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COPY NO. 16
OCI NO. 5431/55

23 June 1955

CURRENT INTELLIGENCE WEEKLY SUMMARY



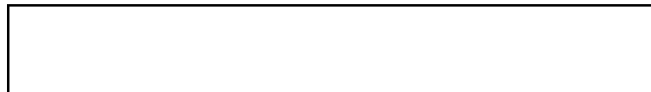
CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

DOCUMENT NO. 15
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS, S, C
NEXT REVIEW DATE: 1989
AUTH: HR 70-2
DATE: 26 Jul 79 REVIEWER:

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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

SUMMIT CONFERENCE DEVELOPMENTS Page 1

Moscow is continuing to insist that the status of the European Satellites cannot be discussed at the summit conference, while it remains vague about whether the discussions will include the German unification problem. The Soviet Union may take the position that all-German talks and four-power progress on broader issues, such as European security, are necessary first. [redacted]

THE ARGENTINE REVOLT Page 2

The revolt of 16 June has left a military junta apparently exercising the executive power in Argentina, although President Peron is still referred to as chief of state. Peron's immediate future seems to depend in part on negotiations now under way between the joint military command and rebel naval units reported still in control of the naval base of Puerto Belgrano. [redacted]

CONSEQUENCES OF ITALIAN PREMIER'S RESIGNATION Page 3

The resignation of Premier Scelba on 22 June, caused by a split in the Christian Democratic Party, presages a long period of political instability in Italy, possibly culminating in general elections next spring. In the meantime, if President Gronchi followed the customary practice in choosing a candidate to form a new cabinet, he would call on a member of the faction which brought down the government, and would probably select former premier Pella, leader of the Christian Democratic right wing. [redacted]

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THE WEEK IN BRIEF

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PART II

NOTES AND COMMENTS

Menon's Conversations: India's Krishna Menon, in conversations at the UN and in Washington, has supported Chou En-lai's various proposals relating to Sino-American negotiations, but has offered no evidence of a change in Peiping's position on the basic issues. The Chinese Communists appear to be awaiting reports from Menon and other intermediaries in order to assess the prospects for talks. [redacted] Page 1

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Soviet Invitation to Adenauer Arouses Satellite Apprehension: The Soviet invitation to West German chancellor Adenauer has received the official approval of the East European Satellites, but it has at the same time evoked apprehension among them. This reaction was most pronounced in East Germany and Poland, the two countries most directly concerned with Soviet-West German relations. [redacted] Page 2

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Polish-Soviet Relations: The Soviet Union appears to be establishing a new basis for its relations with the Polish Communists by admitting that errors were committed against Polish Communism during the Stalin period. The USSR may be preparing to permit the Polish party to adopt a policy of building Socialism in accordance with local conditions and national traditions. [redacted] Page 3

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Soviet Overtures to Greece: Since the Soviet-Yugoslav talks, there have been increasing indications that the USSR is making special efforts to improve its relations with Greece. [redacted] Page 4

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Soviet-Japanese Negotiations: Prospects at London talks between Soviet and Japanese negotiators are still favorable for a limited settlement. This might provide for an end to the state of war and restoration of diplomatic relations, while the more controversial issues would be postponed. [redacted] Page 5

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The UN Membership Question: Hope for an early break in the five-year deadlock on the UN membership question has risen in United Nations circles since the signing of the Austrian treaty which endorsed UN membership for Austria. Most countries expect that unofficial talks among the Big Four foreign ministers at the San Francisco commemorative session will lead to some agreement on the membership problem. [redacted] Page 7

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Progress Report on Soviet Agriculture: Substantial progress has been announced by First Party Secretary Khrushchev toward fulfilling the Soviet planting goals this spring. The weather has been generally favorable in the established agricultural areas but dry in parts of the "new lands." Fulfillment of production goals depends on good weather throughout the summer in areas which are often arid. [redacted] Page 8

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Vietnam: The Vietnamese government is putting first priority on reaching an agreement with the French on the status of the French Expeditionary Corps and is apparently unwilling to take a definite position on the question of pre-election talks with the Viet Minh until it has achieved this goal. The army is proceeding with its campaign against the Hoa Hao rebels. [redacted] Page 9

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Cambodia: An official request by the Cambodian government for a ruling by the International Control Commission on the US-Cambodian military aid agreement is expected to result in a decision within a week. At present, it appears likely that the commission will request the Cambodians to provide an explanation of certain points in the aid agreement. A flat denunciation of the agreement by the commission is unlikely unless New Delhi, so instructs its representative. [redacted] Page 10

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New Constituent Assembly in Pakistan: The Pakistan governor general will probably be unable to control the new constituent assembly when it convenes on 7 July. The resulting confusion in the government will again tempt the governor general to dismiss the assembly. [redacted] [redacted] Page 11

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Afghan-Pakistani Dispute: There have been signs during the past week that Afghanistan is beginning to give in to Pakistan in the dispute over the 30 March riots in Kabul. The trend of events suggests that Daud no longer has a free hand in making Afghan policy. [redacted] Page 13

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Israeli-Egyptian Border: The partial relaxation of tension on the Egyptian-Israeli border noted since the beginning of June has continued despite minor incidents and Israeli army maneuvers. [redacted] Page 13

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French North Africa: Paris has named Gilbert Grandval, the outspoken and strong-willed former chief of the French mission to the Saar, as resident general to a tense Morocco. Prospects are that disorders will continue. In Algeria, troops and police reinforcements have brought terrorist activity under more effective control. In Tunisia, opposition to National Assembly approval of the French-Tunisian agreement continues. [redacted] Page 14

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East Germany Feeling Pinch of Bonn's Embargo: East Germany apparently is feeling the pinch of the selective embargo on iron and steel products imposed by West Germany in reprisal for the highway toll increases. As a result, the East Germans may adopt a more conciliatory attitude during the forthcoming negotiations on the tolls with West German officials, but they are unlikely to deviate from their basic policy of attempting to secure a greater degree of recognition from Bonn. [redacted] Page 15

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PART III

PATTERNS AND PERSPECTIVES

MOSCOW ATTEMPTS TO SEIZE INITIATIVE ON "ATOMS FOR PEACE" . Page 1

The Soviet Union's invitation to a number of scientists of non-Communist countries to attend a Soviet-sponsored conference from 1 to 5 July on the peaceful uses of atomic energy is the latest of several dramatic moves the USSR has made this year in the field of atomic energy. The scheduled conference, in addition to emphasizing Moscow's new liberal policy in releasing nuclear information, apparently is designed to give greater appeal to the Soviet disarmament proposal of 10 May and to strengthen the USSR's position at the four-power talks and at the UN-sponsored conference on atoms for peace scheduled to convene in Geneva in August. [redacted]

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THE COAL-STEEL COMMUNITY AND EUROPEAN INTEGRATION Page 6

The 1-3 June conference of the foreign ministers of the six Coal-Steel Community countries considered the prospects for further strengthening Western Europe through economic union. Agreement was reached in principle on the goal of economic union, and specific integration objectives were established. These new objectives will be the subject of continuing negotiations between now and the next such conference which is scheduled to be held not later than October.

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PART I

OF IMMEDIATE INTEREST

SUMMIT CONFERENCE DEVELOPMENTS

Moscow is continuing to insist that the status of the European Satellites cannot be discussed at the summit conference, while it remains vague about whether the discussions will include the Germany unification problem. Soviet bloc spokesmen have been contributing contradictory hints on the type of German offer the USSR has in mind.

Moscow is obviously very sensitive to suggestions for discussion of the internal structure of Satellite states, and is trying to discredit any concessions in this sphere as a legitimate quid pro quo for the withdrawal of American troops and bases from Europe. The USSR has not yet, however, denounced possible discussion of Satellite "neutralization," which might involve troop withdrawal, the dissolution of alliances, and limits on armed forces.

Soviet propaganda comment on the meetings of the three Western foreign ministers in New York tried to prove there were wide areas of disagreement among them, and particularly claimed that the United States was opposed to discussion of disarmament and Far Eastern issues at Geneva.

Soviet and East German propaganda comment on the four-power conference has recently begun to include references to the German issue, but in terms which most often imply that German unification would not be on the agenda but would be facilitated if progress were

made on other measures to lessen world tension.

A Moscow radio commentary, which listed disarmament, European security, and Far Eastern questions as "outstanding issues," added that German unity depends to a great extent on co-ordination of four-power views.

A East German government statement said that a German settlement "would be facilitated by positive results from the Geneva conference." It added that the most important contribution toward unification must be made through understanding among the Germans themselves.

An East Berlin newspaper warned that while the Paris accords are in force four-power negotiations on German reunification "will bear no fruit," but added that this did not bar the German problem from the conference agenda. It predicted that at Geneva the USSR would press for cancellation of the Paris accords and exclusion of Germany from military alliances as the prerequisite for free elections.

An East German Committee for German Unity proposed that representatives from both parts of Germany work out a common position in preparation for the conference, including agreement on withdrawal of occupation troops, removal of military bases, a peace treaty, and membership of an alliance-free Germany in a collective security system.

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Soviet bloc officials have expressed contradictory views on the prospects for a new Soviet unification offer at Geneva.



Soviet officials in Moscow and Berlin were said to have impressed West German newsmen with the USSR's unwillingness to consider yielding East Germany and its interest in a limitation on armaments of the two German states.

On the other hand, a TASS representative in London asked a West German newsman what the German reaction would be to a

Soviet offer for free elections, in return for some form of neutralization. The TASS man added free elections would probably result in a 90-percent East German vote for the West German government.

Although Moscow may find it necessary from time to time to inspire speculation that it is preparing a serious new unification plan, the weight of evidence at present would seem to indicate that it hopes to avoid the issue during the Geneva conference, holding that all-German talks and four-power progress on broader issues such as European security are necessary first.

(A roundup of information relating to the "summit conference" is contained in a special SUMMIT CONFERENCE SUPPLEMENT being distributed to recipients of this publication.)

THE ARGENTINE REVOLT

The revolt which broke out on 16 June has left a military junta apparently exercising the executive power in Argentina, although President Peron is still referred to as chief of state. Peron's immediate future seems to depend in part on negotiations now under way between the joint military command and rebel naval units reported still in control of the naval base of Puerto Belgrano.

Minister of the army Lucero, to whom Peron gave lavish public praise for defending the government, has emerged as the key figure in the government. He controls all of the military and security forces

and on 21 June was reported to be sharing the executive power in a junta also including the commanding general of the interior, General Emilio Forcher, and the subsecretary of the army, General José Embrione.

Both Forcher and Embrione are highly respected within the services by both pro- and anti-Peron elements.

The joint military command has apparently not yet succeeded in reaching any agreement with the rebel naval forces, and there is much speculation in Buenos Aires that the chief point at issue is Peron's future.

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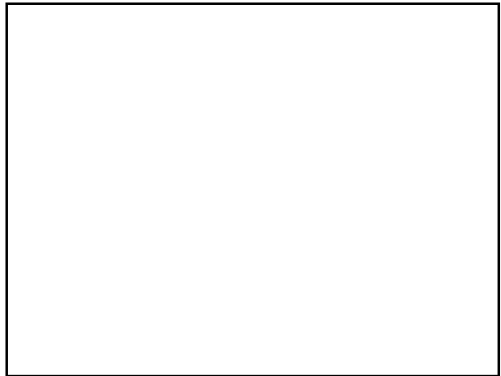
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Organized labor, traditionally the dominant power in Peron's regime, has remained generally quiescent, contrary to its behavior in previous crises. A few labor groups were reported shortly after the revolt as engaged in looting

and partly responsible for the burning of churches, but these were probably acting without direction. A larger number of workers were observed with arms in their hands during the bombing and strafing raids, but their many casualties, combined with Peron's radio appeals to remain calm, evidently discouraged them from attempting to play any prominent role.

It is clear that Peron's power has been sharply curtailed by the army, though he remains at least the nominal head of the government. A more precise indication of the new distribution of power will appear with the announcement of new cabinet members.

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**CONSEQUENCES OF
ITALIAN PREMIER'S RESIGNATION**

The resignation of Premier Scelba on 22 June, caused by a split in the Christian Democratic Party, presages a long period of political instability in Italy, possibly culminating in general elections next spring.

In the meantime, if President Gronchi followed the customary practice in choosing a candidate to form a new cabinet, he would call on a member of the faction which brought down the government, and probably select former premier Pella, leader of the Christian Democratic right wing.

If Pella should seek support from the Monarchists, on whom he relied during his 1953 premiership, he would almost

certainly lose the support of the left and larger wing of his party, which believes, as did the late premier De Gasperi, that such an antireform government would revive the waning fortunes of the Italian Communists.

During his previous premiership, Pella apparently had an informal understanding with the Communists for mutual tolerance. It is reported that he would not be unwilling to make a working arrangement with Nenni instead.

An arrangement with Nenni would reportedly be possible under most of the other leading candidates, who are left-wing Christian Democrats and believe with President Gronchi that the Communists would be

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seriously undercut if the Nenni Socialists could be weaned away from them in support of a reformist government.

These candidates are: Budget Minister Vanoni, former agriculture minister Segni, and party secretary Fanfani. An additional candidate, whose position on co-operating with Nenni is unclear, is the right-wing leader Gonella.

The Christian Democrats are reported to be encouraged by their gains in the 5 June Sicilian elections, and if a prolonged period of unstable cabinets results, they may well try to push the 1958 date for the national elections up to 1956, in the hope of acquiring a stronger popular mandate at that time.

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PART II

NOTES AND COMMENTSMenon's Conversations

India's Krishna Menon, in conversations at the UN and in Washington, has supported Chou En-lai's various proposals relating to Sino-American negotiations, but has offered no evidence of a change in Peiping's position on the basic issues. The Chinese Communists appear to be awaiting reports from Menon and other intermediaries in order to assess the prospects for talks.

Menon has seconded Chou En-lai's proposal for early diplomatic contacts between American and Chinese Communist envoys in New Delhi, London and Moscow. Both Chou and Menon have suggested that such contacts would reduce tensions immediately and could lead easily into formal negotiations.

Chou and Menon have also argued that it is the turn of the United States to make some concession--in the interest of improving the atmosphere for talks--to balance Peiping's gesture in releasing the four American airmen. Both have suggested such actions as permitting relatives to visit Americans still detained in Communist China, encouraging additional Chinese students in the United States--only one of whom is held against his will--to go to Communist China, inducing Taipei to evacuate the remaining Nationalist-held offshore islands, and relaxing trade restrictions on Peiping.

Both Chou and Menon have recommended that the topics for any Sino-American talks be defined in general terms, such as "relaxation of tensions" or the "general area" of Formosa. Chou had said in April

that the first step was to determine whether the United States was willing to undertake talks, after which the agenda could be arranged.

Neither Menon nor any other source has provided any evidence of a modification in Peiping's hard line on the basic issues. The Chinese Communists have consistently asserted that there is no need for a cease-fire and that they wish to negotiate only about the American "occupation" of Formosa--that is, the American-Nationalist defense treaty and the presence of American forces in and around Formosa.

Peiping has made clear its hope of negotiating a peaceful "liberation" of Formosa with the undefended Nationalists. At the same time, the Communists have left themselves room to postpone a Formosa operation indefinitely in exchange for American concessions on various political, economic and military matters.

Menon is scheduled to have additional talks with American leaders in the next few weeks, and Burmese premier U Nu is to arrive in Washington next week. U Nu will almost certainly want to discuss the prospects for Sino-American negotiations.

Menon has said that he will report back to Chou on the results of all his talks, and U Nu presumably intends to do the same. It thus seems likely that Peiping will await receipt of such reports, as well as the outcome of the summit talks, before making a decision as to its future course of action in

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the Formosa Straits. The Communists may well seize any opportunity the Nationalists give them, however, to pose as the aggrieved party and to take defensive action in the area.

Meanwhile, Peiping's public and private statements have continued to suggest that the

Chinese Communists would welcome, in addition to or instead of bilateral talks, a meeting of five, six, ten or even more powers to discuss a wide range of Far Eastern issues. These issues would be similar to those expected to be put forward by the Soviet Union in the summit talks.

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Soviet Invitation to Adenauer Arouses Satellite Apprehension

The Soviet invitation to West German chancellor Adenauer has received the official approval of the East European Satellites, but it has at the same time evoked apprehension among their governments. This reaction was most pronounced in East Germany and Poland--the two countries most directly concerned with Soviet-West German relations.

Communist leaders in East Germany, apparently caught unawares by the invitation, seem to fear that they may be sacrificed by the USSR for the sake of German unity. One of Bonn's major prerequisites for reunification is the banishment from political activity of the present members of the East German regime.

Some of the East German leaders, notably Deputy Premier Ulbricht, on the other hand, appear to hope that a unified Germany could retain some features of the Communist state.

This hope has been reflected in East German propaganda countering predictions in the West Berlin press that nationalized industries would be absorbed by private business in the event of unification. On the contrary, according to an East Berlin radio commentator,

"what the workers and peasants...have achieved...will never be abandoned. On this there can be no discussion whatever." Another broadcaster stated that the German Democratic Republic "is a reality which cannot be talked away."

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In Poland, traditional fears of German irredentism quickly emerged in official and press comments reiterating the view that the Oder-Neisse boundary is permanent and inviolable. In commenting on Adenauer's statement in New York on 13 June that Germany would recover its eastern territories, Trybuna Ludu, the Polish party paper, pointed out that the Warsaw treaty guaranteed the inviolability of Poland's frontiers.

Czechoslovakia on 9 June inaugurated a Czech-German friendship week, with much of the emphasis being placed on West Germany.

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25X1 [] Czech Foreign Ministry officials believe that a united Germany can be achieved if certain security guarantees are granted the Soviet bloc, and anticipate that it will have a bourgeois-conservative government. Czechoslovakia allegedly will welcome an easing of tensions because of the vital importance of mutual trade.

Little reaction beyond mere official approval has been noted in the Satellites farther removed from Germany. Hungary is reportedly planning overtures to Bonn to establish diplomatic relations, and all

of the countries of the Sino-Soviet bloc can be expected to follow the Soviet Union's lead in this respect.

The Soviet invitation has probably aroused some fears of German ascendancy among the peoples of Eastern Europe, especially among the inhabitants of former German lands now part of Poland and of the former Sudetenland of Czechoslovakia. In East Germany, although all Soviet moves are regarded cynically, the people have probably derived some hope for eventual unification from the invitation. []

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Polish-Soviet Relations

The official Polish Communist Party paper printed pictures on 1 May of 18 Polish Communist leaders, some of whom were out of favor during the Stalinist period. This suggests strongly that a new Soviet policy toward the Polish party is evolving.

The pictures were presented in a conspicuous spot under the heading: "Those Who Led Us in the Struggle." The only accompanying text was a brief biographical description of each leader.

A group of pictures showing founders of Polish Communism included Rosa Luxemburg, Julian Marchlewski, and Feliks Dzierzynski, all of whom have been accepted by the Soviet and Polish parties as standard heroes of Polish Communism, although Luxemburg and Marchlewski have been accused of deviations. Another group showed party leaders between the two World Wars, most of whom were purged in Moscow in 1937 by Stalin before he dissolved the Polish party in the

spring of 1938. A third group was made up of deceased wartime and postwar leaders about whom there is no question of an anti-Soviet or anti-Stalinist attitude.

Most striking was the inclusion of five of the interwar leaders, among them Adolf Warski and Were Kostrzewa--known to have been purged in 1937 for espionage, Trotskyism and Bukharinism--and Julian Leszczynski-Lenski, who was purged for engaging in espionage for the prewar Pilsudski government. Publication of their pictures with the implication that they helped the Communists gain control in Poland was the first favorable mention made by party historians since their fall.

The cloaking of these five leaders with party respectability is an anti-Stalinist gesture designed to appeal to the minority "nationalist" and "moderate" Polish party elements, who feel that they owe their heritage primarily to pre-Stalinist, Polish and Western Communism.

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Publication of the pictures, which was probably cleared with Moscow, is another indication that Soviet policies toward the Satellites are moving away from the rigidity of the Stalinist period. It implies that ideological mistakes committed by earlier Satellite party leaders have been pardoned.

By adopting a more lenient and reasonable posture, the current leaders of the Soviet Union may hope to reduce the anti-Soviet feeling kindled by

Stalinist dogmatism and encourage an attitude of real cooperation among all elements of the Polish party. This presumably would improve Soviet control over the party and make the local regime more stable.

The way would then be opened for creating the appearance of greater independence for Poland and permitting the party to adopt a policy of building Socialism in accordance with local conditions and national traditions.

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Soviet Overtures to Greece

Since the Soviet-Yugoslav talks, there have been increasing indications that the USSR is making special efforts to improve its relations with Greece.

The Soviet leaders, when in Belgrade, showed special courtesies to the Greek ambassador there, and Khrushchev stated that the success of the talks with the Yugoslavs was leading to closer Soviet-Greek relations. Mikoyan, similarly, urged an improvement of relations with Greece, and Marshal Tito told the Greek ambassador that the talks would improve relations between Moscow and Athens.

Following the Soviet-Bulgarian communiqué from Sofia, which also called for closer Bulgarian-Greek relations, Soviet ambassador Sergeyev in Athens began a series of friendly official overtures which immediately placed Soviet-Greek relations on a new plane.

In a conversation with Greek foreign minister Stephanopoulos, Sergeyev referred to the "new spirit" emanating from

the Soviet-Yugoslav talks and offered to use Soviet influence toward a settlement of Greek financial claims against Bulgaria and Rumania as a contribution toward a general improvement of Soviet bloc-Greek relations.

The USSR has also indicated a willingness to make an effort to expand trade with Greece.

On 16 June Sergeyev gave a dinner at the Soviet embassy in honor of Stephanopoulos--the first time a Greek foreign minister had been so honored since the end of World War II. During the dinner, the Soviet ambassador chided the Greeks for remaining "cold and inflexible."

Among other complaints, Sergeyev mentioned difficulties in getting visas for Soviet personnel, Greece's failure to respond to the USSR's suggestion for an exchange of parliamentary delegations, and the lack of Greek efforts to improve relations with the Satellites.

Sergeyev again gave Stephanopoulos the impression that the

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USSR would mediate economic disputes. He also reiterated assurances of Soviet support on the Cyprus issue.

Despite these Soviet blandishments, Greece is not likely to effect a rapprochement with Moscow which would impair its relations with the West. According to a recent report, however, Stephanopoulos is advocating in the highest government circles the exploration of all Soviet overtures for any possible Greek advantage.

Stephanopoulos is reported to believe that such an attitude might lead to an improvement in Greek-Soviet relations without damaging Greek ties with the West; in addition, he would use the threat of a Greek-Soviet rapprochement as a means of extorting increased American aid to Greece.

The American embassy in Athens comments that Moscow apparently wants to induce the

hope in Greece of a favorable resolution of Greek financial claims against Satellite states as a stalking horse for establishing friendlier Greek-Soviet relations.

Initial Soviet successes, the embassy believes, may lead to the promotion of the respectability of Communist-front organizations in Greece and might ultimately weaken Greek vigilance toward Communist subversive activities.

The most important result the USSR may hope to achieve through its intensified attention to Athens is that Greece might ultimately be "neutralized."

As a part of a broader European security scheme Moscow might even plan to offer a proposal for creating a Balkan bloc that would include Yugoslavia, Greece, at least one Satellite, and possibly Turkey. [redacted]

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25X1Soviet-Japanese Negotiations

Japanese and Soviet negotiators exchanged views at a lengthy session on 21 June and decided to meet twice weekly as originally planned. Despite reports that the USSR would make Japanese neutrality the price of a settlement and rumors that the Japanese might move to halt the talks, it is probable that both sides intend eventually to compromise.

At the 14 June meeting, the USSR had presented a draft treaty generally patterned after the amendments to the Japanese peace treaty which the USSR proposed at San Francisco in 1951.

The principal terms of the draft treaty included: mutual agreement on nonaggression and noninterference in domestic affairs; nonparticipation by the Japanese in any alliance directed against a power that fought Japan in World War II; Japanese recognition of Soviet sovereignty over Soviet-held former Japanese territory; mutual relinquishment of war damage and reparations claims; restriction of the naval navigation of the straits adjacent to Japan to military vessels of the nations bordering the Japan Sea; Soviet support for Japan's admission to the UN; and provision for cultural exchanges and future commercial relations.

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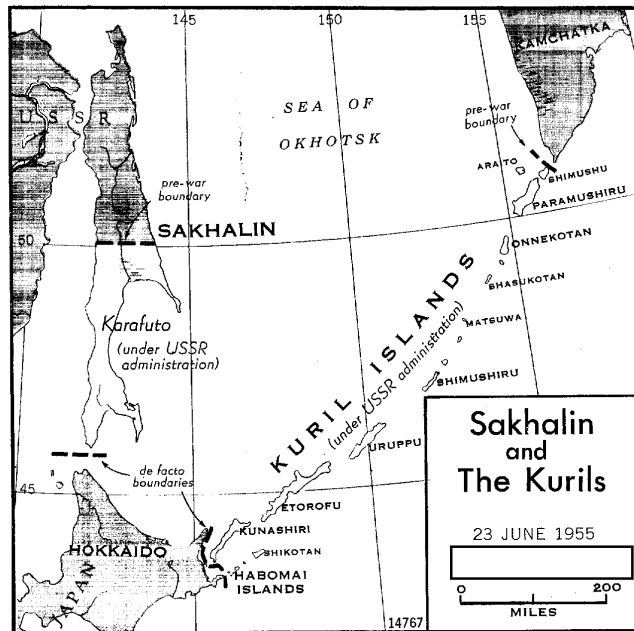
Japanese delegate Matsumoto told Soviet negotiator Malik he was unable to discuss the Soviet draft as long as the problem of Japanese internees remained unsettled. Malik's reply that normalization of relations must come first, after which the USSR would consider substantive points, was unacceptable to the Japanese and the meeting ended.

The Japanese Foreign Ministry leaked the Soviet peace terms to the press in an effort to educate the public as to Moscow's true intentions.

The press was generally critical of the Soviet proposals; Malik's assertion that all Japanese prisoners except war criminals had been returned provoked public anger. The general optimism created by Prime Minister Hatoyama's glib promises of easy negotiations were deflated by the harsh terms.

The repatriation issue has long been charged with emotion for the Japanese people, and the government would have public support should the negotiations break down on this problem.

The Foreign Ministry, however, regards the Soviet proposals as an opening position, and believes a compromise on repatriation will



be reached. It foresees long and tough negotiations. Prime Minister Hatoyama's commitment to achieve a "diplomatic success" will militate against Japan holding out for a complete settlement on all issues.

The Soviet proposals on nonaggression, nonparticipation in alliances and restrictions on naval navigation indicate Soviet efforts to obtain Japan's neutralization.

The prospects still appear favorable for a limited settlement, possibly embodying an end of the state of war, restoration of diplomatic relations, and the postponement of the more controversial issues.

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The UN Membership Question

Hope for an early break in the five-year deadlock on the UN membership question has risen in United Nations circles since the signing on 15 May of the Austrian state treaty, which endorsed UN membership for Austria. Most countries expect that unofficial talks among the Big Four foreign ministers at the current San Francisco commemorative session will lead to some agreement on the membership problem.

Twenty-one applications for UN membership are pending before the Security Council.

The USSR has vetoed the admission of 14 states--Austria, Cambodia, Ceylon, Finland, Ireland, Italy, Japan, Jordan, Republic of Korea, Laos, Libya, Nepal, Portugal and Vietnam.

The Western majority in the Security Council has blocked the admission of the seven Soviet-sponsored candidates--Albania, Bulgaria, Hungary, Mongolia, North Korea, North Vietnam, and Rumania.

The desire among the applicants as well as other UN members to break this deadlock has led to increased pressure on the Western powers to accept some form of a "package" proposal. The "package" plan has been the USSR's stock answer to the membership problem.

Belaunde, the Peruvian chairman of the UN Committee of Good Offices on the Admission of New Members, on 10 May suggested to Ambassador Lodge a new compromise plan. Under this plan, the Security Council would vote on each membership application separately,

but the voting would be preceded by a gentlemen's agreement among the Big Four on which countries were to be admitted.

Belaunde told Lodge on 1 June that Soviet UN delegate Sobolev had twice indicated interest in a "concrete" proposal on membership.

However, according to press reports from San Francisco, Molotov on 22 June countered Belaunde's approach with another package involving admission of the "peace treaty states," Austria, Finland, Italy, Bulgaria, Hungary, and Rumania.

Uneasiness among the applicants over which countries might be admitted to the UN has already resulted in diplomatic representations. The Italian UN observer told Ambassador Lodge on 18 May that he believed it would create a very bad impression in Italy if Austria were admitted and Italy were not.

The Spanish UN observer told Ambassador Wadsworth on 16 June that his government would be "gravely embarrassed" if Austria and Italy were admitted without Spain.

British foreign secretary Macmillan has indicated his interest in discussing membership on a "philosophical" basis and in exploring the possibility of a Security Council meeting on Austria's application after the San Francisco session.

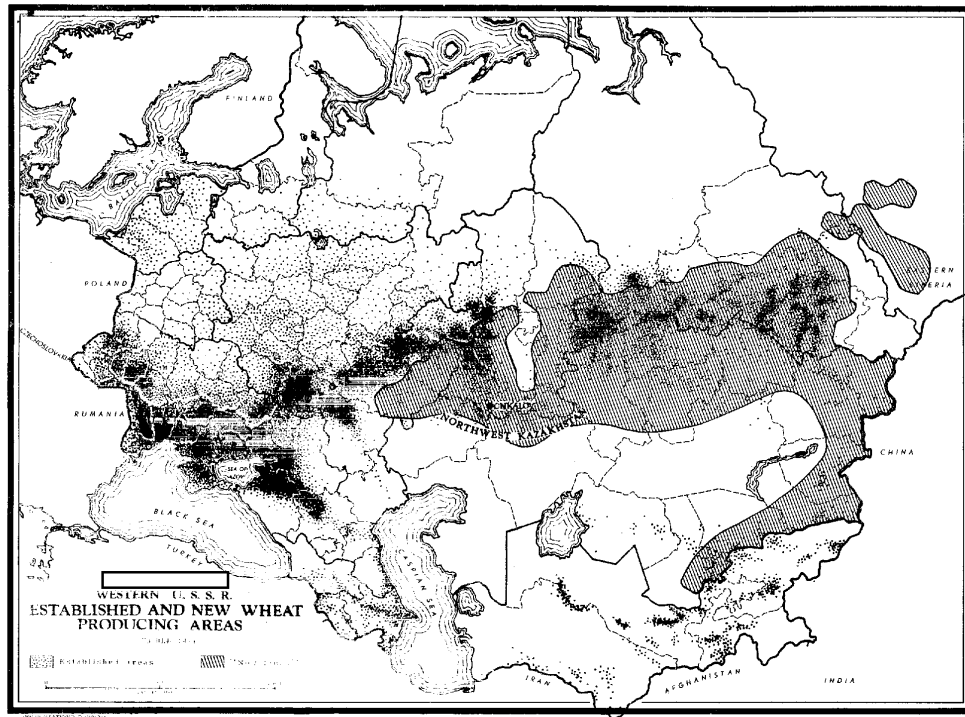
If the USSR continues to hold out for a package deal, an early Security Council meeting would be futile, since the Western powers are firmly opposed to such a deal at this time.

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**Progress Report on
Soviet Agriculture**

Party first secretary Khrushchev told a recent conference of Baltic agricultural workers that 49,000,000 acres had been sown this spring in the "new lands" of western Siberia and Kazakhstan, and that corn planting was 2,000,000 acres over the target of 40,000,000 acres. The total sown area of collective and state farms was reported to have been increased 52,500,000 acres over last year.

These achievements represent substantial progress toward the "new lands" goal of 50,000,000 acres under cultivation this year and 70,000,000 to 75,000,000 by 1956, and toward the corn acreage goal of not less than 70,000,000 acres by 1960.

The fall and winter precipitation in most of the USSR was relatively favorable. Spring rainfall in the "new lands" area of Siberia and Kazakhstan, however, has been less than in 1954. American embassy officers returning from an important edge of the "new lands" area in northwest Kazakhstan and Chkalov Oblast, report "dry, hot, dusty weather conditions" there, and say they heard comment suggesting that grain was "burning up."

As of early June, moisture in the European USSR was generally adequate for agriculture, indicating no repetition of the drought that plagued the Ukraine and Volga area in the summer of 1954.

Good weather throughout the summer, however, is even

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more important this year in most areas of the USSR than in previous years. A higher proportion of the total wheat crop is to be grown on the "new land," where it passes through its critical stages of development

at a later date than in the established wheat regions. The acreage in corn, which requires substantial rainfall and warm weather in late summer, has been increased almost fourfold over 1954. [redacted]

[redacted] (Prepared by ORR)

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25X1Vietnam

The Vietnamese government is putting first priority on reaching a new military agreement with the French and is apparently unwilling to take a definite position on the question of pre-election talks with the Viet Minh until it has achieved this goal. The army, meanwhile, is proceeding with its campaign against the Hoa Hao rebels.

Diem's special envoy in Paris is asking the French to agree in principle to the withdrawal of the Expeditionary Corps with certain elements to be retained temporarily at specified points. The Vietnamese envisage elimination of the French High Command structure and establishment by the French of separate headquarters for the units provisionally retained. These units would maintain liaison with the Vietnamese high command.

The French believe they could soon reach agreement in principle on a new military relationship but discussions have been held up by a disagreement on the title and responsibility to be given Henri Hoppenot, chosen as France's senior representative in Saigon.

The Vietnamese insist that he be designated simply ambassador, in the same manner as

other foreign diplomatic chiefs, while the French are equally insistent that he be designated "ambassador-in-residence at Saigon" and carry over-all responsibilities for Laos and Cambodia. Until this matter is settled, the French say that under no circumstances can they reach a new military agreement with Diem's government.

Paris, however, remains primarily concerned over the question of consultations with the Viet Minh on all-Vietnam elections for which, as a Geneva signatory, it is responsible until the responsibility can be passed to the Vietnamese. The latter fully realize that the approach of the 20 July deadline set at Geneva gives them a useful bargaining lever in the military negotiations.

The farthest that Diem has gone on the question of entering into electoral consultations with the Viet Minh is to state that his cabinet did "not exclude the possibility of some form of consultation not later than 20 July." He insists, however, that "consultations" do not necessarily require the two sides to sit down at the same table; they could, he says, take place by written communication.

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In an aide-memoire handed the British, India has proposed that the two cochairmen at Geneva (Eden and Molotov) request the South Vietnam government and the Viet Minh to start consultations and offer the services of the three delegates on the International Control Commission to assist the parties. Diem, who distrusts the commission, would scarcely accept any assistance from that quarter and in order to counter the Indian proposal, Britain will press Diem himself to take the initiative in making specific proposals. The British will offer to convey such proposals to the USSR for transmittal to the Viet Minh.

The Viet Minh, according to Hanoi broadcasts, continues to put great emphasis on the necessity to hold a consultative conference "exactly on 20 July." A broadcast of 18 June noted the approval that the Viet Minh's willingness to consult had won in the USSR and Communist China and expressed surprise that France, "which is directly entrusted with the responsibility of executing the Geneva agreements, has not

yet expressed a clear attitude" on the consultations.

This broadcast also noted that "the activities of South Vietnam have not so far asserted a formal and clear attitude." The Communists continue to assert or imply that the United States is making every effort to prevent elections from being held.

Meanwhile, the Vietnamese army is gradually eliminating the Hoa Hao rebels and claims that between 14 and 18 July, 250 of Ba Cut's troops were killed and that an equal number went over to the government or were taken prisoner. General Soai's forces, originally estimated at 7,500, are believed to have been reduced to less than half that figure.

General Minh appears to have abandoned the rebels' cause and has departed from the Hoa Hao area. He turned up in Cambodia apparently en route back to France. Binh Kuyen remnants, southeast of Saigon, are scattered and refuse to be drawn into combat.

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25X1Cambodia

An official request by the Cambodian government for a ruling by the International Control Commission on the US-Cambodian military aid agreement is expected to result in a decision within a week. At present, it appears likely that the commission will request the Cambodians to provide an explanation of certain points in the aid agreement. A flat denunciation of the agreement by the commission is unlikely unless New Delhi in the meantime instructs its representatives to that effect.

The Indian and Polish representatives on the commission informally concluded on 11 June, over Canadian protests, that certain passages of the aid agreement were incompatible with Cambodia's commitments at Geneva.

The Indian chairman appears receptive to the Canadian view, however, that at most a simple request for a Cambodian interpretive statement be made. He would probably view this as a reasonable compromise between the alternatives of labeling the agreement a violation of

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Cambodia's commitments at Geneva and giving it the commission's approval.

According to the chairman, however, urgent efforts are being made to obtain a final decision from Nehru on what the Indian position should be. A possible indication of Nehru's reply is the hostile attitude displayed toward the aid agreement by Krishna Menon in informal Washington talks recently.

Cambodian officials have assured the American embassy that their government has no thought of going back on the military aid agreement. They assert that, should the International Commission condemn the agreement, the government would hold a referendum on the issue, and the anticipated popular demand for American aid would be considered as overriding any objections by the International Commission.

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New Constituent Assembly
In Pakistan

According to the final election returns, Pakistan's governor general will not control the new constituent assembly which convenes on 7 July.

In West Pakistan, the regular Moslem League organization, which supported the governor general in the 21 June elections, won all of the nine Moslem seats from the Northwest Frontier Province, Sind, and Karachi. The league, however, lost five of the Punjab's 20 Moslem seats to opposition leaders and independents.

The governor general can probably count on the loyalty of Dr. Khan Sahib, running independently in Baluchistan. However, he may not control the two non-Moslem seats from Sind and the Punjab. Thus the governor general can be fairly sure of only 25 of West Pakistan's 40 seats.

In East Pakistan, Prime Minister Mohammad Ali has captured the only Moslem League seat for the province. Central Law Minister H. S. Suhrawardy, to date the governor general's chief supporter in East Pakistan,

holds one of the 12 seats won by the Awami League. Fazul Huq's United Front opposition got 16 seats and is expected to control the nine Hindu places. Two independents have also secured seats in East Pakistan.

The governor general's 25 West Pakistani seats will be insufficient to offset these opposition groups, especially if the five opposition and independent victors from the Punjab join the East Pakistanis. His power in the assembly will be further weakened if, as has been feared, Prime Minister Mohammad Ali and two of the West Pakistan Moslem Leaguers also form an alliance with the United Front.

The 13 East Pakistan Awami League seats will be dominated by Suhrawardy and leftist leader Maulana Bashani.

While the governor general may get support from Suhrawardy and occasionally from some of the others, establishment of a lasting coalition is unlikely.

Suhrawardy may also attempt to organize around himself a

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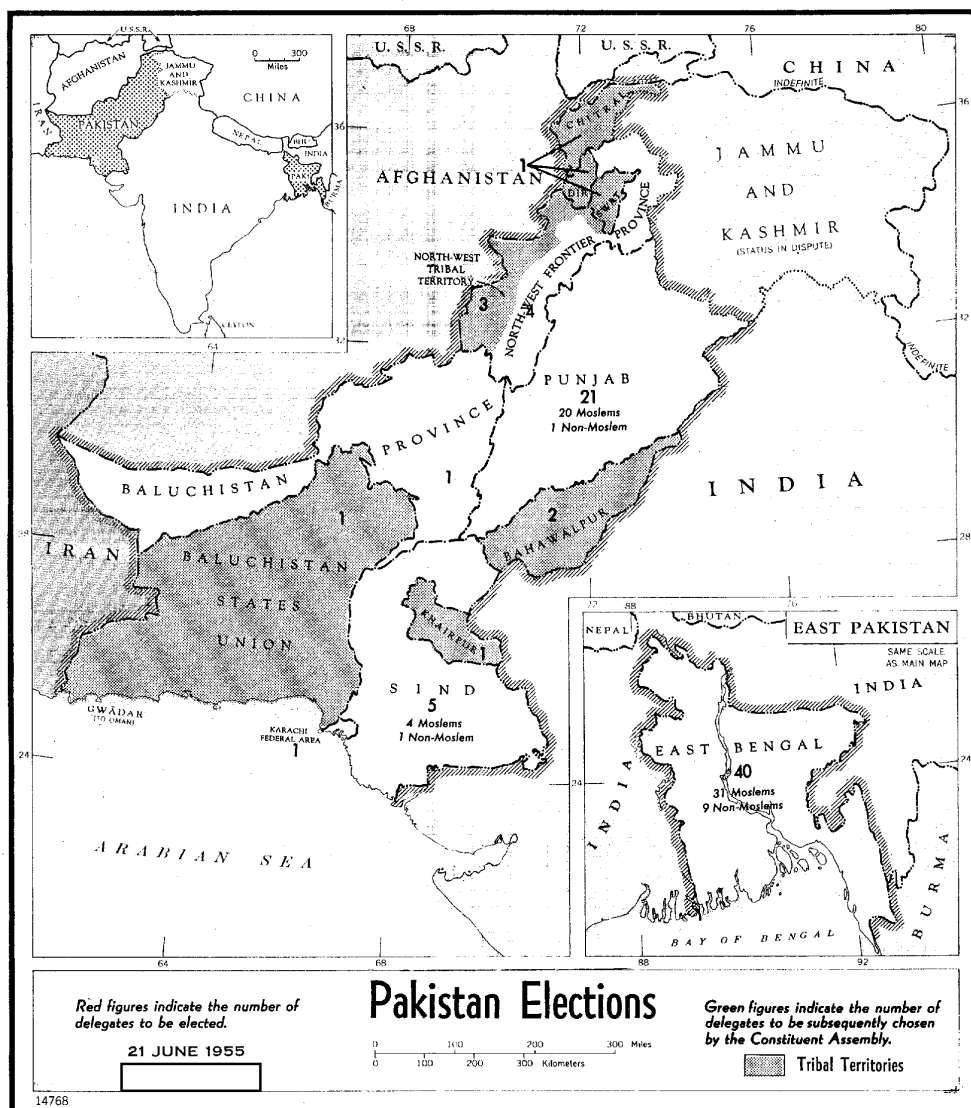
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third force, occasionally opposing both the prime minister and the governor general.

The governor general's support from East Pakistan will probably therefore be ineffective in countering co-operation between dissident West Pakistanis and the East Pakistani opposition.

One of the first items of business when the assembly convenes will be the election of eight more members to represent the states and tribal area in West Pakistan. The struggle between the governor general and his opposition may be joined at once on this issue.



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During pre-election maneuvers, the governor general's cabinet associates repeatedly expressed doubts as to the future of the assembly. The governor general retains power to prorogue it. If he is unable to push through his proposals for a constitution or is faced by a serious political challenge from the prime minister, he is

likely to exercise this power again.

In view of the Pakistani high court's recent decisions that the governor general's powers are more limited than he had previously assumed, however, Pakistani opinion would be less inclined to accept another arbitrary act than it was last October.

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Afghan-Pakistani Dispute

There have been signs during the past week that Afghanistan is beginning to give in to Pakistan in the dispute over the 30 March riots in Kabul.

These signs include Afghanistan's acceptance of Pakistan's demand that a cabinet minister attend the flag-raising ceremony in Kabul previously agreed on. Afghan king Zahir Shah also intervened with Saudi Arabian mediator Musaid on 19 June to soften earlier demands by Prime Minister Daud for re-opening of the Pakistani consulates at Jalalabad and Kandahar immediately after the flag-raising.

Now the initiative lies with Pakistan, which has to decide whether to accept the king's request that Pakistani consulates be opened two or three weeks after the flag-

raising ceremony, by which time the Afghan government would undertake to halt anti-Pakistan religious propaganda.

Pakistan is likely to accept the request with its own proviso that the consulates will be closed again if anti-Pakistan propaganda is resumed. This would once again face Afghanistan with a basic decision, since it probably recognizes that Pakistan's aim would be to bring an end to the Push-toonistan agitation as well as to the current Afghan charges of Koran-burning in Pakistan.

Settlement of the dispute on these terms would be a defeat for Afghan prime minister Daud. The trend of events, however, suggests that Daud no longer has a free hand in making Afghan policy.

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Israeli-Egyptian Border

The partial relaxation of tension on the Egyptian-Israeli border noted since the beginning of June has continued despite minor incidents and Israeli army maneuvers.

It is clear now that "high-level" talks between Israel and Egypt will not take place, but the ground has been prepared for lower-level meetings to work out methods for

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preventing new major incidents along the border.

While Tel Aviv has lamented the failure of the "high-level" project, it has become less aggressive on both the military and diplomatic fronts.

The chairman of the Egyptian-Israeli Mixed Armistice Commission reports that Israeli forces have quietly moved back their positions to points one to five kilometers from the Gaza demarcation line.

On the diplomatic side, Israeli prime minister Sharett appears to have been alarmed by an erroneous report that a UN Security Council meeting had been called as a result of "rumors" about Israeli troop movements in the area.

Both Sharett and the director general of the Foreign Ministry gave American officials categorical assurances that Israel plans no aggressive action, and Defense Minister Ben-Gurion is officially reported to have even denied the existence of maneuvers near the Gaza strip.

Although tension may heighten momentarily following minor local incidents, like the seizure of an Egyptian jeep by Israeli border settlers on 14 June or the blowing up of a section of Israel's water pipeline to the Negev on 19 June, the current relaxation appears likely to continue at least until after the lower-level Egyptian-Israeli talks are held. [redacted]

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French North Africa

Tension and terrorism in French Morocco continue at a high level. Paris has named Gilbert Grandval, a Gaullist sympathizer and chief of its diplomatic mission to the Saar, to replace Francis Lacoste as resident general as a first step toward solving the Moroccan problem.

Police investigation of the 11 June murder of newspaper publisher Jacques Lemaigre-Dubreuil has thus far resulted only in the arrest of a former French police inspector. Investigation of counterterrorist activity by French settlers has not been productive in the past.

The troop and police reinforcements dispatched to Algeria have brought terrorist activity under more effective control. Governor General

Soustelle's plans for closer political integration with France and for a comprehensive economic development program are reported to have been approved in principle in Paris.

The return to Tunisia on 13 June of General Rime-Bruneau, president of the reactionary French settlers' organization, Presence Francaise, probably will result in increased activity aimed at blocking National Assembly approval of the French, Tunisian agreement.

Meanwhile, Habib Bourghiba, president of the foremost nationalist organization, the Neo-Destour, is presumably consolidating his support. Following the assembly action, he probably will continue to press for further concessions to nationalist aspirations. [redacted]

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East Germany
Feeling Pinch of Bonn's Embargo

East Germany apparently is feeling the pinch of the selective embargo on iron and steel products imposed by West Germany in reprisal for the highway toll increases. As a result it may adopt a more conciliatory attitude during forthcoming negotiations on the tolls with West German officials. There will be no deviation, however, from the basic East German policy of attempting to secure a greater degree of recognition from Bonn.

In the opinion of the chief of the American mission in Berlin, East Germany is in urgent need of steel imports from the West and might agree to further reductions in highway tolls in order to secure such imports. This may explain in part its willingness to review the question of tolls.

The first secretary of the Socialist Unity (Communist) Party declared in his 2 June report to the party central committee that shortages of iron

and steel would curtail expansion of the machine building industry. He blamed the shortages on limited quantities available for export in the Soviet bloc.

The East German authorities, moreover, have not carried out their earlier threats to curtail deliveries of brown coal briquettes to West Berlin. Instead they have offered additional quantities of briquettes in exchange for larger amounts of iron, steel, coke, and hard coal.

East German officials have also expressed a desire to discuss present and future levels of interzonal trade with officials of the West German Economic Ministry. Bypassing the Interzonal Trade Committee, however, would raise again the question of recognition of East Germany. The West Germans probably would refuse to enter into negotiations under conditions which would imply recognition of the East German regime.

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PART III

PATTERNS AND PERSPECTIVESMOSCOW ATTEMPTS TO SEIZE INITIATIVE ON "ATOMS FOR PEACE"

The Soviet Union's invitation to a number of scientists of non-Communist countries to attend a Soviet-sponsored conference on the peaceful uses of atomic energy from 1 to 5 July is the latest of several dramatic moves the USSR has made this year in the field of atomic energy. Invitations were extended to the science academies of France, Great Britain and Denmark, reportedly to an unidentified group in Italy, and to individual scientists of high repute in the United States and Japan.

The scheduled conference, in addition to emphasizing Moscow's new liberal policy in releasing nuclear information, apparently is designed to give greater appeal to the Soviet disarmament proposal of 10 May and to strengthen the USSR's position at the four-power talks and at the UN-sponsored conference on atoms for peace scheduled to convene in Geneva in August.

The first signs of liberalized Soviet policy on releasing nuclear information were two announcements made in mid-January.

The USSR promised to report to the UN conference in August on the knowledge it had gained from operating its atomic-driven power plant. It also offered to furnish fissionable material and scientific aid to five bloc states for the purpose of developing nuclear energy for "peaceful uses." The latter offer was accompanied by the statement that consideration was being given to expanding it to include "other countries."

Soviet propaganda media, during this period, stepped

up output on nuclear matters to both home and foreign audiences. Propaganda for internal consumption discussed at great length the potentialities of nuclear energy for "peaceful uses," but avoided fear-provoking themes.

The next dramatic move came on 10 May at the disarmament talks in London, when Soviet delegate Gromyko presented a new proposal for general disarmament containing the greatest concessions to the West on this problem since the end of World War II. Moscow, simultaneously, denounced the West for alleged attempts to sabotage the talks and sought to take the credit for preventing a complete breakdown of the negotiations.

By early June, the USSR had submitted a number of abstracts to the preparatory committee planning the UN-sponsored conference on atoms for peace. American scientists who studied the abstracts were impressed by the fact that the USSR had released a large amount of hitherto classified information.

There are increasing indications that Moscow is actually carrying out its offer to assist five bloc states as it promised in January. [redacted]

[redacted] the USSR had given the Chinese Communists scientific and technical aid which would eventually enable them to produce nuclear weapons, but added that it had not given them either the bomb itself or the facilities for its manufacture.

Radio Moscow announced on 14 June that the Soviet Union was carrying out its offer to

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Bulgaria and Hungary by delivering equipment for experimental atomic piles and accelerators of fundamental particles. Soviet specialists were being sent to help assemble the equipment, free scientific advice and technical documentation were being provided, and preparations were being made to supply the "necessary amount" of fissionable and other material for research.

As for non-Communist states, Prime Minister Nehru is reported by the press to have visited a Soviet "atomic plant" this week, and it is probable that he will be offered some form of assistance in developing the Indian atomic energy program.

The USSR's sudden move to hold its own conference reflects a continuing appreciation of the popular appeal the atoms-for-peace plan has evoked. The conference apparently is aimed at countering the effect of the UN-sponsored conference on President Eisenhower's atoms-for-peace plan, and at influencing the opinions of leading men in the field who would either attend the August conference or who might have contact with those who do attend.

A two-week tour planned for the scientists--at least in case of the French--probably will include a visit to the Soviet atomic-driven power plant and other nuclear research installations.

In this way the USSR may want to put itself in a position of offering "proof" at the August conference that it is the only state actually using atomic energy for peaceful purposes. It would then try to contrast its own accomplishments with the American atomic artillery piece and submarine, and the "demonstrator"

reactor the United States intends to display at the conference.

Probably the most important impression the USSR hopes to convey by its activity in the atomic field is that it has caught up with the West in all phases of nuclear development; that it speaks from a position of confidence and strength and can therefore afford to release some of its previously classified materials.

The most important result the Soviet leaders probably hope to achieve is to persuade the West to accept the Soviet disarmament proposal of 10 May as the only workable formula for disarmament. This proposal, which has not yet been negotiated, undoubtedly will be used at San Francisco, at the four-power meeting, and at the August conference as one of the foremost of the recent Soviet "innovations" for peace.

There is little reason to doubt that the Soviet leaders fully appreciate the destructive power of nuclear explosions as well as the effects of radioactive fall-out.

Although the Soviet leaders would undoubtedly like to avoid the heavy expenditures required for the manufacture of nuclear weapons, there is little likelihood that they will cease to expand their program until they are assured that they can have relative security without it. Should the USSR achieve even a partial agreement on disarmament with the West, however, it might be willing to curtail production of weapons and concentrate on developing nuclear energy for purposes described as "peaceful" but which would have military potentialities at least in research.

In the long run Moscow probably hopes, through

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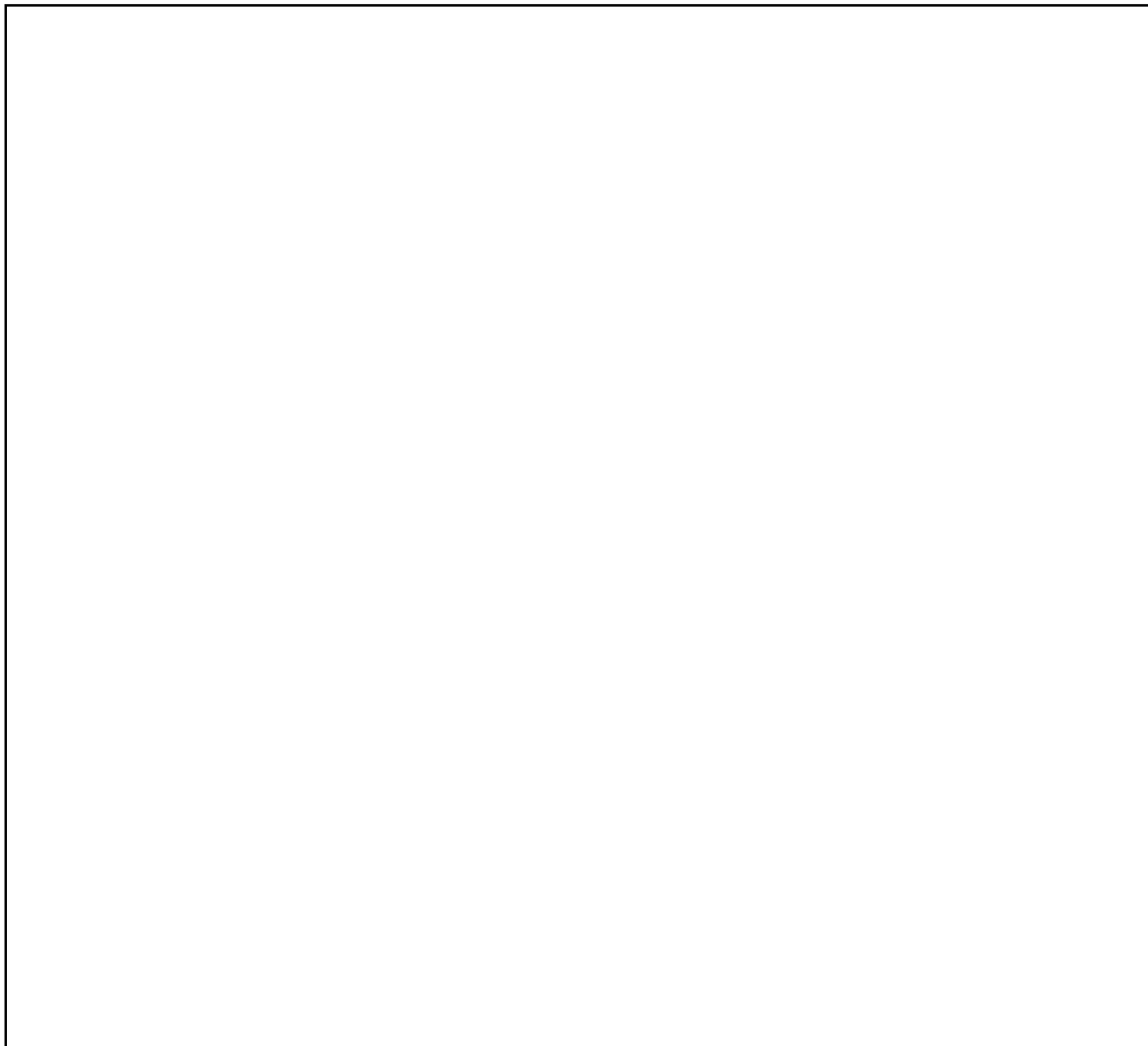
negotiations and psychological warfare, to make it politically impossible for the United States to use nuclear weapons except in retaliation to such an attack by the USSR.

The new Soviet disarmament proposal is more flexible than any previous one and Moscow may, as the proposal implies, intend to make actual

concessions in the way of setting up a "control mechanism." There are no indications, however, that the USSR is yet ready to submit to a far-reaching system of controls as advocated by the West, which would include free access by international inspection teams to any area and installation inside the Soviet Union. [redacted]
(Concurred in by OSI)

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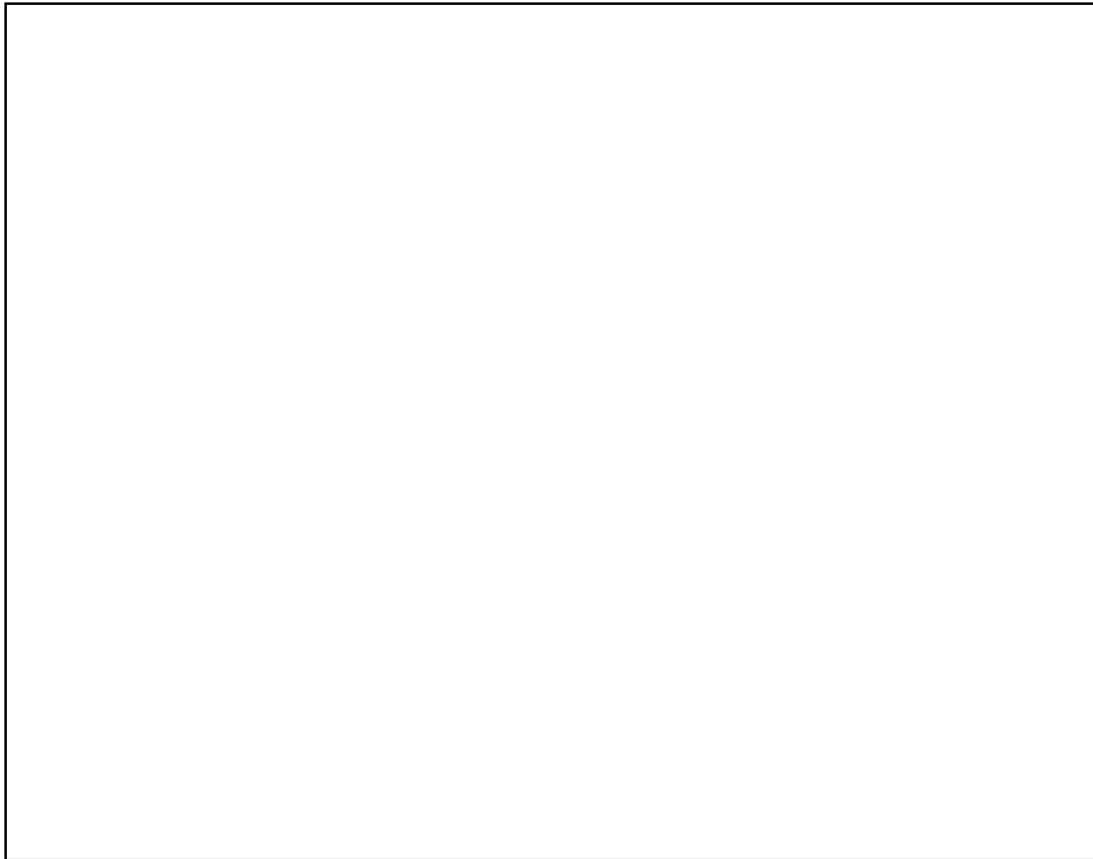
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THE COAL-STEEL COMMUNITY AND EUROPEAN INTEGRATION

The long-term prospects for the further political and economic integration of Western Europe were, on the whole, improved by the conference of foreign ministers of the six European Coal-Steel Community countries* in Messina, Sicily, from 1 to 3 June.

*France, Belgium, Germany, Italy, Luxembourg, the Netherlands.

Agreement was reached in principle on the goal of economic union, and specific integration objectives were established. These new objectives will be the subject of continuing negotiations between now and the next conference which is scheduled to be held not later than October.

The difficulties facing the advocates of European

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integration were also brought out at the Messina conference.

The sessions were marked by disagreements on how best to proceed toward a common market, West German reservation with respect to supranational controls, and warnings from French foreign minister Pinay that there is not at present a parliamentary majority in France for "European union."

Nevertheless, the conference results and the general satisfaction expressed with them by officials of the participating countries suggest that the steps taken thus far toward integration are of such political and economic importance that they are not likely to be undone. There appears to be a wide measure of agreement with the American view that the long-term welfare, strength, and security of the Atlantic community may well depend on the success of the "European idea."

The CSC's Economic Importance

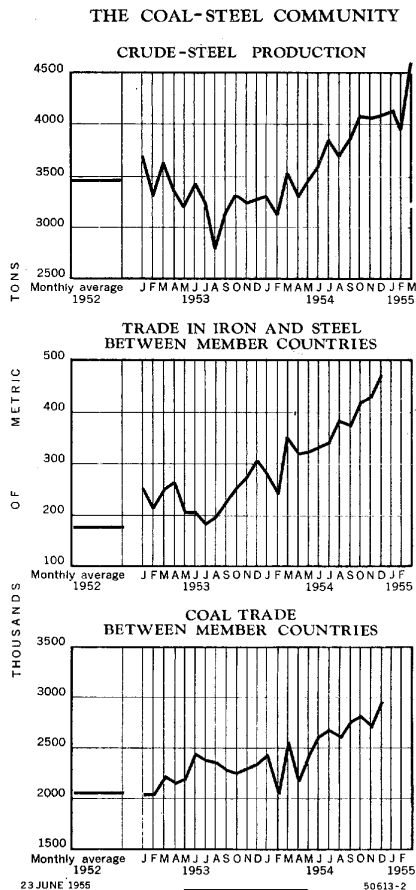
The immediate impetus for the Messina meeting was provided by the progress of the supranational Coal-Steel Community (CSC) in exercising the sovereign powers accorded it by the Schuman Plan treaty, the impact of the CSC's operations on the "unpooled" sectors of the various national economies, and the need for decisions about the community's future.

There is concrete evidence that the gradual elimination of trade barriers in the two years since the common market was established has contributed to substantial gains in production, trade, efficiency, and market stability in the coal and steel industries. CSC countries in 1954 produced 43,800,000 tons of steel, almost 5 percent more than the record production in 1952

before establishment of the common market. Production in 1955 is exceeding last year's all-time records and is expected to reach 50,000,000 tons. By comparison, in 1954 the USSR produced 41,000,000 tons and the United Kingdom 19,000,000 tons.

Coal production in the CSC area last year also set a post-war record, and productivity in the mines has steadily increased in every CSC country except the Netherlands.

These production increases have been accompanied by a spectacular rise in intra-community trade. In the past two years, trade among the CSC



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countries has risen 25 percent in iron ore, 30 percent in coal, 100 percent in steel, and over 300 percent in scrap.

One fifth of the total exchange of goods and services among the CSC countries is accounted for by products under the CSC's jurisdiction. The movement of these goods constitutes one half of the internal and international freight traffic in the CSC countries and results in 40 percent of the total freight receipts.

The CSC has only limited powers over transportation, but has already eliminated discrimination in freight rates based on the nationality of the shipper and has begun the gradual institution of international through-freight rates on coal and steel. These and other planned actions are expected to have a considerable effect on transport policies and national budgets.

The CSC's anticartel program, its efforts to promote international mobility of workers, its experimental housing program, and its efforts to equalize working conditions are further examples of community activities which, although still on a limited scale, are having effects ranging far beyond the coal and steel industries.

The CSC's Political Significance

The Community's High Authority has established itself as an effective collegial executive, primarily "European" in character; its staff of over six hundred regards itself as an international civil service.

The broad outlines of the High Authority's policies are believed to be secure, despite the replacement of its president, Jean Monnet, by former French premier René Mayer, who

lacks Monnet's strength of conviction.

The Council of Ministers, intended as the guardian of national interests, has proved an effective forum for their reconciliation.

Further experience with the CSC Court has quieted earlier fears that it would eventually acquire a dominant position in the community. In recent decisions the court has confined itself to interpreting the treaty--a self-restraint which will be particularly important as the High Authority's anticartel program is more vigorously pursued.

The Common Assembly, with few powers under the treaty, includes the outstanding members of the various national parliaments of the CSC countries and clearly regards itself as the custodian of "Europe" and its democratic character. Its Christian, Liberal, and Socialist factions vote across national lines.

At its most recent session from 10-14 May, the assembly went beyond its legal powers and took the initiative in establishing a committee to draw up proposals for extending both the scope of the common market and the assembly's powers in its development. A similar initiative in the assembly in 1952 resulted in the drafting of a constitution for a European Political Community.

The CSC's Role in Integration

The Coal-Steel Community has thus fulfilled, in many respects, the expectations of its founders. Had it been followed by the other projects which they envisaged--the European Defense Community and the European Political Community--Europe would have been deeply committed to the

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principles for which the CSC uniquely stands.

With EDC dead and EPC dormant, the CSC has become the only concrete manifestation of the "grand plan" which had foreseen:

- (1) the establishment of federal institutions exercising powers permanently delegated to them by the national states;
- (2) the progressive multiplication of economic activities performed by these institutions;
- (3) the eventual creation of a United States of Europe limited, in all probability, to the present six members of the CSC ("Little Europe"); and
- (4) the reconciliation of France and Germany without the emergence of a French-German combine which would dominate the smaller states.

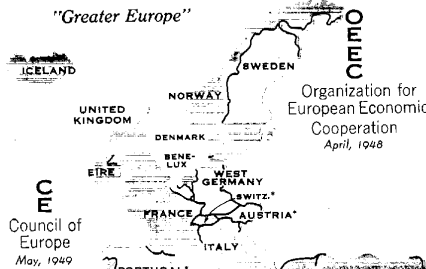
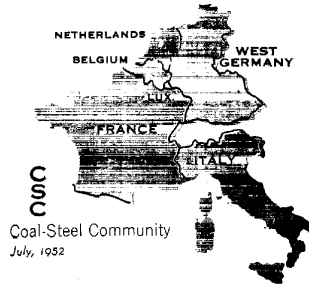
"Little Europe's" most ardent advocates still believe that these objectives are attainable. As they believed that the CSC was a "first step" toward union, many of them maintain that at minimum it is now a toe hold, to be consolidated and expanded.

Most of them are aware that, by itself, the CSC offers

European and Atlantic Integration Groupings

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"Little Europe"



*Austria, Portugal, and Switzerland are members of OEEC and are not members of CE.



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insufficient leverage for a further rapid advancement toward "Europe"; they believe that the six national governments must be persistently urged to take the concrete, if gradual, steps which the achievement of this goal requires.

The Western European Union

The differences which developed even among the "Europeans" during and after the EDC crisis over the specific steps to be taken by the six governments suggest the obstacles which this program still faces.

What appears to be the most notable advance toward European union since the defeat of EDC has been the launching of the Western European Union.

By mid-July, the WEU institutions--the Council, Assembly, Arms Control Agency, and the Standing Armaments Committee--are expected to be in full operation. However, few if any of the most ardent "Europeans" see the WEU institutions as a vehicle for further European integration.

The French had urged a "dose of supranationality" in the new organization, but this has thus far been restricted to the surrender of the veto in the WEU Council on some matters. There is little prospect that French efforts to "supranationalize" arms production will be successful.

Moreover, there is a general conviction among most of the WEU powers that, in contrast with the CSC, whose functions are permanent and continuing, WEU has already performed its principle function by bringing West Germany into NATO, and that in any case, WEU should not duplicate the activities of NATO.

Many "Europeans" fear that WEU, which has a broader terri-

torial basis than the six-member CSC and no supranational institutions, will sap public enthusiasm for "Little Europe" which, they believe, provides the only real opportunity for early progress toward federation.

CSC Relations with OEEC and GATT

Many Western Europeans have had misgivings that the specific economic approaches of the CSC are incompatible with larger economic objectives of the Organization for European Economic Co-operation and the General Agreement on Tariffs and Trade.

There has been a deterioration in relations between the CSC and these organizations in recent months, and it is quite clear that in several respects the CSC cuts directly across the activities of both of these organizations.

Among CSC members, for example, there has been increasing doubt that the progressive pooling, slice by slice, of economic activity is the most direct route to a common market.

These critics argue that the best way to establish a common market is to remove tariff barriers in general--thus avoiding the distortions which arise in other sectors and the "intolerable" intervention with free enterprise which they feel the CSC approach entails.

Since the "general" approach, however, also recognizes the need for protection of specific industries, readaptation funds, and anticartel measures, it basically differs from the CSC approach only in that it is far more ambitious.

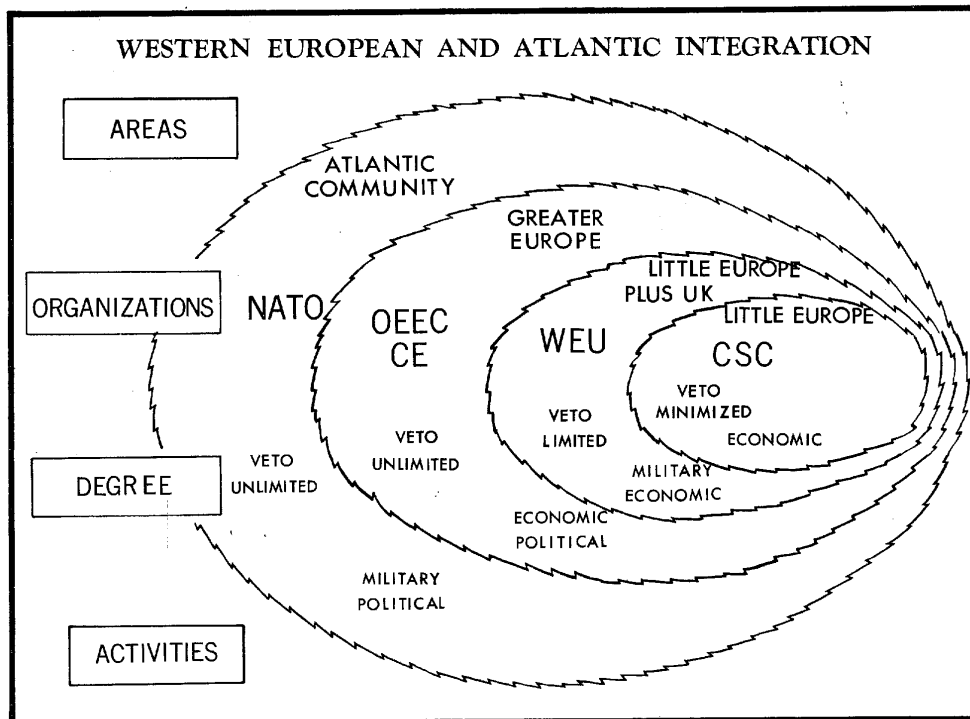
More serious criticism of the CSC approach derives from the feeling in some quarters that the territorial base of

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the Community of Six is too small to be economically advantageous. These quarters argue that the 17-country Organization for European Economic Co-operation (OEEC), with a more flexible approach, promises more beneficial results.

Noting the advantages of a European market over national markets, they see even greater advantages in a world market. The route to this, they state, is not to concentrate on customs unions in Europe, with the protection against outside competition which this may involve, but to pursue steadfastly the goal of free world trade and currency convertibility.

That this, too, is no short route is suggested by the results of the 10-12 June meeting of the OEEC Council. The European Payments Union was given a new if temporary lease on life; and definitive arrangements for convertibility failed to materialize.

Integration Prospects

In their efforts at Messina to bridge these cross-currents, the CSC foreign ministers were able to agree only that the time has come to take new steps toward the "construction of Europe."

The most clear-cut plan which emerged from the CSC conference at Messina was the agreement on the need for a "common institution" in the field of atomic energy, supported by member contributions and given extensive powers to supervise the sharing of technicians, basic materials, and research results.

This and the other proposals for better co-ordination of air transport, the development in common of transportation and energy policies, the standardization of transport equipment, and the promotion of trade in industrial

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gas and electric power may well portend a continuation of the sector-by-sector approach to further integration.

Belgian foreign minister Spaak reportedly regards atomic energy as "the master key to integration," and a member of his delegation has expressed the view that after a full survey of the possibilities, the six countries will eventually decide to build further on the base already established by the CSC.

The foreign ministers also recognized at Messina, however, that the basic objective is the gradual establishment of a common market, free from tariff barriers and quantitative restrictions on trade.

It was agreed that the committee of experts established to draft treaties to carry out the less ambitious projects will also study the problems this will involve--including the drafting of a timetable for the formation of the customs union, the establishment of an industry readaptation fund, the necessary safeguards to protect specific industries, and the institutional instruments required.

So far as country attitudes toward further integration steps in the immediate future are concerned, the 1-3 June conference was largely indecisive.

The three Benelux countries and Italy were reportedly disappointed by the refusal of the West German delegation to push the French to a formal commitment in favor of supranational institutions.

West Germany's alleged "coolness toward Europe" seems, however, to have been more apparent than real. A spokesman for the Bonn Foreign Ministry and for Chancellor Adenauer told American officials on 14 June that his government has decided "emphatically" to push all practical integration measures as a matter of "urgent necessity."

According to the spokesman, the government believes that further steps are imperative if the existing arrangements which tie West Germany closely to the West are to survive a depression or the growth of German nationalism.

At his press conference on 7 June, French foreign minister Pinay asserted that "at Messina we understood that one cannot play 'double or nothing' with the construction of Europe."

It is unlikely that France can soon make decisions on the European question, but the expected emergence from the committee of experts this summer of specific proposals should help clarify the integration issue in the forthcoming French elections.

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