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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

~~CONFIDENTIAL~~

T H E   W E E K   I N   B R I E F

PART I

OF IMMEDIATE INTEREST

ARAB-ISRAELI SITUATION . . . . . Page 1

The Arabs and Israelis continue to concentrate on training and building up their military strength. Israel has said that it intends to continue its own Jordan water development plans--involving work at Banat Yacov in the demilitarized zone between Israel and Syria--if the Arab states do not show signs by 1 March that they will agree to the regional Jordan development plan proposed by the United States. Syria threatens to use force if Israel is not restrained by the UN within a "few hours" after work is resumed. [redacted]

25X1

SINO-SOVIET BLOC PROTESTS  
AIR-SPACE VIOLATIONS . . . . . Page 2

The Sino-Soviet bloc is making an international issue of its charges that American balloons have violated Soviet and Satellite air-space. Last week, nine diplomatic protests were delivered by the USSR and its Satellites to the American, Turkish, and West German governments and to the secretary general of the United Nations; Peiping broadcast a Foreign Ministry protest statement on 7 February. Moscow may plan to carry the case to the UN. [redacted]

25X1

USSR CONTINUES TO URGE  
TREATY OF FRIENDSHIP . . . . . Page 3

Premier Bulganin's reply to President Eisenhower's letter of 28 January apparently was intended to prolong the public dialogue about the Soviet-American friendship treaty proposed in the original Bulganin letter of January. Soviet leaders are trying, by means of Bulganin's letters and supporting propaganda, to persuade the world that the United States' negative attitude toward a friendship treaty is the major barrier to settlement of outstanding East-West issues such as disarmament and the unification of Germany. [redacted]

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

FRENCH PREMIER ATTEMPTS  
NORTH AFRICAN SETTLEMENT . . . . .

Page 3

French premier Mollet appears to have won a respite from the National Assembly on the Algerian problem. Unless he can recover the prestige he lost as a result of General Catroux's resignation, however, his government may be too weakened to carry out its announced policies and may eventually lose the majority support it now has for its Algerian program. [redacted]

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PART II

NOTES AND COMMENTS

Israel's Banat Yacov Water Project: Part of Israel's plan for use of the Jordan waters calls for diverting the flow of the Jordan River to Lake Tiberias through a new canal starting from a point just south of Banat Yacov. Israel contends that the project is aimed only at generating electric power and that the water, after being used for power, would be returned to Lake Tiberias. The Arabs suspect that the diverted water would also be used for irrigation in Israel and that Syrians and Jordanians on the eastern side of the river would be deprived of water. [redacted] . . . . .

Page 1

25X1

Pakistan: Soviet premier Bulganin's statement on 6 February that Pakistani-Soviet relations could be improved by a trade pact presents the Pakistani government with a new and touchy problem. Foreign Minister Chudhury's initial response, which leaves the door open for closer ties with the USSR, may be the result of the government's shaky position in the face of a pending internal crisis on constitutional issues. [redacted] . . . . .

Page 2

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

USSR Promotes India as Sixth Great Power: Moscow took advantage of the recent celebration of Indian Republic Day to re-emphasize the ties between India and the USSR and to stress again the importance of India as the foremost of the neutral states and as the "sixth great power" in world affairs. Moscow has consistently pointed to the effectiveness of the Indian role in the Korean and Indochinese settlements, and the USSR undoubtedly expects that India will play a similarly prominent role if and when a great-power conference is held on Far Eastern questions. [redacted] . . . . .

25X1

Page 3

USSR Stresses Ideological Discipline: The Soviet party press has recently placed more than routine emphasis on the maintenance of ideological discipline. This stress suggests that the regime is concerned lest the party rank and file fail to grasp the intent of "peaceful coexistence" policies and confuse a shift in tactics with a change in long-term objectives. The 20th Party Congress, convening on 14 February, may demand renewed emphasis on ideological discipline. [redacted] . . . . .

25X1

Page 4

Japanese-Soviet Negotiations: The Soviet Union is continuing its efforts to induce Japan to agree to an early settlement of at least some of the issues under negotiation at London. The Soviet representative in London has suggested that the USSR may issue a "unilateral" declaration terminating the state of war with Japan. [redacted]

Page 5

25X1

USSR Enters Field of Marine Nuclear Propulsion: Directives for the Soviet Sixth Five-Year Plan, announced on 15 January, stated that the USSR will build an atomic-powered icebreaker before 1960. Production of such a vessel would indicate that the USSR also is technologically capable of producing atomic-powered combat ships; such a program could, in fact, be under way. [redacted] . .

Page 6

25X1

Chinese Communist Activities in Hong Kong: Invitations to visit the Chinese mainland are being extended to prominent residents of Hong Kong as part of Peiping's effort to build up Communist prestige and influence in the British colony at the expense of the Nationalists. The Communists are cultivating European as well as Chinese residents of the colony. They are refraining from immoderate criticism of the Hong Kong government authorities. [redacted] . . . . .

25X1

Page 8

SECRET

iii

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

Peiping's Defection Campaign Against Taiwan: The Chinese Communists have recently stepped up their campaign to lower morale in Chiang Kai-shek's government and armed forces and to induce defections at all levels. They apparently hope to attain these goals by renewed promises of amnesty even to top-level Chinese Nationalists, by appeals stressing lenient treatment to all "compatriots" who return to the mainland, and by placing emphasis on the hopelessness of holding out on Taiwan. [redacted] . . . . .

Page 7 25X1

Cambodia: Prince Sihanouk of Cambodia, who has just returned to his capital from a state visit to the Philippines, is scheduled to leave for Peiping on 13 February. His aides insist that the trip will not lead to recognition of Communist China. Sihanouk has thus far avoided the issue by stating that so long as there are two Chinas, Cambodia will recognize neither. However, it is quite possible that he will decide to recognize Peiping as a result of his visit. [redacted] . . . . .

Page 9

Malaya: The London talks on Malayan self-government, which began 18 January, concluded on 8 February with agreement on a plan for full independence by approximately August 1957. The agreement also provides for an accelerated interim transfer of internal government to Malayan authority. Malayan chief minister Rahman, who says he is "completely satisfied" with the conference results, will now try to win nationwide co-operation in the fight against the Communists. [redacted] . . . . .

Page 10 25X1

Bulgaria Moves to Improve Relations With the West: As part of the Soviet bloc campaign to improve relations with the West, Bulgaria has proposed to the United States that diplomatic relations be re-established, and has offered Greece goods valued at \$2,000,000 as an advance payment on reparations. [redacted]

Page 14 25X1

SECRET

iv

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

PART III

PATTERNS AND PERSPECTIVES

THE ECONOMIC BASIS OF THE SOVIET BLOC CREDIT PROGRAM IN UNDERDEVELOPED COUNTRIES . . . . .

Page 1

As a result of rapidly increasing industrial power, it has become advantageous for the Soviet bloc to provide capital goods to non-Communist countries in return for raw materials and agricultural products. This situation provides the economic basis for the bloc credit program in underdeveloped countries. [redacted]

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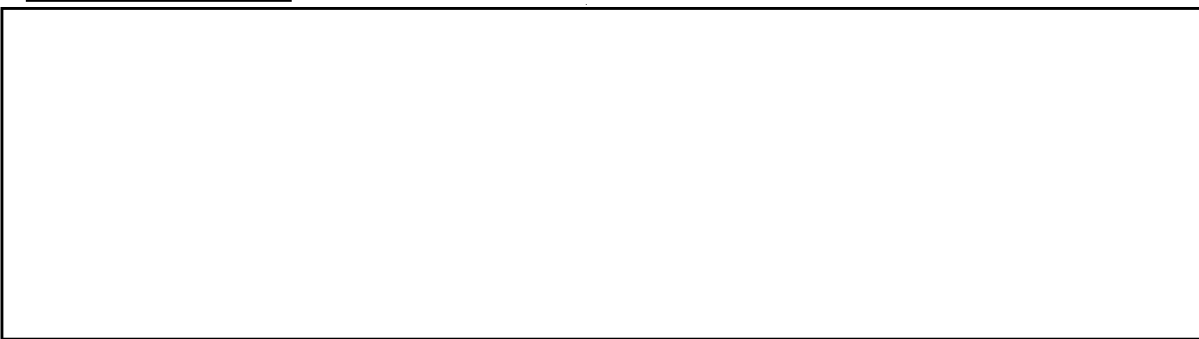
SUCCESS OF MOSCOW'S AND PEIPING'S POLICIES IN SOUTH AND SOUTHEAST ASIA . . . . .

Page 2

Soviet and Chinese Communist activities in South and Southeast Asia, supported by offers of trade opportunities and economic assistance, have scored some notable successes, particularly in Afghanistan and Burma. Moreover, there are signs of growing neutralist sentiment in Thailand and Pakistan--the only countries on the mainland of Asia affiliated with SEATO. [redacted]

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REHABILITATION OF NORTH KOREA WITH SINO-SOVIET BLOC AID . . . . .

Page 7

The Sino-Soviet bloc's extensive aid to North Korea in 1954-55 will probably enable most industries to restore production to the 1949 level. The primary aim of the bloc is to make North Korea economically viable and a source of raw materials and electric power. [redacted]

25X1

SECRET

v

**SECRET**

**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**9 February 1956**

**RELEASE AND REHABILITATION OF POLITICAL FIGURES IN THE SATELLITES . . . . .**

Page 9

The Communist regimes in Eastern Europe during 1955 maintained, and in some cases expanded, their programs for the release of political prisoners and the rehabilitation of purged officials. The program, which coincides with the campaign for the return of Satellite nationals, reflects a major tactical change in the campaign to reduce opposition to the regimes. Both the releases and "redefection" campaign are attempts by the Satellite governments to create for themselves an aura of international respectability.

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**SECRET**

vi



**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

## PART I

OF IMMEDIATE INTEREST

## ARAB-ISRAELI SITUATION

The Arabs and Israelis continue to concentrate on training and building up their military strength.

Israel is still pressing the West for arms, and Israeli naval crews have been sent to Britain for destroyer training. Egypt may have tested some of its new Soviet equipment in maneuvers in the Sinai Peninsula. An intensification in Egyptian paratroop training has been reported.

The American army attaché in Cairo reports that Egyptian troops are psychologically prepared for war, their morale is high as a result of the receipt of Soviet arms, and some elements may be "chafing at the bit."

The issue on which Arab attention is currently focused is whether Israel will resume its Jordan River water diversion project at Banat Yacov in the demilitarized zone between Israel and Syria. (See Part II, page 1.)

Israel has given notice that it intends to continue its Jordan water development plans if the Arab states do not show signs by 1 March that they will agree to the regional Jordan Valley development plan sponsored by the United States. Syria has threatened to use

force if Israel is not restrained by the UN within a "few hours" after work is resumed.

Egypt and Iraq have taken a strong stand against a resumption of work on this project. The American embassy in Cairo believes Egypt would rapidly come to the aid of the Syrians if necessary, but notes that Premier Nasr is unhappy over the prospect of war with Israel now and hopes the United States and the UN will take steps to prevent any Israeli action.

Israeli ministers have assured Ambassador Johnston that if there was a possibility of Arab agreement to the plan during March, resumption of work might be deferred for another short period. Emphasis was placed, however, on Israel's intention to proceed with its water program.

In the opinion of American observers in Tel Aviv, the 1 March "deadline" does not necessarily mean that Israel would resume work on or immediately after that date. The Israelis would probably take such action only after first seeking a review of the problem by the UN truce supervision organization. However, Israel is not likely to accept a long delay in its development plans.

**SECRET**

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

9 February 1956

UN secretary general Hammarskjold, however, notified the Western tripartite powers that there is no need for any quick action on the Palestine problem and believes it is vital to take the necessary time for careful consideration of the problem.

Area reactions to the Eden-Eisenhower communiqué have been critical, though with a "wait and see" attitude in some cases. Both Arab and Israeli spokesmen have denounced the suggestion that foreign troops might be stationed in the area to forestall incidents which might lead to hostilities.

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**SINO-SOVIET BLOC PROTESTS  
AIR-SPACE VIOLATIONS**

The Sino-Soviet bloc is making a major international issue of its charges that American balloons have violated Soviet and Satellite air space. Last week, no less than nine diplomatic protests were delivered by the USSR and its Satellites to the US, Turkish and West German governments, and to the secretary general of the United Nations; Peiping broadcast a Foreign Ministry protest on 7 February. These protests are intended to support Moscow's claims that the United States is determined to renew the cold war by deliberate acts of provocation, while the USSR is patiently and persistently trying to improve Soviet-American relations.

Bulgaria requested the Swiss legation in Sofia on 3 February to transmit a note protesting to the United States against the "brutal violation" of both Bulgaria's air space

and international air transport conventions. Sofia also sent a copy of this note to the UN secretary general with the request that it be circulated to member states as an official document.

The Soviet government sent almost identical notes to the United States and Turkey on 4 February and to West Germany on 6 February. Rumania and Hungary sent protests to the United States on 8 February. Budapest charged that American balloons were responsible for three Hungarian air crashes. On 7 and 8 February, Albania and Czechoslovakia also dispatched protests to the UN secretary general.

The Czech, Bulgarian, and Albanian actions in addressing notes to the United Nations suggest that Moscow may plan to carry the bloc's case to the UN.

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**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

USSR CONTINUES TO URGE  
TREATY OF FRIENDSHIP

Premier Bulganin's reply on 1 February to President Eisenhower's letter of 28 January apparently was intended to prolong discussion of a friendship treaty proposed in the original Bulganin letter of 23 January. The Soviet regime evidently wants to keep world attention focused on this proposal as a Soviet demonstration of the Geneva spirit in action.

The Soviet Union, according to Foreign Minister Molotov, will continue trying to persuade the United States to accept a friendship treaty since "the step would be a useful one" in improving Soviet-American relations and relaxing international tensions.

Soviet leaders are trying, by means of Bulganin's letters and supporting propaganda, to persuade the world that American refusal to sign a treaty is the major barrier to settlement of outstanding East-West issues such as disarmament and German unification.

Bulganin's reference to Soviet readiness to conclude bilateral friendship treaties with other countries suggests that Khrushchev and Bulganin may press the British government to agree to such a treaty during their visit to England this spring. They may also renew their invitation to French leaders to visit Moscow, where they could make a similar proposal.

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FRENCH PREMIER ATTEMPTS  
NORTH AFRICAN SETTLEMENT

French premier Mollet appears to have won a respite from the National Assembly on the Algerian problem, and has tried in Algeria to mollify French settler elements. Unless he can recover the prestige he lost as a result of General Catroux's resignation on 6 February, however, his government may be too weakened to carry out its announced policies and may eventually lose the majority support it now has for its Algerian program.

Mollet's submission to French settler pressures decreases the possibility that he can retain the confidence of Algerian Moslems. While Mollet's program for Algeria

probably would be acceptable to the more moderate Moslems, his failure to resist settler pressures will discourage the Moslems who have been inclined to support him and will encourage the extremist French elements to exert new pressures.

Settler reaction to the appointment of Robert Lacoste, a Socialist deputy, to replace Catroux may be less violent. Nevertheless, having won an early and substantial victory over Paris, the settlers can be expected to continue their obstructionist tactics.

Mollet is striving for a quick solution of all France's North African problems. Despite

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

the sharp setback he encountered on his arrival in Algiers on 6 February, he has persisted in his fact-finding discussions with local groups. In the meantime, the Foreign Ministry has announced that Paris will discuss a revision of the Tunisian conventions signed last June. Talks with the Moroccan government are already scheduled to begin on 15 February.

Mollet rejects a military solution for Algeria and bases his approach on the premise that French opinion is resigned to some change in Algeria's relationship with Paris, provided the area is not lost to France. In his investiture speech on 31 January, he proposed elections in which French colonials and Moslems would participate on an equal footing.

Since reaching Algeria, Mollet has made several statements designed to appease French settler opposition and now appears less certain about his policy. Ex-premier Faure had earlier flirted for a while with a "federative" solution which would implicitly recognize an Algerian nationality, as advocated by Moslem nationalists. Former governor general Soustelle had propagandized for "integration," or a tightening of ties between France and Algeria, which could imply as many as 150 Algerian Moslem deputies on the French National Assembly.

Mollet's difficulty is that French public opinion is ready

for neither "federation" nor "integration." Public opinion also begrudges the cost in money and draftees of continuing the war in North Africa. North Africa as a whole now absorbs one half of the combat strength of the French army.

Mollet's government had no difficulty turning aside a Poujadist move on 7 February for an immediate assembly debate on Algeria. The American embassy in Paris reports a "supercharged atmosphere" on the Algerian problem, however, and many right-center deputies may be swayed to join the offensive against Mollet if the government wavers again. An Algerian debate would not only harden the lines between the "integrationists" and "federationists" but also widen the split between pro-Mollet and pro-Mendes-France factions within the Republican Front.

The American embassy notes that there is considerable dissatisfaction among Mendes-France's supporters because he was sidetracked from the Foreign Ministry. The Popular Republicans, on the other hand, are likely to be offended by a Mollet statement on the church school issue. A melting of support on the Algerian issue could therefore leave Mollet's narrowly based government at the mercy of the Communists, who avowedly want to pave the way for a popular front but may be even more interested in discrediting a left-center government which relies on right-center support.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

## PART II

NOTES AND COMMENTSIsrael's Banat Yacov  
Water Project

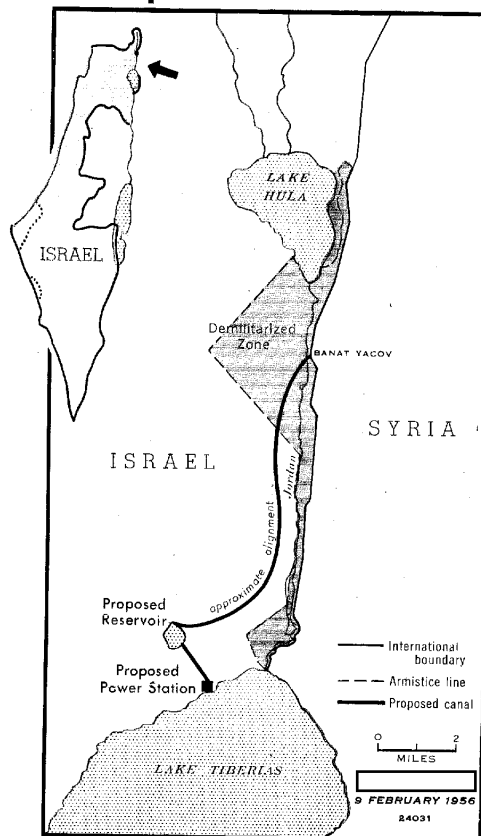
Part of Israel's hydro-electric and irrigation development plan is to divert the flow of the Jordan River to Lake Tiberias through a new canal starting from a point just south of the bridge at Banat Yacov. The canal would pass through about 1.4 miles of the demilitarized zone between Israel and Syria and would then run southward for about seven miles through Israeli territory to Lake Tiberias. A reservoir would be constructed in Israeli territory at about 40 meters above sea level, and a power station would be erected west of the mouth of the Jordan at 200 meters below sea level.

Israel had completed about 60 percent of the excavation work in the demilitarized zone when it stopped work there on 29 October 1953 as a result of Western pressure and a UN Security Council resolution calling for suspension of work until the council reached a decision on a complaint set before it by Syria. In late January 1954 the USSR vetoed a proposed resolution before the council which called for the UN truce supervisor to attempt a reconciliation of Israel and Syria over this dispute. The issue, therefore, is theoretically still under consideration by the Security Council.

Israel contends that the project is aimed only at generating electric power and that the water, after being used for power, would be returned to Lake Tiberias. The Arabs suspect that the diverted water would also be used for irrigation in Israel and that Syrians and Jordanians on the eastern

side of the river would be deprived of water. UN truce supervisor Bennike stated in 1953 that the canal would alter the flow of the Jordan permanently and, unless Israel made a specific commitment about the amount of water withdrawn, the canal would probably damage the livelihood of the people depending on the river waters, particularly during the dry season.

Since 1953, Ambassador Johnston has conducted a long series of negotiations with the Arabs and the Israelis on a plan

**Proposed Diversion Canal**

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SECRET

## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

for developing the Jordan Valley. Last October the Arab states and Israel informally agreed to the technical aspects of this plan, but the Arabs, particularly Syria, balked at concurrence on political grounds. Israel took the position that because agreement had been reached with Johnston and because two years had elapsed since negotiations started, it

was free to proceed with its work on the diversion canal.

Tel Aviv, advised that Egyptian prime minister Nasr and other Arab leaders had assured Johnston that the Arab states would agree to the plan within two or three months, agreed to defer resumption of work on the canal within the demilitarized zone until 1 March. [redacted]

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Pakistan

Soviet premier Bulganin's statement on 6 February that Pakistani-Soviet relations could be improved by a trade pact presents the Pakistani government with a new and touchy problem. Foreign Minister Chudhury's initial response, which left the door open for closer ties with the USSR, may be the result of the government's shaky position in the face of a pending internal crisis on constitutional issues.

Bulganin's statement recommended acceptance of the "five principles" as a basis for friendly relations and expressed opposition to Pakistan's membership in SEATO and the Baghdad pact. It did not, however, insist on withdrawal from Western alignments as the price of trade and technical assistance ties with the USSR. The trade pact, under which Pakistan would exchange agricultural surpluses for Soviet machinery and manufactured goods is especially appealing. According to an unconfirmed press report of 8 February, the Pakistani cabinet has approved the beginning of negotiations for it.

The Soviet overture, which followed friendly approaches to

two other "northern tier" countries--Turkey and Iran--takes advantage of growing neutralist sentiment in Pakistani press and public circles, and coincides with conclusion of a Pakistani-Polish trade agreement.

Although Karachi could use Soviet support of India and Afghanistan in its quarrels with Pakistan as an excuse to reject Bulganin's approach, it is doubtful if the present government will be able to do so in the face of popular sentiment that Pakistan's present policy of complete commitment to the West has not been productive.

Meanwhile, the Karachi government is being challenged on domestic issues. The opposition, which comes primarily from East Pakistan, attacked the draft of the new constitution which had its first reading in the Constituent Assembly on 1 February. The government overrode objections by a vote of 45 to 13, but faces a harder fight when the draft is considered clause by clause during its second reading.

Governor General Mirza has also indicated his fear of the effects of the United Front's

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

abandoning its coalition with the Moslem League and uniting with the opposition Awami League in a concerted drive against the constitution. He has done this by stating that he is contemplating the imposition of martial law in East Pakistan.

Martial law would probably be invoked in East Pakistan only in the event of a breakdown of law and order or of an East Pakistani attempt to gain control of the central government. East Pakistani politicians are aware of the probability that any effort on their part to take over control of the national assembly would be met by firm measures on the part of Mirza. Since these might include reinstatement of arbitrary rule by Mirza and a small group of Moslem League leaders, the East Pakistani politicians probably would not force an issue except as a last resort.

The politically volatile situation in East Pakistan is further complicated by skyrocketing food prices and reports of a threatened famine. These have resulted in the prime minister's requesting a gift of 175,000 tons of American rice.

The central government is not in a strong position to achieve its aims by democratic means either on constitutional or policy issues, and Karachi will probably find it necessary to temporize both with the Soviet overture and with East Pakistani demands for a greater role in government affairs. While unlikely to attempt to modify its commitments to the West, the government will, under these circumstances, find it difficult to pursue the determined course necessary to re-establish its stability and its prestige at home and abroad.  25X1

USSR Promotes India  
As Sixth Great Power

Moscow took advantage of the recent celebration of Indian Republic Day to re-emphasize the ties between India and the USSR and to stress again the importance of India as the foremost of the neutral states and as the "sixth great power" in world affairs.

Typifying the Soviet approach to the occasion, Khrushchev said at the Indian reception in Moscow, "India is our special love." Moscow has been claiming for some time that the USSR gave the first acknowledgment in history to "India's rights as a great power."

The Indian celebration in Moscow shared the spotlight in the Soviet press with Bulganin's proposal for a friendship treaty

with the United States. Moscow probably considers that such "peace" moves as Bulganin's note are particularly effective with the South Asians, who are much more inclined than the West to accept the "five principles" as a cure-all for international disputes. The American embassy in New Delhi has reported a considerable minority feeling in India that "peace maneuvering" by the USSR is preferable to its former militant approach and should not be dismissed out of hand.

The USSR's propaganda on the "sixth great power" theme has helped to push India to the forefront as a broker between Communists and non-Communists. A striking indication of the prestige India

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

has acquired was the proposal in late January of two West German leaders--one of them Foreign Minister Von Brentano--that Prime Minister Nehru might act as mediator to end the division of Germany.

Moscow has consistently pointed to the effectiveness of the Indian role in the Korean and Indochinese settlements, and the USSR undoubtedly expects that India will play a similarly prominent role if and when a great-power conference is held on Far Eastern questions. On such matters as the Formosa question, Moscow and Peiping could almost certainly depend on Indian support and willingness to act as a mediator.

Moscow may be planning to promote India for a Security

Council seat along with Communist China. It is unlikely, of course, that the USSR will give India preference over Communist China for a Security Council seat. The Indians themselves have already indicated that they regard the Chinese seat as belonging to Peiping.

Implicit in all Moscow's statements to and about India has been the idea originating with Lenin that a Moscow-New Delhi-Peiping bloc would be invincible on the Eurasian continent. But as realistic strategists, the Soviet leaders probably also will guard against the formation of an Indian-Chinese axis that might promote policies diverging from their own. Most Indian leaders have been more inclined to co-operate with China than with the USSR.

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USSR Stresses  
Ideological Discipline

The Soviet party press has recently placed more than routine emphasis on the maintenance of ideological discipline. While articles reaffirming the Communist Party's dedication to its theoretical principles and calling for improved propagation of those principles have appeared routinely at regular intervals, recent material of this type suggests that the party senses an undesirable slackening in ideological interest in a period of "peaceful coexistence" and a confusion of purpose as to fundamental long-term objectives.

The lead editorial in the October issue of the central committee journal, Party Life, reminds its readers that soon after World War II, when "a

weakening of attention to questions of ideology created the danger of the penetration into our midst of alien, bourgeois views," the central committee undertook a series of important resolutions on the questions of ideological work. This, it claimed, set party policy in this sphere for many years to come and played "a historic role in raising the ideological level of Soviet literature, art, and of the entire educational work of party organizations."

Recalling that these so-called "Zhdanov decrees" were passed in a period of intensive industrial activity, the editorial implies a parallel with the present period, which faces

**SECRET**



**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

the tasks of the Sixth Five-Year Plan, and warns against a spirit of "narrow practicality," that is, the failure to relate immediate tasks to their eventual objectives.

The Soviet people have nothing to fear from peaceful coexistence, the editorial continues. Acceptance of this principle should not lead, however, to lessened concern for the "ideological tempering" of the Soviet people, of "concern that behind the outward manifestations of bourgeois culture they should be able to see its real content and understand those subtle ways of corrupting the masses through literature, art, films and radio, to which the ruling classes in capitalist countries resort."

Tolerance of capitalist states should not, in other words, be confused with acceptance of non-Communist principles, and the editorial warns against a softening of the attack on

those principles in the interests of "peaceful coexistence."

Party instructions should attempt, the editorial emphasizes, to close the gap between theory and practice, to point out how the problems and policies of the moment fit into the Communist scheme of the future.

Implicit in the Party Life appeal, subsequently repeated in Pravda and Kommunist, is the fear that the Soviet people themselves have failed to grasp the intent of current policies, and have begun to confuse means with ends. The danger which such a tendency would represent for the party in the long run is clear. Ideology is a necessary adjunct of Communist policy, if not its foundation, and the current discussion may be advanced word that the 20th Party Congress, convening on 14 February, will authoritatively demand renewed emphasis on ideological discipline.

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Japanese-Soviet Negotiations

The Soviet Union is continuing its efforts to induce Japan to agree to an early settlement of at least some of the more controversial issues under negotiation at London.

including Communist Party chief Khrushchev, have expressed much interest in the question of ending the state of war. Khrushchev has called it a necessary starting point for any concrete developments. From the Soviet point of view, these developments would consist of an exchange of diplomatic relations and the repatriation of Japanese war prisoners. Following this, the USSR would hope to negotiate substantive questions and the peace treaty through diplomatic channels.

Tokyo is rife with rumors as to how the Hatoyama government will ultimately respond to the Soviet proposal of late January to terminate unilaterally the state of war and immediately

During the negotiations, various Soviet spokesmen,

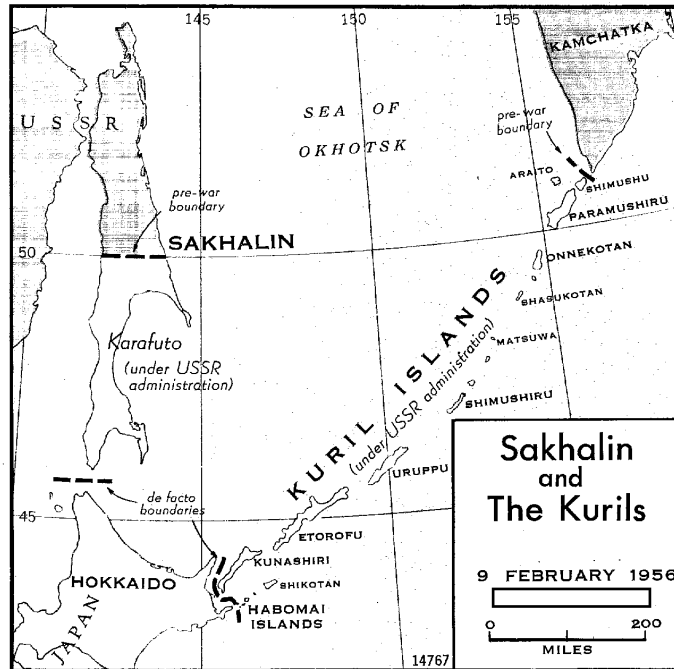
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**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

establish diplomatic relations. Adverse popular reaction to the Soviet proposal impelled Prime Minister Hatoyama, and others favoring a quick settlement, to commit themselves publicly to the tough policy advocated by the Foreign Ministry.



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to bolster Japan's bid for the southern Kurils.

Last summer when Malik offered to return the Shikotan and the Habomai Islands, he contrasted this Soviet generosity with American retention of the Ryukyus. This suggests that Moscow, if it so desired, could attempt a propaganda coup by making an offer to return the southern Kurils contingent on the return of US-held islands to Japan.

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The government's desire to discuss the territorial problem with Dulles raises the possibility that Tokyo will seek an American commitment to return the Ryukyus to Japan in order

### USSR Enters Field of Marine Nuclear Propulsion

Directives for the Soviet Sixth Five-Year Plan, announced on 15 January, stated that the USSR will build an atomic-powered icebreaker before 1960.

A Soviet atomic expert, Professor Samarin, speaking at an international conference in Oslo, said that the first vessel of this type would be completed

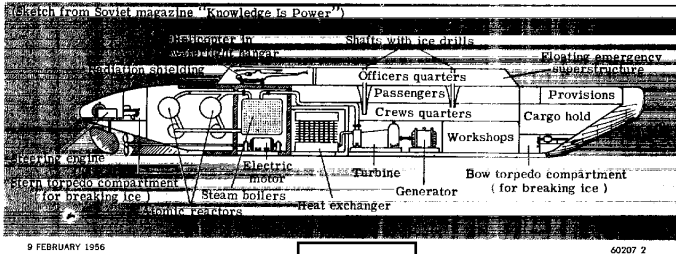
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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

9 February 1956

**SOVIET ATOMIC-POWERED PASSENGER SUBMARINE**



sonalities in the Ministry of Shipbuilding were among the USSR's delegation to the Geneva "Atoms for Peace" conference in July 1955. These two men, V.P. Terentyev and G. M. Chuykov, are believed to have played an important part in the development of electronic

fire-control equipment for the Soviet navy in the postwar period.

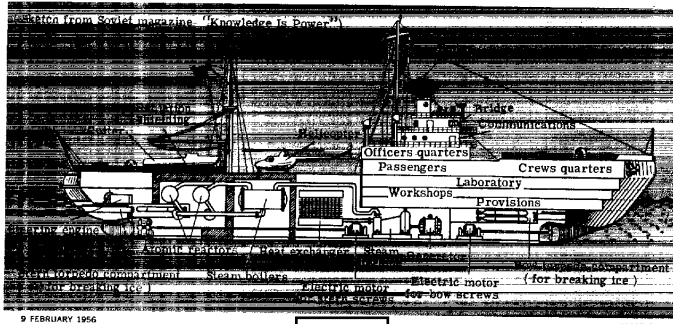
At the Geneva conference, they were identified as "engineers." They did not present any scientific papers and apparently were present only in the capacity of observers. Their presence at Geneva suggests that electronics research institutes and plants of the Ministry of Shipbuilding are involved in some phase of the Soviet atomic energy program. (Prepared jointly with OSI. Concurred in by ORR)

within the next five years and would go into service along the coast near Murmansk on the Barents Sea. Production of such a vessel may indicate that the USSR also is technologically capable of producing atomic-powered combat ships; such a program could, in fact, be under way.

An article which first mentioned an atomic icebreaker, published in August 1955, also discussed a nuclear-powered submarine for use as a "fishing boat" under the ice of the Soviet Arctic. Torpedo tubes would be installed, allegedly to fire explosives to break up ice formations. Another craft described was a passenger-carrying, atom-powered submarine for operation under ice fields. The article stated that such craft "can even now be built in a sufficiently perfected form," and "they ought to be built in the near future."

It has recently been established that two important per-

**SOVIET ATOMIC-POWERED ICEBREAKER**



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Peiping's Defection Campaign Against Taiwan

The Chinese Communists have recently stepped up their campaign to lower morale in Chiang Kai-shek's government

and armed forces and to induce defections at all levels. They apparently hope to attain these goals by renewed promises of

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

amnesty even to top-level Chinese Nationalists, by appeals stressing lenient treatment to all "compatriots" who return to the mainland, and by placing emphasis on the hopelessness of holding out on Taiwan.

On 30 January, Premier Chou En-lai promised amnesty and jobs to all defectors, "no matter who they may be, or how serious their past crimes were." The premier has further stated that even during the last years of the civil war, the Chinese Communist Party "never once suspended its efforts for peaceful negotiations."

During a recent audience in Peiping granted professors from Hong Kong University, Chou argued that American interference continues to prevent such negotiations. He stated that differences between the Chinese Communists and Nationalists would be easily resolved if the United States were to permit the Nationalists to negotiate as "free agents," since he and Chiang had worked together be-

fore and there was "no reason" they could not do so again.

Chinese Communist propaganda continues to reflect the hope that the stressing of Taiwan's weakness and Peiping's strength will make disillusionment a problem of considerable importance to Chiang Kai-shek. Thus, former Nationalist general Fu Tso-yi, who peacefully surrendered Peiping to the Communists and became Communist China's minister of water conservancy, has said the Nationalists "cannot attack" and Taiwan cannot "defend itself."

Despite occasional hints that Taiwan will be "liberated" soon, Peiping's defection propaganda is apparently long range and designed to achieve on Taiwan a cumulative effect of distrust for the Taipei government and confidence in Peiping. This is demonstrated by Communist statements that "in the long run" liberation is assured, and that Taiwan will be "returned to the fatherland eventually."

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Chinese Communist Activities  
In Hong Kong

Invitations to visit the Chinese mainland are being extended to prominent residents of Hong Kong as part of Peiping's effort to build up Communist prestige and influence in the British colony at the expense of the Nationalists. The Communists are cultivating European as well as Chinese residents of the colony but are refraining from immoderate criticism of the Hong Kong government authorities.

The recent visit to Peiping of professors from Hong Kong University is apparently

the beginning of a "tourist trade" under Communist sponsorship. Groups of lawyers and doctors in the British colony have also reportedly received invitations to visit the mainland, and invitations to other professional groups are expected to follow.

An indication of the importance which the Chinese Communists attach to the "tourist trade" is the audience granted the Hong Kong professors by Premier Chou En-lai. Chou apparently tried to lend credibility to recent rumors of

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

negotiations between the Communists and top-level Nationalists by observing at the meeting that he had worked together with Chiang Kai-shek before and that there was no reason he could not do so again.

development of competition with their own Bank of China operations and to frustrate any Nationalist plans for expanding financial operations into areas with Overseas Chinese communities.

In their efforts to cultivate Hong Kong residents, the Communists seem at some pains not to antagonize the British authorities in the colony.

In commenting on the British government's statement of 11 January on its investigations into the sabotage of an Indian airliner carrying Chinese Communist delegates to the Bandung conference, Peiping's People's Daily refrained from criticizing the British for lax security measures and "welcomed" the findings. Thus far Peiping has merely "asked" rather than "demanded" that the British detain the Chinese Nationalist pilot and plane that landed at Hong Kong on 2 February after having engine trouble over the mainland.

Chinese efforts to damage the Nationalist position in Hong Kong may have been the cause of a recent run on the colony's Shanghai Commercial Bank, which is controlled by the Chinese Nationalists, according to the American consul general. The Communists apparently hoped to prevent the

Commenting on the extent of Communist subversion in Hong Kong, Governor Grantham recently told American officials that the security situation was "under control and generally satisfactory."

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Cambodia

Prince Sihanouk of Cambodia, who has just returned to his capital from a state visit to the Philippines, is scheduled to leave for Peiping on 13 February. His aides insist the trip will not lead to recognition of Communist China, but it is quite possible that

Sihanouk will decide to recognize Peiping as a result of his visit.

In the Philippines, Sihanouk took care not to embarrass his hosts but at the same time veered little from his profession of neutrality. He avoided

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

public discussion of SEATO and stated he thought peace would best be obtained by "disinterested countries," an apparent reference to the Asian neutrals. In a conversation with President Magsaysay, he expressed considerable dissatisfaction with American aid.

Sihanouk received an informal invitation from Chou En-lai to visit China at the Bandung conference last spring. At a press conference in Tokyo in December he, in effect, requested a formal invitation. According to the Indian chargé in Phnom Penh, the visit was arranged through the Indian legation.

One of Sihanouk's aides has assured the American embassy that the prince would resist any Chinese Communist efforts to win diplomatic recog-

niton from Cambodia. To date, Sihanouk has avoided the issue by stating that so long as there are two Chinas, Cambodia would recognize neither. He has appeared to be aware of the danger inherent in giving Chinese Communist diplomats access to the considerable Chinese population in Cambodia. A closer relationship between Cambodia and China will, however, almost certainly result from this trip.

Meanwhile, Sihanouk is expected to form a new government, putting himself again at its head. Governmental activity has been virtually at a standstill during his absence-- a three-week holiday on the Riviera preceded the Philippine visit. Bickering among party leaders was such that Sihanouk was constrained to deplore it publicly.

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Malaya

The talks in London on Malayan self-government which began on 18 January, concluded on 8 February with agreement that Malaya should be granted independence by August 1957 if possible. In the interim, there is to be a gradual transfer of internal government affairs to Malayan authority. The agreement is the first tangible result of Britain's decision to support non-Communist Malayan elements in an advance toward

independence as rapidly as possible in the hope of undercutting Communism.

Malayan chief minister Rahman says he is "completely satisfied" with the conference results, and hopes the concessions made by Britain will help him win nationwide co-operation in the fight against the Communists.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

The agreement gives the Malaysians a considerable degree of control over the security forces. Authority over financial affairs and public services is to be gradually transferred to the Malaysians, and a Commonwealth Commission has been set up to reframe the Malayan constitution.

Malayan chief minister Rahman, who says he is "completely satisfied" with the conference results, now returns to Malaya to try, on the basis of his achievements, to win nationwide co-operation in the fight against the Communists.

Rahman hopes to achieve the unconditional surrender of the leaders of the Malayan Communist Party and Communist military elements. His most difficult task in this effort will be to gain support from the Chinese, who comprise 38 percent of the country's population, against the Malayan Communist Party, which is 95 percent Chinese. With Communists reportedly planning to "phase out" their military operations and to increase emphasis on political tactics, the competition between the government and the Communists for Chinese support may be expected to become more intense.

Rahman's chief instrument in his fight for Chinese support is the Malayan Chinese Association (MCA), his principal

partner in the Alliance, the interracial organization which won a sweeping victory in Malaya's first national elections last year. Both Rahman and Tan Chang Lock, chairman of the MCA, are looking to concessions made in London and to the nationalist movement as a whole to undercut the appeal of Communism.

The Communists until recently have demanded and received considerable support from Malaya's Chinese largely through coercion. An incipient, but very obvious, overt effort is now under way to coax the willing adherence of the Chinese to Communist doctrine and control. Some success in this effort is evident, particularly in Chinese schools and in the so-called "new villages"--areas where former Chinese squatters were resettled by the government between 1950 and 1953.

Rahman expects an early appeal for new "peace talks" from Chin Peng, the secretary general of the Communist Party, who is likely to claim credit for having forced the concessions made at London. Rahman's own desire to end the emergency, combined with public pressure to do so, virtually guarantee his qualified acceptance of any Communist bid for talks. Despite his present desire for an unconditional Communist surrender, he may believe it necessary to retreat from this position at a later date.

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Bulgaria Moves to Improve Relations With the West

Bulgaria has recently taken two important steps in line with the accelerated Soviet campaign to improve relations with the West.

The counselor of the Bulgarian legation in Paris ap-

proached American representatives to arrange a meeting to discuss re-establishing diplomatic relations; and Bulgaria has offered Greece goods valued at \$2,000,000 as an advance payment on reparations.

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

9 February 1956

Bulgarian officials have periodically reiterated a desire to re-establish relations with the United States. But the approach in Paris on 3 February is the first direct one to an American representative since the United States withdrew its mission from Bulgaria in February 1950. The Bulgarian representative declared that his legation has been instructed officially to explore the matter of establishing diplomatic relations.

The Bulgarian government has made repeated attempts to establish normal diplomatic relations with Greece, but the Greeks have been adamant in their refusal to exchange ambassadors until after settlement of the \$45,000,000 in World War II reparations owed Greece. Athens rejected a Bulgarian offer made last December to resolve the reparations issue and to make an advance payment as a token of intent. Greece criticized especially Bulgaria's proposal to exchange ambassadors before settlement of the reparations question, and its failure to specify the amount of the advance payment.

In view of these criticisms, Sofia, on 2 February, stated in a note to Athens that it is prepared to supply as a token of good will goods valued at \$2,000,000, while the definite amount of reparations owed Greece would be established in subsequent negotiations. The note also called for the immediate exchange of "ministers plenipotentiary," and the opening of negotiations concerning the ultimate improvement of Greek-Bulgarian relations. The official Greek radio announced on 4 February that the Bulgarian offer is considered insufficient and stressed that at least \$5,000,000 should be paid in advance.

Bulgaria's new declaration of a desire to go further in meeting Greek demands will undoubtedly serve to strengthen Athens' insistence that a sizable sum be paid before talks on establishing normal diplomatic relations begin. Greece, which is not anxious to improve relations with Bulgaria, is unlikely to agree to an exchange of ministers until the reparation question is definitely settled.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1953

## PART III

PATTERNS AND PERSPECTIVESTHE ECONOMIC BASIS OF THE SOVIET BLOC CREDIT PROGRAM IN UNDERDEVELOPED COUNTRIES

As a result of rapidly increasing industrial power, it has become advantageous for the Soviet bloc to provide capital goods to free world countries in return for raw materials and agricultural products. This situation provides the economic basis for the bloc credit program in underdeveloped countries.

Industrialization of USSR

In 1952, Stalin predicted that because of the rapid industrialization of the Communist world "...things will soon reach the stage where these (Communist) countries will not only have no need to import goods from capitalistic countries but will...experience the need to dispose of surplus goods of their own production." Three years later, Khrushchev, in his speech to the Supreme Soviet on 29 December, predicted confidently that "...peaceful competition of the two economic systems will lead to the victory of the Socialist system."

Since 1928, the USSR has undergone the process of economic development experienced earlier by most Western industrial countries. The time span, however, has been greatly reduced by the high rate of investment made possible by forcing low living standards on the Soviet people.

In about 30 years the USSR has moved from a simple agricultural economy to a highly industrial one. As the world's second industrial power, the USSR now produces a wide range of capital goods in large quantities. For example, Soviet machine tool production is comparable in quantity and quality to that of the US.

Lag in Agriculture

Although Soviet industry generally has been pushing ahead rapidly, the extractive industries and agriculture have progressed much more slowly and face increasingly serious resource limitations. For decades agriculture was relatively neglected and increases in production barely kept pace with population growth. Increasing agricultural output now is very costly since the USSR must make up for long periods of neglect and overcome natural barriers such as unfavorable climate. Because of these developments, it is now becoming relatively cheaper for the USSR to produce some capital goods and relatively more expensive to extract many of its own resources.

Favorable Competitive Position

Moscow is now able to meet some of the requirements for plant and equipment of underdeveloped countries in exchange for agricultural and industrial raw materials. Thus, because it deals on a government-to-government basis, the bloc, unlike the West, is able to accept payment for industrial equipment in exportable surpluses rather than in foreign exchange. Typical cases in point are Egyptian cotton and Burmese rice. This is certainly a major reason for the successes to date of the Communist credit program.

Kremlin propagandists have successfully conveyed the impression that the current Soviet economic activities in the Arab-Asian countries amount to a Communist counterpart of Western aid programs. Quite the contrary is actually the

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

case, however. All Soviet economic assistance, excepting token disaster aid and negligible aid given through the United Nations, is to be paid for in full. In fact, the Communist bloc, by obtaining needed agricultural products and industrial raw materials, views this exchange as advantageous.

Effect on Soviet Economy

Generally, the new program is still too small to affect appreciably the bloc's rate of economic growth. For example, the close scheduling adhered to in machine building plants producing ferrous metallurgical facilities indicates that some temporary adjustment may have to be made to provide equipment

for the steel mill in India, particularly in view of the short delivery dates. However, planned expansion of equipment manufacturing plants should rapidly overtake this increase in demand.

The Soviet bloc credit program in the free world may total one billion dollars including arms equipment, the offer on the Aswan High Dam, and credits to Yugoslavia and Finland. Firm economic commitments to Arab-Asian countries amount to about \$250,000,000 thus far, of which \$75,000,000 will probably be spent this year. While it is impossible to determine from these totals the future annual expenditure planned, the Soviet bloc can readily export several times \$75,000,000. [redacted] (Prepared by ORR)

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SUCCESS OF MOSCOW'S AND PEIPING'S POLICIES  
IN SOUTH AND SOUTHEAST ASIA

Soviet and Chinese Communist activities in South and Southeast Asia, supported by offers of trade opportunities and economic assistance, have scored some notable successes, particularly in Burma and Afghanistan. There are signs of growing neutralist sentiment in such pro-Western nations as Thailand and Pakistan--the only countries on the mainland of Asia affiliated with SEATO.

Economic Approaches

Communist offers of economic assistance and co-operation have been the most effective of several approaches. These offers are attractive because they permit the profitable

disposal of local surplus commodities, cater to the strong Asian desire for rapid industrialization, offer extended credit at only token interest rates, and are ostensibly devoid of red tape and "political strings."

Burma and Afghanistan have been particularly susceptible to Communist economic overtures; Burma because of its inability otherwise to dispose of its surplus rice, and Afghanistan because the USSR was able to offer it transport facilities when regular Afghan routes were cut off as a result of the dispute with Pakistan.

**SECRET**

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

Burma

The Communist bloc has already procured large quantities of Burmese rice. In return, Moscow has promised to assist Burma in its agricultural development, the construction of irrigation works, and the establishment of various technical and industrial enterprises.

In addition to the Soviet effort, Chinese Communist technicians are planning the installation of a textile mill; Peiping and practically all the European Satellites have barter agreements with Burma under which they are committed to provide both goods and services.

Afghanistan

Of the \$100,000,000 credit which the USSR extended to Afghanistan during the Bulganin-Khrushchev visit, a portion will reportedly be divided between the army, police, and health and educational services. The credit is for 30 years at 2 percent interest, with repayment to begin only after the first eight years of the agreement. The USSR has also offered to develop Afghan natural resources. If this offer is accepted, Soviet personnel would obtain access to areas of Afghanistan from which they have been excluded in the past. Moreover, the Afghans have taken the unprecedented step of agreeing to accept economic consultants from the bloc on a long-term basis.

Moscow and Peiping may be expected to exploit their advantage with discretion, maintaining a display of "correct" behavior while conducting a long-range program intended to result in Communist hegemony.

India, Pakistan, Thailand, Nepal

India has accepted a Soviet offer to build a steel mill on

an easy-payment plan and has used Russian statisticians in its planning efforts. In addition, Bulganin and Khrushchev promised to provide India with 1,000,000 tons of steel in the next three years, and there is some reason to suspect that Indian officials are counting on Soviet aid to close the gap between resources at hand and planned economic goals. The USSR thus appears to be gradually achieving a leverage in New Delhi which it never had before. Meanwhile, Communist China has offered Nepal "friendly cooperation and assistance" in its development program.

This Communist campaign is also having an effect in Pakistan and Thailand, where officials as well as the people have begun to express the thought that perhaps policies of neutrality pay better than defense agreements with the West. They have also recognized the possibility of obtaining more Western aid by threatening to deal with the Communists and, in any case, probably are ready to accept any attractive Communist offers of trade and aid.

Political Efforts

Simultaneously with this economic campaign, the Communists have continued their political efforts to draw Asian countries into their sphere of influence. The Bulganin-Khrushchev trip is a conspicuous example in this drive. In addition to the impact in Burma, India, and Afghanistan, there have been several indications that the trip of the Soviet leaders produced favorable reactions in neighboring countries, especially Pakistan and Thailand.

There have been a number of other Communist economic and political moves in the area

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

since the Bulganin-Khrushchev tour. Bulgaria has opened diplomatic relations with Burma, and the Czech consulate general in Rangoon has been raised to a legation.

Political overtures are having their effect elsewhere, if only as a cause of pressure on the US for more aid. Pakistan, for instance, recently invited Madame Sun Yat-sen to visit Karachi, where she was accorded a lavish official reception. Sir John Kotelawala of Ceylon, one of the most outspokenly anti-Communist personalities at the Bandung conference, has indicated that he can no longer refuse an invitation to visit Peiping since other chiefs of state have made the trip. The Pakistani premier and foreign minister have also accepted invitations to Peiping.

Cambodia

The Communists are currently attempting, with some success, to promote Cambodian neutrality by political and diplomatic methods. The Soviet Union has offered to establish diplomatic relations with Phnom Penh, Communist China has invited Prince Sihanouk to visit Peiping, and the Viet Minh has not only softened anti-Cambodian broadcasts but requested an exchange of representatives. Indications are that most, if not all, of these proposals for closer relations will be accepted.

Indonesia

In Indonesia, the Communists won over 20 percent of the votes in the country's first election last September, and President Sukarno advocates Moslem-Nationalist-Communist

unity. The moderately pro-Western government of Premier Harahap has been reduced to near-impotence and will, in any case, soon be replaced when the new parliament convenes in March or April. The outlook is for a return to the type of government led by Ali Sastroamidjojo which depended on Communist support and under which Communist influence prospered.

Under the circumstances, it appears that the next Indonesian government, while professing "active neutrality," will be open to Sino-Soviet bloc approaches for closer political and economic ties, especially if Indonesia should have difficulty selling its major exports.

Easing of Armed Struggle

Another important technique the Communists appear to be using is the liquidation of "armed struggles," notably in Burma and Malaya.

Insurgent Burma Communist Party may soon emerge above ground as a legal political party, possibly in time to compete in the April elections. Indicative of the Communist viewpoint is the line now being propagated by the pro-Communist Burmese Workers and Peasants Party, which claims that although the Burmese government has a long way to go, it is now on the right track as far as foreign policy is concerned.

Malaya

In Malaya, prospects for settlement of the Communist rebellion are at least fair. Although Chief Minister Rahman of the Federation firmly rejected Communist terms at his meeting with terrorist chief Chin Peng last December, pressure for new talks is mounting and Rahman is anxious to gain credit for ending the "emergency." It is anticipated that the Communists will soften their demands and

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

that the nationalist leaders will find Communist proposals hard to resist. Meanwhile, Communist subversion of the Chinese in Singapore, who constitute 80 percent of the population, is well advanced, and increasing efforts to win over the Chinese in the Federation are apparently under way.

The Communists have by no means given up forceful methods to achieve their objectives, as is indicated by their activities in Laos and South Vietnam. The Viet Minh continues to give full support to the Pathet Lao which, in turn, continues to hold on to the two northern provinces of Laos by force of arms. Meanwhile, in South

Vietnam the Communists reportedly are attempting to build up covert forces, independently and in alliance with local dissidents, in order to prevent the consolidation of the Diem government's authority.

The Communists have also sought to exploit the recent Indian riots in Bombay over the linguistic states issue. Finally, the Viet Minh and Chinese Communist armies, as well as the Thai Autonomous Area in Yunnan--contiguous to both the autonomous Thai-Meo area of North Vietnam and the Pathet Lao territory in Laos--are a constant source of pressure on the free areas of Southeast Asia.

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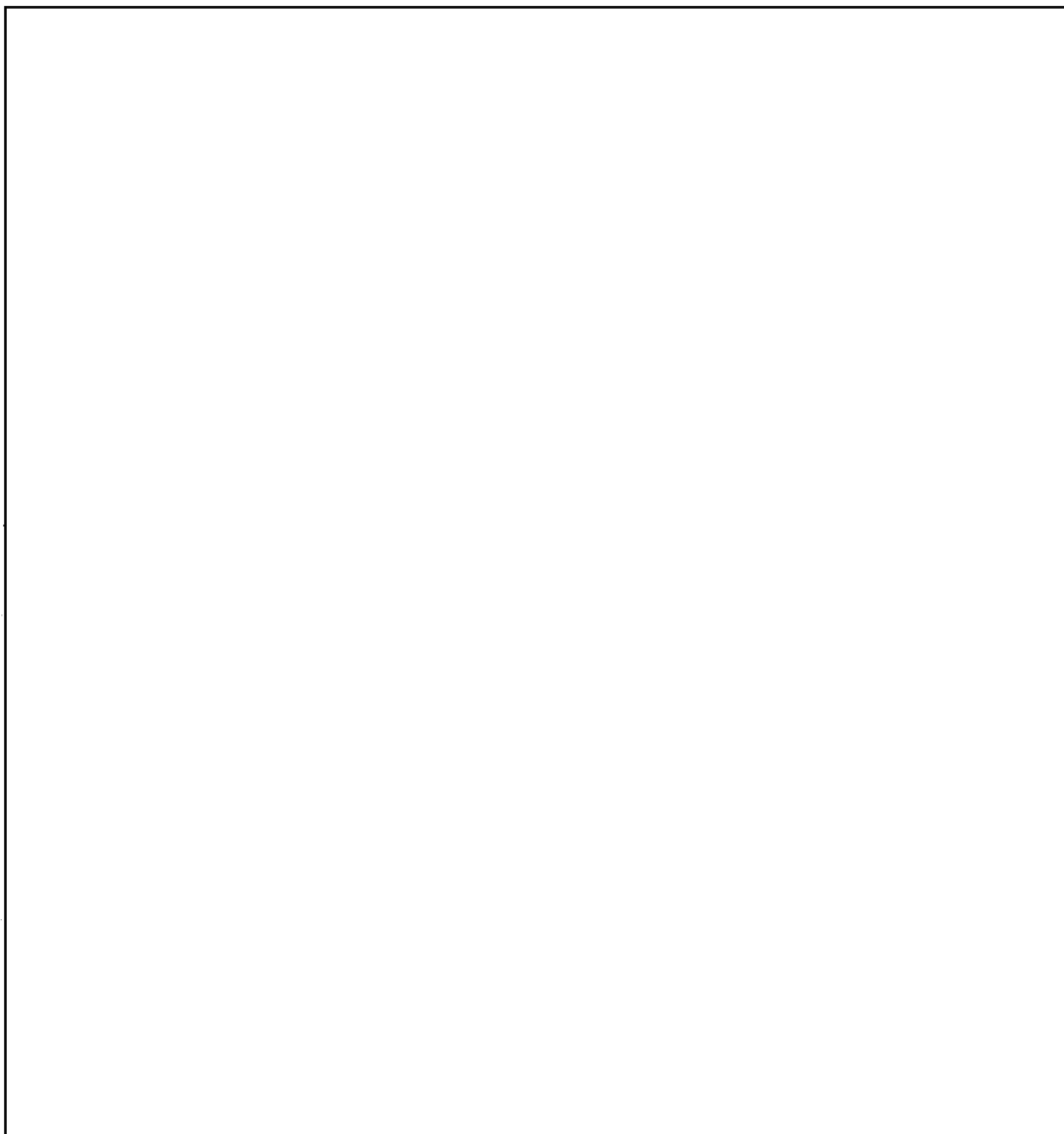
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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

9 February 1956

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**REHABILITATION OF NORTH KOREA WITH SINO-SOVIET BLOC AID**

Large-scale Sino-Soviet bloc aid to North Korea between January 1954 and November 1955, as reflected by aid deliveries totaling \$460,000,000 at the official ruble rate, will probably enable most North Korean

industries to restore production to the 1949 level during 1956. This sum, possibly including some Soviet military aid, is about 60 percent of the total publicly committed by bloc countries to rebuild North

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

Korean industries and communications. It is unlikely, however, that North Korean industrial production will be restored in the near future to levels reached under the Japanese.

The primary aim of the bloc is probably to make North Korea economically viable and a source of industrial raw materials and electric power. Although the volume of aid to North Korea is still far below that of American aid to South Korea, its magnitude nevertheless suggests a strong desire to create a favorable contrast with rehabilitation efforts in the south. The standard of living in South Korea, however, is substantially higher.

Chemical and mining equipment and industrial equipment for the rehabilitation of power plants, transportation and communications facilities have been steadily arriving from the USSR and Eastern European Satellites. The USSR apparently directs the rehabilitation program and in many cases individual Satellites have assumed responsibility for specific projects. While the USSR is rebuilding the Supung electric power project, East Germany is co-operating with the Soviet Union in the rehabilitation of the large Hamhung-Hungnam industrial complex and is rebuilding the nearby Pukchang machine tractor factory. Czechoslovakia is restoring electric power stations at Chongjin, Pujin and Hochon. Poland is primarily responsible for reviving plants constructing railroad rolling stock at Pyongyang and Wonson.

REPORTED VALUE OF SINO-SOVIET BLOC AID TO NORTH KOREA  
(millions of US dollars)

| COUNTRY        | PERIOD OF GRANT | TOTAL GRANT | AID DELIVERED  |                |
|----------------|-----------------|-------------|----------------|----------------|
|                |                 |             | 1955 (11 mos.) | 1954 (12 mos.) |
| CHINA          | 1954-57         | 325.0       | 88.0           | 125.0          |
| USSR           | 1954-56         | 250.0       | 77.5           | 105.0          |
| SATELLITES*    |                 | 185.8       | 28.3           | 36.0           |
| EAST GERMANY   | 1954-64         | 136.5       | 4.3            | 20.6           |
| CZECHOSLOVAKIA | 1954-60         | 28.3        | 2.8            |                |
| RUMANIA        | 1954-56         | 16.0        | 2.8            |                |
| BULGARIA       | 1954-55         | 5.0         | 3.3            | 15.4           |
| POLAND         | 1954-57         | -           | 11.3           |                |
| HUNGARY        | 1954-57         | -           | 3.8            |                |
| TOTAL          |                 | 760.8       | 193.8          | 266.0          |

\*ALBANIA AND MONGOLIA HAVE ALSO DELIVERED SMALL AMOUNTS OF AID

2 FEBRUARY 1956

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Chinese aid in 1954 and 1955 consisted largely of food and consumer goods. Better North Korean crops as a result of favorable weather in 1955 probably were partly responsible for the decrease in Chinese aid deliveries from \$82,000,000 in the first half of 1955 to only \$6,000,000 between July and November. Chinese aid in 1955 included 160,000 tons of grain, 940,000 tons of coal, 10,000 tons of pig iron and 36,000,000 meters of cotton cloth. The large Chinese deliveries of food and consumer goods have permitted North Korea to concentrate on industrial development.

Laws enacted by the People's Assembly in late December indicate that increasing attention is now to be devoted to boosting the agrarian economy, a step which may reduce North Korea's dependence on food imports from China.

The recent dismissal of four cabinet ministers--of metallurgical industry, light industry, state inspection, and communications--suggests an attempt by the regime to bolster key economic ministries prior to the final year of the present three-year economic plan.

(Prepared by ORR)

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

RELEASE AND REHABILITATION OF POLITICAL FIGURES  
IN THE SATELLITES

The Communist regimes in Eastern Europe during 1955 maintained, and in some cases expanded, their program for the release and/or rehabilitation of political prisoners and purged officials. This program coincides with the campaign for the voluntary return of Satellite nationals.

The number of confirmed or reliably reported releases and rehabilitations since 1953 had reached approximately 140 by the end of last year, and the release of an additional 600 individuals has been less reliably reported. Approximately 635 Satellite emigrés returned to their homelands during the first ten months of 1955, the number increasing almost constantly over each preceding month.

Major Objectives

The release and rehabilitation program reflects a major tactical change in the long-standing campaign to lessen opposition to the regime both at home and abroad. Accompanied by Satellite general amnesties, which apparently have included pardons for some of the relatively high-level political releasees, the program is designed to improve the general morale of both the ordinary citizen and the rank-and-file party member by reducing the atmosphere of oppression. In addition, certain aspects, particularly the reinstatement of "national" Communists and increased emphasis on national traditions, serve to increase appearances of Satellite autonomy.

The major objectives, however, at least in Rumania and Bulgaria, appear to be to undermine or to discredit the remnants of the former opposition and to instill in the people

the conviction that even passive resistance is either futile or is actually contrary to their own interests. Such a conviction presumably could be fostered by the public recantations of former opposition leaders. These statements might convince some of the more gullible elements of the population of the regime's sincerity, and might disillusion the more sophisticated anti-Communists, whose morale in many areas reportedly is already at a low point.

By emphasizing releases as a part of the liberalized political climate, the regimes also hope to improve their international reputations and receive favorable attention from certain quarters in non-Communist countries. They presumably expect better relations with Yugoslavia to result from the rehabilitation of those accused of Titoist deviations.

Developments Under the Program

One notable prisoner released during the past year was the former Rumanian Socialist Party leader, Titel Petrescu, who was well known for his opposition to the Communists. Rumania also freed more than 40 other onetime members of the opposition, most of whom had been members of the Liberal and National Peasant Parties.

Bulgaria, a pioneer in the release and rehabilitation program, stepped up the tempo of release by freeing more than 20 imprisoned Agrarian Party officials, all of whom publicly recanted their former "misdeeds" and called for support of the regime. In addition, Bulgaria reportedly has continued to release former Communist officials who had been jailed in connection with the Kostov trial for Titoist deviations.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

9 February 1956

Despite the ouster of Premier Nagy and the reimposition of a tougher policy by Matyas Rakosi, Hungary apparently continued last year to free former minority party officials, principally onetime Social Democratic oppositionists.

Czechoslovakia was the only Satellite which failed to maintain a release program in 1955 on or above the level of the preceding year, although the regime apparently freed a Slansky trial principal--Artur London--late in the year.

Reports of the release of several onetime Communist leaders in Poland have not as yet been confirmed. Neither Albania nor East Germany ever inaugurated an extensive program.

Typical Case History

The case of Gheorghe Tatarescu, Rumanian non-Communist political party leader, is indicative of the general pattern.

On the nights of 6 and 7 May 1950, the Communist regime in Rumania arrested without prior warning, and imprisoned, without any form of trial, approximately 150 former members of the Rumanian Liberal Party. Among those who disappeared was Tatarescu, the leader of a wing of the Liberal Party, a man who twice, under King Carol, had been prewar premier of the state and who had served under

the Communists as a minister of foreign affairs.

Neither his political opportunism nor his years of prudent inactivity following his removal from the government in 1947 had saved him, and it was thought at the time that Tatarescu would never be seen again. But in July 1955 Tatarescu was set free. And in the fall of 1955, he joined those who are attempting to persuade Rumanians abroad that all is forgiven and that the homeland awaits them with open arms.

Once described as "having made a career of perfecting the chameleon-like qualities of the Balkan politician," the 68-year-old, still vigorous, Tatarescu may have been persuaded, without any need for Communist coercion or even pressure, to collaborate with the regime in this manner. As a puppet, he can claim to be free of any political ties; his Liberal Party is long dead and, although hailing the regime's "epochal" economic achievements, he declared publicly last fall that his ideas concerning individual freedom do not coincide with the basic concept of Communism.

As one of the most colorful and prominent, albeit unsavory, non-Communist political leaders in the Satellites, M. Tatarescu may still wield some influence among his political associates in exile.

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