said, "In one year, 250 missiles with hydrogen warheads came off the assembly line in the factory we visited." Available evidence suggests again that, among the longer range missiles, only the 700-nautical-mile weapon has been in production long enough to permit achievement of such a production rate. Khrushchev's statement also could be true if it referred to the combined production of several missile types at one plant. 25X1

 (Prepared by ORR; concurred in by OSI)

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KHRUSHCHEV REALIGNS TOP PARTY COMMAND

The firing of party presidium member Nikolay Belyayev on 19 January from his post as party chief in Kazakhstan is the latest of a number of recent signs of stresses and strains in the party presidium which probably indicate that a significant reshuffling of Khrushchev's top command is under way.

Others in addition to Belyayev have suffered a sharp loss in standing, with the result that the number of top leaders around Khrushchev has become smaller than at any time since he consolidated his power. There now are several presidium members who are probably members in name only. While this situation could remain until the next party congress, scheduled to be held in 1961, Khrushchev may soon find it desirable to adjust the composition of the presidium to correspond with the actual political situation.

Belyayev's removal from his Kazakh post appears to be a direct consequence of the scathing criticism of agriculture in Kazakhstan which Khrushchev made at the party central com-

mittee meeting in December. Khrushchev accused Belyayev of poor leadership in organizing the harvest and of "lacking the courage" to admit his errors. There is some evidence, however, that factional infighting may have been involved.

Nikolay Rodionov, former party chief in Leningrad and a protégé of presidium member and First Deputy Premier Frol Kozlov, was named second secretary in the Kazakh party shuffle, suggesting that Kozlov had a hand in Belyayev's downfall. Dinmukhamed Kunayev, Kazakh premier, replaced Belyayev as party first secretary. The Soviet announcement made no mention of a new post for Belyayev, probably indicating that he is not to be given an important job.

Presidium member Aleksey Kirichenko, demoted last week, was given the job of party chief in Rostov Oblast, but he has clearly lost the influence with Khrushchev which had made him the second-in-command in the professional party machine. He is still formally a member of the party secretariat but



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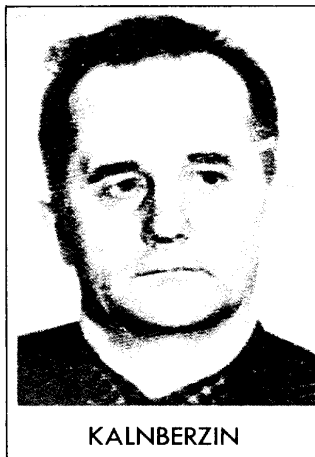
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BELYAYEV



KIRICHENKO



KALNBERZIN

is obviously precluded from its activities by the Rostov assignment. At the Supreme Soviet session last week Kirichenko filed in with the presidium members but sat apart. Throughout the session, he appeared glum and dejected.

The demotion of Belyayev and Kirichenko obviously upsets the balance of forces on the presidium, but Kirichenko's will probably have the more serious repercussions. Belyayev's seat at the presidium table could be left vacant, but whether or not Khrushchev revamps the presidium completely, the gap Kirichenko leaves will have to be filled, in view of the important role he played in supervising party operations for Khrushchev, and it is doubtful that any arrangement can be found which will be satisfactory to all members of the presidium. A new period of maneuvering among Khrushchev's lieutenants, therefore, is likely to ensue.

Events of the past few weeks have not reflected adversely on other members of the presidium, but Nikolay Shvernik, 72, who is frequently sick, and Otto Kuusinen, 78,

have apparently had little real influence for some time. Candidate member Yan Kalnberzin's transfer in November 1959 from Latvian party chief to the ceremonial post of chairman of the Presidium of the Latvian Supreme Soviet indicated his loss of stature.

On the other hand, Presidium member Averky Aristov, who is also a member of the secretariat and Khrushchev's deputy on the bureau for the RSFSR, has become increasingly prominent. For example, he was present at the Rostov party meeting which installed Kirichenko as first secretary. Although undoubtedly performing this and similar tasks as a representative of the presidium, to the party faithful he must increasingly appear as one of the inner circle.

When Khrushchev does get around to revamping the presidium, the two candidate members who appear most likely to be promoted to full members are Deputy Premier and Gosplan Chief Aleksey Kosygin and RSFSR Premier Dmitry Polyansky, both of whom are key figures in the economic drive for Khrushchev's Seven-Year Plan.

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POLISH ECONOMIC OUTLOOK FOR 1960

The moderate increase in industrial output planned for 1960 offers little prospect of gain for the Polish consumer. Output is to rise 7.6 percent over last year, a slight decline from the 1959 rate. A large share of the increase in national income this year is to be directed toward a reduction of the trade deficit.

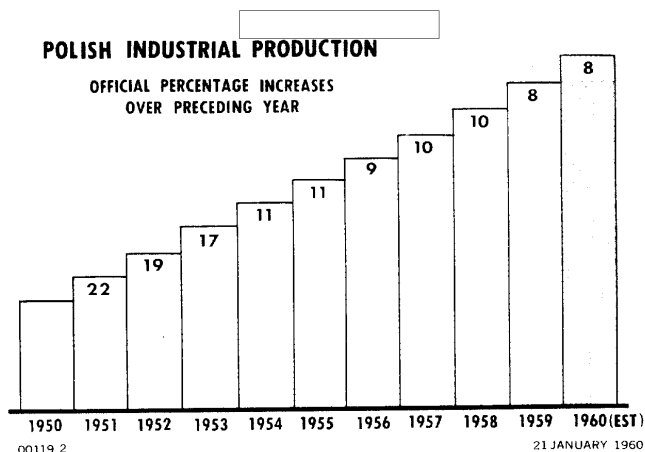
This deficit increased almost 60 percent in 1959, to \$265,000,000. Fodder imports had to be increased to prevent a further decline in hog production--pork comprises about 80 percent of Polish meat consumption--and emergency imports of meat were necessary. Another major cause of the trade imbalance was the continued depression of hard-currency prices for coal, Poland's largest export item.

In 1960, therefore, a smaller share than last year of the increase in national income is to be allocated for consumption and investment. The increases over 1959 will be 2.8 and 6 percent, respectively, compared with about 5 and 14 percent last year.

One of the major goals of economic policy during the year is to bring about an increase of some 7 percent in labor productivity and a reduction in production costs. Work norms are to be revised upward for a part of the industrial labor force but are not likely to be accompanied by proportionate increases in

pay. These measures will further alienate the workers from the regime.

Such reforms have been made in recent years in other satellites without major outbreaks, but with much opposition. How they are received in Poland will be determined to some extent by the way they are put into effect. Official statements claim that the program is to be gradual, and that the present level of average wages is to be maintained. In practice, however, the reduction of surplus labor



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has been abrupt, and many letters from Poland reveal that workers are being laid off throughout the country, causing a high degree of worker demoralization, although many alternative and less desirable jobs are available. The number of workers who have lost their jobs may not be high, but one regime official stated that as many as 100,000 had been laid off by late November and dismissals seem to be continuing.

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The outlook for Polish agriculture is unpromising. Because of the drought, less acreage was sown in winter grain. Furthermore, the snow cover for winter crops has been inadequate to date, causing speculation that 1960 production of bread grain--constituting the bulk of Poland's grain output--will be considerably smaller than the preceding year. To help tide them over until the coming harvest and perhaps provide some backlog for next year, Polish officials have asked the United States for another 600,000 tons of wheat--in addition to the 200,000 tons of grain sold to Poland in November.

Developments in the economy point to a year of increased tension between the regime and the people. The peas-

ant--already subject to new disciplines such as linking his coal supply to produce deliveries to the state--will probably be further alienated by attempts to collect arrears in taxes, by strong propaganda urging him to join agricultural "circles"--cooperative associations--and by related fears of a resumption of the program to collectivize private farmland. Only 13 percent of Poland's agricultural land now is under state control.

Shortages of meat, butter, and milk--but no actual hunger--and a failure to make tangible improvements in other aspects of his living standard will depress the urban worker, as will the labor speed-up. He will probably also be embittered by insecurity over possible layoffs. _____ (Prepared by ORR) 25X1

NORTH VIETNAM REORGANIZES SECURITY FORCES

A reorganization of North Vietnam's security forces--with the possible transfer of former regular army border security battalions to a new Armed Public Security Force--has become apparent from public statements in the North Vietnamese press. The new organization will probably be similar to Peiping's military public security apparatus.

An article in Nhan Dan on 13 September described the new security arm as "an armed force of the party and the revolutionary government, and an armed organ of the security branch." According to the paper, the

new organization is in charge of guarding the borders, the coastline, the economic and cultural institutions of the country, the "peaceful labor of the people, and the peace and security of all."

An article on 12 December in People's Army elaborates somewhat by stating that the Armed Public Security Force "will fight side by side with the People's Army to check imperialist aggression from outside." Internal security and counterespionage functions are implied by the statement that this will "also curb the activities of spies and reactionaries

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in the service of the enemies inside and outside the country."

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An article in Nhan Dan on 1 September 1959 announced ranks and insignia for officers paralleling those of the regular army. The organization appears to be directly under the control of the Ministry of Defense general headquarters although it may be nominally under the Ministry of Public Security. In any case, its mission is distinct from that of the regular army and the police missions of the Ministry of Public Security. The reorganization probably began during the summer of 1959.

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CROP PRODUCTION IN COMMUNIST CHINA IN 1959

Chinese agriculture in 1959 was afflicted with a wide range of unfavorable weather. According to preliminary Western estimates, total grain production probably did not exceed 200,000,000 tons, as against 185,000,000 tons in 1957 and some 210,000,000 to 215,000,000 tons in 1958. Cotton production was possibly in the range of 1,500,000 to 1,750,000 tons, as compared with 1,640,000 tons in 1957 and 2,100,000 tons in 1958.

Spokesmen for the Peiping regime take a considerably more optimistic view. They argue that the superiority of the communes and the inspiration provided by the campaign against rightists enabled the farmers to overcome the worst weather in decades and to increase output. They assert that grain production reached 270,000,000 tons, as against the 250,000,000 tons claimed for 1958 and that cotton output jumped from

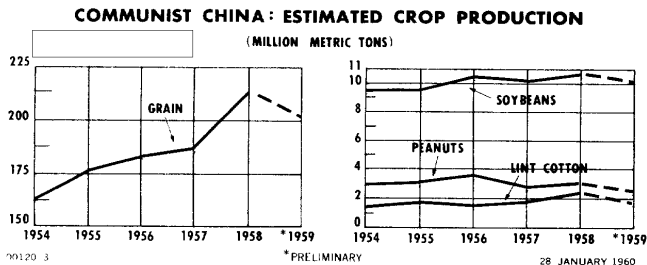
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2,100,000 tons in 1958 to 2,410,000 tons last year.

Since the "leap forward" began, however, Peiping's agricultural statistics have proved unreliable. The regime acknowledged, when it lopped 125,000,000 tons off its original grain figure for 1958, that "inexperience" hampered compilation of farm figures.

Information from independent sources confirms Peiping's assertion that "natural calamities" were widespread. The extended drought which centered in the important farm belt of central and north-central China covered approximately one third of the total cultivated acreage and lasted for over 100 days in some areas. Extreme heat, with high rates of evaporation, aggravated the dry spell.

Irrigation installations, many of them constructed during the "leap forward" labor drives, presumably lessened the damage, but many irrigation canals and storage ponds apparently ran dry. Most of the available water probably was given to rice and cotton crops at the expense of coarse grains and sweet potatoes.

Peiping's actions do not bear out its claims of an increase over the 1958 crop, which it called the finest harvest in China's history. It continues a relentless campaign, stepped up last August, for austerity in food

consumption, explaining that it is necessary in bumper years to save for possible lean years. The regime insisted on great care in reaping the harvest, pointing approvingly to communes where fields were combed four or five times to save every kernel.

The use of substitutes for grain has been urged on the people. The market has been flooded with Chinese cabbage, however, following a regime-sponsored campaign, and fears have been expressed that much of it may spoil before it is eaten or stored, as was the case with sweet potatoes a year ago. Peiping has also tried to impose an over-all reduction in state sales of grain at a time when intensified state crop procurement has netted larger amounts than in the same period last year.

It is likely that the total food available for consumption until the early harvest next June will be slightly less than a year ago. However, the regime's strenuous efforts to stretch out supplies will probably forestall a critical nationwide food shortage.

(Prepared by ORR) 25X1

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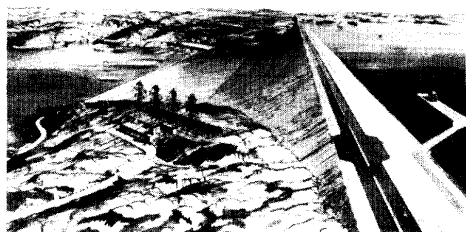
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MOSCOW REINFORCES ECONOMIC TIES WITH CAIRO

The Soviet Union, in order to strengthen its economic ties with the UAR, has agreed to finance the construction of the second stage of the Aswan High Dam.



SKETCHES OF THE ASWAN HIGH DAM



This stage involves primarily construction of the permanent High Dam structure itself.

Moscow, which has described Soviet aid to the UAR for the first stage of the dam as a first-round victory over the West in "the competition... for the right to design and build the Aswan Dam," apparently feels that the new commitment will greatly limit the prospect of Western participation in the later hydroelectric and irrigation phases of the High Dam project. The additional aid, granted despite intermittent frictions with Cairo, will also serve to bolster Moscow's claim that Soviet aid is granted on the principle of "nonintervention in internal affairs."

In November 1958 the USSR extended a long-term, low-interest \$100,000,000 credit to the UAR to cover the foreign

exchange costs incurred for the first phase of the Aswan High Dam. Soviet engineers revised the original plans for the dam to conform more closely to Soviet construction methods. The revisions will result in a saving of time and money to the UAR. The Soviet Union is committed under this first agreement to build the coffer dams to the north and south of the site for the main dam and to dig the diversion channels on the east bank.

Under the new agreement-- which was formally reached through an exchange of letters between Khrushchev and Nasir-- the USSR will assist in the construction of the project's second phase on the same terms as for the first stage. Moscow, therefore, apparently will extend another large, long-term, low-interest credit to cover purchases of additional equip-



Soviet engineers in Moscow study model of Aswan High Dam.

ment and materials and to pay for further Soviet technical assistance.

While no figure has been announced, it is estimated that

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this stage of the dam's construction will require more foreign exchange than the first stage. A study made in 1955 by the International Bank for Reconstruction and Development estimated the cost of the entire project at about \$1,300,000,000, and foreign exchange costs at approximately \$400,000,000.

The announcement of the new Soviet-UAR agreement was made on 18 January, just nine days after the official start of construction on the first phase of the project. The ceremonies were attended by two high Soviet officials, and the Soviet press and radio gave the event extensive coverage. Emphasizing the "selflessness" of the USSR's aid, Soviet propaganda portrayed Soviet-UAR relations in a more friendly light than has been observed in recent months.

The agreement does not appear to reflect any shift in UAR policy. Political differences during the past year have not interfered with close economic relations.

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CYPRUS

Differences between British and Greek Cypriot negotiators over the size of the military bases to remain under British sovereignty after Cyprus becomes independent prevented agreement at the London conference held from 16 to 18 January. It became apparent during the conference that Britain is prepared to give up any part of the areas it now demands only if the Cypriots offer other facilities.

After the conference, attended by the foreign ministers of Britain, Greece, and Turkey plus Archbishop Makarios and Turkish Cypriot leader Fazil Kutchuk, informal discussions continued between Foreign Secretary Lloyd and the two Cypriot leaders. Independence, sched-

uled for 19 February, has been postponed for one month.

Lloyd took a firm position at the conference, warning that failure to meet British demands could lead to cancellation of the Cyprus agreements of last February. These agreements provided for Cypriot independence but with two military base areas to be retained under full British sovereignty. Britain was also to be granted certain rights, such as the use of ports, roads, and some small installations. The two bases, while described in general terms in the agreement, were not specifically delineated in the settlement.

British military leaders consider that to be effective

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the base areas must include about 120 square miles under British sovereignty. Makarios has insisted on restricting this area to about one third of that figure. At the conference, Lloyd offered a few concessions regarding agricultural lands near the bases and provision for resettlement of additional Cypriots now living within the area of the bases.

A possible solution could limit the British sovereign area in return for long leases on additional sections of the existing military bases. Arrangements for payment for facilities used by the British would make a settlement easier for Makarios to accept. An eventual compromise is probable because of recognition on both sides of the need for agreement and the relatively cordial atmosphere which has thus far surrounded the discussions.

Makarios, however, would lose considerable prestige and political support if he were forced to retreat from his present position. His enemies on Cyprus, both Communists and extreme nationalists, are anxious to reap political profit from any concessions he makes to the British. In Athens, General Grivas has publicly proclaimed his opposition to any concessions beyond 36 square miles.

One possible advantage to Cyprus which appears to have developed from the present situation is increased collaboration between Makarios and the Turkish Cypriot leaders. Any further delay in proclaiming Cypriot independence, however, could seriously increase Cypriot distrust of British motives as well as mutual mistrust on the part of the two communities on the island. 25X1

THE SECOND ALL-AFRICAN PEOPLE'S CONFERENCE

The second plenary meeting of the nongovernmental All-African People's Conference (AAPC), which convenes in Tunis from 25 to 29 January, will provide nationalists from both sovereign and dependent African countries with another opportunity to join in demands for African independence and solidarity.

Underlying friction between relatively moderate and more radical tendencies within the movement, however, exemplified by the split between Kenya's Tom Mboya and Ghana's Prime Minister Nkrumah, appears likely to be even stronger than at the inaugural meeting in December 1958 in Accra. This

friction could lead, now or later, to a schism which would further impair the movement's already limited effectiveness.

The gathering's Tunisian organizers expect about 150 delegates representing all major African nationalist organizations and trade unions. Already concerned about keeping the meeting on an essentially moderate course, the Tunisians claim to have eliminated "some more Communist organizations" from the original invitation list.

This had been prepared by the AAPC's Communist-oriented Secretary General Abdoulaye Diallo, Guinea's representative

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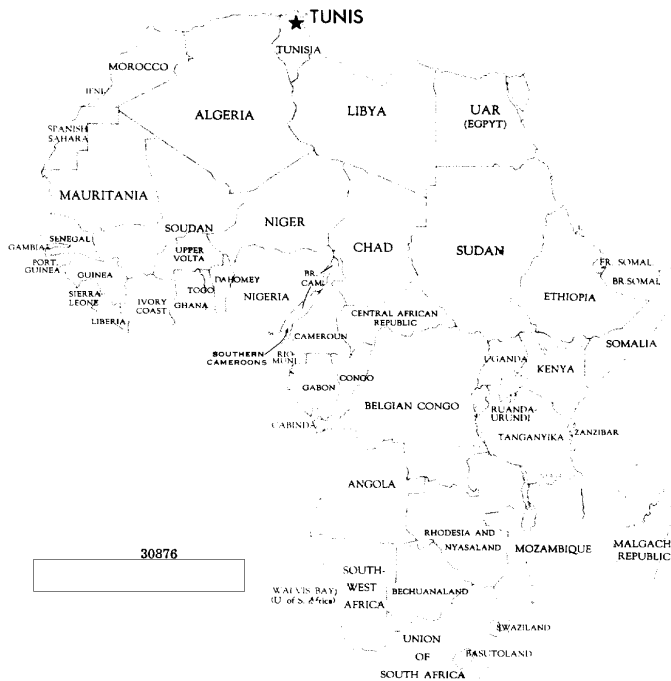
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in Ghana, who has developed close ties with Moroccan left-ists as well as with the in-creasingly militant Nkrumah. Nevertheless, the radicals may succeed in dominating next week's proceedings, especial-ly if moderate African leaders from French Communi-ty states and other areas fail to attend and if Mboya finds it impossible to leave the round-table talks on Kenya's constitution now in progress in London.

Observers from Sino-Soviet bloc countries--a number of whom were present at the 1958 meeting --can again be expected to attend and to lobby, directly and through such Communist-influenced groups as Felix Moumie's terrorist wing of the Union of the Cameroons Population (UPC), for extreme resolutions. Nasir's representa-tives, on the other hand, while likely to give general sup-port to the radicals, are re-ported planning to play a less aggressive role than they did at Accra and may even strive to offset the effect of Commu-nist tactics.

The conference can prob-ably agree easily on general positions on such items as "the independence of Africa" and "economic and social de-velopment." Serious discord

may develop, however, over specifics, such as the atti-tude to be adopted toward the French-sponsored Ahidjo regime in now-independent Cameroun which UPC extremists--hereto-fore backed up the AAPC--are still trying to bring down by violence.



The French Community and the continued adherence of many African labor leaders, including Mboya, to the Western-oriented International Confederation of Free Trade Unions--alike condemned by the radicals as unacceptable compromises with "im-perialism"--also seem likely to provoke acrimonious wran-gling.

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INDIAN CONGRESS PARTY'S ANNUAL CONVENTION

The 65th annual convention of India's ruling Congress party, a lackluster affair held in Bangalore from 12 to 17 January, reflected both the country's distraction over events on its frontier bordering Communist China and the party's waning ability to inspire either its members or the public at large.

The usual resolutions drafted by the Congress' high command on international affairs and on economic matters contained only minor variations on themes which have become familiar in recent months. After provoking desultory and quickly stifled criticism from a few of the delegates, the resolutions were passed unanimously. Speeches lacked the spark evident at last year's session, and the public turnout fell far short of normal.

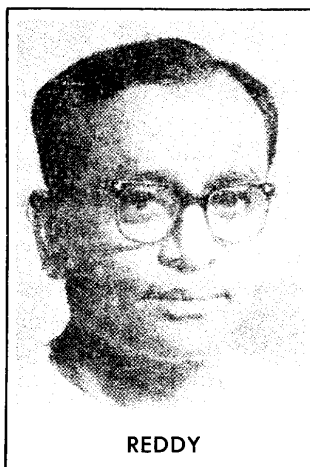
The resolution on international affairs restated India's adherence to a policy of nonalignment with either of the two big-power blocs. Prime Minister Nehru insisted this policy had been proved right and remained the only course India should follow. He rejected vehemently suggestions that the door be kept open for military assistance in the event of an emergency.

A special resolution on the frontier question covered much of the same ground as have recent government statements, its impact being lessened by the fact that several months of public debate on the Sino-Indian dispute have all but exhausted the subject.

The high command steered clear of any radical proposals in the economic sphere such as last year's controversial pro-

gram for reorganizing the rural economy along cooperative lines. Although it reaffirmed the party's support for the cooperative system, its resolution tacitly conceded the strength of the opposition and in effect retreated from the original program. The 1960 resolution stressed primarily the need for overhauling the government administration to ensure faster implementation of five-year-plan programs.

Perhaps the most significant event of the convention was the induction of Sanjiva Reddy, 46-year-old former chief minister of the southern state of Andhra Pradesh, who succeeds Indira Gandhi as president of the Congress party. Reddy's two-year term will be crucial,



REDDY

for it will be his responsibility to prepare the party organization for the national elections in 1962. While his youth and apparent political acumen may bring new vigor to the high command, his lack of national stature probably will limit his ability to enforce party discipline in the dominant northern states.

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PAKISTAN IMPROVES RELATIONS WITH INDIA

Relations between Pakistan and India have improved markedly since Pakistan's military government came to power, especially since the increase in Chinese Communist pressure on the Himalayan border area. President Ayub's government has encouraged negotiations on the whole range of problems with India. New Delhi, which considered Pakistan's parliamentary regimes too unstable to fulfill any long-term commitments, has apparently decided that Ayub's offers of friendship present a useful opportunity to liquidate long-standing and costly disputes.

On 11 January, Rawalpindi--the new Pakistani capital--and New Delhi announced the resolution of all but one of the border delineation disputes involving small areas of Indian and West Pakistani territory. This agreement followed exchanges of disputed territory along the East Pakistani border. These steps will probably result in a sharp reduction in border incidents.

On 3 January negotiators from the two countries announced they had overcome the most difficult obstacles to a final settlement of the financial disputes which arose out of the 1947 partition of British India. In early December, Rawalpindi and New Delhi announced a new payments agreement intended to

increase mutual trade. A further improvement in Indo-Pakistani economic relations will probably follow these efforts.

Both governments also hope to reach an agreement this spring on the division of waters in the Indus River basin. Under the auspices of the World Bank, a treaty has been drafted providing for a \$1 billion system of canals to replace waters which will be diverted by India from rivers now flowing from Indian-held territory into Pakistan. New Delhi is to contribute about \$168,000,000, most of the remainder being provided by Western sources.

The Pakistani Government's appointment of A. K. Brohi, an outstanding legal expert and a strong advocate of closer ties with India, as high commissioner to India has also been received in New Delhi as evidence of Pakistan's desire for better relations. Brohi's chief assignment is likely to be to find a solution to the impasse on Kashmir. The Ayub government apparently hopes that, in view of the threat from Communist China, New Delhi will feel it can no longer allow the bulk of its army to be tied down defending Kashmir. No direct effort has yet been made to initiate negotiations on this problem, however, and a quick solution is unlikely.

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SITUATION IN CAMBODIA

The political tempo in Cambodia has picked up with the return of Premier Sihanouk on 1 January from a two-month visit to the UAR, Yugoslavia, and

India. Sihanouk has launched into a full schedule of cabinet meetings and audiences with advisers, and he intends next month to tour the country to

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push basic economic programs. This activity will culminate in the semiannual national congress of Sihanouk's Sangkum movement in Phnom Penh from 20 to 23 February. These open-forum reviews of governmental programs are frequently used by Sihanouk for major policy pronouncements.

A major determinant in Sihanouk's political outlook continues to be resentment and fear of the attitude of South Vietnam and Thailand toward Cambodia. Basic antagonisms appear undiminished despite outward signs of some improvement in relations; trade and payments agreements between Cambodia and South Vietnam were restored last December, and the press war between Cambodia and its two neighbors has eased.

During his recent trip abroad, Sihanouk referred frequently to the "aggressive" intentions of South Vietnam and Thailand and warned that Cambodia would not hesitate to "go Communist" if it came to a question of national survival against pressures from its neighbors. Such statements tend

in turn to confirm the fears in Saigon and Bangkok that Cambodia is headed toward Communism under Sihanouk's leadership.

Among Sihanouk's earliest moves on returning to Phnom Penh were to give a dinner in honor of Chinese Communist technicians who recently installed a radio transmitter, a gift from Peiping, and to visit a plywood factory being built under the Chinese Communist aid program. Sihanouk apparently thereby intended to correct any impression that his recent visits to the UAR, Yugoslavia, and India imply a change in Cambodia's friendly attitude toward Peiping, or in his determination to keep strictly to "independent" neutrality. At the same time, the Sihanouk government is adhering to the tougher line adopted last summer toward Communist subversion.

While some criticism of the premier and his policies exists among various urban groups in Cambodia, in addition to the open enmity of the small dissident movement headed by expatriates Sam Sary and Son Ngoc Thanh, present opposition to Sihanouk is no threat to his entrenched power. 25X1

NEW RIGHT SOCIALIST PARTY IN JAPAN

The new Japanese Democratic Socialist party (DSP), organized by former right-wing members of the Japanese Socialist party (JSP), will be inaugurated on 24 January. The new party, with at least 52 seats in the Diet, while essentially Socialist, has won strong press endorsement for its moderate program and has attracted a greater membership and support than its leaders had initially anticipated. Many observers believe the new party will halt the trend to-

ward polarization in Japanese politics, but its ultimate fortunes will depend on how much support it attracts outside the moderate labor unions.

Suehiro Nishio, who led the withdrawal from the JSP because of his opposition to its Marxist orientation and domination by the extreme leftist Sohyo labor federation, is expected to be named chairman of the new party.

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The DSP's draft program recognizes the need for Japanese military forces and for the security treaty with the United States but recommends that the United Nations establish an international police force, thus eventually making the treaty unnecessary. The party would support the admission of Communist China to the UN, but desires a peaceful settlement of the Taiwan issue and an independent Japanese foreign policy which is neither pro- nor anti-American. Its economic proposals call for a gradual socialization of the national economy.

Thus far, one fifth of the JSP members in the Diet have joined the new party and a few more are expected to do so. The DSP has established chapters in 35 of Japan's 46 prefectures and has the support of the 800,000-member Zenro labor federation. Zenro, however, has criticized the new security treaty and is calling on the government to dissolve the Diet and to hold national elections prior to seeking Diet ratification.

Although additional labor support for the DSP can be expected from Sohyo unions which are wearying of "political struggles" which have failed to attain the wage increases and other improvements won by some

Zenro unions by nonpolitical means, the new party will have difficulty expanding. Chances of gaining the support of the



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"liberal conservative wing" are believed slight, but the DSP's formation may give conservatives opposed to Prime Minister Kishi's leadership of the ruling Liberal-Democratic party wider latitude for factional maneuvering.

Informed observers believe that not many small-businessmen, white-collar workers, and older farmers will change party allegiance and that, therefore, the DSP must attract intellectuals, students, and young farmers if it is to become an effective political organization.

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MOVES TOWARD ECONOMIC INTEGRATION IN LATIN AMERICA

Preliminary discussions are under way in two widely separated parts of Latin America aimed at the development of free-trade areas. Representatives of seven South American countries now are meeting on

this subject in Montevideo, while the presidents of three Central American republics, meeting on 9 January, agreed to negotiations for closer economic union. These projects are aimed at speeding

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at the expense of standard financial principles. Prebisch recommends that prospective members--Argentina, Brazil, Bolivia, Chile, Paraguay, Peru, and Uruguay--be pressed to buy as much as they sell within the proposed area, while IMF representatives believe that payments in the free-trade zone should be freely convertible in order to preserve the benefit of relatively free trade with countries such as the United States.

The conference plans to recommend to a foreign ministers' conference in Montevideo next month a payments system to be adopted in a formal treaty designating the free-trade area. Less ambitious and binding than the European Common Market, the free-trade area plans to eliminate all tariff or exchange hindrances on most commodities traded between members in four stages over

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industrialization through expanding regional trade. Both, however, are threatened by conflicting interests and national rivalries.

The Montevideo conference, which began on 12 January with discussion of a payments system for a proposed South American free-trade area, was marked by a clash between representatives of the International Monetary Fund (IMF) and Raul Prebisch, spokesman for the United Nations Economic Commission for Latin America, who favors development programs

12 years.

The presidents of Guatemala, El Salvador, and Honduras authorized their ministers of economy on 9 January to draft and sign a treaty within 30 days "to establish the means to achieve a greater integration of their (countries') economies." The new treaty will probably be open to later adherence by Nicaragua and Costa Rica and presumably will establish a shorter timetable than the ten years allowed in the 1958 treaty for the establishment of a Central American customs union.

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DISSENSION IN BOLIVIA'S GOVERNMENT PARTY

Dissension within the governing Nationalist Revolutionary Movement (MNR) in Bolivia may lead to outbreaks of violence and possibly to a split in the party prior to the MNR presidential nominating convention scheduled for 15-21 February. Foreign Minister Walter Guevara, the candidate sponsored by the right wing, now appears to believe former President Paz Estenssoro will easily win the MNR nomination, but Guevara's supporters bitterly oppose Paz. Many of Paz' supporters advocate an exchange of diplomatic missions with the USSR, and Paz may be more responsive to such pressures than incumbent President Siles.

The question of Bolivia's relations with the USSR has been reopened in the course of the political struggle. The two countries did not exchange representatives after relations were established in 1945, but Bolivia's Foreign Ministry allocations for 1960, reflecting strong public and congressional interest, provide funds for a Moscow mission. Both President Siles and Guevara apparently oppose an exchange of missions. This provision in the budget may be explained as a move by Guevara to draw away leftist support from Paz. Paz has not expressed himself on the exchange of missions, but is supported by the left wing and seems to favor a more independent line in relations with the United States than incumbent President Siles.

The Siles administration has achieved a marked improvement in respect for laws concerning persons and property since its inauguration in 1956. Virtually every leader in the government party, however, has some armed force at his command, since the party's civilian militia is organized on both geographic and trade union lines. Siles sought to avoid a showdown between right- and left-wing militia by swinging his support from Guevara to Paz last October. The tensions of the campaign for the MNR presidential nomination have nevertheless caused a clash of opposing militia elements resulting in about 25 deaths, the assassination of a former cabinet minister, and dispersal of a right-wing rural congress by left-wing threats of violence.

A separate political party formed by Guevara's followers would probably derive some additional support from the rightist Bolivian Socialist Falange (FSB). The FSB polled 12 percent of the vote in 1958 national elections and since the 1952 revolution has been Bolivia's only other significant political party. Even if Guevara's followers defect from the MNR, Paz is virtually certain to win the election next May or June because of his backing by both the left wing of the MNR and moderate President Siles. Guevara's formation of a new political party with MNR origins might, however, provide the foundation for eventual growth of a two-party political system in Bolivia.

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PART III

PATTERNS AND PERSPECTIVES

FARM MODERNIZATION IN CHINA TO BE SPEEDED

Communist China's leading economic planners apparently are confident that a "new stage" has been reached in Chinese economic development and that the nation's industry, after the rapid expansion of the past decade, now can provide farmers with "greatly increased" amounts of machinery and chemicals and thus hasten the modernization of China's primitive agriculture. This concept that industry now is or shortly will be in a position to increase sharply the supplies of tractors, farm implements, vehicles, chemical fertilizers, and insecticides to the Chinese countryside was recently described by planning chief Li Fu-chun as a "conspicuous new thing" in Peiping's economic planning.

The planners indicate that heavy industry still enjoys a "priority" role--thus no radical shift in economic priorities is contemplated--but they add that agriculture now must be regarded as the "foundation to impel the advance of the various branches of the national economy." This formulation moves agriculture up another notch in importance.

Peiping's farm modernization program is still vague and generalized, and much detailed planning and careful preparation remain to be done before the program can be considered launched. Present indications are, however, that the regime intends to speed up the process. Where Mao Tse-tung had earlier said that China

would be doing well to complete the process by 1975, the planners now are holding out the prospect that the countryside will be well along the road to modernization in ten years. While their expectations that the program will double farm output are very likely misplaced, their conviction that it will not appreciably slow the advance of heavy industry may be better founded.

Concept of Program

Peiping's program is not designed to bring Chinese agriculture near Western technological levels. As described by regime spokesman Po I-po, the general intent is to replace manual and animal power with mechanical and electrical power and to supply agriculture with abundant quantities of chemical fertilizer. Specifically, Po foresaw by 1969 "or thereabouts" the mechanical cultivation of all land that is workable by machine, irrigation by machine where necessary, the use of motor vehicles for nearly all rural transport, mechanical processing of farm produce, and production of seven to eight times as much chemical fertilizer as presently applied--about 2,700,000 tons in 1958.

Whereas the Western concept of mechanized agriculture is usually in terms of movable equipment, the Chinese Communists classify as farm machinery both movable and stationary

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equipment. The former includes tractors and implements; the latter, irrigation machinery and processing equipment. Because of the mixture of the two types in Chinese plans, and because irrigation pumps constitute much less dramatic evidence of mechanization than do tractors, Chinese propagandists tend to slur over the distinction and issue progress reports in terms lumping the various types of machinery.

Topography and cultivation techniques sharply limit the amount of land where Western-type mechanization is feasible. One Communist writer calculates that 140,000,000 acres--slightly over half of China's total cultivated acreage--are in areas where intensive tractor cultivation probably will prove feasible. This land is largely in northern China, Sinkiang, and Manchuria.

On the other hand, official statements make it clear that no practical means have yet been devised for mechanizing the paddy fields and hilly land of South China. Mechanization there will be limited mainly to off-the-field tasks. There are plans for supplying large quantities of irrigation equipment and processing plants, and a main source of power will be small hydroelectric plants to be built into irrigation systems. Motorized junks will relieve the peasant of some heavy rural transport burdens.

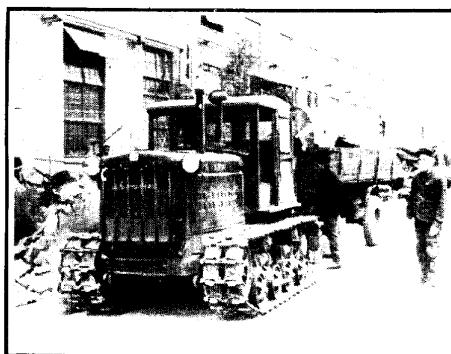
Problems

The limited program envisaged by Peiping will not require a significant drop in the investment priority assigned heavy industry. However, the introduction of the necessary amounts of major industrial commodities to agriculture during the next decade will present some difficulties.

The problem of chemical fertilizer will loom large, for China's capacity to produce it is limited. Peiping has announced plans to step up

investment in fertilizer plants during the Second Five-Year Plan (1958-62), and a number of large plants are under construction. At the present rate of construction, however, there seems little likelihood of reaching Po's target of roughly 20,000,000 tons by 1969. Imports will make up only part of the deficit.

Another major item will be tractors. Chinese Communist sources have stated at various times that 550,000 to 1,500,000 tractor units are needed. (A standard tractor unit, equivalent to 15 horsepower, is a statistical device used in the USSR and Communist China to convert tractors of various horsepower into comparable units.) The acreage estimated as suitable for tractor cultivation in China is less than half the area cultivated by tractors in the Soviet Union in 1938 when that country considered its agriculture basically mechanized. Assuming China follows the Soviet example, Peiping should be able to realize its present program if it is able to acquire one half the



Soviet-style tractor made at Loyang.

Soviet vehicle inventory in 1938--or 300,000 tractor units, 77,000 combines, and 100,000 trucks.

The Chinese tractor park now contains 55,000 tractor units. If Peiping continues to allocate investment to tractor factories and imports at the rate of recent years, or at a slightly higher rate, it should be possible to build up an inventory

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of 300,000 tractor units by 1969. China's first tractor plant has just come into operation at Loyang. It was designed to produce 15,000 5.5-ton crawler tractors annually, which is equivalent to 36,000 standard units. Assuming that this factory reaches capacity production by the Third Five-Year Plan (1963-67), China would have more of this type by 1969 than the Soviet Union did in 1938. The required number of combines and trucks may also be available from domestic industry in the next ten years under plans laid long before the announcement of the new program.

Judging from Soviet experience, this number of tractors, combines, and trucks would consume about 3,000,000 tons of diesel and other liquid motor fuels annually by 1969, but this amount should not be an insupportable strain on the petroleum products then available in China.

A major portion of the machinery planned for Chinese agriculture is for irrigation and drainage equipment. It has been stated that such equipment with a total capacity of 15,000,000 horsepower will be needed to bring all farmland under irrigation. Some 1,100,000 horsepower was in use in 1958, and it is claimed that 2,400,000 horsepower is in use now. The present level of output would by 1969 provide enough equipment to meet the estimated requirements.

The Communists have stated that power-generating units totaling 8,000,000 kilowatts must be turned out to reach the "first stage" of rural electrification. If vigorously pushed, this goal could be attained by 1969. The need for a large maintenance and operating force and the severe limitation on generating capacity when water flow is low will create the greatest difficulties.

The production of most farm equipment other than tractors--both tractor-drawn and simpler implements--and processing machinery presents little problem to the machine-building industry. It has been stated that about 20,000,000 farm tools and processing machines have to be produced for the mechanization program, but industry should be able to manufacture these products as demand develops. Judging from past experience, the major problem here will not be in supplying the equipment but in perfecting models suited to local conditions and in persuading peasants to use them.

The regime up to now has had little success in demonstrating to peasants that it knows more about farming than they do. The vaunted two-wheel double-share plow, manufactured in large quantities in 1956, has never been put into general use. Furthermore, serious inadequacies in agronomical research became evident in the past two years when attempts to change such farm practices as depth of planting, amount of fertilizer applied, closeness of planting, and extent of irrigation resulted in enormous expenditure of manpower for less than proportional returns in increased production.

Some of the greatest problems facing the regime are designing new and useful types of tools, developing and providing improved seed strains, popularizing these innovations among a conservative and largely illiterate peasantry, and devising a way to finance the purchase of new tools and equipment by rural production units. There are signs that Peiping is becoming more aware of these problems and is taking steps to cope with them.

The new farm program stresses careful preparatory work and requires that research and experimentation precede the large-scale adoption of modern

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machinery. In this connection, Peiping has also launched a campaign "basically" to eliminate illiteracy in the next two to three years so that peasants can acquire some technical knowledge or at least be able to read instructions. Steps are also being taken to set up an agricultural extension program in rural areas. Some 600 "agrotechnical research centers" have been set up under this program so far. These centers are to conduct experiments in seed strains, plowing techniques, and pest control, and will presumably be the vehicle for disseminating the improved cultivation techniques Peiping hopes to introduce.

Outlook

The immediate impact of the mechanization program will be slight. Po I-po, emphasizing that it is to be carried out gradually, anticipated that the initial foundation would require four years. At the outset, priority is being given to irrigation facilities and tool improvement.

A main objective of the program is to raise agricultural output to levels sufficient both to feed the rapidly growing population and to maintain a high rate of industrial expansion. The use of tractors and combines in some areas may improve farm yields slightly through more timely and efficient field operations, but greater increases will come from the use of more chemical fertilizer and expanded irrigation. The regime's statement that output will be doubled is highly doubtful. Japan has made perhaps the greatest strides in agriculture of any country in the Orient, and the Chinese would have to exceed by far Japan's best yields to double their output. However, steady increases are quite possible.

Extensive reclamation work would improve the prospect for increases. Such work is planned in the northwest, but it is doubtful that the regime intends to devote sufficient resources there to bring appreciable results in the near future.

Another declared objective of the farm mechanization program is to release farm labor for other activities. Communist planners mention figures ranging into the "hundreds of millions." It is suspected, however, that such figures are derived from simple calculations of the labor-saving capability of individual items of machinery and not from actual expectations. Modern industry could not absorb anywhere near such numbers. Much labor replaced by machine will not, however, be released to industry but to other rural tasks.

There will probably not be an appreciable movement off the farm until the later stages of the program. The movement may then reach as much as half the natural population increase in rural areas, causing urban population to expand from 96,000,000 in 1958 to 196,000,000 in 1969. An expansion of this magnitude could probably be absorbed by nonagricultural sectors of the economy and by industry, which is expected to quadruple its output during this period.

By launching such a program at this time, Peiping has acknowledged that agriculture must receive more substantive and careful attention than heretofore if it is to meet the heavy demands of the country's industrialization program. Past policies, ranging from consolidation of small individual farms into larger collective units to a massive effort at more intensive cultivation, have proved only of limited value. The basic problem remains one of raising crop yields

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through the use of more chemical fertilizer, irrigation, and improved seed strains. The programs now on the agenda appear to be coming to grips with this basic problem. Much will hinge on their imple-

mentation, but the possibility exists that China will by 1969 be on the way to achieving a more modern agriculture capable of steady increases in output. (Pre- 25X1
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NASIR'S SYRIAN PROBLEMS

The United Arab Republic (UAR), which will celebrate its second anniversary on 21 February, has been compelled to devote increasing attention to the difficulties inherent in the union between Egypt and Syria. Syria, which urged such a union on President Nasir, has in fact become his principal domestic political problem. Its stagnating economy and Nasir's differences with Syrian politicians, mostly Baathists, are causing the greatest concern.

Geographic-Cultural Problems

The geographic separation of the two regions has complicated Nasir's job. Cairo probably seems to the Syrians to be farther away than only 400 miles because the enemy state of Israel lies between. Remoteness from the center of government has contributed to a Syrian feeling of nonparticipation; the rarity of Nasir's visits to the northern region--three times in two years--strengthens this impression.

The difficulty and expense of traveling between the two regions have hindered the personal exchanges that could at least partially diminish Syria's feeling of isolation. In the last two years, those Egyptians who have gone to Syria have been largely restricted to official governmental or military posts where their "unlikeness" to the Syrians is most easily noted. Some Syrians feel

[redacted] that the Egyptians intend to be--and sometimes act like--their masters.

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The regime has tried to attack the problem by careful conduct toward minorities, reassurances of its good intentions, and constant propaganda on the theme of unity. However, Syrian particularism--with its concentric arrangement of loyalties to family, tribe, locality, and religion--is probably one of the most serious barriers to real union. Differences among Christians, Moslems, Arabs, Armenians, Kurds, Druze, and Alawites and the divisions of landlord, peasant, city bourgeoisie, and proletariat, all with special interests and prejudices, plagued the governments of Syria long before union with Egypt.

Political Factions

With the union, Nasir inherited a melange of Syrian political parties ranging from the narrowly nationalistic, religious Moslem Brotherhood--long banned in Egypt--to the



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Syrian branch of the Communist party, the strongest in the Arab world. In control of Syria at the time of union, however, was the Arab Socialist Resurrection party, popularly called the Baath. Its branches throughout the Arab world were the most vocal and effective supporters of Nasir's style of Arab nationalism. It was the Baathists, frightened by the growth of Communist and pro-Communist strength in Syria, who played the largest part in leading Syria into union with Egypt.

Since union, the Baathists have had repeated occasions to repent their haste. Their assumption that, being Syria's political leaders and strongly pro-Nasir, they would receive preferential treatment from Cairo seemed accurate at first, when Nasir appointed a Syrian region executive council dominated by members of their party. They apparently could not believe that Nasir's early edict banning political party activity, as in Egypt, would be wholly effective.

The Baathists discovered, however, when they attempted to continue their organization, that Nasir was aligning himself with old-line, conservative elements and that these conservatives were favored to defeat Baathist candidates in elections to his new, single-party organization--the National Union. The Nasir-Baathist feud culminated in the recent resignation of the remaining influential Baathist members of the Syrian regional and UAR central cabinets.

Nasir's victory over the Syrian Baathists now appears complete, but there are indications its aftermath harbors some danger for the regime.

The possibility of a renewed alliance between the Communists and the disgruntled Baathists--they cooperated frequently before 1958--has not been overlooked by the Communists, who have reportedly already made new approaches to that end. The Communists, although decimated and disorganized by



NASIR

Nasir's campaign last year, probably still retain some potential for taking advantage of a troubled situation in Syria. A Baathist-Communist coalition, if it could gain support among dissident military elements, might eventually present a serious challenge to Nasir.

The conflict with Syria's radical elements has driven Nasir to an unforeseen and purely expedient courtship of the conservatives. Financiers, merchants, landowners, and many professional groups, displaced from their historically dominant position in Syrian politics by their own divisions and the mob appeal of the Baathists, welcomed the union. They were later repelled when it began to seem they were not to be delivered from Baathist control.

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During the past few months, however, Nasir's split with the Baathists, his slowdown of land reform and economic controls--both Baathist objectives--and the current goodwill mission of Vice President Amir in Syria have brought at least temporary relief to the minds of most conservatives.

As long as the regime feels the Syrian political and economic systems require moderate treatment, the Syrian conservatives are probably safe, and there is little likelihood that Nasir will be strong enough to push his concept of a "democratic, socialist, cooperative society" in Syria for several years.

Syria-Iraq

The often-mentioned threat to unity posed by the attraction of Iraq for some Syrians, although likely to worry Nasir, does not appear significant as long as Iraqi Prime Minister Qasim's own house is in disorder. In fact, Nasir has had some propaganda success in exploiting the chaotic political situation in Iraq, as well as the bogey of Communism, to counter any revival of the Fertile Crescent scheme of Iraqi-Syrian union. The firm establishment of a radical "Arab nationalist" government in Baghdad, however, could change the picture.

Syrian Army

The Syrian Army is a special, and perhaps the most immediately dangerous, problem for Nasir. For years prior to the union, the army was completely involved in politics; there were five military coups between 1949 and 1954. The latest military strong man is Nasir's present security watchdog

and civilian minister of interior for the Syrian region, Abd al-Hamid Sarraj.

In league with Sarraj prior to the union was a powerful army clique, including numerous pro-Baathists. Sarraj was instrumental in helping Nasir purge both civilian and military Baathists, but his reliability is still debatable. He is believed to have retained an influential following in the armed forces, and any resurgence of political ambition and real antiregime feeling among the military would find him gauging it carefully before deciding whether to remain loyal to Nasir.

Nasir has taken steps to preclude the army's return to its former troublesome role in politics. A few officers, like Sarraj, have been invited to give up their uniforms and accept civilian government positions. Others have been transferred, retired, or purged, with an undetermined degree of resentment resulting throughout the rest of the military. Many key positions have been assigned to Egyptian personnel to keep the army neutralized. Its history of political action, however, and its large complement of officers who come from the politically conscious segments of Syrian society, give grounds for believing that dormancy is not the army's natural state and suggest that the regime may face further trouble.

Economic Outlook

Probably the most urgent and basic concern of the regime in Syria is the decline of the Syrian economy since union. Too rapid land reform, ill-timed governmental economic controls, and two successive

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years of drought--a third appears in the offing--have stifled Syria's free economy and aroused apprehension. The regime is trying now to remedy the situation by back-tracking on reforms and relaxing controls, working hard to gain the trust and cooperation of Syria's land-owning and commercial groups, and seeking temporary outside aid, particularly from the United States.

For the long term, the outlook for Syria--compared with the rather dark prospects for Egypt--is bright, especially in agriculture. More than three acres of cropped land is available for every Syrian, and per capita national income now is about \$160, compared with 0.42 acre and \$115 for Egypt. The region's short-run problems, however, are likely to be severe. Ominous inflationary pressures have developed, chiefly as a result of ordinary budget deficits since 1955, and could well increase if present development plans are carried through, as now planned, without compensating reductions in nondevelopmental expenditures.

Political Outlook

For the political future, Nasir is counting heavily on his National Union to develop a new breed of public servant, free of factional loyalties and dedicated to the state. Election to the National Union--prerequisite to participation in political life--begins on the lowest, popular level, and advancement from local to national responsibility comes through subsequent elections within the membership.

On top of the pyramid thus constructed is, of course, Nasir himself. His authority to select whomever he chooses for the really important positions in government is a check on the rise of any individual or group out of step with the aims of the regime. The Syrians, cynical by nature, are likely to regard such a system as merely a facade, even though it may offer at least limited opportunities for political advancement.

There have been rumors and speculation that Nasir may choose to relieve himself of some of the responsibility--and blame--for Syrian affairs by loosening the union into something closer to a federation, with greater autonomy for both regions. Although such a drastic step appears unlikely--partly because of the implied admission of failure--some concessions to the Syrians may be made with Nasir's scheduled appointment of a new government and parliament in February. The present dominance of Egyptians in the central UAR cabinet may be diminished. Proportional representation in the parliament may also salve Syrian pride.

Nasir is unlikely to let the parliament get out of hand, and will hand-pick half of the members, but it may furnish a forum for the airing of complaints and be something more than a rubber stamp. Meanwhile, Nasir will probably continue relying on his personal popularity in the northern region--which apparently remains high--local scapegoats, and a good internal security apparatus to keep dissension to a minimum.

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