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CENTRAL INTELLIGENCE AGENCY

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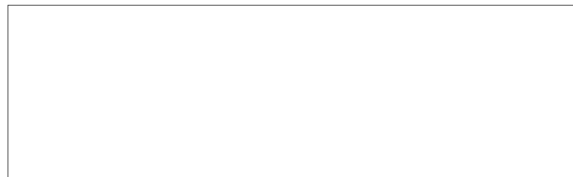
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This publication ceases in its present form with this issue.

Beginning next week it will be incorporated in a new weekly publication: The Current Intelligence Weekly Review.

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**Assistant Director,
Current Intelligence**

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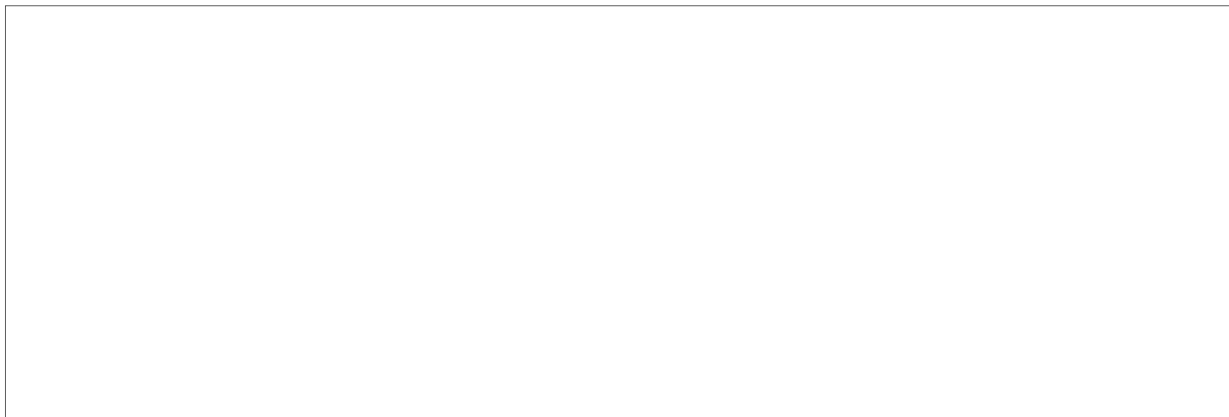
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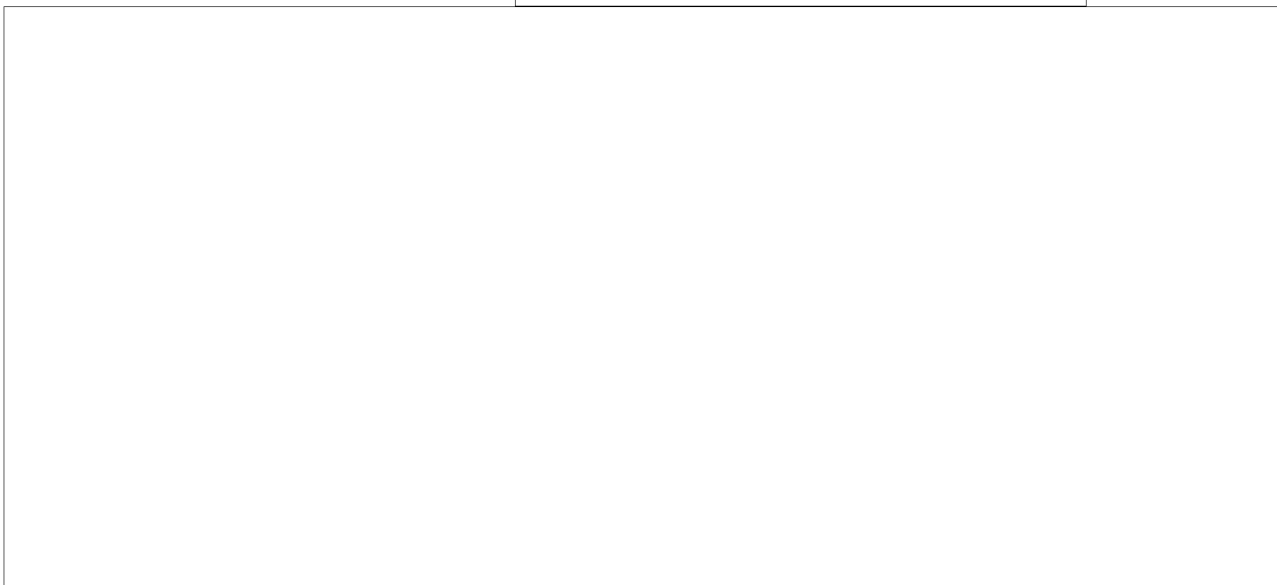


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Peiping's rejection of UN invitation: Chou En-lai's letter to UN Secretary General Hammarskjold on 3 February supports other indications that Peiping does not want to conclude an early cease-fire but intends, at least for the near future, to promote tension in the China area. Chou declared the Chinese Communist representatives will not attend Security Council discussions until the Chinese Nationalist representative has been "driven out" and replaced by a Chinese Communist. The Security Council voted 10-1 against such action on 31 January.

Chou's letter, like other recent Chinese Communist comment on a cease-fire, suggests that, even if Peiping's conditions for attending the UN debate were met, Chinese Communist representatives would maintain a stubborn attitude and would demand the withdrawal of American forces from the China area. 

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Japan

Relations with the USSR: Moscow has confirmed that the unsigned documents delivered to Prime Minister Hatoyama in late January by the chief of the unrecognized Soviet mission constitutes an official approach for negotiations on the resumption of Soviet diplomatic relations with Japan. The Soviet Union denied press reports, however, that a settlement over the Japanese-claimed Habomai and Shikotan islands was discussed. The Japanese Foreign Office feels that the current Soviet tactic is to try to restore diplomatic relations prior to the discussion of vital differences. Moscow might make a declaration ending the **state** of war between the two countries as a means of putting pressure on Japan for such a short-term settlement.

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India

The Andhra state legislature election: The pre-election maneuvering in the Andhra state legislature election, scheduled to begin on 11 February, indicates that all parties are aware of its significance as the first real opportunity the Communists have had to gain control of an Indian state government. US observers, commenting on the intimidation and physical violence exercised by the Communists as well as by the incumbent Congress Party report, that this may well be the roughest election in post-independence India.

Andhra, whose 20 million people are bound together by a common language, was formed in October 1953 as India's first "linguistic" state. It is an area of unusual Communist strength. The Communists in Andhra are reported to have an efficient propaganda and organizational apparatus. In some areas of the state, they have engaged in extra-legal activities without interference from the police, who reportedly are understaffed and Communist-infiltrated. Success in the forthcoming election also would advance Communist plans to "expand the peace movement in India."

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The Indian Communists believe they will receive 96 to 100 of the 196 seats in the election, [redacted]

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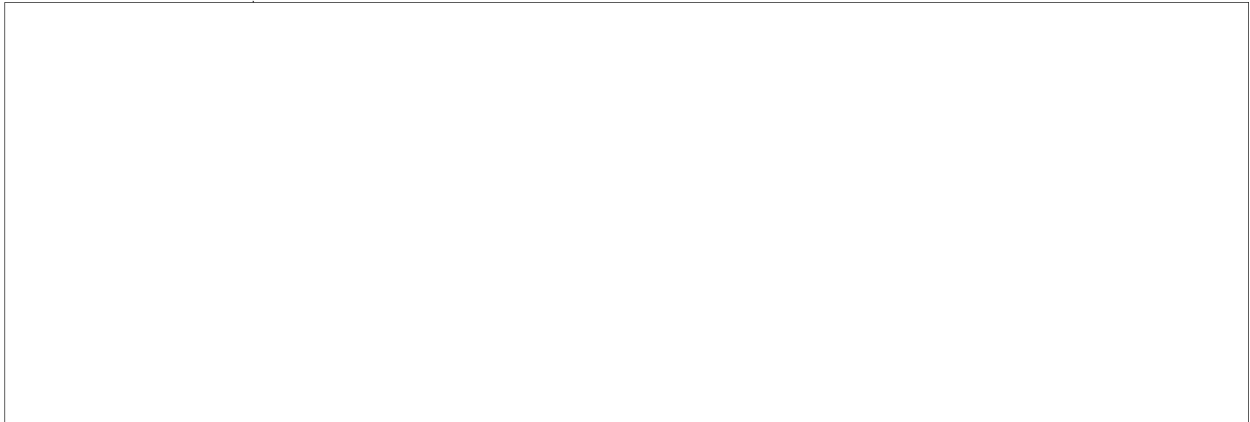
Prime

Minister Nehru and Congress Party leaders recently made separate tours of Andhra to point out the Communist menace and to bolster the weak Congress Party machine. There are also indications that the Congress Party will adopt extreme measures to prevent a Communist victory or that, in the event of such a victory, New Delhi will take over direct control of the state government. [redacted]

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Bulgaria

Defense expenditures for 1955: The new Bulgarian defense budget announced on 1 February as a part of the 1955 draft budget represents a slight decline, in both absolute and percentage value, from the 1954 level. The defense allocations of 1,922 million leva represents 11.0 per cent of the total budget for 1955, as compared with 1,934 million leva, or 11.4 per cent of the total, for 1954. This levelling off in the amount directly allocated for military purposes is in accord with current Bulgarian propaganda, which has not explicitly stated that defense expenditures would be affected by the Paris agreements. Official comment on the budget continues to stress new course goals of expanding both the peacetime economy and foreign trade.

If the Paris accords are ratified, however, Bulgaria may publicly announce an increase in defense appropriations to counter increased dangers of "aggression" from the West. 

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Iceland

Indications of labor trouble: According to US defense officials in Iceland, the Communists are spearheading a drive for wage increases. Labor trouble--possibly including strikes--appears probable by 1 March. The Communist-dominated dock workers union, Dagsbrun, terminated its contract effective 1 March, and a slow-down in unloading operations has already begun. US officials report that a dock workers' strike would seriously affect the US defense force in Iceland. Twelve other Reykjavik unions are serving notice of contract termination, and the Communist-dominated factory workers union, Idja, is expected to terminate its contract. It was expected that the election last November of Communists and left-wing Socialists as leaders of the 26,000-member Icelandic Federation of Labor would increase the likelihood of politically motivated strikes. 

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USSR

Soviet position on Formosa: While Peiping stepped up its military pressure on the offshore islands and maintained its intransigent political attitude, Moscow maneuvered to retain its flexibility on the issue. The Soviet press gave unusual publicity to the British Ambassador's representations to Molotov, made on 28 January, asking the Soviet Union to urge Peiping to consider a UN solution. Molotov's interview with William Randolph Hearst on the following day was also given complete coverage. Pravda included Hearst's suggestion that a temporary cease-fire might be regarded as the first step to an eventual settlement of the whole Formosan problem. It further reported Hearst's statement that the US had never undertaken an offensive war.

On 30 January the Soviet delegate at the UN introduced a resolution calling for debate on US "aggression" in Formosa. This was followed the next day by an announcement that the Soviet Union had "immediately" forwarded to Peiping the British views on the need for UN mediation, since Moscow, like the British, was alarmed over the dangerous situation off the China coast--a situation which was entirely due to the presence of US troops in the area; hence, the charges of US aggression in China's internal affairs was the only proper subject for UN debate.

At a Security Council dinner in New York on 3 February, the acting Chief Soviet delegate expressed doubt that Peiping could accept the Council's invitation and said this problem must be dealt with by discussions in smaller groups. He observed that, if the Chinese Communists did come, they would do so only after some time, and it would be necessary to set up secret talks with only a few people present. This hint of delay and other maneuver possibly foreshadowed the negative Chinese reply of 3 February.

Behind the present Communist strategy may well lie some difference between Moscow's apparent desire to lessen international tensions and Peiping's interest in keeping alive the threat of capitalist encirclement as well as its avowed intention to "regain its territory".

Moscow has consistently left the Sino-Soviet alliance unmentioned in relation to Formosa and has given Peiping no public military commitment on Formosa. Thus, while Peiping can apply military pressure to heighten tension over the Formosan issue, the USSR is free to maintain its pretense of being an impartial moderator in international councils.

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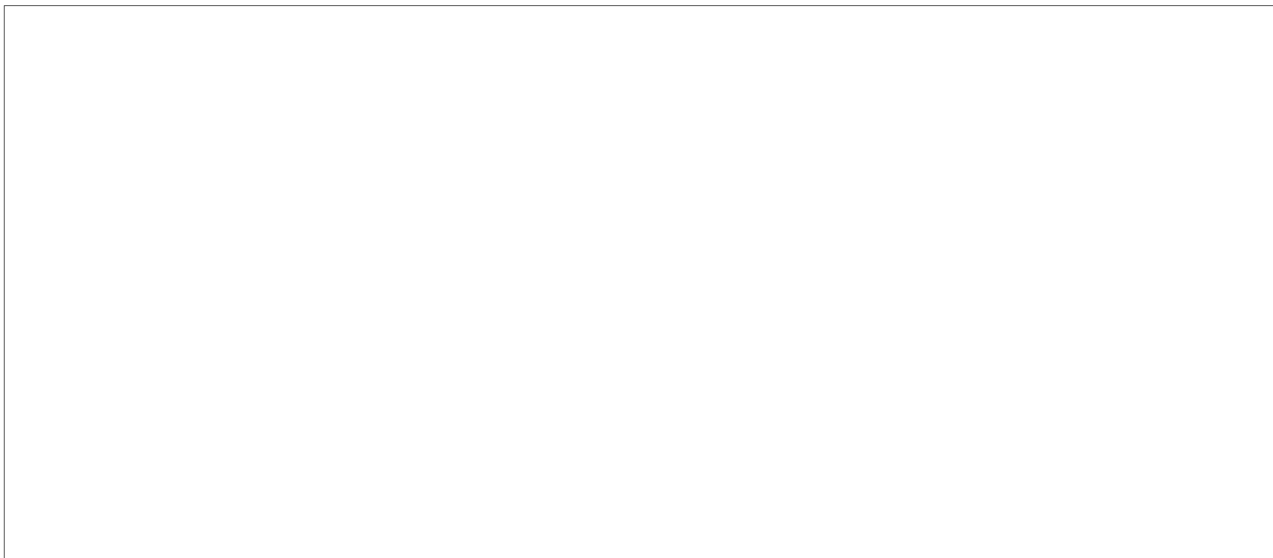
Central Committee plenum: According to preliminary information, the published decision of the 25-31 January plenum of the Central Committee of the Soviet Communist Party is devoted almost wholly to problems of increasing agricultural and livestock production, with a brief introduction reiterating the importance of heavy industry as the basis of the economy. Agricultural goals given for the Sixth Five-Year Plan (1956-1960) are very ambitious and probably unattainable. They indicate that agriculture, on which the "new course" has concentrated, will continue to receive heavy emphasis.

It seems unlikely, however, that a plenum would have been called at this time solely to discuss agricultural and livestock production. The meeting took place shortly after the regime apparently had reached a decision to reaffirm the emphasis on heavy industrial production and at a time when decisions connected with projected West German rearmament and the increasingly sensitive Formosa situation may have been reached. The recall to Moscow of a number of Soviet ambassadors supports the possibility that foreign policy was one of the subjects discussed.

Apparently, the plenum was timed to precede the Supreme Soviet session, called for 3 February, at which any shifts in policy may become evident. [redacted]

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Reported Soviet orders regarding Black Sea territorial waters:
According to the US Naval Attache in Ankara, the Turkish Military Attache in Moscow has recently received information [redacted] that the Soviet Black Sea Fleet has been ordered to destroy all Turkish or US submarines discovered in Soviet Black Sea

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territorial waters. The US Naval Attache believes this information may have been planted by the USSR to cause curtailment of Turkish naval operations in the Black Sea.

In early December, surface vessels and submarines of the Turkish Navy maneuvered in the Batumi area for several hours while within sight of Soviet naval forces. The Soviet Union claims sovereignty over coastal waters extending 12 miles from shore, and it may have been considered that the Turks had violated or would in the future violate the 12-mile zone.

The inclusion of US submarines in the alleged order may have resulted in part from the fact that most of Turkey's submarines are ex-US vessels. It is possible that observers received the impression that US submarines were exercising with the Turks in the December maneuver. [redacted]

Moscow anti-aircraft defenses: Extensive movement of AAA equipment 25X1 in the city of Moscow observed by US attaches during the period 24 to 28 January follows the normal pattern of rotation of batteries to winter firing ranges. During the winter firing, Moscow does not have maximum anti-aircraft protection. [redacted]

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