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CURRENT INTELLIGENCE WEEKLY SUMMARY



CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTERESTCHANCES FOR RATIFICATION
OF PARIS ACCORDS IMPROVE Page 1

Prospects for approval of the Paris agreements in the French Council of the Republic have improved over the last week, but council endorsement is still not assured. The German Bundesrat is not expected to exercise its suspensive veto when the agreements come up for consideration on 18 March. (Secret)

CHINESE COMMUNISTS CONTINUE
MILITARY PREPARATIONS Page 1

The Chinese Communists are still improving offensive and defensive positions near the Matsus and Quemoy. (Secret Nofoin)

USSR SHIFTS POSITION
ON DISARMAMENT Page 2

Soviet tactics at the disarmament talks in London shifted on 11 March, when Gromyko dropped his demand for a ban on nuclear weapons as a "first step" and suggested that the subcommittee discuss the more conciliatory Soviet proposal of 30 September 1954. The move appeared to be aimed particularly at impressing the French delegate. (Secret)

PART II

NOTES AND COMMENTS

Molotov's Status: Foreign Minister Molotov appears to have suffered a loss of prestige and influence during recent months, but he is apparently not in serious political danger. (Secret Nofoin). Page 1

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Soviet-Yugoslav Relations: The recent Moscow-Belgrade propaganda exchange shows that the Soviet Union intends to continue "normalization" but still does not intend to take public blame for the 1948 break, as the Yugoslavs want it to do. (Confidential) . . . Page 2

Developments in Hungary: A trend already appears to be developing in Hungary to carry to extremes the tactical changes in policy which the party central committee recently approved. Rakosi seems to be aware, however, that such extremism is likely to cause an increase in popular disaffection. . . . Page 2

Promotions of Soviet Officers: Recent promotions of Soviet officers to the rank of marshal are a reflection of increasing prestige for the military leadership and conform with current Soviet emphasis on military preparedness. . . . Page 3 25X1

Japan-Orbit Relations: The selection of Arata Sugihara, Hatoyama's personal adviser on foreign affairs, to head the Japanese delegation at the forthcoming Japan-USSR talks in New York may seriously weaken Japan's bargaining position. Sugihara advocates the immediate establishment of diplomatic relations, leaving controversial issues to be settled later by treaty. . . . Page 5

South Korea Threatens to Act Against Truce Inspectors: The South Korean government has threatened to act against Polish and Czech truce inspectors within its borders if the current diplomatic exchanges on the status of the Neutral Nations Supervisory Commission fail to terminate the commission's activities or at least remove Communist inspectors from South Korea. . . . Page 5

The Associated States: Vietnam: Political maneuvering by the sects against Diem has reached a new high. The sects continue to hope that Bao Dai will save them by returning to Vietnam and sweeping Diem aside. Cambodia: Cambodia's decision to hold elections in September rather than April confronts the truce commission with the necessity of choosing between giving up its plan to supervise the elections or prolonging its activities for several months. Laos: A continued effort on the part of the government to "win over" the Pathet Lao is indicated by its agreement to a cease-fire. . . . Page 6

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The Afro-Asian Conference: The issue of coexistence may stir bitter debate and divide the sponsoring powers at the Afro-Asian conference; meanwhile, the Communists continue their elaborate preparations for the conference. (Secret) Page 8

Food Problems in South Asia: Subnormal winter rainfall will probably result in lower food grain production during 1955 than in the excellent crop years of 1953 and 1954 in most countries along the southern periphery of Asia from Afghanistan to Indochina. (Secret) Page 8

Arab-Israeli Border Tension: Tension on the Arab-Israeli borders continues high, but the beginning on 17 March of UN discussion of the Gaza incident has resulted in some relaxation. Troop movements have continued on both the Egyptian and Israeli sides, but they appear to be precautionary measures rather than preparations for large-scale hostilities. (Secret) Page 9

Iraq and Egypt Struggle for Control of Syria: Iraq and Egypt, engaged in a struggle for the domination of Syria, are supporting rival Syrian factions. The conflict may be brought to a head if Egypt makes a strong bid for Syrian signature and ratification of its new anti-Iraqi defense pact. (Secret Nofoin). Page 10

US-Portuguese Air Base Talks: Lisbon has already indicated it will drive a hard bargain in the current negotiations for American air base rights on Sal Island in the Cape Verde group. These discussions may foreshadow additional difficulties in the forthcoming negotiations for a renewal of the Azores base agreement of 1951. (Secret) Page 10

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Strikes Expected to Paralyze Icelandic Economy: The strike of 13 major Icelandic unions, scheduled for 18 March, will paralyze Reykjavik, the economic hub of the country. American defense officials in Iceland expect a prolonged work stoppage and have requested an airlift of essential supplies. (Secret Nofoin) Page 12

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Instability in Chile: Chile's critical political and economic situation is underlined by recent reports of increased army concern over the instability of the government. (Secret) Page 12

PART III**PATTERNS AND PERSPECTIVES**

JAPANESE ATTITUDES TOWARD REARMAMENT Page 1

Japan's new leaders have made it abundantly clear that butter has priority over guns in their plans for the coming year. They insist that any increase in military spending would either lead to inflation or cause the abandonment of the Hatoyama program for tax reductions and social welfare projects. (Secret)

SOVIET ORBIT ACTIVITIES IN LATIN AMERICA Page 3

The past two years have seen a marked increase in Soviet and Satellite activity in Latin America--among other things, an expansion of Orbit diplomatic missions, a moderately successful trade offensive, and a strong cultural offensive. These Orbit activities, although handicapped by the anti-Communist, pro-American orientation of Latin American governments, are aided by economic difficulties and apathy toward local Communists. (Secret)

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PART I**OF IMMEDIATE INTEREST****CHANCES FOR RATIFICATION OF
PARIS ACCORDS IMPROVE**

Prospects for approval of the Paris agreements in the French Council of the Republic have improved during the past week, but council endorsement is still not assured.

Premier Faure and Foreign Minister Pinay are reported to have made favorable impressions in their defense of the agreements before the council's Foreign Affairs Committee. This key committee voted out a report on 16 March approving the agreements.

The touchy Saar issue seems to have been sidetracked, and the arms production pool question continues to be only potential troublesome.

Both Faure and Pinay expect the cabinet to maintain a facade of solidarity in support of the accords.

Minister of State Palewski, on the other hand, is still intent on obtaining council support for four-power talks,

and a spectacular Soviet move on East-West talks or disarmament, or even a well-publicized move by General de Gaulle, could give Palewski the leverage he needs to try to throw council opinion against unconditional approval of the agreements. This is particularly the case in view of the reluctance of senators to vote for German rearmament just before the cantonal and council elections in April and June.

The German Bundesrat is not expected to exercise its suspensive veto against the Paris accords when they come up for consideration on 18 March.

While the opposition Social Democrats have reportedly secured sufficient support from dissident coalition deputies to bring the Paris accords before the Constitutional Court, government legal experts are confident that the court will not delay final approval or deposit of the accords. (SECRET)

**CHINESE COMMUNISTS CONTINUE
MILITARY PREPARATIONS**

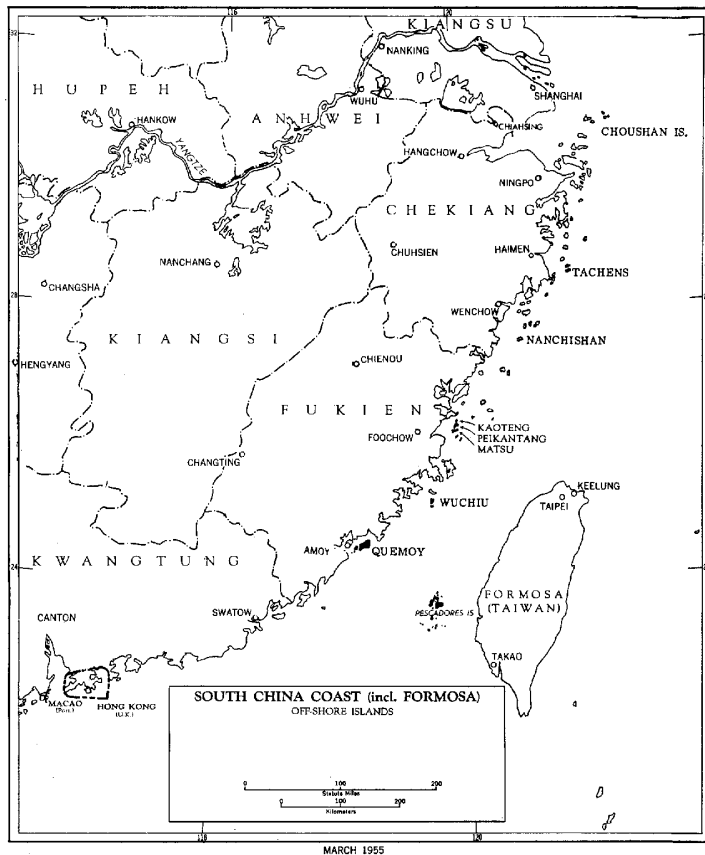
The Chinese Communists are still improving offensive and defensive positions near the Matsus and Quemoy, but they have not yet undertaken any serious move against islands in either group.

There are indications that the Communists have recently

increased their naval strength in the Foochow area, opposite the Matsus. An LST and several torpedo boats have been reported there recently.

Chinese Communist planes have not yet appeared over the Matsus or Quemoy.

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that the Chinese Communists have not begun readying any of the airfields in Fukien Province, opposite the offshore islands and Formosa.

There has been no change in the Communist position on a cease-fire in the China area--namely, that Peiping will not recognize the "two Chinas" concept in any way.

The Soviet and Chinese Communist press, commenting on recent speeches by Secretaries Eden and Dulles, have noted with approval Eden's call for a Nationalist withdrawal from the offshore islands but have denounced Eden for not opposing American "occupation" of Formosa and for

Contrary to previous reports, however, air photos and current reconnaissance indicate

suggesting Nationalist representation in any international conference. (SECRET NOFORN)

USSR SHIFTS POSITION ON DISARMAMENT

Soviet tactics at the disarmament talks in London shifted on 11 March, when Gromyko gave up his demand for a ban on nuclear weapons as a "first step" and suggested that the subcommittee discuss the Soviet proposal of 30 September 1954.

This proposal accepts the American-endorsed Anglo-French memorandum of last June as a basis for discussion and provides for a phased disarmament program before the actual destruction of atomic stockpiles.

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Gromyko's maneuver appears to have a direct connection with Moscow's campaign against the ratification of the Paris agreements--coming as it did in response to a strong attack by French delegate Moch on Gromyko's earlier extreme position. Moscow is aware that Moch, in his desire to prevent German rearmament, has been impressed by previous Soviet maneuvers on the disarmament question.

At any rate, the new move will keep the disarmament talks going, and will thus offer Gromyko additional opportunities for attempting to separate the French from the United States and Britain.

The Soviet Union has also been promoting its position on "atoms for peace" and attacking President Eisenhower's UN-endorsed atomic pool plan in attempts to divert attention from its basically un-co-operative stand at the London talks.

Pravda on 13 March denounced the President's offer of December 1953 as "ostentatious propaganda" and again insisted that all nuclear materials--instead of the "small part" provided for in the President's plan--should be used for peaceful purposes. (SECRET)

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PART II**NOTES AND COMMENTS****Molotov's Status**

Foreign Minister Molotov appears to have suffered a loss of prestige and influence during recent months, but is apparently not in serious political danger.

The American embassy in Moscow interprets the Soviet publication of Marshal Tito's recent remarks criticizing Molotov as a slap at Molotov and possibly as a warning to him against opposing the foreign policy views of the Khrushchev-Bulganin leadership.

There have been other signs during the past six months that Molotov's political prestige has been deteriorating.

He was not included in the delegation, headed by Khrushchev and including Bulganin and Mikoyan, which undertook the highly publicized diplomatic mission to Peiping last fall.

Ambassador Bohlen noted that Molotov seemed extremely subdued and ill at ease at a reception in Moscow in November, and conjectured that his conduct of foreign affairs had been criticized by his associates on the party presidium.

At a diplomatic reception in December, Molotov was described as "sullen" and "glacial" throughout a discussion of Soviet foreign policy. At that time, Ambassador Bohlen expressed the opinion that there was probably a difference of views within the Soviet leadership as to how the USSR should react to final ratification of the Paris agreements.

Bulganin's unusual offer to receive the heads of diplomatic missions in Moscow can be regarded as a snub to Molotov. They also noted that a speech delivered by Molotov in mid-February was not published in the Soviet press.

Although these facts appear to be insignificant individually, cumulatively they suggest a gradual loss of political prestige.

The evidence does not appear, however, to be sufficient to justify a conclusion that Molotov is likely to be demoted or suffer political eclipse.

Molotov, the oldest of the Old Bolsheviks, has survived many political changes in the course of his long career, always conforming to the prevailing party line.

He is probably less subject to the pressures of political leadership rivalries than most of his colleagues since he seems never to have been a strong contender for the top place in the Soviet hierarchy. In recent years he has confined his activities largely to the foreign affairs field.

Molotov has thus acquired unique experience and skills which are useful to the present leadership in an area of government that does not permit him seriously to threaten the position of the more powerful Soviet leaders. (SECRET NOFORN)

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Soviet-Yugoslav Relations

The recent Moscow-Belgrade propaganda exchange shows that the Soviet Union intends to continue "normalization" but still does not intend to take public blame for the 1948 break, as the Yugoslavs want it to do.

After printing excerpts from Marshal Tito's recent speech in its 10 March edition, Pravda commented on the speech on 12 March in such a way as to reaffirm to the Yugoslavs that the USSR desires to continue to improve relations.

At the same time, the article supported Molotov's hint that Yugoslavia would have to take the initiative.

This may be interpreted in Belgrade as indicating a Soviet belief that few further concrete actions can be taken to "normalize" relations.

Relations have been normalized to some extent in practically all governmental, economic, and cultural areas. Further major progress could

only come through the re-establishment of liaison between the Soviet and Yugoslav Communist Parties or through a reduction of Yugoslavia's security ties with the West.

Belgrade has apparently refused to make any such concessions.

Pravda's discussion also clearly showed that the Soviet Union does not intend to take public blame for the 1948 break. Yugoslav leaders consider such a confession a minimum prerequisite to major new moves toward friendly relations with the USSR.

Pravda's position will undoubtedly further disabuse them of their belief that the Soviet Union is undergoing changes in its basic character. The only concession in this matter was Pravda's explicit denial of any Soviet intention to attribute "normalization" to a Yugoslav change of heart. (CONFIDENTIAL)

Developments in Hungary

Hungarian party leaders and newspapers have been zealously attacking Premier Nagy since the publication on 8 March of the central committee resolution reprimanding him.

The attacks by some of the leaders who strongly supported Nagy's liberal views at the central committee meeting last October have already exceeded the terms of the resolution, in which Nagy was accused of leading a "rightist anti-Marxist

deviation" which distorted the new course.

These developments suggest that the Hungarian regime will carry to extremes the tactical changes in policy outlined in the resolution and will adopt drastic measures in an effort to strengthen party control over the population.

When leaders on the second level of authority adopt such measures in attempting to meet

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the central committee's demands, popular disaffection is likely to increase and resistance may become more widespread, though it will almost certainly remain passive and unorganized.

Party leader Rakosi revealed concern over this possibility in a speech before the Budapest party committee on 12 March in which he stressed the party's adherence to the basic tenets of the new course. He emphasized particularly that the party supported independent peasant production and adhered to the principles of voluntary collectivization, collective leadership and the Patriotic People's Front.

Rakosi seconded a statement by Budapest party leader Kovacs on the need to prevent left-wing extremism from endangering policy while the party

was occupied with routing rightist opportunism.

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Promotions of Soviet Officers

A further increase in the prestige of the military leadership in the USSR is reflected in the promotion, announced on 11 March, of six officers to the rank of marshal of the Soviet Union and of five to the rank of chief marshal or marshal of a special arm or service.

The promotions, published shortly after the major government changes in February, are in conformity with current Soviet emphasis on military preparedness.

Except for Biryuzov, who was a staff officer, the new marshals of the Soviet Union were outstanding combat commanders of World War II.

The American embassy in Moscow believes the promotions

may be related to the plan to create an East European unified command, since four of the six new marshals of the Soviet Union occupy key posts in the western USSR or in occupied Europe, while a fifth recently held such a post.

The appointment of six new marshals of the Soviet Union is the largest simultaneous promotion ever made in the USSR to this highest military rank. There are now 17 marshals of the Soviet Union.

Appointment of additional marshals may have been overdue. Since the war, only four officers had been elevated to the rank of marshal.

The careers of at least some of the officers promoted

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MARSHALS OF THE SOVIET UNION			
Name	Age	Date of Rank	Present Assignment
BAGRAMYAN, I. Kh.	55	Mar 55	Commander, Baltic Mil. Dist.
BIRYUZOV, S. S.	51	Mar 55	Assignment unknown
CHUIKOV, V. I.	55	Mar 55	Commander, Kiev Mil. Dist.
GRECHKO, A. A.	55	Mar 55	Commander, Group of Soviet Forces, Germany
MOSKALENKO, K. S.	55	Mar 55	Commander, Moscow Mil. Dist.
YEREMENKO, A. I.	63	Mar 55	Commander, North Caucasus Mil. Dist.
BULGANIN, N. A.	60	Nov 47	Chairman, Council of Ministers
SOKOLOVSKY, V. D.	58	June 46	Chief of General Staff
MERETSKOV, K. A.	58	Oct 44	Commander, White Sea Mil. Dist.
MALINOVSKY, R. Ya.	57	Sept 44	Commander, Far East Mil. Dist.
GOVOROV, L. A.	59	June 44	Assignment unknown
KONEV, I. S.	58	Feb 44	Commander, Carpathian Mil. Dist.
VASILEVSKY, A. M.	57	Feb 43	First Deputy Defense Minister
ZHUKOV, G. K.	58	Jan 43	Minister of Defense
TIMOSHENKO, S. K.	60	May 40	Commander, Belorussian Mil. Dist.
VOROSHILOV, K. Ye.	64	Sept 35	Chairman, Presidium of Supreme Soviet
BUDENNY, S. M.	62	Sept 35	C in C, Cavalry Troops

In addition to the above, Marshal of the Soviet Union K. K. Rokossovsky, age 59, date of rank June 1944, is now Marshal of Poland and Polish Defense Minister.

suggest that their advancement is partly due to their political associations. Three of the new marshals of the Soviet Union who held positions of lesser responsibility during World War II have advanced unusually rapidly since the death of Stalin.

These officers--Moskalenko, Grechko, and Biryuzov--were given new assignments shortly after Stalin's death and, with

Zhigarev, were among those officers who received promotions in the summer of 1953.

Moskalenko became commander of the Moscow Military District at the time of Beria's arrest and was one of the two military members of the court which sentenced him; Grechko assumed command of Soviet forces in Germany in June 1953; Biryuzov took over Soviet forces in Austria in July 1953, but was recalled to Moscow a year later for an unknown assignment.

Grechko and Moskalenko were associated with Khrushchev in the Ukraine during the postwar period and, unlike most other military figures, have been active in party affairs.

The three air officers included in the promotion list are experienced primarily in tactical aviation. No officers associated with the Long Range Air Force are reported to have been promoted to high rank in recent years.

The Soviet air forces are still notably underrepresented in the higher military ranks in comparison with ground forces, despite the promotion of the three air officers. (CONFIDENTIAL)

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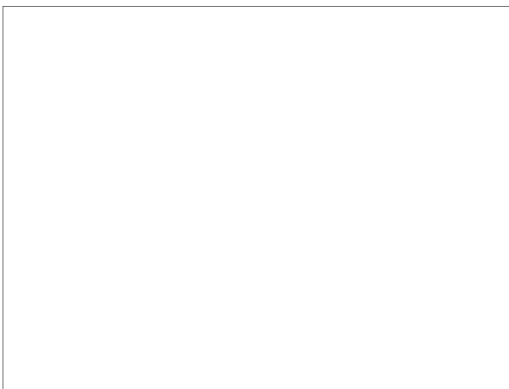
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Japan-Orbit Relations

The selection of Arata Sugihara, Hatoyama's personal adviser on foreign affairs, to head the Japanese delegation at the forthcoming Japan-USSR talks in New York may seriously weaken Japan's bargaining position.

Sugihara advocates the immediate establishment of diplomatic relations, leaving controversial issues to be settled later by treaty.



He is representative of an increasingly influential group of extreme nationalist elements who view relations with the Orbit as a prerequisite to Japan's "complete independence" from the United States.

Sugihara is an "old China hand," having served there in diplomatic posts from 1930 until shortly before the end of the war, when he was picked to head the Foreign Ministry's China Affairs Bureau. There

appears to be little doubt that he regards normalization of relations with the USSR as merely the necessary forerunner to diplomatic negotiations with Peiping and is prepared to pay a large price for it, if necessary.

Foreign Minister Mamoru Shigemitsu now seems assured of retaining his post. While the foreign minister has been a restraining influence in the government's dealings with the Orbit, it is doubtful if he will be able to wield much influence over Sugihara.

The Japanese are becoming concerned over the failure of the USSR to reply to their note of 23 February restating their desire to hold negotiations in New York. There has been some speculation that Moscow may be deliberately delaying action in order to give substance to the Socialists' charge that the Hatoyama government is unable to carry out its promises to normalize Japan's relations with the Orbit.

The USSR is committed to negotiations, however, and its delay, if deliberate, may be due to a desire to divorce these negotiations from the San Francisco treaty. Under the provisions of the latter, Japan is committed until 28 April to extend a treaty on virtually the same terms to any of the nonsignatory nations. (SECRET)

South Korea Threatens to Act Against Truce Inspectors

The South Korean government has threatened to act against Polish and Czech truce inspectors within its borders if the current diplomatic ex-

changes on the status of the Neutral Nations Supervisory Commission (NNSC) fail to terminate the commission's activities or at least remove

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Communist inspectors from South Korea.

In January, the Swiss and Swedish governments, whose representatives along with those of Czechoslovakia and Poland comprise the NNSC, requested both sides in the Korean armistice to consider terminating or reducing the commission's activities.

The Chinese Communists ruled out termination, as desired by the United States, and consented only to negotiations within the NNSC for a reduction in personnel.

In taking this position, the Communists hoped to forestall the resupplying of the United Nations forces with modern equipment, stimulate friction between the United States and South Korea, and force the United States into unilateral abrogation of the armistice if it wished to remove the teams from South Korea.

The decision on future participation in the commission will be made by the Swiss and Swedish governments after they have studied the American and Chinese Communist positions.

Unofficial reactions thus far suggest that the Swiss and Swedes have ruled out abolition because of the Chinese Communist attitude, and will strive to negotiate with the Czech and Polish representatives for substantial personnel reductions, which might leave some teams in North and South Korea.

The latest South Korean threat most likely represents a renewed attempt to press the United States into supporting Korean objectives, and Rhee may attempt to exploit the issue to obtain promises of increased military and economic aid. Nevertheless, if negotiations on the Chinese terms are undertaken in the NNSC, South Korea may covertly direct violence against Czech and Polish inspectors.

Despite the UN commander's warnings that he will take all measures necessary to protect members of the inspection teams, American military authorities in Korea acknowledge that they cannot absolutely protect the inspectors because of the attitude of the Korean authorities and population. (SECRET)

The Associated States

Vietnam: Maneuvering by the sects against Diem has reached a new high. The sects continue to hope that Bao Dai will save them by returning to Vietnam and sweeping Diem aside.

The Binh Xuyen is the closest to Bao Dai of the three sects. It provides Bao Dai with funds and Bao Dai has, in turn, insisted that the Binh Xuyen retain control of the Vietnamese police force.

This mutually beneficial relationship is proving a formidable barrier to Diem's efforts to control his government.

The attempt to murder the governor of South Vietnam on 14 March dramatizes the existing tension. The identity of the attackers remains undetermined, but suspicion points to followers of the Hoa Hao leader Ba Cut, whose armed forces west

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of Saigon have frequently clashed with government troops.

Rumors are circulating that the Binh Xuyen chief, Bay Vien, and the discredited former premier, Tran Van Huu, are plotting an assassination attempt against Diem.

Cambodia: Cambodia's decision to hold elections in September rather than April introduces a new complication in its relations with the truce commission. The commission believes that it has a supervisory function in the local elections. The Cambodian government disagrees. Postponement of the balloting would require the commission to prolong its activities five months--or to give up its plan of supervision.

Sir Anthony Eden's suggestion in late February that India might take over the training of the Cambodian army has evoked little enthusiasm in New Delhi. The Indian truce chairman in Cambodia said that India might raise the subject with the Cambodian government following the elections. In any case, Nehru opposes India's helping to pay for the Cambodian army.

Laos: A "cease-fire" agreed to on 9 March by royal government and Pathet Lao negotiators, which merely commits the respective forces to refrain from hostile acts, indicates the government is prepared to pursue its efforts to "win over" the Communist-backed forces rather than press military action against them.

The government's agreement to continue in Vientiane negotiations on the integration of Pathet Lao adherents into the national community will enable the Pathets to stall for time while continuing to

strengthen their own armed forces.

The agreement provides for a "mixed political committee" of the opposing sides, a device which the Laotian premier had previously described as "dangerous."

Both Peiping and the Viet Minh have increased their propaganda attention to Laos since the Bangkok conference late last month. Most recently Peiping radio has broadcast earlier Burmese press reports that former Chinese Nationalist irregulars are operating against Pathet Lao forces in northern Laos and has charged that the United States is directing and supplying these irregulars.

At the same time, the Peiping press asserts this activity "seriously threatens not only peace in Indochina but also China's security."

The Viet Minh radio alleged that some 3,000 Chinese Nationalist guerrillas had moved into Laos, most of them from Burma.

The remaining Chinese Nationalists in Burma are under military pressure from government forces and some of them may have actually moved into Laos.

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The only favorable development so far as the royal government is concerned is a more objective attitude on the part of the Indian chairman of the International Control Commission.

In a resolution condemning Pathet Lao seizure of a

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government post last January, he sided with the Canadian member and for the first time allowed a vote to be taken in a case where unanimity was lacking. His formerly benevo-

lent attitude toward the Pathet Lao and his passion for unanimity have been important factors in preventing full exposure of the Communists' intent.
(SECRET NOFORN)

The Afro-Asian Conference

The issue of coexistence may stir bitter debate at the Afro-Asian conference and disappoint those who hope the meeting will be essentially a noncontroversial gathering with little emphasis on ideological issues.

The Colombo powers themselves are divided as to whether "coexistence" should be included on the agenda. India and Burma are in favor, while Pakistan and Ceylon are opposed.

Thus the sponsoring powers will, in all probability, be divided on the floor of the conference, as the issue is bound to be presented for consideration. Once the question is introduced, moreover, the debate is likely to be prolonged, with sharp cleavages developing between Communist and anti-Communist delegates--to the despair of neutralists.

The Communists are continuing to make elaborate preparations for the conference.

The American embassy in New Delhi believes that the

Soviet Union, which will not be represented at Bandung, probably regards the forthcoming "Asian Conference for Easing International Tensions" to meet in New Delhi on 6 April as a useful forum from which to express its continued interest in Asian affairs just before the other meeting convenes.

Peiping's high interest in the Afro-Asian conference is indicated by reports that it plans to send a 120-man delegation to Bandung, despite the limit of 20 set by the sponsors.

Although apparently upset by these reports, the Indonesian official in charge of planning the conference has indicated that additional visas would be issued to representatives who could prove that accommodations were available. This would probably be no obstacle to the Chinese. He also indicated that some countries were sending only five or six delegates, which would permit some reallocation of housing. (SECRET)

Food Problems in South Asia

Subnormal winter rainfall will probably result in lower food grain production during 1955 than in the excellent

crop years of 1953 and 1954 in most countries along the southern periphery of Asia from Afghanistan to Indochina.

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Afghanistan has officially informed the United States that it might soon request 50,000 tons of wheat and flour in aid. Wheat in West Pakistan has suffered considerable damage, and crops in East Pakistan are only average. A conference was to be held in Karachi in early March to decide whether wheat imports would be needed in 1955.

Rice production in India is estimated as lower than last year, and the American embassy in New Delhi reports that a decline of over-all food production in 1954-1955 seems certain.

Arab-Israeli Border Tension

Tension on the Arab-Israeli border continues high, but the beginning on 17 March of UN discussion of the Gaza incident has resulted in some relaxation.

Troop movements have continued on both the Egyptian and Israeli sides, but they appear to be precautionary measures rather than preparations for large-scale hostilities.

The principal current points of irritation are the Israeli blockade of a Jordanian village on Mount Scopus near Jerusalem and Syria's detention of four Israeli soldiers. Both of these problems have been the subject of arduous and fruitless negotiations.

Israeli prime minister Sharett has in effect admitted to the American and British representatives in Tel Aviv that the Gaza attack was decided on by the Israeli cabinet. While the precise factors which

Nepal reportedly is already suffering an acute rice shortage. Thailand is anticipating a lower rice yield, and supply shortages in North Vietnam are critical.

Accordingly, the chronically deficit areas of South Asia may again be forced seriously to consider the relationship between food supplies and growing populations.

In India, particularly, popular morale may be appreciably lowered, since top government leaders have repeatedly intimated during the past year that the country's food problems had been solved. (SECRET)

motivated Israel to launch the attack are still unclear, a major factor may be Israel's determination to force the UN and the West to concern themselves more seriously with the Palestine problem.

In the UN Security Council, Israel will seek, as it has on past occasions, to broaden the discussion beyond the immediate issue of responsibility for the Gaza attack into a debate on the whole problem of Arab-Israeli relations. The French, in line with their current tactic of developing closer relations with Israel, have indicated support for this maneuver.

On the basis of previous action, few new developments now seem likely to emerge from the UN discussion. In Palestine the established pattern of minor incidents punctuated by major flare-ups will be resumed. (SECRET)

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**Iraq and Egypt Struggle
For Control of Syria**

Iraq and Egypt, engaged in a struggle for the domination of Syria, are supporting rival Syrian factions. The conflict may be brought to a head if Egypt makes a strong bid for Syrian signature and ratification of its new anti-Iraqi defense pact.

Iraqi officials in Baghdad, Damascus and Beirut have said that Iraq must "lend all-out support" to Syrian conservatives and perhaps even "march in" to help them overthrow the leftist, neutralist government of Prime Minister Asali.

Syria's president Atasi is considering asking Iraq to send troops to Damascus to forestall Egyptian efforts to control Syria militarily.

On the Egyptian side, Prime Minister Nasr told Ambassador Byroade on 10 March that he is "sure" that the Syrian army is with him in his "great effort" to counter Iraq's designs for union with Syria. Nasr declared that "we will have a little Revolutionary Command Council in Syria if trouble really comes."

However, neither Iraq nor Egypt seems prepared to move troops into Syria. Egypt is probably unable to do so, and Iraq is reluctant to take a step which would have severe repercussions throughout the area.

Both sides will continue, nevertheless, to intervene by diplomacy and subversion in Syria's affairs. (SECRET NOFORN)

US-Portuguese Air Base Talks

Lisbon has already indicated it will drive a hard bargain in the current negotiations for American air base rights on Sal Island in the Cape Verde group. These discussions may foreshadow additional difficulties in the forthcoming negotiations for a renewal of the Azores base agreement of 1951.

An American air force installation on Sal could serve as a link in an alternate Atlantic route in time of war.

In time of peace, a small custodial detachment would be stationed there and would service occasional transit flights. No particular difficulty was encountered in

obtaining Portuguese authorization for the surveys conducted on Sal in 1952 and 1953.

Portuguese defense minister Santos Costa told American ambassador Bonbright on 9 March that while he personally was well disposed toward granting the concessions sought, he foresaw opposition from General Cintra, the director of civil aviation who is responsible for over-all supervision of Sal airport. Cintra, he said, "dislikes the United States."

Portuguese objection to American use of Sal might arise not so much from Cintra's supposed anti-Americanism as from Lisbon's opposition to having Sal airport used for both civil

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and military air service. The Portuguese commercial airline has its own program for using this airport on the Portugal-Brazil route.

Negotiations on the Azores base agreement, which expires on 31 December 1956, had been scheduled to start last month but have been postponed. Whenever held, they are likely to be long and difficult.

The Portuguese have tied to the Azores issue a request for enough jet planes to equip two additional squadrons beyond the three called for under the MDAP program for Portugal. They are also likely during the negotiations to press for an American guarantee of their holdings on the Indian sub-continent. (SECRET)

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**Strikes Expected to Paralyze
Icelandic Economy**

The primary effect of the strike by 13 major Icelandic trade unions, scheduled to begin 18 March, will be to paralyze the docks in Reykjavik, the major port and economic hub of Iceland.

There are no immediate shortages at the American-manned Keflavik air base, but American defense officials expect the strikes to last from 3 to 5 weeks, and have requested an airlift for essential supplies. These officials also believe that sympathetic walkouts at the airbase are possible two or three weeks after the initial work stoppage.

Although the strike has been ostensibly called over employers' refusal to meet union demands for at least a 40-percent wage increase, the decision to strike is actually a victory for the Communist elements who have been spearheading the campaign.

The Communists, who with left-wing Social Democrats now control the Icelandic Federation of Labor, evidently hope to extend their control over the entire movement and to use it eventually for political purposes. (SECRET NOFORN)

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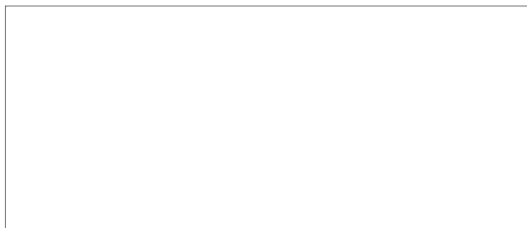
Instability in Chile

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The chronic instability in Chile since Ibanez' inauguration has given rise to frequent reports that he would assume dictatorial control. Ibanez himself stated last July that if Congress should refuse his request for special powers to combat Chile's economic and political ills, he would dissolve it and rule by decree.

He has not carried out this threat, however, and is believed still reluctant to abandon constitutional procedures. Indeed, his failure to exercise strong leadership has been a contributing factor to the present difficult situation.

The political situation is complicated by Ibanez' lack of majority support in either

house of Congress, and policy differences among administration supporters. The opposition is also divided, however, and no one has been able to formulate an economic program acceptable to either house of Congress.

The problem of inflation in Chile has become particularly acute since World War II. The cost-of-living index (1948 = 100) increased from 63 in 1946 to about 560 in January 1955.

Chile's spiraling cost of living is giving the outlawed Communist Party, with a membership of 30,000 to 35,000, a great propaganda opportunity, particularly among labor elements. The Communist daily, El Siglo, is more widely read by the working class than any other newspaper in Chile.

Communist influence in the armed forces is negligible, however, and it is believed that the Communists will not be able to improve their position significantly in Chile as a result of the current political tension. (SECRET)

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SOVIET ORBIT ACTIVITIES IN LATIN AMERICA

The past two years have seen a marked increase in Soviet and Satellite attention to Latin America--among other things an expansion of Orbit diplomatic missions, a moderately successful trade offensive, and a strong cultural offensive.

Although all Latin American governments remain more or less anti-Communist and oriented toward the United States, the Communists are able to exploit the area's economic difficulties and a common belief that Communist activities represent no immediate threat.

"Anti-imperialist" propaganda is aided by the fact that diverse elements, including non-Communists, see Latin America as subservient to the interests of United States markets, investors, and international policies.

Missions Enlarged

The USSR, with embassies in Mexico and Argentina and a legation in Uruguay, has approached other countries with a view to establishing diplomatic or commercial relations. Satellite countries maintain diplomatic and consular offices in Brazil, Bolivia, and Ecuador, as well as in Mexico, Argentina, and Uruguay.

In the past two years the number of persons assigned to

the USSR's missions in Latin America has risen from 73 to about 140. The Satellite missions have also increased in size. The commercial section alone of the Czech legation in Buenos Aires now has a permanent staff of some 14 persons.

Increased Orbit military interest in Latin America is suggested by a rise in the number of Soviet service attachés, a trend also noted in Europe and the Middle East.

Since 1953 the number of Soviet service attachés in Buenos Aires has been increased from two to four and in Mexico from four to eight. In addition to requesting military information, the attachés have at times disseminated propaganda. These activities appear to have been permitted, though not encouraged, by Latin American governments and accepted by most members of the attaché corps.

Trade Offensive

The current Communist trade offensive is highlighted by plans for the Soviet trade fair scheduled to open in Buenos Aires in April. This effort, however, dates back to the Moscow economic conference of 1952, which established a permanent international front organization for the promotion of East-West trade. Local

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branches of this organization are reported to have been organized in 15 Western nations, including five in Latin America: Argentina, Brazil, Chile, Uruguay, and Mexico.

Concurrent with the Orbit's adoption of "new course" trade policies in mid-1953, trade activities increased. East Germany concluded its first trade agreements with Latin American countries during 1954, and other Satellite trade activities in the area were expanded considerably.

Argentina and Uruguay, both traditionally dependent on the export of farm surpluses, have trade agreements with the USSR as well as with Satellite countries. The Soviet Union was one of Uruguay's best customers in 1954.

Although both Argentina and Uruguay have accumulated heavy credit balances, as a result of the USSR's failure to deliver goods--despite its trade propaganda--these balances in themselves may encourage continued trade.

Brazil, which sees Soviet trade offers as primarily propaganda, has been cautious about entering into agreements with the USSR, but has greatly increased its trade with the Satellites, particularly Czechoslovakia.

Chile, experiencing uncontrolled inflation and suffering from fluctuations in the world price of copper, has been deluged with Communist trade propaganda and offers to purchase copper. The Ibanez government, however, has promised the United States not to sell copper to the Orbit.

Mexico has not been particularly vulnerable to Orbit trade propaganda, but its small import trade from the Orbit may have doubled in 1954.

The over-all effectiveness of the Communist trade offensive is indicated by the trade total of about \$125,000,000 between Latin America and the Orbit in the first six months of 1954, as compared to only about \$70,000,000 in all of 1953.

Incomplete trade statistics suggest that Latin American exports to the Orbit in all of 1954 may have been five times as great as in 1953, while imports may have doubled. Trade with the Orbit remains, however, a very small percentage of Latin America's total trade.

Cultural Offensive

The Communist cultural offensive in Latin America has been marked by an expansion of local "cultural" societies. New Russian centers have recently been formed in Brazil and Chile, and the number of provincial branches in other countries has been increased.

Such centers are now operating in Argentina in the cities of Buenos Aires, Rosario, Mendoza, Cordoba, and Tucuman; in Brazil, in the cities of Rio de Janeiro and Sao Paulo; in Chile, in Santiago; in Mexico, in Mexico City, Guadalajara, and Monterrey.

The Union Eslava in Uruguay, a Slavic society, is closely linked with the Soviet legation in Montevideo and is also a "cultural" center.

The Satellites have also increased their cultural efforts. A committee to establish a Bolivian-Hungarian "cultural" center was formed in October 1954, a Chilean-Bulgarian institute was formed in September 1954, and a Czech-Bolivian "Friendship Center" in February 1955.

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These "cultural" organizations are closely associated with the Soviet and Satellite diplomatic missions, though they place emphasis on national sovereignty, patriotism, and nationalism. Their chief functions are the distribution, translation, and publication of Communist propaganda material.

Propaganda Activities

The Soviet and Satellite missions and international

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front organizations indirectly subsidize propaganda activity by providing discounts and special facilities to local distributors.

The Soviet embassy in Mexico City, for example, recently aided in the establishment of a firm for the distribution of Russian films in Mexico and Central America. Artkino Pictures of Buenos Aires also distributes such films, offering them at rental costs 50 to 60 percent below those of American films.

Various local bookstores, publishing houses, and newsstands assist the Communist propaganda effort. Ediciones Pueblos Unidos of Montevideo, for example, receives up to 500 copies of the Cominform journal by air. Editorial Popular, a Mexican publishing house which prints Communist Party material, displayed and sold Communist publications at the recent Mexico City book fair.

The cultural offensive is aided by local Communist and Communist-front organizations, sometimes supported by agents or sympathizers from other Latin American countries.

A "cultural week" conference was held in San Salvador from 22 to 27 November 1954, for example. Organized by Salvadoran Communists, its featured visitors included Francisco Carone, a suspected Communist from Cuba and a highly effective anti-American propagandist; Maria Puentes, a Cuban Communist; and a Mexican leftist, Dr. Mario de la Cueva.

Increase in Travel

A striking corollary of the cultural offensive has been

the increase in travel between Latin America and the Orbit, which reflects the USSR's "open door" policy toward friendly delegations begun in 1952. A total of possibly 1,600 Latin Americans visited the Orbit in 1953 and 1954, mostly under Communist auspices.

Complementing this travel has been that of Soviet delegations to Latin America. In 1954, these included a chess team, a sharpshooting team, medical delegations, and theatrical artists. Ilya Ehrenburg, the Soviet author and propagandist, also visited Latin America for the purpose of presenting a Stalin Peace Prize to Pablo Neruda, the Chilean Communist poet.

Results of the Drive

The increased attention of the USSR and its Satellites to Latin America has already produced some concrete results in the realm of trade relations.

Latin American economic difficulties provide a favorable atmosphere for further trade overtures and for the growth of nationalist movements which link the "solution" of political and economic problems to the weakening of United States influence in the area.

Local Communist organizations, meanwhile, are showing increased flexibility in their efforts to build anti-American "united national fronts." These factors, coupled with the Orbit's propaganda and cultural campaign, may serve to increase Orbit influence in Latin America. (SECRET)

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