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9 August 1956

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

SUEZ CRISIS Page 1

A week before the opening of the London conference on the Suez Canal on 16 August, Egypt is unlikely to accept the Western invitation but still appears undecided on the exact nature of its reply, which probably will be made on 12 August. President Nasr has been consulting closely with the Soviet ambassador in Cairo. The nature of the Soviet acceptance shows that the USSR's immediate concern is to try to prevent any early action by the conference. [REDACTED]

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ARAB-ISRAELI SITUATION Page 3

Syria and Jordan have remained nervous about the possibility of Israeli action while Egypt is preoccupied with the Suez crisis. The Israeli radio announced on 5 August that construction of a dam to divert Jordan River headwaters into a new canal would begin in a few days. This construction, however, would be entirely within Israeli territory and is part of a larger Israeli project not directly related to the Banat Yacov question. [REDACTED]

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LAOS Page 5

In its negotiations with the Pathet Lao, the royal government has agreed to adopt a policy of "peaceful co-existence," to promote "friendly contacts" with Communist China and North Vietnam, and to abstain from military commitments with foreign nations. It is also reported to have agreed to the formation of a coalition government and to hold supplementary general elections, in which the Pathet Lao will participate, for the purpose of filling additional seats in an enlarged national assembly. In return the Pathet Lao has agreed to liquidate its control over the disputed northern provinces. Premier Souvanna Phouma's reportedly imminent departure for Peiping suggests that he feels a final settlement is all but concluded. [REDACTED]

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PART II

NOTES AND COMMENTS

**YUGOSLAV ECONOMIC TIES TO EAST
GREATLY INCREASED Page 1**

Yugoslavia's recent acceptance of a large credit from the USSR and East Germany for the development of aluminum production facilities indicates that President Tito is now willing to accept a major share of his financing from the Soviet bloc, if sufficiently favorable terms are offered. This action runs counter to repeated official Yugoslav statements that Western credits for new industrial development are preferred and casts some doubt on Yugoslavia's expressed preference for Western arms aid. [REDACTED]

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**EAST GERMANY BELATEDLY ADOPTS
DE-STALINIZATION LINE Page 3**

East Germany's Socialist Unity (Communist) Party, after dragging its feet for several months, has finally come around to the Kremlin line on de-Stalinization. The party central committee, meeting from 27 to 29 July, rescinded the sentences against former high-ranking party functionaries purged for deviations from the party line, promised liberalization of party policies, and called for improved working conditions and increased productivity in industry and agriculture. [REDACTED]

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**POLISH COMMUNISTS' LIBERALIZATION
PROGRAM REAFFIRMED Page 4**

The seventh plenum of the central committee of the Polish United Workers (Communist) Party, which met in Warsaw from 18 to 28 July, formally launched a program of liberalization. This step marks a further gain for the moderate elements in the party. The closing resolution outlined a number of economic and political concessions designed to win popular support for the regime. [REDACTED]

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**SOVIET MIDYEAR
ECONOMIC REPORT**

Page 5

The report on plan fulfillment for the first half of 1956 shows that the Soviet economy is off to a moderately good start in the first half year of the Sixth Five-Year Plan. Industry and transport met or almost met most major targets, but investment in new capacity lagged. Achievements in producing materials and equipment for agriculture, together with the favorable weather so far this year, should enable the USSR to harvest a good crop. The standard of living of most consumers apparently increased slightly and will probably improve more sharply the latter half of this year. [REDACTED]

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SOVIET-JAPANESE NEGOTIATIONS

Page 8

Soviet and Japanese negotiators have reached a complete deadlock on the territorial issue, which is the major obstacle to conclusion of the peace treaty, but both sides say they will continue to work for a treaty. The USSR is confident it can push Japan into normalization of relations by an exchange of ambassadors without further concessions, deferring a final territorial settlement. [REDACTED]

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THE SINO-BURMESE BORDER PROBLEM

Page 9

Peiping's statement on 3 August ridiculing reports of troop encroachments on Burmese territory as "absurd" is designed to minimize damage to Communist China's peaceful posture in international affairs. The Chinese, who have refused repeated Burmese offers to negotiate on the border problem, give no indication of abandoning their claims to the disputed areas. The Rangoon government has sought to play down the seriousness of news reports of border clashes but has recalled its ambassador to Peiping "for consultation." [REDACTED]

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SOUTH KOREA ADOPTING**IMPROVED ECONOMIC MEASURES**

Page 10

The appointment by President Rhee of new economic officials has resulted in more realistic efforts to combat inflation and to co-operate in the administration of the American aid program, which amounts to over \$300,000,-000 annually. Despite these efforts, it is still uncertain whether the Koreans will give greater immediate emphasis to the fight against inflation rather than to an industrial build-up and whether President Rhee can be persuaded to moderate his opposition to procurement of aid goods in Japan. [REDACTED]

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COMMUNISTS DOMINATE**SINGAPORE'S MOST VIGOROUS PARTY Page 11**

At the third annual congress of the People's Action Party in July, the party's Communist faction led by Lim Chin Siong succeeded in dominating the left-wing socialist faction and gained control of the key party posts. The popularity of the Lim group's leaders among the preponderantly Chinese population makes probable the further development of the party along Communist lines.

ARGENTINA TAKES INITIATIVE IN**SOUTH ATLANTIC DEFENSE PLANNING Page 13**

Argentina on 31 July invited Brazil and Uruguay to join it in planning the defense of the South Atlantic area. Brazil disapproves of the proposal but probably will not reject it outright lest this weaken the domestic position of President Aramburu of Argentina. The Argentine action probably stems in part from a desire to obtain military equipment from the US and to commit a future elected Argentine government to inter-American military co-operation.

MOLLET'S PRESTIGE HIGH**AS RESULT OF SUEZ CRISIS Page 15**

Overwhelming support of Premier Mollet's strong position against the Egyptian seizure of the Suez Canal has temporarily rallied to him even those non-Communists who had refused to support his government on the Algerian issue. Nevertheless, France's economic problems continue and, when the National Assembly reconvenes on 2 October, Mollet will face increasing labor unrest, a mounting threat of inflation, and stepped-up Communist unity-of-action appeals.

NEW DEVELOPMENTS**IN THE ITALIAN LABOR MOVEMENT Page 16**

The announcement on 1 August by the secretary general of the Italian General Labor Confederation that it is independent of Communist Party control may signal a major re-orientation in Italian labor developments. The confederation has been declining in membership and influence and is threatened by disaffection of its Socialist following. The assertion in the Communist press that the confederation is "independent" appears to be aimed at exploiting the renewed hope of labor for legitimate economic objectives, and at pushing for a "broad social front" to include Democratic Socialist and Catholic workers.

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**CEYLONese MINORITY GROUP
PLANS DEMONSTRATION MARCH**

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Violence may break out in Ceylon after 10 August, when Tamil-speaking members of the Federalist Party and their sympathizers begin a long-scheduled march from all parts of the island toward the naval base of Trincomalee in protest against the government's decision to make Sinhalese the sole official language of the country.

**POLITICAL STRUGGLE RENEWED
IN PAKISTAN**

Page 18

The scheduled meeting of the East Pakistan assembly on 13 August has renewed the domestic political struggle in Pakistan which reached crisis proportions last May. A change in the national leadership or imposition of executive control by President Mirza may result.

PART III

PATTERNS AND PERSPECTIVES

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**USSR MOVES TOWARD NEW RELATIONSHIP WITH WESTERN
COMMUNIST PARTIES**

Page 3

The Soviet Union is moving to change its technique of control over the Communist parties outside the Orbit. Moscow seems to be permitting these parties, particularly those in the West, greater latitude for maneuver within the general framework of Soviet policy guidance, and is seeking to create the impression that they are now independent national political movements. The USSR has made it clear, however, that these parties must adhere to basic Communist objectives as interpreted by Moscow.

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THE OUTLOOK FOR EURATOM AND THE EUROPEAN COMMON MARKET . . Page 7

When negotiations between the six Coal-Steel Community nations are resumed in September on EURATOM and the European common market, efforts will be renewed to whittle away the obstacles which still remain, particularly those concerning institutions, national weapons programs, and the role of the common market. The Mollet government has made a gesture of stronger support for EURATOM and the French assembly gave it a favorable vote on 12 July. Moscow promptly responded by criticizing EURATOM as "a closed community." [REDACTED]

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PART I

OF IMMEDIATE INTEREST

SUEZ CRISIS

President Nasr is evidently still formulating his reply to the invitation to confer in London on 16 August with 23 other nations on the Suez Canal situation. [REDACTED]

[REDACTED] Nasr will in effect refuse the invitation by suggesting a change of location for the talks and increased participation to include more Arab states.

Nasr is also reported likely to assert that Egypt cannot discuss the issue while under duress from Western military measures, and may urge that the subject be taken up in the United Nations. It was been announced that Nasr will make a statement on 12 August and this presumably will contain Egypt's answer.

Soviet Stand

In its statement of acceptance on 9 August, the USSR made several reservations concerning the conference. Moscow urged a postponement of the conference until the end of August and asked that 22 additional countries be invited, including eight Arab states, six Satellites and Yugoslavia. The statement added that it is "indispensable for such a great power" as Communist China to take part in the conference.

The statement supported Egypt's right of nationalization, dissociated the USSR from previous Western measures on the Suez, and described military measures being carried out by

Britain and France as "utterly inadmissible" and a "challenge to peace." It also hinted that the USSR may introduce at the conference the status of other waterways, such as the Panama Canal. The nature of the Soviet acceptance shows that the USSR's immediate concern is to try to prevent any early action by the conference.

The USSR has been working closely with Cairo, possibly to develop a co-ordinated approach to the West. Soviet ambassador Kiselev was the first foreign diplomat to be received by Nasr after the London declaration and met daily with Nasr from 3 through 7 August and on 9 August.

All the other nations invited to the conference have accepted except Spain and Greece, from whom nothing has been heard. Spain, anxious to bolster its position in the Arab world, can be expected to support Egypt's cause.

In announcing India's acceptance on 8 August, Nehru said he could support no effort to impose an international solution opposing Egypt's sovereign rights. He also deplored Britain's public display of force as unlikely to help resolve the crisis. An indication of further possible sympathy for Egypt among conference participants appeared in the observation on 1 August by the semiofficial Esteri of Rome that Italy intended to remember its friendship for Egypt.

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Among those not invited, Panama on 6 August publicly protested being left out despite its own great canal and shipping interests, and affirmed that it would not be bound by the conference results.

Near East Support

In the uninvited states of the Near East, there is widespread popular support of Nasr's move. Even the pro-Western Iraqi government announced its support of Egypt's "dignity" and "sovereignty." In private, however, other Arab governments are, for the most part, indicating some fears of the possible repercussions of the Suez nationalization. The Saudi Arabians reportedly fear the Western reaction, and the Jordanians fear an Israeli attack while Egypt is involved in Suez.

Actually the Israelis have been relatively quiet, while hoping for eventual benefits, such as more arms. In French North Africa, both French and moderate nationalist leaders fear that the crisis has already stiffened the backs of extremists in Cairo and virtually eliminated prospects for early negotiations between France and the Algerian rebels.

British and French Moves

After a week of extensive military preparations, Britain on 9 August announced a halt "for at least 24 hours" to its measures to bolster its forces in the Mediterranean. This followed Prime Minister Eden's public reaffirmation that Britain sought a peaceful solution.

Military steps taken in the past week included sending three aircraft carriers--two

of them as troopships--from Britain to join the one carrier already in the Mediterranean, placing in readiness one light cruiser and three destroyers, taking out of reserve several landing craft, dispatching twin-jet Canberra bombers to Malta, and sending 1,000 more troops to augment the 38,000 already in the area. Press reports indicate that an infantry division will be sent from Britain to Cyprus.

This deployment has caused adverse repercussions on European defense. Britain informed the North Atlantic Council on 3 August it planned to withdraw "certain individuals and units" from its NATO-committed forces in Britain and Germany, although only those absolutely essential to its new plans would be taken from Germany. The British representative's statement implied that restoration of these forces would depend on the forthcoming reappraisal of defense requirements.

France's military gestures have been limited to making ready its Mediterranean fleet at Toulon. The battleship, three carriers and other ships based there could readily be released for Suez duty. With the equivalent of approximately 13 divisions tied down in Algeria, however, the personnel for no more than an infantry division--normally about 18,000 men--could probably be made available without additional mobilization.

In both Britain and France, public support for the governments' approach remains high. The British press, however, while endorsing the effort to ensure international control

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of the canal, has increasingly questioned the Eden government's apparent intention to use force if necessary to guarantee the "unfettered" passage on which the prime minister insists. Labor Party leader Hugh Gaitskell has urged that the London conference seek to put any international control of the canal under the United Nations.

Egyptian Measures

In Egypt, the military, the public, and Nasr have begun to show some anxiety over the stiff Western reaction. Cairo's military leaders recognize they would have no hope of keeping Britain and France from seizing the canal. [REDACTED]

[REDACTED]

Moscow probably doubts that the West will take military action against Egypt. However, it is unlikely that Moscow has committed itself to direct military support of Egypt in the event military action is taken by the West. [REDACTED]

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ARAB ISRAELI SITUATION

Syria and Jordan have remained extremely nervous about the possibility that Israel might take some action against them while Egypt is preoccupied with the Suez crisis. On 7 and 8 August, the Syrian government announced mobilization--the first time in support of

Egypt, the second time as a response to an alleged resumption of Israeli work on diverting Jordan River waters. The Jordanians, jittery over reports of Israeli troop movements and a test mobilization--one that failed to materialize--sought assurances that Britain would

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come to their aid under the Anglo-Jordanian treaty.

There seems to be some factual basis for Syria's reaction. The Israeli radio announced on 5 August that construction of a dam above Lake Hula to divert water from the upper Jordan River into a new drainage canal would begin in a few days and probably would be completed within two months. This construction, however, would be entirely inside Israeli territory and outside the demilitarized zone, and is part of an Israeli project not directly related to the Banat Yacov issue.

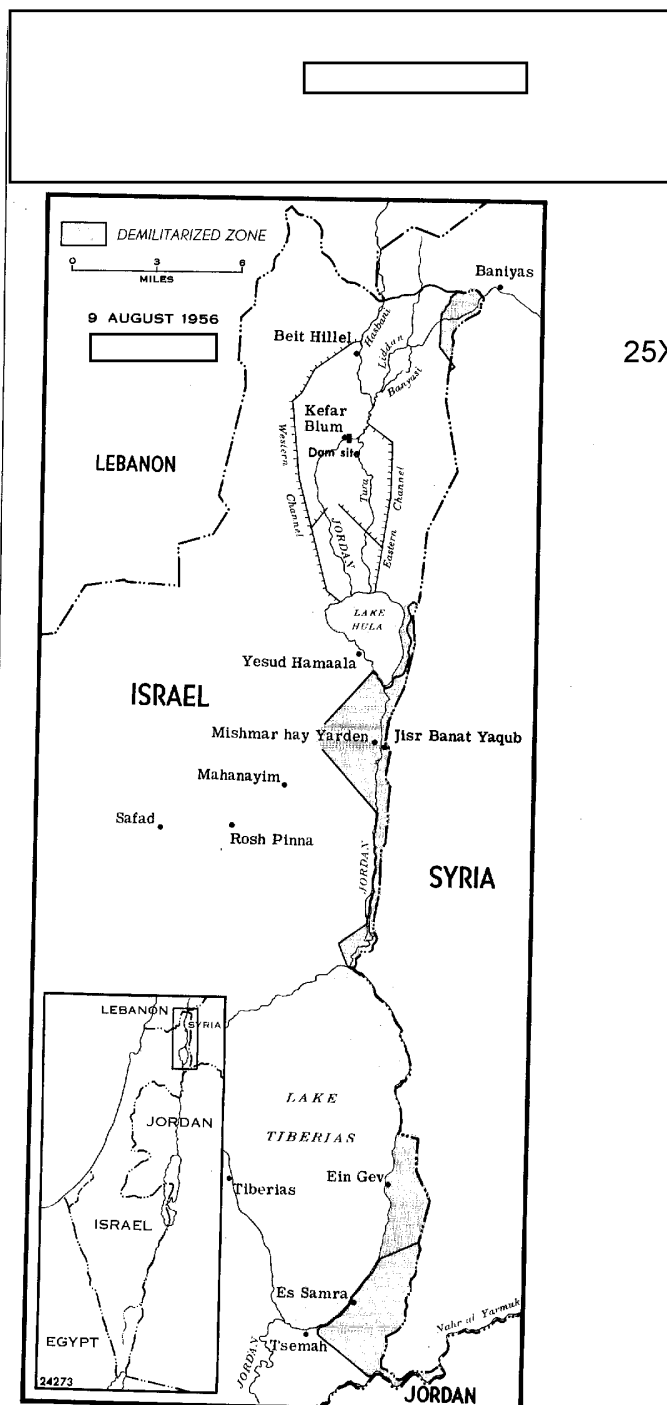
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Tel Aviv appears to have adhered to Foreign Minister Meir's statement to the parliamentary foreign affairs committee on 1 August that Israel would maintain a "wait-and-see" attitude during the canal crisis.



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****9 August 1956****LAOS**

Present negotiations in Vientiane between the Laotian government and the Pathet Lao appear to be moving toward an early settlement. Thus far the Pathet Lao appears to have obtained important concessions from the government as the price of liquidating its control of the disputed provinces of Sam Neua and Phong Saly.

In a joint communiqué of 5 August, both sides formally endorsed a policy of "peaceful coexistence" for Laos, establishment of friendly relations with neighboring countries and repudiation of foreign military commitments. Three days later, according to press releases, they agreed to the formation of a coalition government and to supplementary general elections in which the Pathets would freely participate. Political and military subcommittees, however, are still working out the details for the restoration of Vientiane's authority in the two provinces, and the reintegration of the Pathet Lao into the national community.

25X1 [redacted] Premier Souvanna
25X1 Phouma [redacted]
25X1 [redacted]

peatedly assured them he can

"handle" his half-brother, Souphannouvong, and that he plans to be tough in the settlement of the "details."

The Laotian government's endorsement of a policy of co-existence is the culmination of several months of drifting toward neutrality.

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[redacted]
Laos' sense of isolation in the face of heavy Communist pressure. Souvanna Phouma has indicated that following final settlement of the Pathet issue, Laos will probably enter into formal relations with Communist bloc nations, especially Communist China, the USSR and North Vietnam.

The Chinese Communists may be afforded an early opportunity to propose such relations. Souvanna Phouma, who in May was invited to make a state visit to Peiping, reportedly now plans to depart about 19 August. His early scheduling of this visit, which he has consistently maintained would not be made before the Pathet issue was resolved, is a further indication that he anticipates no difficulties over a final settlement.

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PART II

NOTES AND COMMENTS

YUGOSLAV ECONOMIC TIES TO EAST
GREATLY INCREASED

Yugoslavia's recent acceptance of a large credit from the USSR and East Germany for the development of aluminum facilities indicates that President Tito is now willing to satisfy a major share of his country's financing needs from the Soviet bloc, if sufficiently favorable terms are offered. The action runs counter to repeated official Yugoslav statements that Western credits for new industrial development are preferred and casts some doubt on Yugoslavia's expressed preference for Western arms aid.

Terms of the Agreement

Under the agreement announced on 3 August, East Germany and the USSR are to share equally in a long-term 700,000-000-ruble (\$175,000,000) credit for the development of Yugoslav aluminum facilities, with an eventual capacity of 100,000 tons annually. The present sum is to finance only half of this ultimate capacity, and a future credit for developing the full capacity has been promised. All the credits are to be repaid by aluminum exports, which are to start not later than 1961.

The entire Soviet share of the credit is apparently to be in the form of wheat, which will be sold in Yugoslavia to meet internal construction costs. Yugoslav officials claim that they anticipate getting this wheat in five equal annual installments of 200,000 tons beginning in 1957. They therefore say this does not affect their request for 300,000 tons of American wheat immediately to meet food needs this fall and they still want another

1,050,000 tons by the end of 1957. These requests are basically part of a previously stated request for 1,000,000 tons of surplus American wheat annually for the next five years to be sold on long-term credit.

With the present agreement, Tito is approaching the half-billion-dollar mark in obligations to the East, which is

**YUGOSLAV MEDIUM- AND LONG-TERM
FINANCIAL OBLIGATIONS**

APPROXIMATE, IN MILLIONS OF DOLLARS AT OFFICIAL RATE

WEST

Portions of previous obligations still to be drawn on as of January 1956.....	61
West German unratified "credit".....	57
TOTAL	118

Portions of previous obligations to be repaid as of January 1956.....	267
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EAST

USSR (Negotiated in 1955. Allocated, but only small proportion drawn.).....	194
Czech (negotiated February 1956).....	75
Polish (negotiated Feb 1956).....	20
USSR-East German, "in equal parts".....	175
TOTAL	464

Also available are \$15,000,000 of Italian war reparations, \$14,500,000 of an unratified German war claims settlement, and \$85,000,000 of Hungarian war reparations.

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far more than his total credits and loans from the West.

Approach to West

Intermittently since last March, Belgrade officials have said they preferred to finance plants for the export production of aluminum and electric power through West European

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credits for the foreign exchange costs and American surplus wheat on long-term credit for the internal costs. Although Belgrade has consistently said that the USSR was willing to finance these projects, Vice President Vukmanovic-Tempo said he did not want to deal on the terms the USSR had offered, although he would do so "if necessary." He publicly expressed his desire for Western financing as late as 14 July, and detailed negotiations were started with the West soon thereafter.

East German Role

Soviet first deputy premier Mikoyan, on his hurriedly scheduled visit to Tito on 21-22 July, may have clinched the deal by saying that the East German half of the credit would count as war reparations and not have to be repaid. In mid-June it was reported that an East German Chamber of Foreign Trade representative in Belgrade was negotiating on reparations claims, and that the Yugoslavs were asking for \$80,000,000, while the East Germans were then offering only \$20,000,000.

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the aluminum agreement was not intended to constitute de jure recognition of East Germany, but this is the first time Yugoslavia has signed an official agreement with the East German government. Trade agreements, even including one signed on 4 August, one day after the credit agreement was announced, have been between the nongovern-

mental Chambers of Foreign Trade.

It is still possible that Tito will hold off recognition at least until after the West German Bundestag reconvenes in late September. The Yugoslavs negotiated a settlement last March with West Germany on war reparations, whereby the Yugoslavs were to receive a \$57,100,000 99-year "credit," but this agreement is subject to ratification by a Bundestag which has already adopted a balky attitude over Tito's statements in Moscow about the existence of "two sovereign states" in Germany.

Future Aid

The Yugoslav counselor also said the way was still open for the West to finance two thirds of Yugoslavia's total projected aluminum production capacity. He reasoned that the plans submitted to the Western countries in mid-July called for a total projected capacity of 165,000 tons annually, and the present Soviet-East German credit will provide for 50,000 tons, aside from promises of further credits later.

In addition to this demonstration of willingness to supply economic development credit, Moscow may be willing to fill Yugoslav requests for arms. Yugoslav officials claim they want American arms but say that the present American military aid in the pipeline--over \$100,000,000 worth of arms, including jet planes--would satisfy most of their present needs.

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EAST GERMANY BELATEDLY ADOPTS
DE-STALINIZATION LINE

East Germany's Socialist Unity (Communist) Party, after dragging its feet for several months, has finally come around to the Kremlin line on de-Stalinization. The party central committee, meeting from 27 to 29 July, rescinded the sentences against former high-ranking party functionaries purged for deviations from the party line, promised liberalization of party policies, and called for improved working conditions and increased productivity in industry and agriculture. The party admitted that its slavish adherence to Stalinist policies had led to a paralysis of personal initiative and prevented an objective study of social and political problems in East Germany.

Like other Satellite Communist parties, the East German central committee apologized for "false charges made against the Communist Federation of Yugoslavia" in 1948, and expressed hope for the restoration of friendly relations.

Rehabilitations

In a grudging acknowledgment, probably dictated by Moscow, of the need for the rectification of "the individual errors and mistakes by Stalin," East Germany followed Poland, Hungary, Czechoslovakia, and Bulgaria in correcting past injustices to purge victims. It rehabilitated former politburo member Franz Dahlem, and annulled the punishments of former deputy foreign minister Anton Ackermann, his wife, Elli Schmidt, who was a former candidate member of the politburo, and former Berlin party boss Hans Jendretzky. The central committee also decided that the charges against former

politburo member Paul Merker, purged in 1950 for alleged contacts with Noel Field, would be dropped since they were largely of a political nature not warranting criminal proceedings.

All except Merker were purged in 1953. All had opposed the policy of blind obedience to Moscow pursued by party first secretary Walter Ulbricht, and had stood for a policy which would achieve Communist aims but adapt them to local needs. Dahlem and Ackermann, the principal exponents of a "German road to Socialism," have ideas of their own. The Kremlin, even now, probably could not depend on them to follow every shift in its policies as Ulbricht does. Since his rehabilitation, however, Dahlem has been given a second-level government post.

No hint has been made of a possible rehabilitation of the two men who most openly challenged Ulbricht's control of the party: former state security minister Wilhelm Zaisser and the former editor of the party newspaper, Rudolf Herrnstadt.

Improvements Promised

In sharp contrast to previous statements blaming Western agents and enticements for luring East Germans to the West, Ulbricht's report on the party meeting charged that "the bureaucratic and soulless attitude of state officials which violated the private interests of citizens" was at least partially responsible for the flights of large numbers of technicians, skilled workers, and young men of military age.

Ulbricht called for a "resolute struggle against callous

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bureaucracy" to remedy the situation, and promised that the party would concentrate on measures to improve supplies of food and consumer goods that would permit the end of rationing by the end of 1957. He also promised higher pensions, shorter working hours, and increased construction of housing.

Ulbricht's statement that the new policies mean "democracy for the workers and for the people, and not for hostile elements" indicates that the promised liberalization of party policies is to be confined within strict limits. []

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POLISH COMMUNISTS' LIBERALIZATION PROGRAM REAFFIRMED

The seventh plenum of the central committee of the Polish United Workers (Communist) Party (PZPR), which met in Warsaw from 18 to 28 July, formally launched a program of liberalization which represents a further gain for the moderate elements in the party.* The closing resolution outlined a number of additional economic and political concessions designed to win popular support for the regime.

Economic Concessions

Much of the plenum was taken up with economic problems, indicating the serious concern felt by the top leaders over the unsatisfactory internal situation. []

[] the workers are surly and grumbling, factors which are undoubtedly causing the regime concern in the wake of the Poznan riots.

*The term "moderate elements" refers to the party figures who oppose certain practices of the present leadership on grounds ranging from conviction that greater liberalization is required in all sectors of domestic policy to a mere difference as to the best tactical approach in implementing current policies.

Recognizing that even a moderate increase in the standard of living will be unattainable if agricultural production does not increase 25 percent as scheduled, the party made a number of concessions to the peasants. Compulsory milk delivery quotas will be abolished on 1 January, increased credits are to be allocated to the agricultural sector, the definition of the term "kulak" was considerably narrowed, and those peasants who remain classified as kulaks will be given access to machine tractor stations and additional supplies of agricultural machinery.

While these concessions will be welcomed by the peasants, they are unlikely to result in a significant increase in production as long as the regime pursues its policy of rapid collectivization. The lack of emphasis on collectivization in the resolution and the subsequently announced Five-Year Plan may indicate that the regime realizes this and will not push for rapid collectivization in the next five years.

Party Democracy

Several measures will be adopted to further the party's

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aim of increased "democratization." One widely publicized statement in the resolution called for the party to cease interfering with the administration of the government and the economy and to turn its energies toward educating and inspiring the masses in the manner needed to carry out the basic policies adopted by the party. However, similar statements made in the past have not resulted in any relaxation of party control over the administration.

Of greater significance is the call for elected party bodies to reassert their control over the party apparatus. In recent years, the apparatus has grown in importance while the elected bodies have been reduced to little more than rubber stamps. While the call for such a change will be welcomed by many members, they are likely to reserve judgment on its importance until they see actual results. The apparatus has long existed independently of the elected party bodies in the USSR, but there has been no similar criticism of the Soviet apparatus.

Gomulka's Rehabilitation

Shortly after the closing session, it was announced that the plenum had annulled the November 1949 resolution which accused former secretary

general Wladyslaw Gomulka, former politburo member and deputy minister of defense Marian Spychalski, and former head of the cadres department of the party Zenon Kliszko of national deviationism or Titoism. In addition, Gomulka had been accused of being unwilling to implement a Cominform directive calling for rapid collectivization of agriculture.

The announcement added that Gomulka's rights as a party member would be restored.

the party planned to bring him back, but balked at his demand for a seat on the politburo.

the central committee voted down the motion of a trade union leader that Gomulka be invited to attend the plenum.

On the following day, Zenon Kliszko was reappointed under secretary of state in the Ministry of Justice, the post he held when purged in 1949, suggesting that Gomulka, and possibly Spychalski, may also be offered official positions in the near future. If such a position for Gomulka should ultimately serve as a steppingstone to the politburo, it would not only be a significant gain for the moderates but might also threaten the position of First Secretary Ochab.

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SOVIET MIDYEAR ECONOMIC REPORT

The report on plan fulfillment for the first half of 1956 shows that the Soviet economy is off to a moderately good start in the first half year of the Sixth Five-Year Plan. Industry and transport met or almost met most major targets.

Shortages in certain types of construction materials and equipment continue to retard the investment program. The standard of living of most consumers apparently increased somewhat, and will probably improve more sharply the latter half of this year.

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Labor productivity rose as planned in industry, 8 percent, and in construction, 10 percent, though other efficiency indicators did not. The midyear report announced that the labor force gained by 1,200,000 in the year ending 1 July against a gain of 1,000,000 the preceding 12 months.

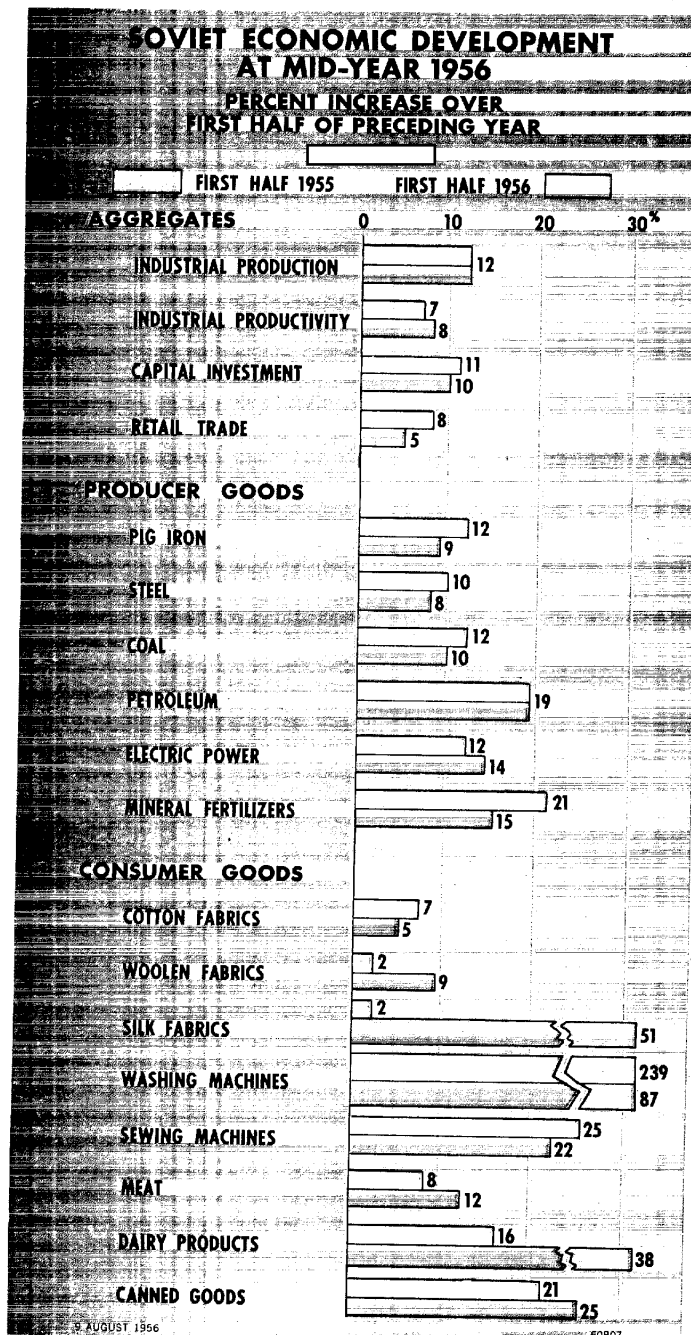
Industry

Industry exceeded by 2 percent the plan for gross production and continued to grow at roughly the same rate--12 percent--as during the final years of the Fifth Five-Year Plan. It successfully fulfilled output targets for leading nonferrous metals, petroleum products, chemicals, foodstuffs, and hard consumer goods. Failures, in some cases only nominal, included underfulfillment of targets for iron and steel, coal, machine tools, metallurgical and chemical equipment, and cement.

While the report contains no breakdown of total production into heavy and light industrial categories, data on specific commodities suggest a small shift in favor of the latter. Increases in the output of leading producer goods were generally smaller than those registered in mid-1955, while the reverse was true of consumer goods other than durables.

Agriculture

Data on agriculture reflect the policy of intensifying its development through allocation



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of a larger share of resources --a policy inaugurated in 1953 and embodied in the Sixth Five-Year Plan. Sown acreage now stands at over 480,000,000 acres, or 4 percent more than in 1955, and includes a higher proportion of high-yielding crops. The plan for spring sowing was overfulfilled. Deliveries of tractors and other machinery were generally above those for the corresponding period last year and use of fertilizers was considerably above. These developments, coupled with favorable weather, augur good harvests and further improvement of the livestock situation. The numbers of various livestock on 1 July were above those of 1 July 1955, and production of milk has increased substantially.

Investments

The investment program continued to have its troubles. State investments during the half year amounted to only 86 percent of plan. The plan, however, called for a 15-percent increase this year, considerably above the annual rate required to meet the 1960 goal. It is doubtful that the 1956 goal will be achieved.

Failure was reflected in both major elements of investment: construction-assembly work fell short by about 10 percent, and machinery and equipment deliveries by at least 15 percent. Construction work was plagued by its usual difficulties, including the scattering of resources among too many projects, and inadequate utilization of construction machinery. Production of metallurgical and chemical equipment was considerably below target, the latter even falling below the corresponding 1955 figure.

Consumer Welfare

From the report it appears that consumer welfare has not improved as much as planned. Retail trade turnover increased by only 5 percent over the first half of 1955, against a planned increase of 7 percent and an achieved increase of 8 percent in the first half of 1955.

However, the mass of consumers, for whom food is the major item of expenditure, fared better than is suggested by this rise, since food, especially dairy products, contributed the major portion of the increase. Prices in commission stores and on the collective-farm market reportedly dropped appreciably, the former falling 12 percent. Moreover, increases in the production of consumer goods and the prospect of good harvests suggest that all consumers can look forward to a sharper improvement in the second half of the year.

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SOVIET-JAPANESE NEGOTIATIONS

The abrupt and unequivocal Soviet refusal to compromise on the problem of sovereignty over South Sakhalin and the Kuril Islands highlighted the first week of the Soviet-Japanese treaty talks in Moscow. Since the territorial issue is the major remaining obstacle to conclusion of a peace treaty, the Soviet refusal is probably intended to force an early denouement in the talks.

Japanese foreign minister Shigemitsu rejected the Soviet position on 8 August following a special meeting with Soviet foreign minister Shepilov, thus making the territorial deadlock complete. However, both sides are reportedly agreed that a peace treaty must be concluded and have ruled out an interim normalization through an exchange of ambassadors. Special committees have been set up to work out lesser unsettled issues as the negotiations continue. Shigemitsu, who remarked on 6 August that the negotiations made him "acutely realize how weak one could be without strength," will appeal to Kremlin leaders in an effort to break the impasse.

For the first time since talks on a treaty began in January 1955, Soviet propaganda organs are making a concerted call for a rapid conclusion of the negotiations, suggesting that the USSR is confident it can push Japan into a normalization of relations now without making further concessions. Soviet foreign minister

Shepilov's strong reiteration that "Japan has no right to raise any claim to any territory which was occupied by the Soviet Union" was forcefully backed by the Soviet press and radio.

Shepilov tried to balance this firm stand by presenting in some detail an alluring picture of trade possibilities which would follow the normalization of relations. He predicted a rise in five years of the total annual volume of trade to one billion rubles or more--about 50 times the negligible amount now being carried on. The Japanese will be skeptical of this possibility. Japan has been dissatisfied in the past with the price and quality of Soviet goods, particularly coal and lumber, which it most desires, and the probability is that Japan will continue to honor COCOM embargo lists, reducing the scope of its exports. However, the Japanese delegation might accept trade overtures in Moscow to offset to some extent its failure to regain the lost territories.

Conclusion of a final treaty or simply a normalization of relations through an exchange of ambassadors would bring into effect a number of Soviet concessions, including the return of Japanese prisoners of war, long-term fishery and sea rescue pacts, some measure of Soviet support for Japan's admission to the United Nations. It is questionable, however, whether the USSR would return Shikotan and the Habomai Islands for anything short of a final treaty.

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THE SINO-BURMESE BORDER PROBLEM

Peiping's first public reaction to Burmese publicity on the Sino-Burmese border problem was a broadcast on 3 August of a statement by the authoritative "Observer" of People's Daily in which charges that Chinese troops had encroached on Burmese territory were ridiculed as "groundless" and "absurd." The broadcast explained that Communist forces were in disputed areas along the border to "preserve the status quo" pending a settlement by diplomatic negotiations.

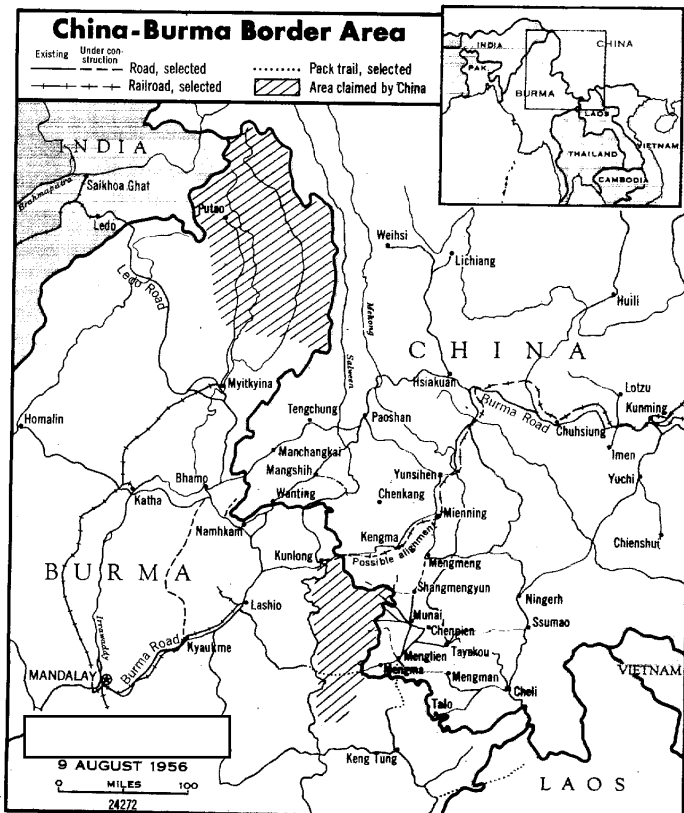
Although the Communist statement of 3 August is clearly designed to minimize damage to Peiping's pose as a peaceful and reasonable power, it contains no indication that the Chinese intend to abandon the unyielding position they have

thus far taken on the border question. It appears likely that Communist military outposts will not be withdrawn at this time and that Peiping will insist strongly on its own territorial claims in any talks with the Burmese.

Meanwhile, the Burmese government has sought to play down press stories of friction along the border. In a carefully worded communiqué of 31 July, it stated that these reports were overly sensational. Prime Minister Ba Swe subsequently stated in public that Sino-Burmese relations were "cordial" and that he had "every hope" the frontier problem would be settled amicably.

There is growing evidence, however, that Rangoon has for a long time been deeply disturbed by Chinese activities in the border areas. In addition to Chinese military incursions, Rangoon has been aware of a continuing fairly large-scale flow of illegal immigration from Yunnan. At the same time, the Chinese have built new roads in the border region which will progressively integrate that region with Communist China. Most points along the frontier south of the Burma Road are now accessible by road from China. There are some indications that pack trails from main routes to other border points are being made motorable.

A railroad is now under construction which will connect Kunming with the Burma border, possibly at

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Kunlong, northeast of Lashio. According to one report, approximately 150 miles of track have already been laid.

25X1 The Burmese government, [redacted] has asked Peiping to withdraw its troops from the Wa States and to negotiate a final demarcation of the border. In this connection, the Burmese ambassador to Peiping has been recalled "for consultation."

The paper that published the "invasion" story has advised Burma to seek international support, and Deputy Premier Kyaw Nyein has inquired about the American position. He intimated, however, that there was little likelihood that Burma would refer the matter to the UN, inasmuch as Communist China is not a member. Nevertheless, Rangoon probably regards referral to the UN as its trump card to be used in the event negotiations with Peiping prove futile. [redacted] (Concurred in by ORR)

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SOUTH KOREA ADOPTING IMPROVED ECONOMIC MEASURES

President Rhee's removal of Paek Tu-chin as South Korea's top economic official and his appointment of new officials in late May have resulted in the adoption of stronger fiscal measures to combat inflation and in an unprecedented degree of co-operation with American aid officials.

officials appear more inclined than their predecessors to risk incurring Rhee's displeasure for the sake of gaining his endorsement of an economically sound program.

Korean co-operation has stemmed from the fact that Korean officials have recognized the need for implementing certain steps to achieve intermediate goals before additional American help could be expected, either in total appropriations or in specific projects. Korean officials still continue, however, to sign agreements and then try to circumvent them if they later prove to be unpalatable.

South Korea's more constructive approach to its economic problems has been reflected in several developments, such as the government's announcement

25X1 [redacted] appointment of Kim Hyon-chol in Paek's place and the addition of a new economic team have installed economists who may be less accomplished, but who appear more genuinely concerned with Korea's economic development. Although President Rhee still makes the decisions on all policy, the new Korean

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in early August that \$10,000,000 worth of fertilizer would be sold for cash through commercial channels. The move is designed to counter inflation by lowering fertilizer prices and contracting the money supply; fertilizer prices have been reduced by more than half since this announcement.

Earlier the Commerce and Industry Ministry reportedly submitted to President Rhee a plan to increase electricity rates and coal prices in order to eliminate deficit financing of these government-owned enterprises. This resulted from an American stipulation that the government make this move before an additional \$25,000,000 aid would be added to the \$297,000,000 provided in fiscal 1956.

The minister of reconstruction also announced that, contrary to earlier reports, South Korea would not seek to remove grains and fertilizer from the Seoul wholesale price index. The price of fertilizer has now turned downward, but the rising prices of grains have been threatening to push the index to the point at which an upward revision of the hwan-dollar exchange rate may have to be made in September. Korea has consistently opposed any increase in the exchange rate, now set at 500 hwan to the dollar.

Finally, after nearly a year of American demands, South

Korea has agreed to refund over an extended period \$6,236,000, representing extra profit it made by procuring rebuilt engines with American aid funds and selling them to Korean importers as new manufactures.

Several very important differences nevertheless remain between Korean and American officials over the choice of methods to stabilize the economy and, with the country's limited resources, to create an industrially productive economic system as nearly self-sustaining as possible. Probably the most basic of these differences has been whether greater immediate emphasis is to be given to an industrial build-up, as Korea desires, or to combating the runaway inflation with more consumer goods and a tighter fiscal policy, as the United States desires. A second major problem involves President Rhee's opposition to the purchase of aid goods in Japan because of his political differences with Tokyo.

The present extent of inflation in Korea is represented by a Seoul wholesale price index of more than 20,000--based on a 1947 standard of 100. A test of the new Korean attitude on economic measures may occur in September if the index reaches the point calling for a rise in the exchange rate as mutually agreed on in August 1955.

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COMMUNISTS DOMINATE SINGAPORE'S MOST VIGOROUS PARTY

Singapore's most rapidly growing party, the People's Action Party, is reportedly now dominated by its Communist-led

faction. The growing split between the party's two factions, both Communist-inclined, has resulted in the control of

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key party posts by the extreme group. The popularity of this group's leaders among the preponderantly Chinese population makes probable the further development of the party along Communist lines.

The party has been regarded as Communist-manipulated since its inception in November 1954. There have been growing indications, however, of the development of two factions: the Lim Chin Siong group, led by Communists and determined to carry out international Communist directives, and the Lee Kuan Yew group, led by left-wing socialists who have knowingly co-operated with the Communists but are now anxious about their personal future as they note Lim's increasing influence.

At the party's third annual congress in July, followers of the Lee faction were re-elected to prestige offices, but their deputies--all members of the Lim faction--reportedly control these offices. Lim received the highest single number of votes among party officers.

The ascendancy of the Lim faction will probably continue, since Lee is handicapped in working among Singapore's Chinese, 78 percent of the population, by the fact that neither he nor many of his followers speak Chinese. He and his associates are largely English-educated, whereas Lim is Chinese-educated and makes most of his public addresses in Chinese. Lim and his Communist followers, who are believed to be the best

trained members of the People's Action Party, are particularly active among Chinese students and in peasants' and women's groups and cultural societies. Although Lee is legal adviser to most left-wing labor unions in Singapore, these unions are chiefly under the organizational control of the Lim faction.

Other political parties in Singapore are encouraging Lee to defect from the party in the hope of utilizing his political talent to their own advantage and to weaken the People's Action Party. There is little indication that he will do so in the immediate future. He is still a leader in the best organized and most rapidly growing party in Singapore and, despite ideological and personal differences with Lim, will probably choose to remain as long as it appears to be politically worthwhile.

Apparently in line with the international Communist directive for united-front tactics, the party has joined the general demand for the peaceful achievement of self-government in Singapore. Under the direction of Lim Chin Siong, the party's policy may reflect international Communist tactics even more closely than in the past. The party is expected to be generally co-operative with the Labor Front government in its preparations for renewed self-government talks in 1957. Thereafter it will probably press for early elections since it believes by that time its popular support will have significantly increased.

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The party was included in the unsuccessful 1956 self-government talks in London and will expect to participate in those next year. Should it be excluded, as the present chief

minister has hinted, the party would probably resort to more obstructive tactics than it otherwise apparently plans.

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ARGENTINA TAKES INITIATIVE IN SOUTH ATLANTIC DEFENSE PLANNING

Argentina's proposal on 31 July that Brazil and Uruguay join it in planning the defense of the South Atlantic was declared to be based on "recommendations of the Inter-American Defense Board" (IADB). It probably stems in part from a desire to obtain American military equipment and to commit a future elected Argentine government to inter-American military co-operation. Domestic political considerations also may have prompted the announcement at this time.

Brazil, though noncommittal to the press, privately disapproves of the proposal. Uruguay finds it confused, and other countries wonder whether Argentina and Brazil, traditional rivals for South American leadership, are forming a bloc.

Argentina's Proposal

The confusion stems from the vagueness and abruptness of Argentina's proposal.

The proposal suggests that representatives of the three countries meet in Buenos Aires to discuss plans for organizing the defense of the South Atlantic and that a "permanent seat for the organization" be located in Montevideo. Observers from other American countries were declared welcome.

The General Military Plan for the Defense of the American Continent, drafted in 1951 by the IADB, provides for regional planning within each of three maritime sectors. One of these is the South Atlantic, including Argentina, Brazil and Uruguay, supported by landlocked Paraguay. The Argentine proposal is intended to implement the IADB plan, and is the first major initiative in this direction. The IADB plan has been approved by the United States and all Latin American republics except Mexico, Venezuela having approved with reservations.

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Argentine Motives

Domestic political and logistical considerations may outweigh other motivations behind the proposal. Since Peron's ouster in September 1955, the navy, under the command of Vice President Rojas, has been trying to increase its power position relative to the traditionally dominant army. It may believe this initiative will expand its importance in the inter-American defense system and result in priority treatment over other Argentine services with regard to American military aid.

At the same time, Argentine military leaders may be testing the reaction of the somewhat isolationist Argentine public to inter-American defense collaboration--gilded by Argentine sponsorship--to determine whether or not closer military co-operation with the United States may be feasible. They also evidently hope to conclude any new military negotiations prior to the national elections scheduled for late 1957. The largest pro-government party, the Radical Civic Union, cast a minority vote against Argentine ratification of the Inter-American Treaty of Reciprocal Assistance of 1947, which has been ratified by all Latin American countries.

Brazilian Reaction

Brazil, considerably irritated by Argentina's precipitous announcement, does not favor the establishment of regional defense arrangements within the hemisphere and considers that

defense of the North and South Atlantic cannot be separated, according to the secretary general of the Brazilian Foreign Ministry. Brazil also suspects Argentina of trying to offset recently increased Brazilian influence in Uruguay and Paraguay.

Nevertheless, Brazil may suggest that the proposal be referred to a joint commission for further study, since it believes outright rejection might be prejudicial to Aramburu's position.

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Other Reactions

Uruguay's acting foreign minister told the press on 5 August that in regard to the "Argentine naval initiative," no new legal instrument defining military obligations would result, only the fulfillment of measures determined by the 1947 Rio treaty. The Paraguayan ambassador in Montevideo commented that the Argentine proposal looked almost like a revival of the triple alliance against Paraguay during the last century. Chile, piqued at being uninvited, officially opposes the proposed Buenos Aires meeting, stating that the Rio pact is sufficient for defense purposes. Chile will not go as an observer, but would "consider" attending if invited as a full participant,

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according to the Foreign Ministry. The consensus of Latin American diplomats in Montevideo is that the proposal will get nowhere.

A Moscow Red Star article of 5 August charged that the

proposal is a new case of "pactomania" initiated during the "US-dominated" July meeting of American presidents in Panama and that the "pact would be contrary to the spirit of the times."

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MOLLET'S PRESTIGE HIGH AS RESULT OF SUEZ CRISIS

Overwhelming support of Premier Mollet's strong position against the Egyptian seizure of the Suez Canal has temporarily rallied to him even those non-Communists who had refused to support his government on the Algerian issue. Nevertheless, France's economic problems continue and, when the National Assembly reconvenes on 2 October, Mollet will face increasing labor unrest, a mounting threat of inflation, and stepped-up Communist unity-of-action appeals.

By a 422 to 140 vote on 2 August, the assembly approved the government resolution naming Egypt's President Nasr a "permanent threat to peace." The non-Communist press has also given nearly unanimous support to the government's position on the Egyptian seizure. France has long considered President Nasr guilty of fomenting agitation in Algeria, and the canal nationalization has aroused profound apprehension that Algerian nationalism will be encouraged beyond containment. In addition, the potential threat to France's oil sources has helped shore up French unity.

As the initial shock of the Suez seizure abates, however,

opposition to Mollet's Algerian policy is bound to spread, particularly if the government continues to enlarge the area of local autonomy in Algeria and pacification seems remote. As the government steps up implementation of administrative and land reforms, strong conservative resistance is expected.

Communist Position

The Communists, who alone voted against the Suez resolution, appear to be in a more isolated position than at any time in the present assembly. Earlier Communist-sponsored attempts to disrupt the recall of reservists for Algeria appear to have been checked, and their unity-of-action campaign seems to have been dealt a severe blow as a result of French public support for Mollet's Algerian policy. They can be expected, however, to continue to appeal to the strong minority within the Socialist Party, which is dissatisfied with Mollet's handling of the Algerian campaign as contrary to Socialist doctrine.

In addition, a mounting inflationary threat and the need to find new funds to finance the Algerian campaign

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continue to pose crucial problems, which may be intensified in the fall. France's European Payments Union deficit rose to \$70,600,000 in July compared to a surplus in July 1955, and some price increases in basic commodities such as wheat have been granted. Mollet's financial policy--particularly restricted investment--has been under fire from ex-premier Mendes-France.

At the same time, opponents of increased taxes are expected to increase their efforts to prevent Mollet from applying any new tax measures if the bond issue just voted fails to produce adequate revenue to finance the Algerian campaign. Mollet is seeking a law to permit publication of all tax returns in an apparent effort to mollify labor, which feels

that it is carrying an undue share of the tax burden.

Labor is increasingly restive over government manipulation of the cost-of-living index to avoid mandatory wage hikes. The Socialist-led labor confederation, Workers Force, issued a resolution on 30 July opposing a freeze on wages in any form. The Communists, who abstained on the sixth reading of the civil budget ostensibly because of Premier Mollet's statement against a general wage increase, hope to exploit this growing unrest. Despite non-Communist labor warnings against Communist unity-of-action attempts, the rank and file will be increasingly vulnerable to these appeals.

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NEW DEVELOPMENTS
IN THE ITALIAN LABOR MOVEMENT

The announcement in the Communist press on 1 August that the Italian General Confederation of Labor (CGIL) is independent of Communist Party control may signal a major re-orientation in Italian labor developments. The move was probably sparked by a decline in membership and influence and by the threat of Socialist disaffection; it appears to be aimed at exploiting the renewed hope of labor for legitimate economic objectives.

For the past year and a half the CGIL, which controls over half of the country's organized workers, has been declining markedly in strength in relation to other unions. It has lost control of the shop steward committees in most major industrial enterprises, at

least partially because of management and government pressure on the workers over the issue of CGIL's Communist domination.

Its membership is predominantly oriented toward the Communist and Nenni Socialist Parties, although some members support the center parties. Leadership is shared by Communists and Nenni Socialists, but the latter have recently shown signs that they might challenge the Communist monopoly of key positions.

Recent labor agitation in Italy has been more and more concentrated on such purely economic questions as wages, bonuses, and seniority rights. For several years workers have shown no interest in politically

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inspired strikes, except for a few Communist-led demonstrations to protest unrelieved hardship conditions during last winter's severe weather. At the CGIL congress in February 1956, the Nenni Socialist elements spearheaded an unsuccessful move to emphasize action at the plant level rather than continue the policy of nationwide bargaining.

Among the possible motives behind CGIL secretary general Di Vittorio's 1 August announcement may have been a desire to block a possible move by the Nenni Socialists to walk out unless the CGIL were granted the greater autonomy which a separate meeting of its Nenni Socialist membership in late July had requested. Conversely, the Communists may hope to entice members of the non-Communist unions to come back in.

The theme of "trade union unity," which was played up at the February congress, has recently reappeared in reports

from Genoa which state that the CGIL there planned to push for a "broad social front" to include Democratic Socialists and Catholics and to propose the presentation of single lists in forthcoming shop steward elections.

The new emphasis on the "nonpolitical" position of the CGIL may be aimed at extending this tactic to a national scale. This would be in line with the Communist Party's attempts to extend its contacts with Italian Socialists and Catholics. Since Di Vittorio's "declaration of independence" was announced in the official Communist Party daily L'Unita, the move appears to have the party's full support. Di Vittorio, who is also president of the Communist World Federation of Trade Unions, presumably will retain his position as a member of the Communist Party central committee and his seat as a Communist deputy in the Italian parliament.

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CEYLONESE MINORITY GROUP
PLANS DEMONSTRATION MARCH

Violence may break out in Ceylon after 10 August, when Tamil-speaking members of the Federalist Party and their sympathizers begin a long-scheduled march from all parts of the island toward the naval base of Trincomalee in protest against the government's decision to make Sinhalese the sole official language of the country.

As early as May, the Federalist Party, which represents many of the Tamil-speaking persons of Indian descent, who form a large proportion of the population of northern

Ceylon, planned the march to focus attention on the controversial naval base at Trincomalee and on the 7,000 or more Tamils employed there. The purpose was to emphasize Tamil opposition to ousting the British from the base and to call attention to the unemployment problem that would arise from doing so.

Some Tamils are reported to be in an ugly mood as a result of attacks made on their comrades by Sinhalese during the rioting in Colombo and eastern Ceylon in June. They are allegedly willing to spill

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Sinhalese blood if their march is opposed as it passes through predominantly Sinhalese regions.

According to the American embassy in Colombo, a Sinhalese extremist group is now threatening a rival march on Trincomalee. The Ceylonese police fear that the Trotskyite Viplavikara Lanka Sama Samaja party--an element of Bandaranaike's united front--may have agitators at Trincomalee and may start trouble simultaneously at the port of Colombo with worker unions under its control. Prime Minister Bandaranaike's announcement on 30 May that he did not intend to allow a mass demonstration at Trincomalee is apparently being disregarded, as are his subsequent attempts

to obtain promises of moderation from Tamil leaders.

The government is alive to the dangers of the situation, and army units and police reinforcements have been moved to Trincomalee and other potential trouble spots. However, the firmness of their actions will depend on whether or not they get strong backing from Prime Minister Bandaranaike, who delayed for some days before making up his mind during the Colombo rioting in June. The question also arises as to whether Tamil and Sinhalese members of the army and police will display impartiality in dealing with large-scale Tamil-Sinhalese disturbances if they should occur.

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POLITICAL STRUGGLE RENEWED
IN PAKISTAN

The scheduled meeting of the East Pakistan assembly on 13 August has renewed the political struggle which reached crisis proportions in Pakistan last May. A change in the national leadership or imposition of executive control by President Mirza may result.

East Pakistani Struggle

While there is still opposition to the provincial and central governments in the West Pakistan assembly, which began its session on 1 August, the challenge to the national leadership will come from the East Pakistan assembly, where the United Front government may not be able to muster a majority. The test of strength will probably come when approval is sought for the provincial budget and on the question of whether or not separate constituencies for non-Moslems are to be established

in the province.

The opposition Awami League, whose national leader is H. S. Suhrawardy, seems to have the best chance to gain control of the East Pakistan assembly as a result of its success in attracting some Hindus and regaining the support of some of its dissident members. However, the political "horsetrading" now going on makes the results of the struggle uncertain until an assembly vote is actually taken.

National Repercussions

Displacement of the United Front government in East Pakistan would have reflections in the national assembly, which is expected to meet in September. These in turn would make likely a rearrangement of the central leadership.

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In anticipation of this possibility, Prime Minister Chaudhri Mohammad Ali apparently has attempted to assert himself politically. He reportedly has threatened to found a new party and has charged that Pakistan's political instability has weakened its prestige internationally. He has also stated that he is not going to allow national policy to become the sport of provincial politics.

President Mirza's Role

In the absence of any political support of his own, however, the prime minister is dependent for his position on President Mirza, who through his control of the army and

civil service remains the ultimate source of power.

Mirza will probably support Chaudhri unless the prime minister attempts to carry out his threat of establishing a new party.

Since Mirza is determined to remain in power, he is capable of making a deal with Suhrawardy if the latter demonstrates unusual political strength. In addition, he might resort to executive power and dispense entirely with parliamentary rule.

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USSR MOVES TOWARD NEW RELATIONSHIP WITH WESTERN COMMUNIST PARTIES

The Soviet Union is moving to change its technique of coordination and control over the Communist parties outside the Orbit, particularly in the West. Moscow seems to be permitting these parties greater latitude for maneuver within the general framework of Soviet policy guidance, and is seeking to create the impression that they are now independent national political movements. The USSR has made it clear, however, that these parties must adhere to basic Communist objectives as interpreted by Moscow. Although Moscow has also begun to demand somewhat less conformity from the Satellites, it can permit greater flexibility in the Communist parties outside the Orbit because it has less to lose from differences among these parties, which are out of power and, in most cases, relatively ineffective.

Implementation of these new techniques, which received their doctrinal foundation at the 20th party congress, seems to have been marked by some vacillation in Moscow and by considerable confusion among parties abroad since the de-Stalinization campaign.

Reappraisal of Policy

Probably the most important factor behind Soviet endorsement at the party congress of "different roads to Socialism" was the realization that the situation following the death of Stalin required a modification in the Soviet relationship with the Satellite states, Communist China, Yugoslavia and the Communist parties in other countries.

Stalin had demanded that all Communist parties be docile instruments of Soviet policy and condemned as "nationalist

deviation" any departure from this rule. He did not tolerate any independent initiative or spontaneity which might imply a denial of his total control. The Bulganin-Khrushchev regime is not driven by such heavy-handed insistence on iron conformity and slavish idolatry of the Soviet model.

A year and a half before the 20th party congress endorsed the "different roads to Socialism" doctrine, Bulganin and Khrushchev took a major step toward modifying Soviet relations with foreign Communist parties when they went to Peiping and elevated the Chinese Communist regime to a position of equality with the USSR at the head of the "peace camp." A second major step was the trip to Belgrade in May 1955, when the Soviet leaders accepted the Titoist doctrine of the fraternal solidarity between independent equals, a concept proclaimed by the Yugoslavs soon after the break in 1948.

USSR's Favorable Position

Behind the USSR's new approach to world Communism was a favorable estimate of the Soviet Union's military and economic position vis-a-vis the Western powers. The 20th party congress declared that the "main feature of our epoch" is the "emergence of Socialism from within the bounds of a single country and its transformation into a world system." The logical corollary of the end of the USSR's isolation and the Soviet government's greatly increased use of traditional methods of diplomacy and power politics was a diminished need to rely on foreign Communists for slavish support of every detail of Soviet foreign policy.

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New International Atmosphere

Another factor underlying the change in techniques probably was the opening of a new phase in East-West relations, marked by the final entry of a sovereign West Germany into NATO in May 1955 and by the relaxation of international tension after the summit conference at Geneva the following July.

Throughout the long Soviet campaign to block German rearmament, many Western European Communist parties, particularly the French, were forced to subordinate their internal interests to wage Moscow's battles against the EDC and later the Paris accords. Following ratification of the Paris agreements, these Western European Communists were permitted to redirect their attention to domestic problems.

"Unity of Action" Sought

The major advantage Moscow seeks from a loosening of the reins is the "elimination of the split in the workers' movement" and "unity of action" between Communists and Socialists.

The doctrines promulgated at the Soviet party congress of "different roads to Socialism," nonviolent transition to Socialism by parliamentary means, and noninevitability of war were all intended, among other things, to remove the obstacles to co-operation between Communists and Socialists. Likewise, the current tactic of Western European Communist parties of concentrating on local political and economic instead of foreign policy issues is designed to prove that they are legitimate, independent, national parties ready to join in election alliances and popular-front governments with Socialists and other leftist groups.

Party presidium member Suslov, while calling for international solidarity, told the French Communist Party congress in July that today the "success of every Communist party is measured primarily by the degree to which it expresses and upholds the interests of the working class and all laboring people, its country's national interests, and the degree to which its political line accords with concrete national peculiarities and traditions."

The Communists hope by these tactics to build a leftist movement powerful enough to force the democratic Socialist parties, particularly in France, into active collaboration with them. Eventually the Communists probably plan to use collaboration with the Socialists and other leftists as a bridge to the center parties. The aim of this policy is to dissolve the military and political ties of the Western European countries with the United States and to draw them into the neutralist "zone of peace."

The Role of Yugoslavia

The Yugoslav Communists are acting as intermediaries between Moscow and Western Communists and Socialists. The Yugoslavs' good contacts with Western European Socialist parties are being put to use. Italian Communist leader Togliatti visited Tito in late May, and the French Communists will hold talks with the Yugoslavs in the fall. Togliatti probably intended his trip to Belgrade to have the symbolic significance of identifying him with the head of an independent Communist government whose insistence on an independent road to Socialism and equality with the USSR had been recognized by the Soviet leaders.

The New Techniques of Control

Moscow itself has not spelled out what the nature of

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its relationship with foreign Communists should be, and may still be in the process of determining this. It has neither approved nor disapproved publicly the description provided by Togliatti in his statements on 16 and 24 June.

Togliatti coined the term "polycentrism" to describe a Communist movement in which there are "different centers of orientation and development" and in which the Soviet model of Communism "cannot and must not any longer be obligatory." This new situation, said Togliatti, requires "full autonomy of the various Communist parties and movements and bilateral relations between them." He observed that such a system is best for extending the relations between the Communists and "movements with a Socialist, non-Communist orientation--Socialists, Social Democrats, and national liberation movements."

It is unlikely that Moscow would be willing to emphasize the autonomy of the foreign parties as strongly as Togliatti did. The CPSU central committee resolution of 30 June and subsequent Soviet editorials and speeches demanded strict ideological unity throughout the international Communist movement. They denounced attempts by the "ideologists of imperialism" to introduce "dissension and confusion" within the movement. They emphasized, as they did when the Cominform was dissolved, that the foreign parties must maintain close contacts with Moscow.

The Soviet party remains the political and ideological leader of world Communism, and for that reason, together with its control of such instruments of pressure as financial subsidies, it apparently expects its influence on the Communist parties to remain strong. Many Communist parties are likely

to continue to rely on Moscow to settle local factional disputes. The leaders of the two major parties in Western Europe, Thorez and Togliatti, will probably not soon forget that they owe their eminence to Soviet support in the early years of their party history.

The Soviet Communist Party, however, will probably refrain from rude intervention in the policies of the national parties. Soviet leaders will make a point of listening attentively to the problems of foreign Communist leaders and may, on secondary matters, adjust their propaganda and tactics to the needs of the national parties. The publicity and communiqués connected with the visits of the French, British, Italian, and Belgian Communist Party delegations to Moscow in late June and early July were an example of the Soviet attempt to show that relations are conducted on a basis of equality and friendship. The foreign Communist parties are likely to be free to indulge in mild criticism of certain Soviet policies, when it serves the purpose of improving their domestic political position.

De-Stalinization

The de-Stalinization controversy has provided the first example of the greater flexibility allowed the national Communist parties, and has shown what limits Moscow places on this freedom.

The Soviet decision to launch an attack on Stalin was evidently taken for internal reasons, although Moscow probably also expected that it would eventually have a favorable effect abroad. The Soviet leaders must have realized that it would produce serious shock and confusion among the rank-and-file members of the foreign parties.

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later. The Soviet leaders may have underestimated the seriousness of repercussions in foreign Communist parties. They seem to have believed that any minor losses of fringe followers suffered by the foreign parties as a result of de-Stalinization would be more than offset by the improved prospects of attracting other leftist forces into participating in popular fronts. The Soviet leaders took a risk, however, in initiating the new techniques in relations with the parties at the same time the de-Stalinization drive was launched.

Reaction of Western Parties

Most of the Western European Communist parties issued statements in March giving cautious support to the Soviet de-Stalinization campaign but were reluctant to go even as far as the Soviet leaders had gone in publicly criticizing Stalin.

The anti-Stalin campaign appears to have caused considerable confusion among the rank and file and some of the leadership in most Western Communist parties. Western party criticism was directed at both Soviet leaders and leaders of the national parties. The obvious questions were asked about how Stalinism could have arisen in the USSR and why the other Soviet leaders

failed to curb Stalin.



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On 16 June Togliatti raised even more fundamental questions in a lengthy interview that was reprinted in part in some of the Satellite press and reprinted or commented on favorably throughout most of the Western Communist movement. In quick succession, briefer but similar statements were issued by the French, British, American, and several other Western parties.

These statements were notable for the similarity of the points made. All of them called for a "Marxist analysis" which did not simply place the blame on Stalin, and several raised the question of the co-responsibility of other Soviet leaders. Nearly all the party statements, however, praised the Soviet attack on Stalinism, asserted that Stalinism was not inherent in the Socialist system, and provided explanations for its growth.

Soviet Reply

On 27 June the Soviet press published an article by American party secretary Dennis, which, though reflecting most of the questions raised by other parties, was generally laudatory of the Soviet leaders. This set the stage for the "Marxist analysis" in the form of the central committee resolution "On Overcoming the Personality Cult and Its Consequences" on 30 June. The explanation it provided of the historical causes of Stalin's errors and the failure of Soviet leaders to replace him was striking because it added nothing which had not been suggested by one or the other of the foreign Communist parties themselves, or by previous Soviet statements. It also asserted firmly

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that Stalinism was not implicit in the Soviet social order nor had it changed the Soviet order.

A number of the Western Communist parties have issued statements welcoming the Soviet resolution. While the French party viewed it as a definitive answer to all questions, the British and Italian parties implied that the de-Stalinization question might continue, and the American and Canadian parties said that certain questions still remained unanswered.

Recent Soviet statements have stressed the need for unity in the Communist movement under Moscow's ideological leadership and have limited the scope of discussions on de-Stalinization by the foreign Communist parties. The Soviet leaders have devised a standard "Marxist analysis" of Stalinism which can be used by national party

leaders trying to keep their rank and file in line. They have not imposed complete conformity on the foreign parties, however, but have continued to permit discussion by those parties which find it necessary to prove their independent national status or to control dissension among the rank and file.

It is not yet clear how much further discussion of Stalinism Moscow will tolerate. It is clear that the Soviet leaders are giving their followers abroad license and encouragement to tailor their activities to the local scene with the objective of achieving a major expansion of Communist influence, particularly in the West, where Communism has been stalemated.

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THE OUTLOOK FOR EURATOM AND THE EUROPEAN COMMON MARKET

The adjournment for the month of August of the Brussels treaty conference on EURATOM and the proposed European common market marks completion of the first phase of the diplomatic effort to advance these two projects for the further integration of Western Europe. There are still serious obstacles ahead but, when formal negotiations are resumed in September, an effort will be made to reach agreement while parliamentary conditions still seem favorable in France. The objectives continue to be joint development of atomic energy, co-ordination of national atomic programs, and the gradual integration of economic policies in a general European customs

union. While initially confined to the six Coal-Steel Community countries, there is hope for the participation or association in these objectives by other Western European countries.

Increased Faith in Mollet

Proponents of these goals regard as encouraging the result of the French debate of 6-12 July, which recorded an unexpectedly large majority in favor of continuing the EURATOM negotiations. They admit that the vote hinged on several factors--particularly the deputies' reluctance to overthrow Mollet during the Algerian problem--but they hope that the

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assurances expressed in the ambiguous resolution the assembly approved will satisfy opponents and that ratification can be sought while Mollet is still in power.

Following a meeting of the conference on 26 July called by the French, a spokesman for Belgian foreign minister Spaak observed that for the first time "French attitudes had been completely satisfactory." He added, moreover, that he saw no insoluble problems resulting from the conditions Mollet accepted regarding French freedom in the nuclear weapons field and the divorce of CSC and EURATOM institutions.

This interpretation was apparently shared to some extent by the other delegations, and the conviction has grown that Mollet and Under Secretary Maurice Faure, his principal lieutenant at Brussels, are determined to fight and that thus far they have done so effectively. Accordingly, in an effort to get the treaties as far forward as possible while this favorable situation lasts, some work will go ahead during the interim period, a heavy work schedule has been set up for the conference when it formally reconvenes on 3 September, and another meeting of the six foreign ministers has been scheduled for late September.

EURATOM Negotiations

An intensive effort will be required if a EURATOM treaty

is to be ready for French National Assembly consideration this autumn. A draft treaty--a legal version of the original Spaak report--is still in the process of revision; it reflects some of the weaknesses of that report on such basic issues as institutions and national weapons programs.

Although the Brussels conferees have generally been mystified by Foreign Minister Pineau's "illogical and incomprehensible" commitment to the French assembly that EURATOM's institutions would be kept separate from those of the Coal-Steel Community, the Belgians consider the creation of still another "European assembly" a price worth paying for French ratification. Amalgamation of only the limited "legislative" and "judicial" functions of the two organizations had been envisaged by the Spaak report in the first place. French officials have explained, moreover, that the Pineau commitment does not necessarily imply a complete duplication of organizations, but only that it should be made clear that EURATOM is not subordinate to the CSC and that, while both organizations may "use" the same institutions, they are in fact separate.

French insistence that at the end of four years France must not be fettered in undertaking the manufacture of nuclear weapons is obviously

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more complicating. It is not clear, however, how far beyond the widely discussed Spaak moratorium proposal the other countries will have to go to meet French needs in this respect. The Spaak-proposed moratorium--presumably acceptable outside France--applies only to production of



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"explosive devices," thus excluding other nuclear devices of military significance such as submarine engines. Under it, moreover, France would be free after five years to undertake the manufacture even of explosive devices provided it has the consent of two other members of EURATOM.

While the Mollet government stated in the EURATOM debate that France must retain unilateral freedom after merely consulting with its partners, Faure has since declared at Brussels that "it would not intend to evade either necessary consultation with its partners or community controls, nor do the French seek to evade the rule of free communication of research and free access to patents in the military sector."

West Germany and Controls

Aside from the political problem of writing a formula acceptable to France as well as to West Germany--which will remain bound in the nuclear weapons field by its WEU commitments--the weapons issue in any case is essentially one aspect of the general problem of maintaining EURATOM's controls over the purchase and utilization of nuclear fuels. To "unfetter" France in the weapons field threatens some departure from the principle of EURATOM's monopoly controls--a principle which has been somewhat watered down already in the Spaak report and which has had hard going in West Germany.

The EURATOM negotiators have already conceded to the German position the possibility that in a period of shortage a member state might obtain nuclear fuels outside EURATOM, although the organization's security controls would continue to apply. However, the treaty negotiations of the

past month have been marked by continued German insistence that adherence to "liberal economic policies" by the Bonn government still makes the acceptance of EURATOM's "perfectionist monopoly" extremely difficult. The other powers have not challenged the Germans to produce by September the details of their alternative plan and to prove that it would offer comparable security.

This problem points to the possibility of potential political difficulties in West Germany comparable to those faced by Mollet in Paris. The position taken by the German negotiators is in large part a reflection of the personal views of Minister of Atomic Affairs Strauss backed up by the German industrialists. Because of the importance of this group to Adenauer in the 1957 elections, this attitude may constitute a serious obstacle. Adenauer is certain, however, to be subjected to strong pressure from the other EURATOM members to reverse his minister, for the principle of EURATOM's monopoly is the feature which recommends it over all other schemes for nuclear co-operation and which is its special claim to US support.

Role of the Common Market

The progress on EURATOM has continued to be complicated to date by the slower progress on the common market scheme, which would extend basic features of the CSC not only to atomic energy, but to all West European economic activity in general.

The decisions taken by the foreign ministers at their late May meeting in Venice to proceed simultaneously on both projects reflected the prevailing view that while a "package" EURATOM-common market is almost

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certain of approval in West Germany, Italy, and the Benelux countries, it is almost equally certain of rejection in France. Nevertheless, there is reported an increasing disposition on the part of the other powers--West Germany excepted--to accept in good faith Mollet's claims that he is prepared to fight for European integration and that French approval of EURATOM would set the stage for a strong effort later to obtain approval of the common market.

Adenauer's position with respect to EURATOM would be greatly improved by more specific signs of a favorable evolution of French thinking on the common market. During the course of the French assembly debate in July, Under Secretary Faure stated that in principle the French government favors the common market, provided safeguards are adequate and the French Union is permitted to participate. The inclusion of overseas territories in the common market is now believed acceptable to the other members of the project, and a six-nation report on its ramifications is expected to be submitted to the Brussels conference in September.

Reactions Elsewhere

In the meantime, these developments in the integration

program have evidently made an impression on countries outside the "Community of Six"--particularly on the Soviet Union and on the member countries of the OEEC, notably the United Kingdom. Following the favorable vote of the French assembly on 12 July, Moscow suddenly revived its proposal for an all-European atomic energy agency, accompanying it with a blast at EURATOM as a "closed community." This intervention has not greatly disturbed EURATOM's supporters and a reply is being drawn up. It could, however, have some effect on French opponents of a six-nation organization who have wavered on the strength of Mollet's assurances.

In the OEEC, where 17 Western European countries, including the six CSC members, have been conducting parallel negotiations looking toward a looser form of co-operation in the atomic energy field, there has been increased recognition that "the six" have shown a determination to go ahead as a unit and that the EURATOM and the OEEC efforts are not necessarily in conflict. Moreover, recent British "eagerness" to survey the possibility of some link between a common market of "the six" and an OEEC free trade area--while possibly diversionary--may also represent a retreat from initial British skepticism and hostility.

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