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28 February 1957

# CURRENT INTELLIGENCE WEEKLY SUMMARY



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**T H E     W E E K     I N     B R I E F****PART I****OF IMMEDIATE INTEREST****MIDDLE EAST DEVELOPMENTS . . . . . Page 1**

Continued postponement of the UN General Assembly's debate on sanctions against Israel for noncompliance with UN withdrawal resolutions underscores the divisive effect this issue has had on the UN as a whole and on its member governments individually. While most UN members agree that Israel should comply with the assembly's directives, there is wide disagreement over the extent to which Israel's demands for guarantees should be taken into account before any sanctions move is considered. The communique issued on 27 February at the conclusion of the Arab "summit" meeting in Cairo glossed over differences between Nasr and King Saud; the king had urged strongly some expression of Arab appreciation for the American stand.

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**INDONESIA . . . . . Page 3**

Indonesian political leaders are being subjected to an intimidation campaign by both President Sukarno and the Communists, and their reluctance to accept Sukarno's plans for Communist participation in the government may lead to extensive arrests and a declaration of a state of siege. The president's vigorous advocacy of his new concept of government is being enthusiastically endorsed by Indonesian Communists in mass meetings and by mob demonstrations. Indonesian army officers are probably divided on Sukarno's plans, but if the president makes use of a recently organized association of enlisted men and non-commissioned officers which strongly favors Sukarno and reportedly is heavily Communist-infiltrated, they may be forced to go along.

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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## PART II

NOTES AND COMMENTS

## BRITISH OFFICIALS PESSIMISTIC ABOUT KUWAIT . . . . . Page 1

British officials fear a nationalist upheaval may be approaching in Kuwait, which supplies over 60 percent of Britain's crude oil requirements. London's present course apparently is to avoid innovations in policy for fear of deepening Arab suspicions of British intentions. Meanwhile, British oil interests are going ahead with plans to extend their operations. [REDACTED]

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## UN CYPRUS RESOLUTION EASES TENSIONS . . . . . Page 2

With the UN General Assembly's adoption of a resolution on Cyprus acceptable to Greece, the Karamanlis government seems likely to weather the crisis over the island. Britain is willing to let the North Atlantic Council discuss the problem; Greece has already indicated qualified approval of such a course, and Turkey will probably go along. [REDACTED]

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## MOROCCAN AND TUNISIAN RELATIONS WITH FRANCE . . . . . Page 2

New frictions have arisen in Moroccan-French relations as a result of Moroccan support in the United Nations for Algerian independence, Morocco's and Tunisia's assistance to the Algerian rebels, and failure to resolve disagreements regarding the continued presence of French troops in the two countries. [REDACTED]

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## THE NEW POLISH GOVERNMENT . . . . . Page 4

The new government named by Polish premier Cyrankiewicz, and approved on 26 February by the Sejm, represents an important victory for Gomulka in his efforts to stamp out the Stalinist opposition. Most of the pro-Stalin Natolin group have been removed from the cabinet and the Council of State, and greater powers have been vested in the new liberal parliament. [REDACTED]

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## SOCIALIST REUNIFICATION MANEUVERS IN ITALY . . . . . Page 4

The Democratic Socialist Party directorate on 23 February called the Nenni Socialists' Venice congress "a step forward on the road to integration" of the two parties, but announced that it would take no official steps until Nenni's party proved its good faith on

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specific issues. Meanwhile, a move against Premier Segni's coalition by the small left-of-center Republican Party may intensify pressures for a new political alignment of the left-center. [REDACTED]

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**WEST GERMAN FOREIGN MINISTER TO VISIT WASHINGTON . . . . . Page 5**

West German foreign minister Heinrich von Brentano, who appears to have a better chance than any other coalition leader eventually to succeed Chancellor Adenauer, is scheduled to arrive in Washington on 3 March for a one-week visit. Besides exploring American official views on European problems, Brentano will probably want to lay the groundwork for Adenauer's visit, now scheduled for late May. [REDACTED]

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**THE NEW SPANISH CABINET . . . . . Page 6**

The new Spanish cabinet presents a change in faces rather than in basic policies, retaining about the same balance between the Falange on the one hand and the military, monarchists, and church interests on the other. The shifts in the Foreign Affairs and Commerce Ministries, together with the inclusion of at least one figure known as a "big spender," seem to foreshadow somewhat less cordial relations with the United States and continuing reluctance to reduce the government's deficit financing program despite the threat of disastrous inflation. [REDACTED]

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**NOBUSUKE KISHI--JAPAN'S NEW PRIME MINISTER . . . . . Page 7**

Nobusuke Kishi has succeeded Tanzan Ishibashi as prime minister of Japan at a time when there is urgent need for action on the budget and for the consolidation of conservative ranks. He is expected to co-operate with the United States, but has indicated Japan must achieve a more independent position. [REDACTED]

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**GOLD COAST INDEPENDENCE . . . . . Page 9**

On 6 March, the Gold Coast will become independent and, as Ghana, take its place in the British Commonwealth. Britain's rapid pace in training the Gold Coast nationalists in administrative practices has created deep distrust between traditional chiefs and modern politicians, but Prime Minister Nkrumah is supported by a large majority of the Gold Coast people. The participation of Communist nations in the independence celebrations will give them an opportunity to press for diplomatic relations. [REDACTED]

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**THE WEEK IN BRIEF**

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## BOLIVIAN STABILIZATION PROGRAM STIRS LABOR UNREST . . . Page 10

Despite an initial wave of labor unrest in late December, Bolivia's economic stabilization program appears to be succeeding. The program, which is backed by the United States and the International Monetary Fund, faces the possibility of new labor unrest, however, which may result in crippling strikes as early as March.

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## SOVIET ARMED FORCES DAY . . . . . Page 11

On the 39th anniversary of the Soviet armed forces on 23 February, the USSR again emphasized its retaliatory capability, hinting that it possesses weapons even more powerful than atomic and hydrogen bombs. The choice of Marshals Moskalenko and Meretskov to write major articles for the occasion tends to support other indications that they may have positions equal in status to that of a deputy defense minister.

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## CHINESE COMMUNIST FOREIGN AID PROGRAM IN ASIA . . . . . Page 12

Peiping's efforts to expand its sphere of influence in Asia have been marked by offers of economic assistance by which the Chinese hope to buy good will and prestige and to advertise their own economic progress to Asians. Development grants were given last year to Cambodia and Nepal, in addition to the established aid programs to the Communist regimes in North Korea, North Vietnam and Outer Mongolia. Within the last month, the Chinese reportedly attempted to induce Laos to accept economic aid, but the Laotian government is apparently unwilling to enter into an agreement at this time.

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## COMMUNIST CHINA'S 1957 ECONOMIC PROGRAM . . . . . Page 12

Communist China is making certain modifications in its economic program for 1957. For the first time since the Communists came to power, agricultural production is to increase more rapidly than industrial production. The scheduled increase in industrial output is to be only 6 percent, considerably below the 17-percent average annual increase achieved during the first four years of the current plan. Nevertheless, the original First Five-Year Plan (1953-57) targets will almost certainly be over-fulfilled.

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THE WEEK IN BRIEF

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## COMMUNIST LOSSES IN ICELANDIC TRADE UNION ELECTIONS . . . Page 13

Recent trade union election losses by the Communists in Iceland--the only free world country in which they are participating in the government--resulted partly from disillusionment over events in Hungary and partly from better co-operation among anti-Communist elements in union politics. The Communists still have firm control of the Icelandic Federation of Labor, however, as well as the Unskilled Workers Union--the country's largest single union--and there are no signs they will be ousted from the coalition government.

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## PART III

PATTERNS AND PERSPECTIVES

## THE ARAB SOCIALIST RESURRECTION PARTY . . . . . Page 1

The Arab Socialist Resurrection Party, a leftist, nationalistic, anti-Western group, is the principal vehicle for the spread of pro-Soviet and Communist influence in Syria, Lebanon, and Jordan, and is extending its contacts into Iraq, Saudi Arabia and the Persian Gulf oil areas. The most important of contemporary Arab political parties, it stresses Arabism and the unity of the Arab states. It has become a decisive force in Syrian and Jordanian politics where it has been used by Nasr to extend Egyptian influence.

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## HUNGARIAN ECONOMIC PROBLEMS AND PROSPECTS . . . . . Page 3

Fundamental to the Kadar regime's attempts to stabilize Hungary politically is the necessity to restore the Hungarian economy. In an effort to meet economic grievances and get the populace back to work, the government has made a number of concessions, notably in agricultural administration. Full production in industry will probably not be restored this year, however, and worker morale remains low.

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## GERMAN UNIFICATION AND EUROPEAN SECURITY . . . . . Page 7

The West German government, faced with a national election this year, is likely to intensify its efforts to find a solution to the interrelated questions of German unification and European security. Neither the Christian Democrats nor the opposition Social Democratic

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## THE WEEK IN BRIEF

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Party gives any evidence of being willing for the Federal Republic to withdraw from NATO in order to obtain Soviet agreement to unification. However, coalition leaders are showing greater readiness to consider giving up NATO membership as part of a general European settlement involving unification. [REDACTED]

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**LIBERALIZATION IN COMMUNIST CHINA . . . . . Page 11**

The Chinese Communists, sensitive to the disorders in Poland and Hungary, are proceeding cautiously with the liberalization program started in 1956. In their political and economic policies, the Chinese have shown considerable flexibility in relaxing controls, while firmly defining the limits on nonconformity. The Chinese intellectuals are reacting timidly to liberalization and show no disposition to emulate their bolder contemporaries elsewhere in the bloc by calling for more liberties than the authorities wish to concede.

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**SECRET****vi****THE WEEK IN BRIEF**

**CONFIDENTIAL****CURRENT INTELLIGENCE WEEKLY SUMMARY****28 February 1957****PART I****OF IMMEDIATE INTEREST****MIDDLE EAST DEVELOPMENTS****United Nations**

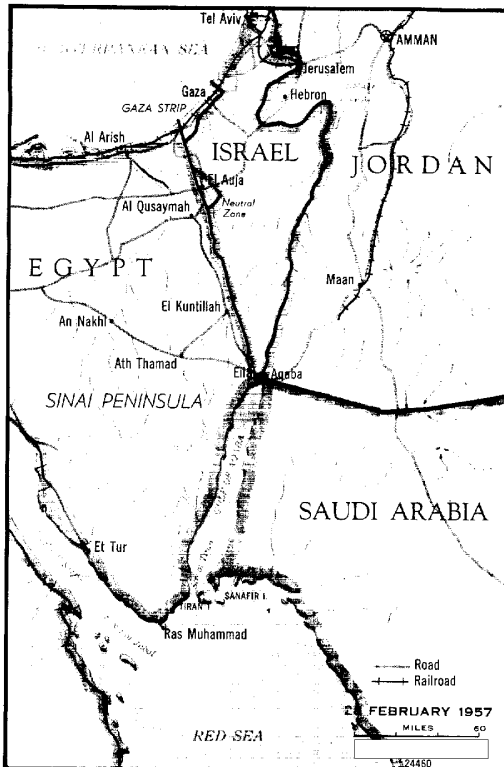
Continued postponement of the UN General Assembly's debate on sanctions against Israel for noncompliance with UN withdrawal resolutions underscores the divisive effect this issue has had on the UN as a whole and on its member governments individually. While most UN members agree that Israel should comply with the assembly's directives, there is wide disagreement over the extent to which Israel's demands for guarantees should be taken into account before any sanctions move is undertaken.

Even the legality of a General Assembly call for sanctions has been questioned by some members, who point out that under the terms of the charter, only the Security Council has the authority to impose sanctions. There is also a growing concern that a General Assembly recommendation for sanctions might be ignored by many prominent and influential members, thereby further weakening the UN's effectiveness. Therefore, most UN members have gone along with continued postponements in the hope that private negotiations with Israel by the US and the UN secretary general would lead to some agreement which could be used to avoid a showdown.

**Cairo Meeting**

The Israeli withdrawal issue, and the American attitude toward it, were the dominant themes of the Arab "summit" meeting in Cairo. Nasr reportedly pressed Saud hard on these questions, and a bitter debate took place over Saud's desire that the conferees indicate their appreciation of the American policy stand on Arab problems. At one point Saud is said to have threatened to walk out of the conference.

Saud apparently gave way in the end, however, since the communiqué issued on 27 February gives first place to his report on his American talks, but leaves approval of the American position to be inferred. Moreover, this portion of the communiqué is balanced by a clear,

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strong reaffirmation of the Arab leaders' determination to adhere to a policy of "constructive neutrality." Nasr thus obtained his immediate objective--a unanimous communiqué formally blessing the policy associated with his name and one which serves to dispel the impression that he is being isolated in the Arab world.

**Syria**

There were a few indications last week that Saud's antileftist attitude might also be having some effect in Syria. The American embassy in Damascus noted reports that President Quwatli was co-operating with Khalid al-Azm, formerly a leading proponent of leftist influence, and an able conservative, Mahmud Kuzbari, with a view to replacing the Asali cabinet with a more pro-Western one.

However, Syrian army G-2 chief Colonel Sarraj, who still appears to be the dominant figure in Syrian politics, revealed himself to be more bitterly anti-Western than previously in a talk with the American army attaché during a Soviet embassy reception. Sarraj said that since the Western press was accusing him of being a Communist, he might as well become one, and cited the Soviet Union as Syria's friend. When the presence of over 40 Soviet bloc nondiplomatic personnel--probably military officers in civilian clothes--was pointed out to him, Sarraj remarked, "They are nothing; I can use them but they cannot use me."

Meanwhile, new Soviet equipment continues to arrive in Syria. Trucks, ambulances

and cranes of Soviet origin were observed entering the Damascus area on 24 February, and the American military attaché there believes additional shipments have arrived at Latakia.

Syrian-Lebanese relations, which had been strained even more than usual following the assassination in Beirut on 19 February of Ghassan Jadid, a leader of the rightist Syrian Social National Party, have eased slightly. However, the death sentences pronounced by the Syrian army court last week against persons accused last fall of conspiring with Iraq to overthrow the government may lead to new tensions, since several of the accused had sought refuge in Lebanon and the Lebanese authorities have previously refused to extradite them.

**Jordan**

In Jordan, the struggle between King Hussain and the left-wing cabinet of Prime Minister Nabulsi abated somewhat pending the outcome of the Arab leaders' conference in Cairo, in which Hussain hoped to have his position supported by King Saud. Meanwhile, the factions appear to be crystallizing.

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[REDACTED] by the king's order 25X1  
are rapidly recruiting additional men for the purpose of strengthening the king's hand against the menace of pro-Egyptian street mobs and possibly the army.

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Termination of Britain's obligation to defend Jordan, and Israel's long-standing interest in establishing its frontier on the militarily

defensible line of the Jordan River, have revived rumors of schemes for an impending partition of Jordan.

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## INDONESIA

President Sukarno, confronted with mixed reactions from political leaders to his plan for Communist participation in a reorganized Indonesian government, must now decide whether to ignore the views of the opposition or attempt some compromise. He told a mass rally on 28 February that the "fate" of his plan will be decided in the "not-too-distant future" after he had considered various viewpoints.

At the rally organized by the Communists outside the presidential palace on 28 February, Communist Party spokesmen enthusiastically endorsed Sukarno's plan, and the National Party has indicated its views are close to those of Sukarno. Moslem and Christian parties are, in varying degrees, opposed. The Masjumi party chairman was shouted off the speakers' platform when he asked for "another way out" of the republic's pressing political problems.

Sukarno has spent the past week urging the acceptance of his maximum demands--the establishment of an appointed "advisory council" and the participation of Communists in both the council and a new cabinet. In his determination to force his concept on the nation, he reportedly is considering arresting political leaders who

remain adamant in their opposition. He also may declare martial law throughout the country.

In stimulating mass support and intimidating his opposition, Sukarno has had the assistance of a massive Communist campaign which has all the signs of careful organization and ample financing. Sukarno has welcomed this Communist support, and has regarded Communist-organized demonstrations as evidence of popular acceptance of his concept. He has not intervened to discourage Communist excesses, which include defacing of American property, and only a few official efforts to control the campaign have been reported.

The Indonesian army, formerly a strong anti-Communist force, is probably divided on Sukarno's plans. As the result of a thorough reorganization, a significant percentage of the officer corps is amenable to the policies of Sukarno and the National Party. There are strong indications that Sukarno will attempt to bypass the officers and coerce them, if necessary, with an organization established in 1956, the "Noncoms' and Privates' Association." The association strongly favors Sukarno and reportedly is heavily infiltrated by Communists.

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Sukarno's insistence on Communist participation in a new government stems in part from his admiration of the efficiency of the Communist system of government he observed on recent tours of the USSR and Communist China. Sukarno sees in autocratic aspects of

those Communist regimes a possible solution to the political and economic disintegration facing his country. His proposed advisory council would be in a sense a "Communist politburo" superimposed on the cabinet.

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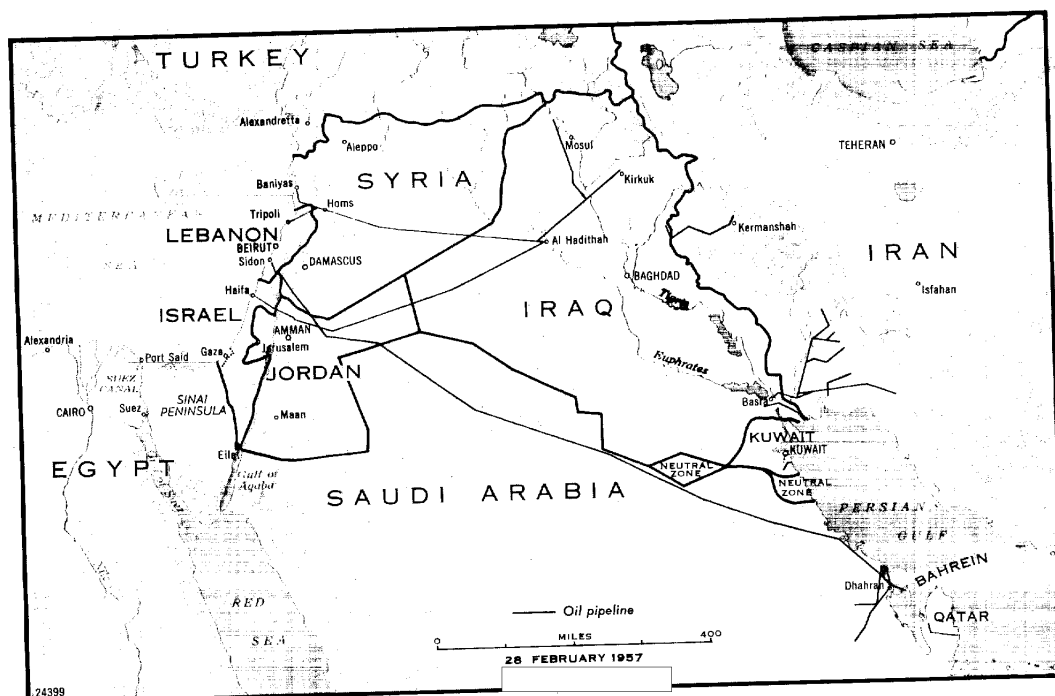
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**PART II****NOTES AND COMMENTS****BRITISH OFFICIALS PESSIMISTIC ABOUT KUWAIT**

British officials fear a nationalist upheaval may be approaching in Kuwait, which normally supplies over 60 percent of Britain's crude oil requirements. Pending more study of the situation, London's course apparently is to avoid innovations in policy for fear of deepening Arab suspicions of British intentions.

British planning for further development of Kuwait's oil industry is going ahead. Work is proceeding to complete a 160,000-barrel-per-day refinery this year. British and American oil interests are also considering a pipeline from Iraq's southern fields into Kuwait, or, as an alternative, piping Kuwaiti oil to the Mediterranean by connecting Kuwait to existing lines across Iraq and Syria.

At the same time, British officials display concern that the political situation at Kuwait is increasingly unfavorable to Western oil interests. The British ambassador to Iran visited the Persian Gulf area in January and was particularly impressed by growing Arab nationalism at Kuwait. One of his staff told the American embassy in Tehran that it is obvious the present "rather comfortable" status cannot last much longer. The British ambassador himself feels it is only a question of time before the present paternalistic political system in Kuwait "blows up." Presumably as a result of disturbing signs of unrest in the Persian Gulf, the head of the Eastern Department of the Foreign Office is presently touring the area.



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British officials in Kuwait have lost their influence with nationalist groups and are now forced to rely exclusively on the

ruler and his tributary sheiks 25X11 in charge of government administration. The ruler has dismissed many of his British advisers in 25X1 the past three months and recently became less accessible to those remaining.

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## UN CYPRUS RESOLUTION EASES TENSIONS

With the UN General Assembly's adoption of a substantive resolution on Cyprus acceptable to Greece, the Karamanlis government seems likely to weather the crisis over the island. The prime minister expects to win a parliamentary vote of confidence when the Chamber of Deputies reconvenes on 5 March.

The General Assembly resolution, adopted on 26 February, expresses the hope that negotiations will be resumed toward "a peaceful, democratic and just" solution of the Cyprus issue in accordance with the principles of the UN charter. Mention of the charter, which specifically endorses the principle of self-determination, was particularly important to Greece. The Greeks have interpreted the resolution as calling for renewed negotiations between the British and Archbishop Makarios. However, the British and the Turks claim the resolution

envisages tripartite negotiations, and the British will not consider negotiating again with Makarios.

Britain will not modify its Cyprus policy but is willing to have the Cyprus dispute discussed by the North Atlantic Council, provided the terms of reference do not "permit NATO to move too far into substance." Greece has already indicated qualified approval of recourse to NATO, and Turkey is not likely to object if British conditions are met.

EOKA, the Greek-Cypriot underground, apparently has been severely weakened in the past few weeks. It announced through leaflets on 25 February that it would continue to fight "until our aim is achieved," but its activities are likely to be increasingly circumscribed by British security forces and a probable gradual lessening of local support for its violent methods.

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## MOROCCAN AND TUNISIAN RELATIONS WITH FRANCE

New frictions in Moroccan-French relations overshadow recent progress in resolving some of France's minor problems in Morocco and Tunisia. The two major problems--the support by Morocco and Tunisia of the Algerian rebels and the

presence of French troops in both countries--are unlikely to be resolved soon.

Morocco

Friction between Morocco and France lessened after French

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credits of more than \$20,000,-000 were released to Morocco last December. Moroccan support in the United Nations for Algerian independence drew a sharp French protest and threat to cut off further financial aid. Tangible support for the Algerian rebels--aid in the procurement of arms and logistics and rehabilitation facilities--continues.

Paris is irritated by a provision of the Moroccan diplomatic convention with Spain of 11 February permitting Spain to represent Morocco in Latin America where Rabat does not maintain diplomatic representatives. This provision is not technically in conflict with the Moroccan-French diplomatic convention of last June, but Paris considers that France should perform such services for the Moroccans in all areas where Rabat does not have its own missions. The Rabat government flatly rejected on 23 February a French protest against Morocco's use of Spanish diplomatic services.

Demands by the principal Moroccan political party, Istiqlal, for the incorporation of Mauritania into Morocco and Moroccan help to Mauritanian exiles have also increased friction. Moreover, recent engagements between French West African military units and alleged bands of the former Moroccan army of liberation--considered as diversionary operations to relieve the hard-pressed Algerian rebels--caused a second French protest on 23 February accompanied by a hint that the French army might "intervene." Morocco in reply demanded early negotiation of border problems and the status of French forces in Morocco.

The American embassy in Rabat considers that a potentially dangerous situation exists which could lead to an open clash between the French army on the one hand and the Moroccan sultan, government, and people on the other.

Tunisia

Despite some progress made in resolving minor French-Tunisian problems during the recent visit to Tunis of French under secretary of state Maurice Faure, Tunisian premier Bourghiba was said to be in "his most unreasonable and emotional" mood regarding the continued presence of French troops in Tunisia.

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The Tunisians also continue to expedite the transit of materiel for the Algerian rebels, and in recent weeks several engagements between the rebels and French military units have occurred on Tunisian soil.

In view of their continuing difficulties with France, Rabat and Tunis will continue to press for increased American economic assistance as well as to seek financial aid elsewhere in order to relieve themselves of their present dependence on France for vital financial assistance.

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**THE NEW POLISH GOVERNMENT**

The new government named by Polish premier Cyrankiewicz, and approved on 26 February by the Sejm (parliament), represents an important victory for Gomulka in his efforts to stamp out his Stalinist opposition. Most of the pro-Stalin Natolin group have now been removed from the cabinet and the Council of State, and greater powers have been vested in the new liberal Sejm.

The number of ministries has been reduced from 31 to 25, in line with the program of streamlining the government apparatus which Gomulka has pursued since he came to power in October. The merging and abolition of various ministries made possible the removal of several members of the cabinet, including communal economy minister Mijal, and chemical industry minister Ruminski, both members of the Natolin group. The only important Stalinist remaining in the cabinet is Deputy Premier Zenon Nowak, who has been retained as one of three deputy premiers, a position of little real authority, probably as a sop to the Stalinist factions.

The new Council of State is composed of a group of persons who are mostly liberal-minded supporters of Gomulka, who himself is a member. The retention of Aleksander Zawadzki as chairman of the council, thus titular chief of state of Poland, is probably in exchange for his support of Gomulka's liberal program. While formerly chairman of the Polish trade unions, Zawadzki was known as a person completely loyal to Moscow.

The personnel changes strengthen Gomulka's internal political position, and he will probably attempt to consolidate his gains by making the government more independent of the party, which still contains many Stalinist elements opposed to his program.

Gomulka will permit the Sejm to exercise increased authority through greater participation in governmental affairs, thus broadening the base of political support in the fulfillment of his liberal aims.

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**SOCIALIST REUNIFICATION MANEUVERS IN ITALY**

The meeting of the Democratic Socialist Party directorate on 23 February adopted a wait-and-see policy on Socialist reunification, making it conditional on the future performance of the Nenni Socialists with regard to foreign policy and relations with the Communists. The meeting did, however, interpret the recent Venice congress of the Nenni party as a further move toward eventual reunification, and took no steps to block the growing

co-operation between the two parties at the local level.

Democratic Socialist Party officials are apprehensive lest Nenni's failure to win a majority of the votes for his party's central committee means that, in spite of the nearly unanimous endorsement of reunification and independence from the Communists he received at the Venice meeting, he will have difficulties pulling a united party away from Communist

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influence. While they passed a motion characterizing the Venice congress as "a step forward on the road to integration," they apparently intend to watch the parliamentary voting of Nenni's party on specific issues. In the Italian Senate on 20 February, the Nenni Socialists abstained on a government motion favoring EURATOM, thus leaving the Communists isolated in opposition.

Democratic Socialist chief Saragat complained to American embassy officials before the directorate meeting that he was under strong pressure from those in his own party and within the Socialist International who favor reunification. Such pressure is likely to continue in view of the critical line against the Communists and the objective tone on Western European integration being taken by Nenni and his party organ Avanti! The American embassy also reports a tendency on the part of reunion protagonists to believe

that Nenni can control his opposition in the Socialist Party.

The Democratic Socialist decision to move slowly on reunification appeared to have removed the immediate threat that the party might withdraw from the government coalition. A subsequent parliamentary move against the coalition by another party, however, has created a new pressure for a political realignment which may give a further push to Socialist reunification. On 25 February the small Republican Party--which is not represented in the cabinet but has formed part of the government's 16-vote majority--announced that Premier Segni can no longer count on its support. One faction of the party is already urging an alliance with the two Socialist parties, and if the Republican Party as a whole should force a showdown with Premier Segni, this would probably accelerate moves for a realignment of the left-center.

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## WEST GERMAN FOREIGN MINISTER TO VISIT WASHINGTON

Heinrich von Brentano, West Germany's foreign minister and the cabinet member who appears most likely to become Chancellor Adenauer's eventual successor, is to arrive in Washington on 3 March for a one-week official visit. Brentano was originally to have accompanied the Federal Republic's president, Theodor Heuss, but the 73-year-old Heuss has had to postpone his visit, citing illness.

Besides exploring views of American officials on European problems and helping lay the groundwork for the chancellor's expected visit in late May, Brentano will probably

use his trip as another opportunity to remind the German public of the coalition government's good ties with the United States, especially in the wake of the early February visit of Erich Ollenhauer, leader of the opposition Social Democrats (SPD). Following his American stay, Brentano will leave from San Francisco for official visits to Australia and then India.

The 52-year-old native of Hesse and a bachelor of a well-to-do family and conservative background, Brentano is a longtime member of the Christian Democratic Party (CDU). He came to his present post after

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a legal career and postwar service as his party's Bundestag faction leader. Not a forceful speaker, he relies on his judgment of politicians and situations. He is generally recognized as skillful in winning the Bundestag's approval for the coalition's policies.

Brentano's standing in West German politics has risen steadily since he took over the Foreign Ministry from Adenauer in June 1955, particularly because Adenauer has given him an increasingly free hand. [REDACTED]

Brentano has been much more flexible than the chancellor on some issues and at times has even discussed publicly changes in German policy which might facilitate reunification.

As foreign minister, he has been somewhat hampered by the activities of more aggressive cabinet members, such as Defense Minister Strauss, as well as by other coalition members such as press chief

Eckhardt, who sometimes use their close relationships with the chancellor to meddle in foreign affairs. On the other hand, Brentano's standing with



VON BRENTANO

the opposition SPD is relatively good; he has been receptive to a "grand coalition" of the CDU and SPD, if election results should make such a solution necessary, a concept Adenauer has always flatly rejected. If SPD gains in the upcoming Bundestag elections make such a coalition practical, the SPD is likely to consider Brentano the most acceptable of CDU candidates for chancellor. [REDACTED]

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**THE NEW SPANISH CABINET**

The new Spanish cabinet, announced on 25 February, presents a change in faces rather than in basic policies, with about the same balance between the Falange on the one hand and the military, monarchists, and church interests on the other. The changes in the Foreign Affairs and Commerce Ministries, together with the inclusion of at least one figure known as a "big spender,"

seem to foreshadow somewhat less cordial relations with the United States and a continuing reluctance to reduce the government's deficit financing program despite the threat of disastrous inflation.

In all, Franco replaced 12 of his 16 ministers and added two new posts, a Ministry for Economic Planning and one for Housing. This is about as

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sweeping as the last reshuffle in July 1951, which was likewise preceded by a period of intensified criticism of the regime expressed in part through extensive transportation boycotts in major cities.

The Falange continues strongly represented, despite the shift to a less important post of José-Luis Arrese, the sponsor of the controversial laws which would have greatly strengthened the organization's constitutional position. The new labor minister is again a Falangist with a strong labor following, thus indicating Franco's continued backing of the Falange's campaign to win broad support among the workers.

By way of compensation to the military, Franco has not only left them the three service ministries but given them the Interior and Public Works Ministries as well. This army control over the police also suggests a concern for public security in the event of further student and worker unrest. Since the military are almost entirely monarchist in sympathy, the monarchists--who retain the Justice and Industry Ministries--are probably reasonably well satisfied also.

The replacement of the moderate Catholic and pro-American foreign minister, Martin Artajo, by Fernando Maria Castiella would not seem encouraging, according to Ambassador Lodge in Madrid. Castiella, a Falangist who served in the Blue Division on Germany's eastern front in World War II, became ambassador to the Vatican in 1951 when Britain refused to accept him as ambassador because of his extreme anti-British and generally anti-Western attitude.

The replacement of Commerce Minister Arburua by Alberto Ullastres raises doubts as to the new cabinet's economic policies. The previous cabinet had strongly objected to Arburua's proposals for an austerity program to meet the inflationary threat, and Ullastres, despite his reputation as an orthodox economist, is likely to be similarly blocked by strong Falangist pressure for increased welfare benefits and by the retention in the cabinet of Industry Minister Planell, who is reputed to be a "big spender." The appointee to the new post for economic planning--which is to have no staff--is 71 years old and politically inexperienced. He seems unlikely to be able to exercise any real restraint on deficit spending policies.

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**NOBUSUKE KISHI--JAPAN'S NEW PRIME MINISTER**

Nobusuke Kishi, elected by the Diet on 25 February to succeed Tanzan Ishibashi as prime minister of Japan, assumes control of the government at a time when there is urgent need for consolidation of conservative ranks and for action on the budget. Kishi, foreign minister and acting prime minister under Ishibashi,

was closely identified with and supported his predecessor's policies, and he has strong support within the Liberal-Democratic Party, manifested in his narrow defeat for the party presidency last December.

Kishi recently stated to the Diet that Japan's foreign policy must "move on two wheels"

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--respect for the United Nations and co-operation with the free world. He stressed that it was in Japan's "ultimate" interest to co-operate with the United States in international relations, thereby reaffirming the assurances he has frequently given American officials of his friendliness toward American interests. At the same time, however, Kishi feels that Japan must achieve



SHINSUKE KISHI

a more independent position within the relationship.

Kishi may seek a revision of the security treaty to limit American bases and rights in Japan, as well as agreement on a specific date for the withdrawal of all American ground forces. In recent Diet debate, the new prime minister appears to have committed the government to oppose any American request to introduce nuclear weapons or atomic task forces into Japan. An advocate of rearmament, however, he favors strengthening Japan's defenses before American forces are withdrawn.

Kishi has what most Japanese regard as a realistic attitude toward relations with

the Communist bloc. He would limit them, however, so that they do not jeopardize relations with the free world. He admittedly favors the "two Chinas" solution for relations with Peiping. For the time being, he advocates an expansion of economic relations with Communist China by what he calls a "rationalization" of the embargo on strategic trade, and has predicated Japanese recognition of Peiping on the regime's acceptance by the UN. Kishi is aware of the developing internal Communist threat and is likely to take measures to cope with it.

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**GOLD COAST INDEPENDENCE**

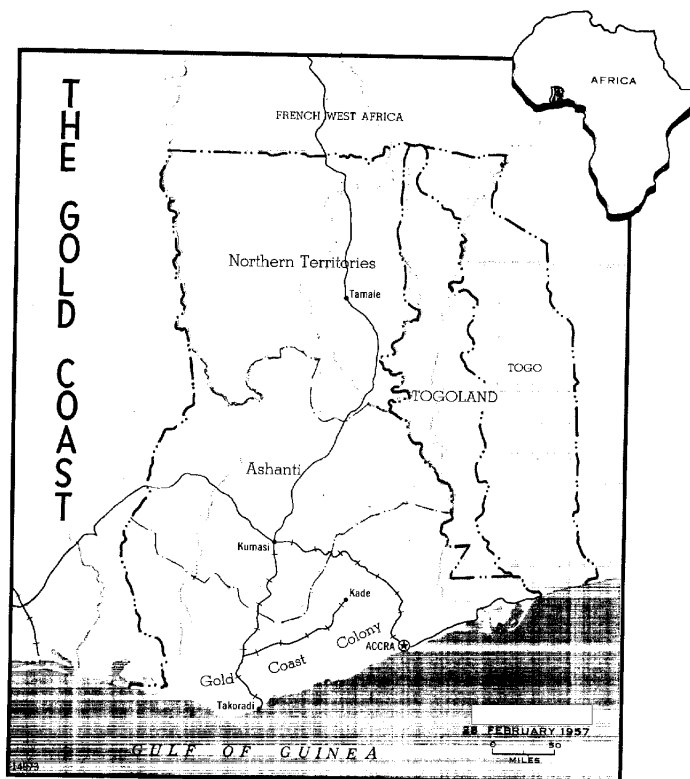
On 6 March the Gold Coast will become independent and, as Ghana, take its place in the British Commonwealth. Britain's rapid progress in training the Gold Coast nationalists in administrative practices has created deep distrust between traditional chiefs and modern politicians, but Prime Minister Nkrumah is supported by a large majority of the Gold Coast people. The participation of Communist nations in the independence celebrations will give them an opportunity to press for diplomatic relations.

Britain is leaving the Gold Coast after more than 100 years of rule. Since the exit has not been forced, the nationalists are friendly toward London and have decided to join the Commonwealth. The Accra government still lacks many of the qualities of Western democracy, but London hopes it has taught the people sufficient respect for democratic procedures to ensure that they will avoid the graft and corruption found elsewhere in Africa.

The traditional chiefs of the hinterland have demanded that the socialist Convention People's Party of Prime Minister Nkrumah give them constitutional guarantees of federalism to protect their regional powers and tribal institutions. When their appeals to London were unsympathetically received in 1956, the leaders resorted to threat of secession and civil war.

In January, discussions between Gold Coast leaders and British officials resulted in a compromise whereby the new Ghana constitution will provide for regional assemblies with important powers. The consent of these assemblies is necessary for a constitutional revision and any change in the authority of the chiefs. While the Gold Coast government accepted these terms and the tension eased, an independent Ghana government may not observe them for long.

The Accra government, acting largely through British



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diplomatic contacts, has invited almost all nations to the independence celebrations. Among the Communist nations, the Soviet Union is to be represented by Minister of State Farms I. A. Benediktov, a top aide of Khrushchev, and Communist China by Marshal Nieh Jung-chen, a deputy

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premier of the state council. Czech, Polish and Rumanian representatives will also attend the celebrations.

Moscow is making large-scale cocoa purchases in the Gold Coast at a time when the price of cocoa is dropping on the world markets. Such purchases impress the financially pressed Accra government, which

depends heavily on cocoa for foreign exchange earnings. While in Accra, the Communist representatives are expected to offer a diplomatic exchange as they did last year at Liberia's presidential inauguration. The Ghana government would probably not accept such an offer now, but some within the government may agitate for such relations with- 25X1  
in a short time.

**BOLIVIAN STABILIZATION PROGRAM STIRS LABOR UNREST**

Bolivia's spiraling inflation appears to have been halted by the sweeping economic stabilization program begun in mid-December. Resulting labor unrest, which at one point brought Bolivia's president to the verge of resigning, again threatens the whole program with crippling strikes and riots--possibly as early as March.

The stabilization program, begun with a \$25,000,000 fund put up by the United States and the International Monetary Fund, has made a good showing in its first two months. The initially high prices resulting from the abolition of controls have begun to recede slowly. The government's cumulative dollar losses from the beginning of the program to 23 February were only \$1,161,000 as compared to the high of \$2,100,000 reached on 29 January. A second American investment in Bolivian petroleum development and nearly completed negotiations for new foreign investment in zinc mining indicate foreign business confidence in the stabilization program.

Progress in stabilization thus far can be attributed in large part to the government's success in controlling labor unrest, particularly at the mines, which produce over 90 percent of Bolivia's exports. On 17 February, however, Juan Lechin, leader of the mineworkers

and long noted as one of the two or three most powerful men in Bolivia, stated that unless prolabor adjustments were made in the stabilization program, miners and other wage earners, spurred on by Communists, would probably engage in crippling strikes and riots, possibly in March but not later than May.

Both Lechin and his chief lieutenant, the minister of mines, who has also predicted serious trouble in the next several months, may be motivated in part by a desire to maintain their own prestige prior to the mineworkers' congress scheduled for April and the May congress of the powerful national labor confederation--which Lechin heads.

Lechin does, however, appear to face a serious rivalry for leadership of the miners from Communists and pro-Communists who oppose the stabilization program and who have already successfully provoked strikes of short duration. Since most of the miners' wages have reportedly been spent in advance through commissary purchases, the majority of the miners will receive no pay at the end of February. Consequently, early March may be a critical period for the government. 25X1

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## SOVIET ARMED FORCES DAY

On the 39th anniversary of the Soviet armed forces on 23 February, the USSR again emphasized its retaliatory capability, hinting that it possesses weapons more powerful than atomic and hydrogen bombs.

Defense Minister Zhukov called for increased vigilance and stated that the Soviet military, together with the Soviet people, "wholeheartedly" support the foreign policy of the Soviet state.

Various articles emphasized that while the USSR seeks peace, it is more than capable of defending itself. Marshal K. S. Moskalenko, commander of the Moscow military district and of the Moscow garrison, wrote in Red Star that "if a new world war breaks out, atomic, hydrogen, or even more powerful bombs could fall on the American continent." He further noted that the army, air force and navy have been rearmed with atomic and thermonuclear weapons. This is the first statement specifying that all three services have been so equipped.

Marshal R. Ya. Malinovsky, commander of the Soviet ground troops, referred to the "splendid aviation units, diversified atomic and thermonuclear weapons, powerful rocket armaments, including long-range missiles," in Soviet hands. Marshal K. K. Meretskov, writing in Izvestia, alluded to the ability of the USSR to deliver atomic and hydrogen bombs "to any spot on the planet."

The choice of Marshals Moskalenko and Meretskov to write major articles on this occasion suggests their rising prestige, and tends to support

other indications that the two have positions equal in status to that of a deputy defense minister. Moskalenko had close ties with Khrushchev during and after the war. They both came to Moscow from the Ukraine in 1949, Khrushchev to become first secretary of the Moscow Oblast organization, Moskalenko to be appointed air defense commander of the Moscow Military District.

At the time of Beria's arrest, Moskalenko was appointed commander of the Moscow Military District and sat on the court which sentenced Beria. He had been active in Moscow party affairs and was elected a full member of the party central committee in February 1956. 25X1

Meretskov's position since his return to Moscow from the White Sea Military District in late 1954 has not been determined. He has served briefly as chief of the general staff, commander of various fronts in the war, and military district commander in the postwar period. In the Far East he was closely associated with Malinovsky, who was appointed chief of ground troops in early 1956. Meretskov was the only officer with the rank of marshal of the Soviet Union who was not elected to the central committee at the last congress in February 1956. This suggests that his position and prestige at that time had not warranted it, but his recent prominence indicates a rise in his status. 25X1

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****28 February 1957****CHINESE COMMUNIST FOREIGN AID PROGRAM IN ASIA**

Peiping's efforts to expand its sphere of influence in Asia has been marked by offers of economic assistance by which the Chinese hope to buy good will and prestige and to advertise their own economic progress to Asians. Development grants were given last year to Cambodia and Nepal, in addition to the established aid programs to the Communist regimes in North Korea, North Vietnam and Outer Mongolia. In the last month, the Chinese reportedly attempted to induce Laos to accept economic aid.

Under a program inaugurated in June 1956, Peiping is supplying Cambodia with materials worth \$22,400,000 over a two-year period to help Cambodia develop its economy. The Chinese have emphasized that this aid is "without strings" in deference to Cambodian neutrality. The program is administered with the assistance of a small technical mission from Peiping, however, which gives the Chinese Communists de facto representation in a state which does not recognize Peiping. Leaders of the Chinese mission have been granted diplomatic privileges by Phnom Penh.

Nepal has been favorably impressed by Communist China's

promptness in meeting its commitments under an aid agreement signed last October. Peiping has paid the first installment of a grant which will supply Nepal with approximately \$12,-600,000 in cash and materials over a three-year period. No Chinese technicians have gone to Katmandu, perhaps to avoid further arousing Indian fears of active penetration. Peiping instead seems to be attempting to build good will through disinterested "friendship."

It seems likely that the proposed assistance program for Laos, following the pattern established by the agreement with Cambodia, would include an aid mission for administration and technicians to assist the Laotians at the working level [redacted]

[redacted] for economic development and for support of the Laotian army.

[redacted] Prime Minister Souvanna Phouma has indicated that he believes his government would react negatively to such a proposal prior to a final settlement of the Pathet Lao issue. [redacted] (Concurred in by ORR)

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**COMMUNIST CHINA'S 1957 ECONOMIC PROGRAM**

Communist China is apparently ordering certain modifications in its economic program for 1957. The relatively rapid rate of economic growth achieved over the past few years created problems, and these, plus rebellion in Hungary and

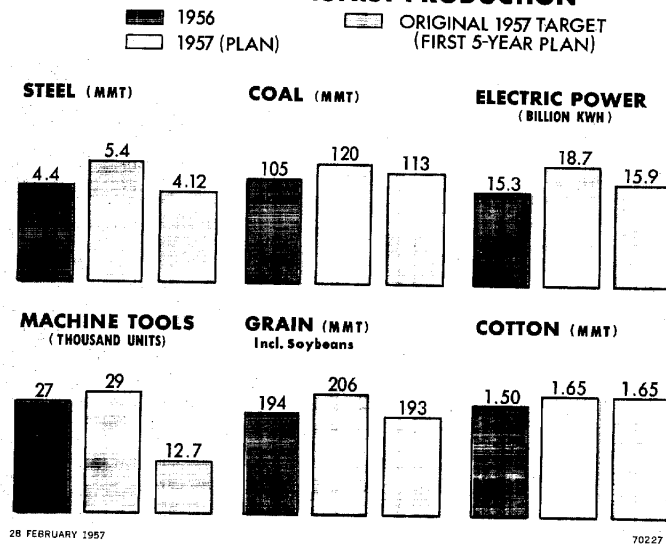
unrest elsewhere in the bloc, have led Peiping to go as far as to question the past policy of sacrificing living standards to push heavy industrial development.

Perhaps in recognition of this trend, Peiping has decreed

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**CHINESE COMMUNIST PRODUCTION**

1957 to be a year of adjustment prior to undertaking the Second Five-Year Plan. According to Vice Premier Po I-po, who is one of Communist China's top economic planners, the value of industrial production this year is to top last year's by only 6 percent, as compared with a 27-percent increase last year and an average of 17 percent over the first four years of the current five-year plan.

In 1957 the output of the means of production is to increase 8.5 percent, that of consumer goods by 3.5 percent. Po stated that the value of agricultural production, including subsidiary rural out-

put, would increase by 8 percent. Thus, for the first time, Communist China is scheduling a more rapid increase in agricultural than industrial production.

The vice premier stated that an attempt would be made, on the basis of the state's financial and material resources, to keep total investment in industrial projects at the same level as last year. This would require, he implied, that appropriations in other fields be suitably reduced. For example, only 375 miles of new rail lines are to be added this year compared with about 1,000 miles last year. A higher proportion of what the Ministry of Railways has left to spend will be used to improve track and yard facilities on existing lines where congestion has become a real problem to orderly rail movement. The military is also being asked to sustain a cut in spending in order to provide funds for economic construction.

Nevertheless, original Five-Year Plan (1953-1957) targets will almost certainly be overfulfilled. (Prepared by ORR) 25X1

**COMMUNIST LOSSES IN ICELANDIC TRADE UNION ELECTIONS**

Recent trade union election losses by the Communists in Iceland--the only free world country in which they are participating in the government--resulted partly from dis-

illusionment over events in Hungary and partly from better co-operation among anti-Communist elements in union politics. The Communists still have firm control of the

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Icelandic Federation of Labor, however, as well as the country's largest single union, and there are no signs that they will be ousted from the coalition government.

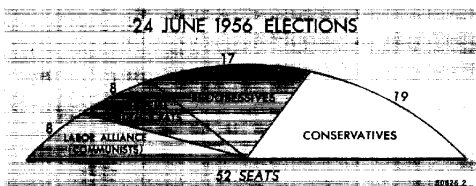
The Communists suffered their heaviest blow to date on 24 February, when a Conservative-Social Democratic coalition gained control--by a vote of 525 to 498--of the Reykjavik Factory Workers Union, the third largest in the country. Loss of this long-time bastion of Communist labor strength climaxes a recent downward trend in other union elections, in some of which the Communist vote fell off as much as 25 percent.

The decline in the Communist vote reflects in part the strong reaction of many workers to the Hungarian events. The most significant factor, however, is better co-operation among democratic trade union elements--chiefly the Conservatives and the Social Democrats. The decline of the Communist vote has in some instances been in unions which traditionally have been strongly Social Democratic and only within the past year or so have registered any significant Communist vote. Communist defeats do not necessarily mean a corresponding rise in popular support for the Social Democrats.

There has been some intra-party dissension between the "Moscow" wing and the "national Communists," who apparently want to cloak the party even more closely with the mantle

of the Labor Alliance, which enabled the Communists and left-wing Socialists to win considerable worker support in the June 1956 parliamentary election. Despite some defections, however, no serious party split appears likely.

Communist domination of the Icelandic Federation of Labor, made secure for another two years at the biannual congress in November 1956, gives the party an unimpaired base from which to counteract the Social Democratic-Conservative elements in the local unions. The Communists also retain absolute control of the country's largest union,

**ICELANDIC PARLIAMENT**

the Unskilled Workers Union in Reykjavik.

Despite some rumors to the contrary, the Communists also seem bent on remaining in the Social Democratic-Progressive-Labor Alliance coalition government, having recently conceded on a tactical point when threatened by the Progressive prime minister with dissolution of the coalition. In the six months the coalition has been in power, the Communists have succeeded in getting a number of their adherents appointed to key government positions.

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## PART III

PATTERNS AND PERSPECTIVES

## THE ARAB SOCIALIST RESURRECTION PARTY

The Arab Socialist Resurrection Party (ASRP), a leftist, ultranationalistic anti-Western group, has become the principal vehicle for spreading pro-Soviet and pro-Communist influence in Syria, Lebanon, Jordan, and to a lesser extent, in Iraq, Saudi Arabia, Bahrain, and Kuwait. It is a decisive factor in Syrian and Jordanian politics, where it has been used by Nasr to extend Egyptian influence.

History and Ideology

The ASRP, often called the Baath, was formed in 1953 by the merger of two groups of Syrian origin--the Arab Resurrection Party and the Arab Socialist Party. The Resurrection, sometimes referred to as the Renaissance Party, was founded in the late 1940's by Michel Aflaq, a Christian, who had been a leader in the Syrian Communist Party up to 1943, and Salih Bitar, the present Syrian foreign minister. The Arab



HAWRANI

Socialist Party was founded by Akram Hawrani, a radical, anti-Western politician, for the purpose of countering the rightist Syrian Populist Party.

Ideologically, the ASRP is secularist and Marxist,

claiming that Marxian socialism is the ideal system for the Arab world. It links itself to Arab nationalism by stressing that it is not a Syrian but an Arab party. It advocates worker participation in the management of industry, distribution of large agricultural holdings to



AFLAQ

the peasants, and strict neutrality in world affairs. Aflaq is the theoretician, while Hawrani is the practical politician and organizer.

Personalities

Aflaq now rejects Communism on philosophical grounds. He maintains that its dialectical materialism is incompatible with the spiritual elements of Islam and that Arab nationalism cannot be reconciled with international Communism. However, he believes Communist support can be safely exploited to reach Arab nationalistic aims. He has a considerable intellectual hold on students and graduates of the Syrian University, whom he receives at his apartment in the manner of a master imparting truth to his disciples. Aflaq is deeply convinced of his role and his mission. He and Hawrani have differed on party policy but never enough to cause serious dissension.

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Hawrani is a practiced and practical politician and a brilliant speaker. He believes violence will ultimately have to be used to carry out his program and he was influential in bringing about three of the military coups which have taken place in Syria since 1949. He was minister of defense in Colonel Shishakli's regime and was considered the "brains" behind the dictator. He broke with Shishakli in 1953 and fled to Lebanon, where he carried on political activities aimed at the overthrow of Shishakli.

Hawrani, appreciating the crucial position of the army in Syrian politics, has followed a policy of actively infiltrating the officer corps, especially those officers in key positions in intelligence and armored units. Younger officers, dissatisfied with Syria's political conditions, and university students, who are easily inflamed, are the party's staunchest supporters.

Communist Support

The turning point in the ASRP's fortunes came in 1954 when the party agreed to accept Communist support and gained 17 of the 142 seats in the new Syrian parliament. In 1955, it supported the Asali cabinet because of the latter's opposition to any alliance or agreement with the United States, Turkey, or Iraq.

Hawrani has been the leader in promoting co-operation with the Communists, but Aflaq also freely admits to co-operation and is confident that the ASRP is by far the stronger of the two allies. He claims the public knows that the party has consistently been ahead of the Communists in its demands for social reform. Aflaq is confident that Arabism will win out over Communism.

Co-operation with the Soviet Union is based on the old Arab adage "my enemy's enemy is my friend"; in this case the enemy is Western "imperialism." If the ASRP attained power, it might fall prey to the Communists within its ranks.

Role in Various Countries

The party believes its political fortunes benefited from the Anglo-French intervention in Egypt, which it feels gave the Arabs a stronger sense of unity. Federation with Egypt is one of the party's immediate goals.

Syria: The ASRP's policies have dominated the Syrian political scene since the invasion of Egypt and have been hardly distinguishable from those of the Communists. The Syrian press and radio feature Soviet-inspired items, conservative influence has been greatly undermined, and the flow of Soviet bloc military equipment and technicians has increased. A factor which has contributed to the momentum of Syrian orientation toward the Soviet Orbit is the influence and encouragement of Egypt, which is, itself, following much the same course. The ASRP has been a prime mover behind the pressure for Syrian-Egyptian political and economic union and for the purging of government officials who are considered unreliable, i.e., pro-Western.

Jordan: In Jordan, the ASRP operates quite openly and appears to have captured the imagination, if not the loyalty, of General Nuwar, the ambitious army chief of staff. The government has become infiltrated by its members. Minister of State for Foreign Affairs Abdullah al-Rimawi is, like the Syrian foreign minister, a member of the party. Its greatest strength in Jordan lies with the refugees.

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Iraq: Since all political parties are banned in Iraq, the activities of the ASRP are necessarily clandestine. The party is the most active nationalist organization in Iraq and, as in Syria and Jordan, it co-operates with the Communists. The ASRP's major strength is found in the schools and among the professional classes, especially in the higher institutions of learning--Baghdad Law College, the College of Medicine, and the teachers college. It aims at the overthrow of Nuri Said and the palace regime. A center of its activities is the Arab Renaissance Club, which was organized under the auspices of pro-Western Fadhil Jamali, but which has fallen under ASRP control. The Iraqi government has continually tried to repress the party, and numerous members have been sentenced to prison.

Saudi Arabia: Penetration by the ASRP into Saudi Arabia is still minor and has been confined to Palestinian Arabs who are employed by Aramco. However, the party has a strong following among Palestinian employees, and several handbills

have been distributed attacking the "greedy colonialism" of Aramco and urging strikes in support of Arab solidarity and against the "shameful attitude of the Saudi government and the Saudi royal family." Nasr is hailed as the "sincere hero of the Arabs."

In Kuwait and Bahrein, the extent of ASRP influence is unknown, but agitators are Arab Palestinians. The party's influence has spread to Egypt, particularly among students, via Syrian youths sent to study at Egyptian universities and military schools.

The ASRP appears to be a much more active vehicle for Communists and fellow travelers in the area than are the Communist parties themselves. Arab Communists are aware of this situation and appear indeed to have accepted and fostered it.

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## HUNGARIAN ECONOMIC PROBLEMS AND PROSPECTS

Fundamental to the Kadar regime's attempts to stabilize Hungary politically is the necessity to restore the Hungarian economy. In an effort to meet economic grievances and get the populace back to work, the government has made a number of concessions, notably in agricultural administration. The damage to the economy will not be fully repaired until well after the end of 1957, necessitating a reduction of planned

investment and a major reallocation of labor and materials to overcome economic dislocations.

Scarcities are beginning to raise the threat of inflation; and unemployment, while less severe than had been anticipated, is a serious problem which may worsen if badly needed raw materials are not obtained from the Soviet Union or elsewhere to keep production going.

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During the last two months of 1956, according to the Hungarian press, production was virtually at a standstill, reducing the national income for 1956 to about 10 percent below the planned figure. Industrial production, which in December was equal to about one quarter of the September rate, had risen to 50 percent in January, according to regime statements.

**Coal and Power**

The coal shortage, one of the foremost problems during the three months following the revolt, has been somewhat alleviated through imports and increased production. The mines now supply between 55,000 and 60,000 tons per day compared to a normal output of 70,000 tons before the revolt. The number of miners presently exceeds 80,000, according to official sources, whereas some 94,000 workers were employed in the industry prior to 23 October. Coal now is available to furnish power for all industries except the largest consumers, such as the key aluminum and steel industries, which are being restored to production gradually.

In an effort to get miners to resume work, the regime raised wages, abolished the norm system, and announced that the traditional wage system based on professional skill in the mining industry was being restored.

**Industrial Limitations**

Raw material shortages and labor slowdowns are preventing many factories from resuming full production. According to official announcements, the output of some factories is only 50 to 70 percent of average, with reductions up to 20 percent in number of workers employed. Production at the Csepel iron and steel works was said by the regime to be 60 to 70 percent of normal, but plan targets

are now 15 to 20 percent lower than before 23 October. The aluminum-processing industry has been almost completely at a standstill but is scheduled to resume operations in March.

Directors of the Hungarian oil industry claim that work in the oil fields has continued during the entire period since 23 October despite power and transport difficulties. Production is said to be about 70 percent of normal.

With the exception of some plants in Budapest and on Csepel Island, there was apparently little damage to industrial installations.

workers at the iron and steel plant at Ozd in northeastern Hungary, which produces about 30 percent of the country's crude steel, deliberately let the steel solidify in the open-hearth furnaces during the revolt. As a result the smelt equipment must be completely replaced.

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Although no statement has been made that heavy industry would lose its priority in Hungarian planning, concern has been expressed about the suitability of some of the long-term industrial projects which have been undertaken.

For example, Minister of Industry Apro said on 4 January that the country did not need the Dunapentele (Sztalinvaros) metallurgical combine, which is only half completed: "Much money and labor went into the erection of this center of heavy industry in the Hungarian plains at Stalin's behest. It was believed that this was the way to improve and secure the country, but time has proved this an erroneous idea. Hungary is poor in raw materials and electric energy, so it should not have developed heavy industry on the scale it did but should have concentrated its energies and resources to produce goods

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requiring less materials but more craftsmanship."

A temporary wave of hoarding in the wake of the revolution, combined with the stoppage of light industrial production, seriously reduced stocks of industrial consumer goods. The value of these stocks is estimated to have fallen from 14 to 5 billion forints (\$1.19 billion to \$425,000,000) as of the end of the year. At present the principal shortages are in clothing and shoes.

**The Labor Situation**

The regime claims that a rapid increase in the coal supply has made it possible to resume production in many factories and avoid widespread unemployment. The regime puts the unemployed at about 100,000. The outflow of refugees to the West eased unemployment but aggravated production problems because of losses of skilled workers and high-caliber personnel. Present dismissals of government employees as part of an economy drive add to unemployment. In some factories a shorter workweek has been temporarily instituted to prevent dismissals.

In an important concession designed to reduce unemployment, the Kadar regime plans to grant loans to assist people in setting up their own businesses, especially workers who lose their jobs as a result of "rationalization measures." Of further encouragement to private industry is a decree effective 1 January abolishing the income tax payable by independent small shopkeepers and craftsmen for their employees.

The government is faced with the difficulty of trying to persuade workers to co-operate despite their disapproval of the regime. Pressure is being brought to include party members in workers' councils

to assure adherence to regime policies, while the importance of the party-controlled trade union organization is also being emphasized.

**Budget**

To forestall inflation, the regime plans to cut the 1957 budget, especially in government administrative expenses, national defense and capital investments, completing only those capital projects which require "very little expense" and which help increase stocks of consumer goods.

A budget has been prepared to cover the first quarter of 1957, and the Planning Office has been instructed to submit proposals by 31 March for a plan to cover the remainder of the year. Capital investments in 1957 will be reduced to 6 billion forints instead of 11.6 billion as planned before the revolution. The government has also announced that since it would be impossible to carry out the old five-year plan, a special three-year plan for 1958-60 is being prepared.

**Foreign Exchange and Trade**

The foreign economic loans which Hungary has received since October 1956 provide only temporary support for an economy which even prior to the revolution was in serious difficulties. The country's normally high-cost obsolescent industry, which is based almost entirely on imported materials, has been unable to compete successfully in foreign markets. The fact that imports exceed exports in trade with the West has necessitated curtailment of needed imports and the arrangement of short-term credits often on a precarious day-to-day basis. Hungary has a substantial foreign debt and is negotiating for postponement of certain payments due almost immediately.

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At least half of the foreign assistance to Hungary in the past three months has consisted of relief supplies. The remainder, primarily from Communist countries, is composed of commodity and rehabilitation loans, including foreign exchange loans of more than \$50,-000,000 each granted by the USSR and Communist China, which may meet some of Hungary's longer-range needs. Additional Soviet assistance valued at \$200,000,000 is now being negotiated.

Food

The Hungarian Central Office of Statistics reported on 15 January that the production level of the food industry had reached that of September. Basic foods are available and a semblance of normalcy has been restored in the distribution system, in part because of the relief and economic aid received from both the bloc and Western countries. The longer-range outlook for the urban food supply is unfavorable, with much depending on whether sufficient imports can be obtained during the second quarter of the year.

Agriculture

The disintegration of co-operative farms in Hungary was extensive and rapid. According to Agriculture Minister Dogei, only half of the country's co-operatives still function, and land, stock and machinery belonging to the co-operatives have been distributed among the peasants. The Central Office of Statistics stated on 15 January that about 1,720 co-operatives were functioning, in contrast to 3,930 reported at the end of September. In a broadcast on 6 January, the regime made plain that the agricultural collectives and state farms would continue to be supported by the government and that "the government will treat with great severity attempts to deprive the state

and co-operative farms of their property."

On the other hand, there is considerable evidence that the regime realizes the need for improvement in the administration of its agricultural policy in order to raise production. Some measures restricting trade in real estate are being abolished. It will be possible for producer co-operatives and state farms to purchase land, and even independent farmers may purchase or lease land up to the legal maximum of 35 acres. Any individual will be able to lease his land, or the property may be share-farmed.

The regime is also seeking to enlist the support of noncollectivized farmers whose produce is essential to supply adequate food for the populace as well as important export products. The compulsory produce delivery quota system, so disliked by the peasantry, was abolished by the Nagy government late in October--a concession which the Kadar government has continued. Although "full freedom of peasant production and marketing" has been promised by the regime, a new system of state contractual bulk-buying at "free state prices" is being instituted which limits this freedom somewhat. Nevertheless, the regime has promised the peasants they will get higher prices for their produce.

Future Prospects

The chaotic situation in the Hungarian economy will prevent a return to full production during 1957 and perhaps for a longer period. Manpower--skilled technical, and professional--lost through emigration cannot be replaced in a short time. Full production in the aluminum, steel and other vital industries will not be restored for many months, and worker morale and consequently worker productivity will continue to be low.

(Prepared by ORR)

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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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## GERMAN UNIFICATION AND EUROPEAN SECURITY

In this election year, the government of Chancellor Adenauer is under strong compulsion, as it was before the Bundestag elections of September 1953, to satisfy the public that it is doing its utmost for German unification. Realizing that unification can be achieved only within the framework of great-power interests, the government has since 1953 made particular efforts to find some way of reassuring Moscow that a unified Germany would not threaten the security of the Soviet bloc. Arms limitations, buffer zones, collective security pacts, modifications in the Atlantic alliance or German withdrawal from the alliance have all been suggested by politicians and commentators.

Bonn's Major Considerations

The government's attitude is colored by a number of considerations. Chancellor Adenauer and his advisers doubt that Moscow is ready to permit German unification on any terms except the totally unacceptable one of assured Communist control. At the same time, the chancellor still seems to believe in his policy of unified

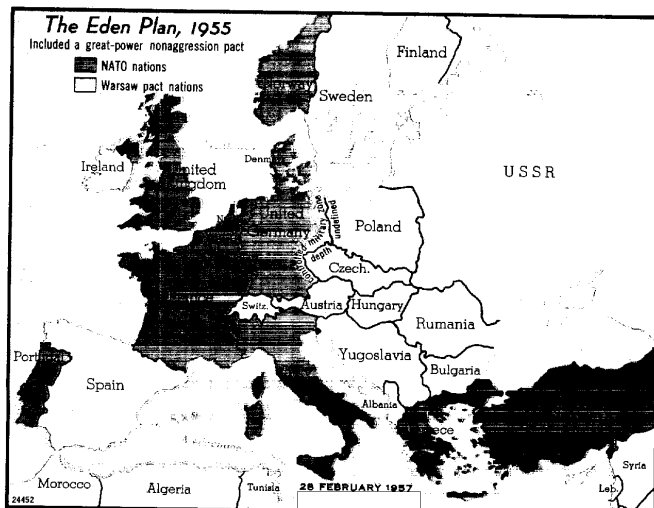
Western strength. These views would suggest that the government need make no extraordinary effort to reach agreement.

On the other hand, in a year when control of the Bundestag is at stake, Adenauer must not allow any doubt to arise in the voters' minds that he is doing his best to reunite the country, and according to opinion polls, the public considers unification more important than the Western alliance. Adenauer would probably like to crown his career by uniting Germany. Moreover, he is seriously worried about the possibility of the tensions in central Europe resulting in war.

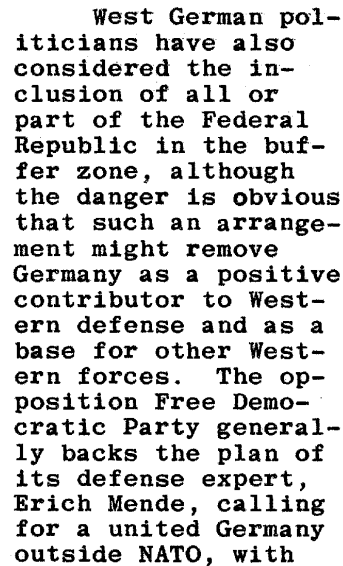
The government's approach to the problem is likely to be one of steady formula-seeking, restrained by a basic caution regarding Germany's security. Bonn has no intention of finding itself friendless in the maelstrom of European politics, even for the sake of unification, and is therefore unlikely to make any move that would seriously threaten its good relations with the West, especially the United States.

Pacts and Buffer Zones

In the many European security proposals made by both Soviet and Western leaders since mid-1953, the two common elements have usually been formal guarantees by both sides, and a buffer zone or area of reduced armaments which would lessen the possibility of border clashes and, perhaps, provide a testing ground for international arms inspection. The proposals have differed on the

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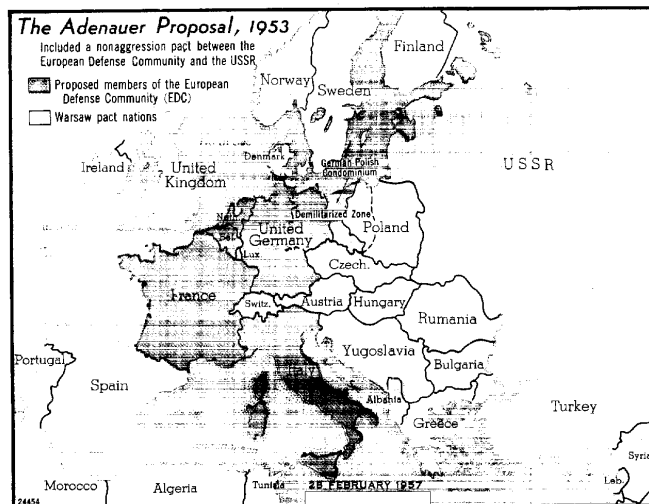


question of a unified or a still divided Germany, as to the nations which would participate in the guarantees and the location of the buffer zone.

As early as the election campaign of 1953, Adenauer attempted to undercut an expected Soviet proposal of German neutrality by suggesting a mutual East-West security guarantee--a suggestion which, although repeated the next year, drew no expression of Soviet interest. Adenauer has also indicated interest in buffer zones as a way of demonstrating to Moscow that a United Germany in a Western alliance would not necessarily advance the position of NATO forces to the east. In 1953, for example, he proposed that as Germany is unified, all of the present East Germany, and an equal area east of the Oder-Neisse line, be demilitarized. Moscow rejected this plan as weakening only the East, not the West.

NATO forces remaining in the Ruhr and on the west bank of the Rhine, and Soviet forces withdrawing to the Oder-Neisse line.

At a press conference on 11 January this year, Adenauer talked of a militarily "thinned zone" extending beyond the Federal Republic both to the east and the west. This plan was not conditioned on German unification, but was offered only to improve the "international climate." He said



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it was "perhaps almost certain" that Bonn would discuss such an arrangement with its allies this year. Apparently as a result of vigorous objections from his Christian Democratic Party, Adenauer practically withdrew this proposal in another press conference on 25 January, when he stated that it was useful only to control conventional forces and should be considered after the great powers had agreed to ban thermonuclear weapons.

It seems unlikely that West Germany would, in fact, accept any limitations on its armed forces going beyond the restrictions in the Paris treaties, except in conjunction with German unification.

**Affiliation of United Germany**

Neither the Christian Democrats nor the opposition Social Democratic Party (SPD) gives any evidence of wanting the Federal Republic to withdraw from NATO as an opening move to lure the USSR into an agreement on unification. Moreover, there is little tendency to accept a position of complete military isolation for a united Germany. The issue of what military ties a united Germany should have is, however, hotly disputed.

Under an SPD plan, unification would coincide with replacement of NATO and the Warsaw alliance by a collective security pact involving both the US and the USSR. While the SPD has not fully explained how its pact would operate, it probably envisages something like the "Eastern Locarno," suggested by Churchill in 1953, by which each side would be pledged to assist the victim of aggression. Under a pact of this kind, however, Germany would not participate in NATO peacetime military planning.

Most coalition politicians do not like the SPD plan, partly because they doubt that it would

offer as much security as NATO. A West German general recently told American officials that peacetime planning was indispensable. Coalition leaders are also loath to accept the restrictions on German sovereignty which would be involved in giving up freedom to make alliances.

Both Foreign Minister Brentano and Bundestag president Gerstenmaier, however, have recently demanded simply an effective security guarantee for a united Germany. Gerstenmaier said on 12 February that when such a guarantee was forthcoming, German membership in NATO could be "put up for debate." Brentano remarked on 18 January that Bonn was willing to find new forms of living side by side with the Soviet bloc, and that this could be done within existing pact systems or within systems still to be created.

It is possible the coalition leaders will try to counter the SPD plan with a proposal that a collective security system be superimposed on NATO, with the purpose of guaranteeing assistance to the Soviet Union in the event of German aggression, an arrangement Adenauer had in mind two years ago.

Defense Minister Strauss, who frequently makes proposals without the coalition's backing, was reported in the press on 19 February as reiterating that a unified Germany would not automatically be bound by the Federal Republic's ties with the West. He stated that "though the wish and desire of security of a reunited Germany would point to membership in a Western military alliance, the hard political realities" might call for a neutral position like Austria's.

Adenauer seems to be developing an entirely new thesis which may relieve him of the necessity of debating the respective merits of freedom of alliance and the SPD security pact. On 13 February, he

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declared that he was not opposed to a European security system, but said the importance of such a system had diminished because of the develop-

ment in the past year of remote-controlled rockets with nuclear warheads. He believed the best efforts should go in to the elimination of such

**LEADING PROPOSALS FOR A EUROPEAN SECURITY AGREEMENT****1953**

- May - Churchill suggests an "eastern Locarno" by which "Germany" and the Soviet Union would be guaranteed against aggression by each other, but without indicating whether he meant a united Germany.
- July - Adenauer suggests a mutual guarantee between the proposed European Defense Community and the USSR.
- Sept. - Adenauer suggests a demilitarized zone covering all of East Germany and an equal area east of the Oder-Neisse.
- Sept. - Belgian foreign minister van Zeeland proposes withdrawal of US, British, and Soviet forces to the Rhine and Vistula, demilitarization of East Germany, and a 20-year guarantee of the Oder-Neisse line.
- Sept. - French deputy foreign minister Schumann proposes Western-Soviet pact guaranteeing frontiers against forceful change.

**1954**

- Feb. - At Berlin conference, Molotov offers European security treaty, with mutual assistance provision, to replace NATO. US would not be a party; Germany would remain divided.
- Oct. - Adenauer suggests nonaggression pact between Western Europe and Soviet bloc.

**1955**

- May - Social Democrats call for a united Germany's membership in a new security pact with all the major powers instead of in a purely Western pact.
- July - At summit meeting, Prime Minister Eden proposes a demilitarized zone between East and West, and heads of state direct their foreign ministers to consider a European security pact, including arms limits and inspection and a zone of agreed force levels.
- Oct. - At Geneva foreign ministers' meeting, West offers the Eden plan--a collective security pact in stages, providing for mutual assistance, to be fully effective when a united Germany enters NATO and WEU. There would be a zone of controlled arms along united Germany's eastern border.
- Oct. - At Geneva meeting, the USSR suggests a security pact including the US and WEU states with the Warsaw pact states and involving mutual assistance and a consultative body, all conditioned on a divided Germany and dissolution of the Western and Warsaw alliances.

**1956**

- Mar. - Free Democrat Erich Mende proposes that both parts of Germany leave alliances, that foreign forces withdraw to the Rhine and the Oder-Neisse line, with German forces in the area between, and that a collective security pact be concluded, all prior to German unification.
- Mar. - At London conference of UN Disarmament Subcommittee, the USSR proposes a European zone, to include both Germanies, in which atomic weapons would be banned. Progressive disarmament program would limit German forces to 200,000.
- Sept. - Bonn, in its first note to Moscow on unification, expresses interest in re-examining collective security proposals involving mutual assistance and demilitarized zones.
- Oct. - Soviet reply to Bonn's note urges participation of two German states in security system and expresses interest in demilitarized zone.

**1957**

- Jan. 11 - Adenauer suggests a militarily "thinned zone" extending east and west beyond the Federal Republic.
- Jan. 16 - Social Democrat Fritz Erler calls for consideration of a "thinned zone" and treaty system guaranteed by the US and USSR, as a means of attaining German unity and East European freedom.
- Jan. 25 - Adenauer declares "thinned zone" is useful only after international ban on thermonuclear weapons.
- Feb. 13 - Adenauer says he is not opposed to a European security system, but that the main effort should be directed toward banning nuclear guided missiles.

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weapons through international control.

Whether Adenauer intends to make a ban on nuclear guided missiles a precondition to a security pact will perhaps emerge in the US-British-German-

French talks scheduled to open in Washington on 6 March in an effort to find a common policy on the interrelated questions of German unification and European security.

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**LIBERALIZATION IN COMMUNIST CHINA**

In the aftermath of the disorders in Poland and Hungary, the Chinese Communists are proceeding cautiously with the liberalization program started in 1956. Heretofore proscribed courses of study have been re-introduced into university curricula; the forms, if not the substance, of political democratization have been extended; and free markets, under careful state scrutiny, have been established for many commodities. Cowed by recent repression, the Chinese intelligentsia is reacting timidly to liberalization and shows no disposition to emulate its bolder contemporaries elsewhere in the bloc by calling for more liberties than the authorities wish to concede.

The first intimations of a liberalization policy in China appeared at a party conference in January 1956, when Chou En-lai called for more conciliatory treatment of intellectuals, "the most precious property of the state." The program, which emerged from the Soviet 20th party congress in February 1956, provided Soviet sanction for a swing toward moderation in China. In May, Mao Tse-tung gave his blessings to a "new

course" for China with the exhortation to "let all flowers bloom together and all schools of thought contend."

**Promises**

In succeeding weeks, the Communists provided some guidelines for the liberalization. The intellectuals were to be conceded freedom of thought "inside the camp of the people." They were encouraged to examine divergent schools of thought and even to publicize in "free" debates the heresy of idealism. The conclusions of these debates were foreordained, however, by the reminder that "debates are intended to find out the truth. Only dialectical materialism is the truth."

In the arts, members of the intelligentsia were assured they need no longer restrict themselves to heroic portraits of the worker in overalls but were free to select themes outside the confines of "socialist realism." As Communist Party leader Lu Ting-i rationalized, "taboos and commandments about choice of subject matter can only hamstring art and literature and result in writing to

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formula and bad taste." But nonproletarian themes, Lu observed, should be used to criticize rather than romanticize the old society.

In regard to the natural sciences, Peiping seemed less inclined to preserve the hedges around freedom of expression and research. Particularly significant was the announcement--as yet not echoed by orthodox Marxists elsewhere in the bloc--that these sciences had no class character and that theoretical formulations in these sciences could not properly be labeled with the epithets feudal and capitalist.

Peiping may be convinced it must allow scientists to broaden their horizons beyond the confines permitted in the Soviet Union under Stalin. Chinese scientists were apparently not to be subjected to the sort of vilification suffered by Russians who disagreed with the party-supported theories of Lysenko. The study of English in China was encouraged, and scientists were told to borrow freely from Western as well as Soviet studies.

Party Congress

While intellectuals were apparently the chief beneficiaries of the new course, the people at large were also to feel the relaxation of state pressures. Speaking at the eighth party congress in September, Director of Public Security Lo Jui-ching promised a continuing fight against unyielding counterrevolutionaries but declared that the stage of fierce class struggle had passed. Earlier in the year, the regime had announced a policy of leniency toward surrendering counterrevolutionaries and reductions in the sentences of those already convicted who were properly repentant. Agricultural collectives were no longer to refuse membership to reformed counterrevolutionaries.

Speakers at the party congress also promised the creation of "free markets." Goods worth some 12 billion yuan--out of a total annual retail trade of 46 billion--were to be freed in varying degrees from state control. The ruling applied to minor local products, handicraft goods and general consumer goods.

In support of its lip service to democratic practices in political affairs, Peiping about this time began to emphasize the functional role of the puppet parties as the representatives of the nonproletarian classes. At the National People's Congress in June, Communist Party members were chided for belittling the function of the "democratic" parties, and "mutual supervision and criticism" between these parties and the Chinese Communists were called for.

Response

The Chinese intelligentsia--thoroughly cowed by the campaign against intellectual nonconformity in 1955, and familiar with the Communists' record of alternating periods of moderation with periods of repression--were not emboldened by Mao's call to "let all schools of thought contend." Furthermore, Peiping's repeated warnings that liberalization constituted no sanction for the propagation of counterrevolutionary views discouraged intellectual flirtations with the heterodoxy.

The absence of post-liberalization unrest in China probably reflects in part the lack of serious factionalism within the Chinese party. In the Eastern European Satellites last year, intellectuals were able to draw support from "liberal" elements within the Communist parties, and the call for more freedom resulted as much in an intraparty

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struggle as one between the party and non-Communists. With no known faction to challenge Mao Tse-tung's supremacy, intellectuals in China could draw no such support.

In any case, inclinations toward intellectual independence were probably dampened by Peiping's second look at liberalization, following the East European disorders last fall. The regime thereafter made clear its determination to keep its liberalization program within bounds. Propaganda emphasis shifted from the promise of democratization to a need for disciplined unity. Sensing a developing cynicism among the nation's students, Peiping called for further indoctrination "so that in this complex international situation, they will be able to distinguish between right and wrong."

Implementation

Current curricula in the universities show that the authorities now are allowing students a limited exposure to Western thought. Lectures have been introduced on the philosophies of Hegel and Bertrand Russell. Anglo-American law and the economic theories of Keynes are also being studied, although presented in an unflattering light and with the declared purpose of proving the superiority of Marxist doctrine. "Student ideas and democratic life," notes the official People's Daily, have taken "a new lease on life, and an atmosphere where the students speak unreservedly and think independently has presented itself." Under the circumstances, the schools are adjured to remember their continuing obligation of positive leadership along the approved ideological paths.

In the political arena, the Chinese are trying to show that democratization is being

honored in practice as well as principle. The national and local congresses serve mainly as forums for authoritative pronouncements from the top leadership, but delegates now may offer suggestions on minor points. The puppet parties--the ostensible representatives of the nonproletarian classes in China's multiclass state--have been encouraged to expand their membership. These parties had an 80-percent increase in their membership rolls over the year.

The free markets promised in September have been established, and fully a third of all marketed agricultural produce is now sold in these markets. The appointment of politburo member Chen Yun as minister of commerce, with responsibility for administering the markets, indicates the importance Peiping attaches to the experiment. In recent months, however, the authorities have issued a series of directives redefining the role of the free markets. Producers and consumers will still be permitted to make direct transactions, but under closer state supervision.

Prospects

Despite their present toleration of free markets, the Chinese Communists have never considered that liberalization marked a retreat from Socialism. Liberalization may provide a more peaceful transition to socialism but it is not to delay the process. When Peiping started its liberalization program last spring, about 50 percent of China's peasant households were enrolled in the fully socialist collective-type co-operatives. Before the year's end, the figure was 80 percent.

The current policy of moderation, Peiping frankly acknowledges, is possible because the nonproletarian classes were

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sufficiently "educated" during earlier repressive stages. The Chinese, moreover, probably consider a periodic return to the more ruthless accents essential if the socialization drive is to avoid loss of momentum.

It is nevertheless likely that some features of the current liberalization will survive the next few shifts in party line, particularly as regards the natural sciences. Such innovations as the enlarged freedom to examine Western sources must necessarily be sustained if they are to

have the effect Peiping desires in raising China's scientific standards. The oft-repeated warnings against "counter-revolutionary" views should in the coming years prove least inhibitory to China's physicists, chemists, biologists and others who have been assured their disciplines have no class character. In no case, however, do Communist China's leaders envisage any freedom to question the fundamental policies of their regime.

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