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21 July 1955

# CURRENT INTELLIGENCE WEEKLY SUMMARY



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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

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

**PART I**

**OF IMMEDIATE INTEREST**

**FORMOSA STRAITS . . . . . Page 1**

The Formosa Straits have remained quiet for another week while Peiping has continued to explore the prospects for bilateral negotiations with the US and for an international conference on far Eastern issues. [redacted]

25X1

**FRENCH NORTH AFRICA . . . . . Page 2**

The rioting in Casablanca between 14 and 18 July arose from the determination of extremists among the French settlers to prevent Resident General Grandval from carrying out a liberal policy in French Morocco. Troop reinforcements sent from other parts of Morocco to Casablanca leave the rest of the country unprotected should the riots spread. [redacted]

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**PART II**

**NOTES AND COMMENTS**

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Communist Propaganda Treatment of the United States: Soviet propaganda treatment of the United States has recently become more moderate. Although the Soviet leaders could be expected to be conciliatory prior to the summit talks, propaganda pointing out to the Soviet public the merits of peaceful coexistence with the United States suggests a longer-term tactic. Asian Communist propaganda, however, continues critical of the United States.

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[redacted] Page 1

Soviet Central Committee Plenum: The plenum of the Soviet Communist Party central committee held between 4 and 12 July heard reports on industry and agriculture, and on the results of the Soviet-Yugoslav talks. The committee announced appointments to several positions at the top of the party hierarchy, and selected 14 February 1956 as the date for convening the 20th Party Congress. [redacted]

Page 2 25X1

~~CONFIDENTIAL~~

## CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

Japan's Relations With the Sino-Soviet Bloc: No substantive progress was made at the latest meeting between Japanese and Soviet negotiators in London on 15 July and the Japanese are resigned to continuing the unprofitable meetings in the hope that the USSR will eventually show its hand. As for relations with Communist China, Japan has officially approached Peiping on the problem of repatriating Japanese detainees; trade between the two countries is being impeded by Communist Chinese insistence on high prices and cash payments. [redacted]

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Construction Speeded on New Fukien Railroad: The Chinese Communists have stepped up construction work on the new railroad to the Fukien coast, possibly enough to complete it this year. The railroad will greatly improve the Communists' capabilities to supply the new airfields and military forces along the coast opposite Formosa. [redacted]

Page 5

25X1

Vietnam: The riots in Saigon on 20 July, the first anniversary of the Geneva agreement, demonstrate the intensity of feeling in South Vietnam against carrying out the Geneva accords. The riots, which began as anti-Communist demonstrations but then turned against the International Control Commission, were apparently encouraged by the government. The International Control Commission states that the Diem government's attitude is preventing it from functioning, and jeopardizing the safety of commission personnel. The commission has decided to request instructions from Britain and the USSR, the co-chairmen of the 1954 Geneva conference. [redacted]

Page 6

25X1

Laos: Negotiations between the Laotian government and the Pathet Lao continue to be unproductive. Unless the International Control Commission, which now sits in on the discussions, adopts a stiffer attitude, the Pathets probably will keep on making impossible demands. Protracted negotiations will give the Communists time to build up their strength further in Phong Saly and Sam Neua. [redacted]

Page 7

25X1

Cambodia: The International Control Commission in Cambodia has tentatively taken the position that the US-Cambodian military aid agreement does not violate the Geneva accords. [redacted]

~~CONFIDENTIAL~~

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

**Indonesian Crisis:** President Sukarno departed on a pilgrimage to Mecca on 18 July, which will include a state visit to Egypt, apparently confident that the Indonesian government will not fall during his three-week absence. [redacted] 25X1

**Kashmir:** India has apparently served notice on Pakistan that at the talks between Prime Ministers Nehru and Mohammad Ali on Kashmir, now scheduled for August, Pakistan must be prepared either to accept partition of the state along the present cease-fire line or to consider failure of the talks a foregone conclusion. [redacted] Page 10

**Tensions Mounting Over Cyprus Issue:** Greek agreement to join with Britain and Turkey in a discussion of the Cyprus problem is no evidence of Greek optimism that an early or favorable settlement of the dispute is possible. Athens' decision has brought out the disunity in the Rally government and has intensified maneuvering for power. [redacted] Page 11 25X1

**Trieste Situation Deteriorates:** The dissatisfaction in Trieste with Rome's inadequate measures for remedying the territory's depressed economic conditions will become increasingly serious as the 1956 local elections approach. Inept Italian methods of administration have resulted in a prolonged shipyard strike, supported by both Communist and free unions, which may be backed by a one-day general strike now scheduled for 25 July. The Communist Party of the Territory of Trieste is the party most likely to profit from popular discontent. [redacted] Page 12 25X1

**Peron's Position Remains Uncertain:** Peron's withdrawal from direct leadership of the Peronista Party and his announcement on 15 July that further resignations from party and government positions would be necessary in order to facilitate needed reorganization are further indications of the weakness of the Argentine regime and suggest that Peron is maintaining himself only at the tolerance of the military. New rumors of possible disturbances have increased tensions in Buenos Aires. [redacted] Page 13 25X1

**SECRET**

iii

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

Ecuador-Peru Frontier May Flare Up Again: The reported movement of troops by both Ecuador and Peru to their common border is likely to provoke new incidents and delay still further the final settlement of the long-standing boundary dispute between the two countries. It is possible that each country wants to bring the border issue to the fore as a diversion from internal political difficulties. [redacted] Page 14 25X1

**PART III****PATTERNS AND PERSPECTIVES**

The Soviet Theory on the "Inevitability of War": In a world threatened by nuclear warfare, the Soviet leaders have gradually transformed the Leninist theory of the "inevitability of war" into a concept which postulates a continuing state of tension in the world and foresees the inevitable end of capitalism, but which no longer requires Soviet theoreticians to proclaim that the Soviet Union must of necessity become involved in a world conflict. [redacted] Page 1 25X1

Malayan Elections: Malaya's elections on 27 July will increase the Malaysians' legislative and executive responsibility but will not affect Britain's control of foreign affairs, defense, and finance. The members of the new Legislative Council, the majority of whom will be popularly elected on the 27th, will probably press for an amnesty for the Communists and will demand accelerated progress toward self-government. [redacted] Page 4 25X1

Economic Implications of Soviet-Afghan Transit Agreement: Pakistan's denial of transport facilities for Afghan exports has focused attention on the Soviet Union's offer of a five-year transit guarantee for Afghan goods. If denied access to its normal import-export markets for an extended period of time, Afghanistan might be compelled not only to enter into the transit agreement with the USSR but also to turn to the USSR as an alternative source for much of its imports and, to a lesser extent, as a consumer for its exports. Afghanistan is unlikely to implement the transit agreement before another round of talks with Pakistan. [redacted] Page 7 25X1

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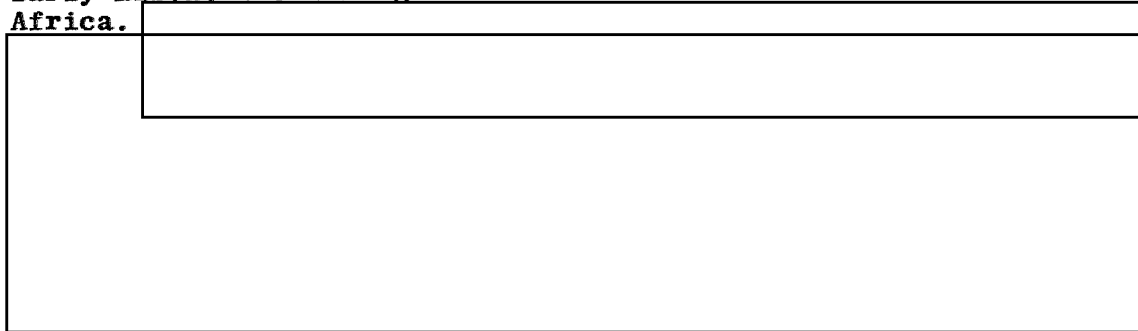
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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**21 July 1955**

Arms Sources of North African Nationalists: High French officials have charged that the Arab states, particularly Libya, are arming nationalists in French North Africa.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

**PART I****OF IMMEDIATE INTEREST****FORMOSA STRAITS**

The Formosa Straits have remained quiet for another week while Peiping has continued to explore the prospects for bilateral negotiations with the United States and for an international conference on Far Eastern issues.

The Chinese Communist Party People's Daily hinted on 15 July that a continuation of the military quiet in the Formosa Straits will depend on whether progress is being made toward, or in, negotiations with the United States on major questions such as the status of Formosa. Citing recent American remarks about a de facto cease-fire in the Formosa Straits, the commentary asserted that the American secretary of state believes "it is best to leave the Formosa question alone" and that he has implied that Peiping "has practically accepted a 'two Chinas' setup and that negotiations are therefore no longer necessary."

The Chinese Communists, publicly supported by Nehru, have also been calling explicitly for an international conference on Far Eastern issues. Peiping has identified the major issues as those of Formosa, Korea and Indochina, and has

maintained as usual that all three can be solved if foreign troops are withdrawn and foreign military bases abolished. The Communists may well believe that an international conference would present the best opportunity for bringing political pressure to bear on the United States on all of these questions.

The only military action of the week was an artillery exchange in the Quemoy area on 20 July. The Chinese Communists are reported by the press as firing more than 200 rounds in the heaviest

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**21 July 1955**

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shelling of the year. The shelling was light, however, in terms of Communist capabilities, and has not continued. It is not known whether the barrage was in retaliation against Nationalist firing or was intended to be harassing action.



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**FRENCH NORTH AFRICA**

The rioting in Casablanca between 14 and 18 July was touched off by a bomb explosion in the European section of the city during the Bastille Day celebrations.



confirm the widespread Moroccan belief that some settlers conspired to cause the riots, probably to prevent Resident General Grandval from putting into effect a more liberal policy toward Morocco.

The official statistics released on casualties show more than 60 dead, including about 50 Moroccans, and several hundred injured. Unofficial estimates, however, place the death toll as high as 2,000. No estimates are yet available on property losses.

The imposition of martial law and the bringing in of

heavy troop reinforcements have curtailed rioting in Casablanca, and the latter measure has left the rest of Morocco with little protection. Moroccan nationalists have been asked to support Grandval by preventing the spread of violence, but they bitterly resent the apparent collusion between French police, and some troops and extremist settlers.

The reinforcements consist mainly of Senegalese and Foreign Legion units. The goums (a Moroccan militia), who are frequently assigned to curb rioting, have not been used in this instance. This lends credibility to earlier reports that native units can no longer be relied on to quell disorders.

Even though Grandval has been subjected to considerable abuse by the rioting Europeans, including a physical assault, he is apparently proceeding with the reorganization of the Moroccan government. A minority of

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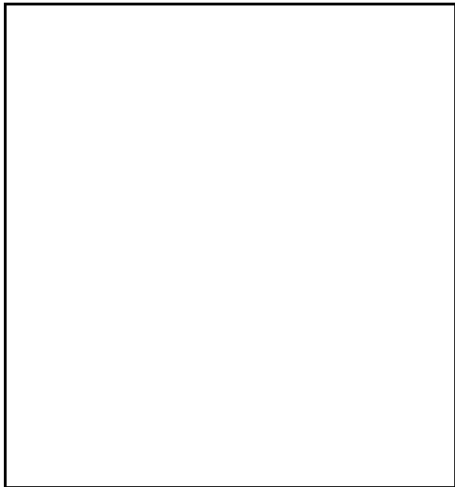
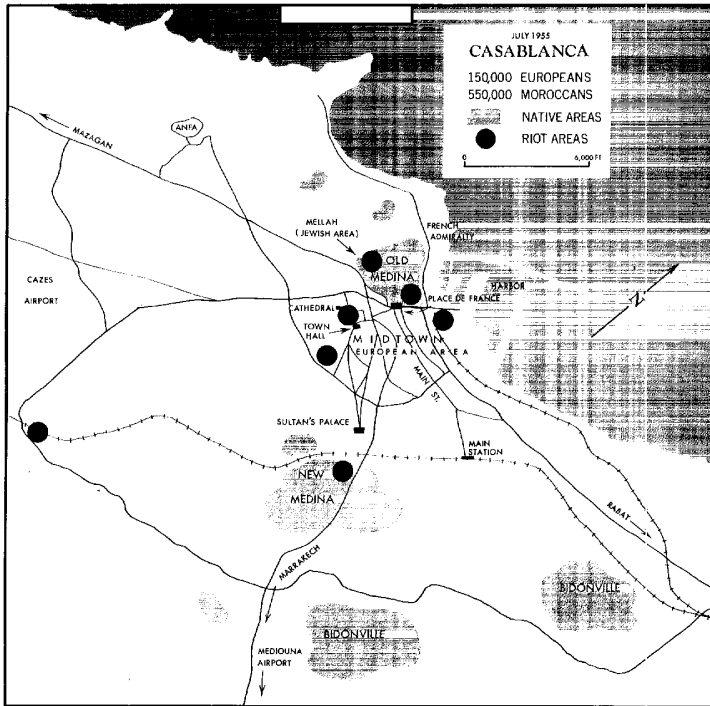
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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**21 July 1955**

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There has been no information concerning the reaction in Algeria and Tunisia to the Casablanca riots. So far as is known, the military situation in eastern Algeria has not improved appreciably and small rebel bands continue to elude capture.

settlers, anxious to dissociate themselves from the violence, have appealed for calm and expressed confidence in the resident general.

rebel bands continue to elude capture.

Tunisian nationalists, while awaiting the completion of ratification of the agreement granting limited self-government, which was approved by the French National Assembly on 9 July, presumably are continuing to attempt to formulate a constitutional basis for the new Tunisian government.

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

**PART II****NOTES AND COMMENTS****Communist Propaganda Treatment  
Of the United States**

Soviet propaganda treatment of the United States has recently become more moderate. Although the Soviet leaders could be expected to be conciliatory prior to the summit talks, propaganda pointing out to the Soviet public the merits of peaceful coexistence with the United States suggests a longer-term tactic. (See part III, p. 1, for a discussion of the Soviet theory on the "inevitability of war.")

Beginning in March, about the time the USSR first indicated an interest in concluding the Austrian treaty, the Soviet press gradually revealed some change in attitude toward reporting United States affairs.

Subsequently the change became readily discernible in Soviet coverage relating to the Geneva conference. The initial press attitude toward the talks had been sharply critical and seemed designed to put the onus on the United States if the talks failed. A milder tone became apparent in late June in the coverage of the United Nations anniversary celebration and Secretary Dulles' 28 June press conference. It was emphasized in Moscow's treatment of President Eisenhower's 29 June press conference, although his references to the Satellites were strongly criticized.

The USSR has been urging wider cultural, technical, and scientific exchanges with all countries, particularly with the United States, and has acknowledged the merits of the cultures and technical accomplishments of other nations.

The revision in the Soviet attitude toward Western science actually began a year ago. Recently, however, it has been sanctioned by Bulganin and Khrushchev. Furthermore, even the domestic American scene has elicited increasingly favorable descriptions in the Soviet press.

The USSR continues to criticize specific aspects of American foreign policy. These include "imperialist" and "aggressive" military groupings in the Far East, Near East, and Europe, and American "monopolist oppression" in Latin America and elsewhere. This type of criticism will probably continue regardless of the outcome of the Geneva conference. In addition, Moscow can be expected to react sharply to Western allegations concerning such sensitive subjects as Satellite independence and Soviet opposition to German reunification.

Other Soviet bloc and Western Communist media have not modified their propaganda treatment of the United States to the same extent as Moscow. Satellite output reflects some of Moscow's optimistic reporting on the Geneva conference, but questions United States sincerity and demands "deeds instead of words." While it reflects the particular sensitivity of Satellite leaders to Western challenges concerning Eastern Europe, it is a carefully balanced pattern which appears designed to be turned easily in any direction.

Asian Communist propaganda remains critical of the United States. The 18 July Soviet-Viet Minh communiqué paralleled

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

the Sino-Viet Minh statement of 7 July in many respects but

omitted virulent and specific attacks on the United States.

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Soviet Central Committee Plenum

The plenum of the Soviet Communist Party's central committee held between 4 and 12 July heard reports on industry and agriculture and on the results of the Soviet-Yugoslav talks. The committee announced appointments to several positions at the top of the party hierarchy, and selected 14 February 1956 as the date for convening the 20th Party Congress.

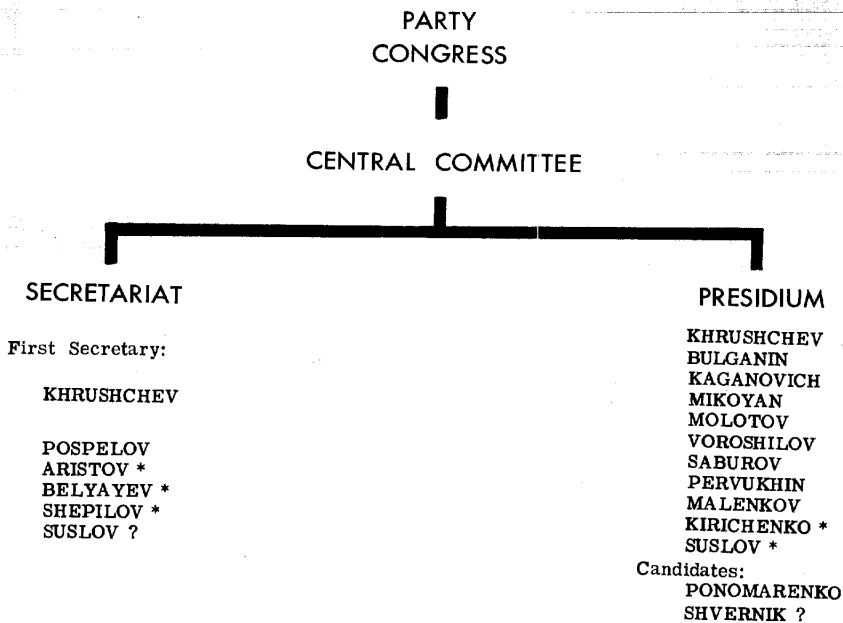
the one for the 19th Congress in October 1952, five months before Stalin's death. The main central committee report is to be delivered by First Secretary Khrushchev, and the directives for the new Sixth Five-Year Plan will be presented by Premier Bulganin. The congress will also elect a new central committee.

The agenda for the forthcoming congress is similar to

The tone and content of the central committee's decisions on industry, issued on

**SOVIET TOP PARTY ORGANIZATION**

JULY 1955



\* New appointments

21 JULY 1955

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**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

13 July followed closely Premier Bulganin's report of 4 July, which was a frank and lengthy statement of the achievements of the Soviet industrial economy and the methods of solving the problems involved in the continued rapid growth of the economy.

The central committee re-emphasized heavy industry as the basis for all economic growth, and implied that it would continue to receive priority. It claimed that over-all industrial goals of the Fifth Five-Year Plan had been fulfilled eight months ahead of schedule.

Bulganin's address was the most explicit recognition to date that a high rate of industrial growth in the future will depend heavily on a rapid increase in labor productivity. He stated that if labor productivity does not increase more rapidly than in the past, there will be a labor shortage. He admitted, in effect, that the current agricultural program will not permit the continued flow of labor from agriculture to industry, which has accounted for approximately half the growth in industrial production in the postwar period. The bulk of Bulganin's address was devoted to outlining a program to solve this problem, primarily by the large-scale introduction of the most technologically advanced capital equipment for the mechanization and automation of production.

Bulganin's solution will require a large investment program and will place additional heavy demands on those machine tool and instrument industries essential to the production of modern weapons systems. A number of these industries, notably the machine tool and instrument industry and the

electrical equipment industry, were castigated by Bulganin for failure to meet requirements and for the continued production of obsolete equipment.

Bulganin's report strengthens the hypothesis that the Soviet leadership believes continuation of the present international tensions would require a level of military expenditures which might seriously affect the rate of industrial growth three to five years hence. It is probable, therefore, that the USSR desires to restrict the total increase in defense expenditures for the 1956-60 period to about 15 percent.

Bulganin's report shows a more realistic attitude toward the economic problems facing the leadership than was the case during the Stalin era. Implementation of his policies should result in a considerable improvement in the operation of the Soviet economy.

The agricultural resolution of the central committee was remarkably noncommittal. Over-fulfillment of the plan on spring sowing was reported but with few details. The exhortation for increased efforts was well under the usual impassioned level. The major policies of increasing the amount of land under cultivation and the area planted in corn were not discussed in detail. Doubt over the success of this year's crop, sensitivity over Western allegations of Soviet economic weakness, or a desire to refrain from calling attention to the chronic problems of this part of the Soviet economy prior to Geneva may have caused the issuance of this unusually short and uninformative agricultural resolution.

Khrushchev's report to the central committee plenum on the

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CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

results of the Soviet-Yugoslav talks has not been published. However, a Pravda editorial on 16 July, which was probably based on this report, stressed the need for developing closer Yugoslav-Soviet relations,

particularly between the two Communist parties. It also emphasized Soviet recognition of Yugoslav "sovereignty and equality."

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Japan's Relations  
With the Sino-Soviet Bloc

No substantive progress was made at the latest meeting between Japanese and Soviet negotiators in London on 15 July, and the Japanese are resigned to continuing the unprofitable meetings in the hope that the USSR will eventually show its hand. Both sides appear to be marking time while they await the results of the four-power conference at Geneva which Soviet negotiator Malik is attending.

The approach was made via the Communist Chinese consul general at Geneva. Japanese parliamentary vice foreign minister Sonoda has indicated to the Diet that Tokyo is willing, if necessary, to send an official representative to Peiping for formal negotiations on repatriation. The Japanese government has stated its action would not involve recognition of the Peiping regime since the approach is for purely humanitarian purposes, and has cited similar American negotiations as a precedent.

Japanese prime minister Hatoyama continues to affirm his conviction that the summit parley will favorably influence a settlement between Japan and the USSR, and that four-power agreements easing world tensions might prompt Moscow to return Shikotan and the Habomai Islands to Japan.

The Japanese claim Peiping still holds about 7,000 Japanese, including over 1,000 war prisoners, whose names are known. They also have requested the Communist Chinese to account for 40,000 Japanese who are missing on the mainland.

Communist Chinese insistence on cash payment for goods, high prices, and the lack of financial arrangements are impeding trade between Japan and Communist China. In early July, Japan transferred the quota to import 50,000 tons of soybeans from mainland China to a "global" basis, primarily because the Chinese refused a barter deal and asked a price above that of the world market.

As for Japan's relations with Communist China, Tokyo on 15 July made an official approach to Peiping on the problem of repatriating Japanese detainees.

The plan of the Japan International Trade Promotion Association (JITPA) to send a trade mission to Peiping in the near future also is encountering

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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

difficulties. The Diet Men's League for Promotion of Communist China Trade is opposing the sending of a private trade mission, believing that only

a government delegation can effectively implement the Sino-Japanese trade agreement that was concluded in May.

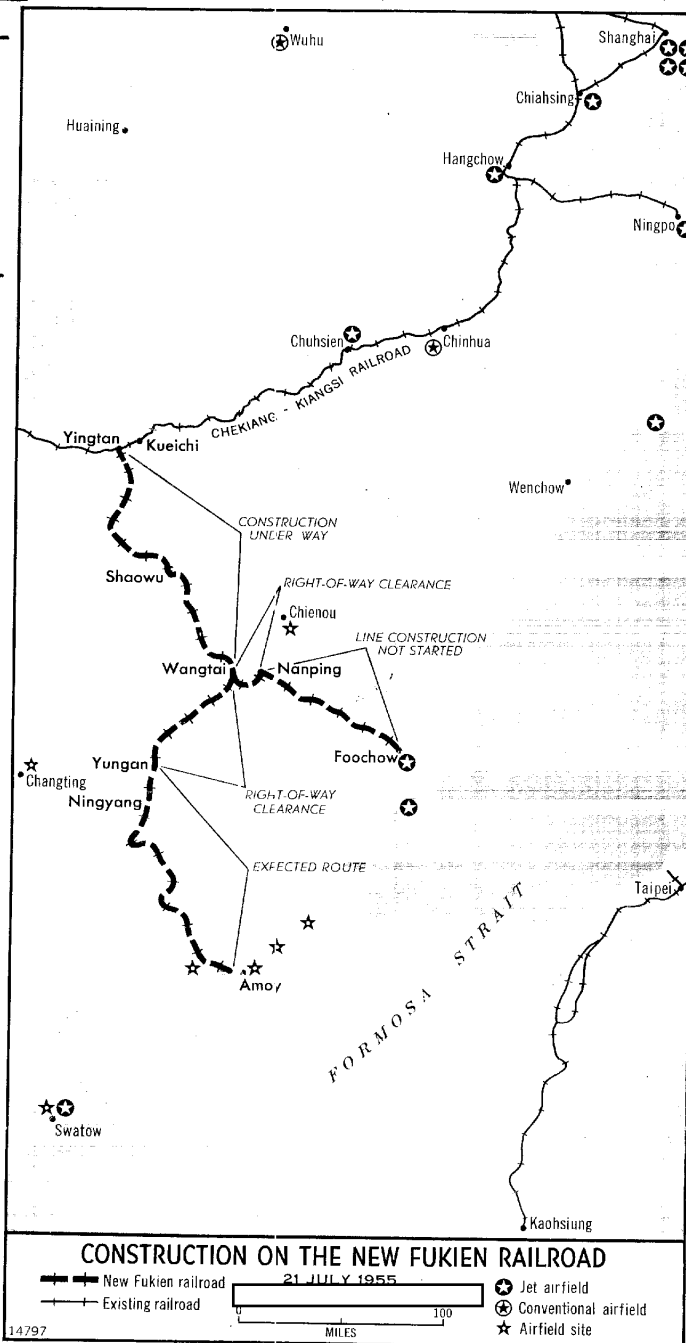
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Construction Speeded On New Fukien Railroad

The Chinese Communists have stepped up construction on the new railroad to the Fukien coast, possibly enough to complete it this year. The railroad will greatly improve the Communists' capabilities to supply the new airfields and military forces on the coast opposite Formosa.

The new railroad is needed for adequate logistic support of any military operation against Formosa, a consideration which was probably foremost in Peiping's decision to build the line. The Fukien coastal area has meager economic resources and is separated from the main Chinese rail net by 300 to 400 miles of mountain ranges. In normal times the trade between the Fukien coast and other areas of China can move economically only by sea.

Peiping radio first reported the new Fukien railroad early this month. The announcement stated that it was an important project of the First Five-Year Plan (1953-1957) and that military railway units



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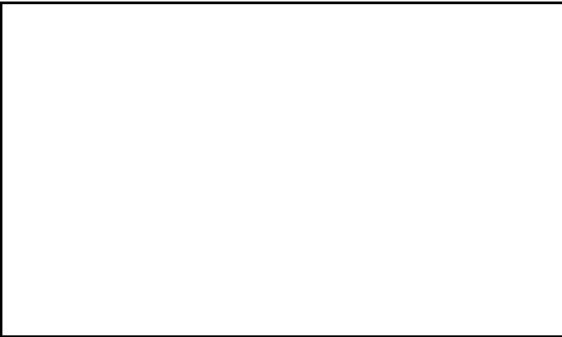
CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

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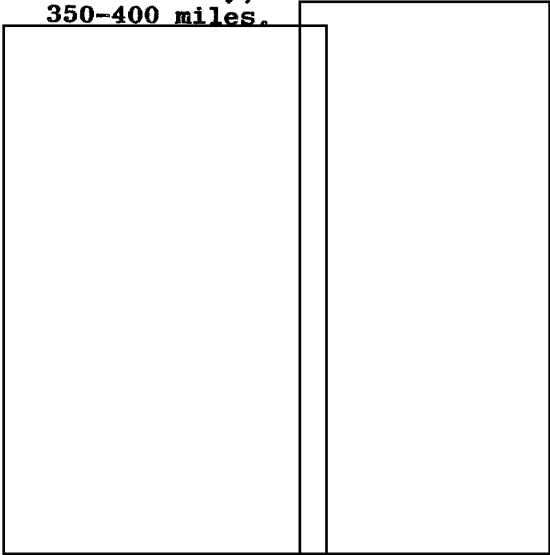
were being urged to hasten construction work on the line.

Peiping mentioned only one line, from Yingtan near Kueichi on the Chekiang-Kiangsi railroad to Amoy, a distance of 350-400 miles.



Construction of the northern section of the Fukien railroad, from Yintang to Wangtai, has evidently been under way since 1954 and may be nearing completion. Completion of just this half of the new railroad will considerably facilitate supply movements into the Foochow area, since goods could be transshipped at Nanping for movement down the Min River.

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Vietnam

The riots which broke out in Saigon on 20 July, the first anniversary of the Geneva agreement, demonstrate the intensity of feeling in South Vietnam against carrying out the Geneva accords.

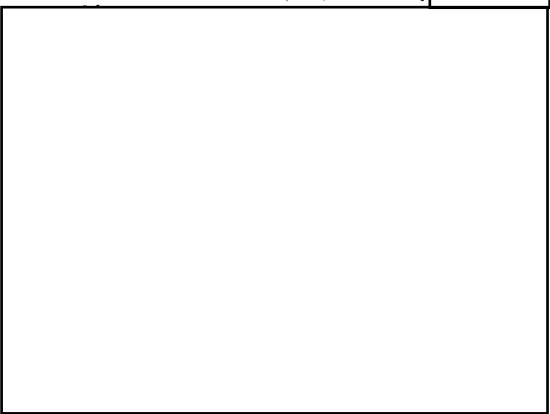
Although South Vietnamese officials may not have intended that violence break out, there is little doubt that they were primarily responsible for instigating the original anti-Communist demonstrations.

In any event, these activities appear to be designed to enhance the Diem regime's popular support and force the Control Commission to withdraw from Saigon.

The commission, meanwhile, claims that the Diem government's attitude is preventing it from functioning and jeopardize the safety of commission personnel.

French, British and Indian reaction to the Saigon demonstrations and riots is bound to be unfavorable. The French and British will probably limit themselves to strong diplomatic representations and seek American pressure on Diem to prevent further outbreaks. Although it seems unlikely that India will take drastic action, it has already referred the issue to the co-chairmen of the 1954 Geneva conference on Indochina. Prime Minister Nehru has also called on the United States to

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**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

use its influence on the South Vietnam government to prevent any further outbreaks.

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[redacted] Diem is aware of the gravity of the situation and is preparing a statement expressing regret, promising compensation for property losses, and assuring the maintenance of order in the future.

The Communist reaction to developments in Saigon has been varied. Viet Minh response to Diem's election declaration was quick and sharp. An 18 July broadcast from Hanoi accused the United States and France as well as Diem of "vengefully" seeking to sabotage the Geneva agreement. The broadcast also interpreted Diem's statement as a threat to attack North Vietnam, and linked it to the Thai request that the Manila pact council consider the fighting in Laos, which was described as a "provocative attack" by Laotian government forces.

Viet Minh vice premier Pham Van Dong subsequently released a mildly worded note--probably for the record--to the Diem government requesting it to appoint representatives to enter into pre-election talks on 20 July as scheduled by the Geneva agreement. In Geneva, the Soviet Union has indicated it will not insist that these negotiations commence immediately.

There have been indications that some Viet Minh agents may have been active among the demonstrators in Saigon on 20

July. According to an eyewitness account, however, any Communist involvement was limited to the activities of individuals. Although Hanoi has not yet commented publicly, it is expected to exploit the situation by pointing in contrast to its "co-operative" attitude toward the Control Commission and "faithful adherence" to the Geneva agreement.

Diem's personal position continues to be strengthened on two fronts. Slow progress has been reported in the fighting against Ba Cut's Hoa Hao forces in southwestern Vietnam, although the rebels are making the most of terrain which is ideal for defense.

Politically, the anti-Diem extremists in the Revolutionary Committee who openly attacked the premier on 7 July now indicate privately that they desire to defer a show-down. It now appears that these elements succeeded only in isolating themselves from the main body of the committee, and that Diem's position is stronger than ever.

Negotiations with the French on the position of the chief French representative in Saigon and on the French Expeditionary Corps also appear to be making headway. Paris appears to be amenable to a drastic cut in French forces in Indochina in accordance with Vietnamese wishes, and agreement has been reached on the title of France's chief representative in Saigon. Diem was assured that his function would be purely diplomatic.

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Laos

Negotiations between the Laotian government and the Pathet Lao continue to be unproductive. Unless the International Control

Commission, which now sits in on the discussions, adopts a stiffer attitude, the Pathets probably will keep

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

on making impossible demands. Protracted negotiations will give the Communists time to build up their strength further in Phong Saly and Sam Neua.

Negotiations were resumed on 15 July, but were suspended almost immediately for another week because of failure to agree on an agenda. The Pathet Lao insisted on discussing the modification of election procedures first, while the Laotian government demanded that the re-establishment of royal authority over Phong Saly and Sam Neua Provinces be given top priority.

There are indications that the Indians and Canadians are losing patience with the Pathet Lao and may try to have the problem of the disputed provinces referred to the participants in the Geneva conference of 1954 if it is not soon resolved by direct negotiations.

Talks looking to the stabilization of the potentially explosive military situation in Sam Neua were also inconclusive. If the deadlock

continues, the Canadians plan to propose that the International Commission work out its own cease-fire formula. The Polish delegate has indicated opposition to any plan that is not extremely favorable to the Communists.

The Katay government has reacted unfavorably to Thailand's request that the Manila pact council consider the recent Pathet Lao attack on Muong Peun. In a strongly worded communiqué, it protested that it had not been consulted beforehand, that the Thai action was "untimely," and that Laos could decide for itself when its security was in sufficient jeopardy to warrant outside intervention.

In a subsequent conversation with the American chargé, Premier Katay, who had apparently cooled off somewhat, indicated that he might comment favorably on a Manila pact resolution which emphasized Viet Minh interference rather than Pathet Lao aggression. 2?

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Cambodia

The International Control Commission in Cambodia has tentatively taken the position that the US-Cambodian military aid agreement does not violate the Geneva accords. 25X1  
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resolution gives the impression, however, that the commission retains doubts about some clauses in the aid agreement.

Although Nehru was noncommittal on the subject in a recent conversation with Ambassador Cooper, there are indications that he is in accord with the views of the commission. A high official of the Indian Ministry of External Affairs, for instance, has stated that the Cambodian position is fully acceptable to India.

The commission has drafted a resolution indicating that it accepts the Cambodian government's assurance that the aid agreement does not contravene the Geneva settlement. The

**SECRET**

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

Moreover, the Polish delegate on the commission has indicated that he has been instructed to vote "as Nehru directs." He is expected, however, to resist vigorously any attempt to eliminate from the resolution reference to the commission's continuing doubts.

An important factor influencing the Indians to take a less critical view of the aid agreement has undoubtedly been the growing Cambodian criticism of the commission. The Indians are extremely sensitive to such criticism as they regard Cambodia as within India's sphere of influence. In this regard, they are certainly aware that a prominent palace official has threatened, in the event of an adverse decision by the commission, to contrast publicly the text of the Geneva agreement with the "far-fetched" Indian-Polish interpretations of the aid agreement.

More recently, the Indian chairman of the commission indicated that he was disturbed by Prince Sihanouk's public defense of the aid agreement and pointed remarks about unwanted advice from foreign diplomats and international organizations. Despite his abdication of the throne, Sihanouk is still the most influential person in Cambodian politics and is known to be anxious to prevent the commission from playing any part in the forthcoming national elections.

Under the circumstances, therefore, it would seem to be in the interest of India to allow the matter to rest substantially where it is. An unfavorable decision, or one that would be interpreted as reflecting on Cambodian integrity, would automatically inject the issue in the local political campaign, which could be very embarrassing to the Indians.

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Indonesian Crisis

President Sukarno departed on a pilgrimage to Mecca on 18 July apparently confident that the Indonesian government will not fall during his three-week absence. He will stop for a state visit in Egypt en route.



With three weeks in which to consider a new approach and no longer bound to his past efforts, Sukarno may be able to maneuver army leaders into a position where it will be difficult for them to regain the initiative.

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The army has refused the government's proposal that General Utoyo be accepted as chief of staff with the understanding

SECRET

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

that he resign immediately afterward. The army is expected to continue its opposition to Utoyo, but significant negotiations with the cabinet apparently will await Sukarno's return.

In an order of the day issued on 18 July, Colonel Lubis spoke of the government's use of the army as a political tool and of the need for a clear-cut defense policy. His statement referred to basic army-government differences which assumed political significance in 1952 and remain unsettled. These differences, which center on training and organization, may be involved in any renewed negotiations.

Prime Minister Ali appears to have decided, on instructions from Sukarno, to continue in office unless voted out by parliament, which has given no indication of taking such action. Although one government party has decided to withdraw from the cabinet if Ali fails to return his mandate, loss of its support would not deprive Ali of a parliamentary majority as party lines now stand. Should parliament vote the cabinet out of office during the next three weeks, Vice President Hatta probably would order the Ali cabinet to continue as a caretaker government.

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25X1**Kashmir**

India has apparently served notice on Pakistan that at the talks between Prime Ministers Nehru and Mohammad Ali on Kashmir, now scheduled for August, Karachi must be prepared either to accept partition of the state along the present cease-fire line or to consider failure of the talks a foregone conclusion.

New Delhi's position was announced by Home Minister Pant at a press conference on 9 July. Pant said that although India had in the past made commitments regarding a plebiscite in Kashmir, the situation had changed as a result of India's development program in the state and because of Pakistan's "military alliance" with the United States. He stated that since Pakistan had failed for nearly eight years to agree to reasonable conditions for a plebiscite, it seemed unlikely that it would agree to them in the future.

The home minister also expressed his personal view that the Kashmiri Constituent Assembly had made a firm decision regarding accession to India and that the "tide cannot be turned."

Pant's remarks are significant because they are the first public utterance by a responsible government official that India does not intend to abide by its commitment, made to the UN Security Council, to hold a plebiscite in Kashmir. Nehru indirectly substantiated Pant's views in a public speech delivered on 16 July following his return to New Delhi.

Pakistani officialdom immediately sensed the importance of Pant's statements, and on 14 July the Pakistani high commissioner in New Delhi delivered a note to the Indian Ministry of External Affairs protesting them and requesting clarification. To date, Pakistan has not received a reply.

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

There is little that Karachi can do about the situation in Kashmir. Pant's statement was made only three days before Nehru's triumphal return from his tour of Soviet and Satellite capitals and only nine days before the opening of the Big Four talks at Geneva. They were therefore well timed to receive a minimum of international publicity.

The Pakistani government is deeply involved in intricate domestic political problems as

well as in the dispute with Afghanistan and is in no position to make a strong stand against India. Its threats to seek "other means" of settling the problem if the prime ministers' talks in August fail will probably make no impression on New Delhi. Pakistan's sole recourse then would be to return the issue to the Security Council. The council's actions over the past several years have given India little reason to fear its censure.

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Tensions Mounting  
Over Cyprus Issue

Greek agreement to join with Britain and Turkey in a discussion of the Cyprus problem is no evidence of Greek optimism that an early or favorable settlement of the dispute is possible. Athens' decision has brought out the disunity in the Rally government of Prime Minister Papagos and has intensified maneuvering for power.

Athens ordered a new appeal for Cypriot self-determination submitted for inscription on the agenda of the UN General Assembly on 21 July. This was done on Papagos' direct order as a result of Britain's setting of 29 August for the date of the proposed bilateral conference on the issue. A Greek information bulletin of 19 July pointed out that the British conference proposal originally had presumed a date early in August, before the 20 August deadline for the submission of items for the General Assembly's agenda.

Athens accepted the British invitation despite displeasure at the inclusion of Turkey, exclusion of the Cypriots, and

widespread suspicion that the British gesture was a maneuver intended to sidetrack another UN appeal.

According to Deputy Premier Kanellopoulos, the Greek cabinet had with difficulty persuaded Prime Minister Papagos to acquiesce in the face of almost universal Greek opinion against acceptance. The Greek press, representing both government and opposition supporters, continues to attack the conference proposal. Cypriot Nationalist leader Archbishop Makarios on 16 July severely criticized Athens for falling into a British trap and asserted that the Cypriot people would not accept a conference decision which did not accord with their rights and aspirations.

On Cyprus, new terrorist outbreaks followed the promulgation by the British governor of a detention-of-persons law on 15 July, which gives him the right to detain in lawful custody any person he believes is a member or supporter of any organization responsible for acts of violence. The

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

introduction of this law alarmed the Greek government and generally increased Greek and Greek-Cypriot doubts concerning British intentions.

This situation poses severe dangers for the Papagos government. Any yielding on the Cyprus question, in the present excited state of Greek opinion, might cause the government to fall. Ambassador Cannon believes that the only hope of a reasonable Cyprus settlement rests with the present Greek government; any change

would probably bring in a weak coalition and play into the hands of extremists on the issue. The Rally is no longer united on Cyprus policy and opposition leaders are competing for leadership of the Cypriot cause.

The sequence of recent events, with the increase in mutual suspicions, makes less likely any positive results from the London conference and suggests that a bitter struggle over Cyprus may take place in the UN General Assembly.

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**Trieste Situation Deteriorates**

The dissatisfaction in Trieste with Rome's inadequate measures for remedying the territory's depressed economic conditions will become an increasingly serious problem as the 1956 local elections approach. Inept Italian methods of administration have resulted in a prolonged shipyard strike supported by both Communist and non-Communist unions.

The Communist Party of the Territory of Trieste, which polled 17.3 percent of the votes in the 1952 elections, is the party most likely to profit from popular discontent.

Although the maladjustment in the Trieste economy is primarily due to the high costs in the shipyards and the loss of the port's Central European customers, business has declined markedly since the termination of the Allied Military Government. Rome has shown little interest in Trieste's problems since taking over in October 1954, and there is no reason to believe that the new Segni government will do any more than its predecessor.

Rome has refused to assign new ships to the Trieste port, has apparently abandoned plans for an international conference on the use of the port, and has made no adequate follow-through on the announced 70-billion-lire (112 million dollars) economic support plan.

The situation is aggravated by the current strike at the United Adriatic Shipyards. In its attempt to "clean up" the labor situation and qualify the firm for bidding on American contracts, the new management of the Italian government-controlled company arbitrarily violated established union rights and provoked united opposition from the workers.

Trieste trade union leaders have called a general strike for 25 July to demonstrate that the shipyard dispute affects the vital economic interests of Trieste.

The relatively weak non-Communist unions, which have been subjected to the same restrictions as the Communist union, are currently less able

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

to fight back and will be in a poorer condition to contest upcoming shop-steward elections. The local Christian Democratic Party and the progovernment center parties have publicly joined in the criticism of the firm's management in order to prevent the Communists from monopolizing a popular political issue.

Apprehensions about international developments are also increasing. Fears that Austrian

neutrality and a Yugoslav-Soviet rapprochement may expose Trieste to new military dangers may prove a stimulant to "independentist" and "neutralist" sentiments in the territory.

Unless the Rome government takes effective steps to boost business and morale in Trieste, the situation will continue to deteriorate and eventually threaten to undermine the Christian Democratic local administration.

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Peron's Position  
Remains Uncertain

Peron's withdrawal from direct leadership of the Peronista Party and his announcement on 15 July that resignations from party and government positions would be necessary in order to facilitate needed reorganization are further indications of the weakness of the Argentine regime, and suggest that Peron is still maintaining himself only at the tolerance of the military. New rumors of possible disturbances have increased tensions in Buenos Aires.

Peron told Peronista legislators on 15 July that since the Peronista revolutionary objectives had been achieved, constitutional rights had to be restored and Peronista methods and leadership had to be changed.

In a conversation with Ambassador Nufer on 19 July, Peron answered Nufer's question about rumors that he might resign from the presidency by saying that he was "not resigning for the time being" and that, in fact, he did not intend to resign unless his "resignation proved a sine qua non to the

success of the pacification movement." He said that if he resigned it should not be taken to indicate disillusionment with the turn of events.

At the same time, however, Peron told Nufer that he considered his position "very strong," not only because he has the "full support" of the Peronista Party and labor but also because he can "count solidly on the army." He said the government planned to lift political restrictions and that the Peronista Party, which was "stronger than ever," was determined to bring about pacification of the country. Peron said he was holding Peronista organizations "under wraps" for the time being but at his "slightest indication" the General Confederation of Labor would immediately call a general strike completely paralyzing all activity.

Principal government "pacification" plans as outlined by Peron to Nufer include lifting the state of internal warfare and all press restrictions and revising the electoral law to give the

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

opposition more seats in closer proportion to their votes.

Peron was optimistic about the pacification move, which he believed would finally divide the opposition into those accepting the plan and the "hardcore irreconcilables," including the oligarchy, part of the Radical Party, and a few others. He said that generally those political leaders who really represent a party will go along, although his expression of regret that Arturo Frondizi was the strongest Radical leader suggests that he has doubt as to Frondizi's intentions.

Thus far only the "Christian Democratic Movement," whose party organization was

announced on 13 July, has issued a manifesto endorsing Peron's call for peaceful "co-existence" among all political parties. Factionalism among Catholic groups as well as the Radicals, however, is indicated by a less moderate manifesto issued on 19 July by a new party called the "Christian Democratic Federal Union," which claims it was established on 21 May 1955.

The latter group's manifesto states that pacification is not possible until the "true scale of values is recovered and order restored, which "requires the departure of men responsible for subversion and disorder and general re-organization of the political regime."  25X1

Ecuador-Peru Frontier  
May Flare Up Again

The reported movement of troops by both Ecuador and Peru to their common border is likely to provoke new incidents and delay still further the final settlement of the long-standing boundary dispute between the two countries.

The present boundary dispute concerns two frontier areas--Lagartococha and Santiago-Zamora. Because available geographic data were inaccurate, the boundary in these areas was left undemarcated in 1942 and subject to mediation for final settlement.

Peru now claims that Ecuador is preparing to attack along the Loja-Sullana-Paita axis, probably on 28 July. It states that Ecuador has moved an MDAP-supported anti-aircraft battalion to Machala and is concentrating ground forces in the

vicinity of Loja. Furthermore, the Peruvians charge, Ecuadoran planes have been overflying the border, perhaps for purposes of reconnaissance.

For its part, Peru has ordered the activation of an anti-aircraft unit and has assigned numerous officers of the First Anti-Aircraft Group to the First Light Division in the vicinity of Tumbes near the border. There are no other indications of border troop reinforcements, according to the army attaché in Lima. High-level representatives of Peruvian air, army and navy forces have been discussing the problem.

The American embassy in Lima has noted a growing concern in Peruvian government and military circles over what they view as a belligerent attitude on the part of the Ecuadoran government

**SECRET**



**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

and press. Peruvian president Odria has recalled for consultation his ambassadors to Colombia, Argentina, Brazil, Chile and the United States. These last four countries are charged with mediating the boundary dispute, according to the 1942 Rio Protocol, which terminated the brief war between Peru and Ecuador in 1941.

Argentina, Brazil, Chile, and Colombia, for various political and economic reasons, all appear inclined to favor Ecuador.

The movement of forces in Ecuador has not been confirmed. In the past, the chiefs of state of both countries have stirred up border trouble in order to distract public attention from the internal political difficulties in their respective countries. At present President Velasco's hold on the presidency of Ecuador is becoming increasingly precarious, and there are indications that



Odria may be maneuvering to perpetuate his regime in power.

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**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

**PART III****PATTERNS AND PERSPECTIVES****THE SOVIET THEORY ON THE "INEVITABILITY OF WAR"**

The belief that the Soviet Union, as the leader of world Communism, is a beleaguered fortress whose security is constantly threatened is deeply imbedded in Communist thinking. Until the end of World War II, this image found theoretical expression in Lenin's doctrine of the "inevitability of war." Aware of the threat of nuclear warfare, Soviet leaders have found revision of this doctrine advisable despite the fact that it had been regarded as one of Lenin's "original" contributions to Marxist science and had become a cardinal tenet of Communist dogma.

**Theory Until End of World War II**

When Lenin first proposed his formula, the Soviet state had not been established and there was no "Communist camp."

Following the revolution, the doctrine came, in practice, to mean that the Communist and the capitalist worlds would sooner or later become locked in an armed struggle from which only one system would emerge. "We are living," Lenin wrote after the revolution, "not only in a state but in a system of states, and the existence of the Soviet republic side by side with imperialist states for a long time is unthinkable. One or the other must triumph in the end. And before that end comes, a series of frightful clashes between the Soviet republic and the bourgeois states is inevitable."

This became the generally accepted view, although certain qualifications were introduced, which suggested that the consequences for the USSR would be less serious if the war could be postponed. At the 15th Party Congress in 1927, for instance, Stalin said:

"We cannot forget the saying of Lenin to the effect that a great deal in the matter of our construction depends on whether we succeed in delaying war with the capitalist countries, which is inevitable but which may be delayed either until proletarian revolution ripens in Europe or until colonial revolutions come fully to a head, or, finally, until the capitalists fight among themselves over the division of the colonies...."

This pattern of thought was not basically altered until the end of World War II. This war was interpreted in Soviet theory as an intercapitalist war and as further proof of the validity of Lenin's doctrine. The "war occurred," Stalin said in February 1946, "as the inevitable result of the development of world economic and political forces on the basis of contemporary monopolistic capitalism. Marxists have more than once declared that the capitalist system contains in itself the elements of general crises and military conflicts, that in view of this the development of world capitalism in our time proceeds not in a planned and uniform movement forward, but through a series of crises and military catastrophes."

This explanation was simple enough, but it was certainly incomplete. The fact was that the USSR itself had become involved in a so-called "intercapitalist war."

**The Theory in the Atomic Age**

With the advent of nuclear weapons, the question of whether the USSR was inevitably to be involved in a future war far more destructive than the last became a theoretical point of prime importance.

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

Soviet theoreticians had to face the task of thrashing out a definitive formulation on this subject which would recognize the realities of international relations in the atomic era and provide a guide to policy and propaganda without conspicuously deviating from hallowed theory. The product of this search was a formulation, provided by Stalin himself in his Economic Problems of Socialism in the USSR in October 1952, which preserved the letter but violated the spirit of Lenin's original dogma.

There was at first, however, a tendency to play with the idea that perhaps wars in general were not inevitable. Soon after World War II, a note of contingency began to creep into Soviet pronouncements. Stalin himself, in an interview published in Pravda on 17 February 1951, showed a willingness to temporize with the issue. In answer to a question, he said he did not consider a new world war inevitable, "at least at the present time," but that it might become so "if the warmongers succeed in confusing the masses of people with falsehood."

The first attempt to come to grips with the issue directly came in an article published in Problems of Philosophy in September 1951.

Using an argument frequently brought to bear when doctrinal revisions are impending, the author of the article warned that those who regard Marxist teaching as a body of inviolable dogma can "by blindly grabbing hold of one or another thesis of Marx relating to a definite historic epoch, make a very crude mistake .... With every new year of postwar development there takes place a further change in the relationship of forces between the camp of peace supporters and the camp of warmongers in favor of the camp of

peace. That is why in contemporary historical conditions it is impossible categorically to affirm that the coming of a new world war is inevitable. The Marxist-Leninist thesis of the inevitability of wars in an epoch of imperialism, which was correct for some historical conditions, cannot be carried over unconditionally into new historical conditions."

Stalin's Restatement

This attempt to scrap the doctrine was authoritatively rejected in October 1952 by Stalin in his Economic Problems of Socialism in the USSR. "It is said," Stalin asserted, "that Lenin's thesis that imperialism inevitably gives birth to wars should be considered obsolete since powerful peoples' forces have now grown up which are taking a stand in defense of peace, against a new world war. This is not correct." The peace movement, Stalin argued, can prevent a particular war, can result in the "temporary preservation of a particular peace," but only the destruction of imperialism can "eliminate altogether the inevitability of wars among capitalist countries...."

Stalin did not state, however, that the destruction of imperialism could be brought about only through war between the capitalist and socialist blocs. On the contrary, he indicated wars among the capitalist powers were more likely than a war directed against the USSR, although the threat of the latter had by no means disappeared.

There was a great deal of theoretical sophistry in Stalin's formulation, and it is probable that he was pursuing primarily political and propaganda objectives in offering it. Nevertheless, from the theoretical point of view, it had certain advantages. It preserved the Leninist dogma in a formal sense, and pointed to the eventual collapse

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

of capitalism, but no longer committed Soviet theoreticians to belief in an unavoidable catastrophe.

Theory Since Stalin's Death

Given impetus by the renewed stress on "peaceful co-existence" which set in just before Stalin's death, the theoretical discussion continued. An article published in the November 1953 issue of Zvezda took a different approach than Stalin and once again attempted a frank disavowal of the entire doctrine. The author of the article, M. Gus, argued that human action could paralyze the operation of the law of inevitable war.

This thesis was ruled out, however, possibly because it conceded more than was necessary and might eventually undermine belief in inveterate capitalist hostility. Articles by V. Khrushkov, chief of the Agitation and Propaganda Department of the central committee, in the January 1954 issue of Kommunist and by T. Tereshkin in a February issue of Zvezda attacked the Gus thesis. Tereshkin's article, a lengthy and detailed rebuttal, was virtually a verbatim reaffirmation of Stalin's 1952 formulation.

The same general argument was put forward in an article appearing in the March 1954 issue of Military Thought. The author, a certain Colonel Pyatkin, faithfully reaffirmed every element in Stalin's formulation, but betrayed confusion as to its essential meaning. He spoke, for instance, of wars becoming "almost inevitable" under imperialism, of being "especially inevitable" under certain conditions. "The United States is intent on launching an aggressive war," he asserted in another place, but "whether or not this war will be prevented or delayed temporarily will depend upon the relative strength of the

fighting forces which decide the fate of peace and war." The "peace movement," then, can accelerate or put a brake on the operation of objective laws. It cannot paralyze them, however, and the law of the inevitability of wars among capitalists remains in force.

At the same time, however, the durability of "peaceful co-existence" and the possibility of averting a war between the two great opposing systems were further emphasized. Leontyev, writing in Kommunist in September 1954, referred to the "objective inevitability of the coexistence of states having different social systems, throughout the length of a whole historical epoch." War between countries having different social systems, Leontyev asserted, is not inevitable. The danger of attack on the USSR is an ever-present one, however, and demands constant vigilance and strengthening of the Soviet state. The peoples of the socialist bloc should not, on the other hand, be intimidated by this threat, nor should they lose faith in the eventual triumph of Communism.

The Theory Today

Soviet doctrine thus no longer presupposes that the USSR must inevitably fight another war. This position has been reached only gradually, after several false starts and much "backing and filling." Because it has been worked out fitfully, in response to the sometimes-conflicting demands of policy, propaganda and doctrinal purity, it is a patchwork formulation based on a number of theoretical compromises.

Uncertainty on such a primary question was undoubtedly an uncomfortable state of mind to be in for Communist theoreticians. It was, however, plainly impossible to build a viable

SECRET

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

theoretical or propaganda position on the assumption that war was inevitable between the USSR and the United States, a war which, in the nuclear age, would necessarily have frightful consequences (possibly "the destruction of world civilization"). Insistence on this particular dogma might have thrown in doubt the soundness of other more basic Communist doctrines, or, at least, have created an attitude of despair and futility in the Soviet population and among foreign Communists.

On the other hand, it would have been difficult to discard in its entirety a doctrine which buttressed the "conflict image" and repudiated the idea that an era of sweetness and light might eventually arrive. The doctrine was not, therefore, entirely scrapped. It was, instead, revised in a way which preserved both the semblance of doctrinal purity and the sense of an ever-present danger.

Soviet theoreticians were faced with another dilemma--the problem of reconciling "peaceful coexistence" of indefinite duration with categorical insistence on the eventual collapse of capitalism. A way out was found in the assertion that peaceful coexistence would

last until the imperialist West disrupted it, but that capitalism would crumble with or without war.

A final problem, which has apparently become more acute during the past year, has been to discourage the assumption abroad that Soviet attachment to peaceful coexistence is equivalent to fear of war and that the USSR is intimidated by the American "position of strength" policy. Soviet propaganda has, therefore, begun to boast of Communist-bloc strength and to caution against feelings of inferiority. The USSR desires peace, it is said, but is, nevertheless, strong and resolute and has less to fear from a new war than the capitalist West.

What those responsible for Soviet policy actually think on this score remains obscure. If theoretical formulations are any guide, however, it is possible to conclude that their thoughts are hazy and incomplete, and that this fact troubles them. The doctrine in its present form cannot serve as a reliable guide to action, for it tells them only that there is an alternative to war, but not how likely it is that this alternative will be achieved nor what the consequences will be if it is not.

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MALAYAN ELECTIONS

Malaya's first national elections on 27 July will give Malaysians greater legislative and executive responsibilities but will not affect ultimate British control over the Federation's affairs. The United Kingdom's control over foreign

affairs and defense will continue and the British high commissioner will retain his veto over legislation. Economic and financial posts probably will continue to be filled by British personnel.

~~SECRET~~

## CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

inequity, member organizations are expected to continue their successful co-operation after the elections. The Indian organization provides little strength and joined up largely out of a desire to be "on the bandwagon."

Expected to win a few seats is Party Negara, a conservative organization which is backed by professional and commercial leaders and by several of the prime ministers of Malaya's nine states.

The leader of the winning party will be given the portfolio for home affairs. The most likely candidate for this position is Abdul Rahman, chairman of the largest of the Alliance organizations--the United Malay Nationalist Organization.

Although the new council has limited legislative responsibilities, the high commissioner is expected to give its demands and recommendations careful consideration. With the expectation of an Alliance victory and in response to the Alliance platform which proposes an amnesty to the Communists, British authorities have already prepared new, liberal surrender terms which will be announced after the elections. The high commissioner is also expected to accede after 27 July to an Alliance request for the appointment of a constitutional commission to review the Federation Agreement, the legal basis on which the Malayan government now rests.

Once established as the dominant group in the council, the Alliance will probably demand an accelerated pace toward self-government, for which the British have set no date but which Malayan parties want within the next four years. In preparation for self-government, the Alliance will insist on increased Malayanization of all levels of the civil service and

greater Malayan participation at international gatherings. It will probably recommend the appointment of high-level Malayan assistants in offices hitherto held by British personnel, particularly those of the financial secretary, the minister for economic affairs, the attorney general, and the chief secretary.

The Alliance has a definite program for handling the seven-year-long "emergency" which was declared to combat Communist terrorism. It wants either to end the emergency quickly or, failing to do so, obtain outside help to finance continued operations. The Alliance has proposed offering a general amnesty to the Communists to end terrorism. If the Communists refuse the amnesty, Alliance leaders feel they would be in a position to ask for an all-out military effort by the people of Malaya. Furthermore, Alliance leaders argue it would then be apparent that the war in Malaya is only one sector of the larger fight against Communist aggression, and they would recommend to the high commissioner that the United States and the United Kingdom be approached for financial aid.

Alliance leaders appear to have given little thought to the probability that the Communists would use an amnesty as a cover for their increasingly successful program of subversion in Malaya and Singapore. Many might be directed to "accept" the proposed amnesty in order to work above ground, both as "reformed Communists" and to infiltrate existing political parties. Although the Communist peace bid in June was for a negotiated settlement, a renewal of the offer in early July implied that the Communist Party is amenable to any countersuggestion to end terrorism.

British colonial and Foreign Office officials in London claim to be satisfied thus far with

SECRET

**SECRET**

**CURRENT INTELLIGENCE WEEKLY SUMMARY**

21 July 1955

Malaya's response to experiments in self-government. Nationalist demands for accelerated progress toward self-government, based partially on Communist

protestations of peaceful intentions, may, however, force drastic changes in the British schedule for Malaya.

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**ECONOMIC IMPLICATIONS OF SOVIET-AFGHAN TRANSIT AGREEMENT**

Pakistan's denial of transport facilities for Afghan exports has focused attention on the Soviet Union's offer of a five-year transit guarantee for Afghan goods. If denied access to its normal import-export markets for an extended period of time, Afghanistan might be compelled not only to implement the transit agreement with the USSR but also to turn to the USSR as an alternative source for much of its imports and, to a lesser extent, as a consumer

for its exports. The cost of effecting this reorientation of Afghanistan's foreign trade would not be a significant obstacle.

No formal blockade exists between Afghanistan and Pakistan, nor have formal economic sanctions been imposed. However, since 1 June, traffic destined mainly for Pakistan, India and the West through the Khyber Pass, the transit point for most of Afghanistan's foreign trade, has been reduced to a trickle.

The same is true of the normally limited traffic between Afghanistan and Pakistan on the Chaman route to the south.

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Afghanistan's foreign trade consists chiefly of exports of karakul skins, fruits and nuts, wool and cotton, and imports of textiles, petroleum products, cement, simple manufactures, machinery, and motor vehicles. Karakul skins (Persian lamb) and fruits and nuts account for about 45 percent of the value of the export trade.

Imports of machinery, motor vehicles and textiles from



**SECRET**

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

the United States and India, the principal recipients of these exports, account for some 40 percent of Afghan imports. A substantial reduction in trade in these items would seriously aggravate a financial situation already strained by relatively large development requirements. The crux of the problem is the availability of either practical alternative routes for these commodities or different markets.

Karakul, most of which goes to New York through Karachi, is extremely important to the Afghan economy and accounts for about 30 percent of foreign exchange earnings. Transport costs are of relatively small significance in the export of karakul, and the problem is chiefly one of alternative routing.

With Iran largely inaccessible because of its poor transport network, there are two alternative routes available. One, now in use for Soviet-Afghan trade, is by the road running north from Kabul to the Soviet railhead at Termez, and thence by rail to Leningrad, an established fur market. Road transport costs involved would be approximately the same as for the established route through the Khyber Pass to the railhead at Landi Kotal, Pakistan. The cost of hauling karakul skins by rail to Leningrad would be somewhat higher than taking them by rail through Pakistan. Sea shipment costs to New York from Leningrad, however, are considerably less than from Karachi. The increased cost of this alternate route, therefore, is relatively insignificant and would be no obstacle to its use.

The only other practical way of sending karakul to Western markets is by air. Air freight would be somewhat higher, approximately five percent of the value of the skins in New York. Despite increased

cost, the use of air transport may be preferable since air transport would probably entail fewer reorganizational problems, and there is little danger that Pakistan, as a member of the International Civil Aviation Organization (ICAO), will interfere with air service.

Fruits and nuts, other important export items, are exported mostly to the consuming centers of Bombay and Calcutta. About one third of the fruit is dried, but the perishable quality of the remainder makes long-haul transport both expensive and impractical. It seems likely, therefore, that Afghanistan would be compelled to export most fresh fruits, and possibly even nuts and dried fruits, to the USSR. The amount involved could easily be absorbed into the Soviet market despite similar production in the USSR. In any event, political factors are likely to be the ruling consideration.

Finding alternative markets for small amounts of Afghan cotton and wool exports should pose no serious problem for the USSR, which has imported about half of Afghanistan's export of these commodities in the past. Agreements call for the USSR to purchase 80 percent of total wool production in 1955. The import of the remaining wool and cotton production would be relatively uncomplicated.

Afghanistan is unlikely to implement the transit agreement with the USSR, despite the hardships of the informal Pakistani blockade, before another round of talks with Pakistan. At the moment, it appears that an arrangement can be reached whereby Afghanistan will guarantee to keep its Pushtoonistan propaganda at a low level in return for the reopening of Pakistani consulates and the normalization of trade relations.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

ARMS SOURCES OF NORTH AFRICAN NATIONALISTS

High French officials have charged that the Arab states, particularly Libya, are arming nationalists in French North Africa. Some arms may be supplied by the Arab states, but available evidence indicates that the vast majority of weapons in the hands of the dissidents are obtained locally--mostly abandoned World War II stocks.

This is borne out by the materiel which French authorities in North Africa have found in arms caches, by the supplies captured in clashes with rebels, and by the weapons surrendered last December by Tunisian fellagha under an amnesty agreement. Some weapons have been identified as having been issued by the authorities to French settlers living in isolated areas.

Numerous small caches of arms have been discovered, particularly in Morocco. Most of them contained light weapons of World War II vintage, abandoned by the Allied and Axis armies, and picked up by the local population. Many of these weapons were of Italian manufacture. One hoard discovered in late February consisted of an American-made carbine, an "automatic weapon"--the first found in the possession of Moroccan terrorists--miscellaneous explosives, and 12 revolvers. Another cache was said to include munitions stolen from British dumps in Egypt. The French cited this discovery to support their claim that the Arab states were aiding the nationalists.

Some 1,700 weapons were turned in when the Tunisian fellagha surrendered in December 1954. Despite rumors that the fellagha hid their modern arms, no cache is known to have been discovered by French troops, which now occupy the former fellagha strongholds.

Pistols and hunting rifles are available on the local market. While permits to possess them may in some instances be required, as they are in Tangier, such regulations are no serious deterrent.

The second source of arms is probably loot from police, military, and private arsenals. Some weapons are alleged to have been sold by French and Spanish soldiers. Others fell into dissidents' hands when French military units were ambushed. A few were undoubtedly acquired when native troops deserted and joined the Algerian rebels. Most bombs used by North African terrorists are homemade.

Arms smuggling, a traditional occupation in the Mediterranean area, probably is not an extensive source for the nationalists. Weapons reaching North Africa by this means probably originate in France, Italy, Spain, Spanish Morocco, or Libya. There have, conversely been reports of arms smuggling to Sicily from North Africa.

The French in the spring of 1955 detailed naval units to augment their normal anti-smuggling service in an attempt to intercept clandestine arms shipments which might be reaching eastern Algeria by sea.

A few smuggled arms come overland between Libya and Algeria and Tunisia and between the Spanish and French zones of Morocco. More activity is probable across the Spanish Moroccan border than over the desert of the Libyan border because of the more favorable terrain and the shorter distance.

French border patrols in both areas have apprehended some smugglers, but few arms. The British ambassador in Paris

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

21 July 1955

recently informed the American embassy, however, that investigation indicates that gunrunning from Libya to Algeria is on a larger scale than his government had previously supposed;

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Press allegations that arms are supplied by the USSR or the Soviet bloc cannot be substantiated. Soviet bloc merchant ships call occasionally at Algerian ports and could off-load a few arms surreptitiously.

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The shortage of arms is known to be a serious deterrent to the rebels operating in eastern Algeria. The French director of Algerian security services recently informed an American consul that if the rebels could procure 1,000 rifles, they would have no difficulty in putting 1,000 men in the field overnight.

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The extent of Communist involvement also is not known.

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If the North Africans should manage to mount a successful gunrunning operation, active resistance to French authority would be substantially enlarged.

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