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CURRENT INTELLIGENCE WEEKLY SUMMARY



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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

NEW SOVIET ECONOMIC PLANNING COMMITTEE Page 1

The communiqué following the recent plenum of the central committee of the Soviet Communist Party and the restaffing of the State Economic Commission under M.G. Pervukhin suggest that the Khrushchev leadership is still dominant in the USSR. The communiqué's reiteration of the policies laid down at the 20th party congress and the naming to the economic commission of specialists who have long been serving as part of the Khrushchev-Bulganin team suggest that no change in the top leadership is imminent. An over-all review of the Sixth Five-Year Plan is to be conducted by the specially constituted, high-level planning group. This review apparently signals the beginning of strenuous efforts to adjust Moscow's plans to meet recently increased economic pressures.

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SUEZ AND SINAI Page 2

The Arab states, apparently convinced that the withholding of oil from the West has been the tactic which played the biggest role in forcing Britain and France to withdraw from Suez, are now continuing to apply the same pressure to obtain a complete Israeli evacuation of Sinai and the Gaza strip. Israel is showing increasing resistance and is in turn asking the Western powers for guarantees before it makes a final decision on the evacuation question. The British and French, meanwhile, continue to seek a role in the canal clearance operations as a means to retain some on-the-spot leverage.

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INDONESIA Page 4

The bloodless coup by elements of the Indonesian army in Sumatra is now aimed at forcing the collapse of the government of Premier Ali Sastroamidjojo. The government's continued existence is jeopardized by the threatened defection of a large portion of its political support. Agitation for the appointment of former vice president Hatta as premier is growing, but there is some doubt whether President Sukarno would agree to such a move.

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PART II

NOTES AND COMMENTS

CABINET CRISIS IN SYRIA Page 1

Conservative efforts to prevent a complete assumption of power by the leftists have apparently delayed the formation of a new cabinet following the resignation of Prime Minister Asali on 22 December. Pressure on the conservatives mounted, however, with the announcement of a court-martial of Syrians involved in an alleged Iraqi-sponsored coup. [redacted]

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GREECE AND TURKEY SHIFTING TACTICS ON CYPRUS ISSUE . . . Page 1

Greece and Turkey appear to be shifting their tactics on the Cyprus problem. Greece will press for an immediate debate in the UN and will probably emphasize "independence" rather than "self-determination." The Turks are now urging partition as the only solution they could tolerate. London intends to retain sovereignty over Cyprus for the foreseeable future and will adhere to its latest constitutional plan, to which the Cypriots have responded with renewed violence. [redacted]

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SOVIET ARMS SUPPLY TO AFGHANISTAN Page 2

The shipment of Soviet arms--including aircraft--into Afghanistan in the past several months raises the possibility of an eventual large-scale armed clash between Afghanistan and Pakistan over Pushtoonistan. [redacted]

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CHOU EN-LAI ANNOUNCES FORTHCOMING TRIP TO THE USSR . . . Page 4

Soviet relations with the Satellites probably will be a principal topic of discussion during Chou En-lai's trip to Moscow in January. The Chinese have been strongly sympathetic toward Satellite aspirations for a greater degree of freedom within the bloc. Peiping wishes, however, to avoid a public quarrel on the issue, and any Sino-Soviet communiqué emerging from Chou's visit would probably acknowledge the necessity for bloc unity and "proletarian internationalism." [redacted]

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SOVIET PROPAGANDISTS STRESS VIGILANCE THEME Page 5

Concern over unfavorable tendencies in the political orientation of the Soviet people has prompted Moscow to warn Soviet citizens of the need for greater vigilance against the enemies of the USSR. There are as yet no indications that repressive measures typical of Stalinist

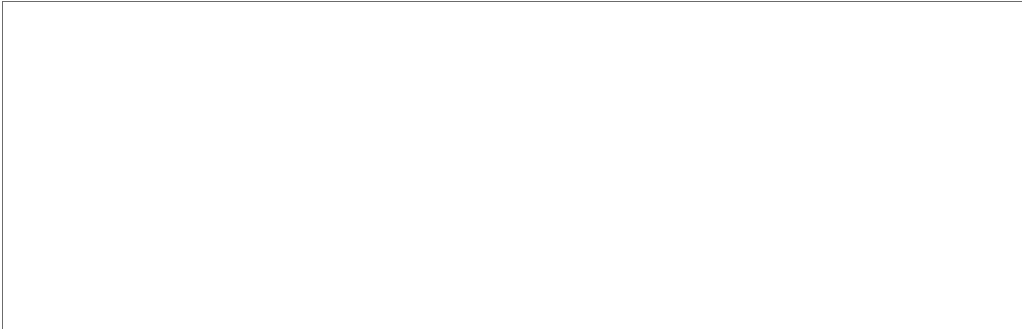
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vigilance campaigns are being prepared. These demands for watchfulness seem to be primarily an effort to justify the use of force in the Hungarian uprising, which is said to have been instigated by the "reactionary" West. 25X1



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GOMULKA'S POSITION AND PROSPECTS Page 7

Polish party first secretary Gomulka is faced with an increasingly stronger party opposition and growing popular discontent, 25X1
The responsibilities of office and the resulting need to balance political realities carefully have forced him to resort to temporizing tactics in an effort to fulfill high popular expectations while at the same time attempting to forestall Russian counteraction. His task is made all the more difficult by the weakening of central authority and the loss of party unity which accompanied his rise to power. 25X1

HUNGARIAN REGIME SEEKS CO-OPERATION OF PUBLIC Page 8

The Hungarian regime, no longer forced to combat violence and general strikes, has stepped up its propaganda campaign to convince the overwhelmingly hostile and suspicious population that it is working for the popular welfare and is worthy of popular confidence. Attempting to minimize the terror tactics of the newly constituted security forces and to ignore the presence of Soviet troops, press and radio statements promise daily that life can be better than ever if everyone will now join an all-out effort to rebuild the nation's shattered economy. The Soviet occupation will have to be maintained for the foreseeable future and popular hostility is unlikely to diminish unless major concessions are granted. 25X1

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EAST GERMAN CRACKDOWN ON INTELLECTUALS AND STUDENTS . . . Page 9

The East German regime is making alternate threats and promises to intellectuals and university students while playing on the theme that excesses and misguided actions by these groups were responsible for the anti-Soviet developments in Poland and Hungary. Some intellectuals have been arrested and a few university students expelled as a warning to potential dissident elements. Important party and government officials are joining the press and radio campaign to combat the spread of dangerous ideas.

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BOLIVIAN MONETARY PROGRAM MAY PROVOKE CRISIS Page 10

The implementation on 15 December of the Bolivian monetary stabilization program--a basic economic reform bearing heavily on the working classes in its opening phase--has aroused widespread unrest and may bring about the downfall of the administration. Discouraged by the wavering support of labor leaders, moderate President Siles has threatened to resign, and the cabinet reportedly tendered its resignation on 18 December in protest against left-wing political attacks in congress.

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CHANGING BRITISH ATTITUDES ON CONTACTS WITH USSR Page 12

Indignation in Britain over recent Soviet actions in Hungary has virtually halted all trade union and student exchange trips to the Soviet Union. The government does not appear, however, to have abandoned its view that exchange visits by individuals and groups offer the principal hope for a long-term improvement in Anglo-Soviet relations.

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NORTH AFRICA Page 12

In Algeria, Resident Minister Lacoste has been unable to get the Moslems to participate in his reform plan, and the terrorists have increased their attacks. In Morocco and Tunisia, there are indications of a desire for improved relations with France.

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LAOS Page 13

The Laotian cabinet on 20 December refused to approve a communiqué signed by Prime Minister Souvanna Phouma and Pathet Lao chief Souphannouvong calling for the immediate inclusion of Pathet Lao leaders in the cabinet but offering no effective guarantees for the restoration of the government's control over the disputed provinces, integration of Pathet forces into the royal army, and dissolution of the Pathet Lao movement. The

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cabinet has agreed, however, to accept two Pathet officials in the cabinet if such guarantees are forthcoming. [redacted] 25X1

UNREST IN URBAN AREAS OF NORTH VIETNAM Page 14

Violence in North Vietnam has apparently been confined to the rural areas, but there is growing evidence that dissatisfaction is also widespread among the urban population. Intellectuals appear to be particularly restive, and Hanoi on 15 December had to suspend publication of a new literary magazine which criticized the Communist regime. The Viet Minh has recently called for correction of mistakes to "allay the unrest of all the people's classes." [redacted] 25X1

[redacted] Page 15
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SCANDALS PLAGUE RHEE ADMINISTRATION Page 16

Three scandals, two involving assassinations and one corruption, have lately embarrassed the Rhee administration in South Korea. The handling of the cases suggests that President Rhee is reluctant at this time to protect officials guilty of misconduct, and this attitude may presage at least a partial cleanup within the corruption-ridden Liberal Party. [redacted] 25X1

INDIAN REACTION TO NEHRU'S VISIT TO UNITED STATES . . . Page 17

The Indian public and press appear pleased with Prime Minister Nehru's reception in the United States and feel that there will be a definite improvement in Indian-American relations. [redacted] 25X1

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PART III

PATTERNS AND PERSPECTIVES

THE BALTIC STATES: CHRONIC TROUBLE SPOT FOR USSR . . . Page 1

Lithuanian party boss Antanas Sneckus admitted in mid-December that the Hungarian revolt had encouraged "bourgeois nationalists" in Lithuania to attack the Communist Party. Early in November, anti-Soviet rioters in several cities demanded the withdrawal of Russians from Lithuania, and in December, the local parties expressed concern over student unrest in Latvia and Estonia. Such developments indicate that anti-Communism and resistance to Soviet rule are still strong and perhaps growing, 16 years after the incorporation of the Baltic states into the USSR.

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CHINESE COMMUNIST AGRICULTURE Page 4

Communist China probably will not achieve the high targets for agriculture of the Second Five-Year Plan (1958-1962), unless the regime invests more than is now scheduled. Peiping's planning relies heavily on the farms to produce the surpluses needed to pay for the ambitious industrialization program. To date, the pressure of a growing population on land resources and the unwillingness of the regime to invest heavily in agricultural machinery and fertilizer have made increasingly difficult the realization of such surpluses.

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SPAIN: INFLATIONARY PRESSURES Page 8

Spain is threatened by growing inflation as a result of pay raises averaging 40 to 45 percent decreed in November for industrial and agricultural workers. Government control measures thus far seem inadequate and, should an inflationary spiral develop, the ensuing economic dislocations and popular unrest could endanger Franco's position.

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[Redacted]

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OF IMMEDIATE INTEREST

NEW SOVIET ECONOMIC PLANNING COMMITTEE

The communiqué on the decisions of the recent plenum of the central committee of the Soviet Communist Party and the restaffing of the State Economic Commission under M. G. Pervukhin suggest that the Khrushchev leadership is still dominant. Khrushchev himself did not figure personally in the public statements emanating from the plenum and there has been no mention of serious political problems which the meeting may have discussed. The communiqué's reiteration of the policies laid down at the 20th party congress and the naming to the planning commission of specialists who have long been serving as part of the Khrushchev-Bulganin team suggest that no dramatic change in the top leadership is imminent.

Rise of Pervukhin

The appointment of M. G. Pervukhin* as chief of the commission is in line with earlier indications that he has been steadily improving his position over the course of the past two years. In contrast, the planning organization under the former chief, M. Z. Saburov, has been directly criticized by Khrushchev on several occasions.

The central committee referred a re-examination of internal economic development policy to a specially constituted, high-level planning

group, which apparently will review the Sixth Five-Year Plan draft and submit a revised version to the Supreme Soviet during the first half of 1957. The 1957 plan and budget probably will not appear until well into 1957. Thus, the central committee decided against making immediate changes in the Soviet Union's economic plans in favor of an over-all review of the Sixth Five-Year Plan.

Pressure for modification in the plan has been occasioned by recent changes in the economic relationships with the Satellites, the maintenance of large military forces, and the leadership's apprehension of potential discontent. In addition, there have been cumulative internal maladjustments arising from underfulfillment of plans for production of industrial raw materials and construction materials.

Commission Appointees

The re-staffed State Economic Commission will apparently review the Sixth Five-Year Plan as well as annual plans. High-ranking officials named to assist Pervukhin represent important aspects of the Soviet economy: First Deputy Chairmen Kosygin and Malyshev, light industry and industrial technology respectively; Deputy Chairmen Khrunichev and Kucherenko, armaments and construction. Agricultural experts Matskevitch and Benediktov were also appointed deputies. Although no foreign economic relations specialist was named

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at this level, such specialists are undoubtedly represented just below these chairmen and deputies.

The central committee plenum reaffirmed the policy framework adopted at the 20th party congress within which the planning group should operate. The primacy of heavy industry and the goal of catching up with the West in per capita production in the shortest possible "historical time" were restated. Emphasis was placed on greater decentralization and efficiency to make possible the simultaneous achievement of all goals, while increased functionalism was stressed as necessary for the achievement of industrial construction and housing goals. These points have been frequently stressed by Bulganin and Khrushchev. The committee will probably have to devise solutions more far-reaching than these, however, to resolve the difficulties.

Prior to the central committee meeting, there were indications that the Sixth Five-Year Plan would be modified to provide for significantly increased housing construction, and possibly for stepped-up consumer goods production.

The pressure for an increased housing program came at a time when it was clear that other elements of the 1956 economic plan would not meet goals. Production goals for coal, metals, cement and timber will not be met, indicating a trend which could lead to a strain on the raw material base for industrial expansion. Thus, there was counterpressure to maintain construction activities serving industry and raw materials extraction. Construction was singled out for much discussion in the central committee communiqué, and a remedy for slowing down the rate of new construction starts, while concentrating on projects already under way, was advanced.

The central committee's decision to forego an immediate increase in housing and consumer goods goals in favor of an over-all review of the plan was accompanied in the report by a note of satisfaction with present progress. Output of consumer goods will be more than 9 percent greater than in 1955, and this year's record harvest ensures further significant progress in 1957.

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SUEZ AND SINAI

The Arab states have indicated a growing sense of their bargaining power during the past week. They appear to regard the British and French withdrawal as "their" victory, won by the withholding of oil from the West, and are now trying to apply the same tactics

to obtain a complete Israeli evacuation of Sinai.

Although Egypt apparently has agreed to allow salvage work on the canal to begin, there were signs that Cairo had been strongly tempted to delay the operation. Nasr may well

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still use the threat of new delays to press the West for a commitment on the Israeli withdrawal. Earlier last week the Jordan cabinet announced it would urge that Arab oil remain cut off from the West until Israel gives satisfaction. Syrian officials said the pipeline from Iraq to the Mediterranean could only be re-opened promptly if the United States would set a terminal date for Israel's occupation of the Gaza strip.

The Israelis reacted to this Arab pressure by further slowing down the snail's pace of their withdrawal and by repeating, with added emphasis, their statements of determination to keep Egypt from returning to the Gaza strip. Prime Minister Ben-Gurion has said his government must settle its policy on this issue by early January, when Israeli troops will have withdrawn as far as El Arish, the last town west of the Egyptian-Israeli border in Sinai, and to a belt of territory along the Gulf of Aqaba.

The British and French, following their evacuation on 22 December, have continued to press the UN for maximum Allied participation in the canal clearance operations, with "adequate safeguards" for their crews. General Wheeler, the local head of the UN salvage operation, reportedly has contracted for two British and one French, as well as four German vessels. London and Paris are seeking

by this means to avoid being completely excluded from Egypt and to maintain some on-the-spot influence. Two top aides of UN secretary general Hammarskjold were scheduled to arrive in Cairo on 27 December for further talks on clearance problems.

In what appears to be a countermove to Egypt's delaying tactics, French and Israeli engineers, according to an announcement from Tel Aviv, have begun to survey a route for an oil pipeline to run from the Gulf of Aqaba to the Mediterranean. France is reported to be willing to finance part of the construction. Announcement of the move at this time is probably intended in part to indicate to Nasr that the Suez Canal's importance may diminish in the future and thus lead him to be more conciliatory now.

The Soviet press again played down its direct coverage of Middle East events, but continued to encourage Egyptian obstructionism.

Although a TASS report of 22 December charged that Israel was campaigning for the annexation of the Gaza strip, Soviet propaganda was noticeably restrained in reacting to Ben-Gurion's announcement on Gaza. An Israeli official has told the American embassy in Tel Aviv that Soviet ambassador Abramov, who was recalled from Tel Aviv on 5 November, was making preparations to return by 1 January.

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INDONESIA

The situation in Sumatra arising from the bloodless coup by Indonesian army elements has been complicated by the reported arrest of Colonel Simbolon, the rebel leader, by Lt. Col. Ginting, who recently replaced him as the official territorial commander in north Sumatra. Ginting pledged that "relations with the central government will carry on as before," but it is doubtful he can command the loyalty of all troops and police in the area, and armed clashes are a possibility. Discontent in the Celebes and in Borneo reportedly has increased as a result of the Sumatran coup, and in south Sumatra, the army is said to have seized control of the area's finances.

The cabinet of Ali Sastroamidjojo is in serious trouble. The announced aim of the coup was the replacement of the present cabinet by an "honest" government which would give greater attention and financial support to non-Javanese areas, take action against high-level corruption, and generally assume a more decisive approach to pressing domestic problems.

One small party has already withdrawn from the cabinet, and

the two large Moslem parties--the Masjumi and the Nahdlatul Ulama--reportedly will withdraw unless President Sukarno calls for the cabinet's resignation. Moreover, Foreign Minister Abdulgani has been officially charged with corruption and is facing prosecution.

Sentiment among army and political leaders is growing in favor of a "presidential cabinet" led by former vice president Hatta. The demand for such a cabinet, to which members would be appointed without regard to party membership, lends itself to Sukarno's own ideas of a "guided democracy" and a de-emphasis of political parties. Whether he would accept Hatta as prime minister, however, is somewhat doubtful in view of their differences on basic issues.

Hatta has told the American ambassador that Sukarno himself should assume responsibility for setting up a presidential cabinet, an indication that Hatta and his supporters may intend to force Sukarno either to make such a move himself or to turn the government over to them.

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PART II

NOTES AND COMMENTS

CABINET CRISIS IN SYRIA

A new Syrian cabinet has not yet taken office [redacted]

[redacted] The conservatives, although on the defensive, are apparently trying to exert what efforts they can to prevent a complete assumption of power by the leftists.

Pressure on the conservatives has mounted, with the announcement of a court-martial of some 47 Syrians allegedly involved in an Iraqi-sponsored coup to overthrow the Asali

government. The trial will be aimed at conservative and pro-Iraqi politicians; several have been arrested, [redacted]

[redacted] The leftists can be expected to make the most of the plot to intimidate the conservatives and eliminate their influence. The impending formation of a leftist-dominated government and the upcoming court-martial may drive rightist elements to attempt counteraction, but their chances of success appear slim. [redacted]

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GREECE AND TURKEY SHIFTING TACTICS ON CYPRUS ISSUE

Greece and Turkey appear to be shifting their tactics in seeking a solution to the Cyprus problem. Athens has announced its intention to press for an immediate UN debate when the political committee reconvenes on 3 January and has indirectly indicated that it will emphasize independence rather than self-determination for Cyprus. Turkey has now abandoned its insistence on maintaining the status quo on Cyprus and is urging partition as the only solution which would bar the ultimate union of the island with Greece.

The Greek government, in deciding to promote Cypriot independence, is apparently motivated by a desire to get the support in the UN of India and some other countries which seem to suspect that "self-determination" for Cyprus is merely a cover for annexation

by Greece. The Soviet bloc would favor independence for Cyprus, particularly since the Communist-front party on the island is the strongest and best-organized political force. The bloc can be expected to oppose any negotiated settlement and may propose a demilitarized Cyprus under UN supervision.

The Greek decision to press for a quick showdown with Britain in the UN reflects Athens' conviction that London will not negotiate significant modifications of its latest constitutional plan for Cyprus. By urging quick action in the UN, Athens might also reassure the Greek public that no deal was made with the British during the recent visit to Athens of British colonial secretary Lennox-Boyd. Prime Minister Karamanlis apparently hopes the UN will appoint a commission of nations not immediately

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concerned to recommend some Cyprus solution. Karamanlis says Greece could accept any solution approved by the UN.

Ankara stated in a memorandum on 20 December that agreement in principle was reached with London during Lennox-Boyd's visit to Turkey. The Turks promised a favorable reaction to the proposed Radcliffe constitution for Cyprus in return for Britain's acceptance of the concept of partition, described by the Turks as "integral self-determination."

Britain, however, has shown no indication of changing

its policy of retaining sovereignty over Cyprus as long as strategic considerations require. Since the abortive Suez adventure, London's determination to avoid a withdrawal from the island has probably been reinforced. The British cabinet has already considered and rejected the idea of partition, and Lennox-Boyd probably raised the subject in Parliament only to placate the Turks.

Athens and Cypriot leaders have already condemned partition as a solution of the dispute, and violence has increased on Cyprus in response to the new British constitutional plan.

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SOVIET ARMS SUPPLY TO AFGHANISTAN

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The shipment of Soviet arms--including aircraft--into Afghanistan in the past several months raises the possibility of an eventual large-scale armed clash between Afghanistan and Pakistan over Pushtoonistan.

The extent of the Soviet arms build-up in Afghanistan is not yet clear, although substantial quantities of ground forces equipment--probably including a few tanks--are believed to have been delivered in October and November. Even more significant is the development of the air force, which seems to have been given priority by both the Russians and the Afghans.

In addition to the field at Mazar, the Russians are to construct a new military airfield at Begram, 30 miles north of Kabul.

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the USSR may also undertake construction of new airfields at Tashkurgan and Kunduz, and possibly also in the Khost-Matun area near the Pakistani border.

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A dangerous aspect of the Soviet-sponsored aviation build-up is the possibility that the new air force will eventually be used against Pakistan. Afghan prime minister Daud, when he announced the arms deals in August, referred back to the decision of the Grand Assembly of Tribes in November 1955 which committed the nation to support the Pushtoonistan movement. Despite the apparent lessening of tension between Pakistan and Afghanistan during the past several months, Daud's actions during his visit to Karachi at the end of November made it clear he continues to be obsessed with the idea of an independent Pushtoon state.

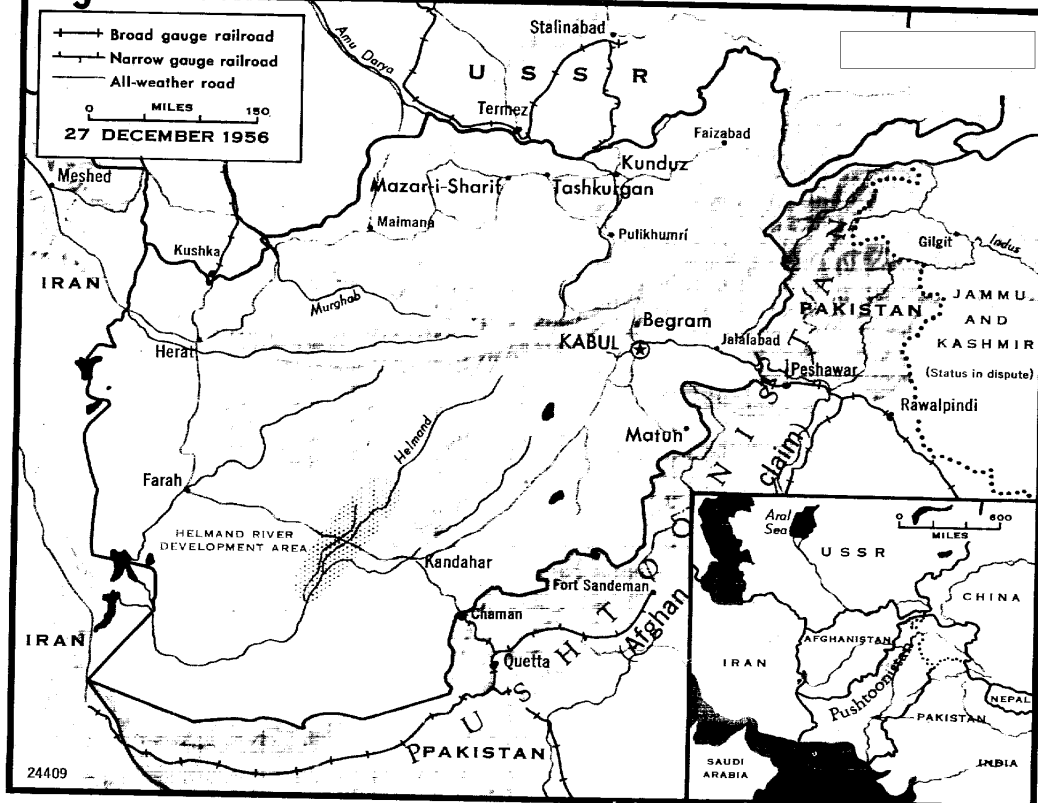
In the past, Pakistan has had the advantage of uncontested

control of the air over the tribal areas involved in the Pushtoonistan dispute. Daud probably feels that possession of an operational air force would counter this. The development of such a force would probably require at least several years, but the mere presence of a substantial quantity of Soviet arms in Afghanistan could encourage new hostile moves against Pakistan.

In turn, Pakistan--which thus far has appeared surprisingly indifferent to the arms build-up in Afghanistan--might at some future date feel compelled to attempt to cripple the Afghan military establishment before it can fully absorb the new arms.

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Afghanistan



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CHOU EN-LAI ANNOUNCES FORTHCOMING TRIP TO THE USSR

Chou En-lai announced in Karachi on 24 December he would postpone his scheduled visit to Afghanistan and go instead to Moscow and Warsaw. This news overshadowed Chou's Pakistan trip, which produced no startling developments. Chou received a warm public welcome, but his conversations with officials were apparently confined largely to an exchange of platitudes.

The final communiqué emphasized the "strengthening of friendship" between Pakistan and Communist China, although noting that there was a "divergence of views on many problems" between the two countries.

The USSR's relations with other Orbit countries will probably be a principal topic of discussion during Chou's visit to Moscow in January. The Chinese premier will be able to report the unfavorable Asian reaction to the Soviet armed intervention in Hungary. Tailoring his remarks to his Asian audiences, Chou frequently during his tour gave assurances that Peiping itself would try to avoid "great-nation chauvinism." Chou may point out to the Soviet leaders that Communist China has lost prestige in the eyes of important Asian neutrals because it had to express support for the use of Soviet troops in Hungary.

Chou is likely to inform the Soviet leaders that Communist China favors a relatively liberal and more flexible Soviet policy in Eastern Europe. The Chinese have shown great sympathy for Polish efforts, and for the early Hungarian efforts, to attain a greater degree of freedom within the bloc. Chinese com-

mentaries have indirectly criticized Soviet actions to a degree unprecedented for Peiping, and have described "great-nation chauvinism" as the "main thing" to be avoided in relationships among bloc countries.

While Peiping's stand on Eastern European developments, including its avoidance of comment on the Soviet-Yugoslav dispute, probably did not come as a complete surprise to the Soviet leaders, they apparently are disappointed with the Chinese position. The Russians will almost certainly seek from Chou a private commitment to support Soviet efforts to preserve Moscow's leadership of the Eastern European Satellites.

Despite China's effort to dissociate itself from the harder aspects of Soviet policy toward the Satellites, the Chinese leaders clearly wish to avoid a public quarrel on the question and have emphasized the need for unity within the bloc. Any Sino-Soviet communiqué emerging from Chou's visit would probably profess recognition of equality among Communist states, but express the need to strengthen bloc unity and "proletarian internationalism."

During his visit, Chou will probably be briefed on the recent discussions of the Soviet central committee plenum concerning economic policies and the effect, if any, these policies may have on the Soviet aid program to Communist China.

Chou will also visit Warsaw in mid-January--the first visit by a non-Soviet leader since the Gomulka government was established. The visit will formalize Peiping's approval of Warsaw's new relationship with Moscow.

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In private, however, Chou will probably inform the Poles that continued Chinese support--which reportedly was first given to former party leader Ochab in Peiping last September--will depend on Polish adherence to

the principle of bloc solidarity under Soviet leadership, a principle which Peiping has called the "highest duty" of Communist states.

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SOVIET PROPAGANDISTS STRESS VIGILANCE THEME

Concern over unfavorable tendencies in the political orientation of the Soviet people has prompted Moscow to warn Soviet citizens of the need for greater vigilance against the enemies of the USSR. Warning that "imperialist reactionaries" employ any means to undermine socialist power, propaganda media have begun to exhort the populace to be on guard against "every manifestation of bourgeois ideology." Emphasis in the press thus far has been on improving ideological work to "clearly demonstrate the advantages of the socialist system," and there are as yet no indications that repressive measures typical of Stalinist vigilance campaigns are being prepared.

These demands for watchfulness seem to be primarily an effort to justify the use of force in the Hungarian uprising, which is said to have been instigated by the "reactionary" Western powers seeking to reinstitute capitalist repression and destroy the social

gains of the Hungarian people. It has been repeatedly alleged that the imperialists fomented the revolt in order to prepare a new war.

The Soviet armed forces on 22 December were called on to "pay extraordinary attention to current world events and draw the necessary conclusions." A recent article in the Soviet navy's official newspaper stated that "the government and the armed forces must take into account the provocations and intrigues of the enemies of peace. The state interests of the socialist motherland demand that Soviet fighters increase their military preparedness and vigilance still more."

In addition to warning that the imperialists are preparing for a new war, the Soviet press has recently published stories alleging espionage activities directed against the whole Soviet bloc. By creating an atmosphere of vigilance against the external

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enemy, the regime is seeking to counteract the adverse effects the intervention in Hungary has had on the Soviet populace, particularly young people and intellectuals, and trying to explain popular dissatisfaction as due to the influence of reactionary, bourgeois ideology.

The December issue of the official party journal, Partiinaya Zhizn, cited a significant increase in the efforts of students to "understand questions of theory and present policies," and warned that if their questions were not answered, they would seek information "elsewhere, thus permitting the possibility for a distortion and a weakening of the struggle with bourgeois and petty bourgeois ideology." A local party journal has admitted that "insufficiently steadfast" individ-

uals may succumb to the influence of bourgeois ideology, and one writer warned that "he who casts doubt on the necessity of party leadership of literature aims at the socialist structure, at the Soviet regime, at the Communist Party, and at the heart of our people. He opposes the basic interests of the working people."

Questions about party and government policy and Marxist ideology are explicitly encouraged as long as they do not serve as a pretext for casting doubt on the fundamentals of the Soviet Communist system. The equating of opposition to party guidance of culture with a rejection of the Soviet system, for example, is a clear warning to questioners of party control that they are approaching a traitorous position. 25X1

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GOMULKA'S POSITION AND PROSPECTS

Polish party first secretary Gomulka is faced with an increasingly stronger party opposition and growing popular discontent, according to recent reports. The responsibilities of office and the resulting need to balance political realities carefully have forced him to resort to temporizing tactics in an effort to fulfill high popular expectations while at the same time attempting to forestall Russian counteraction. His task is made all the more difficult by the weakening of central authority and the loss of party unity which accompanied his rise to power.

Gomulka will find it difficult to continue his program in the face of the opposition which threatens from every quarter, and he may not last long in the attempt. The coming spring will undoubtedly be a critical period. By that time popular hopes will probably have been deflated by the realities of the continuing economic hardships.

In addition to trying for a rapid improvement in the economic situation, he is now replacing and reforming party cadres and consolidating his position within the army and security forces.

Next to the difficult economic situation, the party itself is probably Gomulka's

most pressing immediate problem. He has no personal following, no patrons in the Kremlin, no "apparatus," and almost no associates of tested loyalty and reliability. The "palace revolution" that brought him to power has made the position of most of the regional and lower-level party functionaries untenable. Many have resigned; others have been forced out by popular pressure or in the gradual replacement of cadres now under way.

Not associated with the new leadership faction which suddenly materialized at the top, and already compromised by the de-Stalinization movement, they are now swelling the ranks of the dissident group known as the "Natolins." This group, lacking clear leadership at the moment, is looking to the Soviet Union, from which it is reportedly receiving increasing support. It probably hopes this will enable it to turn from obstructionist tactics to counterrevolution. The continued suppression and gradual neutralization of this faction in the face of subversive support from the Kremlin will challenge to the utmost Gomulka's hold on the state security and party control forces.

Gomulka is also confronted by increasing disaffection among his former supporters, particularly journalists, students and intellectuals who are dismayed

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by his go-slow tactics and who resent as an act of bad faith measures that appear repressive. These groups, together with the workers, consider themselves the self-styled leaders in the democratization movement and feel that Gomulka owes to them everything he is today. Demands among them for greater journalistic freedom, for further liberalization of the election system and for more rapid implementation of worker self-government are kept from getting out of hand more by awareness of the Hungarian example and its aftermath than by effective regime control. They seem to be biding their time with Gomulka until a more favorable alternative can be realized.

The Kremlin leadership has its own reasons to be opposed to Gomulka; he has started, in the name of an "independent road to socialism," a series of innovations which, like a cancer, will certainly make damaging inroads if not stopped in time.

Among these innovations, cessation of jamming, agreement to permit religious education in primary and secondary schools, and de-emphasis on collectivization of agriculture accompanied by abolition of the delivery quota system are perhaps the greatest threat to the

Soviet system. Another innovation is modification of the election system to a degree which could permit election to the Sejm on 20 January of an increased number of delegates who favor greater independence from the Soviet Union.

Poland has also become a divisive element in the socialist camp by seeking support from China and Yugoslavia for its independent road. Further, the Soviet leadership must harbor a bitter personal animosity toward Gomulka for the humiliating defeat it suffered in attempting to dictate to the Polish central committee on 19-20 October.

Recent Soviet moves which have tended to support Gomulka, such as the agreement on stationing of troops in Poland, suggest that the Soviet leadership considers it has no practical alternative at the moment. Fear is growing in official Warsaw circles, however, that the USSR may withhold economic aid in order to aggravate the internal situation and bring about a better opportunity to reassert Soviet control. Thus, the Kremlin seems to be counting on internal difficulties to bring Gomulka down, confident, meanwhile, that the inescapable need for friendly relations with the USSR will prevent him from straying too far. 25X1

HUNGARIAN REGIME SEEKS CO-OPERATION OF PUBLIC

The Hungarian regime, no longer forced to combat violence and general strikes, has stepped up its propaganda campaign to convince the overwhelmingly hostile and suspicious population that it is working for the popular welfare and is worthy of popular confidence. Attempting to minimize the terror tactics of the newly constituted

security forces and to ignore the presence of Soviet troops, press and radio statements promise daily that life can be better than ever if everyone will now join an all-out effort to rebuild the nation's shattered economy. The Soviet occupation will have to be maintained for the foreseeable future and popular hostility

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is unlikely to diminish unless major political concessions-- which would threaten the regime's authority--are granted during the coming year.

With industrial production at a virtual standstill for two months, with about half of the nation's coal miners no longer available for mining work, and with major damage to be repaired in several cities, the country is faced with a long and grueling battle for recovery. The regime has admitted that during the first quarter of 1957 light industrial production will be at only 50 to 60 percent of capacity, that sporadic shortages of some food supplies will continue for another half year, and that coal production this year is already approximately 40 percent short of the planned goal.

Fuel shortages have forced the closing of several factories, with the workers sent home on half pay. Further unemployment is expected, and regime economists foresee up to 200,000 workers without jobs by the beginning of 1957.

Economic aid from the USSR will allegedly supply on credit the country's bread grain needs until the end of May. But, with trade debts piling up and exports at a standstill, some form of over-all large-scale

aid will be needed. Press reports from Budapest claim that the Hungarian government had been planning to ask for a \$100,000,000 loan from the International Bank for Reconstruction and Development, even though not a member.

The Kadar regime, although continuing its use of martial law, curfews and arrests of opposition figures, is attempting to appear as conciliatory as possible. It has de-emphasized its police methods, has stressed the alleged legality of its tactics, has continued to permit the formation of ostensibly nonparty youth groups, newspapers, and trade unions, and apparently has avoided strict regime censorship of some news media. Negotiations with minority party figures are reportedly in progress and radio Budapest recently promised that the government would be "extended" in the near future.

Although the people have been deprived of their top leadership and are no longer united in active and violent opposition to the regime, basic hostility probably remains as high as ever. Sporadic strikes, occasional anti-regime demonstrations and an all-pervading popular apathy can be expected to plague the regime throughout the coming year.

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EAST GERMAN CRACKDOWN ON INTELLECTUALS AND STUDENTS

The East German regime is making alternate threats and promises to intellectuals and university students, while playing on the theme that excesses and misguided actions by these groups were responsible for the anti-Soviet developments in Poland and Hungary. Some intellectuals have been arrested and a few university students expelled as a warning to potential dissident elements.

Important party and government officials are joining the press and radio in the campaign to combat the spread of "dangerous" ideas.

Party first secretary
Walter Ulbricht,

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ac-
cused Hungarian intellectuals of precipitating the revolution in that country. Noting that

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tendencies similar to those evidenced by Hungarian intellectuals had been observed among some East Germans, he warned that under no circumstance would his regime tolerate such leanings.

Some prominent intellectuals connected with publications denounced by Ulbricht for printing "defeatist articles" by Hungarian intellectuals have now been arrested, probably as a warning to others to hew more closely to the party line. Writers and intellectuals are clearly not to be permitted to spearhead a drive for liberalization in East Germany, as they did in Poland and Hungary.

Recent pronouncements in the party press by leading Communist officials reflect the regime's growing concern over widespread ideological deviations among students, particularly their unwillingness to accept the orthodox Russian interpretation of the recent developments in Eastern Europe. The party's problems are now compounded, since it must combat not only Western ideas but also the concept of a development of national Communism within the Soviet bloc. The government is especially sensitive to hostility among young people.

A letter from the party central committee signed by

Ulbricht illustrates the regime's approach to the problem. Clearly threatening expulsion or worse for those who do not conform, it warned, "At our universities and colleges only those may study who are faithful and loyal to the worker-peasant power." The letter cited the necessity for close ties between students and workers, and then continued, "He who attempts to maintain or restore capitalism--even though he may try to disguise capitalism with hypocritical slogans...is trying to stem the course of the wheel of history and will fail in the attempt."

Minister of State Security Ernst Wollweber, long-time Communist thug and hatchet man, got into the act with an article in the party newspaper on 21 December, warning, "We will not tolerate so-called 'free' discussion that leads to anti-democratic and antisocialist ideology." He said enemy agents in universities, encouraged by the Hungarian revolt, had been arrested.

In an effort further to isolate East German students from forbidden ideologies, including national Communism, the government has sharply curtailed visits of foreign delegations and athletic teams, particularly from West Germany and Poland.

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BOLIVIAN MONETARY PROGRAM MAY PROVOKE CRISIS

The Bolivian government's political stability has been threatened by labor's opposition to the immediate sacrifices demanded of it under the sweeping monetary stabilization program promulgated on 15 December

to check the country's dangerous inflationary spiral. Backed by credits of the International Monetary Fund and the US government, the plan calls for a drastic revision of fiscal practices and the application

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of austerity measures which in their initial phases bear particularly hard on the Bolivian worker, who understands neither the economic exigencies behind stabilization nor its ultimate aims.

The new administration of moderate President Siles Zuazo appeared to have won substantial advance co-operation for the plan from labor and political leaders of the government Nationalist Revolutionary Movement (MNR). The first days of the program's operation were punctuated, however, by sharp price increases, sporadic rioting and serious violence in the mining districts over labor's loss of subsidized food purchases. Influential labor leaders, whose backing may be vital for the program's eventual success, wavered in their support. Juan Lechin, president of the senate and head of the powerful Bolivian Workers Central (COB), threatened to denounce the reform as prejudicial to the workers' interests and convened a series of meetings starting 21 December to determine the COB's future attitude toward the program.

Discouraged by such adverse reactions, Siles has considered stepping down from office in favor of leftist Vice President Chavez, and the cabinet reportedly tendered its resignation on 18 December in protest against a left-wing congressional attack. Chavez, who is now in New York for the UN General Assembly meetings, has subsequently assured US officials of his support of the stabilization program.

Ever since Siles' inauguration last August, however, there has been a widening rift between the left and moderate wings of the MNR. As the power base of the left wing of the party, the COB considers itself a co-partner in directing government policy. Its leaders control congress, the vice presidency, and four cabinet posts.

In the event the stabilization program becomes the issue provoking a struggle for power within the MNR, the COB and other leftist elements could possibly command--in addition to rank-and-file union affiliates--the great majority of the armed worker and peasant militia. The militia is numerically superior to the combined armed forces and police, and in fighting ability is believed to be an almost equal match for them--particularly since the loyalty of the police and armed forces to the government might be affected by an open split in the MNR.

Although the concerted opposition of labor could probably wreck the stabilization plan, leftist labor and political leaders may be reluctant to force the downfall of the government over this issue. As in the past, labor leaders may be expected to threaten violent action in a continuing effort to extract special concessions for the worker, but they are probably not eager to assume the responsibilities of office themselves in a deteriorating economic situation, which apparently can be rectified only through politically difficult austerity measures.

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CHANGING BRITISH ATTITUDES ON CONTACTS WITH USSR

Indignation over recent Soviet actions in Hungary has brought an almost complete reversal of British public attitudes toward the desirability of expanding contacts with the Soviet Union. Virtually all trade union and student exchange trips have been canceled. Several unions with considerable Communist sentiment and which had earlier led the drive for expanding contacts with the bloc have dropped plans to exchange delegations. On the national level, the General Council of the Trades Union Congress (TUC) on 29 November urged its 187 affiliates to abandon any such plans. The TUC was capitalizing on the changed climate of opinion to give voice to its own skepticism of the value of the exchanges, which it had questioned even before the disturbances in Eastern Europe.

The Foreign Office has modified its position in such a way as not to preclude a resumption of its policy of promoting contacts. Britain will avoid exchanges that might be accompanied by great publicity, such as a scheduled visit of the Sadler Wells Ballet to Moscow. The Foreign Office states that it intends to avoid a "rigid" attitude and will consider exchanges that would benefit Britain from a technical or intelligence point of view.

While thus accommodating to public opinion, the government does not appear to have abandoned its view that expanded exchanges of individuals and groups offer the principal hope for a long-term improvement in Anglo-Soviet relations. One visit still on the calendar is that of Prime Minister Eden to Moscow in May 1957. 25X1

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NORTH AFRICAAlgeria

Terrorism increased during the Christmas season despite repeated French claims that military action has eliminated all large bands. In addition, a countrywide week-long general strike at an indefinite date has been decreed by the National Liberation Front.

Minister Resident Lacoste in Algeria has scored a victory

over local French settler extremists. He influenced the mayors in the departments of Oran and Constantine not to subscribe to resolutions drawn up by their Algiers Department colleagues calling for their resignations if the government dissolved settler-controlled municipal and departmental councils in order to permit greater Moslem participation. Councils are being dissolved, but even so, Lacoste still has been unable to get a single

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influential Moslem to participate in his reform program.

About 15 January, Premier Mollet is expected to decree equal civil rights, election of a unicameral body from which a prime minister chosen by Paris would select a cabinet responsible to the assembly, and a reconstitution of local councils to provide equal French and Moslem representation. This plan will probably be unacceptable to the rebels, who demand recognition of the principle of Algerian independence.

Morocco and Tunisia

Greater co-operation between France and Morocco and Tunisia appears probable despite disagreement over the status of French troops and the extent of Paris' contribution to the local budgets. In Rabat, Foreign Minister Balafrej and another cabinet minister reportedly have convinced the sultan that a compromise with France is necessary because of the serious economic situation. The dominant Istiqlal party has not yet accepted this thesis, and the sultan will delay appointing an ambassador to France until Paris makes some

concession to avoid arousing the party members.

The climate of the Tunisia-French negotiations has improved principally as a result of Tunisia's realization that it must depend on France for funds. Bourghiba was unusually friendly recently while presiding at a French cultural gathering. Agreement has been reached for the French government to purchase outlying French farms, and Paris has made some financial advances to permit Tunis to pay its current expenses.

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LAOS

The Laotian cabinet on 22 December refused to approve a communiqué signed by Prime Minister Souvanna Phouma and Pathet Lao chief Souphannouvong which called for the immediate inclusion of several Pathet Lao leaders in the cabinet but offered no effective guarantees for restoration of the government's control over the disputed provinces and for integration of Pathet forces into the royal

army. Although unwilling to accept a sellout to the Pathet Lao, the cabinet still wishes to reach a settlement and has agreed to accept two Pathet Lao leaders in the cabinet with minor portfolios, if an acceptable agreement can be reached on the dissolution of the Pathet Lao and for the immediate imposition of government control over the Pathet forces and the two northern provinces.

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This latest development poses a dilemma for the Pathet Lao, which, although willing to make sweeping concessions "in principle," has heretofore shown great reluctance to agree to specific terms which threatened its control over the two provinces. On the other hand, if the Pathets fail to meet the cabinet's conditions, the Souvanna Phouma government probably will fall, terminating the agreements already negotiated. In this connection, Sou-

vanna on 22 December reportedly reaffirmed his intention to resign if no solution to the Pathet problem is found.

In the event an acceptable agreement is reached, the government reportedly plans to place the issue before the National Assembly during the first week in January. A two-thirds majority will then be required to approve the "broadening of the cabinet" to include the Pathet Lao officials. [REDACTED]

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UNREST IN URBAN AREAS OF NORTH VIETNAM

Although the disorders in North Vietnam last month were apparently confined to rural areas, [REDACTED]

[REDACTED] Hanoi's own admissions, present increasing evidence of widespread discontent in the urban areas of Hanoi and Haiphong, especially among intellectuals and merchants.

Ho Chi Minh's press decree of 15 December tightened the already stringent regulation of publications and provided the basis for the Hanoi Administrative Committee's immediate suspension of the new literary periodical People's Culture. In the five issues of this periodical since it began publication several months ago, there were apparently several articles which drew attention to the repression of individual creativeness in the arts by the Communist bureaucracy. In announcing the suspension, Hanoi radio declared that every issue caused "readers to become discouraged, pessimistic, and dubious of our regime and

leadership...and had a disastrous effect on the consolidation of North Vietnam."

Apart from considerations of academic freedom, the uneasiness of many intellectuals derives in large part from their bourgeois or landowner backgrounds. The livelihoods of their families and close friends were invariably affected by the Communist land reform and tax policies; some even lost their lives. In November a Hanoi publication frankly acknowledged that the resistance of intellectuals to the regime is still a problem requiring solution. There have been unconfirmed reports that students at Hanoi University staged protest meetings to criticize certain regime policies.

There are also indications of dissatisfaction among the general population in the cities. [REDACTED]

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Haiphong residents, particularly merchants, frequently

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express the opinion that "con-
ditions could not be worse" than
at present, mainly because of
increasingly heavy taxes. [redacted]

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[redacted]

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[redacted] Hanoi radio
itself, in one of its recent

self-criticisms, admitted that
the North was beset by inequi-
table taxation, inflation, and
scarcity of consumer goods. It
called for correction of mis-
takes in order to "allay the
unrest of all the people's
classes" in the capital city.

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SCANDALS PLAGUE RHEE ADMINISTRATION

Three scandals, two involving assassinations and one corruption, have lately embarrassed the Syngman Rhee administration in South Korea. The handling of the cases suggests that Rhee is reluctant at this time to protect officials guilty of misconduct, and this attitude may presage at least a partial cleanup within the corruption-ridden Liberal Party.

Two trials now hold public attention in South Korea. In one, the assailant of Vice President Chang Myon has said he was aided in his assassination attempt by the South Korean National Police. In the other, Lt. Gen. Kang Mun-bong, one of South Korea's ablest generals and a close friend of Chairman of the Joint Chiefs of Staff Chong Il-Kwon, appears likely to be convicted of complicity in the year-old slaying of CIC chief Maj. Gen. Kim Chang-yong ("Snake" Kim).

To date there is no reliable evidence to link senior administration officials to the wounding of Chang. However, the long-standing hostility between Rhee and his vice president has caused the incident to be embarrassing to the administration. The Democratic Party has alleged that his assailant had visited Seoul police headquarters several times prior to the shooting. It is possible certain police officials, anxious to curry

favor with Rhee, encouraged the attempt on Chang's life.

On top of these developments, in late November two Liberal Party politicians, including Assembly vice speaker Hwang Sang-su, were forced to resign high assembly posts after being linked with the smuggling of a consignment of watches from Hong Kong. The incident prompted Rhee to announce that he would sever all connections with persons whose conduct is detrimental to the national welfare, without regard to past services.

While Rhee has shown no sign of disrupting legal processes in the smuggling and Chang Myon cases, he may desire to limit the scope of the "Snake" Kim investigation.

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This case appears to be adversely affecting army morale and is undermining popular confidence in the army.

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President Rhee's stated intention not to protect those guilty of personal misconduct will probably not preclude extralegal activities on behalf of the Liberal Party.

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It appears likely that the police, whose influence and independence has increased

in recent months, will continue to "protect" Rhee from his "enemies."

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INDIAN REACTION TO NEHRU'S VISIT TO UNITED STATES

The Indian public and press appear pleased with Prime Minister Nehru's reception in the United States and feel that there will be a definite improvement in Indian-American relations.

There is no reason to believe this favorable reaction will last for long, however, or that Nehru himself has changed his basic beliefs that military pacts are bad and that India must remain friendly with both the USSR and Communist China. The Kashmir question, to be raised in the United Nations in January, is likely to produce renewed Indian criticism of the United States.

More than 100 members of the Indian parliament sent a message to Nehru on 21 December expressing "deep appreciation for his great achievements in cementing friendship between India and the United States."

The Indian press has carried extensive reports of the Eisenhower-Nehru talks, as well as of Nehru's New York visit. Commenting on the Eisenhower-Nehru joint communiqué, one paper observed: "Never perhaps has so much been said in so few words...the utter sincerity of the declaration is so apparent.

That was only to be expected when two minds so earnestly dedicated to the cause of peace and human progress discussed world problems in an informal atmosphere." Another paper commented on the meeting: "It comes at a moment of history when the policies of the United States and India, which had seemed to follow divergent paths, have at last coincided and found a firm basis of co-operation with the UN."

Other Indian papers comment: "Of all that has been published about the visit, the most arresting statements are in Nehru's address to the UN General Assembly. Nehru's speech should convince all alike that the future of the UN should not be judged by comparing its apparently meager achievement... the future of world peace depends on world opinion which will give the UN the strength it needs for throwing all its weight effectively against the aggressor."

The only discordant note struck was by the Indian Communist Party organ *Swadinhata*, which stated that the Eisenhower-Nehru communiqué showed a strong departure from Nehru's former "strong, healthy, independent, self-sufficient principles."

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PART III

PATTERNS AND PERSPECTIVES

THE BALTIC STATES: CHRONIC TROUBLE SPOT FOR USSR

Lithuanian party boss Antanas Sniechkus admitted in mid-December that the Hungarian revolt had encouraged "bourgeois nationalist elements and their accomplices" in Lithuania to raise their heads and attack the Communist Party. Early in November, anti-Soviet rioters in several cities demanded the withdrawal of Russians from Lithuania, and local party concern over student unrest in Latvia and Estonia was expressed early this month. These and other recent developments in the Baltic states indicate that fundamental anti-Communism and resistance to Soviet rule are still strong and perhaps growing 16 years after Lithuania, Latvia and Estonia were incorporated into the USSR.

and received admission into the Soviet Union. The principal Western powers have never recognized this development, however, a fact which many sources believe to be an important element in continued Baltic resistance to Soviet rule.

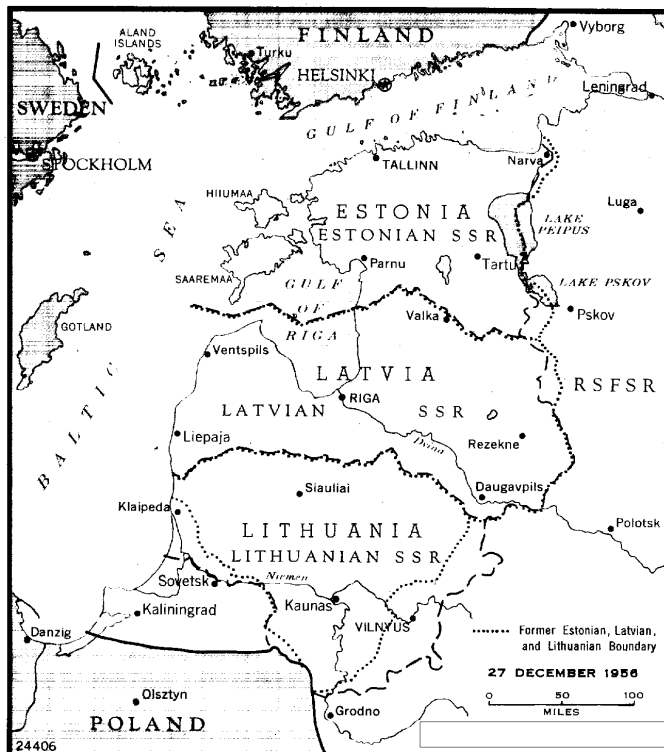
Soviet Control

The Kremlin has done little to modify the harsh policies it put into effect on the admission of the Baltic states into the USSR. The post-Stalin thaw apparently has not been as rapid there as in other areas of the Soviet Union, and the basic features of Soviet control remain unaltered.

Seizure of Baltic States

The Soviets gained an initial foothold in the Baltic area in October 1939 when "mutual assistance" pacts were concluded with the three neutral republics. By May 1940, the Kremlin had evidently decided to take complete control in the Baltic republics and military occupation was completed in mid-June.

The Kremlin demanded that the parliament of each republic be dissolved and a new government elected. Elections held in July achieved the obvious results. In early August, each nation asked

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The Baltic regimes have traditionally been headed by Moscow-trained natives like Snochkus in Lithuania and Yanus Kalnberzin in Latvia, who have bossed their Communist parties since 1940. In both party and government, key positions on the second echelon have usually been held by Russians. Between 1944 and 1953, for example, there was an almost unbroken succession of Russian second secretaries of the party in each republic.

In addition, Slavs have always comprised a strong minority in the Baltic central committees, and principal cabinet portfolios have often been held by specialists from Moscow. These regimes are maintained in power by the presence of large numbers of Soviet troops, augmented by internal security troops, whose continued presence is justified by the alleged need to defend the Baltic Sea approaches to the Soviet Union.

The keynote of Moscow's Baltic policy has been the Sovietization of all spheres of life. Primary attention has been directed to the socialization of industry, collectivization of agriculture, and Communist education of the populace, which, according to 1956 Soviet statistics, numbers 5,800,000. Implementation of this policy often entails purges and mass deportation of recalcitrants. The most extensive deportations took place in 1940, after the Soviets occupied the area, and in 1944, when it was "liberated" from German occupation. While no reliable figures are available, the more than 100,000 persons were deported in these periods.

Banishment of natives to Siberia reportedly continued in 1948, 1949, 1950 and 1953. The last major purge occurred in early 1950, when the Estonian

party underwent a thorough cleansing in order to eliminate "bourgeois nationalism" and to correct the serious mistakes in the "allocation and training of cadres" which had resulted in the "admission to party ranks of kulaks and other hostile elements."

The only significant shift in Baltic policy occurred in June 1953 following charges at party plenums that distortions of the Lenin-Stalin nationalities policy had been allowed in the past. As a result, the Russian second secretaries were replaced by natives. Similar plenums with similar results were also held in the Ukrainian and Georgian Republics; this de-Russification policy may have been the result of the machinations of Beria, who was seeking to bolster his own position, or may have been undertaken by the entire leadership in order to preclude adverse reactions to Stalin's death by making concessions to local national sentiment.

By early 1954 the trend had been reversed in the Baltic states, and Russians again began to appear in leading party and government posts. By January 1956 the post of party second secretary had reverted to Russians in both Latvia and Lithuania.

Effects of Soviet Policy

Moscow's acquisition of Latvia, Lithuania and Estonia satisfied some of the Kremlin's major strategic requirements. It secured a portion of the western boundary against land-based attack and increased the USSR's access to maritime trade routes. It also added to the Soviet Union three states whose economies and cultures were already well developed.

Twelve years of uninterrupted Sovietization (1944-56), however, have served to

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strengthen the basic anti-Communism of a majority of the native population. Economic recovery in the postwar period has been slow and, while the living standard in the Baltic area is evidently still somewhat higher than in the rest of the USSR, several reports suggest that, in contrast to the USSR, it has not surpassed its prewar level.

Russification in all spheres of life also causes considerable resentment. Russian has replaced native tongues as the official language of government, and heavy doses of Communist propaganda are administered daily in an attempt to convince the population of the superiority of the Soviet system. Particularly in the cities, both military personnel and the thousands of Russian civilians who poured into the area after the deportations receive preferential treatment even in insignificant matters, such as preferential seating in theaters. The net result has been to make many natives feel like second-class citizens in their own countries.

Current Situation

The Baltic area has been closed to foreigners since 1940 and, as a result, little firsthand information has been obtained concerning the aftermath of de-Stalinization there. It is evident that tensions lessened and fear of the secret police diminished noticeably. As a result of recent amnesties, small numbers of former inmates of slave labor camps have begun to drift back into the area.

the situation otherwise remains much the same as it was prior to Stalin's death.

Stubborn passive resistance continues in rural

districts. Party plenums held in each republic during 1956 demanded an improvement in political work among the rural population.

low party membership on collective farms is regarded as a serious and continuing problem.

there are still many people who prefer to "live in an illegal situation" rather than to take advantage of the 1955 amnesty for those who collaborated with the Germans.

The outbreak of rioting in November provided the first indication of open resistance in the Baltic area in many years, and the admission by Snehkus of disturbances in his bailiwick conceded for the first time that events in the Satellites have had serious repercussions within the USSR. It may be, however, that Snehkus' treatment of the disturbances is of greater significance than the events themselves. His statement that it is the youth and students who are most susceptible to the lies of the bourgeois nationalists implies that years of Communist indoctrination have not succeeded in winning Lithuanian youth over to Communism.

Repressive action against dissident elements in the Baltics may be in preparation. Snehkus asserted that it was impossible to "remain passive" while the youth were being imbued with false and idealized views of bourgeois life. If an attempt is made to overcome resistance through repression, however, it does not seem likely to enjoy any more success than have similar moves in the past.

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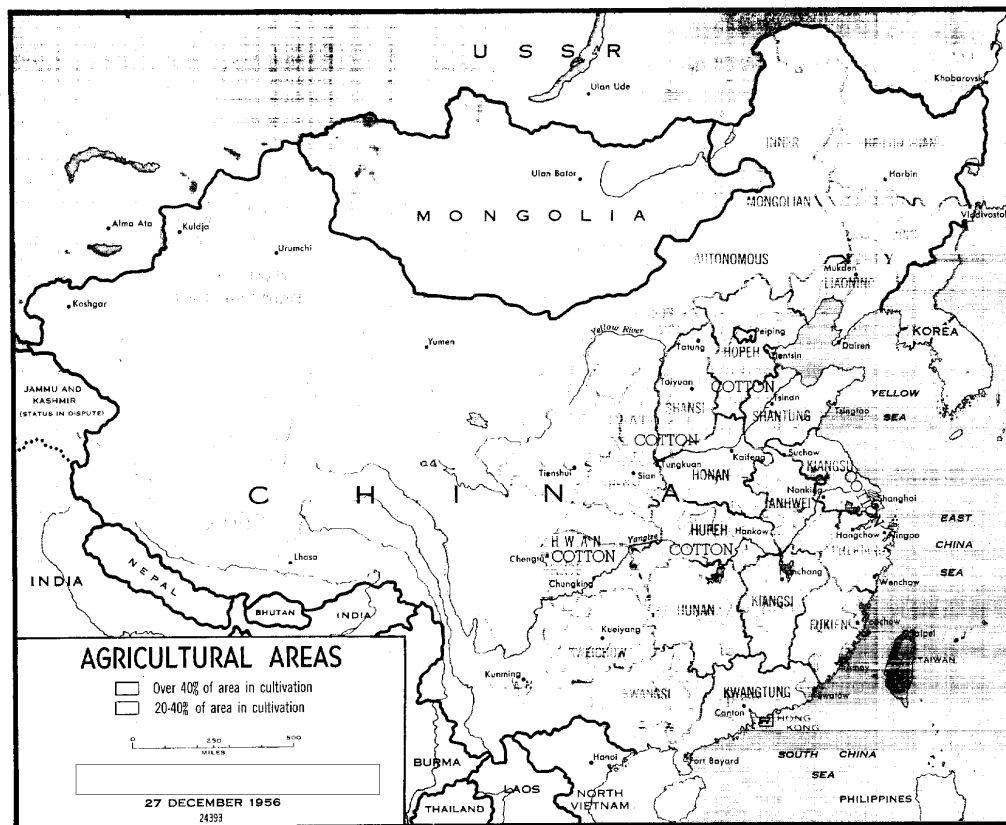
CHINESE COMMUNIST AGRICULTURE

Communist China probably will not achieve the high targets for agriculture of the Second Five-Year Plan (1958-1962), unless the regime invests more than is now scheduled. Peiping's planning relies heavily on the farms to produce the surpluses needed to pay for the ambitious industrialization program. To date, the pressure of a growing population on land resources and the unwillingness of the regime to invest heavily in agricultural machinery and fertilizer have made increasingly difficult the realization of such surpluses. The regime began in 1955 a major effort to socialize agriculture in order to increase state control over crop output.

Basic Problems

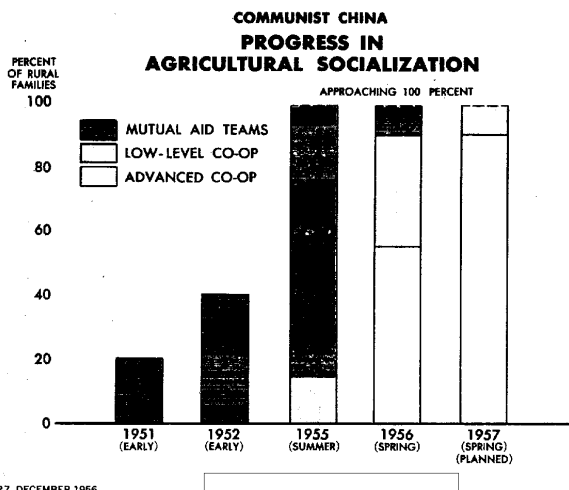
Agricultural output in Communist China constitutes an estimated 45 percent of the gross national product, and 80 percent of the population lives on farms. China's agricultural production--and its population--are greater than that of any other country in the world. The land is worked very intensively. Whereas 168,000,000 Americans are supported by 866,000 square miles of cultivated land, China's 600,000,000 are fed from some 428,000 square miles of agriculturally productive land.

Rice accounts for around one half of cereal production. This is significant from the

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effects have been admitted. The normal sideline production of the farmers in off seasons appears to have been neglected. This has decreased the income of the peasants and reduced the amount of raw materials available for some light industries and export trade. Also, the numbers of fowl and livestock have declined under the collectivization program.

Socialization Program

standpoint of mechanization and collectivization, since paddy farming is not easily improved by mechanization or by merging small plots into larger fields. The problem of increasing farm production is not one of improving labor productivity, but one of increasing land productivity.

Some increase in yields is possible through the relatively inexpensive measures of greater use of natural fertilizer, better seeds and insecticides, and through selective stock breeding and small-scale irrigation and flood control. Any major improvement in the balance of population and food supply, however, will probably come about only with large-scale outlays, particularly for chemical fertilizers.

A major problem facing the regime is maintaining production incentives. To prevent discontent among the millions of peasants who have lost and are losing property through collectivization, it is necessary to demonstrate that socialism increases their income. While the progress of collectivization seems to have been to the general satisfaction of the leadership, some fairly serious side

The regime has almost completed a campaign to socialize agriculture, begun in 1950, which gives Peiping a mechanism for extracting the surpluses it needs for its investment program. The process of socialization began with the land reform program which, theoretically at least, took land from the "landlord" and "rich peasant" classes and redistributed it among land-poor peasants. Next, "mutual aid teams" were established in which neighboring families pooled their labor, animals and implements for certain tasks at certain seasons. The peasant, however, remained an individual agent.

The third and fourth phases have involved the establishment of agricultural producer co-operatives. Producer co-ops proceed from "lower" or "semi-socialist" to the fourth stage of "advanced" or "fully socialist." In the lower form, land and property are pooled and the individual is paid a share of the produce both on his labor and on the value of his capital contributions. In the advanced form, land and property are collectively owned and each member is paid exclusively according to the amount of work he performs.

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An advanced co-op encompasses between 100 and 300 peasant households. As socialization progresses, these co-ops presumably will be combined into much larger units until they become bona fide collective farms. For example, the model Peace Collective Farm outside Peiping has 2,400 peasant households.

The fifth and last stage of socialization, according to Peiping's doctrine, is technical reform. The regime is not likely to make spectacular gains in this field for some years to come.

In July 1955 the intervention of Chairman Mao Tse-tung resulted in a tremendous acceleration of the drive toward the fully socialist form. It is now planned that 90 percent of China's peasants will be in advanced co-ops by the spring of 1957.

Agricultural Plans

Communist plans for agricultural production are set forth in three programs: the First Five-Year Plan (1952-1957), the Second Five-Year Plan (1958-1962) and a long-range Twelve-Year Draft National

Program for the Development of Agriculture (1955-1967).

Production targets for the First Five-Year Plan have shuttled up and down. The current target, as spelled out at the eighth party congress in September 1956, is the same as the original target. It calls for a 17.6-percent increase in food crop production between 1952 and 1957 (164,000,000 to 193,000,000 metric tons) and for a 26-percent increase in cotton output (1,300,000 to 1,630,000 tons) for the same period. Peiping claimed in late November that food crop production had already reached the 1957 goal.

The Second Five-Year Plan calls for a near doubling of 1952 food and cotton production by 1962. Under the twelve-year program, food crop production in 1967 is to reach 450,000,000 tons, a 175-percent increase over 1952, and cotton output is to reach 4,000,000 tons.

While primary reliance is being placed on increasing yields, ambitious plans for the expansion of cultivated acreage have been drafted. In addition, construction is under way on

COMMODITY (MILLION METRIC TONS EXCEPT AS NOTED)	1952		1956		1957		1962		
	PRE-COMMUNIST PLAN	COMMUNIST CLAIM	CIA ESTIMATE	COMMUNIST CLAIM	CIA ESTIMATE	COMMUNIST PLAN	CIA ESTIMATE	COMMUNIST PLAN	CIA ESTIMATE
FOOD CROPS	150.0 1936	163.9	163.9	APPROX. 192.0	180.0	192.8	187.0	APPROX. 250	217
COTTON	0.8 1936	1.3	1.3	1.6+	1.6	1.6	1.7	APPROX. 2.4	2.4
LIVESTOCK (MILLION HEAD)	189.3	208.0				324.9		APPROX. 510.0	
CHEMICAL FERTILIZER	0.2 1941	0.2	0.2	0.6	0.5	0.6	0.5	3.0-3.2	

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several long-term multipurpose water conservancy projects. In the near future, however, most of the benefits in the field of water conservancy will come from projects on the local level.

Plans to produce heavier and more complicated farm equipment, such as tractors, reapers and combine harvesters, are in an early stage, and production of such items will remain insignificant for some time. Three tractor plants are being built--in Loyang, Tientsin and Nanking--which should begin to meet an important part of China's needs after 1958. Most of China's heavier equipment has been imported from other bloc countries.

More important than mechanization in Communist plans is the provision for better hand- and animal-drawn implements. For example, the traditional plow used by the vast majority of Chinese peasants does not plow deeply or turn the earth properly. Some 1,300,000 two-wheeled plows were delivered to peasants in the first half of 1956.

Increased use of chemical fertilizers probably holds the greatest single promise for increasing agricultural production in China. Natural fertilizer is in short supply. Probably as little as 10 percent of the amount of chemical fertilizer which could be profitably applied is now in use, and the prospect is that only a small fraction of chemical fertilizer requirements will be met for many years.

Agriculture, forestry and water conservancy received only

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7.6 percent of capital construction investment under the First Five-Year Plan. Official statements on the Second Five-Year Plan indicate that agricultural investment, although double the First Five-Year Plan figure, is still subordinate to heavy industrial investment, and that to assure planned investment rates, the regime is relying chiefly on an even more intensive effort by the peasants and on better control over production.

Prospects

According to Communist doctrine, production increases will be effected through socialization. Some positive results can be achieved by merging small individual plots of land into larger fields, centralizing management, better planning on land utilization, and organizing labor for land and capital improvements. Set against these probable gains are the disruptive effects of collectivization on the countryside, the fact that agriculture gets a small portion of total investment, and a nationwide shortage of qualified cadres to manage the collectives. The basic problem of increasing yields still lies in maintaining and improving the fertility of the land, regardless of the organizational forms used.

Production increases probably will keep pace with population growth over the next five years. Short of revolutionary changes in agricultural technology or drastic increases in investment, it is unlikely that Communist China can attain the over-all agricultural targets of the Second Five-Year Plan or the long-range 12-year program.

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SPAIN: INFLATIONARY PRESSURES

Spain is threatened by growing inflation as a result of pay raises averaging 40 to 45 percent decreed in November for industrial and agricultural workers. Government control measures thus far seem inadequate and, should an inflationary spiral develop, the ensuing economic upsets and popular unrest could endanger Franco's position.

Since the autumn of 1955, Spanish officials have expressed concern over the increasing danger of inflation, the steady rise in living costs, and the critical shortages of basic foods. The problem was intensified by the unusually severe winter last year and by wage boosts in the spring and fall of 1956.

The increases given to industrial workers in April, as the first round of a general pay raise to help offset the rise in living costs, failed to satisfy labor's demands and were followed almost immediately by a protracted strike in the northern industrial centers. The government has shown its apprehension of further worker unrest by decreeing a substantial wage boost for agricultural as well as industrial workers effective 1 November to replace the modest "second-round" increase originally planned for October.

Inflationary Threat

Inflation has been encouraged since 1954 by an increased domestic demand, supported by an expansion of bank credit and the total money supply. Factors contributing to this condition since early in 1956 are the public and private investment boom, wage increases exceeding

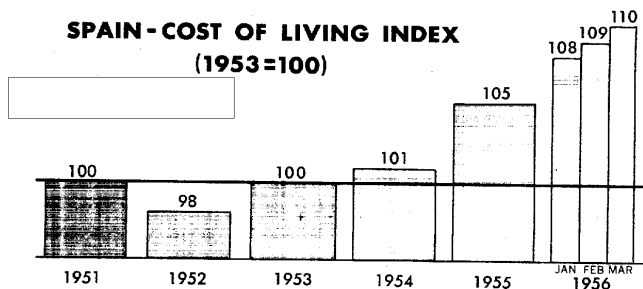
the growth in productivity, and foreign exchange shortages resulting from the effects of last February's freezing weather on Spain's agricultural exports.

The damage from the cold wave is expected to curtail citrus crop export earnings at least until 1959, thus limiting essential imports from Western Europe. Compensatory expansion of other Spanish exports has aggravated the inflationary situation by reducing supplies of these commodities on the home market. An additional inflationary factor will be the anticipated tripling of counterpart expenditures for American base construction in the current fiscal year and through fiscal 1958.

Budget Deficit

Government borrowing to finance economic development programs has resulted in a growing over-all budget deficit. It was estimated in early October that the deficit for 1956 might be as much as \$513,000,000, some 66 percent above the 1955 figure. Even this estimate does not take into account the additional wage boosts decreed by the government on 26 October for some 8,000,000 industrial and agricultural workers. These raises, which average 40 to 45 percent and range as high as 75 percent, are equivalent to over \$820,000,000 this year,

SPAIN - COST OF LIVING INDEX
(1953=100)



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or more than 10 percent of the national income.

These wage increases, with the additional family, seniority or production bonuses expected to accompany them, will probably satisfy the workers' demands for higher pay, but, unless there is a concomitant increase in productivity, a rise in the price level is inevitable. The impact on price levels is already substantial, and complaints over the steadily rising cost of living can be expected to multiply.

Remedial Action

Effective government action to counter this inflationary threat is unlikely. There are serious political and administrative obstacles to instituting adequate controls over the domestic economy, and Spain's balance-of-payments difficulties cannot be alleviated--as can its neighbors'--by the automatic credit extension which the European Payments Union provides its members. The \$30,000,000 of additional defense support aid which Spain is requesting from the United States would do little to solve its inflationary problem.

Steps taken thus far on a national basis will probably be limited in their practical effects. On 9 November the cabinet re-established a central price control board to fix food prices and issue directives to provincial and municipal authorities. It also provided for an advisory board and a judicial agency to prosecute price control violators. On 23 November the cabinet put clothing, household goods, and construction materials under price control.

The government, however, shows no sign of instituting

rationing to reinforce price controls, or of resorting to indirect monetary and fiscal controls to reduce demand. The

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The possibilities of increasing supply to control inflation are limited by Spain's precarious trade balance. The government has failed to facilitate the flow of foreign exchange by creating a favorable climate for private foreign investment, which continues to face extensive restrictions on foreign ownership of industrial and commercial enterprises in Spain and on the transfer of earnings abroad.

Adequately enforced control measures, particularly if attended by steps to revamp the nation's tax system in order to provide more revenue, would be opposed by the propertied classes, which are the backbone of the regime. Financial, land-owning and industrial groups would resent credit and price controls, both as an immediate threat to high profits and as a possible prelude to an eventual socialist state. In addition, any prospect of competition from foreign firms in Spain as a result of the liberalization of restrictions on outside capital would play on the xenophobic fears of all these classes.

Increasing Instability

Foreign Minister Martin Artajo told the American embassy on 19 November that the price rise was periling Spain's economic stability. Failure of the government to take the strong steps required will probably, in the absence of economic assistance from abroad, set off

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an inflationary spiral. In an effort to minimize its impact, the workers, remembering their partial successes of last April, might be tempted to call nationwide strikes for further wage raises.

The propertied classes, alarmed at the general deterioration of the economy, under such circumstances would tend to question the Franco regime's

ability to serve their interests effectively. The American embassy has suggested that high-ranking military officers, who are mostly drawn from these classes, might be tempted to replace the present regime with a more effective symbol of authority, particularly if the threat to public order were intensified.

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