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CURRENT INTELLIGENCE WEEKLY SUMMARY



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PART I

OF IMMEDIATE INTEREST

KREMLIN STEPS UP DIPLOMATIC OFFENSIVE

In a new series of notes and diplomatic moves, the Soviet Union has stepped up the pace of its political offensive against the West. It has made a strong bid to disrupt NATO unity with its proposals for a heads-of-government meeting and a "nuclear-free zone" in Europe. Soviet leaders appear increasingly confident that if East-West negotiations are not forthcoming, domestic political pressures and world-wide opinion will eventually force the West European members of NATO to make independent moves toward understandings with the USSR. (For an analysis of Western reactions to the USSR's proposals, see page 1, Part III.)

Premier Bulganin's latest round of letters to the heads of 19 governments, including the 15 NATO powers, seeks to maintain Soviet pressure on the West for a heads-of-government conference. Attached to the letters was a set of "proposals" --sent to all UN members plus Switzerland. The proposals suggest that a summit meeting be held in Geneva during the next two or three months. Moscow apparently intends that the heads of government try to achieve generalized agreements, with a meeting of foreign ministers to follow "for further examination...of corresponding problems and for preparing the necessary agreements."

Several possibilities as to the composition of the conference were outlined. Moscow's first choice would include all NATO and Warsaw Pact powers,

plus such "uncommitted" states as India, Afghanistan, Egypt, Yugoslavia, Sweden, and Austria --at least some of which were urged to help summon the meeting.

However, a "more narrow" conference would be acceptable to the Soviet Union, particularly if it comprised "representative" states from the NATO, Warsaw, and neutralist group-

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either Nehru or Burmese Premier U Nu would be acceptable to the USSR in the event a third party were added to American-Soviet discussions. India is obviously interested and apparently is already exploring the possibility of participating in or bringing about a summit conference.

Communist China was not listed in the notes as a possible participant in a heads-of-government meeting, but Bulganin warned that Peiping has the right to take part in any discussions "directly relating" to Chinese interests. Gromyko's recent charge that it is "ridiculous" to exclude Communist China from disarmament talks suggests that Moscow may try to inject Peiping into any future negotiations on disarmament. Moscow might insist on Chinese participation in such negotiations as a bargaining counter which could later be "sacrificed" as an ostensible concession to the West.

Although a wide range of standard Soviet proposals on ways of reducing international

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tension were suggested as possible agenda topics for a heads-of-government meeting, the Kremlin, in all the notes and attending propaganda, appears to be concentrating on the Rapacki plan for a "nuclear-free zone" in Europe. The letters to Norway and Denmark urge that the zone, which was initially limited to East and West Germany, Poland, and Czechoslovakia, be extended to include Scandinavia and Finland, and that "all types" of guided missiles, as well as nuclear weapons, be prohibited. On 11 January, Foreign Minister Gromyko also suggested to an Italian "peace partisan" delegation visiting Moscow that Italy and apparently Albania be added to the zone.

Ambassador Thompson in Moscow finds little in the current Soviet proposals which Moscow could expect the United States to accept as a basis for a summit discussion--with the possible exception of the Rapacki plan. He looks forward, therefore, to the possibility of some new "concession" on disarmament by Moscow as an additional inducement to such talks.

Ambassador Thompson believes the Kremlin has been encouraged by recent signs of Western disunity over its proposals. Moscow's repeated rejections of Western suggestions for a foreign ministers' conference suggest that the Kremlin feels that Western offers can be rebuffed without damaging the USSR's posture as the leading proponent of reducing East-West tension.

The initial Soviet reaction to President Eisenhower's reply to Bulganin's letter of 10 December--a brief dispatch from the TASS correspondent in Washington--charges that the President "blamed" the USSR for international tensions and implies that the United States Government stands alone in opposing a summit meeting. When

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INDONESIA

Indonesia's dissident leaders are proceeding with plans for the early establishment of a rival Indonesian government, but appear undecided as to when to act. Reports predicting the date of their action vary from the next few days to late February or early March, immediately prior to the return of President Sukarno to Indonesia. A

former foreign minister, Anak Agung, who is in sympathy with the dissidents, has told an American official that the central government's acquisition of Soviet arms, even through Egypt, could be the signal for the declaration of a provisional government and the severance of all ties with Djakarta. Activists among the dissidents, however,

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feel that the government's purchase of Soviet arms would place them on the defensive and that an earlier showdown is desirable.

The Djakarta government is aware of much of this planning and has threatened economic and military reprisals. It has ordered the outer islands to stop barter trade with foreign ports or face the loss of government financial support, and has hinted at the use of force to stop such trade. Prime Minister Djuanda has announced orders are being prepared to discharge several dissident leaders from the army.

The government's economic situation continues to deteriorate as a result of the independent commercial activity of the outer islands and the takeover of Dutch firms, which has resulted in serious economic dislocations and decreased production. Among remedial efforts is the government's decision to push parliamentary consideration of the \$100,000,000 Soviet loan, negotiated 18 months ago, which may begin on 18 January. Under the loan agreement, credit may be used any time within eight years with interest at 2.5 percent and repayment in 12 years, in convertible foreign exchange or Indonesian goods. A cabinet explanation to Parliament, which accompanied the draft bill for acceptance of the loan, stated the Soviet credit would stimu-

late the Indonesian economy and would be in line with Indonesia's independent foreign policy. It stated that the government would take measures to ensure that the presence of Soviet exploratory teams would not "prejudice Indonesia's own interests." The cabinet statement noted, however, that Soviet technicians and skilled workers would be indispensable, especially in the first phases of projects.

The government continues its efforts to replace Dutch shipping. Efforts to acquire ships from Japan have encountered difficulties since Indonesia does not want to pay the charter rates demanded by private Japanese companies. The government is investigating shipping offers from West Germany, Norway, and Denmark and bloc offers from Poland and the Soviet Union.

The Indonesian arms purchasing mission has recently left Yugoslavia, is now in Czechoslovakia, and will proceed shortly to Poland before returning to Belgrade. No agreement was signed in Belgrade, possibly because President Sukarno is following the arms mission to Belgrade and also because Indonesia may hope to get a fairly complete picture of the availability of arms elsewhere before making a final decision.

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ELECTION VIOLENCE LIKELY IN GUATEMALA

The presidential and congressional elections scheduled for 19 January in Guatemala, regardless of the outcome, seem almost certain to be followed

by violence. If, as seems likely, rightist presidential candidate Miguel Ydigoras Fuentes has concluded a deal with elements of the

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Communist-infiltrated Revolutionary party (PR), his election chances would be considerably improved. However, the centrist presidential candidate, 37-year-old Lt. Col. Jose Luis Cruz Salazar, is steadily gaining strength despite his political handicaps, which include his youth, the fact that he is not well known in Guatemala, and a widespread belief that he is the US candidate.

If Cruz wins the election, Ydigoras and the PR are likely to charge fraud and resort to mob violence, as they did three months ago when they forced the ouster of the interim Gonzalez government and the nullification of the 20 October elections. Ydigoras says "civil war" will follow any attempt to steal the election from him, and he has already taken the public position that victory by Cruz would in itself be evidence of fraud. The PR is also prepared for violence, which may have serious anti-American manifestations.

If, on the other hand, Ydigoras wins with PR support, the army may refuse to permit him to take office. Such action would be sure to provoke the street mobs into violent action.

Interim President Flores Avendano speaks confidently of

the army's ability and readiness to guarantee the installation of the elected candidate, who he believes will be Cruz. The army's willingness to use force against the mobs is open to question, however, as a result of its refusal to act decisively in similar circumstances last October.

The probability that an alliance has been concluded between Ydigoras and the PR is supported by numerous reports from a variety of sources that leftist leaders are urging their followers to vote for Ydigoras rather than PR presidential candidate Mario Mendez Montenegro. The PR is believed to have asked in return for four cabinet posts, including the key Ministry of Interior, which controls the police. Ydigoras may have promised these posts to PR leaders.

The reported deal was apparently dictated by the realization that no candidate is likely to win a majority in a three-way race and that the election would then be referred to congress, which has a pro-Cruz majority. The alliance would be consistent with the objectives of Ydigoras, who wants to be president at virtually any cost, and with those of the Communist minority in the PR, which feels it necessary to consolidate its political position before making a bid for full power.

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PART II

NOTES AND COMMENTS

MIDDLE EAST DEVELOPMENTS

Syria

The Syrian political situation again seems to be coming to a crisis. A delegation of ten Syrian officers, headed by Chief of Staff Bizri, has been in Cairo since 12 January, ostensibly to confer with Egyptian Army chief Amir and President Nasir about proposals for Egyptian-Syrian union. The reasons for this action at this time are still obscure. One is probably the fact that influential officers have recently returned to Damascus from training in Moscow and Cairo only to find that promised military assignments are unavailable.

From the standpoint of Chief of Staff Bizri, the situation constitutes an opportunity to mend his reputation with the Nasir regime or, possibly, to force the Egyptians to come out openly against him and the Communists before Cairo is ready. Nasir previously has refused similar requests from Syrian military groups, and may well do so again if the organization or the participants in the plan do not meet his approval.

In any case, the arrival of the mission in Cairo has been followed by what appears to be almost frantic activity by the civilian politicians in Damascus. President Quwatli has been seeing visitors frequently from his sickbed. Foreign Minister Bitar is reported to have been authorized by the cabinet to talk to Nasir, possibly to

counter the arguments of the military delegation.

The central committee of the Communist party of Syria and Lebanon, which met in formal session from 11 to 13 January, announced a resolution in favor of Syrian-Egyptian union. This move, probably taken in an effort to steal some thunder from the radical nationalists who have made the union the main theme of their propaganda, was accompanied by another call for internal unity. The radical nationalists spurned the latter call, however, and accused the Communists of being less than wholehearted in their support of the idea of union.

The effectiveness of the appeals for union is also illustrated by an interview pro-Communist Defense Minister Azm gave the official Egyptian news agency last week. Azm said he is for "unity" rather than "union," and defined "unity" as being a total amalgamation rather than simply two states acting closely together. This gambit is similar to the line taken by the Communists in that it seeks to appear favorable to the union idea while in fact evading the immediate issue.

Azm again came under some indirect fire last week when the head of the Syrian economic working group negotiating in Moscow returned to Damascus and made his report. Whereas Azm had claimed a specific offer of a large amount of aid from

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Czechoslovakia as well as from the USSR, the head of the mission stated that only a vaguely worded general offer had been made by the Czechs. He also said he intends to follow up a similarly worded offer from East Germany.

Iraq

The Iraqi cabinet headed by Prime Minister Mirjan, whose fall had been forecast as possible last week, may now remain in office at least until after the Baghdad Pact meetings scheduled to be held in Ankara at the end of this month. Mirjan, who has made an almost unique effort to build some popularity by visiting areas of Iraq outside Baghdad, has not had control over his cabinet since its formation last month. His position has now been further undermined by the announcement that former Prime Minister Nuri Said will lead the Iraqi delegation to Ankara; Mirjan apparently will not participate.

Jordan

Jordan's security situation appears to be quiet on the eve of the 20 January by-elections to replace members of parliament who fled the country following King Hussayn's semi-coup last spring.

Jordan and Israel continue meanwhile to contend over disputed Israeli activity in the Jerusalem area. The Jordanian Government insists that it is still under serious internal pressure to have the UN Security Council discuss Israeli tree-planting southeast of the city, while the UN secretary general's special emissary on the Mt. Scopus problem is becoming further entangled in diplomatic maneuvers by both sides. While the borders are relatively quiet, the tensions surrounding these situations may still produce serious incidents.

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NEW SINO-SOVIET CREDIT OFFERS TO YEMEN

Two recent credit offers raise to at least \$61,000,000 the Sino-Soviet bloc's bid for control of Yemen, on the Middle East oil tanker route and facing East Africa.

Yemen's limited ability to repay loans presumably is known to the bloc. Yemen's annual exports are estimated at only about \$10,000,000. The

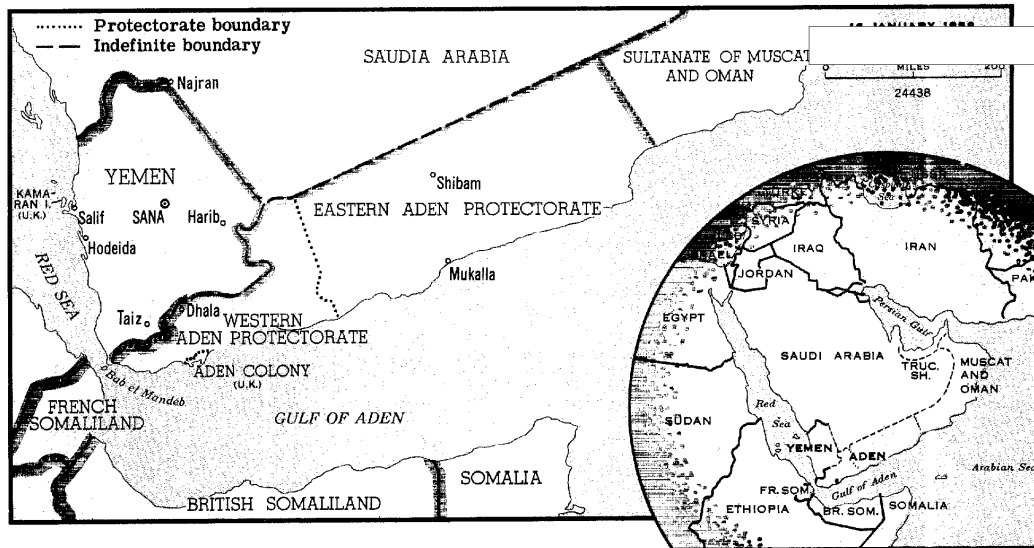
Imam probably is not seriously concerned with these obligations, although he complains regularly about the cost of the 75 bloc technicians in Yemen who must be paid on a monthly basis.

Crown Prince Badr's trip to the bloc was climaxed on 12 January by the first Chinese Communist contribution to the mounting bloc offensive in Yemen.

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Several political and economic agreements were reached in Peiping, including one which calls for China to make available an interest-free credit of about \$16,500,000 for the procurement in China of goods to be used in road construction and the building of several factories to produce sugar, glass, leather goods, cigarettes, and cooking utensils. The Chinese also agreed to supply technical assistance in the form of "experts, technicians, and skilled workers" and to train Yemeni students in Chinese institutes. Following the lead of the USSR in Egypt and Syria, the terms of the credit call for repayment in ten annual installments following completion of each project.

On 13 January, 11 Soviet economic specialists arrived in Yemen with the Soviet ambassador. This group apparently will negotiate with Yemeni officials concerning the use of a Soviet credit of at least \$35,000,000 --as yet uncommitted--for economic

development projects over a five-year period.

Actually, Soviet teams have been engaged in a harbor survey near Hodeida since early 1957. Other projects which may already have been surveyed by the USSR include petroleum storage facilities and seven airfields, and additional projects are undoubtedly under consideration.

Soviet recommendations for projects apparently are aimed at enabling Yemen to realize its long-range plan of freeing itself from dependence on British-controlled Aden. Construction of a modern port and fuel storage facilities would help terminate Yemen's economic dependence on the port of Aden, while reconstruction of Yemen's airfields would permit efficient use of the 35 to 40 piston aircraft Yemen has obtained from the Soviet bloc, posing a military threat to British positions in Aden.

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Yemen has actually obtained little from the bloc other than military equipment.

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TITO REINTRODUces THIRD FORCE CONCEPT

Tito's reappraisal of Belgrade's international position following political and technical developments in the USSR last fall has apparently resulted in the revival of his policy of promoting a closer grouping of uncommitted states. He is stressing the role such states can play in easing international tensions, but he undoubtedly also sees a way of reducing Yugoslavia's isolation from both East and West.

This isolation derives primarily from Yugoslavia's recognition of East Germany, and from its refusal to subscribe to the 12-nation Moscow declaration last November, steps which disturbed its relations with both Washington and Moscow. During November and December, the Yugoslavs were seeking a policy whereby they could reassert their influence in international affairs. At the same time they were declaring that the balance of power between East and West had not been disturbed by Soviet technical gains. Belgrade's current re-emphasis on the usefulness of a more active role for uncommitted states suggests Tito actually considers that the USSR has gained an advantage which must be offset by an effective third force.

Although Belgrade has always been interested in furthering relations with uncommitted states, its efforts toward developing a third force have been sporadic. The Tito-Nehru-Nasir meeting in Yugoslavia in July 1956 was the last major attempt. Subsequent events--developments in Poland and Hungary and the Yugoslav rapprochement last summer with the USSR--diverted Tito's attention from cultivating closer relations with the uncommitted states and promoting an active third force.

In a New Year's statement, Yugoslav Foreign Under Secretary Bebler emphasized the positive role that "countries not included in blocs" can play in solving controversial international issues, and declared that the great powers should study carefully the views proposed by the uncommitted states.

To implement the third force concept in his foreign policy, Tito has proposed summit negotiations including not only the leaders of the world powers, but those of smaller nations as well. He no doubt contemplates a major role for the heads of the unattached states as well as an opportunity to exert personal influence on the

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course of world affairs. He has emphatically agreed with Nehru's recent proposals for cessation of nuclear testing and the resumption of East-West negotiations and has written a letter to the Indian leader giving his views on some current international problems.

Tito is scheduled to meet with Indonesian leader Sukarno on 17 January for two days. He will probably discuss his concept of a third force and may also warn Sukarno against becoming too closely associated with the USSR. Viewing with some concern Soviet penetration into Egypt, the Yugoslavs have privately alerted Nasir to the dangers inherent in overdependence on the USSR.

Tito's desire to see an independent third force and to exercise his influence among the uncommitted nations has undoubtedly been frustrated by Soviet initiatives in the un-

attached states. Although the Yugoslav press has commented favorably on the Asian-African conference in Cairo, it has refrained from comment on the establishment of a permanent council in Cairo with Soviet and Chinese representation on the directorate. The American Embassy in Belgrade observes that the Yugoslavs "can hardly view with equanimity the creation of a 'little Cominform' in Cairo directed at the Asian-African countries," which Belgrade presumably envisions as playing a prominent role in a third force.

Tito's efforts to develop a positive force among the uncommitted states are unlikely to lessen his attempts to maintain active ties with both Moscow and Washington. The chief aim of his foreign policy remains the elimination of "blocs," which he maintains can be realized only through a policy of "peaceful active coexistence."

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ION GHEORGHE MAURER APPOINTED RUMANIAN HEAD OF STATE

The election on 11 January of Foreign Minister Ion Gheorghe Maurer as titular head of state of Rumania suggests that the Bucharest regime is attaching new importance to the hitherto titular office, perhaps with a view to pressing for closer relations with the West. Maurer is the third man to hold the office since the establishment of the Rumanian People's Republic in December 1947, and is the first central committee member elected to the post. Neither of his predecessors was a Communist.

Although Maurer has been a Communist party member since

1927, his appointment as foreign minister in July 1957 marked the end of nine years of comparative political obscurity. A lawyer and economist who served as defense counsel during the prewar trials of such party leaders as Gheorghiu-Dej and Ana Pauker, Maurer was imprisoned in 1941, and again in 1943, for leftist activities. In 1944 he helped Emil Bodnaras--now a vice premier and politburo member--to arrange Gheorghiu-Dej's escape from prison.

Maurer was elected to the central committee of the Rumanian Communist party immediately after the war, and held

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responsible subcabinet posts in the fields of economics and communications during the takeover. In 1947 he was regarded as Gheorghiu-Dej's "right-hand man" and was described by experienced observers as "one of the ablest and most important men in Rumania from a purely



MAURER

domestic point of view." At the unity congress of the Communist and Social Democratic parties in 1948, he was elected to the central committee of the amalgamated Rumanian Workers' party.

In August 1948, Maurer was relieved of his post in the Ministry of Industry and for six years occupied only minor jobs, his name appearing less and less frequently in the regime-controlled press. He

was dropped as a delegate to the National Assembly in 1952. Maurer's first step back to prominence occurred in 1954 with his appointment to the juridical section of the Rumanian Academy. In April 1957 he helped negotiate the "status of forces" agreement between the USSR and Rumania. In July 1957 Maurer became foreign minister, and in late August he conferred with Yugoslav President Tito in Belgrade.

After his return from the United Nations last fall, Maurer told the American minister in Bucharest he was convinced of the importance which greatly increased US-Rumanian political, economic, and cultural relations could have for both countries. He admitted that American public opinion would have to be mollified, however, and agreed to discuss with First Secretary Gheorghiu-Dej the possibility of limited domestic concessions.

Since that time, there has been a marked increase in the number of exit visas granted. The regime has also agreed to sponsor a USIA architectural exhibit, is considering an American request to open a reading room in Bucharest, and has agreed to admit an American political scientist, educator, and engineer into Rumania in return for American permission granted Rumania to send observers to the United States during the last presidential election.

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POLAND'S PARTY PURGE

Gomulka's purge of the Polish Communist party, initiated last October and scheduled for completion in mid-December, is only about one third completed. Progress thus far,

however, suggests that Gomulka's estimate of almost a 50-percent cut in membership from its high of 1,400,000 in late 1954 may be realized. Those removed have been drawn primarily from the

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politically less important groups of apathetic and corrupt elements. Gomulka apparently has not made a strong effort to purge his principal opponents in the liberal and Stalinist factions.

By 8 January, a total of 32,296 apathetic members had been merely "crossed off" party lists, while another 5,234 were "purged" for corruption in a small proportion of the basic party units, according to official figures. These figures suggest that from 350,000 to 450,000 will eventually be affected, leaving a party membership between 800,000 and 900,000--a figure frequently reported as Gomulka's goal.

There has been nearly 100-percent attendance of active members at the "verification" meetings dealing with the purge. However, Trybuna Ludu, the party journal, has complained that the discussions were "drowsy, anemic, and colorless" and that too little attention was being paid to political and ideological attitudes, i.e., factionalism. One writer in Gomulka's own Polityka admitted that "...the campaign we are now carrying on will not bring the expected ideological unity."

Although major emphasis has ostensibly been on uprooting Stalinist "dogmatism" and liberal "revisionism"--the two factional extremes Gomulka is most anxious to eliminate, only a small though important group of revisionist journalists has voluntarily left the party and no specific factional elements have been reported purged. The issues of anti-intellectualism and anticlericalism have instead been fought out at party meetings and have caused the withdrawal or purge of what the party leadership considers too many religious believers. The party has repeatedly disavowed any intention to purge churchgoers, maintaining its position as the only Communist party in the bloc that welcomes religious believers to its ranks.

In the final phases of the "verification" campaign, Gomulka may personally direct the removal of some of his more influential factional opponents. He may rely on making examples of a few to intimidate the others who constitute important elements of the party hierarchy. Since the purge has not proceeded on schedule, it may be necessary to postpone the party congress beyond the April date suggested at the tenth central committee plenum.

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CRACKDOWN ON DISSIDENT WRITERS INDICATED IN BULGARIA

Despite 13 years of orthodox Communist rule in Bulgaria and the object lesson offered by the fate of rebellious Hungarian intellectuals, a group of vocal dissident writers continues to defy Communist control. Although censured at a regime-oriented Writers' Union meeting in early December, the union's leadership finds the group incapable of realizing

the "harmful and nonparty results of their errors."

Since the death of Stalin, the group, whose literary efforts and professional growth have been frustrated by the vacillating demands of the party line, has claimed the right to remain outside party supervision. The party in turn has claimed the right to supervise

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writers to assure that they write in support of the regime. Since Moscow has backed a hard line toward literary deviationists, disciplinary measures against the rebels seem inevitable. Indeed, the firing of certain journalistic figures in early January has been rumored, although this group has not been under as severe fire as the writers.

The demotion of the Stalinist Chervenkov in April 1956, following the denigration of Stalin by Khrushchev in February, provided the dissidents with an issue--"the cult of the personality"--which they could exploit in their campaign for liberalization. The period of criticism of the "cult" produced such

works as Genov's "Fear" and L. Stanev's "Laskov's Family" in which the evils of the Stalinist era were portrayed too effectively for the party's taste. Previous party attacks on these writers were always on an individual basis and seemed to be aimed at their re-education. The Writers' Union came out with a blanket statement on 27 December, however, that all writers must take a clear pro-party stand.

Bulgarian liberal writers appear to have no broad popular support on which to call. Sympathetic Bulgarian students revealed their feelings at the time of the Hungarian revolution and hundreds subsequently were expelled from the universities.

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THE VENEZUELAN SITUATION

The power struggle in progress among the Venezuelan armed forces for control of the government has apparently roused the civilian opposition and may lead to serious violence. President Perez has at least temporarily regained ascendancy among his military supporters, but he may be obliged to make some concessions to the civilians.

Perez seems to have succeeded in reasserting his control over the military, who had taken all the important posts in the cabinet inaugurated on 10 January. By 13 January, Perez was able to take charge of the key Ministry of Defense, replacing General Fernandez, the former armed forces chief of staff who had been in the ministerial post only three days and was allegedly plotting to seize power. Perez also announced the replacement of the new military incumbent in the Ministry of Interior--which controls the po-

lice--with one of his civilian relatives who is believed to be a staunch supporter.

Perez and the military may now be forced to make concessions to the civilian opposition in order to avoid further violence. Large-scale public demonstrations against the dictatorship took place in Caracas on 10, 13, and 14 January. A portion of the press has also openly defied the government, and the Catholic Church has become increasingly hostile to the regime. Former President Betancourt, exiled leader of the outlawed Democratic Action party, which was ejected from power by a military coup in 1948, has announced that the three principal opposition parties have agreed to unite to rid the country of Perez.

The growing civilian threat to military supremacy could help realign a majority of the armed

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forces behind him, but dissident military elements, including the followers of discredited officers like Fernandez, may join with the civilian groups in the struggle for power.

Perez' present influence over the military and his tenure

are uncertain, although he appears determined to retain office with his former authoritarian methods. A top national guard officer has commented to an American Embassy official in Caracas that the power struggle will not end until Perez is ousted.

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NATO RELATIONS WITH OTHER REGIONAL ORGANIZATIONS

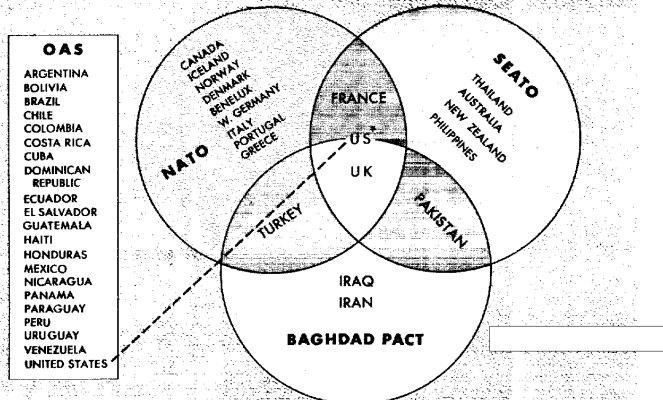
NATO Secretary General Spaak's exploration of some form of liaison with free-world regional organizations in other areas is expected to be favorably received by the Baghdad Pact and SEATO countries and to meet a mixed reaction from the Organization of American States (OAS). It is recognized that interlocking memberships do not provide the closer coordination desired, but there is widespread dislike of any formal linkage that verges on integration.

Spaak was authorized at the December NATO heads-of-government meeting to sound out the three other groups, but he will probably wait until after the Baghdad Pact Council meeting in Ankara on 27-31 January before writing the other secretaries general.

beyond the terms of reference into coordinated military planning and division of command.

The Pakistani foreign minister has suggested that each group might send a representative to the other's headquarters to participate in the daily proceedings. Liaison with NATO in the scientific field

INTERLOCKING MEMBERSHIPS IN REGIONAL ORGANIZATIONS



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* US not signatory of Baghdad Pact but is a member of three of the four permanent working committees and has observer status at council meetings.

The Baghdad council had in June 1957 authorized exploratory contacts with both NATO and SEATO, looking toward eventual delimitation of areas of military responsibility, and NATO officials have already been approached informally. The Turks appear ready to move even

was proposed last November by the Baghdad Pact secretary general.

SEATO council representatives responded to the NATO heads-of-government meeting with unanimous approval of closer

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association between the collective security organizations, and they may have firm proposals to submit at their March meeting. A mid-December memorandum from the Philippine Government suggested rather formal ties, while Australian Foreign Minister Casey, according to the press, favor more coordination but not full integration.

The preliminary reaction from the OAS has been one of cautious reserve, reflecting its long-standing isolationist tradition. Many Latin American

can believe the proposals for closer ties were inspired by Peruvian President Prado's late November speech on cooperation against the Soviet menace. Even such supporters of cooperation with NATO as Brazil, Colombia, and Peru probably would not want initially to go beyond exchanges of information and opinion with NATO. Mexico and Chile, on the other hand, seem to oppose any political or military link, while most Latin American governments appear to be undecided.

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EURATOM AND THE COMMON MARKET

The appointment of the commissioners to direct EURATOM and the European Common Market, both of which came into force on 1 January, has resolved a principal difficulty concerning these institutions. Although the dispute over the location of the headquarters of the European institutions

The president of the EURATOM commission is French transportation and energy expert Louis Armand, who played a leading part in writing the EURATOM treaty. He was one of the "three wise men" who drew up the draft nuclear-power program for EURATOM. West German State Secretary for Foreign Affairs Walter Hallstein heads the Common Market commission, which also has such strongly "pro-European" members as the former Dutch agriculture minister, S. L. Mansholt, the former Belgian economics affairs minister, Jean Rey, and the former secretary general of the OEEC, Robert Marjolin.



may be prolonged, serious organizational delays seem unlikely, and the commissions seem ready to deal with the jurisdictional and other problems immediately confronting them.

National and even partisan interests were carefully balanced in distributing the commission posts. Neither Bonn nor Rome would accept a Socialist as president of the Common Market, and Belgium was reluctant to press Rey's candidacy at the risk of decreasing Brussels' prospects of being the "capital of Europe." To maintain political balance among the six-nation organizations, Paul Finet, a Belgian Socialist, was made president of the already functioning Coal-Steel Community (CSC).

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The dispute over the location of the EURATOM, Common Market, and CSC institutions may not be easily resolved, and lack of adequate facilities may prove a problem. Belgium is bitter because France supported Luxembourg's candidacy with the intention of eliminating Brussels as the top contender. The six governments are committed in principle to a single capital, however, and the community institutions themselves have been given a leading role in selecting it.

The agendas of both commissions will be full in the coming

months. Armand is expected to move rapidly in setting up EURATOM's research operations and in asserting jurisdiction over the supply of fissionable materials-- matters in which he faces possible conflicts with the national atomic energy establishments. He will probably also soon seek negotiations with Britain and the United States on material and technical support for EURATOM. In the Common Market, one of the most urgent problems is to get the Monetary Committee to work on the serious fiscal obstacles to the first tariff reduction, scheduled for next January.

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ITALIAN ELECTIONS MAY BE HELD IN APRIL

The Italian Government is maneuvering to dissolve the Senate a year before its term expires in order to hold national elections in April for both houses of Parliament. Christian Democratic party Secretary General Fanfani sees maximum political advantages in holding spring elections, since he apparently now feels his party's electoral position will be damaged if the weak Zoli government is continued in office. If the Chamber of Deputies remains in session for its full term, elections could be delayed until August.

The Chamber of Deputies is expected to finish work soon on the only major legislation remaining on its agenda, the controversial bill for the regulation of agrarian contracts. If Parliament is dissolved soon, the Senate may not have time to consider the bill, but Fanfani may have decided that the chamber's action would be enough to assure the electorate of the government's good intentions.

A deadlock between the two houses over a bill to reduce the Senate's term from six to five years may be the pretext for dissolving Parliament. The

Senate voted down a similar provision in November, and is expected to reject the chamber's present version. If an impasse occurs, President Gronchi apparently has agreed to use his authority to dissolve both houses of Parliament.

There appears to be general agreement on the need to enlarge the Senate in order to expedite legislation. Fanfani is anxious to shorten the Senate's term of office to conform to that of the chamber. He is willing, however, to sacrifice the pending bill which calls for these changes because early dissolution would benefit the Christian Democratic party. The electoral law for the upper house favors the larger parties, and the Christian Democrats consider their chances particularly good at the moment because the smaller parties are not expected to benefit from electoral alliances as they did in 1953.

Since elections must be held within 70 days of dissolution, the decision on the fate of the Senate will have to be made by the end of February if elections are to be scheduled for April.

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SETBACK FOR SPAIN'S ANTI-INFLATION PROGRAM

The anti-inflation program of Spanish Commerce Minister Ullastres may be seriously set back by the outcome of the annual meeting on 14 December of the Spanish Syndicate Economic Council. In its recommendations for long-range economic policies, the council failed to consider adequately the inflationary pressures which are sharpening public opposition to the Franco regime.

The 800-man council, which brings together representatives of the various segments of the national economy, advised an intensification of economic development to raise living standards. It took note of the inflation problem only to the extent that it recommended restrictions on the rate of growth of consumption, and a maximum increase in exports. Emphasizing modernization of productive methods, the council favored seeking external credits and called for a 5-percent annual increase in the gross national product, of which 24 percent would be invested.

The American Embassy in Madrid considers the assumption of such economic growth "grandiose and unrealistic." The present investment rate of about 19 percent of the gross nation-

al product was achieved only at the expense of a sizable budgetary deficit and has contributed heavily to Spain's inflationary difficulties.

The council ignored Ullastres' appeal to consider the need for attaining short-term price stability and the elimination of inflation. Under pressure from Catalan representatives who claimed Spain was already experiencing deflation, the council rejected a working-group report calling for strong anti-inflationary measures.

The council's failure to emphasize the need to check inflation will weaken the position of Ullastres, who is already encountering cabinet opposition to his program. While the council has only an advisory capacity, its recommendations will strengthen the hand of those cabinet ministers who advocate an unrealistic rate of expansion, which would prevent Spain from meeting the financial requirements for full membership in the OEEC. Meanwhile, the steadily mounting cost of living threatens to wipe out the present modest margin between the price level and the wage level, brought about by the 1956 wage increases. [redacted]

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25X1**EXPANSION OF AFGHAN AIR FORCE**

The Afghan Government is devoting a sizable part of its Soviet military assistance to the development of a modern jet air force. Progress is being made in the Soviet-constructed air training program, and Kabul is expanding its 96-man air force to a figure of several hundred.

About 20 Soviet instructors have been training approximately 150 Afghan students, including both pilots and ground crew, at the main training center at Mazar-i-Sharif. [redacted]

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India has trained about 15 Afghan pilots in piston planes but, because of their frequent accidents, has not given them jet training.

In addition, up to 500 military students are reported being examined in Kabul for air force training. Part of this training will probably be given at a new air school in the Kabul area which is apparently intended eventually to be staffed by Afghan instructors. Part of the training may also take place in the USSR.

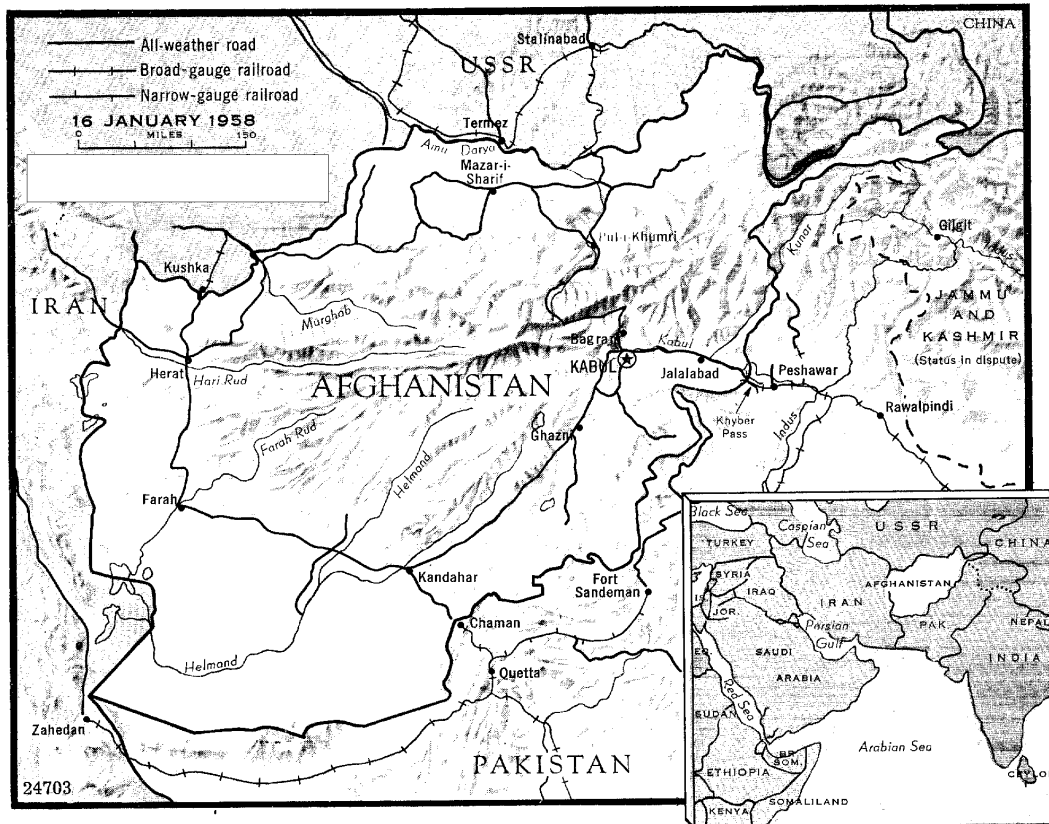
Some of the 40 to 45 jet fighters, mostly MIG-15's, received under the Soviet military assistance program are presumably being used for training. All of these planes are

apparently to be flown and maintained by Afghan pilots and ground crews after completion of training.

The newly trained jet air force will presumably operate from four airfields which are to be improved or constructed in northern and central Afghanistan. The Deh Dadi military airfield at Mazar-i-Sharif is now being used by the Soviet-made jets, although it has not yet been hard-surfaced. When the proposed airfield is built at Bagram, 30 miles north of Kabul, however, it may become the principal base of the Afghan Air Force. Two other airfields are believed to be little beyond the preliminary survey stage at present.

The Afghan Air Force will probably require several years

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to develop a significant combat capability. Even a jet air force of very low combat capability, however, would help satisfy the Afghan Government's aspirations for national progress and serve to maintain the government's authority. The development by Afghanistan of such an air force would probably increase Pakistan's concern.

... Afghanistan will probably continue to depend on Soviet cooperation for the maintenance of its Soviet-made jets. If it wishes to continue developing its air force, it may also have to add to its already overextended credit by securing additional Soviet loans.

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CAMBODIAN POLITICAL SITUATION

The Cambodian political picture has been further confused by Crown Prince Sihanouk, who recently returned from a four-month European vacation. Sihanouk discovered that in his absence the government of Premier Sim Var had become virtually paralyzed by intra-party strife and was deeply involved in a bitter feud with the National Assembly. After a brief attempt at arbitration, Sihanouk dissolved the National Assembly on 8 January and, in accordance with the constitution, the premier automatically resigned. The constitution also provides that new elections must be held within two months of assembly dissolution, but this provision previously has been ignored by Sihanouk. Pending clarification of his intentions, a provisional government has been formed under Penn Nouth, an old-time conservative who is considered Cambodia's top statesman.

Since returning, Sihanouk has also violently attacked the Cambodian Communist party. Sihanouk linked the local Communists with the Viet Minh, and accused them of seeking to overthrow the monarchy and to destroy Cambodia's traditional Buddhist way of life. This denunciation virtually elimi-

nates Communist chances in any new elections.

Although Sihanouk has continued to emphasize Cambodia's adherence to a strictly neutral foreign policy, his recent statements have been increasingly critical of the Communist bloc. This is probably due to his growing awareness of the danger of Communist subversion. He appears particularly concerned over the infiltration of leftist elements into the government's Information Ministry. Communist subversion among the large Overseas Chinese and Vietnamese communities in Cambodia has also become an increasingly serious problem as a result of the contacts with the Sino-Soviet bloc which Sihanouk originally promoted.

A mass demonstration has already been organized in support of his stand, and the present condemnation of Communism by some Cambodian officials is unprecedented. The possibility exists, however, that moderate forces in the government may seize this opportunity to attempt to push popular resentment against the Communists beyond Sihanouk's original intention, and thus antagonize him.

In addition, Sihanouk may feel forced to "trim his sails"

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as a result of bloc pressures. Peiping, for instance, has already expressed concern at the turn of events in Cambodia by quoting a Communist newspaper in Phnom Penh which warned that

"imperialist intervention" in the current tense situation could result in "very bad consequences" for Cambodia's peace, independence, and neutrality.

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DISSENSION IN CHINESE NATIONALIST GOVERNMENT

Continued criticism of the Chinese Nationalist administration by the Control Yuan, the inspectorate branch of the government, may ultimately lessen popular confidence in the Chiang Kai-shek government. A decision by the Control Yuan on 11 January to conduct an investigation into alleged corruption in the handling of imports will also increase pressures for ministerial changes, for higher standards in government, and for modification of certain unpopular policies.

Both the Legislative Yuan and the Control Yuan have become increasingly critical of the administration during the past year. A basic source of discontent is frustration at their lack of influence in determining national policy. The Kuomintang members of the two Yuans--who comprise more than 90 percent of the total combined membership--have demonstrated an increasing reluctance to obey party instructions. Matters came to a head on 23 December when, with a maximum of publicity and against the wishes of top Kuomintang leaders, the Control Yuan took the unprecedented step of indicting Premier Yui on charges of dereliction of duty. Alleged withholding of the records of the Central Bank, of which Yui is the director, has been a major complaint of the Control Yuan. Yui will probably either escape punishment or receive only a mild rebuke, but the adverse press publicity is embarrassing the Chiang regime.

Chiang Kai-shek has assigned his top party leaders the task of smoothing over the rift between the Control Yuan and Yui with the admonition that unspecified "drastic changes" will follow if they fail. Chiang personally requested the Control Yuan's cooperation on 25 December and emphasized the problem of military and popular morale on Taiwan.

The Control Yuan's decision to investigate alleged corruption in the handling of foreign exchange earned on import transactions was prompted by press reports that, although instances of corruption were known to administration officials, action would not be taken because of "important influences." Six officials were suspended on 2 December on a charge of illegal handling of foreign exchange transactions earned on drug imports. The Control Yuan's decision to press this investigation will add to pressures for a shake-up in the personnel and organization of the economic organs of the government. Yui's position at the moment seems relatively secure, for Chiang has assured him he has no cause for concern and allegedly has refused to accept his offer of resignation.

The regime has already been forced to alter two unpopular policies. It has abandoned its stand against pay raises for civil and military officials even though it believes such

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raises will prove inflationary. Also, on 14 January, Premier Yui informed the Legislative Yuan that a private American organization has agreed to sell its shares in a shipbuilding

company which has leased Taiwan's largest shipyard. The Legislative Yuan has been bitterly critical of this contract.

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OKINAWA MAYORAL ELECTION

Increasing discontent with the American administration on Okinawa and its policies is indicated by the election as mayor of Naha of the candidate who campaigned on a promise to "fight against American pressures." He professes not to favor immediate withdrawal of American forces from Okinawa, however, and has moderated his public demands for the early reversion of the Ryukyu Islands to Japan because of the "present international situation."

The new mayor, Saichi Kaneshi, defeated his more conservative Socialist rival, Tatsuo Taira, by a margin of less than a thousand votes among the 70,000 cast. Kaneshi is the second leftist to be elected mayor of Naha in 13 months, and his victory marked the third consecutive gain for leftist forces in city elections.

Both candidates strongly criticized the American administration of the Ryukyu Islands and American land policies. Both also called for reversion of Okinawa to Japan. Under these circumstances, victory went to the candidate who was more vociferous in his criticism.

Kaneshi's campaign was well organized and had dynamic appeal. Although not considered a Communist, he had the support of

ousted pro-Communist Mayor Kamejiro Senaga and extreme Socialists. He had 200,000 campaign posters and leaflets from the General Council of Trade Unions, Japan's largest labor federation.

By contrast, Taira was unable to obtain unified support from the Socialists and conservative groups. The conservatives were reluctant to organize effectively for him because they feared that support for a Socialist candidate in the mayoral election would endanger their own chances in the Ryukyu Islands legislative elections in March. The vote of the Socialist party, for which Taira was the official candidate, also was split.

A no-confidence vote against Kaneshi by the Naha city assembly similar to that which caused Senaga's ouster appears improbable, because leftist members have sufficient votes to block its passage. An initial motion of no-confidence still requires a two-thirds vote of those members present.

In Japan, Socialist exploitation of the reversion issue may stimulate greater criticism of the United States and force Prime Minister Kishi to press a Japanese request for participation in Okinawan affairs.

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FRENCH PREMIER FACES SEVERE TESTS

The next few weeks will be extremely dangerous for Premier Gaillard, who faces increasing opposition on his firm austerity program. The right wing of his coalition may topple him if he presses for complete constitutional and electoral reform. Opponents of the basic statute for Algerian, encouraged by recent deterioration in French-Tunisian relations, are renewing their assaults on his government.

The confidence vote on the issue of scheduling payments to war veterans is only the first test Gaillard faces on his ability to make good commitments to hold 1958 expenditures to the ceiling the National Assembly accepted in December. Despite the personal interest the majority of French families have in this question, Gaillard was determined to postpone discussing it in order to avoid a deluge of similar measures which would tend to negate the austerity program. When the budget is again taken up, probably in February, many deputies can be expected to press their pet pork-barrel issues, regardless of official party programs.

Gaillard has cabinet approval to make constitutional

reforms a question of confidence, but the center and right have already raised sharp objections to his proposal, and his plan to introduce electoral changes at the same time presents an additional complication.

Meanwhile, the outlook for an Algerian settlement has been dimmed somewhat by the rapid deterioration in French-Tunisian relations in the past few days. Even though the strong opposition anticipated in the Council of the Republic has not materialized, rightist elements will capitalize on the Tunisian border incident to demand delay in implementation of the basic statute for Algeria.

The assembly situation may also be exacerbated by Gaillard's practice of resorting too frequently to votes of confidence to force the issue. Although the press was generally sympathetic toward his recent appeal for unity, "if only for a few months," to extricate France from its financial plight, commentators have questioned his ability to exercise his "youthful authority" sufficiently to maintain himself in power much longer. 25X1

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PART III

PATTERNS AND PERSPECTIVES

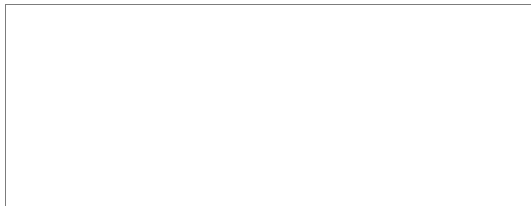
EUROPEAN PRESSURE FOR EAST-WEST TALKS

Pressure for high-level East-West talks continues in Western Europe, and many government leaders are reacting in a manner similar to that which led to the Berlin and Geneva conferences of 1954 and 1955. A disarmament agreement is the prime objective, but interest is increasing in the possibility of a European demilitarized zone. While most advocates of talks assume that the United States, Britain, and France would again represent the West, some support exists for bilateral US-Soviet meetings.

Recent public opinion polls in Western Europe show increasing support for renewed discussions with Moscow. Strong and persistent pressure for talks has developed in the Danish and Norwegian governments, and even more so in the strong opposition Socialist parties in Britain and West Germany. This pressure is encouraged by the absence of any dramatic new Western proposals to break the impasse since the Geneva summit meeting of 1955, by trouble in meeting mounting defense costs, and by widespread uneasiness over the introduction into Europe of nuclear weapons and intermediate range missiles.

Government Sensitivity

Government leaders, even those cool to the idea of talks, increasingly tend to bend to these demands. Prime Minister Macmillan's cautious endorsement of talks by heads of government, the first really positive official statement from London, followed months of generally negative responses to Labor's persistent prodding.



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French Foreign Minister Pineau has publicly supported launching a new appeal to the USSR, and a Foreign Ministry official who does not usually agree with Pineau feels that Gaillard's essentially negative position is too intransigent for French opinion. Firm opposition to talks usually appears only in private, and then from nonpolitical officials

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who deplores public pressures for talks with the Russians when it is clear that Moscow does "not wish to negotiate what we consider key subjects."

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Topics for Talks

Few of the strongest partisans of talks appear optimistic about real progress on any specific issues.

Disarmament is mentioned most frequently as a subject requiring top-level negotiation. In a recent speech in Rome, Pineau complained, "We shall be obliged to adapt our armament continually to new techniques unless we obtain a disarmament agreement." The tendency to support "one last effort" at a disarmament agreement before acceding to the establishment of missile bases is particularly noticeable in Scandinavia, but it is also evident elsewhere.

The desire to break the stalemate over German reunification is a strong factor, and what faint hope remains for progress on this issue is increasingly pegged to plans for neutralization of a wide area of central

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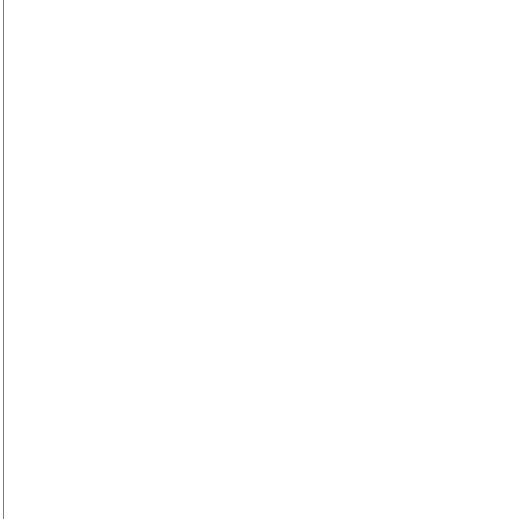
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Europe. The British Laborites and the German Social Democrats support a neutral zone; and the possibility of thus removing Russian troops from central Europe has brought expressions of positive interest from influential independent sources, such as the London Economist. Most recently attention has focused on Polish Foreign Minister Rappacki's proposal for a nuclear-free zone comprising Germany, Poland, and Czechoslovakia.

Several governments which for months had refused to consider either complete demilitarization or special arms limitations for a relatively small area in Europe now deem it necessary to appear more flexible.



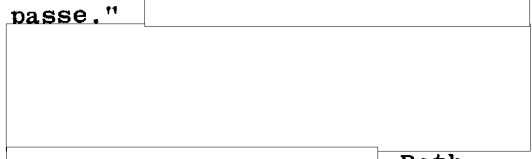
Macmillan's suggestion in his 4 January speech that a non-aggression pact might be the place to start in bridging the East-West gap has not been endorsed by any other government leader, and private comments indicate considerable annoyance because he offered it without consulting Britain's NATO allies. Press comment on this aspect of Macmillan's speech approved it mainly as an effort to gain the initiative from the Russians. A Portuguese official, who noted

that his government suffered from no illusions regarding the efficacy of a nonaggression pact, nevertheless was pleased that Macmillan had "kept the ball rolling."

Participants

It seems generally assumed that the United States, Britain, and France would meet with the Soviet Union as in previous postwar meetings. West Germany, however, with its improving power position, would not relish a summit conference in which it did not participate, and Italy insists on being included in any discussions broader than bilateral US-Soviet talks.

Some support for bilateral talks between the United States and the Soviet Union has developed recently. The Danish and Norwegian prime ministers both favor this approach. A British diplomat whose "personal ideas" sometimes foreshadow his government's position told an American Embassy representative on 6 January he believes such bilateral negotiations offer the best hope of breaking "the cold-war im-



Both France and Germany have always opposed bilateral talks, but influential French commentator Raymond Aron proposed in early January that the United States sound out Soviet intentions; reaction to this may show the full extent to which French opinion now favors renewed East-West talks.

European opinion which favors talks evidently holds that the higher the level the better. In line with the NATO communiqué's mention of the foreign-minister level, most

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government leaders--Macmillan a notable exception--still avoid the mention of the "summit," and all stress the need for adequate preparation. On the other hand Aneurin Bevan, among the

most ardent advocates of talks, in early January called for setting a date for a meeting of heads of governments as a means of "disciplining" the preparations. [redacted] 25X1

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THE EFFECTS OF ZHUKOV'S DOWNFALL ON THE SOVIET ARMY

Following the removal of Defense Minister Zhukov last October, the Soviet regime moved rapidly to prevent any adverse effects in the armed forces. Political indoctrination was intensified, discipline in the ranks was apparently tightened, and some senior commanders were shifted. The latest important personnel change to come to light was on 10 January when Colonel General F. I. Golikov, former commander of the Armored Forces Academy, was identified as chief of the Main Political Administration of the Armed Forces in place of Colonel General A. S. Zheltov. Although Zhukov's downfall touched off some unrest in the ranks, no incidents of open mutiny and no purge of the military establishment have been reported.

Political Training Intensified

Political indoctrination in the armed forces was intensified immediately after the announcement on 2 November of Zhukov's removal from his seat on the party presidium. Teams of political officers and high-ranking party dignitaries explained the central committee's decision at meetings in all commands, and some political officers were given intensive retraining designed to improve their "ideological leadership

capabilities." Since early November, the Soviet military press has echoed the party line against Zhukov and has charged "other commanding officers" with shortcomings similar to those of which he was accused.

As recently as 7 January, the army paper Red Star attacked "armchair generals" of the Transcaucasus Military District for their failure to follow up the decisions of the October central committee plenum which ousted Zhukov. The Defense Ministry has also announced recently that all officers would henceforth be required to attend a minimum of 50 hours of political lectures each year.

[redacted] political officers will again be assigned at the company level and will be retained in battalions and regiments. Political officers have not been assigned to company units since 1954 or 1955.

Shifts of Senior Officers

The status of senior officers who were regarded as supporters of Zhukov may have come under review by the Defense Ministry in late October. [redacted]

[redacted] some 20 officers were

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censured at that time, and it was later rumored that certain officers might be charged with "Zhukovism" in a forthcoming revised history of World War II.

There have been reports of some shifts of general officers, suggesting that a few Zhukov associates have been removed and that those who support Malinovsky and Khrushchev have reaped their rewards. On 4 November, Lieutenant General D. T. Matveyev was publicly identified as chief of the political department of the army general staff; it is possible that he is new in the position. The department chief had not previously been identified publicly for several years and Moscow sometimes uses this device to show changes in less frequently mentioned posts.

While the 23 October transfer of Marshal Konstantin Rokossovsky from Moscow to command the Transcaucasian Military District was probably intended primarily as a threat to Turkey during the Syrian crisis, it had the added advantage of removing a possible supporter of Zhukov to the hinterlands. His restoration to duty as deputy defense minister on 2 January indicates that his career did not suffer despite past association with Zhukov, and that the recent criticism of certain generals in the Transcaucasus was probably not applicable to him.

The latest shift, Golikov's replacement of Zheltov as head of the main political administration, may not be a direct consequence of the Zhukov ouster. Zheltov was on the right side in the Zhukov affair

[redacted] 25X1
[redacted] In the post-Zhukov period, however, there has been special stress on political training and there are good indications that this training is still considered inadequate. Thus, Zheltov's inability to cope with the new importance of his job may account for his removal. Zheltov had held the political administration job since 1953; no new position for him has been announced.

Golikov is considered a specialist in mechanized warfare, but has also held staff, field, and diplomatic posts. He has no discernible connections with any members of the top leadership. Although Golikov's background does not give him special qualifications for his new job, his past experience with cadres and training may have played a part in his selection.

The wholesale replacement of officers in the Group of Soviet Forces in Germany (GSFG) rumored in mid-November has not materialized. The appointment of Marshal Andrey Grechko, a long-time Khrushchev protégé, as deputy minister of defense, and his replacement as commander in Germany by Army General M. B. Zakharov, the former commander in Leningrad, is a promotion for both.

No other major shifts in the GSFG have taken place, but

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dissatisfaction and rumors of transfers persist among junior-grade officers

[Redacted]

Unrest In The Ranks

The dismissal of Zhukov evidently lowered morale and touched off barracks-room grousing among the enlisted ranks.

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troops in East Germany have been confined to base under tightened discipline tend to support rumors of fairly widespread dissatisfaction in the GSFG. Recent reports of anti-

Communist rioting by troops at Falkenberg have not been confirmed, however.

While the removal of Zhukov was unpopular in the army, the regime's precautionary measures appear to have been sufficient to prevent any major repercussions. The navy organ Soviet Fleet admitted on 10 December that the anti-Zhukov move had not solved the problem of strengthening discipline in the service, but its call to political officers to exercise greater ideological pressure to this end indicates that more serious measures have been unnecessary. The recently announced intention to demobilize 300,000 men could screen out adherents of Zhukov among the junior officers during the course of demobilization.

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EUROPEAN SATELLITE CONTRIBUTIONS TO SOVIET BLOC AIR CAPABILITIES

Soviet policy appears to be aimed at developing a high degree of coordination between the satellite and Soviet air forces and integrating elements of their air defense systems into the Soviet system.

The combined satellite air strength now is over 3,300 aircraft of all types, including 2,100 jet fighters and 155 jet

light bombers. Personnel strength is estimated at about 100,000 men.

The great number of airfields developed in Eastern Europe during the last ten years provides the USSR with a formidable air base structure well suited for defense of the western approaches of the USSR. These airfields bring most of

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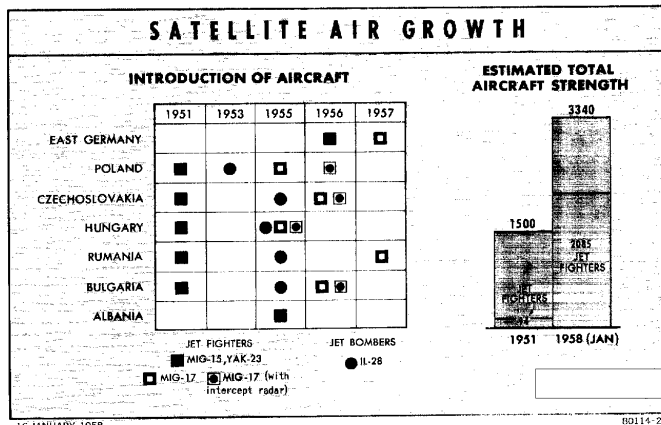
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Western Europe, including the United Kingdom, within striking range of Soviet jet light and medium bombers.

Defensive Capabilities

Air defense and air support of ground forces are the primary missions of the satellite air forces. Ground attack units equipped with BEAST (IL-10) piston aircraft are being converted to jet fighters, following the Soviet pattern of com-

latter are the "MIG-17-D" equipped with air-borne aids to intercept, and considered to have a limited all-weather capability. No satellite force is known to have received the FARMER (MIG-19), a supersonic day fighter, or the FLASHLIGHT (YAK-25), a Soviet all-weather fighter. Only four Soviet units based in Eastern Europe are known to have the FLASHLIGHT (YAK-25). When Soviet re-equipment is well under way, the satellites will probably receive some of these higher performance aircraft.



The capabilities of Polish and Czechoslovakian fighter units are probably close to the proficiency of Soviet units. Rumanian, Bulgarian, and Albanian capabilities are limited.

Offensive Capabilities

The USSR provided Poland with jet light bombers in 1953. Two years later, Czechoslovakia, Hungary, Rumania, and Bulgaria began receiving a few of the BEAGLES (IL-28's) which were introduced into Soviet units in 1950 and remain the operational jet light bomber of the USSR today.

pletely re-equipping its units with jets and reducing the number of ground attack units. Jet fighters assigned to the air defense mission are believed to have a ground support role as well.

The approximately 2,100 jet fighters in operational units of the satellites are FAGOT (MIG-15) and FRESCO (MIG-17) types. Some of the

Rumania, and Bulgaria began receiving a few of the BEAGLES (IL-28's) which were introduced into Soviet units in 1950 and remain the operational jet light bomber of the USSR today.

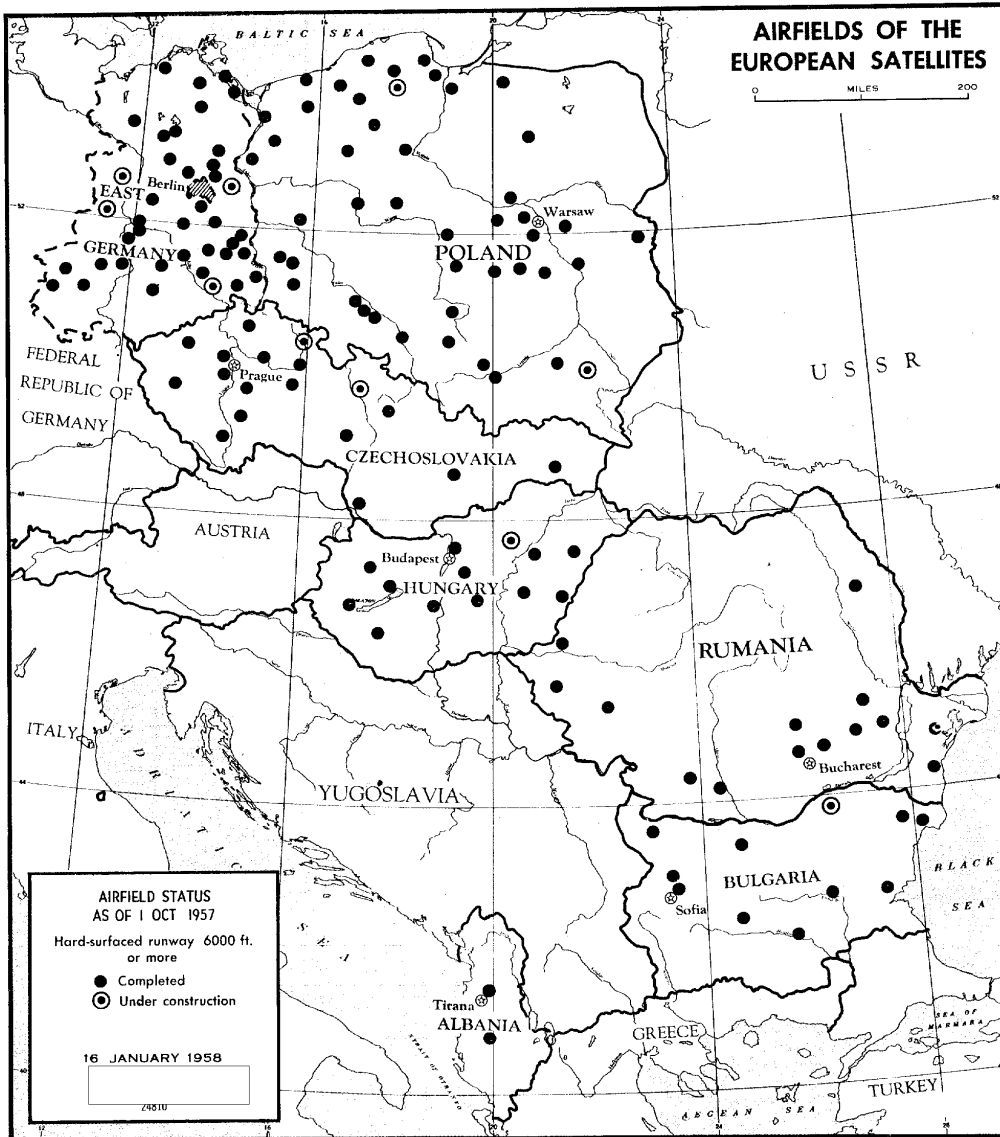
The three Polish jet light bomber regiments of approximately 80 aircraft are probably approaching a proficiency comparable to Soviet units.

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Airfields

Major airfields with long hard-surfaced runways and modern support installations now total 134 in Eastern Europe. Ten others are under construction.

Approximately two thirds of the major airfields are of jet

fighter standard; the remainder are bomber bases with runways at least 8,000 feet long and adequate for jet light and possibly medium bomber operations.

Exceptionally large airfields have been constructed in East Germany at Gross Dolln and in Poland at Powidz. The concrete runways measure

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approximately 11,500 feet. Both airfields are believed capable of handling the heaviest types of aircraft. The construction of similar airfields is also in progress in Czechoslovakia and Hungary. These four large

airfields have been reported as part of a plan under the terms of the Warsaw Pact to construct a "very large" airfield in each European satellite.

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THE SITUATION IN CEYLON

Prime Minister Bandaranaike of Ceylon is facing increasingly difficult political and economic problems, which have been aggravated by recent floods and crippling strikes. His ability to overcome these problems is doubtful, but he probably has more popular support than any other prospective leader or group commands at this time.

Prime Minister's Views

Prime Minister Bandaranaike came into office in April 1956 with a nationalist-socialist reform program envisaging domination of the public sector of the economy over the private but stressing the necessity of harmony between "collective freedoms" and "individual freedoms." He founded the Sri Lanka Freedom party, which holds 41 of the 101 seats in the lower house of Parliament, to provide a middle ground between the discredited United National party and Ceylon's far-left Communist and Trotskyite parties.

In the nearly two years he has been in power, Bandaranaike, like Indian Prime Minister Nehru, has learned he cannot move as rapidly as he would like toward socialist goals without disrupting the national economy and the local political structure. In practice, therefore, Bandaranaike has moved rela-

tively slowly and has tolerated a mixed economy much as did the predecessor United National party government which he defeated in 1956.

Domestic Policy

Bandaranaike has initiated few major socialistic moves, the most important, the nationaliza-



tion of bus lines--which took effect on 1 January 1958. The Paddy Lands Bill passed by Parliament on 19 December 1957 increases government control over agriculture. Talk of nationalizing life insurance and shipping lines has not yet produced action. On 11 November 1957, the Ceylonese cabinet rejected a proposal for nationalization of tea estates.

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Other dramatic moves made by Bandaranaike, such as taking over British naval and air bases in the fall of 1957 and establishing in November 1957 a committee to study the advisability of Ceylon's changing its dominion status to become a republic, were nationalistic rather than socialistic.

The previous United National party governments headed by Prime Ministers Senanayake and Kotelawala, which some observers consider to have been more "conservative" in their socialism, established an island-wide network of cooperative agricultural organizations, began a number of government-controlled development projects, instituted regulations placing private business and foreign trade primarily in the hands of Ceylonese nationals, and placed all trade with Sino-Soviet bloc countries under government control. The Kotelawala government in 1952 also signed the first five-year rice-rubber agreement with Communist China. In continuing many of these schemes, Bandaranaike has built on a foundation laid by his predecessors.

Foreign Policy

Bandaranaike's major departure from the practices of earlier governments has been in the field of foreign policy. Kotelawala particularly, though willing to recognize and trade with Sino-Soviet bloc countries, had strongly discouraged establishment of bloc diplomatic missions in Ceylon, had prevented most cultural, educational, and propaganda contacts, and had forcefully declared his anti-Communism. He refused, however, to join Western-supported regional pacts.

Bandaranaike, on the other hand, feels that Ceylon, in developing its domestic and international policies, should avoid adherence to power blocs but should draw on the best features

of both the free world and the Communist bloc. The prime minister has therefore permitted the opening of bloc diplomatic missions in Ceylon, and has allowed a relatively free exchange of Ceylonese and bloc economic and cultural groups. This has led not only to an increase of bloc personnel, propaganda materials, and cultural activity in Ceylon but also to offers of economic and technical assistance which are being favorably considered by the Ceylonese.

In advocating this policy, Bandaranaike, like others, is probably searching for recognition and equality with bigger Western and Asian powers which also exchange ambassadors and trade with the USSR and Communist China. There is no sign that he is being "pushed" into these relations by leftist pressure. Bandaranaike has also expanded Ceylon's relations with non-Communist nations and has shown no desire to loosen ties with any nation but Britain. His weakness on this score lies not so much in his attitudes as in his questionable ability to cope with the dangers of increasing Communist influence in Ceylon.

Bandaranaike's neutral foreign policy and his reliance for parliamentary support on five members of the Trotskyite Viplavikara Lanka Sama Samaja party--two of whom are in his cabinet--constitute the primary basis for reports of Ceylon's "drift to the left." Bandaranaike is aware of at least some of the dangers involved, however.

Present Position of Government

Bandaranaike has been under fire from religious and linguistic groups virtually ever since he took office. Both the far right and the far left have attacked him on political, economic, and social matters. To date, he has met and at least

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temporarily relieved each critical situation, although the nature of his compromises has been interpreted by some as weakness. He pacified Ceylon's Tamil-speaking population of Indian racial origin, whose agitation last August for linguistic representation threatened widespread bloodshed. In October he prevented another outbreak of violence when Sinhalese-speaking groups demonstrated against his agreement with the Tamils.

On 19 September 1957, the Ceylonese Government signed a new rice-rubber agreement with Communist China, which, despite its much less favorable terms, created no disappointment in Ceylon. In December, the government's firm but sympathetic action temporarily lessened--through by no means ended--serious labor grievances which had been pointed up by numerous crippling strikes. Bandaranaike has also apparently successfully walked a tightrope between landowners and business elements on the one hand and leftists on the other in his treatment of socialistic and nationalistic issues. There has been no major outcry from the people of Ceylon regarding the rate of socialistic progress.

Bandaranaike's government coalition, as well as his own political party, has shown a high degree of cohesion during the past two years, with virtually no defections and some actual gains in strength. In view of the diverse elements in the coalition and the probable weakness of its political organization, this cohesion is noteworthy. No parliamentary opposition group or combination of groups even remotely capable of voting out the Bandaranaike coalition yet exists, and none seems to be developing rapidly.

Political Opposition

Bandaranaike faces several threats, however, which could

eventually lead to his downfall. The first of these is within his own government. Philip Gunawardena, food and agriculture minister and leader of the nationalist-Communist Viplavikara Lanka Sama Samaja party, is apparently seeking to seize control of the government. Without attempting to build widespread popular support, Gunawardena is quietly placing his men in key posts in the government and in ancillary organizations where they can influence considerable numbers of people. Parliamentary bills introduced by him also seek to enlarge his personal influence. Gunawardena, as a Trotskyite, does not owe allegiance to Moscow.

The threat from Gunawardena is now publicly recognized, however, and several cabinet and parliamentary actions to curb his rise to power have already been taken. Gunawardena is now opposed by the press, by a considerable portion of the Buddhist religious hierarchy, by land and plantation owners who resent his efforts to socialize agriculture, and by many members of Parliament. He continues his drive, nevertheless, and will be dangerous as long as he is in the government.

A second threat facing Bandaranaike comes from N. M. Perera, head of the nationalist-Communist Nava Lanka Sama Samaja party and leader of the opposition in Parliament. Fifteen members of Perera's party, which also owes no allegiance to Moscow, are in Parliament. Perera, with a larger popular following than Gunawardena, poses more of a political threat. He also controls numerous unions of urban laborers, many of which were responsible for the strikes of last November and December.

Perera, like Gunawardena, has no ability at present to cause Bandaranaike to fall in Parliament. He does have the ability to disrupt the Ceylonese economy almost completely through control of port,

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transportation, and municipal unions in Colombo. Should he try to do so, however, he would probably lose much support throughout the island from villagers whose income and food supply would be adversely affected by any large-scale strikes.

The Moscow-dominated Communist party of Ceylon, under Pieter Keuneman, numbers only 6,000, and now seems incapable of making a major bid for power either through its three members in Parliament or through force. Similarly, the United National party of Sir John Kotelawala and Dudley Senanayake has shown no sign during the past two years of serious organizational or political activity and, through its six members in Parliament, is incapable of rallying sufficient conservative-socialist or rightist support for parliamentary action.

The inability of any single opposition party or foreseeable coalition of opposition parties to shake Bandaranaike's hold over Parliament as long as his own party and its immediate dependents remain united might raise in some quarters thoughts of achieving power through force. There is as yet, however, no known group in Ceylon which seems capable of conducting a successful coup or of retaining control of the government for any length of time should it come to power through force.

Economic Stagnation

Probably the most serious threat to Bandaranaike is the deterioration in economic conditions which Ceylon has experienced in the last two years. During most of the postwar period, world prices for Ceylon's major exports--tea, rubber, and coconuts--were good. This factor, plus unusually good crop years in 1953 and 1954 and the first rice-rubber

deal with Communist China, enabled the United National party government to strengthen Ceylon's financial and economic position at the same time that it was extending social services.

Since Bandaranaike came into power, however, world prices for Ceylon's exports have declined and crops have been only average. The United National party, which had set up several government economic projects, never instituted an island-wide economic plan. Although the present government wants to institute economic planning, its inexperience has to date forced it to concentrate on learning the routine tasks of government. Since Ceylon's population is growing at the high rate of 2.5 percent a year, the dangers involved in allowing the economy to become stagnant are considerable.

This basically unfavorable situation has been aggravated since last November by a combination of floods and strikes, which have placed the country in an extremely difficult economic position. Some 75 ships are reportedly tied up in Colombo harbor, while the island has little more than a week's supply of rice on hand. The emergency aid Ceylon is receiving from other countries is of only temporary assistance. Over a longer period, Ceylon will need considerable outside aid to stimulate economic progress. A Soviet economic mission is in Colombo exploring means of helping Ceylon. If large-scale aid from either the West or the bloc is not forthcoming, rising unemployment, commodity shortages, high prices, and political maneuvering may create widespread unrest throughout the island.

The far-left parties presumably would point to further economic deterioration as a major reason for getting rid of Bandaranaike, who was elected on his promises to raise living

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standards rapidly. As a result, dissatisfaction might become so great that Bandaranaike would be under strong pressure to make dramatic moves--such as nationalizing plantations --to prove that he was "doing things" to improve the lot of the people. If he were to adopt an all-out socialist policy, it would probably lead to further economic deterioration.

If, on the other hand, Bandaranaike were to resist these pressures, the people might conclude that moderate socialism could not solve their problems and might turn to the far left. In this event, the most likely beneficiaries would be the independent, nationalist, Trotskyite parties rather than the Moscow-controlled Communist party.

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