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CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

THE BULGANIN LETTERS Page 1

Premier Bulganin's letters to the heads of the NATO governments and to Nehru on the eve of the Paris NATO conference climax a world-wide propaganda campaign by the Soviet bloc aimed at stimulating suspicion of the motives of Western, particularly American, government leaders in taking steps to increase NATO's strength and unity. By formally reaffirming Soviet willingness to engage in new high-level East-West talks on outstanding issues and by suggesting a wide variety of measures to lessen international tension, the letters reinforce hints made privately by top Soviet leaders to Western diplomats during the past two weeks which hold out the prospect of a general East-West settlement on the basis of the status quo. [redacted]

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THE NATO MEETING Page 3

On the eve of the NATO meeting from 16 to 18 December, Continental European members are stepping up their campaign to impress on the United States their intention to proceed with closer military cooperation among themselves, especially if satisfactory NATO-wide measures fail to develop. British-Continental differences have been highlighted by the impasse between London and Bonn over support-cost payments for British troops in West Germany. Among non-NATO members in the free world, only Japan has officially indicated a desire to be included in any new arrangements for expanded cooperation. [redacted]

25X1

SITUATION IN INDONESIA Page 4

The political and economic situation in Indonesia has deteriorated further, particularly in Java, as the anti-Dutch campaign has continued unabated. The Soviet bloc moved quickly to exploit these circumstances and offered to furnish technical personnel, shipping, and air services to replace those hitherto provided by the Dutch.

The confused state of affairs has been further complicated by late press reports that a triumvirate composed of former Vice President Hatta, Premier Djuanda, and Army

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~~SECRET~~

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

PART I (continued)

Chief of Staff Nasution has taken over the government from President Sukarno. These three men may have felt that, in view of the worsening situation in Java, drastic measures were called for to avoid a Communist takeover and the fragmentation of the Indonesian republic. [redacted]

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PART II

NOTES AND COMMENTS

SUPREME SOVIET MEETING Page 1

The Supreme Soviet session scheduled to begin on 19 December will probably be devoted to the routine annual approval of the budget and discussing and approving the 1958 economic plan, but no drastic alterations in present economic policies are anticipated. The Soviet leaders may also consider the time ripe for another report on the international situation and Soviet foreign policy. The proposals in Bulganin's notes to Western leaders would probably form the basis of such a report; possible measures to bolster the Warsaw pact might well follow a decision at the Paris conference to strengthen NATO militarily.

25X1

IFNI Page 2

Fighting continues between Spanish troops and Moroccan irregulars in the Spanish African enclave of Ifni. Madrid apparently still hopes to launch a successful counteroffensive from selected strong points but, without substantial reinforcements, may not be able to re-establish its authority over areas now being abandoned. Such a development would seriously weaken Spain's bargaining position in any future territorial negotiations with Morocco. [redacted]

25X1

MIDDLE EAST DEVELOPMENTS Page 3

The prestige of Syrian Defense Minister Azm continues to grow. His rise and his openly pro-Soviet policies, plus the gradually increasing influence of local Communists, are causing more worry for Syria's radical nationalists. Saudi-Egyptian relations remain very cool, with the Saudis complaining about Egyptian propaganda treatment of King Saud. Iran continues to be tempted by Soviet offers, including a reported oil proposal which would give Iran more than 75 percent of the profits. [redacted]

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ii

THE WEEK IN BRIEF

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

PART II (continued)

PAKISTANI GOVERNMENT RESIGNS Page 5

The resignation on 11 December of Prime Minister Chundrigar's government in Pakistan is a blow to President Mirza's political prestige and constitutes the most difficult problem he has faced since assuming the presidency. With the breakup of the uneasy coalition he promoted between his Republican party and Chundrigar's Moslem League in October, Mirza is at present confronted with the choice of allowing a new coalition government to be formed by politicians who have repudiated his leadership or of resorting to direct authoritarian rule. [redacted]

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SOVIET LEADERS SPARK DOMESTIC CAMPAIGN ON COMMUNIST CONFERENCES Page 6

Most members of the top Soviet leadership have been engaged in a campaign throughout the country to present the results of the recent Moscow conferences to the Soviet population as a major achievement in intrabloc and international diplomacy and to remove whatever doubts may have arisen since the 20th party congress about bloc unity. [redacted]

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NEW SOVIET LONG-RANGE ATOMIC CANNON Page 7

Two new self-propelled guns were displayed at last month's 40th anniversary parade in Moscow. It is estimated that one of the weapons could fire a 390-pound, ram-jet-powered, high-explosive projectile to a range of some 200 miles and an atomic warhead to a range of some 30 miles, while the other could fire an atomic round to about 90 miles. The accuracy of these weapons is believed to compare favorably with guided-missile delivery systems of similar range. [redacted]

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EAST GERMAN REGIME STEPS UP ATTACKS ON EVANGELICAL CHURCH Page 8

As part of its renewed policy of repression, the East German regime has stepped up its program to force the German Evangelical Church to separate into eastern and western branches. The regime hopes to reduce the influence of the church in East Germany as a rallying point for resistance to communization. Persecution of the church, however, will probably add to the already strong resentment of the regime in East Germany. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

PART II (continued)

PEIPING SETS NEW ECONOMIC GOALS Page 9

Communist China's long-range planning chief Li Fuchun has asserted that China will surpass Great Britain in the production of steel and other industrial items by 1972 and that some industrial targets for the Second Five-Year Plan, beginning in 1958, will be raised. Peiping seems to be proceeding with increased confidence brought on by the success of the First Five-Year Plan and, perhaps, by the results of recent talks in Moscow. In agriculture, however, the confidence is somewhat tempered, and original targets for major crops in 1962 have been lowered. [redacted]

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EXPULSION OF PARTY RIGHTISTS EXPECTED IN COMMUNIST CHINA Page 11

A statement last week by An Tzu-wen, a key figure in Chinese Communist party personnel matters, strengthens previous indications that the party is headed for a vigorous weeding out. Peiping is expected to announce plans for punishing rightists and other "undesirable" elements--possibly including some central committee members--at the next party congress, which regime spokesmen have said will be held soon. [redacted]

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NORTH KOREA MAKES NEW PEACE OVERTURES TO SOUTH Page 11

Premier Kim Il-sung has addressed new peace appeals to South Korean audiences and intimated that he is eager, pending "peaceful unification," to establish de facto relations with Seoul. Kim for the first time explicitly called for the withdrawal from Korea of Chinese Communist as well as American forces and again proposed the unsealing of the armistice line to permit North-South trade. Pyongyang remains adamant against unification based on UN-supervised elections. [redacted]

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KISHI'S SECOND ASIAN TOUR Page 12

The results of Japanese Prime Minister Kishi's visit to seven Asian nations, Australia, and New Zealand, while not regarded as major diplomatic triumphs, have been welcomed by Japan's critical press. Kishi was greeted cordially in countries where postwar bitterness toward Japan has been strongest and succeeded in reaching understandings for settlement of disputes with Indonesia and Australia. [redacted]

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

PART II (continued)

ELECTIONS IN THAILAND Page 13

Elections on 15 December to fill 160 seats in Thailand's unicameral legislature are intended primarily to provide the civilian facade behind which Marshal Sarit and his military group will continue to run the country. The conservative and pro-Western Democrats are expected to win the most seats, followed by Sarit's Unionists and the left-wing Socialist Front. The elections will probably be relatively clean, partly because the military group, which controls 123 appointive seats, feels it can afford free elections. [redacted]

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THE CYPRUS SITUATION Page 14

Rioting on Cyprus erupted with the opening of the Cyprus debate in the UN General Assembly on 9 December. EOKA has warned that "total war" will follow if the debate does not lead to an acceptable resolution, but has also indicated a willingness to postpone violence for five or six weeks as requested by the new governor of Cyprus. Greece continues to insist on British-Cypriot negotiations toward self-determination, while Turkey remains firm in support of partition. Compromise efforts are likely to succeed in preventing a showdown at the UN. [redacted]

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FRENCH SOCIALIST DIFFERENCES THREATEN GAILLARD COALITION . Page 15

The future of the Gaillard government may hinge on the French Socialists' National Council meeting on 14-15 December, since many Socialists are increasingly resentful over continued participation in a conservative-tinged government. Socialist leader Guy Mollet has been forced to take a strongly doctrinaire approach in opposing some of Gaillard's anti-inflationary proposals, and he will be under strong pressure to drop support of the government's present Algerian policy. The Communists are in a good position to exploit these differences. [redacted]

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LONDON'S MILITARY INTERVENTION IN BRITISH HONDURAS Page 16

Reinforcement of the British garrison in Belize on 6 December to prevent violence over the ouster of a local government minister will provide Caribbean Communists with material for renewed propaganda attacks on British colonial policy and may adversely affect relations between the United Kingdom and the member states of the West Indies Federation, to be inaugurated in April 1958. [redacted]

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SECRET

v

THE WEEK IN BRIEF

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

PART II (continued)

THE VENEZUELAN PRESIDENTIAL PLEBISCITE Page 17

Rumors of military disaffection and recent antigovernment demonstrations by students have increased public tension in Venezuela on the eve of President Perez Jimenez' election plebiscite on 15 December by which he plans to win a second five-year term. Although the stability of the government may be threatened, the regime is believed capable of handling any violence during the electoral period. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

MOSCOW CONFERENCE OF WORLD COMMUNIST LEADERS Page 1

The primary Soviet objectives at the Moscow conferences of world Communist leaders in November were to reassert the USSR's leadership of the Communist bloc and to reinforce bloc unity. These aims required, however, some formulations in the communiqué and manifesto which evaded rather than resolved difficult issues. Mao Tse-tung's strong endorsement of the USSR's leading position indicates a marked advance in the reaffirmation of Soviet primacy, but subsequent statements by Gomulka, combined with the failure of Yugoslavia to sign the 12-nation communiqué, point to the continued existence of divergencies in the Communist world. [redacted]

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ECONOMIC CONDITIONS IN EGYPT Page 4

Egypt's economy has been able to make up many of the losses resulting from the Suez crisis, but the past year has seen a general slowing of economic activity, a cutback in the Nasir regime's development program, and increased dependence on the Soviet bloc. Without greater foreign assistance than the recent Soviet line of credit provides, Egypt probably cannot maintain even its present low standard of living. While not irrevocably tied to the Communist bloc, Egypt appears considerably more dependent on it economically than any other non-Communist nation. [redacted]

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~~CONFIDENTIAL~~~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

PART I

OF IMMEDIATE INTEREST

THE BULGANIN LETTERS

Premier Bulganin's letters to the heads of the NATO governments and to Nehru on the eve of the Paris meeting climax a world-wide propaganda campaign by the Soviet bloc aimed at stimulating suspicion of the motives of Western, particularly American, government leaders in taking steps to increase NATO's strength and unity. By formally reaffirming Soviet willingness to engage in new high-level East-West talks on outstanding issues and by suggesting a wide variety of measures to reduce international tension, the letters reinforce hints made privately by top Soviet leaders to Western diplomats during the past two weeks which hold out the prospect of a general East-West settlement on the basis of the status quo.

The 10 December letter to President Eisenhower recounts in detail the dangers which "intensifying the arms race" would hold for the prospects for world peace, and warns that "catastrophic consequences" would result from any attempt to impose territorial changes by external force or to upset the status quo between the capitalist and communist systems.

The message suggests a number of measures to increase international confidence and slow down the arms race: a voluntary renunciation by the nuclear powers of the use of nuclear weapons, and a two-to-three-year ban on nuclear weapons testing as of 1 January 1958; an agreement by the nuclear powers not to station nuclear weapons "of any kind" on West German or East

German soil, plus an agreement by those two countries and by Poland and Czechoslovakia not to produce or deploy such weapons on their territories; a non-aggression pact among members of NATO and the Warsaw pact; a treaty of friendship between the United States and the Soviet Union plus increased trade, broadened cultural and scientific contacts and a halt in propaganda, and a declaration renouncing interference in Middle Eastern internal affairs and the use of force in dealing with Middle Eastern questions.

Adoption of such measures, Bulganin claims, would create an atmosphere of confidence making further steps possible, including troop withdrawals from foreign territories. Finally, the letter urges a "personal meeting of state leaders" to discuss all outstanding problems. These various suggestions repeat standing official Soviet proposals, with the exception that the letter falls short of the Soviet nuclear weapons proposal made to the UN last September by omitting any reference to control provisions in connection with nuclear testing or to a five-year duration for a renunciation of the use of nuclear weapons.

The letters to the West European NATO members are couched in terms designed to stimulate fears that these countries will be Soviet targets in case of a future war if NATO, particularly American, atomic and missile bases are established on their territories.

CONFIDENTIAL

~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

The message to Chancellor Adenauer refers to the "division of labor" in NATO which alleges that the United States will supply "money and equipment" and the other NATO members will furnish "cannon fodder" and expose their territory to the danger of "the first blow of retaliation." The letter repeats the proposals for a "nuclear ban" in Germany, Poland, and Czechoslovakia and for foreign troop withdrawals, and cites the possibility of progress in the current West German - Soviet negotiations in Moscow.

Bulganin's letter of 10 December to Nehru, made in reply to India's appeal to the United States and the USSR to halt nuclear tests and to disarm, is intended to increase suspicion of Western moves to strengthen and unify NATO and to add to neutralist pressure on the West for immediate suspension of nuclear tests. The message, which praises India and Nehru for their work as "world peacemaker," like the note to Japan on 5 December asking support for a test ban, seeks to focus critical Asian attention on the Soviet proposal to halt nuclear testing as of next month.

In other moves timed to inhibit decision and action at the NATO meeting, top Soviet leaders stated privately to Western ambassadors during the past two weeks that the USSR is willing to conclude a general settlement of East-West problems on the basis of the status quo and a guarantee of existing

boundaries and political systems. On 3 December Khrushchev argued with a group of ambassadors that the West should recognize the status quo in Eastern Europe and should give up its "hopes" of changing Communist regimes in exchange for Soviet agreement not to attempt to change the system of government in capitalist countries.

In a conversation with the Swiss ambassador the next day, Bulganin stated that Khrushchev intended to allay Western fears regarding the contradiction between the USSR's policy of peaceful coexistence, and the 21 November Communist bloc unity declaration which urged a broad front of all "progressive" elements to overcome the forces of "aggression and reaction."

Elaborating on Khrushchev's remarks, Bulganin stated that the Soviet Union is prepared to give assurances, on a reciprocal basis, against intervention in the affairs of capitalist countries and denied that Moscow is engaging in "sputnik diplomacy." He claimed that the USSR is now on a technological level with the West and that this should encourage acceptance of the status quo. Presidium member Mikoyan took the same line in a conversation with the Swiss ambassador on 7 December, stating that Soviet success in establishing technological "parity" should facilitate political discussion between the USSR and the West, inasmuch as the USSR formerly suffered from an inferiority complex which impeded negotiations.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

THE NATO MEETING

On the eve of the NATO meeting, Continental European members are stepping up their campaign to impress on the United States their intention to proceed with closer military cooperation among themselves, especially if satisfactory NATO-wide measures fail to develop. British-Continental differences have been highlighted by the impasse between London and Bonn over support-cost payments for British troops in West Germany. Among non-NATO members in the free world, only Japan has officially indicated a desire to be included in any new arrangements for expanded cooperation.

There is increasing interest in some measure of military integration similar to the abortive European Defense Community. Several sources report that France has formally presented Germany, Italy, and the Benelux countries with a specific plan for six-nation integration on research, development, and production of modern weapons.

This implies an expansion of integration along the lines of EURATOM and the Common Market, and a rejection of WEU, of which Britain is a member. Any decision by the Continental NATO members to push any exclusive arrangement would raise perplexing problems for the European integration movement itself. Dutch officials, for example, have said that the Netherlands could not afford to remain outside such arrangements, but are concerned over the emer-

gence of "uncoordinated European sectionalism."

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Meanwhile, France

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proceeding to develop nuclear weapons. A succession of recent public and private statements seem calculated to stress France's determination not to accept a secondary place in the alliance.

German Foreign Minister Brentano's visit to London on 4 and 5 December failed to overcome the support-cost impasse caused by Bonn's refusal to continue contributing to the local costs of British forces after March 1958. London has asked for \$140,000,000 and has already invoked NATO and WEU provisions concerning financial distress connected with stationing of forces in member countries.

Britain has said that it intends to maintain a 55,000-man force in Germany if acceptable financial arrangements can be made; otherwise the "whole question of the number of troops" will have to be reconsidered. This is apparently an attempt to play on Continental concern that Britain may withdraw all its troops from Europe--a concern which London knows indirectly contributes to anxiety over the continuation of the American commitment in Europe.

Bonn shows more determination on the support-cost issue than in previous years, when it has compromised. West German government leaders evidently believe that British military

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

withdrawal from the Continent would have its advantages. They are probably convinced that German security is best ensured by German forces, and by the common European production of modern weapons, which would ultimately lead to creation of stronger "shield" forces armed with tactical nuclear weapons under European control.

Turkey approaches the NATO conference with continuing concern over the situation in Syria, but confidently anticipating the early receipt of American guided missiles and rockets to bolster the Turkish army. The Turkish delegation will represent the interests of friendly Middle East countries and will seek a clarification of the relationship between NATO and the Baghdad pact.

Outside of the NATO area, interest in the forthcoming meeting has been spotty. The Japanese government told Ambassador MacArthur in late November that it hoped means could be found to associate Japan with "appropriate" aspects of pro-

grams developed at the meeting-- probably meaning any arrangements for distribution of modern weapons and exchange of military information. In Southeast Asia, Djakarta fears the meeting may suggest general NATO support for the Dutch position regarding New Guinea.

Officials of the Moslem members of the Baghdad pact met in Ankara on 10 December for policy talks concerning the conference, and some of the Arab countries have apparently sent memoranda to guide the Turkish delegation in discussions pertaining to the Middle East. Israeli leaders hope for the formation of some link between Israel and NATO that could lead to a guarantee of Israeli frontiers.

Interest in Latin America has been slight, but Peruvian President Prado publicly urged a linking of NATO and OAS, and the Brazilian foreign minister has stated that his country would like to join NATO if invited.

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SITUATION IN INDONESIA

Latest press reports on the Indonesian situation state that a triumvirate composed of former Vice President Hatta, Premier Djuanda, and Army Chief of Staff Nasution has taken over the government from President Sukarno. These reports also state that fighting has broken out in Djakarta.

According to earlier information, army leaves had been canceled, troops were confined to barracks, and officers were

wearing battle dress. Premier Djuanda was also reported to have told parliament that Sukarno is taking a "medical leave" and would go to a "friendly country" --probably India.

A coup against Sukarno would have been precipitated for a number of reasons, chief of which would be the rapidly deteriorating political and economic situation in Java resulting from the government-sponsored anti-Dutch campaign which has

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

been in progress since 2 December. Hatta, Djuanda, and Nasution may have felt that unless drastic measures were taken to retrieve the situation, the end result would be Communist domination of Java and the fragmentation of the Indonesian republic. In this connection, Sumatra is already said to have declared its independence, but any such action would probably be rescinded if an effective moderate government should establish itself in Djakarta.

Previously the military commander in Central Sumatra had taken steps to protect foreign business in his area and to retain all revenues which previously had gone to Djakarta. The South Sumatran commander had also assured local businessmen that the Dutch in the province would be protected.

Prior to the reported action against Sukarno, the anti-Dutch campaign had continued unabated. Affiliates of SOBSI, the Communist-dominated labor federation, usually seized a firm, and then the government took over from SOBSI. SOBSI, however, had retained considerable influence in administering many of these companies through "labor assistance teams."

The anti-Dutch drive has also been expanded to North Sumatra, the only area in Sumatra under direct Djakarta control. The army commander there, however, has taken the precaution of placing all Dutch enterprises under military control, apparently in the hope of preventing SOBSI activity similar to that in Java. Isolated and unofficial seizures of Dutch interests have been reported from Palembang

in South Sumatra and Makassar in Celebes. In both cities, SOBSI affiliates predominate among organized labor.

President Sukarno on 11 December made his first public statement since the initiation of the harsh measures against the Dutch, indicated his approval of the campaign, and stated there would be no compromise or letup in the pressure to force the Dutch to surrender Irian.

Soviet bloc countries, meanwhile, had offered to replace Dutch personnel. East Germany volunteered to replace the Dutch "in all fields," and Poland offered shipping and technical personnel.

Dutch reaction to the Indonesian campaign has been motivated by a desire not to preclude all possibility of eventually retrieving some interests. Nevertheless, at an emergency meeting of the North Atlantic Council on 7 December called by the Dutch, their representative declared that Indonesia is an "acid test of NATO cooperation," and warned that the issue would be raised at the mid-December NATO meeting if the picture had not improved by that time.

Dutch Minister of Defense Staf has told Ambassador Young, moreover, that if Holland's NATO partners fail to "rise to the test" there will be an inevitable Dutch revulsion against NATO, resulting in defense cutbacks and the reduction of the Netherlands' role in NATO to something like that of Norway's or Denmark's.

The Hague has been reluctant to place any value on its

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

commercial holdings in Indonesia but accepts unofficial estimates that they account for 3 percent of the Netherlands' national income. Accordingly, the Ministry of Finance estimates that the uncompensated loss of their \$1-2 billion investment would be serious, but not calamitous. The Dutch may, however, find difficulty in integrating refugees into the Dutch economy; many of them have never lived in the homeland. Housing is certain to be a serious problem.

The Dutch are aware that Indonesian pressure is in part

designed to promote bilateral negotiations on New Guinea, and the government has had some pressure from Dutch business interests, both in the Netherlands and in Indonesia, to modify its stand. Ambassador Young, however, believes Prime Minister Drees has already definitely rejected their appeals, and in view of the participation in his coalition government of some parties which think there should be no sacrifice of principle for the sake of "sordid business interests," there is little possibility of a revision of this stand.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

PART II

NOTES AND COMMENTS

SUPREME SOVIET MEETING

The session of the USSR Supreme Soviet scheduled to begin on 19 December will probably be devoted to the routine annual approval of the 1958 budget and, following the precedent set last February of presenting the annual economic plan to the Supreme Soviet, to discussing and approving the 1958 economic plan. The Soviet leaders may also consider the time ripe for another report on the international situation and Soviet foreign policy.

The 1958 budget and plan will probably reflect a continuation of present policies and trends without any drastic alterations, since the new system of regional administration of the economy is still being shaken down and Soviet planners are preparing a new seven-year plan to begin in 1959. However, in the 1958 budget and plan, serious attention must again be devoted to housing and other consumer programs--important as incentives for increased production--and to improving the supply of raw materials. Raw materials extraction problems have since early 1956 become an important curb on the speed of industrial growth.

An appraisal of the first six months of operation of the new regional councils of national economy (sovnarkhozy) may be made at the Supreme Soviet. While preliminary estimates of industrial output for the period indicate moderate overfulfillment of the modest 1957 plan, they do not appear

to meet the optimistic expectations voiced by Khrushchev and others last spring. The reorganization itself will probably not be attacked, however, but there is some possibility that minor changes may be made in the sovnarkhoz system--for example, an attempt to simplify coordination problems by reducing the number of economic-administrative regions.

The timing of the Supreme Soviet session--just after the scheduled close of the Paris NATO conference--may well have been arranged with a view to providing the Kremlin with a suitable occasion for reviewing recent Soviet foreign policy developments. The proposals suggested in the Bulganin letters to President Eisenhower and the heads of other principal NATO governments would probably form the basis of such a review (see Part I, page 1). Moves designed to counter the effects of any decisions at Paris may be announced, with the most likely countermove to any military strengthening of NATO being a bolstering of the Warsaw pact. On 21 November, Khrushchev warned that specific measures to increase the military potential of Moscow's Warsaw pact allies would depend on the outcome of the NATO meeting.

Changes in high-level government personnel assignments, a function of the Supreme Soviet, might be made at this session. However, Westerners in conversation with Soviet officials and Supreme Soviet

~~CONFIDENTIAL~~~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

deputies at recent diplomatic functions have gained the impression that no major personnel shifts are planned.

Any important economic or foreign policy decisions or personnel changes would probably necessitate a meeting of the party central committee for prior approval.

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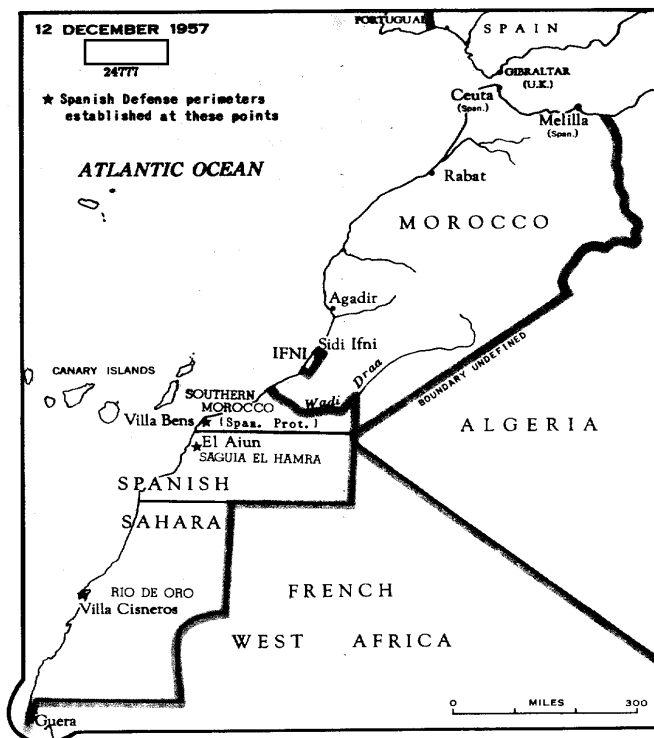
IFNI

Fighting between Spanish troops and Moroccan irregulars continues in the Spanish African enclave of Ifni. Madrid apparently still hopes to launch a successful counteroffensive from selected strong points but, without substantial reinforcements, may not be able to re-establish its authority over areas now being abandoned. Such a development would seriously weaken Spain's bargaining position in any future territorial negotiations with Morocco.

men in Southern Morocco and Spanish Sahara.

Spanish officials believe the Moroccan Army of Liberation has recently received substantial reinforcements from Morocco and Algeria and may now total as many as 6,000 guerrillas in and near Ifni and another 2,500 fighters in the territories to the south. An early insurgent attack in force against Sidi Ifni is anticipated.

Spain's inability to suppress the guerrillas was in effect acknowledged this week by the withdrawal of Spanish forces from frontier outposts to defense perimeters around Sidi Ifni, capital of the enclave, and four principal centers in the Southern Morocco protectorate and Spanish Sahara. Spanish military leaders plan to conduct retaliatory raids beyond these perimeters but, apparently, still within the borders of the Spanish territories. Spain now has some 6,000 to 8,000 troops defending Sidi Ifni and approximately 4,000

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

Regular Moroccan army troops stationed near the Spanish possessions, while avoiding any formal involvement, are probably providing important logistical support and may be more directly engaged in the affair.

Spanish concern over developments in the Ifni area is also reflected in a recent request for French support. The French embassy in Rabat has stated, however, that France would not furnish direct military assistance within Morocco but may cooperate in the Saharan regions outside Morocco and Ifni. The withdrawals recently ordered by Spain in this area probably increase the likelihood of such collaboration by

France, which is concerned about Moroccan nationalist pretensions to Mauritania and the extreme western triangle of Algeria.

Spain may attempt to solve the Ifni problem through early direct talks with Moroccan King Mohamed V, who is scheduled to return from his visit to the United States this week end. Madrid is apparently prepared to negotiate an adjustment of the enclave's frontiers but not to surrender the area entirely. Such a surrender, it is feared, would make it more difficult for Spain to retain possession of its other territories in the area. [redacted]

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25X1**MIDDLE EAST DEVELOPMENTS**Syria

Syria this week announced it would no longer cooperate with the chairman of the Israeli-Syrian Mixed Armistice Commission, a Norwegian officer assigned to the UN truce team in Palestine. Part of the problem in this case seems to have arisen out of UN Secretary General Hammarskjold's discussions in Damascus last week, when he is reported to have told the Syrians that the question of Israel's de facto occupation of the demilitarized zones might better be taken up by the local truce machinery than submitted to the UN Security Council. The Syrians apparently took the first opportunity to follow his advice, but claim to have been balked by the Norwegian officer. The real issue involved may be a Syrian fear that too much publicity had accompanied

recent relatively amicable border talks with the Israelis, and that this must be countered by some unfriendly gesture.

Khalid al-Azm, already Syria's defense minister, acting finance minister, and chairman of the economic development board, this week became deputy prime minister as well. He will probably gain still another boost to his growing prestige from his trip to Moscow, where he arrived on 10 December after a brief stopover in Hungary. Azm is heading a 25-man delegation to follow up the Syrian-Soviet economic accord which he helped negotiate last August. In addition to presenting the Soviet authorities with a list of the specific projects Syria wishes to undertake, Azm may seek to modify the repayment terms in order to make them conform more closely to those

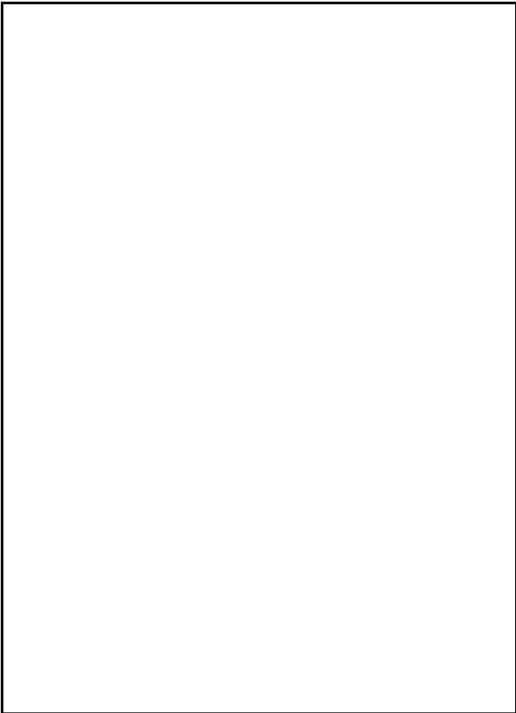
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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

subsequently obtained by Egypt.



probably not very well founded, that Nasir might launch an anti-Saud press campaign. The Saudi ambassador in Cairo has indicated he is unhappy with the treatment given his sovereign by Egyptian propaganda media-- the Egyptians failed to broadcast a recording the ambassador had made for the fourth anniversary of King Saud's accession. According to the ambassador, "the trouble with Egyptians is that they have no gratitude." Meanwhile the meeting between King Faysal of Iraq and King Saud in Riyadh seems to have gone off smoothly, but the only tangible result known thus far is a "cultural" agreement.

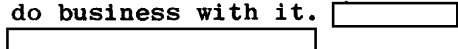
Iran

Russian assistance offers continue to tempt Iran while the Shah marks time pending an American decision on the extent of further aid.



the USSR was prepared to sign an oil agreement which would give Iran more than 75 percent of the "profits" and purchase "all" Iranian oil. This offer is part of the USSR's effort to minimize Iran's economic, and ultimately its military, attachments to the West. The Shah warns that if such offers are published, he may be forced to accept them to satisfy the Iranian people in the absence of increased American aid.

While the Shah has many ties with the United States which would deter him from reorienting his foreign policy, he could come under increasing Soviet influence either inadvertently through a rapid expansion of economic relations with the USSR or by ultimately becoming convinced, as a result of intensive Soviet propaganda, that the power of the USSR is such that he must do business with it.



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Egypt - Saudi Arabia

Nasir's speech on 6 December, touted in the regime's press as the occasion for major policy pronouncements, turned out to be a banal rehearsal of the standard promises and implied complaints. The American embassy in Cairo believes Nasir has, for most Egyptians, become another "Mr. Big" of a kind they have seen come and go many times before. Certainly his latest effort contained nothing to capture the imagination; the mishap in the American earth satellite project enabled the Cairo press to turn attention quickly away from Nasir's speech to a more congenial theme--the "failure" of Western "imperialism."

Saudi-Egyptian relations appear to be growing still cooler; there is some speculation,

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

PAKISTANI GOVERNMENT RESIGNS

The resignation on 11 December of Prime Minister Chundrigar's government in Pakistan is a blow to President Mirza's political prestige and constitutes the most difficult problem he has faced since assuming the presidency. With the break-up of the uneasy coalition he promoted between his Republican party and Chundrigar's Moslem League in October, Mirza is at present confronted with the choice of allowing a new coalition government to be formed by politicians who have repudiated his leadership or of resorting to direct authoritarian rule.

Chundrigar resigned after being informed by the spokesman of the Republican party, Dr. Khan Sahib, that the Republicans could not agree to back the Moslem League's plan to pass a bill restoring the system of separate communal electorates during a special session of the National Assembly scheduled for 11 December. Mirza then postponed the assembly session for three weeks, asked Chundrigar to continue in office, and commissioned him to try to form a new government.

Maneuvering which followed the government's resignation apparently produced a division of various political groups into two opposing camps. The Moslem League and remnants of the outgoing coalition consulted with Chundrigar, while Republican, Awami League, and leftist National Awami party assemblymen and several splinter and minority groups met with Khan Sahib.

The latter meeting resulted in a statement reportedly signed by 52 assembly members, well over a majority, declaring they would support no government formed by Chundrigar or any other Moslem League leader but would accept a person nominated by Khan Sahib. These developments seem to indicate that Chundrigar's current attempt will fail, leaving Mirza with no parliamentary alternative but to sanction a new coalition favoring early elections under the present joint system.

The Republican challenge to Mirza, who has sponsored the party since its inception in 1955, will demonstrate his present inability to control his followers in a showdown and is likely to weaken substantially his position in the political arena. Mirza may be restrained from resorting to authoritarian rule by recent evidence of a decline in the support he has enjoyed among such elements as the army, the civil service, and certain political quarters.

The political instability in Pakistan has already resulted in a request that Afghan King Zahir Khan postpone indefinitely his visit to Karachi. This postponement will impede further progress toward a transit agreement, an increase in trade, and settlement of the Pushtoonistan issue. [redacted]

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

SOVIET LEADERS SPARK DOMESTIC CAMPAIGN ON COMMUNIST CONFERENCES

Most members of the top Soviet leadership have been engaged in a campaign throughout the USSR since 26 November, to present the results of the recent Moscow conferences to the Soviet population as a major achievement in intrabloc and international diplomacy and to remove whatever doubts may have arisen since the 20th party congress about bloc unity. The success claimed for the conferences is being linked with assertions of Soviet industrial achievement and technological superiority as part of an effort to elicit popular support and enthusiasm for the regime.

Since the campaign began, Khrushchev, Furtseva, and Pospelov have addressed meetings in Moscow, while several of their fellow party presidium members have presided at gatherings in their provincial bailiwicks. Of the full members of the presidium, Kozlov has spoken in Leningrad, Ignatov in Gorkiy, and Kirichenko in Kiev; of the candidate members, Kirilenko has spoken in Sverdlovsk, Kalnberzn in Riga, Mukhitdinov in Tashkent, and Mzhavanadze in Tbilisi. Kuusinen and Shvernik, full members of the presidium, and candidate member Pospelov were on hand to do the honors in Estonia, Lithuania, and Novosibirsk, respectively, where the party chiefs are not presidium members.

Mikhail Suslov discussed the results of the Moscow conferences in Rostov on 2 December and in Voronezh on 4 December. His extended stay suggests that he may also have been involved in the administrative changes

resulting from the recent abolition of two oblasts in this area. Having attained a higher status in the party presidium as a result of the purges in June and October, Suslov now may be taking on new responsibilities in internal affairs in addition to his duties of supervising relations with the satellites and other Communist parties.

Bulganin, Mikoyan, Brezhnev, and Belyayev are apparently occupied with other affairs in Moscow and have not thus far participated in the nationwide campaign. Presidium member Aris-tov, who returned to Moscow shortly before the 40th anniversary celebration from a special Far Eastern trip, has not been mentioned publicly since 8 November and did not participate in the discussions with foreign Communist leaders.

The campaign's keynote of self-confidence and optimism was sounded in Moscow by Furtseva, who claimed that the Communist meetings marked a strengthening of bloc unity and assured the international Communist movement of continued success. Kirichenko, speaking in Kiev, declared that "the socialist system has proved its superiority over capitalism, not only by the tempo of economic development and material resources, but also by the level of science and technology."

To supplement the efforts of the Soviet leaders, the campaign now is being extended to lower levels, as local party officials have begun to report to meetings organized in raions, factories, and villages.

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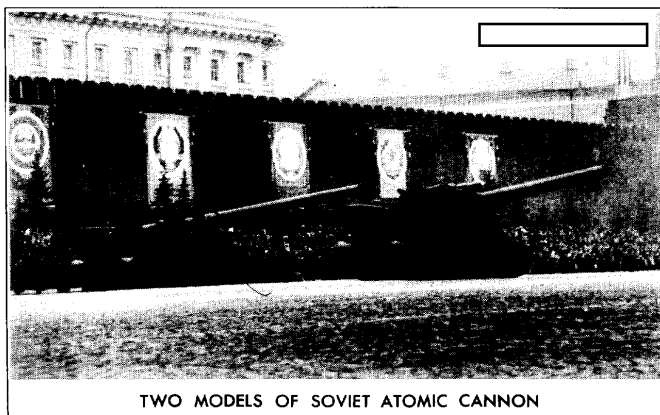
CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

NEW SOVIET LONG-RANGE ATOMIC CANNON

Two new self-propelled guns were displayed at last month's 40th anniversary parade in Moscow. It is estimated that one of the weapons could fire a 390-pound ram-jet-powered, high-explosive projectile to a range of some 200 miles and an atomic warhead to a range of some 30 miles, while the other could fire an atomic round to about 90 miles. The accuracy of these weapons is believed to compare favorably with guided-missile delivery systems of similar range. While these weapons may be experimental models introduced at the parade for propaganda purposes, production costs lower than those for guided-

that the latter weapon will probably fire a projectile of considerable weight. The Soviet military attaché in London stated on 19 November that "the unusually large artillery piece" was a rifled 250-mm. piece which fired a rocket-type shell capable of delivering an atomic warhead. The fact that both guns are mounted on a lengthened heavy tank chassis points up the Soviet emphasis on mobility even in the field of superheavy weapons.



TWO MODELS OF SOVIET ATOMIC CANNON

missile systems and the relative simplicity of operation and auxiliary equipment may induce the USSR to produce them in quantity.

One of the guns, to the right in the photo, appears to be a conventional artillery piece, while the other lacks the recoil mechanism, jacket, trail spades, and tube taper of a conventional piece and appears to have thinner tube walls and a very small and light breech mechanism. The size of the loading mechanism indicates

A large rectangular area containing several smaller rectangular boxes, likely representing redacted information or a diagram. The boxes are arranged in a grid-like pattern.

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The unconventional gun shown in the parade is believed to fire

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

a round which is a further development of this project. The initial thrust of the round is provided by a rocket motor, and a self-contained ram-jet motor gives additional thrust once the round has reached sufficient velocity.

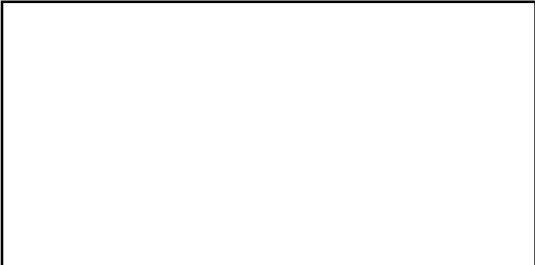


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Such a cannon could fire a 390-pound, ram-jet-powered, high-explosive round to a range of approximately 200 miles. Weight limitations preclude the placing of both an atomic warhead and a ram-jet motor in the same projectile and would limit the range of an atomic warhead to some 30 miles. (Prepared jointly with OSI)

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EAST GERMAN REGIME STEPS UP ATTACKS ON EVANGELICAL CHURCH

As part of its renewed policy of repression, the East German regime has stepped up its program to force the German Evangelical Church to separate into eastern and western branches. Recent press attacks, arrests of church officials, and restriction of church functions have characterized this latest effort. The regime hopes to reduce the influence of the church in East Germany as a rallying point for resistance to communization. Persecution of the church, however, will probably add to the already strong resentment of the regime in East Germany.

Bishop Dibelius. In other Communist newspapers, the church has been described as "anti-socialist," "antidemocratic" and a "hotbed of reaction."

Several ministers refusing church burials to nonchurch members, particularly Communists and members of their families, have been subjected to vicious attacks by the press and by Communist organizations. Church officials have been arrested on such charges as denial of church burials, currency and goods smuggling, and "incitement to antistate activity." Communist-inspired protest meetings in a number of areas have demanded that action be taken against offending pastors.

Editorials in the Socialist Unity (Communist) party (SED) newspaper Neues Deutschland on 4 and 6 December set the tone of the attacks, charging that the church is in effect an adjunct of NATO and supports aggressive measures against East Germany. The sole requirement for the relaxation of tensions was said to be that church officers stop executing the orders of the Western "military church" and its chief,

The most severe sentence yet given a churchman was the five-year prison term recently imposed on the student pastor at Leipzig University for alleged antistate crimes, including opposition to the Communist youth dedication ceremony, contact with West German church groups, urging a general strike during the Hungarian uprising, and "slander against the state."

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

The puppet eastern Christian Democratic Union (CDU), in its strongest opposition to the church, recently came out in support of the Communists, recommending state control of church finances in order to avoid "strengthening reactionary circles in the church leadership." The policy endorsed by the CDU would mean that state subsidies would be paid directly to individual pastors, bypassing the central church organization, and would leave pastors open to greater pressures to conform to regime demands.

The militant opposition of the church indicates that it

will remain a strong anti-Communist factor in East Germany. The popular will to resist Communist pressures is strong, and many East Germans, even some who are not devout Christians, believe the government is invading an area of conscience where it has no right to intrude. Bishop Dibelius, preaching in East Berlin on 1 December, defied the regime and called on the people to reject Communism. The church synod on 6 December stated that it is impossible for Christians to believe in God and Communism simultaneously, and adopted a resolution to the effect that "not even fear must drive us to acknowledge such a concept."

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PEIPING SETS NEW ECONOMIC GOALS

Communist China's long-range planning chief Li Fu-chun has asserted that China will surpass Great Britain in the production of steel and other industrial items by 1972 and that some industrial targets for the Second Five-Year Plan (1958-62) will be raised. After a year of relative caution, Peiping seems once again to be proceeding with increased confidence brought on by the success of the First Five-Year Plan (1953-57) and, perhaps, by the results of recent talks held in Moscow. In the case of agriculture, however, the confidence is somewhat tempered, and the original ambitious targets for major crops in 1962 have been lowered.

Li Fu-chun told a trade union congress in Peiping that by 1972 China would be producing 35,000,000-40,000,000 tons of steel, an amount, he said,

Great Britain will find difficult to match even if the "inevitable" capitalist depression is not taken into account. Li also assured his listeners that China can in the same period surpass Britain in the production of coal, machine tools, cement, and chemical fertilizer.

Discussing the Second Five-Year Plan, Li said the principles proposed by the party central committee in September 1956 "remain the principles to which we must conform." Li reiterated that heavy industry is the "core" of economic construction and the "material basis" of all economic advance. He acknowledged that experience gained since the party congress had increased Peiping's "understanding of economic conditions" and led to certain adjustments in the "tasks and targets" proposed. Although not all targets have yet been finalized, some industrial goals

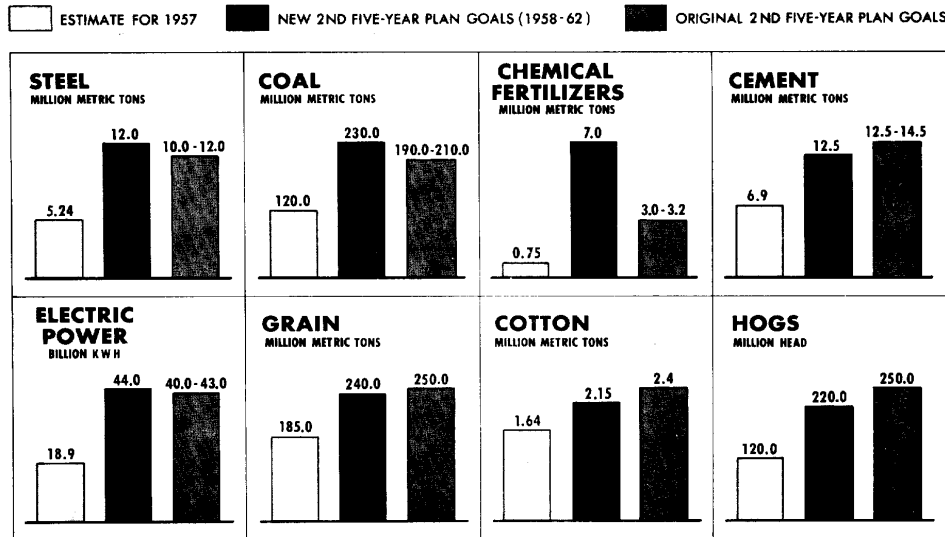
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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

CHINESE COMMUNIST PRODUCTION



12 DECEMBER 1957

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have been raised slightly and major agricultural ones lowered.

Li reviewed the achievements of the regime's highly successful First Five-Year Plan. The total value of industrial production more than doubled, and 57 of the vital 156 Soviet-aid industrial projects were completed. The industrial base in the Northeast, centered around Anshan, was "basically completed," suggesting that the bulk of construction activity in the future will shift elsewhere. The only major industrial item which fell short of programmed levels was petroleum, the output of which will reach only 1,500,000 tons this year as compared with the over 2,000,000 tons called for in the plan. In addition, Li announced that the initial 5,000,000-6,000,000-ton petroleum target for the Second Five-Year Plan had been lowered.

Li quoted initial estimates that the 1957 food-grain produc-

tion had reached 185,000,000 tons, 2,500,000 tons over last year. For the first time since the Communists came to power, the percentage increase in food-grain production was less than the percentage increase in population. Li said, as have Chinese Communist commentators for the past year, that more attention must be paid to agriculture.

Peiping has said it intends to spend more on agriculture and related industry, such as the chemical fertilizer industry. In fact, the most dramatic change in targets for the Second Five-Year Plan is the doubling of the chemical fertilizer goal. Even so, the slightly decreased goals for agricultural output still seem largely unattainable. If, however, the Chinese achieve slightly over half the programmed agricultural increases, they should be able to squeeze out the funds needed to pay for scheduled industrial advances. (Prepared by ORR)

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

EXPULSION OF PARTY RIGHTISTS EXPECTED IN COMMUNIST CHINA

A statement last week by An Tzu-wen, a key figure in Chinese Communist party personnel matters, strengthens previous indications that the party is headed for a vigorous weeding out. Peiping is expected to announce plans for punishing rightists and other "undesirable" elements--possibly including some central committee members--at the next party congress, which regime spokesmen have said will be held soon.

An has recently been identified as head of the party's organization department, which is responsible for recruiting and assigning most of the party membership. In a 5 December article in People's Daily, the organ of the central committee, An noted that 810,000 party and government workers have been relieved of their posts in 1957 and sent to do "productive" work at lower levels. He promised that additional measures would be taken to "raise the Marxist-Leninist and vocational levels of officials."

Persons identified as rightists will probably be the first to feel the full weight of party displeasure. Writing in the People's Daily last September, An said that although rightists within the

party were small in number, their presence seriously endangered the undertakings of the party. Teng Hsiao-ping, secretary general of the party and An's chief, made the same point in a major report to the central committee plenum on 23 September.

Peiping has publicly attacked only about 60 party members--all minor figures--as rightists. However, the regime's admission that more than 100 party rightists have been uncovered in Peiping and in Anhwei Province alone shows that rightist activity in party ranks has been much more extensive than the number of named offenders would suggest.

On 5 December Peiping ended a lull in publicity concerning the antirightist campaign with the announcement that Wang Han, a middle-level party and government official, had been exposed as a rightist. Wang, a veteran Communist of 25 years' service, is a vice minister in the Ministry of Supervision and an alternate member of the party control commission. Higher level officials than Wang are likely to be involved before the campaign ends. The demotion or expulsion of one or two members of the central committee--several of whom have been unexplainably out of the news--would provide a suitable climax to the campaign.

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NORTH KOREA MAKES NEW PEACE OVERTURES TO SOUTH

Premier Kim II-sung devoted a large part of his central committee report on the Moscow conferences to peace appeals addressed to South Korean audiences and to intimations that he is eager, pending the "peaceful unification" of Korea,

to establish de facto relations with Seoul.

Enlarging on Pyongyang's standard demand that all foreign troops be withdrawn, Kim for the first time explicitly called for the withdrawal from

SECRET

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

Korea of Chinese Communist as well as American forces.

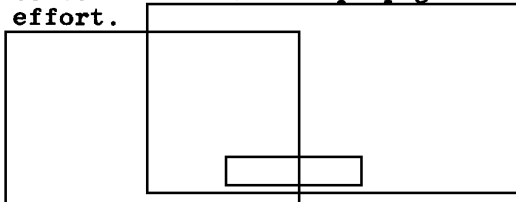
In support of his moderate position, Kim asked, "Why cannot one people, living in the same country, freely travel north and south and exchange goods and even letters?" He proposed unsealing the armistice line to permit North-South trade, and offered to provide the South with electricity and industrial products and to permit fishing off the North Korean coast. He avoided mentioning, however, the recently adopted UN resolution for unification through the holding of free elections supervised by the United Nations, and repeated Pyongyang's line that unification should be solved by the "Korean people themselves."

The North Korean leaders remain adamant against unification based on general elections in which the South, with a population of 21,000,000, would have a marked advantage over the northern regime governing only 8,000,000 people. They are displaying instead a "fraternal" willingness to deal directly with the authorities in the South on a de facto "two Koreas" basis. Their failure to include candidates representing southern constituencies in

the elections last August for the Supreme People's Assembly indicates a realistic decision to drop their previous pretense of speaking for the entire Korean populace.

To intensify the impact of his proposals for North-South contacts, Kim II-sung has coupled them with propaganda exploitation of recent incidents between American troops and Korean civilians. He claimed that American "imperialist rule" has resulted in "unbearable suffering" for the populace and noted that the situation is now "ripe" for a unification drive in the South in the form of a national united front of various classes. The American embassy in Seoul reported last month that Pyongyang's proposals for peaceful unification may have a wider acceptance among various segments of the South Korean populace than previously has been supposed.

Pyongyang apparently is seeking to exploit this soft spot in President Rhee's anti-Communist front by stepping up its agent activity in the South to coincide with its propaganda effort.



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KISHI'S SECOND ASIAN TOUR

The results of Japanese Prime Minister Kishi's second Asian tour, which also included visits to Australia and New Zealand, have been welcomed by Japan's critical press, although apparently no major diplomatic triumphs were achieved. There had been wide speculation he would attempt to capitalize on a successful trip by holding early elections, but Kishi an-

nounced on his return that he did not have any such plan.

The Asian portion of his tour took Kishi to South Vietnam, Laos, Cambodia, Malaya, Singapore, Indonesia, and the Philippines. In addition to being received cordially and without any notable incidents in those countries where post-World War II bitterness toward Japan has been

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

most pronounced, the Japanese prime minister achieved agreement in principle on two major problems of long standing--reparations for Indonesia and Japanese pearl fishing rights off the Australian continental shelf. Only in the Philippines, where Kishi arrived on the anniversary of the Japanese invasion and at a time when Japanese nationals there are involved in trade and travel disputes, did any unpleasantness occur.

Kishi's second tour differed markedly from his first trip last May. At that time, he visited Asian countries with which Japan's relations were relatively friendly and directed himself toward rallying Asian opinion on international issues such as cessation of nuclear tests, Asian cooperation in the United Nations, and support for a regional development fund. On his second trip, Kishi visited the less friendly countries and concentrated, first, on breaking down barriers of animosity and, second, on seeking solutions to bilateral prob-

lems which have been impeding the development of closer economic relations.

The most important result of the trip was the understanding reached with Indonesian Premier Djuanda on reparations. They agreed that Japan would pay \$223,000,000 in direct grants over 12 years, would cancel Indonesia's \$177,000,000 trade debt to Japan, and would extend \$400,000,000 in loans and investments. Final details are to be worked out shortly. The understanding was greeted with mixed feelings in Japan--relief that the problem had been settled but concern about Japanese ability to pay such a large amount. Apparently little progress was made toward a reparations settlement with South Vietnam.

Although Kishi did not emphasize his desire for a regional development fund on this trip, he did discuss it in general terms. Indications are that he may be altering his thinking in favor of bilateral, project-by-project assistance.

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ELECTIONS IN THAILAND

Elections on 15 December to fill 160 seats in Thailand's unicameral legislature are intended primarily to provide the civilian facade behind which Marshal Sarit and his military group will continue to run the country. Regardless of the outcome of the elections, the military is assured of dominance in the next government through its control of the 123 appointed seats in the National Assembly. The political orientation of the civilian elements with which the regime will have to work, however, will have some bearing on the government's policies.

Over 800 candidates representing 19 parties are contestants in the elections. The conservative and pro-Western Democrats have 142 candidates and Sarit's Unionist party 140. The left-wing Socialist Front, dominated by Thep Chotinuchit's Economist party, has 100 candidates.

Most observers expect the Democrats to win the largest number of seats, followed by the Unionists and Economists in that order. The Democrats' greatest asset is their popular leader, former Premier Khuang

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

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Aphaiwong, who is a highly articulate and witty campaigner. The Unionists, who have made a fumbling attempt to adopt a middle-of-the-road policy between the Democrats and the Socialist Front, suffer from disunity and weak leadership, but will profit from the public's knowledge that Sarit backs them. The Socialist Front is strong in the relatively underdeveloped northeast and, according to a recent report, may make gains in southern Thailand.

The campaign has been relatively quiet. Foreign policy, particularly Thailand's membership in SEATO, has been the principal issue. The Democrats have strongly defended SEATO; the Unionists support it, but with less enthusiasm; and the Socialist Front has attacked it, calling for a neutral foreign policy. The elections may thus provide some measure of popular attitudes toward SEATO. They may also give some insight into the degree of influence exercised on public opinion by Bangkok's largely leftist press.

The elections are a direct outgrowth of the Sarit-led 16 September coup d'etat resulting in the ouster of Premier Phibun and Police Director General Phao. Almost immediately after the coup, Sarit asked the King to dissolve the legislature, which had been elected amid charges of fraud last February.

The elections this month are generally expected to be relatively free. Because of his pose as the champion of government reform, Sarit will be in a poor position to undertake illegal actions. Moreover, the military probably feels it can afford to permit clean elections, since it will be able to forge a workable coalition with the elements expected to win at the polls and the 123 appointed members.

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THE CYPRUS SITUATION

Coincident with the opening of the Cyprus debate in the UN General Assembly on 9 December, Greek Cypriots engaged in the worst rioting of their two-year campaign for self-determination. The Greek Cypriot underground organization EOKA has warned of "total war" against the British if the UN debate does not lead to satisfactory resolution, but has also indicated a willingness to postpone violence for five or six weeks as requested by the new governor of Cyprus, Sir Hugh Foot. In

addition, clashes occurred between Greek and Turkish Cypriots which could be forerunners of large-scale communal violence on Cyprus and an eventual break in diplomatic relations between Athens and Ankara.

Greek Cypriot officials are refusing to cooperate with Foot, until Archbishop Makarios is allowed to return to the island and all emergency regulations are rescinded. The return of Makarios, however, would cause a violent reaction in

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

Turkey and among the Turkish Cypriots.

The Greek government, fearing exploitation of the Cyprus issue by the opposition in Athens, must remain firm on the issue in its public statements. Athens insists on an agreement based on self-determination,



FOOT

not specifically prohibiting union of the island with Greece. The Greeks continue to hold to their position that Turkey is not a party to the Cyprus dispute and has no right to veto any solution agreed to between the British and the Cypriots.

In Turkey, public and private statements by Turkish leaders show continued aggressive support for partition as the only solution to the Cyprus problem. Ankara also continues to indicate a desire for an international conference to discuss Cyprus. It is wary, however, of proposals by NATO Secretary General Spaak, whom it considers opposed to partition.

The British government seems principally interested in retaining maneuverability so that Governor Foot will have an opportunity to suggest a formula for solving the issue. Britain professes reluctance to undertake discussions on self-government directly with the Cypriots until Greece and Turkey agree on the island's ultimate disposition.

At the UN, efforts leading to a compromise similar to last year's call for continued negotiations seem likely to succeed. The Greek foreign minister is aware that his resolution supporting self-determination cannot secure the necessary two-thirds vote. Both he and British representatives have indicated willingness to accept a compromise.

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FRENCH SOCIALIST DIFFERENCES THREATEN GAILLARD COALITION

The future of the Gaillard government may hinge on the French Socialists' National Council meeting on 14-15 December, since many Socialists are increasingly resentful over continued participation in a conservative-tinged government. Socialist leader Guy Mollet has been forced to take a strongly doctrinaire approach on approving some of Gaillard's anti-inflationary proposals, and he

will be under strong pressure to drop support of the government's present Algerian policy. The Communists are in a good position to exploit these differences.

The Socialists' decision on 3 November to join the Gaillard government was approved by a vote of only 2,087 to 1,732. Opposition to participation has since increased

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

because of the fear that the Communists were gaining support as a result of labor unrest.

Opposition to Mollet is sparked by Gaston Deferre, head of the powerful Marseille Socialist federation, who is an able and highly respected politician. Mollet has moved to avert the threat to his leadership by taking a line closer to Socialist doctrine. He forced Premier Gaillard to rescind certain scheduled price rises and to hike civil service salaries more than originally proposed.

Mollet is vulnerable, however, to attack on his association with the present Algerian policy, and may hope to avoid open conflict by pushing through a nebulous resolution supporting the basic statute. He may also feel obliged to dissociate his party from the pacification program by working for the resignation of Robert Lacoste as minister for Algeria. Such a move would make it impossible for Gaillard to resolve differ-

ences between the Socialists and proponents of a firm Algerian policy.

There is a growing fear that Socialist-Communist cooperation might develop if Deferre's wing of the party wins control, even though he himself is likely to oppose collaboration with the Communists. The moderate tone of a recent assembly speech by a leading Communist deputy made a favorable impression on many Socialists and on members of the small center groups in the assembly. The Communists have stepped up their efforts to establish a common ground with the Socialists. They hope to exploit this line further by supporting the complaints of French ex-cuses against due process of law in Algeria that Mollet is expected to make at the Socialist party meeting. The Socialists are still far from considering a "popular front," but they may be pushed closer to the Communists if the government applies stringent economic austerity measures.

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LONDON'S MILITARY INTERVENTION IN BRITISH HONDURAS

Reinforcement of the British garrison in Belize, capital of Britain's colony of British Honduras, on 6 December to prevent violence over the ouster of a local government minister will provide Caribbean Communists with material for renewed propaganda attacks on British colonial policy and may adversely affect relations between the United Kingdom and the member states of the West Indies Federation, to be inaugurated in April 1958.

Britain sent 700 infantrymen and a converted frigate to Belize at approximately the

same time that Minister for Natural Resources George Price was removed from the colony's Executive Council. Price's removal was the result of British suspicions that Price had intrigued with the Guatemalan minister in London, Garcia Granados, to end British rule of the colony in favor of association with Guatemala.

On his return from recent economic and constitutional talks in London, Price threatened to turn to Guatemala for aid. The British moves have succeeded in forestalling agitation for now, but Price's position

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

as leader of the dominant People's United party suggests that London may face growing unrest over the long term. Guatemala promptly recalled its minister in London and announced he would not be replaced. Although continuing to claim that Britain holds British Honduras illegally, Guatemala is powerless to interfere except through dissatisfied politicians such as Price.

Direct military intervention puts Britain in a delicate position in the Caribbean area just as final steps are being made to launch the largely self-governing West Indies Federation--comprising all British Caribbean colonies except British Honduras and British Guiana. During the forthcoming elections to the federal legislature, anti-British politicians presumably will use the British action at Belize to claim that London intends to retain ultimate control of the colonies indefinitely, and so are likely to press for more rapid moves toward complete independence within the Commonwealth.



This issue should improve the electoral chances of the few prominent Communists within the federation, such as Ebenezer Joshua in St. Vincent. Similarly, Cheddi Jagan, minister for trade and industry in British Guiana who returned to power in August, nearly four years after the British removed him from office, may be expected to exploit the issue successfully.

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25X1**THE VENEZUELAN PRESIDENTIAL PLEBISCITE**

Rumors of military disaffection and recent antigovernment demonstrations by students have increased public tension in Venezuela on the eve of President Perez Jimenez' election by plebiscite on 15 December by which he plans to win a second five-year term. Chile's

break in diplomatic relations in November has contributed to the unrest. Although the stability of the government may be threatened, the regime is believed capable of handling any violence during the electoral period.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

The authoritarian Perez regime, which is generally friendly toward the United States and favorable in its treatment of foreign capital, postponed decisions on the form and timing of the election as long as practicable. The plebiscite will be a vote for or against Perez and an official slate of congressional deputies. Campaign activity is prohibited.

The government has implemented a number of measures against violence. Rafael Caldera, head of the principal legal opposition party and considered Perez' leading opponent until his arrest last August, will probably be detained until after 15 December. Other opposition leaders and the formerly powerful national guard commander, who reportedly harbored presidential ambitions, have been arrested or gone into exile. Perez' reluctance to risk a free election apparently stems largely from military pressures against such a contest and his inability to command a majority of the popular vote.

Because the armed forces have remained loyal to Perez thus far and their interests are identified with his continuance in power, the largely sup-

pressed opposition appears incapable of threatening the regime. The student demonstrations in late November failed to spark a broad protest movement. Moreover, the Catholic hierarchy, at odds with the government since last May, has indicated it will not intervene directly in politics.



PEREZ

If Perez survives a second term ending in 1963, he will have been in power about 15 years. He will probably not alter his suppressive tactics against the opposition or his control of individual liberties, continuing to equate "democracy" with his public works program and other claimed material benefits.

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CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

PART III

PATTERNS AND PERSPECTIVESMOSCOW CONFERENCE OF WORLD COMMUNIST LEADERS

The primary Soviet objectives at the Moscow conferences of world Communist leaders in November were to reassert the USSR's leadership of the Communist bloc and to reinforce bloc unity. These aims required some formulations in the communiqué and manifesto which evaded rather than resolved difficult issues. Mao Tse-tung's endorsement of the USSR's leading position indicates a marked advance in the reaffirmation of Soviet primacy, but subsequent statements by Gomulka, combined with the failure of Yugoslavia to sign the 12-nation communiqué, point to the continued existence of divergencies in the Communist world.

The Soviet leadership will continue to be faced with the problem that has plagued Soviet policy toward the satellites ever since the summer of 1956: how to restore bloc stability and at the same time retain the vitality which post-Stalin policies were designed to give to the Communist movement.

Preconference Developments

For the past year, the USSR has been striving to restore the stability of Eastern Europe which was seriously shaken by the Hungarian revolution and the emergence of Gomulka in Poland in October 1956. These crises had been stimulated by Moscow's post-Stalinist policy of reducing its direct control of the satellites and making up with Tito. The 20th party congress endorsement of independent paths to socialism and the subsequent rehabilitation of "national Communist" victims throughout Eastern Europe encouraged demands within the satellite par-

ties and populations for greater liberalization.

Soviet efforts in 1957 to re-establish bloc stability were complicated by certain Chinese Communist actions which were interpreted by Gomulka and other Communists in Eastern Europe as supporting their desires for increased independence of Moscow.

By the summer of 1957, however, both Tito and Gomulka, thoroughly disturbed by the threat which the Hungarian revolution had posed to all Communist states, and presumably convinced that the USSR intended to pursue a gradual policy of relaxation in Eastern Europe, appear to have reached agreement with Khrushchev to support a policy designed to restore stability in the bloc and strengthen the individual satellite parties. The two independent Communist leaders apparently consented to stress the areas of agreement within the Communist world and to end public discussions of their differences.

This appearance of Communist solidarity was punctured, however, by Tito's failure to attend the Moscow meetings and to sign the bloc declaration. Furthermore, the ambiguities contained in the declaration can be used by the various satellites to justify continuing differences in internal policies.

Intrabloc Relations

By obtaining bloc-wide acceptance of Moscow's primacy and of the nine basic laws for building socialism, the USSR is trying to regain firmer control over the direction of events within the bloc. It also probably intends to bolster

CONFIDENTIAL

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

this control through more numerous multilateral and bilateral meetings and by a new Communist ideological journal.

Moscow is still, however, paying lip service at least to the principle that each satellite shall have a degree of autonomy in its internal affairs. This is clearly suggested by the statement that "national peculiarities" must be taken into consideration, but not exaggerated. Outright imitation of the USSR, moreover, is specifically ruled out by the declaration. On the important question of determining internal dangers to party unity, the declaration presents "revisionism"--pressures for greater liberalization--as the greater danger at present, as opposed to "dogmatism"--Stalinism--but permits each party to determine for itself which is the greater danger at any particular time.

Bloc Reaction

The failure of the Sino-Soviet bloc communiqué to set forth a less ambiguous line does not solve the basic problems of bloc unity. There are indications that orthodox Communist leaders may be concerned that the declaration will tend to weaken their positions, and they are already endeavoring to minimize this possibility by interpreting it along firm, orthodox lines.

Soviet presidium member Furtseva emphasized at least five times in an address on 26 November that the primary objective of the Communist meetings was to obtain clear acknowledgment of Soviet leadership of the international Communist movement. She declared that such recognition is important "because revisionists in certain foreign Communist parties applied much effort to discredit the successes of the Soviet Union and to undermine the authority of the party."

Top East German leaders,

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	claim that Gomulka capitulated to all Khrushchev's demands and is now back in the "Socialist fold."	25X1
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Gomulka's Position

Gomulka, in his speech to party activists on 28 November on the results of the conference, asserted that his policies had been accepted "in principle" by the other Communist parties. He asserted that these policies will not be altered. Unlike other bloc leaders, he placed strong emphasis on those portions of the declaration which recognize the degree of internal independence already obtained by Poland.

Gomulka's relations with other bloc leaders may have been strained by his apparent insistence on inclusion of certain of his own principles in the document. Mao's failure to support some of Gomulka's more independent formulations in the conference discussions disappointed the Polish leader.

To obtain concurrence "in principle," Gomulka probably felt justified in compromising on matters not directly important to Poland. Gomulka's current policy of curbing the press and his public statements stressing areas of agreement within the bloc conform to the bloc-wide effort to play down differences.

Yugoslavia's Position

The Yugoslavs have officially declared that the bloc communiqué contains numerous points with which they cannot agree. They have stated,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

however, that they will continue efforts to improve relations with the bloc as well as the West, and Tito still professes to believe that the process of liberalization in the Soviet Union will continue. It is evident, however, that the rapid rapprochement between Moscow and Belgrade following the Tito-Khrushchev meeting in Rumania in early August has been checked by the Zhukov ouster and the Moscow declaration. The timing of Yugoslavia's decision to discontinue American military aid to coincide with its criticisms of the bloc's declaration suggests that Belgrade is determined to uphold its appearance of independence of both East and West. The USSR, irritated by Tito's refusal to attend the conference and encouraged by its own scientific and technical advances, does not seem especially interested at present in making any new gestures to woo Belgrade. It may believe Yugoslavia's policy of independence between East and West will eventually become untenable and will be modified to accept closer relations with the bloc on Moscow's terms.

China's Position

At the conference, Mao Tse-tung placed the full weight of his prestige behind Khrushchev and the concept of Soviet leadership of the bloc, probably in an effort to assure solidarity of bloc foreign policy, to strengthen the Sino-Soviet alliance, and to win commitments from Moscow for greater Sino-Soviet collaboration in military and scientific matters.

The Chinese, who regard adherence to the alliance as their "supreme international duty," consider bloc power and

prestige greatly enhanced as a result of recent Soviet military and scientific advances.

In the course of Mao's talks with Russian officials, Peiping for the first time extended its profession of the USSR's national primacy in the bloc to include Soviet party primacy. Peiping had previously stressed equality among parties as a condition for unity.

China's public recognition of Soviet party leadership includes the view that "revisionism" is the bloc's greatest danger. A year ago Peiping was portraying "great-nation (Soviet) chauvinism" as the main problem in intrabloc relations.

The Mao-Khrushchev accord sets the stage for greater military and scientific collaboration between Moscow and Peiping. It is reported that Moscow has agreed to supply the Chinese with missiles and nuclear weapons, and that the Chinese may join the Warsaw pact, presumably as part of the bloc's answer to Western plans to strengthen NATO.

Effects on Asian Parties

Possibly in anticipation of the Chinese endorsement of Soviet primacy, the USSR sanctioned the "validity of the Chinese Communist experience" as a guide for the parties of Asia in a Pravda article published just prior to the 40th anniversary celebrations. The article, written by Indonesian Communist party chief D. N. Aidit, based its argument for the Chinese Communists as a model on a declaration by Lenin that Communists in Asia must

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

12 December 1957

accommodate themselves to conditions not found in Europe.

At the Chinese party congress in September 1956, Mikoyan explained that the USSR is passing through an entirely new stage in the building of Communism, and that its accomplishments would serve at a later stage as a guide for former colonial countries. He stressed the historical importance of the Soviet experience in building socialism but emphasized that the historical conditions applicable to the building of socialism in the USSR are no longer applicable. The Chinese, he said, are making their own innovations more relevant to the present, not only because of the simple passage of time, but because of different beginnings.

International Communist Tactics

Although the peace manifesto of the world Communist leaders cites revolutionary Communist action as a "possibility" in gaining control in those cases in which the "ruling classes resort to violence against the people," it emphasizes peaceful transition to socialism which would "win state power without civil war." It calls for a grand "united front" of all progressive forces throughout the world, including the bourgeoisie and nationalistic elements as well as Communists, to struggle for peace and for the "victory of socialism." This reaffirms the decision of the 20th party congress and indicates that Moscow intends that Communist parties outside the bloc continue their present tactics of trying to form "popular fronts" with other leftist parties.

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ECONOMIC CONDITIONS IN EGYPT

Egypt's economy has been able to make up many of the losses resulting from the Suez crisis, but the past year has seen a general slowing of economic activity, a cutback in the Nasir regime's development program, and increased dependence on the Soviet bloc. Without greater foreign assistance than the recent Soviet line of credit provides, Egypt probably cannot even maintain its people's present low standard of living. While not irrevocably tied to the Communist bloc, Egypt appears to be considerably more dependent on it economically than any other free-world nation.

Agriculture

Agriculture is the key to the Egyptian economic picture, even though only 32 percent of the national income is derived from this source, because of the role of cotton--80 percent of Egypt's total exports--in paying for essential imports. The outlook for marketing the present cotton crops remains doubtful. The crop--1,658,000 US bales--is about 10-percent larger than last year and Cairo is faced with a carry-over from the 1956-57 marketing season 10-percent larger than a year earlier. In view of the size of the present marketable

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

surplus--1,869,000 bales--and the difficulty encountered in marketing last year's crop, together with slow sales thus far in the current sales year, it is apparent Cairo will again depend on the Communist world to take a major portion of its cotton exports.

The regime's hopes that Western buyers will enter the market in force are ill-founded. Western buyers who have been able to obtain their requirements of Egyptian cotton from the Soviet bloc at prices reportedly 20 to 30 percent less than those in the Egyptian market are expected to continue to obtain this cotton principally from the Soviet bloc.

Despite the dominant role of agriculture, Egypt does not grow enough basic food grains to feed its people. During the 1956-57 season, Egyptian wheat imports from the Soviet bloc amounted to about 14,697,480 bushels. This wheat marketing year--July 1957 through June 1958--Egypt had hoped to import all of its wheat requirements, the equivalent of 36,734,700 bushels, from the West but was forced to purchase about 3,744,000 bushels from the bloc when a cotton-wheat exchange with France fell through. Cairo press reports of 10 December state that another purchase of a similar amount is being arranged.

Egypt's long-term agricultural outlook is not good. Population pressure on the land is increasing, so that by 1980, for example, an estimated 43,000,000 Egyptians will be crowded into an area of about 13,500 square miles. Egypt's present population, totals about 24,000,000. The agricultural population, about 68 percent of total inhabitants, remains in abject poverty with less than \$50 income per capita per year.

Given modern technology, Egypt's principal hope of lift-

ing its per capita standard of living lies in industrialization. However, the country is poorly endowed with minerals and other industrial raw materials.

Industry

In recent years Egyptian industry employed only about 370,000 persons, almost 70 percent of them in food, textile, and cotton-ginning plants. Egyptian industry is very inefficient by Western standards. For example, the value of the net output per person in the chemical industry has been only 11 percent as much as in the UK and only 6 percent of the American average. In the case of textiles, Egypt's largest industry, the average Egyptian produces only half as much as his British counterpart and less than a quarter as much as an American worker.

The country's primitive transport system adds greatly to the cost of Egyptian manufactured goods and makes many of them noncompetitive with foreign imports, even in local Egyptian markets. It has been cheaper to import chromium from South Africa for use in local industries than to use Egyptian chromium, largely because of transport costs.

Egyptian management generally is also exceedingly inefficient, even in the highly developed cotton industry. A postwar study found, for example, that cheap, mass-consumption textiles were being made from high-quality Egyptian cotton rather than from the lower quality Indian and American cottons, as is the case in other countries.

The major factor limiting industrialization is the lack of a local market. Even with substantial foreign aid, this would remain a major handicap. The average Egyptian purchases only a few yards of cotton textiles, a few pounds of sugar, and

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

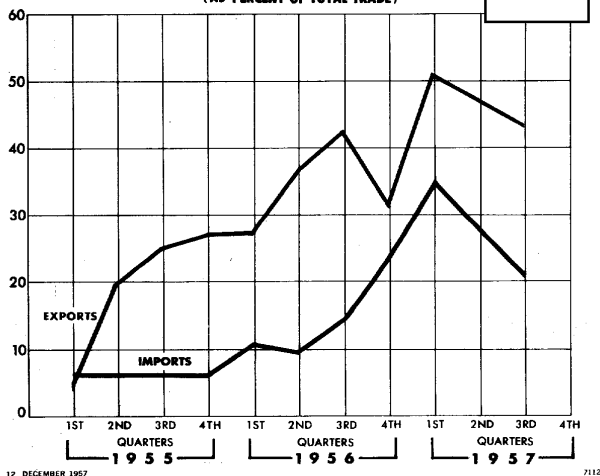
a few gallons of kerosene per year. An increase in industrial production without a corresponding increase in local consumption could cause additional problems in disposing of

1957, the surplus since the arms deal in late 1955 amounted to about \$150,000,000.

While it is not clear how Egypt has disposed of all this credit, some was used to pay for bloc arms and for the salaries of military and civilian technicians, as well as to purchase hard currencies from the bloc at a substantial premium. According to President Nasir, bloc arms are being paid for at a rate of about \$29,000,000 per year. If these payments plus down payments are subtracted from the \$211,000,000 surplus, it would still leave at least \$120,000,000 for other noncommercial payments.

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EGYPT: TRADE WITH SINO-SOVIET BLOC
(AS PERCENT OF TOTAL TRADE)



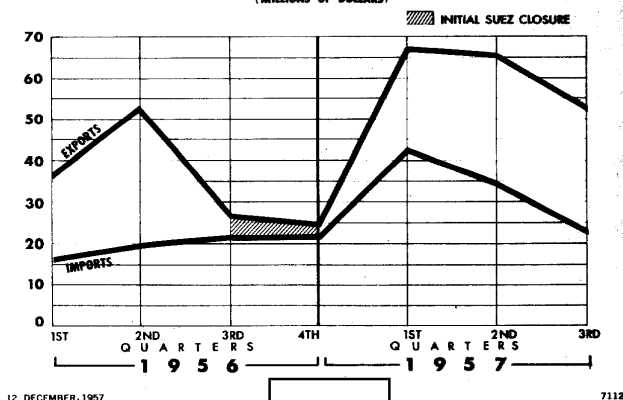
the resultant high-cost products.

Foreign Trade

Since 1956 Egypt's foreign trade pattern has undergone a substantial change. In 1955 trade with the Communist world accounted for only 6 percent of Egypt's imports and 14 percent of its exports. By 1956 this had increased to about 7 percent of total imports and 27 percent of exports. By contrast, during the first eight months of 1957, about half of Egypt's exports went to the bloc. From January 1955 to August 1957, exports to Communist countries exceeded imports from the bloc--excluding arms--by a total of \$211,000,000. By August

While an export surplus has been characteristic of Egypt's bloc trade, over-all Egyptian trade has usually shown a substantial deficit, amounting in 1956 to

EGYPT: TRADE BALANCE WITH SINO-SOVIET BLOC
(MILLIONS OF DOLLARS)



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about \$130,000,000. This situation was reversed, however, for the first eight months of 1957, at the end of which Egypt had an over-all surplus of about

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

\$16,000,000. This shift was brought about in part by a substantial surplus in trade with the bloc and in part by a sharp reduction in imports.

Although the Egyptian press has hailed the achievement of a "favorable" trade balance as an improvement in Egypt's economic position, there has been a substantial reduction in inventories of manufactured goods, including badly needed replacement parts, because the Communist world has been unable to supply all Egypt's requirements. This in turn has been a major factor contributing to the over-all decline of economic activity.

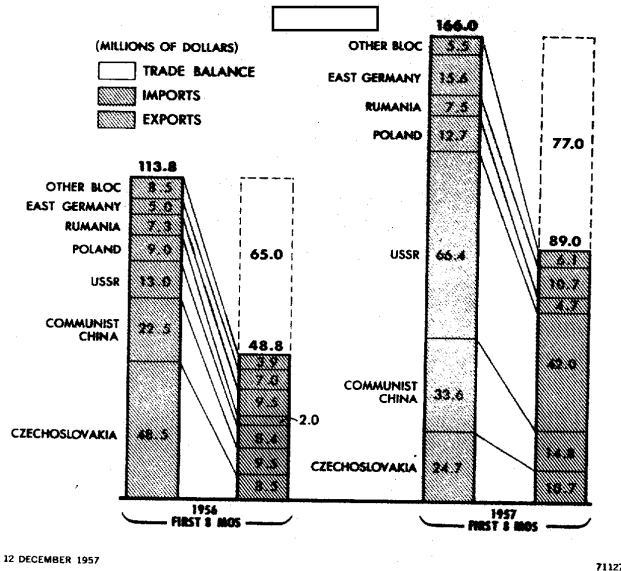
Monetary Survey

The financial sector of Egypt's economy mirrors the general decline in economic activity and a continuation of the gradual deterioration which began in late 1955. In July 1957, gold and foreign exchange holdings were down 18 percent from the level of 1 January 1956, foreign assets down 13 percent, government borrowing from the central bank up 72 percent, and the money supply up 6 percent. The cash holdings of commercial banks were up 20 percent, but this was largely a result of liquidation of inventories of foreign goods which could not be replaced because of the foreign exchange shortage. There was also some seepage of government funds into the private sector as a result of increased government participation in the economy.

During this period, wholesale prices were up 15 percent

and the cost of living increased about 7 percent. Inflationary pressures generated by the government's borrowing and the general decrease in the availability of foreign goods could lead to a sharp increase in prices during coming weeks.

EGYPT: TRADE WITH SINO-SOVIET BLOC BY COUNTRY



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Increased foreign exchange earnings from the Suez Canal probably have provided the government with a welcome measure of relief but are not likely to make a decisive contribution to the economy. Prior to nationalization, the annual return to Egypt from the old Suez Canal Company had risen to approximately \$7,000,000. By setting aside funds for maintenance and expansion on a scale similar to that of the old company but retaining the funds formerly paid to company shareholders and creditors, Egypt could expect an income of about \$37,000,000 next year. Perhaps as much as \$10,000,000 more would be available if the Egyptians scrimped on maintenance

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CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

and expansion and failed to provide a fund to compensate the canal company shareholders.

Economic Development

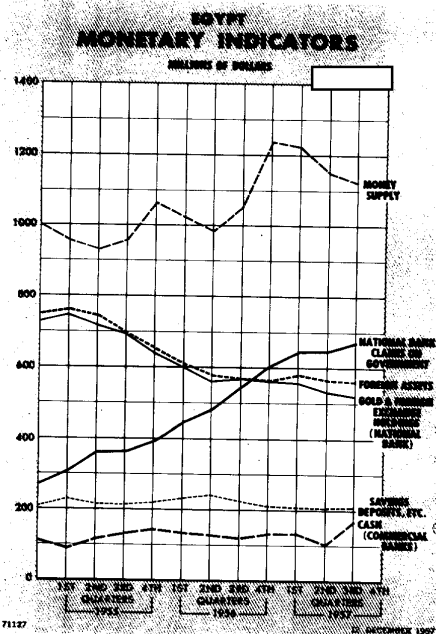
Egypt has recently announced a five-year industrial development program to cost about \$720,000,000, including approximately \$430,500,000 in foreign exchange. Since a program of this size is considerably beyond Egypt's resources, even with foreign exchange earnings from the Suez Canal, extensive foreign assistance will be needed. The recent Soviet credit, reported to be about \$178,000,000, and the recently announced \$56,000,000 Czechoslovakian credit will provide about 53 percent of the foreign

should not add an appreciable burden to Egypt's payments problem. The reported repayment schedule calls for 12 annual installments of about \$14,580,000--plus 2.5-percent interest--starting five years after production resulting from the construction of new industries begins. Thus each annual payment would amount to only about 10 percent of Egypt's exports to the bloc in 1957.

Egypt's economic arrangements with the bloc in the past several months are not in themselves sufficient to commit Egypt to the Communist camp irrevocably. As to the kind of economy the Nasir regime seems to wish to see develop in Egypt, this appears to be a product of vague "socialist" notions and of what the regime feels is hard necessity. It has Egyptianized British and French assets, bought into existing private Egyptian firms, and set up new businesses owned and operated by the government. This development could in time lead to the imposition of centralized planning and control on the heretofore Western-oriented business community, but it depends on the creation of a much larger reservoir of administrative talent than is now available.

At present, the Economic Organization--a government agency--owns outright or holds an interest in more than 40 firms, including about 30 companies formerly owned by British and French nationals. In addition, the government has formed new companies with a total capital in excess of \$14,500,000 and plans to form additional government-owned industries to produce caustic soda, nitrogenous fertilizers, sodium carbonates, sulfuric acid, and aspirin and other pharmaceuticals. Plans to set up an automobile industry also are under study.

Industrial development seems the only hope for expanding



exchange required. Since Egypt's present rate of savings and foreign exchange earnings available for industrial investment fall far short of the remaining \$200,000,000, it seems probable that Cairo will also approach Western financial sources for substantial loans.

The relatively easy repayment terms for the Soviet credit

SECRET

CONFIDENTIAL
~~SECRET~~

CURRENT INTELLIGENCE WEEKLY SUMMARY

12 December 1957

the Egyptian economy. Plans for expanding agriculture, even through such enormous projects as the proposed Aswan High Dam, can do little more than add a maximum of 1,349,000 acres to the present 6,200,000 acres of farmland, barely enough to prevent a decline in the already extremely low standard of living.

Prospects

Whether or not Egypt's economy muddles through the next few months depends almost entirely on relations with the Soviet bloc. Since it appears quite unlikely that the West will, without major policy shifts, increase its imports from Egypt by 50 to 100 percent, Com-

munist purchases will again provide the margin of success or failure for Egypt's trade effort. Although Nasir apparently recognizes his increasing dependence on Moscow and has expressed a desire to hold the Communists' share in Egypt's exports to one third, this may not be possible. If anything, the recent Soviet and Czechoslovak economic deals will tend in time to increase trade with the bloc. Cairo's apparent intention to continue its intrusion into the business community could make the government more susceptible to Soviet-type economic thinking and accelerate this policy. K1
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