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7 November 1957

CURRENT INTELLIGENCE WEEKLY SUMMARY

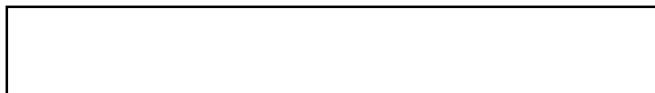


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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

SOVIET 40TH ANNIVERSARY CELEBRATIONS Page 1

Khrushchev's three-hour opening speech has dominated the 40th anniversary celebrations in Moscow. He touched lightly on domestic political problems and spoke frequently of the principles of party unity and of the supremacy of the party in all spheres of Soviet life. Referring briefly to recent conflicts in the party's top ranks, he asserted that the central committee had upheld these principles in ousting the "anti-party" group in June and Zhukov in October.

On the economic side, he reaffirmed the policies and programs announced last September and gave preliminary production figures for 1972 for certain key industrial items in support of his assertion that catching up with the United States is an achievable goal. In foreign relations, Khrushchev emphasized the importance of an understanding between the United States and the USSR and called for a high-level East-West meeting. []

THE SECOND SOVIET EARTH SATELLITE Page 3

Sino-Soviet propagandists are hailing the launching of the 1,120-pound second Soviet earth satellite to a maximum of 930 miles on 3 November as an "outstanding victory of Soviet science and vivid testimony to the gigantic success of the first Socialist state." This follows the same pattern of propaganda exploitation used after the first launching. The military applications of sputnik II have already been implied in Soviet bloc comment. Free world reaction ranged from praise for the achievement to calls for a greater exchange of scientific knowledge among the Western allies. []

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PART I (continued)**MIDDLE EAST DEVELOPMENTS Page 6**

The UN debate on Syria's complaint against Turkey has ended inconclusively. Syria continues to make propaganda charges against Turkey. Turkish military strength near the Syrian border remains substantially unchanged. The political situation in Jordan continues unstable.

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PART II**NOTES AND COMMENTS****PROBLEMS OF THE NEW FRENCH GOVERNMENT Page 1**

France's new premier, 38-year-old Felix Gaillard, presides over a tenuous alliance which faces immediate decisions on the Algerian and other highly controversial problems. Gaillard has reiterated Mollet's offer to the Algerian rebels for a cease-fire and negotiations. Despite the large majority vote for his investiture, both major supporting parties--the Socialists and the Independents--remain at odds over economic policy and seem in agreement only on the need for a government. The serious divisions in both groups over participating in his government make doubtful their continued support.

[REDACTED]

ALGERIAN REBELLION Page 2

The Algerian rebel high command recently met in Tunis and reiterated its demand that France recognize Algeria's independence before cease-fire negotiations are held. The rebels have substantially improved their military capabilities and may concentrate on isolated French positions, such as those protecting Saharan areas under oil development.

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COMMUNISTS TIGHTEN CONTROLS ON BERLIN SECTOR BORDER . . . Page 3

The Communists have established new stringent customs and currency controls on the East-West Berlin border, but apparently do not contemplate closing this border entirely in the near future. Although the new controls violate quadripartite agreements on freedom of movement within Berlin, they do not necessarily affect Allied access to East Berlin, as they appear to be directed primarily against Germans.

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PART II (continued)**SOVIET INDUSTRIAL OUTPUT CONTINUES HIGH FOLLOWING
REORGANIZATION Page 5**

For the three months following the 1 July 1957 reorganization of Soviet industrial administration, production in the Russian republic, which accounts for roughly two thirds of the USSR's industrial output, was 12 percent above that for the same period a year ago. This total figure, which is somewhat higher than is implied in Khrushchev's anniversary speech, suggests that to date at least the results of the reorganization scheme have at the minimum offset any initial disruption of supply and personnel. Nevertheless, some modification of the new system may be made if 1957 performance figures reveal specific weaknesses in its operation. [REDACTED]

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YUGOSLAV REACTION TO ZHUKOV DISMISSAL Page 6

President Tito's absence from the Moscow celebration of the 40th anniversary of the Bolshevik revolution suggests that as a result of the ouster of Marshal Zhukov the Yugoslav leader is having second thoughts about his alignment with the USSR. Belgrade is unlikely to take any steps which would further its alignment with Moscow until the intentions of the new Soviet leadership are clarified. [REDACTED]

RUMANIAN OVERTURES TO THE WEST Page 7

In an effort to enhance the appearance of Rumanian independence of the Kremlin and to bolster foreign trade, the Bucharest government is making another serious effort to improve relations with Western countries. [REDACTED]

ENLARGED SCOPE OF STATE FARMS IN SOVIET AGRICULTURE . . . Page 8

The recent Soviet emphasis on state farms in agriculture has resulted in the formation of 674 new state farms in the USSR in the first half of 1957. This trend has been closely related to the development of the New Lands and, more recently, to increasing pasturage in the new areas to enhance the meat and milk production drive. [REDACTED]

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PART II (continued)

DI VITTORIO'S DEATH WEAKENS ITALIAN COMMUNISTS' HOLD
ON LABOR Page 9

The Italian Communist party leadership is faced with a difficult problem in finding a successor to Giuseppe Di Vittorio, who died on 3 November after a ten-year term as secretary general of the party-dominated Italian General Labor Confederation. Likely successors would not have Di Vittorio's stature and popularity, and must be acceptable to the Communists, the Nenni Socialists, and the rank and file. The Communists' hold on labor is threatened by weakening morale in the labor organization and an increasing divergence of interests between Communist and Nenni Socialist members. [REDACTED]

MACMILLAN GOVERNMENT FORCING SHOWDOWN ON WAGES ISSUE . . . Page 10

Industrial strife is probable in Britain this winter as a result of the trade unions' conflict with the Macmillan government over general wage increases. The government insists that the pound sterling would be weakened by further wage increases unaccompanied by rises in productivity. The showdown may come in mid-December, when the government is expected to reject the demands of 500,000 railway men to whom it has yielded in previous years. [REDACTED]

YEMENI CROWN PRINCE BADR'S VISIT TO LONDON Page 11

The ten-day official visit to London of Yemeni Crown Prince Badr, which begins on 9 November, may provide a start toward a limited settlement of the Aden-Yemen border dispute. The Yemenis view the trip as strengthening the prospects of Badr to succeed to the throne. The British view the crown prince with suspicion because of his Soviet connections, but presumably hope his visit will facilitate future dealings with him should he succeed the present Imam. [REDACTED]

RETURN TO CIVILIAN GOVERNMENT IMPERILED IN COLOMBIA . . . Page 11

A factional struggle within the Conservative party in Colombia imperils the prospects of an orderly transition of power from the military junta to civilian control. The repudiation by the right-wing Conservatives of the joint Conservative-Liberal presidential candidate may be seized by the military as a pretext to remain in control. [REDACTED]

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 November 1957****PART II (continued)****THE SITUATION IN GUATEMALA Page 12**

Little if any progress is being made by the diverse and antagonistic anti-Communist political groups in Guatemala toward agreeing on a coalition candidate for the presidential election, which will probably be set for January. If the impasse continues and the government remains neutral as it has promised, the Communist-infiltrated Revolutionary party might win. Government support for any candidate would probably set off renewed violence. [REDACTED]

DEVELOPMENTS IN INDIAN ECONOMIC SITUATION Page 13

The Indian government took action on 31 October to make available nearly all of its dwindling foreign exchange reserves to meet commitments under its Second Five-Year Plan, as widespread crop failures tightened the squeeze on its financial resources. New Delhi apparently is counting heavily on American authorization of additional surplus food shipments to ease the new drain on its foreign exchange necessitated by emergency food imports. [REDACTED]

PHILIPPINE ELECTION CAMPAIGN Page 14

In the last week of intensive campaigning for the 12 November Philippine election, President Garcia is still widely believed to have an edge over his opponents, although an upset by either Liberal party candidate Yulo or Progressive party candidate Manahan cannot be ruled out. Despite local expectations of widespread electoral frauds, and numerous reports of terrorism, government agencies responsible for the conduct of the elections appear to be making an effort to ensure free elections. [REDACTED]

INDONESIA Page 15

The Indonesian government has postponed the second national conference from 15 to 25 November, apparently to give its "Regain West Irian Drive" more opportunity to stimulate national unity before the meeting opens. The second phase of this anti-Dutch drive is to start on 10 November, and a third phase is set to coincide with the UN General Assembly debate on Indonesia's claim to the area later this month. Antagonism between Sukarno and Hatta may be intensifying, with Hatta reportedly prepared to take active leadership of anti-Communist elements against the President. [REDACTED]

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****7 November 1957****PART II (continued)****THAILAND Page 15**

Marshal Sarit is seeking to give the impression that he fully controls the situation in Thailand. Earlier reports that he was "losing his grip" may have been exaggerated by ambitious colleagues, such as Interior Minister Prapat, who probably hope to succeed Sarit as Thailand's de facto ruler. [REDACTED]

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SITUATION IN LAOS Page 16

The Laotian government and the Pathet Lao have concluded negotiations on the terms of a settlement, and Prime Minister Souvanna Phouma plans shortly to request National Assembly approval for a coalition government. Influential conservative leaders are opposed to the manner in which Souvanna pushed through the settlement. However, there is widespread sentiment for national reunification, and it is probable that National Assembly approval will be forthcoming. [REDACTED]

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CHINESE TO PRESS FOR FURTHER SCIENTIFIC COOPERATION WITH USSR Page 17

Mao Tse-tung's entourage in Moscow includes two scientific and technical delegations which will negotiate a Sino-Soviet agreement for joint research and cooperation. Soviet missile and earth-satellite development and nuclear advances are viewed by the Chinese as impressive examples of Soviet supremacy in science and undoubtedly have prompted the Chinese to press for agreements which would give them a larger share in the benefits of the Soviet successes. [REDACTED]

DROUGHT THREATENS WINTER CROPS IN COMMUNIST CHINA Page 18

Drought lasting more than 100 days threatens the winter wheat and rape crops in most of North China, large areas of the central provinces, and some of South China. Crop failures would aggravate serious problems already facing the regime in the countryside. [REDACTED]

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POLICY TRENDS IN THE NEW WEST GERMAN GOVERNMENT Page 8

During Chancellor Adenauer's third term, West Germany is likely to demonstrate an increasingly self-assertive role within the framework of the Western alliance. Unwilling to leave its fate in the hands of other major powers, Bonn will probably seek a gradual extension of its political influence to a point commensurate with its already important world economic position. In the military field, Defense Minister Strauss is likely to concentrate on equipping existing forces with modern weapons. In foreign policy, an early effort toward improving relations with the Eastern European satellites, principally Poland, seems likely, although Tito's recent recognition of East Germany may delay this step.

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NEW PAKISTANI GOVERNMENT'S GROWING ECONOMIC PROBLEMS . . . Page 11

The new Pakistani government, while retaining the pro-Western foreign policy outlook of its predecessors, seems unlikely to pursue strong domestic economic policies. This refusal to face up to economic realities may result in serious deterioration of the country's economy. Growing economic instability and continuing political confusion may neutralize the effectiveness of American military aid and make Pakistan increasingly dependent on foreign economic assistance.

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PART I

OF IMMEDIATE INTEREST

SOVIET 40TH ANNIVERSARY CELEBRATIONS

Khrushchev opened the 40th anniversary celebrations in Moscow on 6 November with a three-hour speech to a gathering of over 15,000 officials of the Communist world, including 61 foreign delegations and deposed leaders Malenkov, Kaganovich, and Shepilov. Khrushchev reviewed in glowing colors 40 years of Soviet achievement and made confident predictions for the future. He touched lightly on domestic political problems, and spoke frequently--in general and conventional terms--of the principles of party unity and of the supremacy of the party in all spheres of Soviet life. Referring briefly to recent conflicts in the party's top ranks, he asserted that the central committee had upheld these principles in ousting the "antiparty group" in June and Zhukov in October.

In his first formal pronouncement on Stalin since the attack at the 20th party congress, Khrushchev struck the now-familiar pose of balancing Stalin's vices against his merits. He asserted piously that Communists had the strength to admit mistakes, but rejected attempts to attribute Stalin's mistakes to the Soviet system. Attacking the concept of "national Communism," he damned Djilas and Nagy as revisionists whom the West described as "liberal Communists." Although he condemned the two ideological extremes of "revisionism" and "dogmatism," Khrushchev avoided entirely any discussion of the problem of nonconformity in Soviet intellectual life.

In the field of foreign relations, Khrushchev emphasized the importance of an understanding between the United States and the USSR and called for a "high-level meeting of representatives of capitalist and socialist countries to exclude war as a means of solving political questions," to end the arms race, and to establish relations between states on the basis of peaceful coexistence.

Khrushchev sought to portray the Soviet Union as the champion of peace, in contrast to the West's alleged desire to "keep the world on the brink of war." He declared that "wars are not needed for the victory of socialism" and that the USSR would never "use any means of destruction" except in retaliation against an attack by "imperialist states."

The confidence which marked Khrushchev's speech suggests that the Soviet leaders believe their technological achievements have given them a strong political initiative which will increase pressure on the West to make concessions, particularly in the disarmament field. The Russians apparently believe they can, from their new "position of strength," isolate the United States and persuade America's allies that their interests dictate a more independent policy.

Khrushchev cited the economic "victories" of the past 40 years of Soviet rule and forecast Soviet production 15 years from now for certain key

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industrial items. His preliminary 1957 output figures were considerably less impressive than his image of the victorious past and they seem to have made him conservative in his vision of the promising future. Only the most moderate overfulfillment of the modest 1957 plan for total industrial production seems implied by Khrushchev's figures.

At the same time, the 1972 "goals," while impressive, imply growth rates considerably below both reported 1950-1956 industrial growth and the increases originally planned for the now-defunct Sixth Five-Year Plan.

tempt to "do everything at once"--though apparently at a somewhat less headlong pace.

From the statements in his speech, it would appear that Khrushchev intends to continue to implement policies toward the satellites which are based on the decisions of the 20th party congress and which were reaffirmed in the declaration of 30 October 1956, i.e., "the countries of the great commonwealth of socialist nations can build their relations only on the principle of full equality, respect of territorial integrity, state independence and sovereignty, and noninterference

KHRUSHCHEV'S DOMESTIC OUTPUT FORECAST BY YEAR

UNIT	1956		1957		1958		1959		1960	
	1956	REPORTED 1956	1957	1957	1958	1958	1959	1959	1960	1960
IRON ORE	98	78.1	114	250-300	115	250	115	250	115	250
PIG IRON	69	35.8	80	170-200	80	170	80	170	80	170
STEEL	104.5	48.6	121	250-300	121	250	121	250	121	250
COAL	479	429.2	440	450-500	440	450	440	450	440	450
PETROLEUM	354	83.8	390	320-400	390	320	390	320	390	320
ELECTRIC POWER	684	192.0	710	350-400	710	350	710	350	710	350
CEMENT	54	24.9	58	70-110	58	70	58	70	58	70
SUGAR	2.1	4.4	2.3	4-10	2.3	4	2.3	4	2.3	4
WOOLLEN CLOTH	326	292.0	340	400-710	340	400	340	400	340	400
LEATHER FOOTWEAR	586	289.8	615	600-700	615	600	615	600	615	600

* Computed as mid-point of forecast range

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Khrushchev claimed, however, that the USSR "can in the next 15 years not only catch up with the present volume of output...of the United States but also outstrip it."

Besides the theme of "catching up" with the United States, Khrushchev also dwelt at varying length upon those other economic policies and programs of the regime which will go into the long-term plan announced as under preparation for the 1959-1965 period. His discussion of agriculture, housing, sputnik, education, and defense suggests a continued at-

in the domestic affairs of one another." This is further indicated by the front-paging in Pravda on 5 November of a detailed restatement by Polish party leader Gomulka of his well-known "separate roads to socialism" doctrine.

Khrushchev was followed to the rostrum during the ten-and-a-half hour session by a parade of Communist leaders, headed by Mao Tse-tung. Mao went out of his way to endorse Khrushchev's major domestic policies, which would have the effect of strengthening the latter's hand in any further party

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struggles. There are some indications that Khrushchev has not completely eliminated his opposition within the party (see page 1, Part III).

Mao described as "wise steps" Khrushchev's plans to decentralize management of industry and construction, the

agricultural development program, and actions taken against "antiparty groups" and toward "improvement of political indoctrination in the army." Mao's support may make Khrushchev more receptive to any Chinese requests for additional Soviet economic, military, and scientific aid.

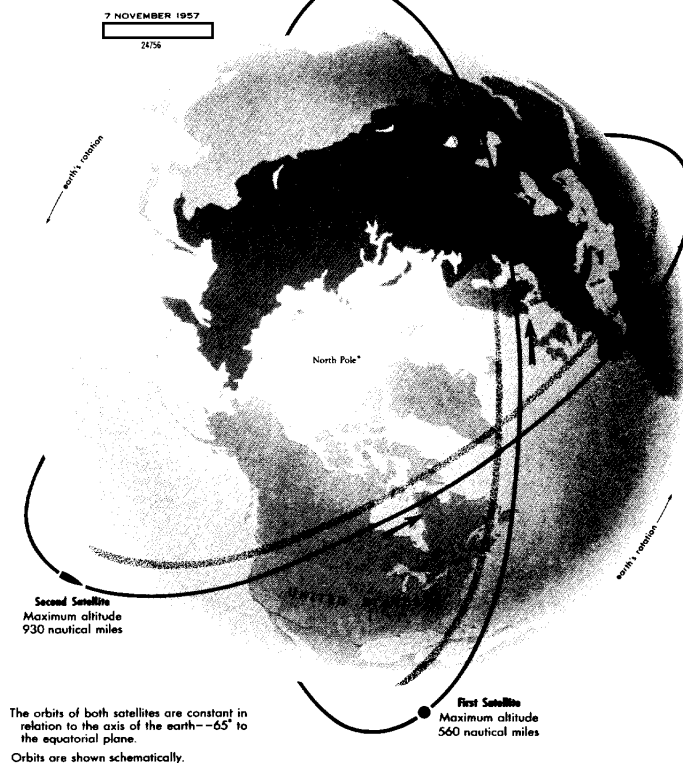
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THE SECOND SOVIET EARTH SATELLITE

The launching of the second Soviet earth satellite was announced by Moscow radio on 3 November after the satellite had completed at least one orbit. The official announcement stated that the new vehicle weighs 1,120 pounds, is some 930 nautical miles above the earth at the farthest point

in its elliptical orbit, and is carrying a dog, together with instrumentation for transmitting data.

The announced weight of the new satellite is by far its most significant military characteristic. The propulsion capability demonstrated by placing

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such a weight in orbit is readily adaptable to an ICBM or a reconnaissance vehicle.

Soviet statements continue to imply that the Russians will launch several more such satellites during the coming year and that they intend to attempt a launching to the moon.

Communist Exploitation

Following the same pattern of propaganda exploitation used after the launching of the first earth satellite, Soviet propagandists again are concentrating on hailing the second launching as "an outstanding victory of Soviet science and vivid testimony to the gigantic success of the first socialist state."

Considerable attention is being given to foreign reactions, particularly American. Pravda assessed US reaction to the launching of the second satellite as ranging from "sincere admiration to panic, hysteria, and malicious rage." TASS reported "considerable confusion" among Washington political circles and quoted American press sources as saying the Soviet accomplishment leaves no doubt in Washington that the Russians are able to launch an ICBM against points in the United States.

One Eastern European radio commentator told his domestic listeners on 4 November that just as the October Revolution opened "Chapter II of the world's history," so the second earth satellite began "Chapter III entitled 'Man is Begin-

ning to Conquer the Cosmos'."

The Bulgarian press commented that the two satellites have ended a "long and carefully nurtured" American delusion of technical and scientific supremacy, and said that nothing can dim the Soviet star.

The Yugoslav radio, taking the humanitarian tack it followed a few weeks ago, commented, "If one side is able to do this today, the other side will be able to do the same thing tomorrow. What sense does it make then to continue the race and the launching of new arms?"

Peiping is symbolizing the second satellite as the "Red Moon" which "deals a heavy blow to the saber-rattlers." The theme of "socialist superiority" and the "failure of Western capitalism" which was developed gradually in publicizing the first satellite is now foremost in every Chinese Communist communiqué. While direct military implications are avoided in favor of scientific claims, pointed references are made to new Soviet achievements in Soviet launching techniques.

Free World Reaction

Non-Communist comment, less voluminous than that on the first earth satellite, generally follows the same line. Several newspapers have said that the new satellite was launched to divert attention from the ouster of Marshal Zhukov.

Western European press and official circles stressed the scientific achievement, and the

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need for greater coordination of Western scientific programs. Bonn government supporters said that the December NATO meeting must come up with a tangible program. The second launching set off speculation in "informed quarters" in Bonn that West German participation in rocket development, now prohibited by the Paris treaties, was necessary in catching up with the USSR, and the question was raised of a possible European rocket production pool and of rocket production by Germany itself or with the United States and France.

The European press generally expressed alarm over the lead assumed by the USSR over the West, said by the British press to be two years.

The launching has received a big play in the Middle East press as an additional demonstration of Soviet scientific superiority, a further loss for American prestige, and another reason for spreading neutralism throughout Asia and Africa.

Both the leading English daily Times of India and the nationalist Indian Express expressed confidence in the United States' ability shortly to produce its own sputnik and the Times added that there is therefore no question of the USSR bargaining from the position of comparative advantage. Both papers see this Soviet achievement as carrying the promise of a new and better future, and the Times adds that the realization of the promise will depend on the measure in which the two power blocs are prepared to cooperate.

Political and press circles in Ceylon saw the launching of the second satellite as probably science's most notable achievement. It was generally agreed that a satellite race between East and West could become as bitterly contested as arms races and might finally be settled only by war.

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Japan seems impressed with the size of the new earth satellite. Kyodo News Agency noted that it "might well be" imagined that the USSR already possesses transcontinental ballistic rockets that could deliver hydrogen bombs to any part of the world.

Prime Minister Kishi on 6 November asked Ambassador MacArthur when the United States would launch its earth satellite. He said that not only were the Socialists using the Soviet success to criticize his government's security and foreign policy, particularly as it related to close cooperation with the United States, but that some of his own Liberal Democrats were concerned as well. When informed by MacArthur that an American pilot satellite would be launched in December and a more instrumented IGY satellite in March 1958, Kishi commented, "From our point of view, the sooner, the better."

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MIDDLE EAST DEVELOPMENTSTurkey and Syria

International concern over Turkish-Syrian tensions has diminished markedly following the close of the UN debate on the problem last week, but the Syrian regime has continued its propaganda barrage charging Turkey with overflights and asserting the Turks have not made any move to ease the border situation between the two countries. Even more than previously, this Syrian activity appears to be inspired by domestic political considerations, especially the regime's need to maintain an atmosphere of crisis in order to hold itself together and prevent any rally of potential opposition.

The Turkish maneuvers originally scheduled for 30 October have been delayed, at least until 15 November [redacted]

[redacted] Reports that Turkish ground forces have withdrawn from the border area have not been confirmed. The Turks recently prohibited the American air attaché from entering an area about 65 miles from the frontier where they have a major air base. The rigorous restrictions the Turks have placed on the movement of foreign, including American, newspapermen who have sought to report on conditions in the border area may well give Ankara a bad press which will hinder efforts to counter Soviet and Syrian propaganda.

Israel

As Turkish-Syrian tensions subside, Syrian-Israeli diffi-

culties are likely to loom larger than they have for the past several months. The uninterrupted development of closer military and economic relations between Syria and the Soviet Union, plus the apparent Syrian responsiveness to Soviet diplomacy during the UN debates, is leading Tel Aviv to step up its own diplomatic efforts. The Israelis have indicated they intend to make a new request to the United States for heavy weapons, probably the latest jet fighters and possibly some submarines. Israel is already scheduled to receive antisubmarine warfare equipment from Britain.

These moves suggest that the Israelis anticipate a new build-up in tensions with the Arabs in general and Syria in particular during the coming months. Local frictions, any of which could easily develop into major problems, remain on all of Israel's frontiers, but particularly at present on the borders with Syria and with Jordan, where the problem of the Jerusalem neutral area and Israeli tree-planting and digging continue to fester.

Jordan

Behind Jordan's insistence that the West publicly espouse its cause in discussions with Israel lies the pro-Western government's ever more pressing need for support in its domestic difficulties. [redacted]

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EGYPT

The Egyptian leaders are very probably considerably relieved to see the Syrian-Turkish question calming down. Egyptian Foreign Minister Fawzi played a major role in leading the Syrians to accept an inconclusive finale to the UN discussions. The easing of the international situation apparently has given Nasir an opportunity finally to do something about cabinet changes which have been rumored for the past several months.

It is not clear whether the flare-up last week end in the propaganda war between Cairo and Amman is related to a possible move by the "free officers" group. Cairo charged that King Hussayn's government had been negotiating with Israel, "selling out" the Arab refugees for \$30,000,000 of American aid, and implied that Hussayn should share the fate of King Abdullah, who was assassinated in 1951 by anti-Israeli fanatics. Amman replied with a venomous personal assault on the "little colonel of low birth and lower manners."

Three shifts were announced on 3 November, but the nature of the changes is not indicative of a major reshuffle. Nasir for some time has been dissatisfied with some of his ministers, particularly with the unpopular reception some of them received during the parliamentary elections last July. The director of Liberation Province, accused of inefficiency and corruption, is to be thrown as a sop to the public, to give the tame Egyptian parliament an opportunity to stage an "investigation."

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The Nasir regime also announced this week the constitution of the "National Union," the latest attempt to provide some link between the regime and the public. The new National Union has little more chance than its predecessor, the Liberation Rally, of becoming more than a convenient device for organizing parades and other political demonstrations.

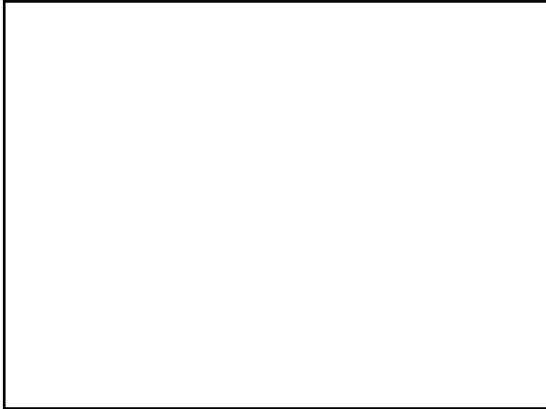
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Soviet Moves

Soviet treatment of the
Syrian question this week was

designed to counter the feeling that the "war threat" in the Middle East is over. Soviet propaganda charges against Turkey have been continuous although the tone has become more moderate and the volume has declined during the past week. Moscow will probably continue to emphasize the dangers in the area for the benefit of numerous African and Asian delegates who arrived in the USSR to witness the celebrations.

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PART II

NOTES AND COMMENTS**PROBLEMS OF THE NEW FRENCH GOVERNMENT**

France's new premier, 38-year-old Felix Gaillard, presides over a tenuous alliance which faces immediate decisions on the Algerian and other highly controversial problems. Despite his investiture vote of 337 to 173, both major supporting parties--the Socialists and the Independents--remain at



GAILLARD

odds over his economic policy and seem in agreement only on the need for a government. The serious divisions in both groups over participating in his government make doubtful their continued support.

Gaillard's cabinet is one of the smallest in recent years, but it includes a wider range of political views than any government since the 1951 elections. Despite its breadth, however, there is no sign of planned coordination among party leaders. The Socialists have some assurance of continuity on party policy, since such key posts as the Foreign Ministry under Pineau and the Ministry for Algeria under Lacoste are

in the same hands as they were under Mollet and Bourges-Maunoury. Popular Republican desires to regain control of the Foreign Ministry have been partially met by the appointment of one of their leaders, Pierre Pflimlin, as finance minister.

Gaillard has avoided a commitment on Socialist-backed social welfare legislation, however, by a plan to refer it to round-table conferences. The Independents, who are represented in the cabinet by comparative unknowns, seem less firmly committed to Gaillard and are already threatening difficulties if the Socialists refuse to yield on this issue. Gaillard has tried to head off any early internal dissension by threatening to resign if any party bolts the coalition.

Gaillard has put Algeria at the top of his legislative program and will probably get



PFLIMLIN



LACOSTE

early assembly approval of an amended basic statute. He has reiterated Mollet's offer of a cease-fire and negotiations, but he has also indicated a willingness to make further concessions to the right, thus probably increasing the restiveness

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of the Socialist rank and file, who want a more liberal Algerian policy. Antiregime sentiment in the army in Algeria, meanwhile, is said to have increased during the prolonged government crisis, and the French press in Algiers is waging a violent campaign against the basic statute.

Further clashes over basic policies are in prospect when the cabinet takes up the problems of internal inflation and the exhaustion of the financial resources required for govern-

ment operations and for foreign trade. Gaillard is anxious to have France make an effort to put its financial affairs in shape by drastic economies and new taxes before he asks for foreign aid, but the American embassy in Paris sees "precious little" recognition by French leaders, the mass of deputies, and public opinion of the need for belt-tightening. There are already signs that labor will lose no time in renewing strike activity for new wage hikes.

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ALGERIAN REBELLION

While military developments in Algeria do not bear out the contention of some rebel spokesmen that a new offensive has been launched, the Algerian rebellion--which entered its fourth year on 1 November--gives no indication of subsiding. The rebels in fact are believed to have substantially improved their military capabilities during the past few months. At the same time they have concentrated on enlisting support abroad preparatory to the forthcoming United Nations debate on the Algerian question.

Divergences of opinion within the nine-man executive committee of the Algerian National Liberation Front (FLN)--believed to be the rebel high command--seem to have been eliminated at a five-day strategy conference held from 25 to 30 October in Tunis. The committee reiterated its demand that France recognize Algeria's independence before cease-fire negotiations are held, in effect

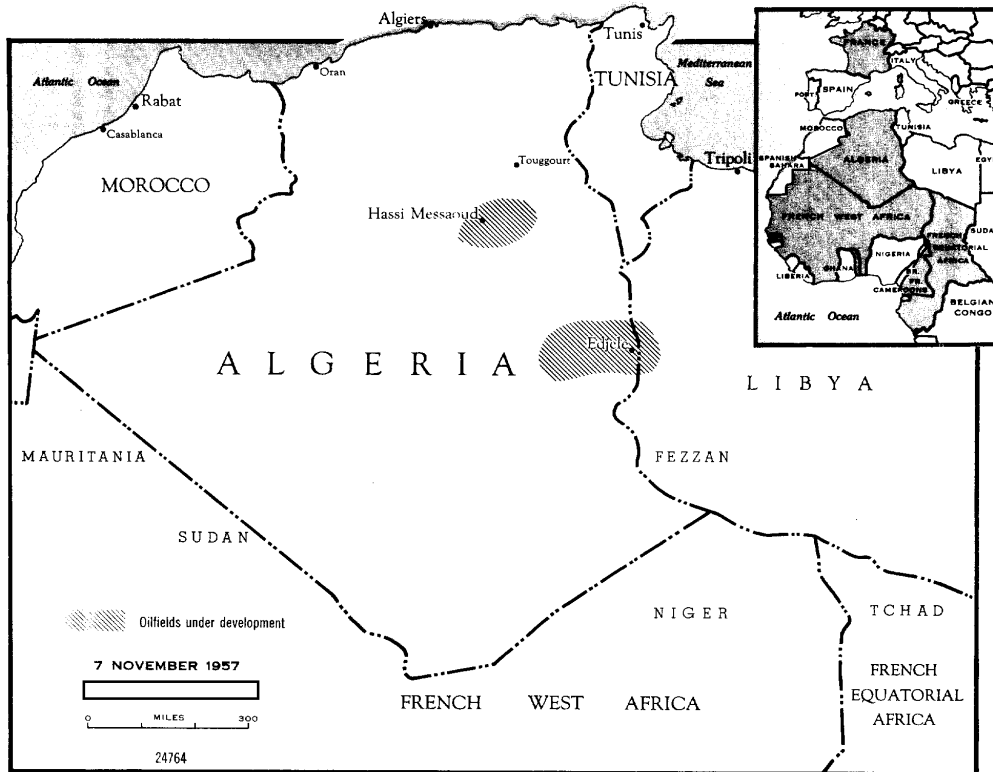
repudiating the more moderate position of the FLN's representative at the United Nations in September.

Tunisian President Bourguiba, who has urged the FLN to be conciliatory and whose UN emissary had espoused the earlier FLN proposal for a conference of France, Morocco, Tunisia, and FLN representatives in an attempt to solve the Algerian dilemma, rebuked the FLN for its negative stand. He has sent an emissary to Morocco in an apparent attempt to enlist the support of King Mohamed V for a possible joint Moroccan-Tunisian effort to influence the FLN or perhaps to make a new attempt to mediate between France and the Algerian nationalists.

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The rebels appear to be biding their time militarily. They claim to be prepared to

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put 100,000 men in the field. An Italian journalist who has visited FLN camps rates these forces as "highly mobile, well trained, adequately armed, and unbeatable in the back country." Conceding defeat in the urban areas, where French security forces are largely concentrated, the FLN probably will concentrate on isolated French military positions in Algeria, such as those protecting Saharan areas under oil development.

Toward this end, rebel forces have for some months been moving southward, and a small concentration of rebels is reported to be in the Fezzan Province of Libya. The French expect these groups in Libya to make an attack on the oil field at Edjele, near the Libyan border, and have reinforced some of the desert garrisons.

COMMUNISTS TIGHTEN CONTROLS ON BERLIN SECTOR BORDER

The Communists have established new stringent customs and currency controls at the East-West Berlin border, but apparently do not contemplate closing this border entirely

in the near future or interfering with Allied access to East Berlin. The ostensible reason for tighter controls is to check the flow of goods and the new currency between the two parts

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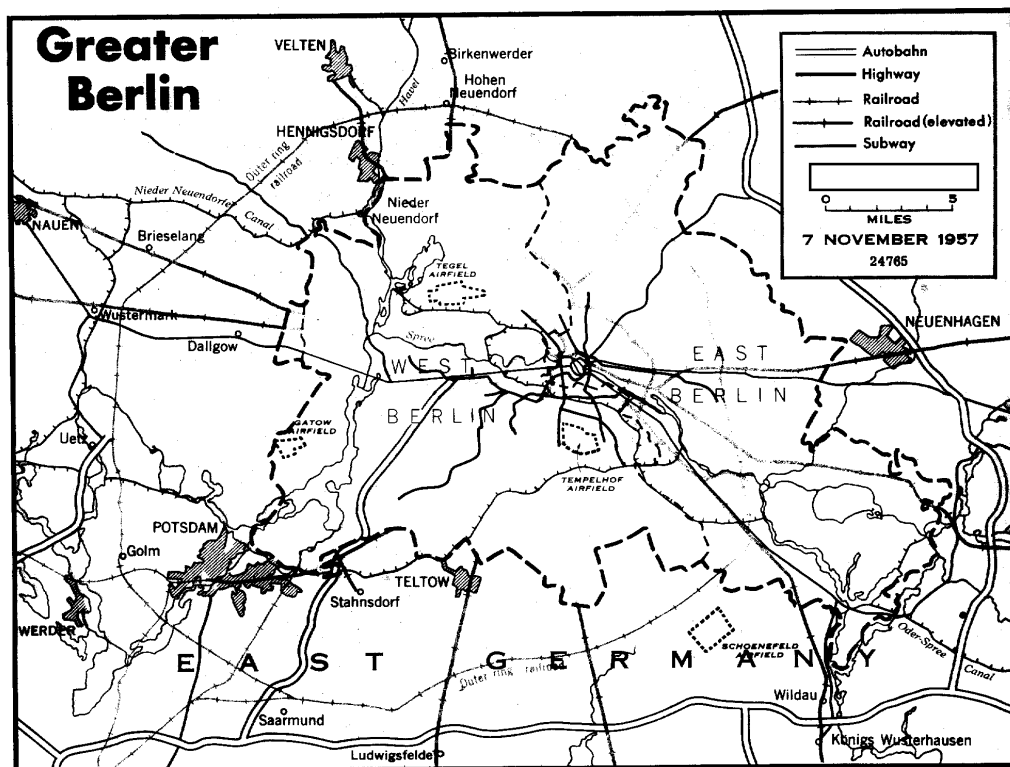
of the city, and to cut down the number of refugees fleeing to the West. The East German regime undoubtedly also welcomes the opportunity to assert more control over East Berlin. Although the new controls violate quadripartite agreements on freedom of movement within Berlin, they do not affect Allied access to East Berlin as they appear to be directed primarily against Germans.

The renovation of temporary elevated stations near the sector border in East Berlin which were built about three years ago for the purpose of customs control, together with the reported plan to reroute traffic between Potsdam and East Berlin to eliminate the necessity for traversing West Berlin, suggests that elevated traffic is to be greatly restricted in order to fa-

cilitate customs and currency checks.

Since the currency conversion on 13 October, the new East German marks appear to have moved to the West in such quantities as to render the conversion ineffective without more drastic controls. As part of one reported over-all plan, the Communists may operate the elevated trains in separate systems within each sector. During the past few days, the East Germans have intermittently chosen one car of the trains leaving and entering East Berlin and subjected the occupants to rigorous searches.

All foot traffic crossing the sector borders is being closely controlled. Persons going to West Berlin are forced at least to show the contents of their briefcases and wallets and to leave East marks with



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the guards. Many persons carrying goods to West Berlin have been arrested for smuggling, while those going to East Berlin have had Western goods and currency confiscated. The number of police at vehicle crossing points allegedly has been quadrupled, and all cars are thoroughly searched.

Rather than attempt to close the border completely, the regime will probably continue to use random, though severe, spot checks, in the belief that the very unpredictability of such

control measures will act as a deterrent to currency and goods smuggling. The controls have led to widespread dissatisfaction and increased tension. In some instances, strikes and passive resistance have been threatened if there is not some relaxation. The present practices will probably be continued, however, as the East German regime seems determined to minimize the currency leakage to the West and to assert its authority. [REDACTED]

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SOVIET INDUSTRIAL OUTPUT CONTINUES HIGH FOLLOWING REORGANIZATION

For the three months following the 1 July 1957 reorganization of Soviet industrial administration, output in the Russian republic (RSFSR) was 12 percent above that for the same period a year ago, according to N. Baibakov, chief planner and first deputy premier of the RSFSR. Linking the new regional administration to this increase, Baibakov implies that the new form of administration has been markedly successful.

The Russian republic is the largest in the USSR and accounts for roughly two thirds of Soviet industrial output. In 1955, the RSFSR accounted for the following percentages of total USSR output: steel, 59 percent; oil, 70 percent; automobiles, 92 percent; cotton cloth, 89 percent; cement, 65 percent; and coal, 58 percent.

For the first half of 1957, industrial output in the RSFSR reportedly increased 9 percent over the comparable 1956 period. For the year 1956, the reported increase over 1955 was almost 10 percent. If, in the new

conditions resulting from the reorganization, the 12-percent figure for the third-quarter increase is comparable to that used in arriving at a figure for 1956, it would suggest considerable success for Khrushchev's reorganization scheme in at least offsetting the initial disruptions in supply and personnel accompanying the changes.

Some modification of the new system may occur if the detailed forecasts of plan fulfillment for the full year indicate specific weaknesses not now apparent. For example, changes might be necessary in the pattern of interregional supply of raw and semifinished goods, if press statements stressing the priority of interregional above intraregional deliveries actually reflect malfunctioning of the system of supply. Such problems could prompt consolidation of certain of the 105 councils of national economy and redefinition of the economic regions administered by them. [REDACTED] (Prepared by ORR)

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YUGOSLAV REACTION TO ZHUKOV DISMISSAL

President Tito's absence from the Moscow celebration of the 40th anniversary of the Bolshevik revolution suggests that, as a result of the ouster of Marshal Zhukov, the Yugoslav leader is having second thoughts about his alignment with the USSR. Although Belgrade probably will not for the present significantly alter any of its policies which generally parallel those of Moscow, the Yugoslavs appear genuinely disturbed over the possible ramifications of Zhukov's removal and are unlikely to take any steps which would further their alignment with Moscow until the intentions of the new Soviet leadership are clarified.

On 29 October Belgrade announced that a sudden attack of lumbago would prevent Tito from traveling abroad for the next few months. The American embassy reports, however, that high Yugoslav officials at a Turkish embassy reception on 29 October made no attempt to maintain the position that Tito's illness was anything but political. This is further borne out by Tito's refusal to grant an audience to the Soviet ambassador on the latter's return from Moscow on 1 November. Neither Belgrade's announcement of Tito's "illness" nor the curt Soviet acknowledgment three days later was accompanied by any statements of regret concerning his absence from the Moscow celebrations.

Tito apparently had considerable personal confidence in Zhukov and regarded him as a stabilizing influence in the Soviet hierarchy. High Yugoslav officials had indicated previously their antipathy to "one-man rule" in the USSR and their support for the Khrushchev-Zhukov "team." On 1

November Jose Vilfan, a confidant of Tito's, told the American chargé in Belgrade that there had been no prior indications that Khrushchev intended to upset the balance of power within the Kremlin. Vilfan intimated further that a "reappraisal of the Yugoslav analysis" of Yugoslav policy toward the USSR is now required. The fact that the Soviet leadership was maneuvering to unseat Zhukov while the latter was allegedly representing the USSR on a goodwill visit to Yugoslavia has undoubtedly contributed to Tito's irritation.



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if Zhukov were disgraced, it would be evidence of a very serious situation. Press reports from Belgrade state that the prevalent view within the Yugoslav Foreign Ministry--despite Vilfan's implication of a Khrushchev-Zhukov fight--is that Khrushchev, because of his precarious hold on the Soviet central committee, was forced to cooperate with the so-called Stalinists who initiated Zhukov's removal.

This explanation is of course consistent with the view long held in Belgrade that the Khrushchev-Zhukov "team" faced serious opposition in the party and required all possible support for its policies if the opposition were to be overcome. The Yugoslav radio announced on 2 November that Soviet party secretary Mikhail Suslov--a Stalinist in Yugoslav eyes--delivered the final report before the Soviet central committee on Zhukov's ouster.

Yugoslav Vice President Kardelj is heading the

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"party-state" delegation--probably the same that would have accompanied Tito--now in Moscow. While the other Communist delegations are of a higher level, Belgrade, by sending its most prominent delegation since

the 1948 break to attend the Moscow celebration, has clearly indicated its desire to continue its contacts with the Communist world despite any displeasure over recent developments in Moscow. [REDACTED]

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RUMANIAN OVERTURES TO THE WEST

In an effort to enhance the appearance of Rumanian independence of the Kremlin and to bolster foreign trade, the Bucharest government is making another serious effort to improve relations with Western countries and to re-create the relatively favorable diplomatic climate which existed prior to the Hungarian revolt.

It has reopened negotiations with Bonn to facilitate the repatriation of Germans in Rumania, liberalized the granting of exit visas to Israel, eased tourist and emigration controls generally, permitted the French to open a library in Bucharest, promised to lift the ban on American visitors, and agreed to sponsor a tour of the USIA's architectural exhibit "Made in USA." Finally, a Foreign Ministry spokesman intimated during a state banquet for Senator Ellender on 2 November that US Minister Thayer's long-blocked request for a public reading room and permission to distribute an American magazine would receive the favorable treatment accorded similar French requests.

Presumably, these initiatives were made after consultation with Moscow. When Foreign Minister Ion Maurer returned to Bucharest from his meeting with the Yugoslavs, he summoned

many of his ambassadors home for consultation before flying to the United Nations. In New York he unsuccessfully attempted to secure a seat for Rumania on the Political Affairs Committee of the General Assembly.

In keeping with their idea that such diplomatic moves enhance their prestige, the Rumanians are seeking to play down their subservience to the Kremlin. When Senator Ellender and Minister Thayer met with top government officials last week, politburo member Emil Bodnaras complained that American officials refer publicly to Rumania as a "satellite" and "captive nation." Minister Thayer noted the obvious approbation with which Premier Stoica and politburo member Mogioros, who were also present, accorded Bodnaras' rather emotional outburst.

The Rumanians can be expected to capitalize on the propaganda benefits which may accrue from a relaxation of emigration and tourist controls and to attempt to convince the free world of their sovereignty and independence. Domestically, they may hope that closer contact with Western countries will persuade the Rumanian people that their government is accepted on equal footing by the rest of the world. [REDACTED]

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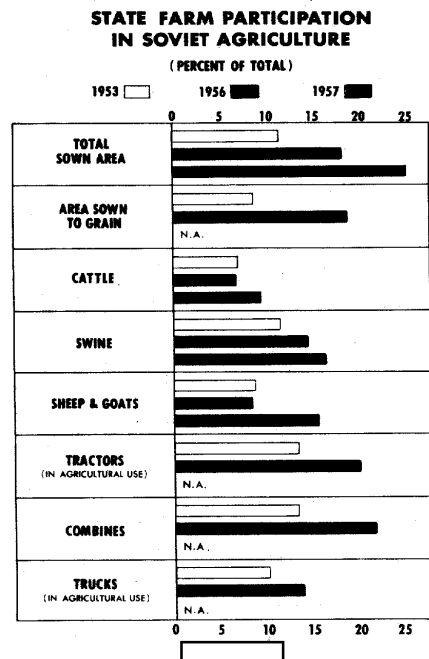
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ENLARGED SCOPE OF STATE FARMS IN SOVIET AGRICULTURE

The recent Soviet emphasis on state farms in agriculture has resulted in the formation of 674 new state farms in the USSR in the first half of 1957. State farms have been increasing in importance since the initiation of the "New Lands" program in 1954, and now account for more than a quarter of the total sown area, as compared with approximately 12 percent in 1953. Conversely, the role of collective farms, still the largest and most important sector of agriculture, has been somewhat de-emphasized.



Although state farms are proclaimed by Soviet leaders to be the highest form of organization in socialist agriculture, the current emphasis on the role of state farms does not appear to be based primarily on ideological grounds. Instead the trend is apparently explained

largely in terms of the present programs in Soviet agriculture. Most of the state farms organized during 1957 were in the remote steppe areas of Kazakhstan and the Volga areas where the vast natural pasture lands could be exploited as part of the widely publicized program for increasing meat and milk output. This appears to be an extension of the policy of relying heavily on state farms for the development of virgin lands.

In these areas, as well as in more highly developed regions, state farms were also formed to supplant existing farming units which had proved uneconomical, including "backward" collective farms with excessive land resources, and small farms under the jurisdiction of various industrial ministries.

Other state farms were established to implement the Sixth Five-Year Plan directive to create specialized dairy and vegetable state farms for urban supply, for developing the Golodnaya Steppe and other irrigation schemes in central Asia, and for increasing production of citrus, tea, and other specialty crops.

Although the establishment of 674 state farms in a six-month period is without parallel in Soviet agriculture, the resulting institutional structure should not be viewed as fixed. Soviet agriculture has been modified repeatedly in the past, and experimentation will continue. From 1951 through 1956, 1,053 new state farms were formed, including the 425 grain farms organized in the "New Lands," but during the same period, 942 state farms were liquidated. Changes over the next few years may result in a similar pattern. In any event

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Soviet leaders apparently do not intend to convert the bulk of collective farms into state farms by 1960, as has been re-

ported, and Soviet officials have denied there is to be a big switch to state farms.
(Prepared by ORR)

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DI VITTORIO'S DEATH WEAKENS ITALIAN COMMUNISTS' HOLD ON LABOR

The Italian Communist party leadership is faced with a difficult problem in finding a successor to Giuseppe Di Vittorio, who died on 3 November after a ten-year term as secretary general of the Italian General Labor Confederation (CGIL). Likely successors would not have Di Vittorio's stature and popularity and must be acceptable to the Communists, the Nenni Socialists, and the rank and file. The Communists' hold on labor is threatened by weakening morale in the labor organization and an increasing divergence of interests between Communist and Nenni Socialist members.

The CGIL's decline since 1952 has been evident in a continuing drop in membership and its falling strength in shop steward elections. It is now believed to have about 3,000,000 members, compared with 4,000,000 in 1952, and this year, for the first time, it has won less than 50 percent of the shop stewardships decided thus far. A major factor in this decline has been the subordination of CGIL policies to the Communist party's political ends.

Di Vittorio had made some efforts to resist this exploitation, and in August 1956 said the CGIL should become independent of all political parties. His reputation as an unorthodox Communist may have been one reason for talk at the 1956 CGIL congress about creating a new position of "president" for

him, but his strong personal influence over the organization and the lack of a suitable successor as secretary general enabled him to remain in his position.

From the Communist point of view, this is not a propitious time to pick a successor. The CGIL rank and file is unenthusiastic about the candidate the Communists had favored in 1956, CGIL Secretary and Communist Deputy Secondo Pessi. A Nenni Socialist such as CGIL Secretary Fernando Santi would probably seem undependable to the Communists.

A likely compromise candidate is Communist Senator Renaldo Bitossi, who is also a CGIL secretary and has a reasonably strong following but is less trusted than Pessi by the party leadership. Another likely candidate is Communist Deputy Agostino Novella, a former CGIL secretary. Oreste Lizzadri, the fourth CGIL secretary, is a Nenni Socialist considered to have close ties with the Communists, but his tendency to put his personal interests first is likely to make him unacceptable to the Communist party leadership.

In any case, it will probably become increasingly difficult for the Communists to allow the CGIL to bridge the gap between them and the Nenni Socialists, as occurred in July 1957 when the CGIL took a position half way between the two parties

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on the European Common Market and EURATOM treaty issues.

The CGIL's relations with the World Federation of Trade Unions (WFTU) may also be affected by the choice of Di Vit-

torio's successor. The CGIL and WFTU have differed on the issues of the European Common Market and Soviet policy toward Hungary, even though Di Vittorio was also the WFTU president.

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MACMILLAN GOVERNMENT FORCING SHOWDOWN ON WAGES ISSUE

Industrial strife is probable in Britain this winter as a result of the trade unions' conflict with the Macmillan government over general wage increases. The government insists that the pound sterling would be weakened by further increases unaccompanied by rises in productivity. On 1 November the government rejected an independent tribunal's recommendation of a 3-percent pay raise for workers in the National Health Service.

Wage demands have already been submitted by over half of Britain's 9,000,000 trade union members. The decisive test may come in mid-December when the government is expected to reject the demands of some 500,000 railway men. Action on these demands usually sets the pattern throughout British industry, and the railway men have forced previous Conservative governments to yield by going on strike.

The government seems ready for drastic measures. In the past year prices have risen about 4 percent, 1 percent more than the previous year. Government spokesmen maintain that, despite any temporary gain in Britain's gold and dollar reserve position resulting from the increased bank rate and other credit restrictions, the

drain on reserves will continue unless inflation is checked.

Trade unionists show no signs of accepting the government's argument on wages. They are fully backed by the Labor party, which has charged the government with penalizing workers for the results of a defective fiscal policy. Some independent newspapers have made similar charges. Labor leaders probably hope to increase their normal trade union support with some of the 3,000,000 unionist votes that usually go to the Conservatives.

Chancellor of the Exchequer Thorneycroft indicated to the American ambassador on 3 November that the government is ready to accept this political risk, believing that it has considerable popular support on the wage issue. Under the present conditions of growing inflation, however, the Conservatives are steadily losing their grip on the electorate, as shown by their loss of an average 7 percent of the vote in the 13 by-elections held since Macmillan took office in January. They evidently feel that success in halting inflation would change the political outlook by the time a general election must be called--May 1960 at the latest.

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YEMENI CROWN PRINCE BADR'S VISIT TO LONDON

The ten-day official visit to London of Yemeni Crown Prince Badr, which begins on 9 November, will encourage a continuation of the present lull in skirmishes on the Aden-Yemen border, and may provide a start toward a limited settlement.

The Yemenis regard the visit as so desirable that they have met significant British preconditions, including withdrawal from the disputed plain of Shukair, and have retracted their own demand for extensive preliminary substantive talks which they hoped Badr would formally conclude in London. The Imam appears to believe that the trip will greatly enhance the prestige of the crown prince, whose right to succession is opposed by many tribes supporting the Imam's brother, Prince Hassan. Badr's trip to London is probably also intended to offset his trip to the Soviet Union and Eastern Europe in the summer of 1956, and thus make him less suspect in the West.

At most, the Yemenis hope for an agreement on establish-

ing a joint border patrol or machinery for joint investigation of incidents. There appears to be good reason to believe, however, that the Imam might maneuver his way out of any commitments, as the pro-Western Yemeni ambassador-designate to Moscow charges.

The British government appears to share such misgivings. It hopes the talks may help to do something toward reducing the difficulties to be expected from Yemen as a recipient of Soviet equipment and Egyptian counsel, but it is apparently not inviting any of the native rulers of the Aden Protectorate to London now, as it had indicated it would do if serious negotiations were in prospect.

The British want to do nothing to contribute to the prestige of Badr, whom they view with suspicion, partly because of his key role in arranging the supply of Soviet arms. They presumably hope, however, that his visit will facilitate future dealings with him should he succeed the present Imam.

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RETURN TO CIVILIAN GOVERNMENT IMPERILED IN COLOMBIA

A factional struggle within the Conservative party in Colombia imperils the prospects of an orderly transition of power from the military junta to civilian control. The repudiation by the right-wing Conservatives of the joint Conservative-Liberal presidential candidate may be seized by the military as a pretext to remain in control.

The interim military junta promised to restore civil gov-

ernment when it ousted dictator Rojas last May. It has scheduled a plebiscite on constitutional amendments for 1 December, presidential elections next May, and its own withdrawal from government by August. In an effort to avoid a resurgence of the traditionally bitter and violent struggle between Liberals and Conservatives in two-party Colombia, leaders of both have reached agreement on the bipartisan presidential candidacy of Leon Valencia

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and political parity in the government for the next 12 years.

The return to constitutional government is threatened by the actions of the autocratic, ultraconservative ex-president of Colombia, Laureano Gomez, who is determined to dominate the Conservative party at any cost and is prepared to carry his fight for control to the electorate, where he may have majority support. He now demands that legislative elections be held before the presidential election--a move opposed by the moderate Valencia faction, which believes it can obtain a larger share of the Conservative vote once Valencia is securely in office.

Liberal leader Alberto Lleras has reaffirmed his party's original support of the Valencia candidacy but has implied he will accept as the au-

thentic Conservative party the faction which emerges strongest from the elections for congress. The question of when these elections are to be held is now before the junta and cabinet for decision.

The Valencia wing, representing the industrial interests which have been politically dominant for decades, thus finds itself in a precarious position. Should the supporters of Gomez emerge from the legislative elections as the dominant faction of the Conservative party, the prospects of the Valencia wing will be dim once Liberal support is withdrawn. In addition the present cooperation between the two parties would become much more difficult. Any marked revival of interparty strife may be used by the military as an excuse to back down on the proposed transfer of power to civilian control. []

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THE SITUATION IN GUATEMALA

Little if any progress is being made by the diverse and antagonistic anti-Communist political groups in Guatemala toward agreeing on a coalition candidate for the presidential election, which will probably be set for January. If the impasse continues and the government remains neutral as it has promised, the Communist-infiltrated Revolutionary party (PR) might win. Government support for any candidate would probably set off renewed violence.

The PR, which emerged from the late October violence as probably the strongest single party, is actively organizing for the coming election. Many Guatemalans of diverse political convictions are convinced that the party's probable presiden-

tial candidate, the leftist but non-Communist Mario Mendez Montenegro, would win the election.

Communists are active in the lower ranks of the party despite repeated assurances from its leaders that Communists would be kept out. The president of the pro-Communist law students' association was recently added to the party directorate after Communists had demanded more voice in policy making, []

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[] however, that the Communists oppose the party's attempt to gain power now, believing that an economic collapse, which they expect after a year or so of rightist rule, will permit the PR and the Communists to take control in

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the wake of a strong wave of popular discontent.

The principal obstacle to an anti-Communist coalition is the determination of rightist Miguel Ydigoras Fuentes, leading opposition contender in the 20 October election, to run again. A group of army officers who distrust Ydigoras and remnants of the moderate parties which backed the late president Castillo Armas are attempting to agree on a candidate to oppose both the PR and Ydigoras.

Even in this narrowed political spectrum, however, there are bitter divisions and con-

flicting ambitions. Leading presidential contenders of this group are Lt. Col. Jose Luis Cruz Salazar, young and ambitious ambassador in Washington, and the 49-year-old Col. Enrique Peralta. Both have enemies in the faction-ridden army and neither is widely known to the public.

It is unlikely that any anti-Ydigoras, anti-PR coalition candidate could win the required absolute majority of votes in the election unless he had obvious support from the government. Such official favoritism would almost certainly provoke renewed popular disturbances.

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DEVELOPMENTS IN INDIAN ECONOMIC SITUATION

The Indian government took action on 31 October to make available nearly all of its dwindling foreign exchange reserves to meet commitments under its second Five-Year Plan, as widespread crop failures tightened the squeeze on its financial resources. New Delhi apparently is counting heavily on American authorization of additional surplus food shipments to ease the new drain on its foreign exchange necessitated by emergency food imports.

Since India's reserves were expected to dip below the statutory minimum prior to the mid-November session of Parliament, a presidential ordinance was issued on 31 October authorizing reduction of the legal reserve requirement from \$630,000,000--the level of sterling balances required since August as backing for the currency--to a new minimum of \$179,000,000. This balance as well may be drawn on for a limited period, but a gold reserve of \$241,000,000 must be retained. On

the same day, the government announced that it would not consider any new applications for the purchase of capital goods abroad--except for maintenance and replacement purposes--which required initial payments before April 1961.

These financial measures followed within a few days the return of Finance Minister Krishnamachari, who reported to the cabinet on his trip to the United States, Britain, and West Germany is search of long-term loans. Krishnamachari reportedly expressed "cautious optimism," mainly because he felt India's economic situation was now better understood abroad, but he returned with no firm commitments. The "sympathetic" consideration given his appeals in Western capitals will be followed by more detailed study by each government and further negotiations.

As a result of the severe drought in northern and central India, Indian officials estimate

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that the government will have to increase its imports of food grains by at least 2,000,000 tons. The minister of food and agriculture told Secretary Benson on 1 November that available stocks of imported grain, including reserves and expected shipments, stood at not more than 2,500,000 tons, little more than eight months' supply at the current rate of use. The Indian official expressed fear of a

break in the supply next spring, and was concerned that the public's lack of confidence in the government's ability to supply famine areas would have disrupting effects. The main question on the mind of Indian officials and reporters who talked to Secretary Benson was how much additional American surplus food might be available and how soon it could arrive. [REDACTED]

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PHILIPPINE ELECTION CAMPAIGN

The final phase of the Philippine election campaign has been marked by charges and countercharges and some outbursts of violence. President Garcia is still widely believed to be maintaining an edge over his opponents, but if elections are free, the possibility of an upset in the presidential race cannot be ruled out.

In central Luzon, where an American embassy observer reports that Garcia is trailing both opposition Liberal candidate Yulo and Progressive candidate Manahan, the President is now stressing a "land for the landless" theme. In the past week, he has ordered the expropriation of five haciendas and promised to help even the workers on Yulo's sugar estate to acquire the land they work. Yulo and Manahan are charging that Garcia is leading the country to economic ruin, and Senator Recto of the Nationalist-Citizens party is accusing the three other parties of "political anachronism" in the Asian struggle for "economic equality" with the West.

Although Garcia has pledged the "cleanest, freest and most orderly elections" on 12 November, there has been some terrorism, including the slaying

of four Liberals on 1 November by Nacionalista followers of Garcia in his native province of Bohol. The American embassy also reports that local observers in many Philippine provinces continue to expect widespread fraud and intimidation on election day.

The agencies responsible for the conduct of the elections appear, however, to be making an effort to ensure free elections. The Commission on Elections, which supervises the actual balloting, has been actively investigating the financial statements of all party treasurers and reports of political distribution of government relief funds.

About 11,000 constabulary and army troops have been deployed throughout the country for election duty. Although constabulary chief Cabal has designated at least 20 of the 53 provinces as "potential trouble spots," his assertion that "the atmosphere is a lot calmer than that which preceded previous national elections" appears to be borne out by a comparison of reported pre-election incidents with those preceding the 1953 and 1955 elections. [REDACTED]

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INDONESIA

The Indonesian government has postponed the second national conference from 15 to 25 November. The postponement apparently is intended both to permit more time for conference preparations and to give the government-inspired campaign to "regain" Netherlands New Guinea greater opportunity to penetrate the provinces and stimulate national unity before the meeting opens.

Prime Minister Djuanda is making no progress in his efforts to restore an effective partnership between President Sukarno and former vice president Hatta, a development which he feels is the only course which can forestall Indonesian fragmentation and prevent Communist control of Java. Sukarno will not accept Hatta as prime minister, and Hatta reportedly is ready to announce his support of those elements opposing the President and his political concepts. This newly reaffirmed antagonism between the two men and their supporters is unlikely to be relieved by either the national conference or the campaign for the accession of New Guinea.

The second phase of the government's "Regain West Irian Drive," which is to be "executed more fiercely," is scheduled to begin on 10 November. A third phase, the details of which have not been revealed, will be carried out at the time of the UN General Assembly debate on the subject, probably sometime after 18 November. Probably serving to increase the intensity of

the campaign is a joint statement issued on 6 November by Australia and the Netherlands reiterating their intention to resist Indonesian demands.

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A major objective of the Irian campaign continues to be the distraction of the Indonesian public from its genuine domestic problems and to raise national sentiment to such a pitch that it will reduce the appeal of provincial demands. So far, however, only provincial elements in Makassar, the major city geographically closest to New Guinea, have shown any support for the campaign.

The situation in North Sumatra, where an abortive coup in mid-October temporarily threatened local violence, is quiet for the moment.

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THAILAND

Marshal Sarit, Thailand's armed forces chief, has returned to Bangkok after having spent most of October at a seaside resort. While not in perfect health, he appears to be in

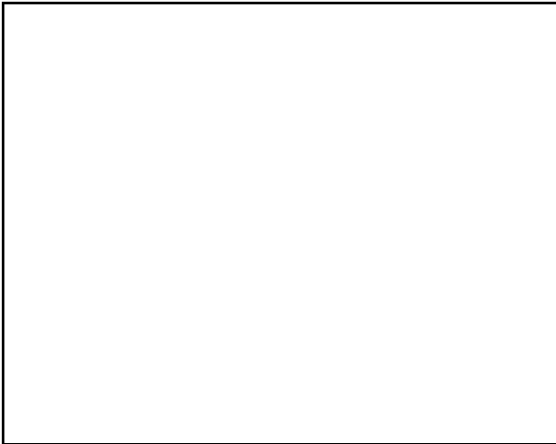
much better condition than a few months ago and is seeking to give the impression he is in full control of the situation in Thailand.

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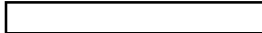


There are growing signs that conflicting interests among Sarit's military subordinates will become his most serious domestic problem.

The provisional government under Premier Pote Sarasin and the Sarit military group have as yet shown no intention of altering Thailand's pro-Western foreign policy, which, for domestic consumption, is now labeled an "independent"

policy. During a 40-minute talk with New York Times correspondent Sulzberger, Sarit insisted that he personally would make sure that only a pro-Western and anti-Communist premier would be appointed after the December elections. He also expressed his admiration for Pote, which seems to confirm reports that Sarit is urging Pote to stay on as premier after the elections. Pote, however, has indicated a preference to return to his former position as SEATO secretary general.

The election campaign remains in low gear, although voting is now only about a month away. This situation is probably attributable both to the martial law which still prevails in many parts of the country and to the difficulties many candidates for the 160 National Assembly seats at stake are having in gaining backers on such short notice.



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SITUATION IN LAOS

The Laotian government and the Pathet Lao have concluded negotiations on the terms of a settlement, and Prime Minister Souvanna Phouma plans shortly to request National Assembly approval for a coalition government. In view of the widespread popular desire for an early settlement, assembly approval will probably be forthcoming.

Influential leaders such as Crown Prince Savang and Foreign Minister Phoui Sananikone have expressed dissatisfaction with the lack of safeguards in the accords and resentment at the high-handed tactics Souvanna has used in his attempts to drive through a final settlement.

However, their capability to delay or significantly alter the form of a settlement appears to have been undermined as a result of the recent equivocal behavior of Interior Minister Katay, formerly the leader of elements working to restrain Souvanna.

The windup of the negotiations came on 31 October when Pathet chief Souphannouvong reportedly announced to leading deputies of Laos' two major political parties in Souvanna's office that the Pathets had approved the political agreement as revised by the Laotian cabinet and would sign a military agreement later the same day.

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Under these agreements, Pathet Lao representatives will enter a coalition government prior to the actual take-over of the two Pathet-controlled northern provinces and the Pathet forces. Even when the government extends its authority over the provinces, the Pathets will be in a position to frustrate its control at the grass-roots level, since present Pathet functionaries will remain at their posts at the village and town level, while at county level the administrators

will be appointed on a 50-50 basis.

The military agreement appears to be more stringent in that it stipulates that no more than 1,500 Pathets will be integrated into the royal army and that all Pathet arms are to be surrendered. The remainder of the Pathet soldiers will be enrolled in reserve status and transported to their villages. Implementation of the military agreement is to be completed within 60 days. [REDACTED]

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CHINESE TO PRESS FOR FURTHER SCIENTIFIC COOPERATION WITH USSR

During Mao Tse-tung's visit to Moscow for the 40th anniversary celebrations the Chinese plan to request considerable aid and cooperation in scientific and technical matters and press for agreements which would give them a larger share in the benefits of Soviet successes. Missile and earth-satellite development and nuclear advances may be among subjects the Chinese will discuss.

Two scientific and technical delegations, led by Kuo Mo-jo, president of the Chinese Academy of Sciences, were included in Mao's entourage. One group of 77, Peiping says, will push for an agreement on joint research and cooperation. The "problems" of such cooperation are to be discussed by a second delegation of eight.

The larger delegation is also intent on soliciting Soviet opinions on Peiping's 12-year scientific development program drafted early in 1956.

Details of the plan have never been published, but the Chinese have declared they hope to raise their scientific competence to Western levels by 1967. Chou En-lai urged China's scientists last year to study good points of "capitalist" science and technology, but spokesmen for the regime have repeatedly emphasized that China must place primary reliance on the "socialist" bloc.

Nine of Communist China's top military leaders, including the armed forces' chief of staff, and the commanders of the air force, navy, and armored forces, suddenly left Peiping for Moscow on 6 November. They presumably were summoned by Mao Tse-tung and Defense Minister Peng Te-huai to join in high-level talks with Soviet leaders. The deputy leader of the Chinese military delegation declared recently that Soviet missile successes are "priceless assets of all the countries of the socialist camp." [REDACTED]

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DROUGHT THREATENS WINTER CROPS IN COMMUNIST CHINA

Dry weather affecting most of North China, large areas in the central provinces, and parts of South China has lasted over 100 days. The drought threatens serious damage to next spring's crop of winter wheat--which normally accounts for 13 percent of food crop production--and the rape crop--source of 20 percent of the country's edible oil needs. Peiping has ordered local party cadres to devote their time to combating the drought, and the official People's Daily observed on 27 October that it has been "impossible for many localities to fulfill their autumn planting assignments."

Meteorological reports indicate that a high-pressure area has dominated the region for weeks, confirming the drought reports. Weather maps as of 4 November showed that the high remained over the area. Local showers over the past two weeks may have afforded some relief.

It is still too early to predict with any certainty the extent of the damage. A moderate amount of rainfall in the next two weeks would go far toward saving the crops, as only enough moisture to permit germination of the seed is necessary this time of year. A Western observer was told by a provincial authority in Hupeh that



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if there were no rain by early November there would be "difficulties with the wheat."

Areas in Honan, Shantung, and Anhwei, all traditionally grain-deficit provinces, seem to be in the gravest danger. All suffered heavily from floods earlier in the year. Peiping radio reports that in Honan, 15,000,000 peasants are fighting the drought and have sunk 150,000 emergency wells. A youth brigade, working day and night for five days, dug a 28-mile canal to bring water from the Yellow River to the parched fields.

The regime is having troubles enough with its agricultural programs and has undertaken a campaign to persuade the peasants to comply with state taxation, procurement, and collectivization policies. China's economic planners have already revised the long-range plan for agriculture and have promised more investment to that sector in an effort to raise farm output. Grain reserves have been reduced to dangerously low levels, and Peiping has warned that food-short areas cannot expect to receive relief supplies in the amounts that tided them over natural disasters in 1956. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

THE ZHUKOV OUSTER: BACKGROUND AND INDICATIONS

The ouster of Marshal Zhukov, just four months after his elevation to full membership on the party presidium and the dismissal of Malenkov, Molotov, and Kaganovich, once again underlines the dynamics of change in the leadership of the Soviet Union. In the known facts, reports, and rumors relating to Zhukov's downfall, there is enough reasonably reliable information to make possible a tentative reconstruction of the actual events.

Rise of Zhukov
and the Army

Khrushchev's rise to power after Stalin's death in 1953 was facilitated by close cooperation between the Communist party and the Soviet army. Until last month, each major Khrushchev victory in the party presidium was accompanied by a step upward by Zhukov in party and government. Four years of this alliance resulted in the increased independence of the armed forces from the political controls of Stalin's day.

Evidence that Stalin's successors intended to use the army and Zhukov as a prop for the regime appeared the day after Stalin died, when Zhukov emerged from four years of virtual exile as a first deputy minister of defense. Zhukov and the army played a major role in the purge of secret police chief Beria in July 1953. Zhukov's reward was promotion from candidate to full membership on the party central committee.

During 1953-55, Soviet military leaders apparently be-

came fearful that Malenkov's program of increased consumer goods production would result in cutbacks in defense production and perhaps in the military budget. They accordingly sided with Khrushchev in favor of the continued primacy of heavy industry. Their reward came in February and March 1955: Malenkov was ousted as premier, Zhukov was promoted to replace Bulganin as defense minister, and a number of top military officers received promotions.



KHRUSHCHEV

Khrushchev continued to woo the military at the 20th party congress in February 1956. In his secret speech denouncing Stalin, he praised Zhukov's qualities as a military leader and suggested that he had often defended the marshal against Stalin. Following the congress, Zhukov was made a candidate member of the party presidium.

Zhukov was called on to support Khrushchev for the last time in June 1957, when, according to most reports, he lined up against Molotov, Malenkov, and Kaganovich. In the realignment which followed the purge, he was named to full membership on the presidium, a promotion which for the first time in Soviet history placed a career soldier in a position to exert the full weight of the army on the formulation of policy.

Other less spectacular concessions were made to the army during this period. One of these appears to have been the admission of professional military officers into the ranks of

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the secret police. Army influence may have played a major role in the decision to split Beria's secret police empire in 1954 and assign all secret police and intelligence functions to the Committee of State Security (KGB). The party also approved the concept of unity of command which considerably reduced the powers of political officers in the army. Political deputy commanders below the regimental level were removed, and those at higher levels are no longer able to countermand the orders of the unit commander.

The result of this enhancement of Zhukov's authority, coupled with the gradual reduction of the party control mechanism in the armed forces, was the creation of a power center which was gradually becoming more independent of the party and potentially inimical to its leader.

The Developing Crisis

The point at which Khrushchev decided to move against Zhukov is not known. [REDACTED]

Yugoslav General Gosnjak, when visiting the Soviet Union in June, had presumably invited Zhukov to visit Yugoslavia. Zhukov's trip may therefore have been only a coincidence of which Khrushchev took advantage.

Zhukov, who is believed to have returned from his vacation in late September, left Moscow for Yugoslavia on 4 October [REDACTED]

[REDACTED] Khrushchev, who had been vacationing in the

Crimea, returned to Moscow by 5 October. He faced a number of serious problems if he was successfully to cut Zhukov down to size. He had first to sell the idea to the party presidium and then, at the very least, to neutralize the military establishment.

The dominance Khrushchev had achieved in the party presidium in June made the first task easier. Nevertheless, he needed some issue on which to base his argument other than his desire to eliminate a potential rival. He seized on the role of the party in the armed forces, partly because there was some evidence that Zhukov had curtailed party control in the army and partially because the party leaders are particularly sensitive to the question of party control over any and all sectors of Soviet society. There are also some suggestions that Zhukov had taken his political role more seriously than appeared seemly to the other members of the presidium, who may have become apprehensive concerning his political intentions.

By mid-October Khrushchev had made considerable progress. He had apparently secured approval to issue a secret letter in the name of the central committee to party organizations in military districts, armies, formations, and units, and may have received provisional approval for Zhukov's ouster pending reaction of military personnel to the letter.

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The letter, dated 19 October, charged that party political work in the armed forces had fallen behind in recent years, that the political apparatus had been shoved aside, and that commanders had not properly evaluated political work in the army. Basic blame was placed on the leadership of the Defense Ministry, but neither Zhukov nor anyone else was named specifically, possibly to leave an avenue for retreat if there was adverse reaction to the charges.

The traditionally apolitical attitude of the Russian soldier and the legacy of the drastic purges of the Red Army high command in the 1930's may have deterred any hostile reaction by top military leaders. However, it is possible that Zhukov simply did not command the respect, admiration, and support in military circles popularly attributed to him. Otherwise, it is inconceivable that greater security precautions would not have been noted in and around Moscow when news of his demotion became known.

There is, in fact, a suggestion that Zhukov's new political role was resented by other military leaders, that he may have tended to lord it over them and treat them as part of his personal retinue. These charges, at least, figure strongly in the official communiqués and editorials. First Deputy Defense Minister Ivan Konev, for example, writing in Pravda on 3 November, said that "Zhukov strove to decide on his own all questions relating to the leadership of the armed forces, without listening to the opinions of others and fully ignoring their views." Such charges may have been largely fictitious, but the heavy play given them in official propaganda suggests that they have a strong appeal.

On 22 October, the presidium again met and voted to oust

Zhukov as minister of defense. At the same meeting, the transfer of Marshal Konstantin Rokossovsky from Moscow to head the Transcaucasian Military District was decided. Rokossovsky's transfer may have been intended solely to add to Soviet pressure on Turkey in the Turkish-Syrian crisis, but it is conceivable that he was a strong Zhukov supporter and was moved in order to minimize his influence on the other top military leaders and to serve as an example to anyone who might be inclined to waver from the party line.

The presidium's decision and the reasons for the ouster were explained to party members in the armed forces at meetings in military units all over the Soviet Union. The meetings in the Moscow Military District were held on 24 and 25 October with Khrushchev, speaking both days, detailing the charges against Zhukov.

Marshal Zhukov returned from his trip on 26 October. There is a possibility that Khrushchev had ordered Zhukov's stay in Albania prolonged in order to complete the action against him. Certainly there is no obvious reason in Soviet-Albanian relations why he should spend nine days there. [REDACTED] 25X1

Zhukov did not learn of his removal until his return. The [REDACTED] 25X1

Zhukov, however, may have learned of the Rokossovsky transfer and resented that it was made in his absence. [REDACTED] 25X1

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have it--that the main charges against Zhukov that he tried to weaken party control of the armed forces and to build himself into a potential Bonaparte are the real basis for the action against him, there is still no satisfactory explanation as to why these issues became paramount at this time. The available evidence indicates that Zhukov has long sought to hold the party's interference in military command functions within limits determined by himself. And if Zhukov's urge for self-glorification was as overwhelming as the party now alleges, it could hardly have been a well-kept secret. There would almost certainly have been visible signs of any concerted build-up of a Zhukov "cult," yet none can be discovered in Soviet public media.

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secret letter dated 1 November to the party membership giving some background details on Zhukov's removal as minister of defense and the other, the published resolution of 2 November. Zhukov was held guilty of (1) frustrating party control of the armed forces; (2) deliberately promoting hero worship of himself; (3) encouraging misrepresentation of World War II history in his own favor and at the expense of others; (4) proneness to adventurism in foreign policy and management of defense affairs.

Khrushchev-Zhukov Issues

Even if it is assumed--as official Soviet treatment of the case and obvious leaks would

Only last June, barely three months before Zhukov left Moscow for Yugoslavia, he had been promoted to the party's highest body. Conceivably, a hot debate over political control of the military, of which there were no public manifestations, broke out in the presidium after June. The only published explanation of this paradox by a Communist source is that offered by the Moscow correspondent of the London Daily Worker who wrote lamely: "With the appointment of Marshal Zhukov as a full member of the presidium of the party at the last session of the central committee, it was thought that his position would change. Instead, it was found that even greater difficulties were being placed in the way of the work of the Communist party organizations in the army and it was also said that Marshal Zhukov was getting himself boosted in every sort of way."

The official charges against Zhukov seem to be primarily

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debating points which evade more fundamental causes of conflict. Unquestionably, Zhukov's party position, his prestige, and his command of a powerful, organized force gave him at least the potential for independent political action. It can only be conjectured when and how Zhukov began to exercise his power in a way to arouse suspicion or fear in Khrushchev and his party colleagues.

As minister of defense and, later, as a full, voting member of the presidium, he would have had occasion to express himself on a broad range of policy issues touching on the military interest. The 2 November central committee resolution on Zhukov contained the accusation that he was "disposed to adventurism both in his understanding of the main tasks of the Soviet Union's foreign policy and in heading the Defense Ministry." Though purposefully vague, the statement points to issues of policy beyond the question of political control of the armed forces.

anecdote related by Khrushchev at the Turkish National Day reception on 29 October about the little Jew and the burly anarchist was intended as a hint of a divergence on the USSR's policy in the Turkish-Syrian dispute. In this story Khrushchev portrayed himself as following a bold policy while the professional soldier held back.

Whatever may have been Khrushchev's purpose, there is no evidence to support the thesis that Soviet actions in the Syrian crisis precipitated a showdown between Zhukov and the party leaders. Zhukov's strong statement in his Tirana speech on 24 October about Soviet readiness "to strike with determination at any military adventure near our southern borders" conformed closely to the official Soviet line as stated by Khrushchev, Bulganin, and Gromyko.

Another possibility is that the issue goes back to the 1956 crisis in the satellites and the Middle East and that Khrushchev is accusing Zhukov of taking a tough line at that time which limited Khrushchev's freedom of action.

There are some indications that another difficult and delicate issue may have arisen between Zhukov and the nonmilitary members of the presidium--the issue of control of the security apparatus. There is little doubt that Zhukov had used his influence to limit the powers of the police. It is not unlikely that one of his main political objectives was to ensure against a resurgent police organization.

Khrushchev, in speeches to the party organization of the Moscow Military District on 24 and 25 October, alleged that Zhukov had sought the removal of I.A. Serov as security chief and

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his replacement by a military man and had also recommended the appointment of Marshal Konev as minister of interior.

It is conceivable also, though Soviet comments do not suggest this, that Zhukov was removed because he may have resisted economic allocation policies which implied a reduction in military expenditures. Khrushchev is publicly committed to increase foodstuffs, housing, and consumer goods, to maintain a high rate of industrial growth, and, of course, to maintain a high rate of defense expenditures. The problem is how to do everything at once. The necessary decision on priorities is almost bound to arouse some further dissatisfaction and it is within the realm of possibilities that Zhukov was removed because he opposed a solution which would force the Soviet military machine to give up, for example, some part of its 175 divisions.

Effects of the Ouster

On the face of it, Khrushchev has again won the day and it seems entirely possible that he can parlay his winnings to achieve eventual one-man control. There certainly are strong signs that this is the goal, and it might be expected that having already gone so far in this direction, Khrushchev would feel compelled to complete the job quickly.

In many ways the time is ripe. Certainly the power of most of the other presidium members is now only a shadow of what it was immediately following Stalin's death, and six of the ten veteran presidium members--the Stalin heirs--have been deposed. The party apparatus headed by Khrushchev has in turn beaten down the police, the economic bureaucracy, and now the army.

Some of the consequences of the latest move are quite

obvious. Khrushchev's policy has consistently been to strengthen the standard party organs at the expense of the special political organs. He may be expected to bring the armed forces more closely under the direct authority of the party central committee, perhaps by dissolving the special political organs in the armed forces as he has eliminated them from agriculture and transport. The sole arm of the party in the military would then be the standard party organizations, subordinate to the party apparatus which Khrushchev apparently controls, and the armed forces as an independent locus of power would be weakened considerably.

Another important implication is that with the possible exception of Mikoyan, the removal of Zhukov leaves no strong figure in the presidium who could be expected to exert an effective restraining influence on Khrushchev's impetuosity. As a result, Khrushchev's policy will probably more than ever be Soviet policy, and policy formulation may pass gradually from the hands of the presidium members to those of the central party apparatus.

This latest move, of course, is bound to have undesired effects. Among the populace, the apathy and cynicism noted after the June purge will probably increase, and the purge of Zhukov will add to the doubts and uneasiness of the public in general. The extent to which the leadership and propaganda apparatus has been employed in stating the regime's case indicates the seriousness with which the question of public opinion is regarded.

Effect on Military

Opposition within the Soviet military hierarchy is not expected to express itself openly in either violence or formal complaints. Surprise and some

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resentment at the lower levels undoubtedly will be countered with effective political indoctrination.

Given the probable desire on the part of the leadership to present a semblance of unity, the traditional nonpolitical role of most officers, and the opportunism of others, there is not likely to be a far-reaching purge resembling that of the thirties. There probably are strong pro-Zhukov elements in the military, however, who, in time, will feel the effects of his degradation. Retirements and reassignments are likely to occur, including some within the Defense Ministry.

Not all the changes that may occur will be politically motivated. It would be normal, for example, if Marshal Malinovsky should appoint some of his former associates or friends to key staff and command positions which, in turn, could be reflected in the lower echelons. Some of the appointments may be a combination of this factor and political considerations. While Malinovsky may be expected to desire a chief of staff of his own choosing, the removal of Marshal Sokolovsky would also serve Khrushchev's political interests.

There is little evidence on which to base political alignments within the Soviet military hierarchy, and the lines of cleavage, always obscure, may change with the political tides. It is generally assumed, however, that Marshal Sokolovsky at least, and possibly Marshals Meretskov and Vasilevsky, are pro-Zhukov.

Party Reaction

Khrushchev may find that his greatest obstacle lies within the apparatus of the party--the very instrument of power which he has fought to strengthen since becoming first secretary in September 1953. There have already been suggestions that Khrushchev has not been able to exert full control over the central committee despite his success in adding his followers to its membership. The plenum of December 1956 and probably also that of June 1957 may not have moved exactly as Khrushchev had planned.

There have been some suggestions that the secretariat is not completely subservient to Khrushchev.

Party Secretary Suslov belongs to a Stalinist faction and cannot be considered in Khrushchev's camp. These hints of continuing division within the leadership, plus the obviously disquieting effects of two purges of the hierarchy within four months and the implication that Khrushchev is bent for total power, could bring about a move against him while some chance of success still remains.

There are other possible developments which would increase the opposition to Khrushchev. A move on his part to make the secret police his

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personal tool would undoubtedly provoke the strongest reaction and he might therefore wish to avoid it. Yet personal control of the secret police is the next step in achieving a one-man dictatorship, and the temptation to seize this control and thereby prevent the development of another plot against him would be very powerful indeed.

Foreign Policy

There has been considerable speculation that the purge of Zhukov means the removal of an important restraining influence on an impetuous and unpredictable Khrushchev. This interpretation, however, may rest on a superficial reading of Khrushchev's character and his methods and tactics in the foreign policy field. He has shown a high degree of skill in extracting the maximum political advantage from such issues as the Suez conflict, the Turkish-Syrian dispute, and disarmament

by assuming forceful, even threatening, postures. However, this public posture has thus far always been accompanied by careful avoidance of any action committing the USSR to a course which might lead to the involvement of Soviet forces in a military conflict.

The principal device of Khrushchev's diplomacy in both the Suez conflict and the Turkish-Syrian dispute has been the use of calculated ambiguity in statements setting forth Soviet positions and intentions. This technique reflects, not a tendency toward impetuous and reckless action, but rather a cool and astute appraisal of opportunities for scoring heavy political gains against the Western powers. It is a technique which Khrushchev probably considers he can employ with increasing effectiveness as the military strength of the Soviet bloc grows.

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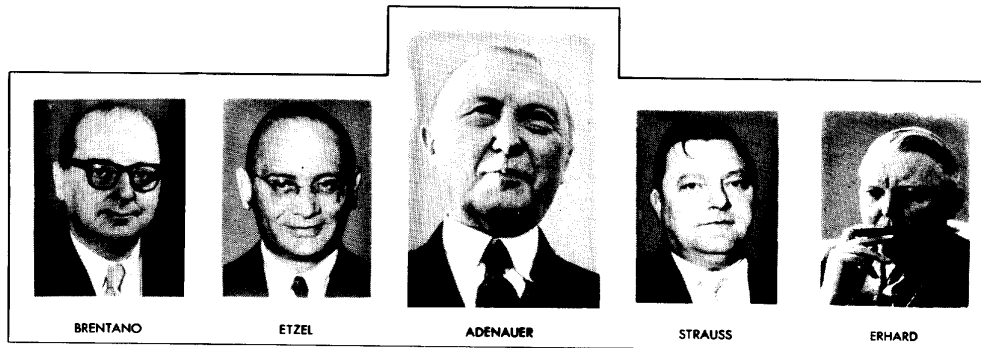
POLICY TRENDS IN THE NEW WEST GERMAN GOVERNMENT

West Germany is likely to demonstrate during Chancellor Adenauer's third term a more self-assertive role within the framework of the Western alliance. Increasingly distrustful of leaving its fate in the hands of other major powers, Bonn will probably seek a gradual extension of its political influence to a point commensurate with its already important world economic position. In the military field, Defense Minister Strauss is likely to concentrate on equipping existing forces with modern weapons. In foreign policy, an early effort toward improving relations

with the Eastern European satellites, particularly Poland, seems likely, although Tito's recognition of East Germany may delay this step.

These moves would be logical extensions of the accomplishments of the Adenauer governments over the past eight years, in which stress had to be placed first on economic reconstruction and political rehabilitation. The altered emphasis to be expected now is reflected in Adenauer's cabinet changes. While most of the cabinet remains intact, the prominent position given Ludwig Erhard as vice

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chancellor and economics minister is indicative of the forthcoming shift toward a more expansive foreign, military, and economic policy. In replacing Fritz Schaeffer as finance minister with Franz Etzel, Adenauer has done away with an ultraconservative financial influence which would, among other things, have blocked the desired new changes in military policy.

Military Policy

Defense Minister Strauss has already indicated that an increase in the defense budget will be necessary to support a continued build-up of the armed forces. He is still planning, however, a commitment to NATO of only 340,000 men by 1961 instead of the original German figure of 500,000. Strauss has placed some emphasis on the creation of home-defense forces, to be solely under German command, which on at least one occasion he indicated might eventually reach the goal of 200,000 men. If this plan should be adopted, Strauss would have thus split the original 500,000-man NATO goal between NATO and non-NATO forces.

The Defense Ministry has also shown growing interest in obtaining modern weapons. It has been opposed to any accelerated build-up of its NATO contingent before NATO has thoroughly considered the implications of modern weapons

developments. In forthcoming NATO and WEU meetings, the German delegation is expected to raise the question of obtaining nuclear weapons, and also to argue in favor of a German contribution based on the smaller, more mobile pentomic-type divisions supported by modern weapons, including missiles. Bonn has already informed the United States, Britain, and France of plans to ask for a revision of the WEU treaty in order to permit a German firm to produce a small antitank missile which it has developed.

Strauss' defense policies will encounter opposition in the Bundestag, since both the Social Democrats and Free Democrats continue to favor a small professional military force and have made a major issue of the atomic weapons question. The government's majority, however, should ensure the increased defense appropriations it seeks.

Economic Policy

Franz Etzel's appointment is regarded by political observers as a concession by Adenauer to industrialist circles, and his policies are expected to reinforce Erhard's continuing efforts to expand Germany's foreign trade. There are some indications that, with this aim in view, the government will initiate a more extensive program of technical assistance and other forms of economic aid to the underdeveloped countries.

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Within the Federal Republic, Etzel can be expected to promote policies designed to encourage private savings as a new source of capital for industrial growth. In addition to extensive tax reforms, the trend toward deficit budgets will also continue, as well as some liberalization of corporation profit taxes. The establishment of a new ministry for state-owned property will facilitate the new policy of selling stock in the government's industrial holdings--such as the Volkswagen plant--as an additional stimulant to investment by small shareholders.

Inflationary pressure can be expected from some of these programs, but the administration has already taken some countermeasures, such as reducing tariffs, increasing reserve requirements for foreign deposits, and making an advance payment to the International Bank for Reconstruction and Development. Nevertheless, American officials in Bonn expect prices to go up 2 to 3 percent in the next six months.

Foreign Policy

Adenauer's election victory was generally interpreted as an affirmation of the "policy of strength" through the NATO alliance, and the basic elements of Bonn's foreign policy will continue unchanged. There is, however, an inclination for a more "active" policy toward the Soviet bloc.

The opposition parties have long pressed for an expansion of trade relations with the Eastern European satellites and even for the establishment of political relations. A comprehensive review of Eastern European policy was being conducted by the Foreign Ministry when Tito's recognition of East Germany precipitated a crucial decision as to how far Bonn should go in creating a favor-

able atmosphere for a rapprochement with Poland. The Social Democrats and Free Democrats will continue to prod the government to improve relations with the East. Any action taken in this direction will be endorsed by the opposition parties, but anything short of the achievement of reunification will still be decried as insufficient.

WEST GERMAN CABINET OCTOBER 1957

TITLE	NAME AND AGE
Chancellor	Konrad Adenauer - 81
Vice Chancellor and Minister of Economics	Ludwig Erhard - 60
Ministers of:	
Foreign Affairs	Heinrich von Brentano - 53
Defense	Franz Josef Strauss - 42
Finance	*Franz Etzel - 55
Interior	Gerhard Schroeder - 47
Justice	Fritz Schaeffer - 69
Atomic Affairs and Water	Siegfried Balke - 55
All-German Affairs	Ernst Lemmer - 59
Labor and Social Structure	*Theodor Blank - 52
Transportation	Hans-Christoph Seebohm - 54
Post and Telecommunications	*Richard Stuecklen - 41
Refugee Affairs	Theodor Oberlaender - 52
Food and Agriculture	Heinrich Luebke - 63
Housing	*Paul Luecke - 42
Family Affairs	Franz-Josef Wuermeling - 56
Bundesrat Affairs	Hans-Joachim von Merkatz - 52
Federal Property	*Hermann Lindrath - 61

* New Members

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Although the Foreign Ministry favored a break with Belgrade for reasons of prestige and to discourage further recognition of East Germany, the explanation of this policy was couched in such a manner as to allow an approach to Poland. Chancellor Adenauer, in his policy statement on 29 October, referred to West Germany's "determination to settle the questions still in dispute" with the Soviet bloc countries in a peaceful manner.

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In planning closer relations with the satellites, Bonn's main political motivation is the hope that diplomatic relations would provide an opportunity for weakening Polish support of East Germany and enlisting support for at least

some of Bonn's unification terms. Increased trade and economic aid are seen as means of strengthening the Gomulka government and encouraging a more independent Polish foreign policy. [REDACTED]

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NEW PAKISTANI GOVERNMENT'S GROWING ECONOMIC PROBLEMS

The new Pakistani government under Prime Minister Chundrigar, though retaining the pro-Western foreign policy outlook of its predecessors, seems likely to reverse the trend started by former prime minister Suhrawardy toward more rapid economic progress and to revert to drifting policies. This refusal

the ten years of its existence. Its national constitution was put into effect only in 1956, and it still has not held its first national election. Its economic development has been slow, and plans prepared by the government have not been effectively implemented.

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CHUNDRIGAR

to face up to economic realities may result in serious deterioration of the country's economy. Increased economic instability, coupled with continuing political confusion, would neutralize the effectiveness of American military aid and probably make Pakistan increasingly dependent on foreign economic assistance.

Pakistan has suffered from political instability throughout

Suhrawardy, during his 13 months in office, performed no economic miracle. [REDACTED]

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He did, however, accomplish two important things. By close personal attention, he materially improved the efficiency and morale of government departments and gave their personnel for the first time in recent years a sense of "going somewhere." He also began a concerted attack on Pakistan's most pressing economic problem--that of increasing food production.

New Government

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Chundrigar, the new prime minister, [REDACTED]

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cabinet represents mainly the landowning elite of West Pakistan, a group which is not likely to take decisive action on such

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essential programs as land reform and rural development for fear of losing its political and economic power.

Cabinet members, during their tenure in office, will almost certainly be more concerned with politicking than with economic development, a subject in which most have neither training nor special interest. Their positions are shaky at present and the existing government coalition may not last long. Since any successor government would take some time to consolidate its position politically, economic development seems virtually certain to be retarded for a considerable period, and one or more of the country's economic problems may in the meantime become critical.

Food and Population

In the last ten years, Pakistan's food production has not increased significantly, while the population has risen by about one million persons annually. Previously self-sufficient, Pakistan now must import 600,000 tons of grain each year to maintain its 1948-52 level of supply. Because of summer flood damage in 1957, it has recently requested 100,000 tons of additional emergency wheat shipments from the United States for this year.

Trade and Payments Position

Production of raw jute and cotton, Pakistan's two largest foreign exchange earners, has been relatively unsatisfactory this year. Exports of jute goods for the year ending in June were below the previous year in quantity and, despite good prices, declined 15 percent in value. World demand for jute is dropping gradually, and the future of the industry is bleak. Exports of cotton declined during the year ending in July, and Pakistan seems to be losing most of its markets

other than France and Japan. Tea production showed a 21.8-percent decrease between April and August 1957, as compared with the same period in 1956, while there was a 95.2-percent drop in tea exports.

At the same time its foreign exchange earnings have gone down, Pakistan has found the price of imports going up. Its balance of trade has been adversely affected, and was unfavorable by \$56,000,000 for the year ending June 1957. Its balance of payments position also deteriorated, the present balance being \$131,300,000 less than in June 1956.

Most of the increase in payments was on behalf of the government, a large part for food grains, and this seriously limited exchange allocations to private business. Private payments rose only slightly during the year. Foreign exchange reserves were reduced by \$40,800,000 during the year ending in June, and in that month stood at \$252,105,000. By the end of August, they were still going down and were reported as fast nearing the minimum safe level.

Pakistan's money supply increased by \$94,500,000 from July 1956 to June 1957, following an increase of \$136,500,000 in the preceding year. The government's rate of deficit financing reportedly is running at twice the level anticipated in the budget, and inflation has become an increasingly serious problem. Since 1955, for example, inflation in East Pakistan has caused an estimated 20- to 25-percent price rise in mass consumption goods.

Development Plans

Despite the fact that the development program seemed to be stimulated during the first half of 1957 under Prime Minister Suhrawardy, industrial

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production leveled off somewhat during the year. Well-informed sources estimate that West Pakistan manufacturing plants are operating at only about 50 percent of capacity. There has also been considerable bickering within the government on the nature and advisability of constructing new steel and fertilizer plants. Pakistan's transportation system is overburdened, and no significant progress in improvement is being made.

On 7 September, the Pakistan Planning Board, on the instructions of the finance minister, recommended a 40-percent cut in development expenditure targets for fiscal 1959. This indicates that the Five-Year Plan (1955-60) will fall well short of its goals. Despite the cut in expenditures, Pakistan will probably find it difficult to increase exports to compensate for more expensive imports. Defense expenditures are still running high, and an all-out effort is needed to step up domestic production.

Labor Unrest

Widespread labor unrest was evident during October. A nationwide strike of post and telegraph workers and a strike of government employees in East Pakistan were staged off by promises to review pay scales.

A strike of 20,000 workers at the Adamjee Jute Mills in East Pakistan closed the mills. A strike of the Transport and Carriers Union swamped the railway and dockyards in Karachi. A strike at the Wah Ordnance Factory continued and the Pakistan Petroleum Workers' Federation served notice on all major oil companies of an impending strike. This unrest is the result of the steadily increasing cost of living.

International Disputes

In addition to these domestic matters, Pakistan faces such international issues as the disputes with India over Kashmir and the distribution of irrigation canal waters. The present government leaders seem less qualified than Suhrawardy to handle negotiations. As long as serious economic problems plague this leadership, India will be disinclined to make any major concession to its smaller neighbor. Indian High Commissioner Desai in Karachi recently indicated that anyone would make a better prime minister than Suhrawardy, apparently indicating that, from India's point of view, Suhrawardy might eventually have strengthened Pakistan to India's disadvantage, while under Chundrigar there is no such danger.

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