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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY  
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**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**2 August 1956**

**T H E   W E E K   I N   B R I E F**

**PART I**

**OF IMMEDIATE INTEREST**

**THE SUEZ CANAL NATIONALIZATION . . . . . Page 1**

Egypt's nationalization of the Suez Canal on 26 July has led to a rising concern among maritime countries for maintaining undisturbed flow of traffic through the canal. On 1 August, Great Britain, France and the United States called for an international conference on the future of the canal to which the USSR, among other countries, will be invited. Nasr is receiving enthusiastic congratulations from the Arab and Asian world. The USSR has stated its desire for a peaceful solution. [redacted]

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**PART II**

**NOTES AND COMMENTS**

**SOVIET-JAPANESE NEGOTIATIONS . . . . . Page 1**

The peace negotiations between Japan and the USSR which began in Moscow on 31 July appear headed for an early agreement. The Japanese negotiators will make a strong bid for the return of the Southern Kurils. Soviet rejection of their demands, however, would not preclude conclusion of an agreement omitting controversial territorial questions. The Japanese feel diplomatic relations with Moscow are necessary to gain Japan's admission to the UN, to bring the fishery pacts into force, and to bring Japanese detainees home before winter. [redacted]

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**TENSION HIGH  
IN SOUTH KOREAN ASSEMBLY . . . . . Page 2**

The attempts of the South Korean government to prevent the opposition's candidates from registering for the 8 August local elections, together with the threat of legislation to remove Vice-president-elect Chang Myon from the succession to the presidency, have produced disorders and increased tension within the National Assembly. The use of strong-arm tactics by police in breaking up a street demonstration by assemblymen on 27 July reflects not only President Rhee's continuing reliance on his traditional means of control but also a decline in the influence of moderate elements within the government. [redacted]

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### CHINESE COMMUNIST INCURSIONS INTO BURMA . . . . . Page 3

The incursion of Chinese Communist troops into North Burma has led the Burmese government to bring into the open its long-standing dissatisfaction with Peiping's attitude on the problem of the undemarcated border between China and Burma. Having failed to get Peiping's consent to early boundary talks by normal diplomatic means, Rangoon, through these public charges, may hope to bring Communist China to accept its proposals for negotiations.

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### PROSPECTS IN BOLIVIA UNDER THE SILES GOVERNMENT . . . . . Page 5

Hernan Siles Zuazo takes over the Bolivian presidency from Paz Estenssoro on 6 August at a critical time in the country's political and economic development. The party to which both belong, the National Revolutionary Movement (MNR), which came to power by arms in 1952, will attempt for the first time to rule with an elected congress. Bolivia's economy, despite extensive American grant aid and recently improved prospects for oil development by US private capital, is still precarious, largely because earnings from tin exports are inadequate to pay even for the country's basic food requirements.

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### ARAB-ISRAELI SITUATION . . . . . Page 6

Prime Minister Ben-Gurion assured Ambassador Lawson last week that the United States had no grounds for worry that Israel will do anything to disturb the peace, but he said he was not so confident about the "other side." King Hussain of Jordan has stated that he is trying to bring the current cycle of incidents to an end. Nevertheless, tension in the area remains high.

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### COMMUNIST PARTIES CONTINUE DEBATE ON DE-STALINIZATION . . . . . Page 7

A number of Communist parties outside the Soviet bloc now have responded to the 30 June Soviet central committee resolution on de-Stalinization. Although all of them have endorsed it--usually in glowing terms--several have followed Italian leader Togliatti in maintaining that Moscow has still left some important questions unanswered. The effect of the resolution appears to have been to limit the scope of discussions on de-Stalinization by the foreign Communist parties. Nevertheless, foreign party leaders are being left some freedom to permit discussion if it serves the national party interest.

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THE WEEK IN BRIEF

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HO CHI MINH REBUKES VIET MINH MILITANTS . . . . . Page 9

Ho Chi Minh, in an article written for publication in Pravda, has supported the Kremlin's condemnation of "national Communism" and has asserted that Viet Minh strategy in Southeast Asia would be governed by what was in the interest of the Sino-Soviet bloc as a whole. His comments apparently served as an implicit rebuke to Viet Minh militants whose views on unification of Vietnam by force are out of line with the avowed Sino-Soviet bloc policy of "peaceful competition" with the West.

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LAOS . . . . . Page 9

Laotian prime minister Souvanna Phouma is confident he can "sell" the Pathet Lao on terms agreeable to the West in talks which began in Vientiane on 1 August. Pathet conditions for a settlement, however, appear to be virtual political and military control over Phong Saly and Sam Neua Provinces. While Souvanna asserts he will not compromise Laotian independence and sovereignty, he may undermine the government's ultimate position by his intense desire to achieve a political settlement.

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DISSENSION IN INDONESIAN COMMUNIST PARTY . . . . . Page 10

Dissension has been revealed in the Indonesian Communist Party, and its national position has been weakened somewhat by President Sukarno's public praise for the United States. The party's top leadership, which has strong Soviet and Chinese Communist support, is unlikely to be replaced, however, and popular support for the party is still growing.

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CHINESE COMMUNIST SHIPYARDS LAUNCH NAVAL VESSELS . . . . . Page 11

Two submarines, the first produced in Communist China, were launched at Shanghai in July, and the Chinese Communists have also launched at least seven and possibly as many as ten 190-foot 300-ton Kronshtadt subchasers, and two Riga-class escort destroyers. The Chinese naval ship-building program has received extensive Soviet support since early 1955.

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EAST GERMAN AIR FORCE  
PROBABLY GETTING JETS . . . . . Page 12

The USSR may have resumed a program of equipping the East German air force with jet fighters, [redacted]

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[redacted]

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Pilots and other personnel have reached a level of proficiency that would permit rapid build-up of a modern air force. [redacted]

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BULGANIN-ZHUKOV TOUR OF POLAND . . . . . Page 13

Soviet premier Bulganin and Marshal Zhukov, during their short tour of Poland which ended on 28 July, made several statements regarding the Oder-Neisse boundary which implied that the USSR is guaranteeing the permanence of that border. While these assurances were welcomed by the Polish people, the Poles were less pleased by Bulganin's warnings to their press against carrying the de-Stalinization campaign too far and his failure to refer to the legitimate worker grievances which touched off the Poznan riots. [redacted]

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HARVEST PROSPECTS  
IN EASTERN EUROPE . . . . . Page 14

The 1956 harvest in the East European Satellites will probably be slightly below that of last year's inadequate crop, according to preliminary information. Until early September, when fall crops reach the consumer, there may be localized food shortages more serious than have yet occurred this year. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

THE SITUATION IN ADEN . . . . . Page 1

Arab nationalism has grown rapidly during the past year in Aden, which consists of a British colony and protectorate on the southwest coast of the Arabian peninsula. In the colony, Britain is confronted with politically inspired labor unrest and rising demands for political reform. [redacted]

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[redacted]

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**SOVIET SCIENTIFIC AND TECHNICAL EDUCATION . . . . . Page 5**

As a result of a major educational drive since the war, the Soviet Union now has about 1,200,000 scientists and technical personnel, a scientific manpower force as large as that of the United States. If present trends continue, the USSR will graduate about 155,000 science students in 1960, compared with 126,000 in the United States. The quality of Soviet scientific education is generally high. The emphasis, however, is on accumulating facts, and this hampers independent inquiry and originality. [redacted]

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**CHINESE COMMUNIST MILITARY MANPOWER . . . . . Page 7**

Communist China's military conscription program, which was introduced in the fall of 1954 to replace what was nominally a "volunteer" recruiting system, has apparently proceeded with little difficulty. Peiping probably intends to draft about 500,000 men annually and to demobilize the same number, keeping armed forces strength at about 2,600,000 men. Chinese Communist military capabilities are likely to improve. A trained reserve capable of rapid mobilization is being created, and modernization of the army with Soviet equipment is continuing. [redacted]

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**ECONOMIC TRENDS IN WESTERN EUROPE . . . . . Page 9**

Western European governments are becoming increasingly concerned over a persistent creeping inflation which could disrupt intra-European trade, widen the dollar gap, and lower levels of production and consumption. The differing degree of inflation in two main groups of countries--roughly typified by Britain and West Germany--has caused sharp divergences in national policies which were reflected in the meeting of the Ministerial Council of the Organization for European Economic Co-operation in Paris on 17-19 July. The council appointed a special committee to recommend ways of more closely co-ordinating the domestic economic policies of the members. [redacted]

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[redacted]

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**THE WEEK IN BRIEF**

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**PART I****OF IMMEDIATE INTEREST****THE SUEZ CANAL NATIONALIZATION**

The extremes of chauvinism reached in Egypt immediately after Nasr's speech on 26 July announcing nationalization of the Suez Canal appear to have passed fairly quickly. There was an initial tendency to continue to breathe defiance against Western pressures, but the Egyptians subsequently swung around to a policy of avoiding any action which might, in their view, be interpreted as a violation of international obligations with respect to the canal. Thus Nasr issued a statement promising that freedom of navigation would be maintained, and his chef de cabinet added that employees of the company who desired to resign would be allowed to do so if they gave notice in a regular manner.

Some Egyptians argue that Nasr's seizure of the canal was really the lesser of two evils, since with the withdrawal of the Western offer to finance the Aswan High Dam his government either had to obtain foreign exchange from the canal tolls or accept Soviet aid in order to undertake the dam project.

Although the Egyptian tone has become less strident, Cairo has nevertheless made it clear that it will resist with force any attempt to reverse the nationalization action.

**British and French Reaction**

The sharp initial British and French reaction to the nationalization was followed on 1 August by a joint decision

with the United States to call an international conference on the future of the canal to which the USSR will be invited.

Britain sought to avoid possible provocation of Nasr by an order on 31 July that four troopships due to transit the canal sail the extra 4,000 miles around Africa instead. Prime Minister Eden's parliamentary statement of 30 July that the Royal Navy could "take care" of the two Egyptian destroyers being fitted out in British ports was reversed by the announcement the following day that they would in fact be released.

London and Paris have nevertheless displayed a readiness to follow the financial controls immediately imposed on Egyptian assets and transactions with more drastic measures if necessary. Both governments have publicly hinted at the possible use of force. Some British forces in the Mediterranean and in England and also some French forces have been alerted in moves calculated to impress both the Egyptians and domestic opinion, which is calling for effective countermeasures. Actually, only very limited forces are immediately available to either France or Britain in view of current involvements in Algeria and Cyprus.

French opinion remains particularly incensed, however, and the Mollet government is supported by an enthusiastic 416-150 assembly resolution calling for a "sharp riposte."

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The French evidently regard the issue as a critical test of US support of its NATO allies.

Arab Reaction

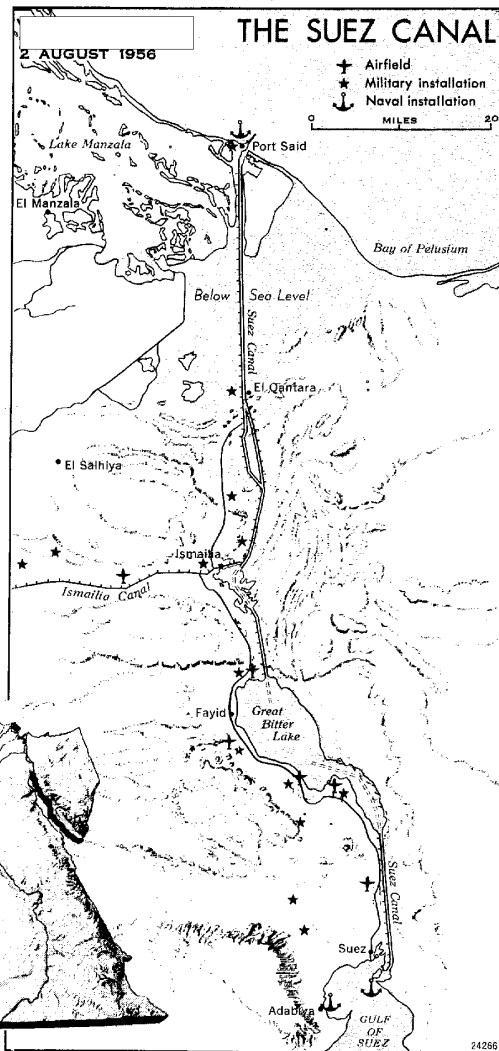
There is no question but that Egypt's action is popular in the rest of the Arab world. The nationalization of the major channel for oil shipments from the Middle East had particular significance for Lebanon, whose government is currently involved in a dispute with the Iraq Petroleum Company over pipeline payments formulae.

Western fears that a wave of nationalization might affect oil fields and pipelines appear at least premature, however. In a matter so close to their pocketbooks, the rulers of the other Arab states are likely to await the outcome of a Western-Egyptian struggle before committing themselves to more than verbal hosannas for the triumph of Arab nationalism.

Asian Reaction

Reactions from South Asia indicated that India, Pakistan and Ceylon, if not Indonesia, face something of a dilemma. In the South Asian view, there was no question of Egypt's right to take over a vestige of imperialism. But the possibility of a threat to peace arising out of the action and the prospect that one power, possibly capricious, would control a canal as vital to South Asian supply lines as it is to the West's gave rise to expressions

of concern. The Ceylonese prime minister reportedly was considering calling a conference of the Colombo powers; such a meeting could also serve as a preliminary to a second Asian-African conference. It seems unlikely, however, that the South Asians would initiate any action unless Egypt acted in such a manner as to jeopardize their economies.



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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****2 August 1956**Soviet Reaction

Over the past week, the USSR has made clear its desire for a peaceful solution of the canal dispute. Khrushchev in a speech at a builders' rally on 31 July advised a "quiet approach" by the West, "soberly taking account of the new circumstances and the spirit of the times. There is no other way out."

Khrushchev played down the seriousness of the dispute but warned the West that any policy of pressure on Egypt "can bring only undesirable consequences to the cause of peace," and that "unwise voices" are heard in Britain and France asking for the application of "some unspecified means of oppression, almost of military operations." He reaffirmed Soviet support for the legal and moral position of Egypt.

Soviet support for the legal and moral position of Egypt.

Moscow is expected to welcome the invitation to participate in the forthcoming international conference on the Suez dispute. Khrushchev emphasized that the USSR is directly interested in the maintenance of the freedom of shipping through the Suez Canal--an apparent reference to Czarist Russia's participation in the 1888 international convention on freedom of navigation of the canal--and he took note of Egypt's affirmation of support for its "international obligations." On 30 July an unidentified Soviet bloc spokesman in London said that the USSR would be willing to join the discussions for an international solution that would permit unrestricted passage of the canal by foreign ships.

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**SECRET****PART I****OF IMMEDIATE INTEREST**

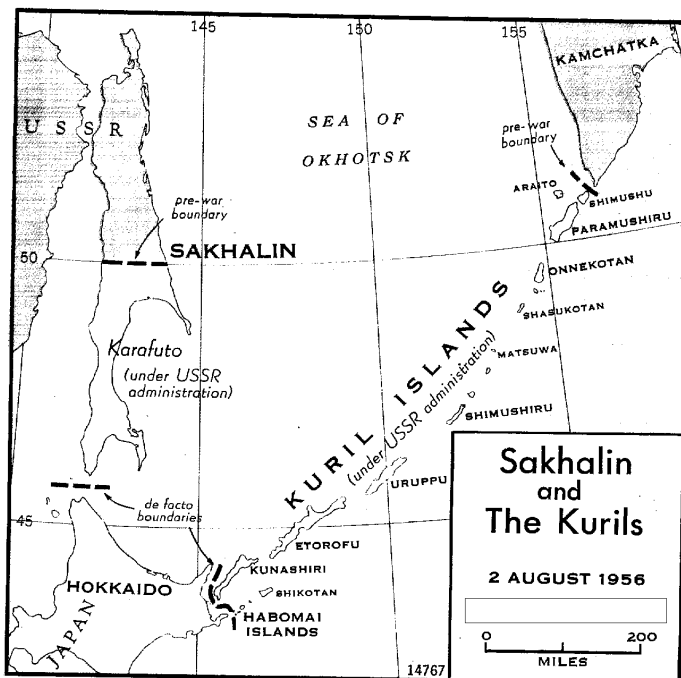
**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****2 August 1956****PART II****NOTES AND COMMENTS****SOVIET-JAPANESE NEGOTIATIONS**

The formal negotiations between the Japanese and Soviet foreign ministers, which began in Moscow on 31 July, appear headed for an early settlement. Shigemitsu's willingness to head the Japanese mission, knowing that his political future and that of his party depend on reaching a settlement, suggests he expects to conclude some sort of agreement. His statement on arriving in Moscow that he had come to normalize relations between Japan and the USSR, as well as his previous public assertions that he would not break off the talks, lends further support to this view.

At the first substantive session of the negotiations, the territorial problem, which has been the major obstacle to settlement, was raised. Shigemitsu, who believes a strong

effort must be made to regain the Southern Kuril islands of Kunashiri and Etorofu, reasserted Japan's claim to them and asked for the repatriation of Japanese detainees prior to the signing of a peace treaty. However, he reportedly modified Japan's previous stand that the disposition of South Sakhalin and the remaining Kurils should be made by an international conference of World War II Allied Powers by indicating that Japan was willing, as in the San Francisco peace treaty, to renounce sovereignty over this territory. Soviet foreign minister Shepilov opposed the claim to the Southern Kurils, but again offered to return Shikotan and the Habomai Islands.

The Japanese, however, appear willing to settle for residual sovereignty over the Southern Kurils, and probably



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will appeal to the top Kremlin leaders for an arrangement along this line as a way out of the impasse they anticipate on the issue. While no responsible Japanese has indicated what step might be taken if Moscow rejects such an appeal, Shigemitsu probably would seek to avoid any formal relinquishment of Japan's territorial claims.

Shigemitsu, like the Japanese public, believes that official relations with Moscow are necessary to gain Japan's admission to the UN, to bring the recently concluded fishery pacts into force, and to assure the return of Soviet-held Japanese before winter. The prospect of achieving these aims would counterbalance a Soviet rejection of Tokyo's territorial demands and the Japanese

public probably could be convinced that the agreement reached was, under the existing circumstances, the best attainable for satisfying national aspirations.

Shigemitsu has emphasized that he prefers a formal peace treaty to a more limited agreement restoring diplomatic relations by an exchange of ambassadors. This could lead to a treaty which omits any reference to territories, but which might have an appended protocol in which the USSR agreed to withdraw from Shikotan and the Habomai Islands, since the USSR at the London talks offered to return them. Such a settlement would in effect defer indefinitely the problem of the remaining territories.

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**TENSION HIGH  
IN SOUTH KOREAN ASSEMBLY**

The attempts of the South Korean government to prevent opposition candidates from registering for the 8 August local elections, together with the threat of legislation to remove Vice-president-elect Chang Myon from the succession to the presidency, have produced disorders and increased tension in the National Assembly. The use of strong-arm tactics by police in breaking up a street demonstration by assemblymen on 27 July reflects not only President Rhee's continuing reliance on his traditional means of control but also a decline in the influence of moderate elements in the government.

Opposition assemblymen decided to resort to demonstrations following the refusal of the government-dominated assembly

to extend the registration period for the elections. Previously the Liberal Party had made use of its majority in the assembly to force through a law extending the terms in office of approximately half of an estimated 1,500 local officials up for re-election. In addition, the National Police embarked on a campaign of arresting opposition candidates and detaining them until after the 19 July registration deadline. Official government figures reveal that over 3,500 persons, including independent and opposition candidates, were jailed by police for minor offenses during the registration period.

Assembly business has been at a standstill since 27 July, and opposition assemblymen, aided by about 30 Liberals,

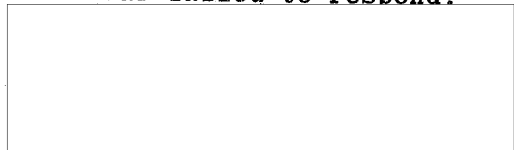
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have demanded the release of an assemblyman arrested during the demonstrations. A new crisis loomed when on 30 July the police served summons on four other assemblymen, who have thus far failed to respond.



A possible move to nullify the result of the vice-presidential election of May by constitutional amendment is another subject of contention. This amendment, which has been proposed by two members of minor opposition parties in the assembly, would remove Democrat Chang Myon from the presidential succession by providing that the vice president succeed the president only when both are members of the same political party. The amendment also provides for a modified form of parliamentary government, restoration of the office of prime minister, and cabinet responsibility to the assembly, features long desired by opposition elements.

Adverse publicity resulting from the assembly

demonstrations, however, may lead the administration to postpone any action on the proposal to amend the constitution.

Opposition assemblymen have expressed a willingness to stimulate popular demonstrations on their own behalf, and widespread hostility toward the administration could lead to such demonstrations at any time. A Democratic Party assemblyman who saw President Rhee on 31 July has stated that their interview was possibly the first time Rhee had been informed of the gravity of the situation.

Assembly speaker Yi Ki-pung has told American officials that he is powerless to influence administration policy and that the home minister, who was responsible for the drastic police action against the assemblymen, had taken things into his own hands. The fact that the police appear to have a free hand in dealing with the crisis reflects Rhee's reliance upon the police and the absence of a restraining influence on administration policy.

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**CHINESE COMMUNIST INCURSIONS INTO BURMA**

Small-scale Chinese Communist troop incursions into Burma, at widely scattered points along almost the entire length of the Sino-Burmese frontier, have led Rangoon to bring out into the open its long-standing dissatisfaction with Peiping's attitude on border problems. Having failed to get China to withdraw these troops or enter into early boundary talks by normal

diplomatic means, Rangoon may hope to embarrass Peiping into accepting its proposals for negotiations.

It is not clear when, or over how long a period, these incursions took place, but they seem considerably more serious than earlier periodic Chinese violations of territory claimed by Burma.

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Chinese troop dispositions pose no immediate threat of large-scale invasion. Only limited military forces are maintained in Southwest China in the vicinity of the Burmese border. There are no air units near the border and the nearest serviceable airfield is at Kunming, 250 miles away.

Chou En-lai has consistently reserved Peiping's position on the actual location of the boundary line, even to the extent of refusing to accept the definition of the boundary in the Wa States agreed to by Britain and Nationalist China in 1941.

The Burmese government unquestionably "leaked" information about the latest Chinese move to the Rangoon newspaper Nation, apparently in an effort to bring the force of world opinion to bear on Peiping so as to induce it to withdraw its troops and agree to definitive boundary talks.

Burma's public airing of the incident marks a complete reversal of its previous policy of relying solely on normal diplomatic channels to complain to Peiping while keeping public comment on frontier problems to a minimum.

In view of the Sino-Soviet bloc's campaign to court neutral countries like Burma, the extensive publicity now attending Chinese incursions into Burma will be embarrassing to Peiping and may be sufficient to persuade it to agree to early boundary talks.



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Should Burma fail to gain satisfaction from Peiping by means of bilateral negotiations, Rangoon may well take the problem before the United Nations, as it did in the case of the Chinese Nationalist irregulars in 1953, when other remedies seemed to have been exhausted.

In any event, this latest episode constitutes another step in the loosening of close Burmese ties with the Sino-Soviet bloc established during the latter part of U Nu's premiership. [redacted]

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**PROSPECTS IN BOLIVIA  
UNDER THE SILES GOVERNMENT**

Hernan Siles Zuazo takes over the Bolivian presidency from the popular Paz Estenssoro on 6 August at a critical time in the country's political and economic development. The party to which both belong, the National Revolutionary Movement (MNR), which came to power by arms in 1952, will attempt for the first time to rule with an elected congress. Bolivia's economy, despite extensive American grant aid and recently improved prospects for oil development by US private capital, is still precarious, largely because earnings from tin exports are inadequate to pay even for the country's basic food requirements.

The 43-year-old Siles, who was vice president prior to his easy victory in the elections of 17 June, is a respected right-wing leader but has neither Paz' financial acumen nor his ability, as the MNR's acknowledged leader, to cope effectively with the party's turbulent left wing. Paz, moreover, ruled by decree, whereas Siles must deal with a newly elected congress which is almost certain to be jealous of its prerogatives. While nearly all seats in both houses are held by the MNR, 40 of its 63 lower house seats are occupied by men who also belong to the Bolivian Workers' Confederation, which is the center of left-wing influence. Much will depend on the co-operation Siles receives from Vice President

Nuflo Chavez, a left-wing leader who has now apparently reversed his unfriendly attitude toward the United States following a recent visit here.



SILES ZUAZO

**Siles' Program**

Siles' basic goal, like his predecessor's, will probably be the raising of living standards for the mass of the population, primarily Indian, in the general pattern set over a generation ago by the government party in Mexico. Land reform and nationalization of the tin mines, though politically effective in breaking the power of the opposition, resulted in declining production in both instances, and the MNR's program of economic diversification

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is still far from paying dividends despite promising long-term prospects.

Bolivia is almost a classic example of the economically underdeveloped country. The sixth largest nation in Latin America and possessed of great potential wealth in minerals, timber and agriculture, it is heavily dependent on the single export of tin ore and is still not even self-sufficient in basic foods. Its 1955 per capita gross national product was estimated at only \$66, the lowest in Latin America. Under US government guidance, Bolivia is attempting a long-term program of improving agricultural production, but meanwhile is dependent on grant aid which for fiscal 1956 approximated a fourth of the country's export earnings.

Economic Prospects

Bolivian tin production difficulties have somewhat eased as compared to last year, and a temporary fillip has been given to tin prices during the past few days by the possible effects of the Suez crisis on Malayan shipments. Even in 1955, however, Bolivia's import expenditures exceeded export earnings by 50 percent.

Bolivia's continuing inflation has been accentuated by the Paz government's expansion of currency to pay for new social legislation and higher wages so that the boliviano, which stood at 720 to the dollar in 1953, was quoted at 9,200 in July 1956. The first important task of the new government will probably be the institution and operation of a proposed Monetary Stabilization Council made up of high-ranking Bolivian officials and several high-ranking American advisers.

The country's chief prospect for any early improvement in its basic economic situation, however, lies in oil production, which increased 59 percent last year. In addition to supplying Bolivia's rising domestic requirements for most petroleum products, the national Bolivian company now exports to Brazil, Paraguay, Argentina and Chile.

The government is also endeavoring with some success to attract foreign private investment. A subsidiary of the Gulf Oil Company is already established in the country and several other American oil concerns are actively interested. In addition, Bolivian negotiations with two American gold-dredging firms are reportedly in the final phase. [redacted]

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ARAB-ISRAELI SITUATION

Prime Minister Ben-Gurion assured Ambassador Lawson on 27 July that the United States had no grounds for worry that Israel will do anything to disturb the peace, but he said he was not so confident about the "other side."

King Hussain of Jordan also assured the United States last week that his government was doing its best to bring the current cycle of incidents to an end. [redacted]

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Meanwhile, tension remained high along the Israeli-Jordanian border, and the observer corps, which has suffered several recent casualties, fears the outbreak of new incidents there at any time. [redacted]

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**COMMUNIST PARTIES CONTINUE DEBATE  
ON DE-STALINIZATION**

A number of Communist parties outside the Soviet bloc now have responded to the 30 June Soviet central committee statement on de-Stalinization, and although all of them have endorsed it--usually in glowing terms--several have followed the lead of Italian leader Togliatti in maintaining that Moscow has still left some important questions unanswered. In some cases, this criticism may reflect continuing disagreement within the national parties.

The effect of the Soviet resolution appears to have been to limit the scope of discussions on de-Stalinization by the foreign Communist parties. The basic "Marxist analysis" presented by Moscow has been accepted by the foreign parties, particularly the axiom that the fundamental democratic and socialist character of the Soviet state has not been changed by Stalinism.

Moscow has provided a standard of orthodoxy which is valuable for foreign party leaders trying to keep their rank and file in line. It has, however, left other Communist parties free to raise further questions. Moscow may think this is desirable in order to maintain the appearance of independence of the parties or that it is necessary because of continuing dissension within some of the Christian parties.

France: The French Communist Party issued a statement on 7 July, following the return of its delegation from Moscow, which described the Soviet resolution as giving "a profound and completely satisfactory analysis of all

the circumstances in which the cult of Stalin's person was able to develop."

The French party is the only one which has taken so flat a stand, presumably because Thorez wanted to cut off further debate. The party congress of 18-21 July gave concrete evidence that the party considered that the discussion of Stalin was over.

Britain: The British Communist Party statement, published on 16 July after a delegation returned from Moscow, also strongly endorsed the Soviet resolution, although it did express the assurance that as a result of continuing Marxist analysis in Moscow, "further light will be thrown on some issues which are not fully clarified." The London Daily Worker, however, has stopped publishing letters to the editor containing sharp criticisms and embarrassing questions.

Italy: The Italian party, in a statement published on 19 July after a visit of some leaders to Moscow, also implied that there would be further discussions, as it called the Soviet resolution an important and valuable contribution "to the frank and open debate which is being carried on" with Italian Communist participation.

Togliatti has never retracted his 16 June statement referring to the "degeneration of certain parts" of the Soviet "social body," which brought him a rebuke in the Soviet resolution. Subsequently he called for a continuing frank discussion and said that "differing opinions are possible," while he endorsed the Soviet

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resolution. The semiautonomous Trieste party stated on 6 July that the Soviet resolution was not satisfactory.

**US and Canada:** The American Communist Party on 26 July and the Canadian Communist Party newspaper early in July both welcomed the resolution but raised specific questions for further study and discussion. Both mentioned excesses against Jewish cultural institutions and their leadership. The American party asked about "bureaucratic distortions," and the Canadian paper said that present Soviet leaders accepted Stalin's erroneous theory about the intensification of the class struggle.

The American party pledged its "firm adherence to the principle of international working-class solidarity," but it also endorsed "the developing relationship of independent and friendly criticism" among Communist parties. The American party statement was probably a compromise document, in view of reported differences in the party hierarchy.

**Austria:** The Austrian Communist Party on 17 July welcomed the Soviet resolution and reaffirmed unity with Moscow, but it did complain that the Soviet leaders, in raising the de-Stalinization question at the 20th party congress, did not sufficiently consider its impact on Communist countries outside the Orbit. Moscow radio omitted this complaint from its summary of the Austrian statement.

**Sweden:** The most pointed and extensive questions raised

by foreign Communists following the 30 June Soviet resolution were voiced by Gunnar Oehman, a member of the Swedish Communist Party executive committee, in an editorial in the party newspaper on 12 July. While calling the resolution an "important contribution," he called for a "thorough study of the whole development of Soviet society." The resolution, he said, left the impression that an attempt was being made to "circumvent the core of the problem" of Stalinism. He asked why the present Soviet leaders had joined in promoting the cult of Stalin, had acquiesced in the practice of holding central committee and party congress meetings infrequently, and had permitted Stalin to gain control of the state security organs.

**India:** In Asia, where the de-Stalinization issue appears to have caused much less commotion, the Indian Communist Party on 12 July endorsed the Soviet resolution, asserted that Stalinism was a deviation from Marxism-Leninism, and urged ideological unity in the face of imperialist divisive tactics. On the other hand, the party for the first time called for "a fuller analysis of the causes which led to the arbitrary acts and excesses" in the USSR, a point Moscow omitted from its broadcast summary.

**Latin America:** The only formal Communist party reaction reported from Latin America was a statement by the Argentine party which welcomed it and said that it would undermine American efforts to exploit the Soviet struggle against the cult of the individual.

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**HO CHI MINH REBUKES  
VIET MINH MILITANTS**

Viet Minh president Ho Chi Minh, in an article written for publication in Pravda, supported the Kremlin's condemnation of "national Communism" and voiced strong approval of Moscow's attacks on the "cult of the individual." In contrast to Peiping's treatment of the subject, Ho's article did not balance criticism of Stalin's character with acknowledgment of his achievement.

Implying that de-Stalinization would not induce the Viet Minh to disregard Moscow's guidance, Ho stressed that the Viet Minh is bound to the "general struggle" of the bloc and rejected the notion that Viet Minh problems are a "'personal affair,' which no longer concerns the international proletariat." His remarks apparently served as an implicit rebuke of Viet Minh militants, whose views on unification of Vietnam by force are out of line with the Sino-Soviet bloc policy of "peaceful competition" with the West.

Viet Minh Disappointment

Despite this reaffirmation of continued adherence to the Sino-Soviet bloc line, the current policy may become increasingly frustrating to the Viet Minh, whose primary successes have been military. The

Viet Minh leaders know they command overwhelming military superiority over South Vietnamese forces and are capable of creating serious internal strife in South Vietnam. On the other hand, their propaganda efforts to force South Vietnam into pre-election consultations, or, as an alternative, to obtain a new Geneva conference, have so far proved unfruitful.

The failure to obtain unification elections this July, as originally scheduled by the Geneva conference, combined with the growing strength of the Diem government, probably has depressed Viet Minh morale. A recent editorial in the Viet Minh party newspaper Nhan Dan acknowledged that some people have "become pessimistic and disappointed."

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With Vietnamese unification the primary goal of Viet Minh policy, lack of political progress in the future may tend to foster increasing frustration in Hanoi and renewed demands from the Viet Minh militants for the use of more forceful methods against South Vietnam.

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LAOS

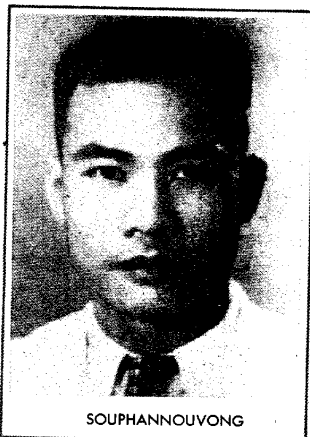
After considerable political parrying by both sides, negotiations between the Laotian government and the Pathet Lao began on 1 August in Vientiane, Prime Minister Souvanna Phouma is highly confident he can "sell" his half-brother, Pathet Lao leader Prince Sou-

phannouvong, on terms that will prove an "agreeable surprise" to the West.

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SOUPHANNOUVONG



SOUVANNA PHOUMA

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to the Communist negotiators in subsequent working-level discussions.

The Pathets will probably modify their stand in the interest of achieving a solution but will undoubtedly insist on retention of de facto control in northern Laos while nominally acceding to Vientiane's authority. For his part, Souvanna has a great personal stake in the outcome of the talks. Despite his assertion that he will accept no compromise which can derogate Laotian independence and sovereignty, his conciliatory attitude in initial talks with his half-brother may establish an atmosphere favorable

The Communists hope to achieve a neutral Laos on the pattern of Cambodia with the Pathets fully integrated and recognized as a legal political party. Considerable sentiment for neutrality already exists in the Laotian government.

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#### DISSENSION IN INDONESIAN COMMUNIST PARTY

Dissension has been revealed in the Indonesian Communist Party, and its national position has been weakened somewhat by President Sukarno's public praise for the United States. The party's top leadership, which has strong Soviet and Chinese Communist support, is unlikely to be replaced, however, and popular support for the party is still growing.

##### Attack on Secretary General

In early July an anti-Communist newspaper, Indonesia Raya, published a letter written last March by Alimin, a deposed leader of the Indonesian Commu-

nist Party who is still a party member, accusing Secretary General Aidit of opportunism, rightist deviationism and misdirection of national-front policy. Two other anti-Communist Djakarta dailies have also taken up the subject. One of them, the Masjumi organ Abadi, claims there have been a number of Communist defections and a wave of protests to the central committee over party tactics.

At the time the letter was written, Secretary General Aidit was in Peiping and there is some reason to believe that the letter was part of a larger effort to overthrow him.

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The party's central committee in reply charged Alimin with left-wing opportunism and failure to realize that Indonesia is in a stage of national and democratic revolution requiring collaboration with bourgeois groups. The central committee also released a statement from Alimin withdrawing his criticism. Indonesia Raya, however, claims that in a subsequent interview, Alimin repeated his original charges and attacked Khrushchev for the denigration of Stalin.

Impact of Aidit's Policies

The actual extent of the opposition to present party leadership has not been ascertained, but reports of it appear to be exaggerated. Disagreement is believed to have existed in the Indonesian Communist Party for several years over the application of national-front tactics. Some members of the central committee, although not disagreeing to the extent Alimin does, reportedly have felt that Communist co-operation with and support of nationalist forces need not have gone so far. It is also generally believed that the denigration of Stalin has created considerable confusion.

National-front tactics, however, as employed by Aidit, have significantly increased the party's following and influence, and there is no strong indication of a change of policy in the near future.

**CHINESE COMMUNIST SHIPYARDS  
LAUNCH NAVAL VESSELS**

Reported new developments in the Chinese Communist naval shipbuilding program, which has been marked by extensive Soviet support since early 1955, include the launching at Shanghai in July of two submarines, the first produced in Communist China.

Aidit has followed the tactical line set by the Soviet 20th Party Congress, and is believed to have the support of Moscow and Peiping. His statements on Stalin, which are similar to the line taken by Peiping, have been publicly parroted by other Indonesian Communist leaders. This, plus the fact that the challenge to his leadership was unsuccessful even when he was out of the country, indicates that he continues to control the party.

National Political Fortunes

Regardless of dissension, party membership is believed to be increasing, and an effort presumably is under way to organize and indoctrinate the 6,000,000 persons who voted for the Communists in the 1955 elections.

The party's national political fortunes, however, appear to be reduced for the immediate future as the result of an increased awareness by nationalist forces of the danger of co-operation with the Communists. The National Party, which heads the cabinet and which accepted Communist support from 1952 to 1955, in July elected to party offices moderate leaders who hope to take action to counter Communist activity. This leadership has already advised its members to withdraw from the Communist-dominated All-Indonesia People's Congress.

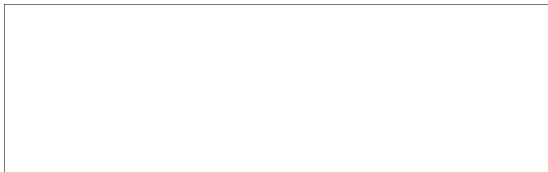
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also completed two and is building two more Kronshtadt subchasers.



The continuance of the major shipbuilding program at Shanghai is evidenced by reports of four and possibly five additional submarines at Kiangnan and at least one more escort destroyer being built at the Hutung Shipyard.



In addition to Shanghai, the Communists have apparently developed Whampoa in South China as a major facility for naval construction. The presence of Soviet shipbuilders in Whampoa was reported as early as June 1955.

Peiping's present limited naval strength was built up by transfers of vessels from the USSR. These consisted of 13 submarines--of which four were long-range, four medium-range,

four short-range, and one inactive used for training--four prewar Gordyj-class destroyers, six Kronshtadt-class and six Artillerist-class subchasers, two T-43 mine sweepers, and at least 50 motor torpedo boats. In addition, the navy has vessels of Chinese Nationalist, Japanese, British and American origin, the largest operational units of which are frigates. Modernization of many of these frigates has been noted during the past few years and is still continuing.

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Thus far the Chinese Communist navy has been engaged primarily in training programs and defense, but with the addition of modern long-range submarines and surface vessels it could assume a more aggressive role. Escort destroyers and subchasers are well suited for operations along the entire China coast and for use in offensive measures against Taiwan.

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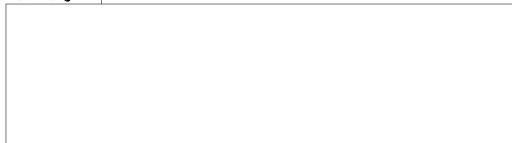
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Actual integration of the newly built vessels into the Chinese Communist fleet, which will follow fitting out and shakedown trials, probably will take a number of months.

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EAST GERMAN AIR FORCE PROBABLY GETTING JETS

The USSR may have resumed a program of equipping the East German air force with jet fighters.



Flight training with jet aircraft had been in progress for about two months prior to the June 1953 riots. After the

riots, the USSR withdrew all aircraft, and returned only the piston types a few months later. By 1 April 1956, the air force had acquired an estimated 105 piston trainers.

The stage was set for development of an East German air force in January 1956, when the East German military forces were formalized. At that time, Main Administrations for Air and Air Defense were established

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under the new Ministry of Defense.

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It is believed, however, that some air force personnel are politically unreliable, a factor which may cause the regime to proceed cautiously with the re-equipment program.

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**BULGANIN-ZHUKOV TOUR OF POLAND**

Soviet premier Bulganin and Marshal Zhukov, during their short tour of Poland which ended on 28 July, made several statements regarding the Oder-Neisse boundary which implied that the USSR is guaranteeing the permanence of that border. The satisfaction the Polish people almost certainly derived from these statements, however, was somewhat offset by Bulganin's warnings to the Polish press against carrying the de-Stalinization campaign too far and his failure to refer to the legitimate worker grievances which touched off the Poznan riots.

Bulganin and Zhukov told the people of Silesia: "The Western frontiers and Silesia are now forever Polish. The guarantee of this will be the friendship of the nations of our Socialist camp, the friendship of the Polish and Soviet nations."

They evidently thought that such a commitment now, in contrast to previous reluctance to commit the USSR to the present boundaries, would be one of the most effective ways of achieving the purpose of their tour--to boost the prestige of the Polish regime after the Poznan riots. The statements also served in part to balance the economic

concessions given East Germany when its leaders visited Moscow in mid-July.

While these assurances were welcomed by the Polish people, other aspects of the Bulganin-Zhukov visit were less pleasing to them. Bulganin's speech in Warsaw on 21 July placed far greater emphasis on the role of provocateurs and enemy agents as the cause of the Poznan riots than did First Secretary Ochab's speech two days earlier. Ochab had emphasized to the central committee the role of the low standard of living, wage cuts, poor working conditions, unduly high taxes, and the indifference of the trade unions in causing the riots.

A number of sources of the American embassy in Warsaw have reported that many Poles were disappointed and angered because Bulganin spoke as if he were a member of the regime, thereby implying Soviet interference in internal Polish affairs. In addition, press circles were depressed at his warnings to the press to stop allowing itself to be used by hostile elements who were seeking to confuse the people under cover of attacking the cult of the individual.

Despite the tone of Bulganin's speech, however, the

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28 July resolution of the Polish central committee reaffirmed the regime's intention to proceed with a liberalization program and even made several additional concessions to the populace.

The plenary meeting of the central committee of the Polish

United Workers Party, held during Bulganin's visit to Poland, elected three new men to full politburo membership and two others to candidate status. Of the men elected to the politburo, two are members of a moderate group among the leadership while the third appears to be a member of the orthodox Communist group.

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HARVEST PROSPECTS  
IN EASTERN EUROPE

The 1956 harvest in the East European Satellites will probably be slightly below the harvest of 1955, according to preliminary information. The Satellites as a group attained the prewar dietary level during the past year only with the help of large imports of grain, vegetable oil, and fish. The current outlook promises no improvement in the average worker's diet for the crop year beginning 1 July 1956. Unless imports are substantially increased, food shortages seem destined to remain a major cause of popular discontent in the Satellites.

The grain and vegetable crops probably will be below last year's level, due to an unusually cold winter and a late spring. As of early July, cold and dry weather was also adversely affecting growth of the potato crop. The present shortage of potatoes in Poland and East Germany will therefore

probably continue through 1957 unless more favorable weather prevails during August.

Another shortfall in the potato crop will seriously jeopardize production of meat products by reducing the feed supply for hogs. This, in turn, would be extremely detrimental to the morale of industrial workers in Poland, East Germany, and Czechoslovakia, who have been promised more meat.

In addition, the late spring will delay the harvest in the Satellites this summer, and may cause serious, though temporary, food shortages in urban centers in August, even more serious than have yet occurred this year. From now until early September, when the new harvest is under way, even such staples as bread and potatoes will be in shorter than normal supply.  (Prepared by ORR)

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**PART III****PATTERNS AND PERSPECTIVES****THE SITUATION IN ADEN**

Arab nationalism has grown rapidly during the past year in Aden, which consists of a British colony and protectorate on the southwest coast of the Arabian peninsula. In the colony, Britain is confronted with politically inspired labor unrest and rising demands for political reform.

"Voice of the Arabs" radio, probably the most potent influence in developing political consciousness in the Arabian peninsula, treats local grievances as phases of the struggle against imperialism. Another instrument of great potential may develop from the Egyptian-sponsored pan-Arab labor organizations. In addition, Egypt and Saudi Arabia have recently signed military treaties with Yemen, the Aden Protectorate's neighbor to the north, providing Yemen with a 150-man Egyptian military training mission and a large Saudi loan.

**Aden's Role**

Aden Colony, lying within the protectorate, is located on the main line of communications between the Mediterranean and the Indian Ocean and on the tanker route from the Persian Gulf to western Europe and North America. It consists essentially of a good natural harbor and two flanking peninsulas, with a total area of 75 square miles and a population of about 150,000. Since its occupation by the British in 1839, Aden has served as a military outpost, a major refueling station and, more recently, the site of a 120,000-barrel-a-day oil refinery.

Aden is the base for the small British military force which supports Britain's interests locally and in the Persian Gulf where the British stake is much greater. In addition to the British-led native security forces in the colony and the protectorate, Britain presently maintains one squadron of jet fighters and 1,200 British troops there.

The only British colony in the Arab world, Aden has been the object of political attack by Nasr's Egypt. Cairo's

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**The Colony**

The British themselves provided the spark which fired local political imagination when they permitted elections for four out of the 18 seats in the legislative council of Aden Colony last year. The elections, under a limited franchise, had scarcely been

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completed when even moderate elements began to demand self-government and an indigenous military establishment.

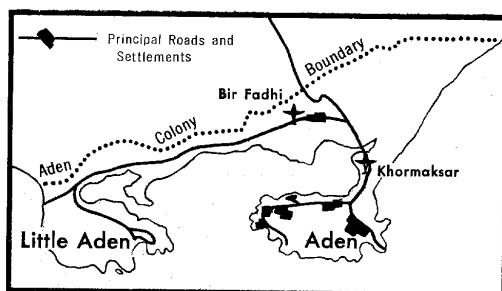
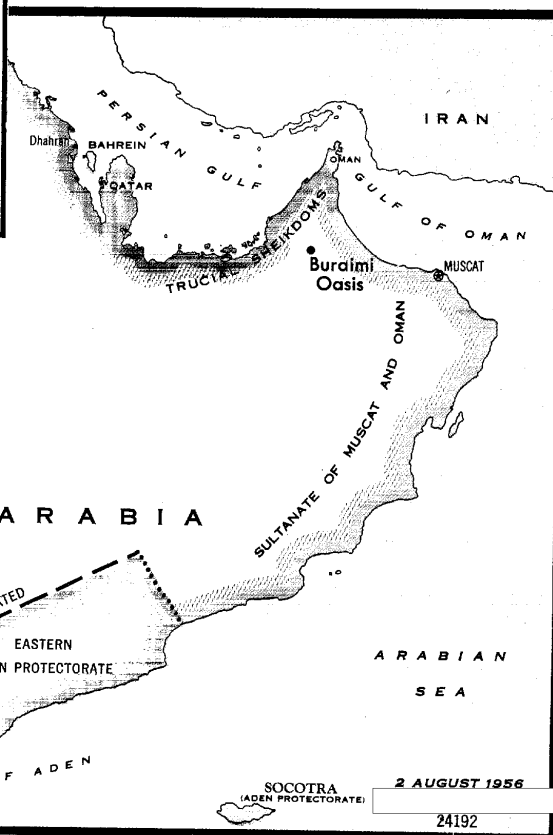
There are two general political groupings in the colony. A relatively moderate group, the Aden Association, wants Aden to remain within the British Commonwealth, but to control its internal affairs, including local military forces. It also desires all members of the Legislative Council to be elected.

The second grouping is made up of ultranationalists, who are principally Arabs of Yemeni or protectorate origin or descent. Their attitudes are expressed in two political organizations, the United

National Front Party and the League of the People of the South.

The United National Front Party is the Aden Association's most vocal political opposition in the colony. It preaches affiliation with the Saudi and Yemeni people--although not under their present rulers--and its ultimate aim is to force the British out of South Arabia by any means at its disposal. Its leaders are extreme nationalists, admirers of Egypt, and sympathetic to Yemen's territorial claims on Aden.

The Front wields considerable influence in labor circles and its members have been active since the first of the year in a series of strikes. The

**ADEN COLONY AND PROTECTORATE**

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strikes contributed significantly to the development of local political consciousness, and Arab leaders became aware of the colony's vulnerability to concerted action by the local population.

The League of the People of the South, the other pan-Arab organization in Aden and the larger of the two, emphasizes primarily the destiny of the protectorate. Last March, it publicly accused the British of scheming to separate Aden from South Arabia, declaring that the treaties between Britain and the local rulers did not bind the inhabitants. The League called for an independent federation of Aden Colony with the states of the protectorate which would be "part of the people of the greater south."

Because of Aden's strategic and economic importance to the Commonwealth, London has declared that no changes can be made in the colony's constitution during the remaining two and a half years of the present Legislative Council. Meanwhile, London is likely to proceed cautiously toward local self-government.

The Protectorate

The status of the protectorate is intimately connected with the future of Aden Colony itself. Following the establishment of Aden Colony, the hinterland area of the protectorate grew as Britain concluded treaties with individual tribal rulers in an effort to forestall any attempts to outflank the colony.

The protectorate, with a total area of about 112,000 square miles, is divided for administrative purposes into the Western and Eastern Protectorates, which together have a population of 650,000. Britain

pays each local ruler a cash subsidy, supplemented by small economic aid projects, and provides defense and political advice.

The difficulty over the protectorate's border with Yemen dates from the collapse of the Ottoman empire in 1918. The newly independent Yemenis refused to recognize the old Anglo-Turkish frontier line with Aden Protectorate. Thus, Yemen claims that its borders extend to the Gulf of Aden and include the territory of Aden Protectorate and the colony.

As in the colony, a recent British plan for political reform appears to have backfired. In 1954, the British government of Aden Colony was unsuccessful in promoting a federation of the states of the Western Protectorate designed to increase British authority and administrative efficiency. In bringing up the plan again at the end of March 1956, Aden's governor indicated that further progress toward federation would depend on the initiative of the local sheiks.

The current impetus toward federation does come chiefly from some of these rulers, but their aim is to decrease British power, with federation merely a preliminary step to creation of an independent South Arabian state. There remains a divergence of opinion among the local rulers as to the wisdom of cutting loose from Britain at present. The matter is further complicated by rivalries among the rulers, some of whom fear to offend Yemen, while others favor British protection.

Yemeni and Saudi Activities

While gunrunning and lawlessness in the protectorate's undemarcated border areas is not new, the problem has attained new dimensions since the

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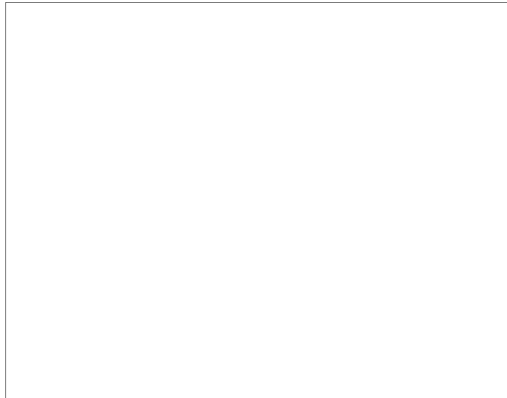
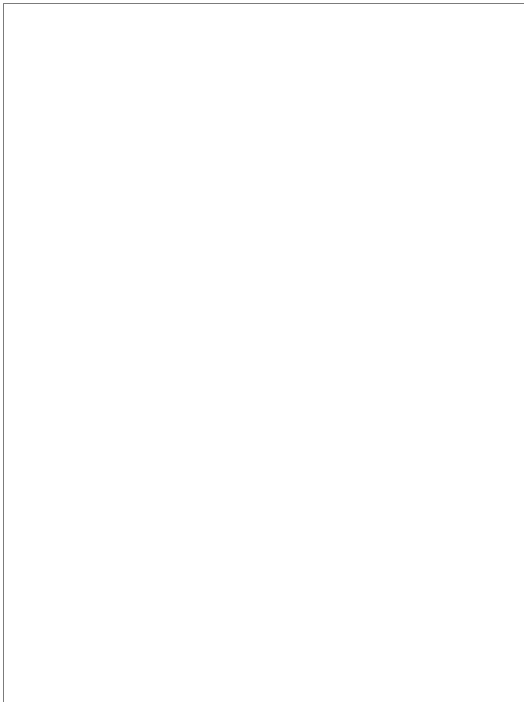
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summer of 1953 when the imam of Yemen began a campaign of harassment and subversion in the Western Protectorate.

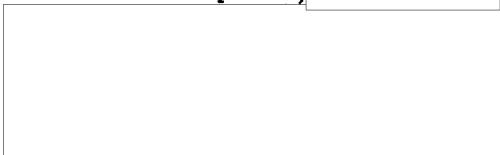
rise against their rulers and end British protection.

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Another dispute between Britain and Yemen is the ownership of Kamaran Island, which lies within Yemen's territorial waters 200 miles north of Aden. The island is populated by about 3,000 Arabs. The British have occupied Kamaran since its seizure from the Turks in 1915, and now administer it under Aden Colony. In 1928, Yemen unsuccessfully attempted to obtain British recognition of its claim to the island. The British quarantine station for Moslem pilgrims is no longer in use, but Britain operates an airfield and has recently granted petroleum exploration rights to a British company.

Since March, skirmishes have taken place near Aden-Yemen border posts, [redacted]



[redacted] Supplementing direct pressure, Cairo's "Voice of the Arabs" and Yemen's Radio Sana have called the people of Aden to armed revolt, and leaflets have been circulated throughout Aden Protectorate urging the population to

The imam of Yemen has recently revived his claim to Kamaran, and last February Britain rejected his protest against the oil concession. Yemen has threatened to take the case to the International Court of Justice. [redacted]

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**SOVIET SCIENTIFIC AND TECHNICAL EDUCATION**

Soviet efforts since World War II to produce large numbers of scientific and technical personnel have been highly successful. Today both the Soviet Union and the United States have scientific-technical manpower forces of about 1,200,000. The USSR has only about two thirds as many scientists in research and teaching as the United States but has a larger proportion in practical work.

The term "scientific and technical personnel" includes theoretical scientists, mathematicians, practical engineers, agronomists, physicians, and other technical experts, who have graduated from a college-level institution. Although the United States turned out about 10 percent more college graduates in 1955 than did the Soviet Union, the USSR graduated 47,000 more than the United States in these categories. Last year, 60 percent of Soviet full-time students graduated in scientific-technical fields as compared to only 25 percent in the United States. If present trends continue, the USSR will graduate about 155,000 science students in 1960, some 30,000 more than the United States.

**Basic Schools**

The Soviet educational system is designed mainly to train scientists, technicians, and skilled labor for the nation's economy. At the lower levels are trade schools, factory schools, specialized secondary schools, and seven-year and ten-year general schools. Under the Sixth Five-Year Plan, ten-year schooling is to be made universal by 1960. The ten-year general schools provide most of the students who enter higher educational institutions.

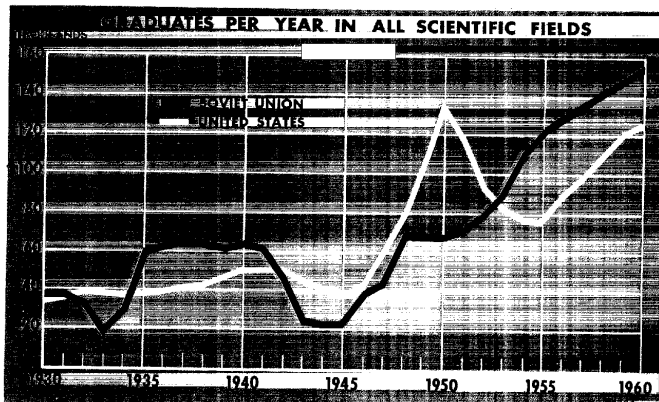
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In the Soviet Union, science is stressed even in elementary grades! By the time he graduates from a ten-year school, a student has taken five years of physics, five of biology, four of chemistry, one of astronomy, and ten of mathematics. Less than 10 percent of American high school graduates, on the other hand, have had as much as a year of physics and chemistry, and even fewer have taken advanced mathematics.

About one third of the ten-year school graduates have been admitted to higher educational institutions in recent years. Honor students are admitted without taking entrance examinations, but all others must pass stiff comprehensive exams in Russian language and literature, mathematics, physics, chemistry, and one foreign language.

**Advanced Schools**

Future scientists and engineers are trained in three types

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of higher educational institution:

(1) Engineering and technical institutes offer four- to six-year courses in specialized fields such as machine building, construction, medicine, and agricultural mechanization. There are about 350 of these institutes throughout the USSR.

(2) Polytechnic institutes offer five-and-one-half-year courses in broader engineering fields. There are now 25 such schools whose graduates are production engineers.

(3) Universities, of which there are now 33, offer five-year courses in fundamental sciences. The better graduates enter research and the rest normally become teachers.

In these higher educational institutions, discipline is strict and attendance at lecture and laboratory sessions is compulsory. Poor students are weeded out, while those who do well are rewarded with increased stipends. The average student spends about 90 percent of his time on technical subjects.

At the Bauman Higher Technical School in Moscow, the best of its kind in the Soviet Union and comparable to the Massachusetts Institute of Technology, 89 percent of the typical mechanical engineering student's time is devoted to scientific-technical subjects or to foreign languages considered necessary to his scientific education. The student must take more physics courses than normally required of engineering students in the United States, and he must also prepare a scientific dissertation before graduation. By comparison, in the curriculum

prescribed for a mechanical engineering student at M.I.T., less than 80 percent of the time is spent on scientific-technical subjects.

Quality of Training

The quality of training in the Soviet Union compares favorably with that in the United States. Standards are kept high, since there are often 12 to 14 applicants for each vacancy in the better higher-educational institutions. Classes are quite small and allow for informal contact between students and professors. The ratio of students

1955 CURRICULUM REQUIREMENTS FOR MECHANICAL ENGINEERING STUDENTS MAJORING IN "MACHINE CONSTRUCTION, METAL CUTTING MACHINE TOOLS AND TOOLS" AT BAUMAN HIGHER TECHNICAL SCHOOL.

SCIENTIFIC SUBJECTS OF INSTRUCTION	NUMBER OF HOURS SPENT ON SUBJECT OVER 5 YEAR PERIOD
HIGHER MATHEMATICS	388
PHYSICS	245
GENERAL CHEMISTRY	120
DESCRIPTIVE GEOMETRY	90
MACHINE CONSTRUCTION DRAFTING AND DRAWING	188
THEORETICAL MECHANICS	214
STRENGTH OF MATERIALS	232
THEORY OF MECHANISMS AND MACHINES	198
MACHINE DETAILS	215
GENERAL ELECTRICAL TECHNOLOGY AND MEASUREMENTS OF NON ELECTRIC MAGNITUDES	199
HYDRAULICS AND HYDRAULIC MACHINERY	84
GENERAL HEAT ENGINEERING	78
PHYSICAL METALLURGY AND HEAT TREATMENT OF METALS	96
TECHNOLOGY OF METALS (METALLURGY AND HOT FABRICATION)	118
SHOP TRAINING	204
INTERCHANGEABILITY AND TECHNICAL MEASUREMENTS	68
MATERIAL HANDLING MACHINERY AND MECHANISMS	116
METAL WORKING MACHINE TOOLS AND AUTOMATICS	337
HYDRAULIC EQUIPMENT IN MACHINE TOOLS	56
ELECTRICAL EQUIPMENT IN MACHINE TOOLS	65
METAL CUTTING	80
METAL CUTTING TOOLS	221
MACHINE CONSTRUCTION TECHNOLOGY	208
CONSTRUCTION OF MECHANICAL EQUIPMENT	39
PLANNING OF MACHINE BUILDING SHOPS AND ELEMENTS OF STRUCTURAL ENGINEERING	65
THERMAL TREATMENT OF MACHINE DETAILS	39
AUTOMATION OF INDUSTRIAL PROCESSES	65
INDUSTRIAL ECONOMICS AND ORGANIZATION AND PLANNING OF ENTERPRISES	91
HISTORY OF ENGINEERING	39
SAFETY ENGINEERING AND FIRE PROTECTION ENGINEERING	39
FOREIGN LANGUAGE	134
TOTAL NUMBER OF HOURS SPENT ON SCIENTIFIC SUBJECTS	4322
NON-SCIENTIFIC SUBJECTS	
FOUNDATIONS OF MARXISM-LENINISM	252
POLITICAL ECONOMY	140
PHYSICAL EDUCATION AND SPORTS	134
TOTAL NUMBER OF HOURS SPENT ON NON-SCIENTIFIC SUBJECTS	526
GRAND TOTAL	4848

to teachers in Soviet higher-educational facilities in 1954 was 12.6 to one, not appreciably different from the ratio in the United States.

The major weakness in Soviet scientific training is that emphasis, particularly in the engineering and polytechnic institutes, is on accumulating facts rather than on gaining understanding. Such spoon-feeding probably limits the curiosity and questioning attitude so essential to scientific investigation and may hamper independent inquiry and originality. (Prepared by OSI)

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**CHINESE COMMUNIST MILITARY MANPOWER**

Communist China's military conscription program, launched in the fall of 1954 as a prerequisite for a modern military establishment, has apparently proceeded with little difficulty. Backed by the Communist police and military organizations, the program has benefited from an intensive press campaign to educate the public on conscription matters.

The new system is more efficient than the former one, which nominally relied entirely on "volunteers." In practice, however, the voluntary nature of recruitment was a fiction. Local civil authorities responsible for filling quotas customarily used a wide variety of social, political and economic pressures to force individuals to enlist. There were no specified terms of service and discharge was normally only for physical disability.

One purpose of the new military program, as officially stated, is to permit a reduction in the size of the active military establishment and, according to Peiping's statistics, the number of men released from active service since 1954 has exceeded the number conscripted. It is probable, however, that armed forces strength remains at about 2,600,000 men. There are indications that Peiping intends to conscript and release annually about 500,000 men.

The military service law provides for the establishment of a sizable reserve force--China's first. This will greatly enhance Peiping's capacity for rapid mobilization as ex-soldiers enter the reserve over the next several years. Establishment of this reserve will be accompanied by

continued modernization with Soviet equipment.

Conscription

The conscription law states that all males upon reaching 18 years of age must register for military service. The annual draft is carried out from the first of November to the end of the following February.

The draftee's term of service is three years for the army, four for the air force, and five for the navy. The press indicates that youth in China, as in other countries, tend to slight the army in favor of the air force and navy.

Peiping is drawing for military manpower on a population of almost 600,000,000. Because of a liberal deferment policy, however, and the rejection of possibly 35 to 40 percent of all applicants for physical reasons, only about six or seven percent of the youth registered are drafted.

In 1954 the Chinese Communists announced a conscription figure of 450,000 men. Announcements since then, while vague, have suggested a similar annual conscription rate. The figure represents roughly 20 percent of the total armed forces, a proportion consistent with replacement rates in the military forces of other nations. During 1955, youths between 18 and 22 were called, and in 1956, those 18, 19 and 20 years of age. By 1957, 18-year-olds will probably be the only group called.

Most if not all of the 1955 draftees came from rural areas. Peiping may have been reluctant to draft the better educated,

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more skilled workers from the urban centers. In 1956, however, Peiping began drafting in urban areas, and has stated its intention to conscript on a nationwide basis.

The Communists are careful not to draft political "unreliables." Citizens under arrest or surveillance, or charged with being counterrevolutionary or linked with "feudal landlords" or "bureaucratic capitalism," are "disfranchised," which among other things makes them ineligible for military duty.

Demobilization

In announcing their plans for conscription in 1954, Chinese Communist leaders emphasized that demobilization was required in order to pursue "peaceful construction," pare defense costs, and create a strong reserve backed by a nucleus of trained war veterans. Defense Minister Peng Te-huai has said that an "oversized peacetime standing army... is of limited military significance" unless strong active units and strong reserves are both available.

Peng claimed a year ago that 4,500,000 persons had been released from the services between 1949 and 1955. Although no details as to the type of personnel and manner of release were given, this would mean, over a seven-year period, an average annual release rate of more than 600,000 men. When the former Nationalist troops who surrendered in 1948-49 are taken into account, as well as Korean war casualties and the many loosely organized militia groups which may have been disbanded, a figure closer to 500,000 is indicated.

Peng's announcement at the same time that 1,570,000 men had been demobilized in 1954 and 1955 is not supported by other information. The figure probably includes 500,000

Public Security troops known to have been transferred from military to civilian control in 1955.

Statements by party officials acknowledge difficulties in absorbing veterans into the economy. Those assigned to work in rural areas--reportedly 90 percent--are dissatisfied with the drab, menial farm tasks and accuse cadres and farm administrators of being unsympathetic with their lot. The dumping of veterans on industrial regions is being avoided, however, to prevent the growth of unemployment in these areas. These difficulties are expected to result in a decision to have conscription keep pace with demobilization.

Reserve Program

The Chinese Communists this year are registering all males between 18 and 40 and all females in this age group with special technical skills. Those not conscripted but meeting the physical requirements will be assigned to a military reserve.

Described as the "central link" in the "modernization" of the armed forces, the reserve could encompass as many as 60,000,000 individuals. It is to consist of two categories, a "First Reserve" of officers and men with prior military service, and a "Second Reserve" of men and women eligible for military service but exempted or deferred.

The reserve program is new to Communist China. Service replacements previously came from direct drafts of "volunteers" or in some cases, during the Korean war, from the militia--a poorly trained, part-time home guard organized on local levels. The militia, Peiping says, will still retain its mission of "preserving local security and protecting production and construction."

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**ECONOMIC TRENDS IN WESTERN EUROPE**

Western European governments are becoming increasingly concerned over the persistent creeping inflation which could disrupt intra-European trade, widen the dollar gap, and lower levels of production and consumption. The differing degree of inflation in two main groups of countries--roughly typified by Britain and West Germany--has caused sharp divergences in national policies which were reflected in the meeting of the Ministerial Council of the Organization for European Economic Co-operation (OEEC)\* in Paris on 17-19 July. The council appointed a special committee to recommend ways of more closely co-ordinating the domestic economic policies of the members.

All member countries, as well as associated countries--the United States and Canada--agree on the common goals of freer trade and payments and convertible currencies. They have generally worked co-operatively toward these ends in the OEEC since it was established under the aegis of the Marshall Plan in 1948. Differences arise primarily from the differing national economic situations and focus on the question of what is feasible at a given time in shaping national policies toward common objectives.

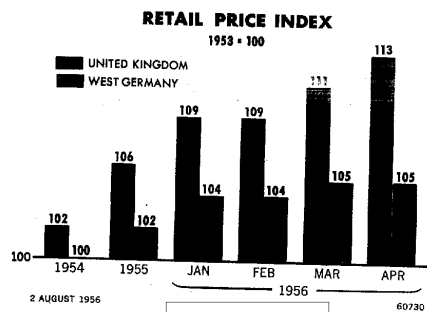
**National Variations**

Adoption of common policies has been made more difficult--and at the same time more necessary--by the differing impact on the countries of the 1953-56 boom, by the varying

\*The 17 members of the OEEC are: Austria, Belgium, Denmark, France, West Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, and the United Kingdom.

development of shortages with consequent inflationary pressures, and by the subsequent adoption of disinflationary measures. Differences between the British and West German situations are particularly striking and, in a broad sense, typify general divergences between important groups of countries.

Like Britain, the Scandinavian countries encountered shortages, inflationary pressures, and declining dollar reserves relatively early in the boom and soon resorted to disinflationary measures.



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In West Germany, as in the Benelux countries and Switzerland, shortages and inflationary pressures appeared relatively late, gold and dollar reserves were not seriously affected, and disinflationary measures also came later. These countries are frequently labeled chronic creditor countries because of large credits accumulated in the European Payments Union (EPU) through surpluses in their intra-European trade, while Britain and most Scandinavian countries are chronic debtors in the EPU.

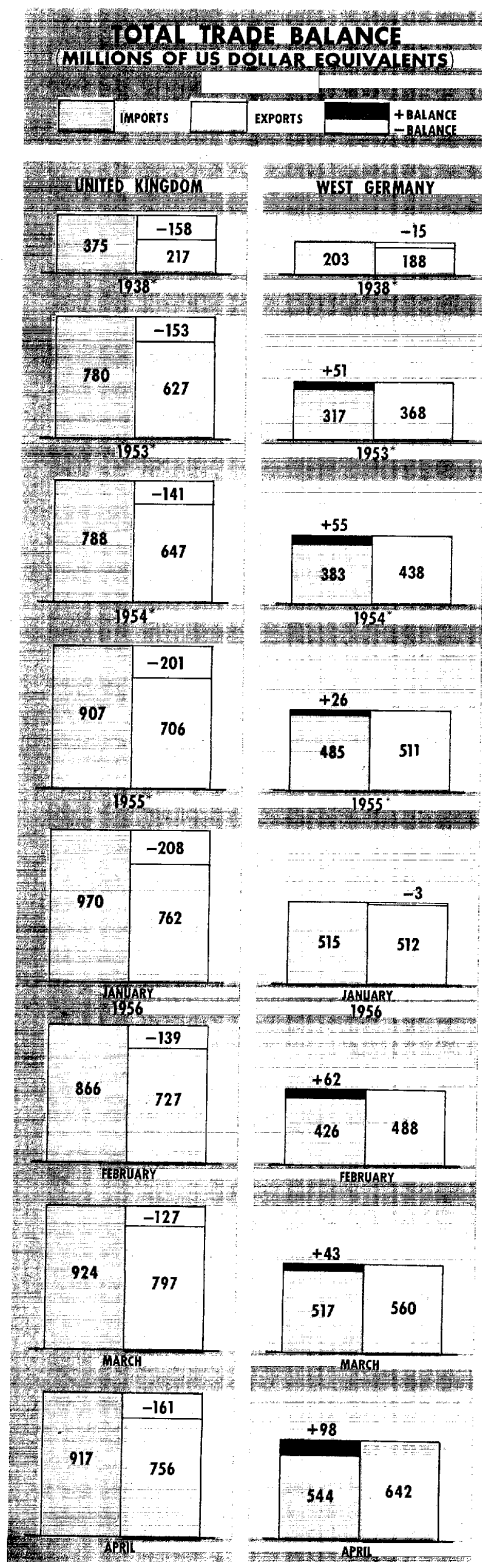
France, having entered the boom phase after most other countries, and able, like Italy, to draw on previously unused capacity, has only recently found it necessary to adopt disinflationary measures,

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\* MONTHLY AVERAGE  
MAY, JUNE, AND JULY FIGURES ARE INCOMPLETE

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although France and Italy are often large debtors in the EPU.

Short-term Policy Differences

West Germany, the Benelux countries and Switzerland want the general move to convertible currencies relatively soon. They take this position not only because they prefer dollars or other convertible currencies to credits in the EPU, but also because they believe their economies, and Western Europe as a whole, would benefit from the resulting competition with the United States. They argue that countries chronically in debt in the EPU because of unfavorable trade balances should solve these problems by lowering domestic costs and expanding exports, thus hastening the general move to convertibility.

The chronic debtor countries find that debts, adverse trade balances, and inadequate gold and dollar reserves preclude making their currencies convertible and have repeatedly urged a slower pace in the OEEC. Underlying problems of the chronic debtor-creditor relationship, with the resulting obstruction to the OEEC's program for convertibility, are particularly evident in recent experiences of Britain and West Germany.

Britain's Situation

Because of Britain's key international trading and financial role, it is generally agreed in the OEEC that the United Kingdom should make its currency freely convertible into dollars before other member countries do; occasional West German intimations that the mark might lead sterling have evidently been intended to prod Britain. Interest in Western European economic trends has accordingly focused since mid-1954 on the United

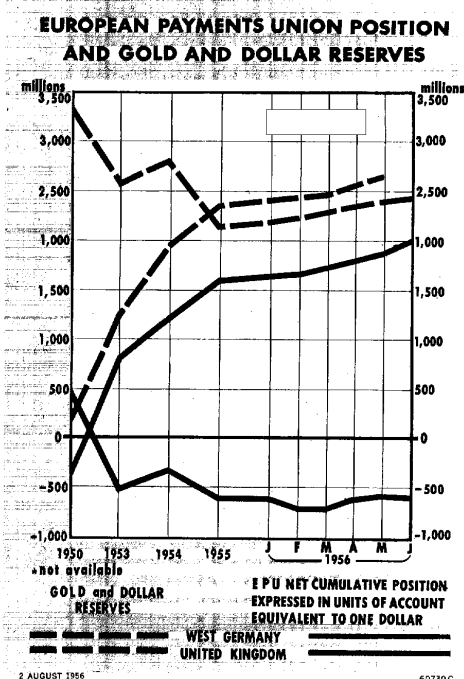
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afford. This slowdown occurred notably in consumer durables, particularly automobiles and electric appliances, which had been syphoning off resources from export production in response to an excessive domestic demand.

Curtailment of excessive demand continues to be a key element of British policy, but labor and materials are apparently not yet being diverted to the vital export industries as intended. Trends in prices and wages are still unfavorable for Britain's future trading position. Furthermore, worker productivity was last reported as rising only one half as fast as wage rates.

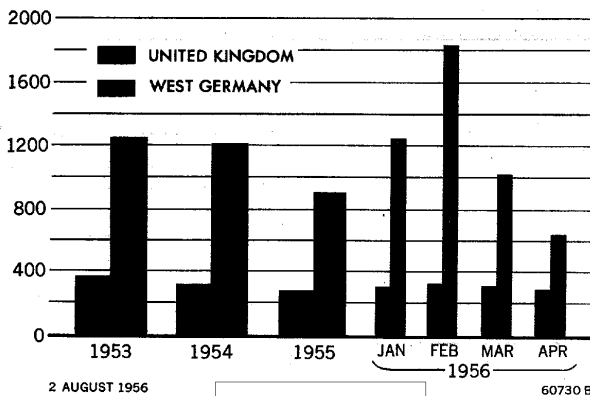
The United Kingdom delegate at the committee meeting took a less gloomy view than these facts suggest, but admitted there was little tangible evidence to support him. His optimism was based on "the country's recent more general understanding and appreciation of the needs of the inflationary situation." Subsequent agreements by major employer groups to hold the line on prices lend some support to this view, but the test will come on their resistance to wage demands.

Kingdom's developing inflation and its trade, payments and dollar reserve problems.

In reviewing Britain's economic situation in the light of developments in 1956, an OEEC committee of experts characterized the outlook as "somber." The improvement in the balance of payments is insufficient to rebuild reserves at an adequate rate after the \$600,000,000 decline in 1955, especially since the second half of the year is seasonally unfavorable.

It was pointed out in the committee that the modest improvement in the balance of payments and reserve position appears to have taken place at the cost of some stagnation in production, which Britain can ill

**UNEMPLOYMENT**  
(MONTHLY AVERAGE IN THOUSANDS)



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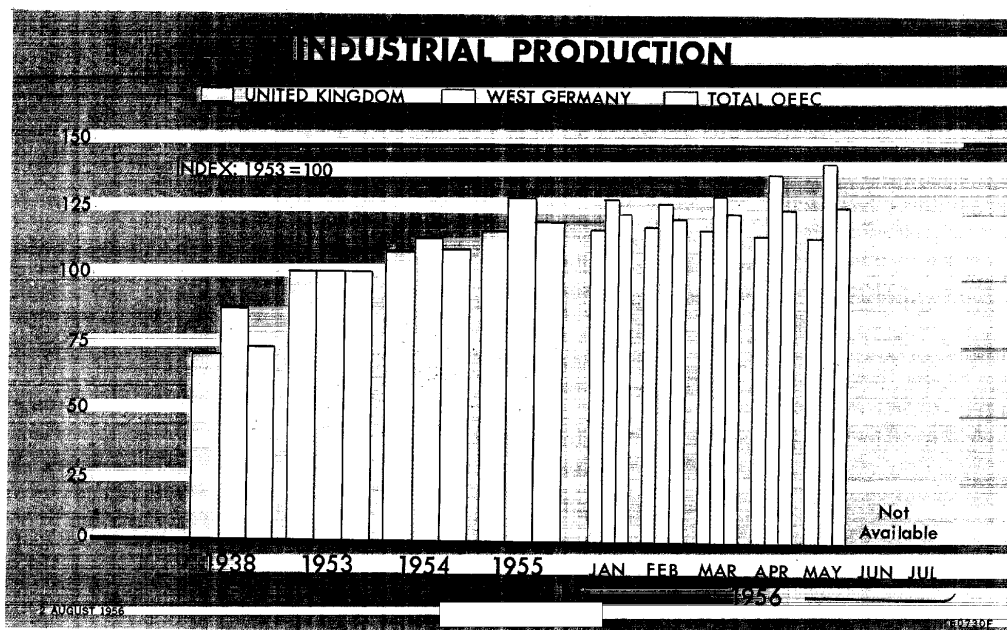
West Germany's Situation

Most economic indicators highlight the advantages West Germany has enjoyed over Britain since 1952 in the common effort to remove trade and payments controls and to make currencies convertible. Not only is the Deutschmark less vulnerable to world trade and price fluctuations than sterling because it is used much less extensively, but West Germany's production has also increased relatively more than twice as much as Britain's, and the rise in exports is nearly four times as large.

The resulting cumulative surpluses in its intra-European trade have made West Germany such a large creditor in the EPU that there has been recurrent controversy with debtor countries--notably Britain--over the settlement of credits. The pressure by West Germany for increasing proportions of gold in the settlements--in the context of its drive for general convertibility--has from time to time appeared to

jeopardize the basic international co-operation essential for continued functioning of the EPU. West Germany has usually been able to anticipate and exceed OEEC goals for liberalization of intra-European trade, except in the case of some politically protected agricultural products.

West Germany's gold and dollar reserves grew from less than \$700,000,000 at the beginning of 1953 to approximately \$2.5 billion by the end of 1955, exceeding Britain's by \$254,000,000. This has made it possible for Bonn to move toward convertibility by removing a large measure of control from its dollar imports. Furthermore, the resultant growth of such imports gives West Germany an additional advantage in the struggle against inflation by relieving domestic shortages which began to appear late in 1955. Manpower shortages exist in West Germany, particularly in the building trades, and there has been a substantial rise in wage rates and some increase in retail prices; but the extent of inflation

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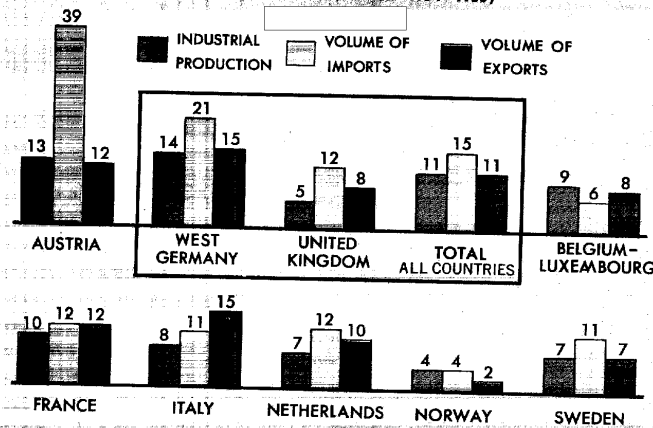
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is moderate compared with that in Britain and Scandinavia.

**Immediate Problems**

In recent weeks, differences have become acute among responsible economic experts in the OEEC over West German financial policy and its effect on debtor countries and the convertibility program. Sharp criticism is directed against disinflationary measures, especially the increase in the West German bank rate on 19 May to 5.5 percent. It is contended that internal inflationary pressures do not require such strong measures and that these measures are already producing even larger payments surpluses, thus weakening sterling, and being out of line with "good creditor" practice.

West German representatives contend, on the other hand, that the disinflationary measures are actually warranted by special circumstances in their domestic economy. Aside from the need of a conservative financial policy to preserve the phenomenal gains of the past several years, the Germans point to the additional strains that will be incurred with rearmament, though conceding the arms build-up will not be extensive in 1956. They also cite Germany's historic vulnerability to an inflationary psychology, which they see as already developing

**INDUSTRIAL PRODUCTION AND WORLD TRADE**(PERCENTAGE INCREASE 1954-1955)<sup>▲</sup>

▲ CHANGES IN WEIGHTED AVERAGES OF COUNTRY INDICES  
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and necessitating the rise in the bank rate to discourage it.

These differences have become more acute during recent weeks and are an increasing obstruction to further progress in the OEEC's central program.

Responsible representatives of the OEEC have warned member governments that closer coordination of their domestic economic policies is necessary. The Ministerial Council on 19 July adopted a resolution creating a special working party at the ministerial level to examine the current economic situation in member countries and to exchange views on ways of harmonizing national policies. This group will meet in October to consider future policy measures in the light of analyses to be made by their deputies.

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