

~~CONFIDENTIAL~~

~~SECRET~~

COPY NO. 14

OCI NO. 0037/58

20 March 1958

# CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 2  
NO CHANGE IN CLASS.   
 DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 1989  
AUTH: HR 70-2  
DATE: 20 Aug 79 REVIEWER:  25X1

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~CONFIDENTIAL~~

~~SECRET~~

25X1

25X1

State Department review completed

17-228513/1

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECTIONS 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

The Current Intelligence Weekly Summary has been prepared primarily for the internal use of the Central Intelligence Agency. It does not represent a complete coverage of all current situations. Comments and conclusions represent the immediate appraisal of the Office of Current Intelligence.

**Page Denied**

25X6

25X1

25X6

Next 7 Page(s) In Document Denied

25X1

25X1

~~SECRET~~  
**CONFIDENTIAL**

**CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

**PART I**

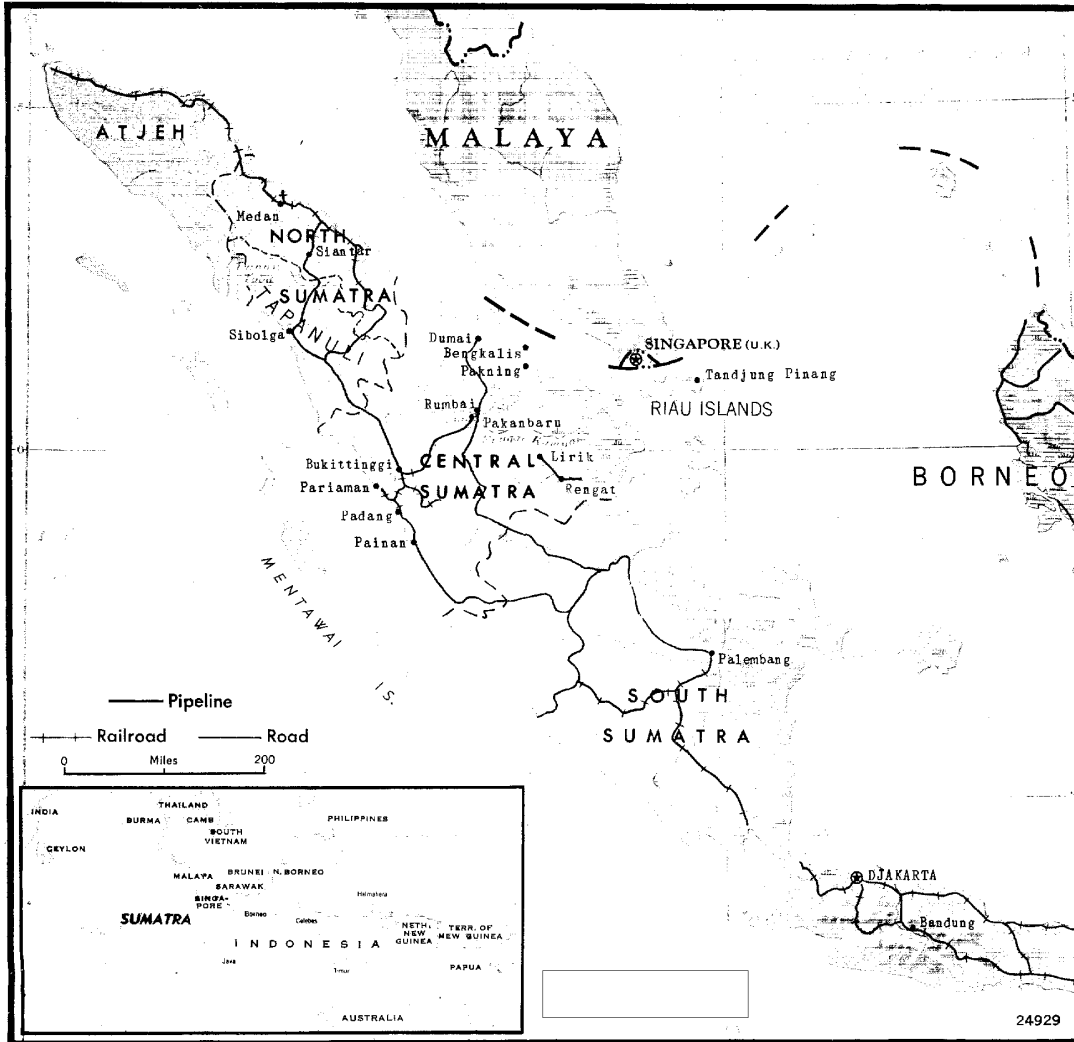
**OF IMMEDIATE INTEREST**

**INDONESIA**

Central government troops are established in and around the Caltex oil center of Pak-anbaru, but apparently are still engaged in clearing operations in Stanvac areas to the south near Rengat. The government has opened the Pak-anbaru airfield to company planes of both Caltex and Stanvac, but

the Stanvac airfield near Rengat is damaged. The Siak River is clear, and the military has informed Caltex that full-scale operations, including the use of tankers, may be resumed.

Army battalions, using an overland route from Dumai, are now arriving in Pakanbaru



25X1

**CONFIDENTIAL**  
~~SECRET~~

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****20 March 1958**

to replace air force paratroopers who captured the town. These forces are probably part of a build-up for an overland advance on the dissident strongholds of Padang and Bukittinggi which may already be under way. Six Javanese battalions are also said to be available in Java for an attack on Padang and have been alerted for an air move to Central Sumatra.

Two dissident battalions from Tapanuli are attempting to rendezvous with the troops of Major Nainggolan, which number approximately three companies and seized Medan on 16 March but withdrew southward the following day. Nainggolan's forces are already being harassed from the air and, according to several reports, some of his vehicles have been de-

stroyed. Colonel Simbolon, the over-all dissident military commander in Padang, is reportedly taking one company into Tapanuli and then will personally join the Nainggolan forces. A showdown fight between these two forces for control of North Sumatra may develop around Siantar.

Some of the ten merchant ships ordered from the USSR have arrived in Djakarta. Apparently, the ships cannot be placed immediately into service since arrangements are being made for their alteration in the Surabaya dockyard for service in Indonesian waters. The ships were purchased under the terms of the \$100,000,000 Soviet loan agreement which was ratified by Indonesia in early February.

25X1

**MIDDLE EAST DEVELOPMENTS**Nasir-Saud Relations

UAR President Nasir returned to Cairo on 17 March from his three-week visit to Damascus. A high-level Egyptian emissary has gone to Yemen with Crown Prince Badr in order to explain Nasir's stand on Saud to the Imam. This step appears to indicate an unyielding attitude on Nasir's part.

The Cairo press is spreading reports of disagreement and dispute among Saud's councilors, especially the ex-Palestinians Jamal Hussein and Yusuf Yassin. It has pointed to the official Saudi seizure of the records of the Arab Bank in Riyadh as an attempt to destroy the evidence of the Saudi conspiracy against Nasir.

25X6

Saud is seeking to counter this Egyptian propaganda while taking maximum security precautions. Mecca radio is broadcasting detailed statements of his activities and whereabouts, especially public appearances.

25X6

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

25X6

there are no signs that the King is losing control over the sources of power in the army and security forces. Saud, in addition to moving what appear to be younger, pro-American officers into key army staff positions and increasing the authority of his son, Prince Fahad, the defense minister, has asked the United States military mission and the Iraqis to undertake the training tasks abandoned by the Egyptians last week.

Yemen

The alignment of Yemen with the United Arab Republic (UAR) in a new organization called the United Arab State (UAS) probably marks the opening of a new phase rather than the closing of the clandestine struggle between Saud and the Egyptians for control of Yemeni policy.

UAR Developments

Nasir's three-week stay in Syria and 30 speeches produced a wave of popular enthusiasm for the United Arab Republic and resulted in the emergence of ex-Syrian G-2 chief Sarraj as Nasir's proconsul for the Syrian region. Officially minister of interior for the Syrian region, Sarraj now occupies the office space traditionally re-

served for the prime minister and for the first time his picture is being prominently displayed throughout Damascus. Nasir has placed all security forces, with the exception of the army, under Sarraj's Interior Ministry.

The radical nationalists and masses view the UAR as a great step forward toward the long-desired Arab unity. Conservative elements, while regarding Egyptian ascendancy as distasteful but essential medicine for Syria's economic and political ailments, welcome the suppression of the Communists and transfer of army politicians to civilian jobs.

The public enthusiasm for the "new order" and the ostentatious manifestations of vigorous leadership in Syria are reminiscent of the era following Syria's first military coup in 1949, when Col. Zaim seized the reins of government. Within two months, the public grew weary of the regime's incompetency and the lack of real progress. As at that time, civilian politicians such as Akram Hawrani--Zaim's accomplice--and President Quwatli have been irked by many of the new political appointments and the downgrading of their friends from real power.

Gaza Strip

Increased reconnaissance by Israel over its borders, plus current spring maneuvers in southern and central Israel, have aroused Arab apprehensions, particularly in Syria and Jordan.

In the Gaza strip a new legislative council was established on 15 March accompanied

**SECRET**

~~SECRET~~

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

by celebrations reflecting hope among the refugees that the council was the first step toward establishment of an effective Arab Palestine government. No moves have yet been made to

recognize the Gaza council as such a government or to affiliate it formally with the UAR. Nasir may visit the strip in person in the near future.

25X1

## SUMMIT CONFERENCE MOVES

Soviet Maneuvers

Soviet leaders now are trying to further the impression that the USSR and the West are moving toward agreement on at least some key issues, thus making substantive preparations for summit talks as demanded by the West unnecessary. Soviet diplomats are privately hinting that the Kremlin is ready to modify its position on some issues after talks at the summit get under way, and is prepared to forego neutralist participation at summit talks as well as at a foreign ministers' meeting.

On 17 March the counselor of the Soviet Embassy in Paris, after reiterating Soviet objections to substantive preparations, told American officials that the best way to determine the possibility of East-West agreement would be for the heads of government themselves to discuss substantive questions. He argued that the USSR--"just like" the United States--might be holding back compromise solutions for bargaining purposes, and stated that "Bulganin might be able to agree on things to which Gromyko could not."

The Soviet diplomat asserted that, while it "was agreed of course" to have equal East-West representation at a heads-of-government meeting, Moscow no longer considers neutralist participation in summit talks essential. In his view, the United States, Britain, France, and Italy would represent the West, and the USSR, Poland, Czechoslovakia, and Rumania would participate on the Communist side. In early March, Soviet officials indicated in private conversations that the USSR would be prepared to forego neutralist representation at a foreign ministers' session and that such a meeting could even be held on a four-power basis.

The Soviet Foreign Ministry, in a statement of 15 March, repeated the proposal mentioned briefly in Bulganin's 6 March letter to President Eisenhower to link a ban on military uses of outer space with liquidation of military bases on foreign territory. The suggestion to guarantee implementation of such an agreement with "due international control" under UN auspices and to set up a UN agency to facilitate international cooperation in outer-space research is apparently intended to give

~~SECRET~~

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

the impression that East-West differences are narrowing.

The formal inscription by the USSR of this proposal on the provisional agenda of the next General Assembly--scheduled to open in September--specified that, after agreement "at least in principle" had been achieved at a summit meeting, the General Assembly could work out a general international agreement.

Moscow probably expects this move to still criticism arising from its denunciation on 14 March of the American proposal to hold a procedural meeting of the UN Security Council in order to discuss means for resuming disarmament talks. Despite the public denunciation, Soviet diplomats continue to hint privately that the USSR may yet agree to action, such as the United States proposes, provided it does not detract from the prospects for a summit meeting.

Bulganin's letter of 17 March to Prime Minister Macmillan contained no concessions on the agenda for a summit meeting. Bulganin charged that Britain and the United States were delaying a high-level conference while "hastening the implementation of practical steps in the sphere of war preparations."

Western European Attitudes

Public pressure on the British Government for quick agreement on summit talks has eased somewhat, as more commentators question whether Mos-

cow really wants talks. British and European public opinion still appears to want and expect talks to be held, however. Preliminary governmental studies on European security plans reflect different approaches to substantive issues and have brought out French suspicions of British intentions.

While the Macmillan government remains under heavy attack on foreign policy, the first substantial signs of a counter-attack and reaction have appeared. In an evident attempt to offset the extreme leftists' and pacifists' demands for unilateral British disarmament, a group of 175 MP's, including 17 Conservatives, on 13 March introduced a motion in the House of Commons containing the relatively modest demand for establishment of a UN authority to administer limitations and an eventual ban on both nuclear and conventional armaments. A motion by 100 Tory MP's directly opposed any unilateral British disarmament moves. Most interpretations placed on the results of widely publicized polls of university students conclude that youth, however affected by desires for disarmament, is not yet overwhelmed by pacifism as in the 1930's.

British press comment before receipt of Bulganin's 17 March letter to Macmillan showed pronounced irritation with the latest Soviet diplomatic-propaganda moves, especially tying control of outer space with the dismantling of

**SECRET**



**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

all American bases abroad. There was an increasing disposition to blame the USSR for delaying progress toward summit talks and even to question whether Moscow genuinely desires them. Elsewhere in Europe, public opinion shows little change, although the American Embassy in Brussels reports a growing appreciation there of the merits of the Western position on summit preparations.

The direction of the British Foreign Office's "disengagement" study reflects the heavy pressure on the Macmillan government to offer positive proposals for easing cold war tensions. The Foreign Office is now studying a plan for a small demilitarized area on each side of the present East-West border in Germany, in advance of agreement on reunification. Foreign Secretary Lloyd may sympathize

with such a plan, but the Ministry of Defense considers present Foreign Office proposals for modified forms of disengagement as too dangerous.

French Foreign Ministry officials express alarm at such British sentiments, and assert that the generally "soft" British attitude threatens to upset the political balance in France and disturb the whole structure of Western defense. The French approvingly report that, in contrast, the German disengagement study is focusing on establishing a demilitarized area in the present Soviet zone of Germany and in adjoining satellite territory only after reunification, which would accord with the Western position at the 1955 Geneva foreign ministers' conference.

25X1  
25X1**FRENCH POLITICAL SITUATION**

The government's 282-to-196 victory in the 18 March confidence vote merely postponed a final decision on constitutional reform and leaves unresolved the basic differences within the coalition, which is increasingly split over the Algerian question.

A wide range of responsible opinion in France is speculating on the possibility of a return to power of General de Gaulle. He still insists on assurances that the assembly would give him a free hand to effect a complete reform of French political institutions,

and the deputies still appear reluctant to give up their prerogatives. Nevertheless, some political leaders profess to see a growing trend in the assembly and in the Council of the Republic for his investiture as premier. While some of this scare reporting is probably aimed at getting firmer American support on North Africa, the continuing impasse in France's North African problems does foster a political atmosphere conducive to a "strong-man" solution.

The Independents have taken a strong anti-Tunisian stand

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

and their ministers have threatened to resign from the cabinet despite their support of the government in the 18 March confidence vote. This may be a matter of tactics, but with the Socialists considering a less rigid policy toward Algeria, the cleavage within the government may be deepening at a time when public opinion is becoming more polarized and more frustrated.

In the meantime, Gaillard faces further debate on his controversial proposals for constitutional and electoral reform. He has postponed a

new airing of the veterans' pensions issue until 28 March in the hope that the prospect of the spring recess scheduled to start at the end of that day's session will discourage rebellious deputies who might be willing to have a showdown on this explosive issue. Gaillard seems intent on holding on as premier, at least until the assembly quits for the cantonal and senatorial elections. However, he has given no indication of any willingness to assert the leadership necessary to restore confidence in the parliamentary regime in France.

25X1

\* \* \*

**SECRET**

~~SECRET~~  
CONFIDENTIAL

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

## PART II

NOTES AND COMMENTS

## MIKOYAN REVIEWS SOVIET ECONOMIC POLICIES

Anastas I. Mikoyan, in a pre-election speech to his Armenian constituency on 11 March, took an approach reminiscent of Khrushchev's in its theoretical innovations and disregard for dogma. He reviewed the domestic policy innovations of the post-Stalin period and strongly linked increased personal con-



MIKOYAN

sumption by the Soviet people to the goal of catching up with the United States. He set forth the goal of catching up with the West in retail trade turnover as one attainable in the "historically near future."

Alluding to policy disputes in the presidium, he pointed up the absurdity of the belief of some "famous old party leaders" that, because the means of production are the base of the Soviet economy, the USSR should overtake the United States in steel production before overtaking it in production of meat, milk, and butter. Mikoyan stated that there is no reason to delay catching up in agricultural products until parity in

steel is achieved. He gave as his reasons the great hidden potentialities in agriculture, the fact that agricultural goals are being gained without eliminating capital investments in metallurgy, and the fact that food is produced for the labor force, "which is after all the basic production force in the society." Earlier disputes, such as the differences in the presidium over the new lands program, were also discussed by Mikoyan.

Mikoyan appeared to go out of his way to praise Khrushchev for his initiative and keenness in developing the new lands program. He also endorsed Khrushchev's machine tractor station reorganization as the "greatest event in the life of our countryside since collectivization."

Establishing a goal of catching up with the West in retail trade turnover per capita in the "historically near future" indicates that the present policy of significantly improving the consumer's lot--seen in the agriculture and housing programs particularly--is continuing unabated, and may be stepped up further. Catching up in this field is a tremendous task and has not been stressed previously. Mikoyan holds that such a course does not involve abandonment of the traditional emphasis on investment and heavy industrial growth, although attainment of this goal implies a growing importance of consumption relative to investment.

The Soviet leadership apparently intends to push a consumer program while maintaining high industrial growth rates rather than pursuing maximum industrial growth at all costs. Such a

CONFIDENTIAL

~~SECRET~~

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

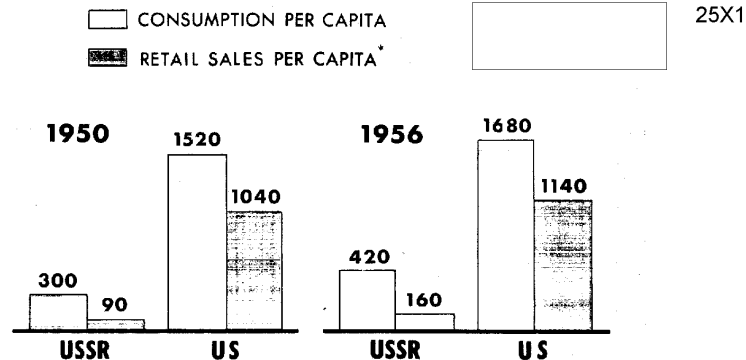
20 March 1958

policy is seen in Khrushchev's rather modest 15-year industrial forecasts and Mikoyan's statement last year that Soviet industry would be growing at the rate of about 7 percent annually. Former rates were much higher.

In dealing with international affairs, Mikoyan, quoting liberally from US News and World Report, Walter Lippman, and Fortune, made a well-stated pitch to the whole non-Communist world for increased trade. He noted American concern over the domestic economic situation, Western European fears over the effect of an American recession, the continuing growth of Communist international trade, and the actual advantages--like the

**CONSUMPTION AND RETAIL SALES US - USSR**

( 1956 DOLLARS )



\* The comparison of retail sales is necessarily approximate.

20 MARCH 1958

80319 4

low interest rates for bloc credit--of Communist bloc - Afro-Asian trade and aid. "American monopolists and war profiteers" received the propaganda treatment usually accorded them by Soviet leaders in such a speech. (Prepared by ORR)

**YUGOSLAV-SOVIET RELATIONS**

The published program for the seventh congress of the League of Yugoslav Communists in April shows that the Yugoslavs will reaffirm the views which in the fall of 1956 revived their ideological conflict with the USSR. To avoid provoking Moscow unnecessarily, however, Tito is making public efforts to minimize his differences with the USSR. The Yugoslavs hope that continuing active support for Soviet foreign policy will go far to counter Moscow's anticipated irritation over the aggressive presentation next month of the Yugoslav "road to socialism."

The party program published on 13 March implies strong criticism of the Soviet bloc for failing to recognize changes in the contemporary world, and it emphatically rejects the ideological superiority accorded the USSR by the other Communist states. Contrary to current Soviet dogma, it denounces those who regard as "revisionism" every effort toward further development of Marxist thought and it declares as harmful the view that only Communist parties have a monopoly on forms of progress toward socialism.

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

Remarks preparatory to the party congress have left little doubt that next month Yugoslavia will again present its "road to socialism" as the most progressive and up to date in the Communist world. In a speech on 7 March, Vice President Kardelj, Yugoslavia's leading ideologist, highlighted differences with Soviet bloc theoreticians when he attacked "persons" in Eastern Europe who are "enclosed within narrow dogmatic schemes and ideological conservatism" for saying that Yugoslavia should not have developed its system of workers' self-management so quickly. Kardelj in effect replied that the Yugoslav workers' council system had been strengthened rather than weakened through its rapid development.

Possibly in an attempt to soften the impact on the Soviet bloc of both the party program and recent public statements extolling the Yugoslav "road to socialism," Tito told Cyrus Sulzberger of the New York Times on 28 February that there were no ideological differences between Belgrade and Moscow, but only differences in methods. Khrushchev, however, as recently as 21 December recognized the existence of "ideological differences" with Belgrade.

Tito's refusal to discuss the issue of Stalinism in the USSR with Sulzberger was probably influenced by his desire to avoid provoking a sharp Soviet reaction.

On 16 March, moreover, Tito linked himself unreservedly with the Soviet position on summit talks. Abandoning the view Belgrade had been adopting recently with regard to the attitudes of East and West on the talks, Tito publicly accused the West of "sabotaging" and evading the preparatory talks agreed to by the USSR. While this new anti-West stand may partially reflect Belgrade's frustration over receiving little Western support for participation in summit talks, Tito no doubt hopes that his demonstration of affinity with Soviet foreign policy at this time will mollify Moscow's anticipated displeasure over Yugoslavia's projected party program.

Tito alluded to "certain things" that "are casting a shadow" on Yugoslav-Soviet relations, and added that the Yugoslavs do not approve of the virtual blackout the Soviet press has adopted this winter regarding Yugoslav developments.

25X1

**THE NEW INTERNATIONAL COMMUNIST JOURNAL**

Delegates of more than 30 Communist parties meeting in Prague announced on 11 March that a number of parties will publish a "theoretical and informative" monthly periodical as an international organ for world Communism. A compromise has apparently been reached between such parties as the Czech, East German, and British, which have demanded some cen-

tral international Communist guidance, and those "independent" parties, such as the Polish and Italian, which fear any international publication might be used by the USSR to impose conformity.

The terms of reference of the new journal suggest that it will not publish "directives" but is to be a clearinghouse of

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

ideas. Unlike its predecessor, the Cominform journal, the new publication is not the mouth-piece of an international Communist organization. It appears to require simply an editorial board with a number of sponsoring parties for the publication as a whole. The brief announcement from Prague invited parties not attending the founders' meeting to "join on a footing of equality or take part in the publication and work of the journal in any other form that suits them," indicating approval of a loose association of parties not subject to strict discipline. British, French, Indian, Argentine, Polish, and Chinese Communists reportedly were also among those participating at Prague.

The USSR probably believes the new publication can be effectively used to stress agreement on Marxist-Leninist fundamentals. For the purposes of the journal, Moscow may moderate its strident attacks on international Communist revisionism which tend to alienate Polish Communists and to heighten Yugoslav antipathies.

The establishment of the journal implements an accord reportedly reached among most of the Communist parties which attended the 40th anniversary celebrations in Moscow. Strong Polish and Italian objections at that time to the establishment of a "directive" publi-

cation like the Cominform journal may have been assuaged by Soviet assurances that the new periodical would be purely informative. The Polish and Italian parties will probably remain skeptical and sensitive to any Stalinist tendencies evident in the journal. The visit of high-level Soviet party officials to Italy in late February and early March may have been for the purpose of overcoming Italian reservations.

While the Yugoslav press has noted the establishment of the new journal, Tito's party has apparently avoided mentioning it. The Yugoslav ambassador told American Minister Wharton in Bucharest on 12 March that he doubted that the Yugoslav party would either contribute to or participate in the new journal. Tito will probably refrain from participation at least until the new journal has proved to be a truly independent forum.

In past discussions concerning a "socialist" publication, Belgrade has advocated, as the best insurance against Moscow's domination, that it be a medium for the world's socialist parties as well as for the Communists. Although the USSR has emphasized the need for socialist-Communist international contacts in the past, there is as yet no indication that the new publication will go that far. 25X1

## OPPOSITION TO ULBRICHT NOT OVERCOME BY PURGE

The atmosphere in East German party and government circles differs markedly from that of postpurge periods in the past. A strong undercurrent of sentiment against Stalinist party First Secretary Ulbricht

remains, despite his apparent victory over dissident elements at the Socialist Unity (Communist) party (SED) plenum in early February. There is a tendency among party and government officials to avoid taking

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

an unequivocal position which would identify them as strong Ulbricht adherents, and sympathetic treatment accorded individuals recently attacked by the party is in sharp contrast to the ostracism accorded those critical of the party in the past.

The fact that men who have been under attack still maintain their contacts with the Russians--former Deputy Premier Oelssner, one of the purgees, retains some of his prerogatives--suggests that the Kremlin may not have reached a final decision on the East German leadership question.

ism" and opposition to Ulbricht. He spoke out boldly at the planning commission conference and denied all the accusations made against him. Selbmann's defense was apparently accepted at face value, as no one rose to challenge the contradictions between his statements and the widely publicized charges against him. Failure by the conference to espouse the Ulbricht line appears to reflect the attitude of many party and government officials.

Selbmann has substantial support within the managerial class and among practical economists; he is regarded by them as the logical successor to Ulbricht if the Kremlin should decide that a change in the East German leadership would best serve Soviet interests. He is rumored to have his own channels to the Kremlin and is said to be close to Mikhail Pervukhin, the new Soviet ambassador to East Germany, who also is an economic expert.

There is a belief among party functionaries that Selbmann obtained assurances of Soviet support during his stay in Moscow in mid-February. In support of this belief, they cite the cessation of press attacks on him following his return to East Germany. There is a possibility that Selbmann, with Pervukhin's assistance, may be able to convince the Kremlin that Ulbricht's economic policies could lead to political disaster and that only a change in leadership can avert a catastrophe.

Selbmann, one of East Germany's leading economic experts, was attacked during and after the 35th plenum for "managerial-

**PEIPING PUSHES USE OF LATIN ALPHABET**

Peiping is promoting its newly adopted plan to Latinize China's written language in the face of considerable antagonism from Chinese intellectuals. A Ministry of Education directive

requires that instruction in the alphabet begin in all primary and middle schools this fall. The new system is already being used in the mastheads of major newspapers and

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

for brand names of products. Textbooks and popular reading materials are being printed with alphabetic annotations.

Out of deference to die-hard opponents, Peiping is giving assurance that the new



Present mastheads of Peiping People's Daily, top, and Ta Kung Pao, bottom, using both Chinese characters and Latin letters.

alphabet will not supersede the old characters in the near future. According to the Communists, its use will be restricted for the present to popularizing standard spoken Chinese, reforming minority languages, assisting foreigners in learning Chinese, and transliterating foreign names and technical terms.

Opposition to the plan from some quarters apparently derived from the fact that the Latin rather than the Cyrillic alphabet had been used. Premier Chou En-lai last January defended the use of Latin letters and pointed out that some Eastern European countries and USSR union republics use the Latin alphabet. The proponents of Latinization also claimed that the Latin alphabet had a long tradition in China and was more readily adaptable to Chinese than the Cyrillic.

Peiping's cautious and rational approach to the many problems of Chinese language reform suggests that the program will succeed to a considerable degree. Increased literacy and ease of communication among

various parts of mainland China resulting from such success would aid Peiping in exercising its control over the country. General familiarity with the Latin alphabet would also assist the regime in spreading the knowledge of Western science and technology which is essential to its modernization program.

25X1

**CHINESE COMMUNIST WITHDRAWAL FROM NORTH KOREA**

The Chinese Communists have announced the arrival in Antung, Manchuria, on 16 March of the first group of troops departing North Korea. The entire withdrawal is to be accomplished in three stages

by the end of 1958. The first stage involves six divisions comprising approximately 80,000 troops, and is to be completed by 30 April, according to Peiping.

25X1

25X1

**SECRET**



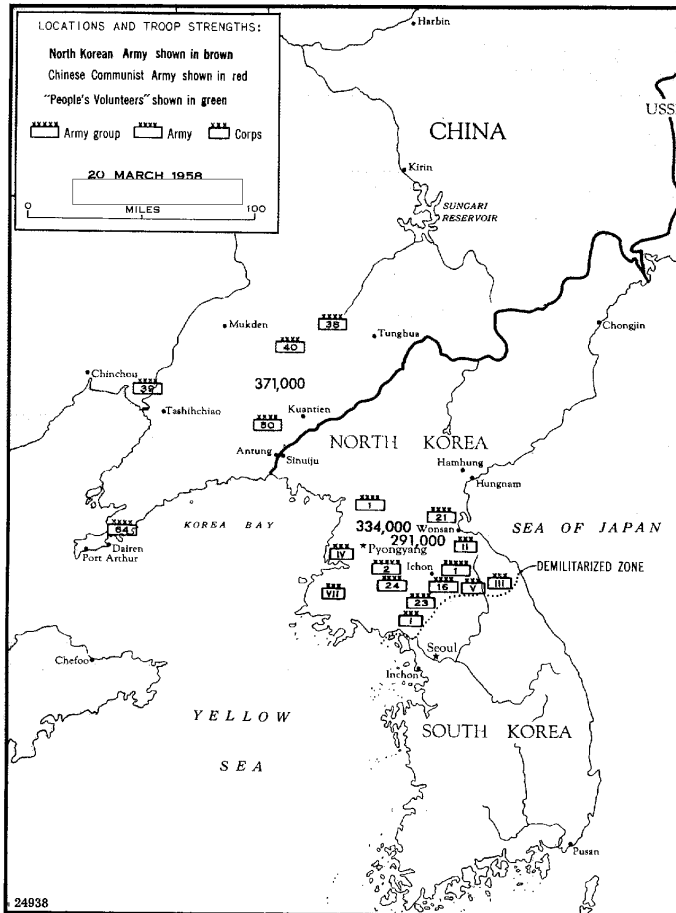
**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****20 March 1958**

some of the Chinese Communist troops withdrawn from Korea will be demobilized and established on state farms in north-eastern Manchuria.

Chinese forces in Korea reached a maximum of 19 armies, over 800,000 troops, shortly after the truce talks began in July 1951. In 1953 the Chinese began to withdraw their forces, and by October 1955 the "People's Volunteers" consisted of the five armies--approximately 300,000 troops--now in Korea which have begun to withdraw.

Completion of the withdrawal will reduce the total Communist troop strength in North Korea by about 50 percent. The North Korean Army of 334,000 men will be greatly outnumbered by the UN forces, consisting of 613,000 South Korean and 61,000 American and UN troops. On the other hand, the North Korean Army is superior to the South Korean Army in firepower and heavy weapons capabilities and can rely on its far superior air force--450 jet fighters and 75 jet light bombers as compared with South Korea's poorly equipped force of only 80 tactical jet fighters.

The repositioning of North Korean army units necessitated by the withdrawal of Chinese units will result in a loss of defensive depth and a corresponding decrease in North



Korean defensive capabilities, particularly in coastal areas. As a remedial measure, the North Korean Army will reportedly strengthen its units by increasing from 60 to 90 the number of men in its infantry companies. Front-line units will get top priority. New recruits are to supply the increase, but manpower shortages in North Korea are critical, and the scheduled increase will be very difficult to achieve and can be accomplished only by taking men from rear-echelon units and internal security troops.

The withdrawal of the Chinese forces will not affect the

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

over-all capability of Communist military power in the area, however, because the Chinese Communists retain a strong reinforcement capability with their forces deployed in Manchuria, only 250 miles from the demarcation line. In

addition to the units now in Korea which may remain in Manchuria after withdrawal, Communist China could move into Korea within eight to ten days some 250,000 troops now located in North and Northeast China.

25X1

## CHINESE NATIONALISTS THREATEN TO BREAK WITH JAPAN

Chiang Kai-shek has threatened to break relations with Japan if the Chinese Communists are allowed to fly their national flag over their proposed trade mission premises in Tokyo as a consequence of the trade agreement recently negotiated with Peiping by private Japanese interests. Chiang was "most uncompromising" on the flag issue, according to Ambassador Drumright, although willing to gloss over trade and other concessions stipulated in the agreement.

The Nationalist Government reacted to word of the Japanese agreement by suspending negotiations with Tokyo for the annual barter trade agreement, and five days later it forbade the signing of contracts with Japanese suppliers. Banning of contracts with Japanese suppliers may induce Japan to curtail its purchase of sugar and rice from Taiwan, which constitutes the major source of Taiwan's foreign exchange.

The Japanese Government has not yet indicated the extent to which it will cooperate in fulfilling the terms of the private trade agreement with Peiping. Prime Minister Kishi has publicly opposed the

flag provision. The government, however, is under strong domestic pressure to accept a Communist trade delegation, and the Foreign Ministry has informed Taipei that Tokyo might have no alternative to granting privileges to the Chinese Communists, including the right to fly the flag.

This right was written into the agreement at Peiping's insistence. Peiping is probably interested more in the political than in the economic aspects of the agreement, and almost certainly would not agree to any new effort to modify it. Counting on the rising pressure in Japan for mainland trade, the Communists probably believe Kishi will have to accept the present accord.

Foreign Minister Yeh is aware of the consequences for Nationalist China if it breaks relations with Japan. He is known to be counseling moderation in government circles. Chiang Kai-shek, however, obviously feels very strongly in this matter and has previously shown a willingness to act regardless of the consequences--as in the Outer Mongolian issue in the UN in late 1955.

25X1

**SECRET**

~~SECRET~~

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

## MODERATES CONTROL RYUKYUAN LEGISLATURE

The success of moderate political elements in winning control of the 29-seat unicameral Ryukyuan legislature in the 16 March election will make possible continuation of a relatively harmonious relationship between the legislature and the American administration on the islands. Since none of the moderate parties commands a majority by itself, legislative action will require cooperation among them. The absence of an absolute majority will impede the operation of the legislature and might stimulate party mergers which could result in a two-party system.

The new legislature will include nine delegates from the Okinawa Socialist Masses party (OSMP), seven from the Ryukyus Democratic party (RDP), five from the extreme leftist Liaison Council for the Protection of Democracy (LCPD), and eight independents. The victory of the moderates has been interpreted as a protest against the program of the anti-American LCPD rather than an endorsement of American policies. Popular feeling on the issues of reversion to Japan, opposition to the requisition of land for military use, and lump-sum compensation rather than rent for this land remains high and will hinder full cooperation between the legislature and American authorities.

The leftists increased their seats from one to five. The LCPD received an estimated 28 percent of the popular vote, slightly more than any other competing bloc. The election results are nevertheless regarded as a setback for them,

since they failed to make anticipated gains. It is noteworthy that in the capital city of Naha, which was believed an LCPD stronghold, only one of the party's six candidates was elected. In Koza, which was considered anti-LCPD, however, two of three leftists won. The new legislature also will have its first woman member, Hatsuko Miyazato of the OSMP.

The creation of minor parties and splitting of former major parties have been important features of Ryukyuan politics over the past year. The present US-appointed Ryukyuan chief executive, Jugo Thoma, an independent, intervened strongly in the election campaign in opposition to the LCPD, and several independents and OSMP candidates he supported were elected. He desires the formation of a new conservative party, and new political alignments may very well emerge now that the election is over. Naha Mayor Saichi Kaneshi's newly organized Okinawa Socialist party could provide the nucleus for leftist elements in opposition to a conservative party under Thoma.

Japanese interest in Ryukyuan affairs probably will remain high, and the Japanese Socialists will continue to press the Kishi government to make stronger demands for the return to Japan of administrative responsibility for the islands. While Kishi is aware of the sensitivity of the Ryukyuan issue in Japanese-American relations, he is likely to request publicly a greater role for Japan on the islands since he faces a lower house election within the next year.

25X1

~~SECRET~~

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

**ISRAEL'S POLITICAL AND ECONOMIC OFFENSIVE IN AFRICA**

The present visit to West Africa by Israeli Foreign Minister Golda Meir is part of a political and economic offensive Israel is waging among African states. Israel is trying to win allies who will give it support, particularly in the United Nations, and to limit the influence of UAR President Nasir. Africa, with its raw materials and potential market for manufactured goods, is also regarded in Tel Aviv as an area which must be penetrated commercially if Israel is to approach economic viability and rectify its present three-to-one excess of commodity imports over exports. The immediate Israeli economic objective is to compensate for the Arab boycott.

The Israelis so far have been most successful in establishing ties with Ghana. Mrs. Meir attended the first anniversary celebrations of Ghana's independence on 6 March, and the Israeli ambassador in Accra is a man of higher political stature than Israel normally accredits to so small a state. Since Nasir is also cultivating the new state's friendship, Israeli-Egyptian rivalry in Ghana is likely to be fairly keen.

Ghana, an important source of raw diamonds, especially interests Israel, whose second most valuable export is polished diamonds. The two countries have initialed a draft trade agreement, and Israel has said it will extend credits to Ghana. Last September a joint Israel-Ghana shipping line was established with Ghana having a 60-percent interest. Israel, whose many European immigrants have provided it with an abundance of technicians, also has initiated a "miniature Point-Four program" involving assistance on a water survey and an agree-

ment to train merchant marine personnel for Ghana over a period of several years. A Ghanaian trade union mission has studied the structure and methods of the Histadrut, Israel's labor organization.

Mrs. Meir's tour also includes Nigeria, Liberia, and French territories in West Africa. A Nigerian official has referred to the possible participation of Israel, through technical assistance, in a Nigerian development program, and Israel's two tire companies are said to be considering the establishment of rubber plantations in western Nigeria and possibly in Ghana.

The Liberian Government, hoping to thwart the creation of a pro-Nasir bloc within the emerging pan-African movement, has recognized the state of Israel. Liberia and Ethiopia are the only African countries with representatives in Israel; the Israelis have representation in six African states.

In East Africa, Israel hopes to promote trade which will move to Eilat through the disputed Gulf of Aqaba, in which the Israelis are attempting to establish their "rights" to free transit in the face of Arab claims to sovereignty. Israel's plans to resume its former commercial air flights to South Africa over Aqaba will add the issue of air space sovereignty to the dispute.

An Israeli-controlled meat-packing firm has operated at a loss in Ethiopia and Eritrea since 1953. Tel Aviv now may be subsidizing it, perhaps to assure continued shipment of its kosher products to Eilat. One Israeli-owned fishing vessel flying the Ethiopian flag

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

based at Massaua periodically carries its catch directly to Eilat. Discussions have been held concerning an extension of Israel's technical assistance to Ethiopia.

Israel has also established a new commercial bureau in Nairobi, Kenya, and signed a commercial agreement with Rho-

desia and Nyasaland in December. An East African shipping line has been formed by an Israeli company for trips between Eilat and Portuguese Mozambique, while in Madagascar the Israelis propose to set up a 75,000-acre agricultural enterprise to produce animal feed and other crops for Israel. 25X1

## FRENCH-TUNISIAN RELATIONS

French Premier Gaillard may have serious difficulties obtaining support for the Tunisian Government's latest proposals. Tunis is marking time pending the French reaction, but much public discouragement has been expressed over the failure of the proposals to include a specific reference to Algeria.

Tunisian President Bourguiba's insistence that the French-controlled airfields be put under a "mission of observation" runs counter to French rightists' public demands that the airfields not be abandoned. Since the publication of Tunisian terms in the Paris daily, Le Monde, many independents, Social Republicans, and Dissident Radicals have publicly repudiated the concessions their ministers agreed to in the cabinet last week.

The Independent party congress last week end demanded "neutralization" of all Tunisia as the price of any agreement by France to relinquish control of its airfields in Tunisia. Although party spokesmen have privately intimated they could accept a package deal provided the airfield question was "well

camouflaged," Independent cabinet ministers have threatened to resign and the party congress may have gone too far toward an extreme position to permit any backtracking.

The Social Republicans have urged Defense Minister Chaban-Delmas to express to the cabinet their "uneasiness" over prolongation of the good offices mission and over Gaillard's Mediterranean pact proposal. They maintain they are absolutely opposed to any concession on Bizerte, and their party has proclaimed itself in a "state of alert" pending outcome of the Tunisian negotiations.

In Tunisia, popular disappointment has been expressed regarding the prolongation of the crisis. The public also fears that the Algerian nationalists will feel themselves betrayed because President Bourguiba has not yet succeeded in enlarging the scope of the good offices mission to include a settlement of the Algerian rebellion. Nevertheless, the Tunisians are hopeful that the United States' involvement in North African problems through the good offices mission may lead indirectly to Algerian-French negotiations. 25X1

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

**GROWING WEST AFRICAN PRESSURE FOR REVISION OF FRENCH UNION**

Growing African pressure for a revision of political relations between West Africa and France has been shown recently by the decision of the political leaders of French West Africa to agree on a joint course of action to win greater political autonomy from Paris. The basic reform law of 1956, which provided a large measure of internal autonomy for the Africans, has spurred their demand for a further political advance instead of satisfying their ambitions. In late February, a leading African politician who is also a secretary of state in the Paris government warned the minister of overseas France that "the time had come for France to do something more than talk about this French-African community."

Representatives of the three leading African parties agreed in Paris in mid-February to present a single political platform defining precisely what the federation demands as the next step in its politi-

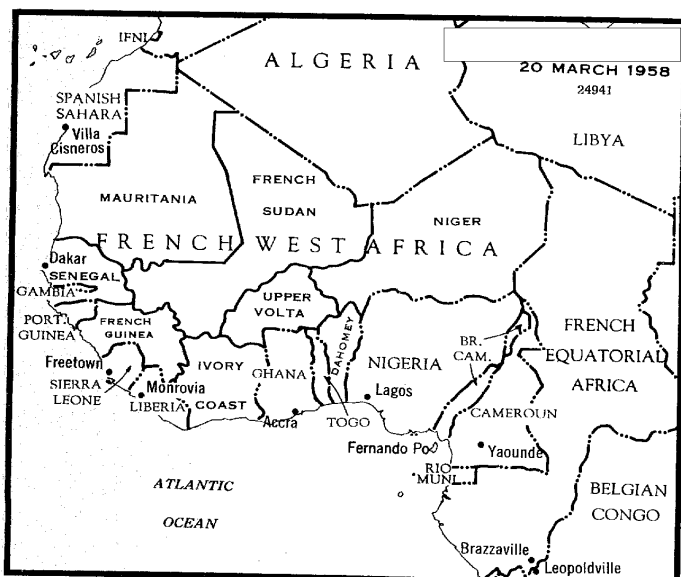
cal advancement. The proposed platform calls for total internal autonomy for the federations of French West Africa and French Equatorial Africa and for any other grouping of French territory; for the creation of a federal republic uniting these federations with France on the basis of absolute equality and the right to independence; and for a central government within each federation having all the attributes of internal sovereignty except direct control of foreign affairs, defense, finance, higher education, and justice. These powers would be reserved to the federal republic.

This program would strengthen the government at Dakar at the expense of the eight constituent territories of French West Africa and reverse the present policy of Balkanization.

The Africans' toughening attitude is also shown by an agreement of the principal political parties in the key territory of Senegal to create a

single African nationalist party. Such a party would eventually become the Senegalese section of a federation-wide African party, in place of the present multiplicity of nationalist parties.

Officials in the Ministry of Overseas France are sympathetic to these African demands and are considering the future relationship between France and its colonial possessions in tropical Africa. A French parliamentary committee is now

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

drafting a law which would revise the French constitution to permit a federal type of union, but this concept will probably be unacceptable to right-wing French politicians who fear its effect on Algeria. Paris is also planning to create a separate African civil service and to offer French officials employment guarantees to assure a continuity of French civil service aid to Africa.

Meanwhile the former trust territory of Togo, now

known as the Republic of Togo and the leader in the process of political evolution in French tropical Africa, took a further political step forward recently when it was accorded full internal autonomy except for foreign affairs, finance, and defense, which remain under the control of Paris. The Togolese were given control of the administration of justice, and the power of the local premier was increased at the expense of the French high commissioner.

25X1

## NEW CHIEF MINISTER IN WEST PAKISTAN

The opposition Moslem League on 18 March apparently attempted to overthrow the Republican party government in West Pakistan in the hope of weakening and eventually causing the downfall of the national government, which is also led by the Republican party. Prompt Republican countermeasures, including the appointment of a new provincial chief minister, seem to have foiled the attempt.

The intent of the Moslem League apparently was to induce defections from Republican ranks in the West Pakistan provincial assembly, now meeting in Lahore to consider the provincial budget for fiscal 1959. The league hoped, with the support of these defectors and of elements of the leftist National Awami party, to supplant the Republican government with one led by the Moslem League.

President Mirza was rumored as supporting the Moslem League's effort. Although Mirza had helped to found the Republican party, he had been antagonized by it last December when it revolted against his authority and caused the fall of Prime Minister Chundrigar's short-

lived Republican party - Moslem League coalition government. Since then, Mirza is said to have tried to replace the new coalition between Prime Minister Noon's Republican party and H. S. Suhrawardy's Awami League with a coalition more amenable to his control.

On 18 March, several Republican deputies in the West Pakistan assembly led the move by defecting to the opposition. Interior Minister Talpur, a Republican personally loyal to Mirza, supported the maneuver at the national level by resigning from Noon's cabinet. Once begun, these defections were expected to produce about 30 others--enough to shift the balance of power in the West Pakistan assembly of 300-odd members in favor of the Moslem League. The leftist National Awami party is reported to have agreed to throw eight or more of its members behind the league.

The Republican party countered rapidly, however. It obtained the resignation of unpopular West Pakistan Chief Minister Rashid, and thereby probably assured the continued

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

allegiance of elements who opposed Rashid's desire to break up West Pakistan into several smaller provinces. It also probably prevented the defection of an important Republican, M. A. Qizilbash, by making him the new chief minister. The Moslem League apparently has failed to win the support it expected. No further Republican defections have yet been reported, and potential defectors are reconsidering the advisability of taking such a step.

The Republican party's effort to stay in power may be materially aided by the growing feeling in Pakistan that changes of government at this time,

either at the provincial or national level, would indefinitely postpone the national elections now scheduled for November 1958 and possibly lead to an unwanted dictatorial rule by President Mirza. This feeling may have helped Noon to survive the recently concluded budget session of the National Assembly, despite widespread opposition to his new tax proposals. If his party retains its hold on West Pakistan, the likelihood of its remaining in power until election time would be increased. Simultaneously, a second victory by the Republican party over President Mirza would further lower the President's prestige.

25X1

**GREEK POLITICAL SITUATION**

Following a 225-to-60 vote of confidence on 13 March, the Greek caretaker government of Premier Georgakopoulos immediately submitted a draft electoral law, based on "reinforced proportional representation," to parliament, where it is under heated debate. Following the vote on the law, the premier plans to dissolve parliament and call for national elections within 45 days, probably in early May.

Leaders of the two largest parties in Greece, the right-wing National Radical Union (ERE) of former Premier Karamanlis and the centrist Liberal party, jointly holding over two thirds of the seats in the Chamber of Deputies, agreed on the terms of the draft electoral law prior to the resignation of Karamanlis on 2 March. Despite heavy political pressure against the proposed law and some dissatisfaction within the Liberal party over the manner in which the issue was

handled by leaders of that party, eventual passage of the measure in approximately its present form is probable, as the alternative would be elections under



GEORGAKOPOULOS

the present electoral law, which would be highly unfavorable to the Liberals.

Both the proposed and present laws are favorable to the

**SECRET**



SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

ERE, and Karamanlis continues to believe his party would do well in the elections. Even if the ERE fails to gain a majority in the forthcoming elections, he believes it will have the strength to determine the length of tenure of the resulting government and to be the decisive force in eventually pushing through still another electoral law.

All leaders of the smaller Greek parties have denounced the proposed legislation. Moderate and rightist leaders have castigated the Liberal leaders for joining with Karamanlis in what they regard as an attempt to eliminate the rest of the non-Communist opposition to the ERE. The creation of new parties, encompassing members of several present parties, or the building of temporary electoral coalitions is probable,

as both the present and proposed laws make futile the participation in an election of small parties acting alone. The political orientation these new parties or coalitions may assume is uncertain, but the Communist-front United Democratic Left (EDA), [redacted]

25X1

25X1

25X1

[redacted] is trying to create a large electoral grouping in which it can participate. Such participation with center and right-wing parties would give the EDA additional respectability in Greece and an opportunity for wide dissemination of its anti-American propaganda.

Present confusion in Greek politics, resulting from debate on the draft law and maneuvers in preparation for the impending elections, will probably be somewhat clarified after the forthcoming vote on the electoral law. [redacted]

25X1

ITALIAN NATIONAL ELECTIONS

In the elections for the Italian Chamber of Deputies and Senate, now scheduled for 25 May, the basic issues will be the traditional ones of economic and social reform, church-state relations, and foreign policy. Most political observers at present give the parties, including the Communists, approximately the same voting strength they had in the 1953 elections, but a revised electoral law may produce some shifts in representation among the deputies.

The Communists continue to stand on their traditional positions. Their campaign is stressing the church-state conflict and opposition to American missile bases in Italy, but the chief source of Communist strength will be the protest

voters, who continue to believe that they are the victims of economic and social injustice. The Communists are generally expected to receive approximately six million votes as they did in 1953, but they may obtain seven or eight fewer seats in the lower house because of the changes in the electoral law.

The Christian Democrats, who have ruled Italy as a minority government for the past nine months, will also be handicapped by the electoral law. Some proclericals in their right wing may vote for Achille Lauro's Popular Monarchist party because of Premier Zoli's endorsement of the recent judicial decision against the bishop of Prato. A further factor which may hurt the

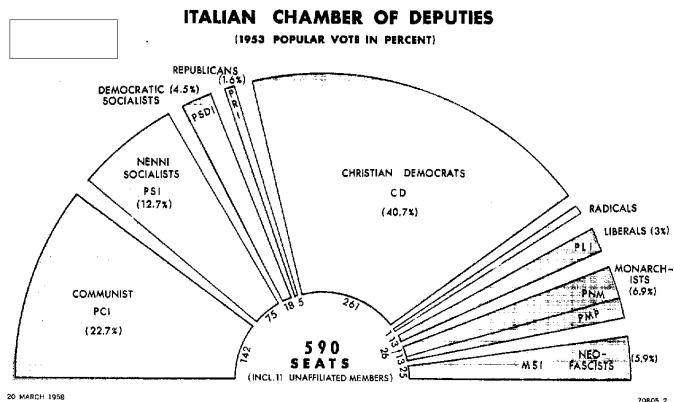
SECRET

**SECRET**

**CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

25X1



Christian Democrats apparently do not expect to have a working majority by themselves. Because some factions among possible allies of the Christian Democrats oppose collaboration with them, the electoral showings of these factions are likely to be as important a determinant of the postelection situation as the party showings.

Christian Democrats is the possibility of a recession stemming from a slowdown in steel production, housing, and ship construction.

With the small parties generally expected to make corresponding gains from the changed electoral law, the

The electoral law for the selection of senators has not been changed, but since it still favors large parties, the Nenni Socialists may be impelled to run joint senatorial lists with the Communists in some areas.

25X1

**THE CANADIAN ELECTIONS**

Prime Minister Diefenbaker's Conservative party is seeking an absolute parliamentary majority in Canada's 31 March elections. It continues to advocate more independence in Canada's economic and defense relations with the United States but is campaigning principally on domestic economic issues. The Liberal party is still disorganized by its fall from power in last June's election and is fighting an uphill battle.

The Conservative party is concentrating on persuading the electorate that its nine months as a minority government have been too little for full implementation of its domestic program of extending social welfare benefits and starting a public works program to counter the recession. This tactic appears to be effective, and

the American Embassy in Ottawa believes the Conservatives will probably gain their absolute majority of 133 seats and that a landslide is possible.

Diefenbaker holds to his goal of diverting some of Canada's trade from the United States to the Commonwealth and claims that the Canadian economic mission to Britain last December has led to the scheduling of a full-scale Commonwealth trade conference in Canada next September. Conservative candidates also point to the fact that this year marks the first time the United States Congress is giving individual attention to Canadian relations in its annual foreign policy review, citing this as an indication that under a Conservative government Canada is no longer taken for granted.

25X1  
25X1

**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

**BRAZIL'S FOREIGN EXCHANGE SITUATION**

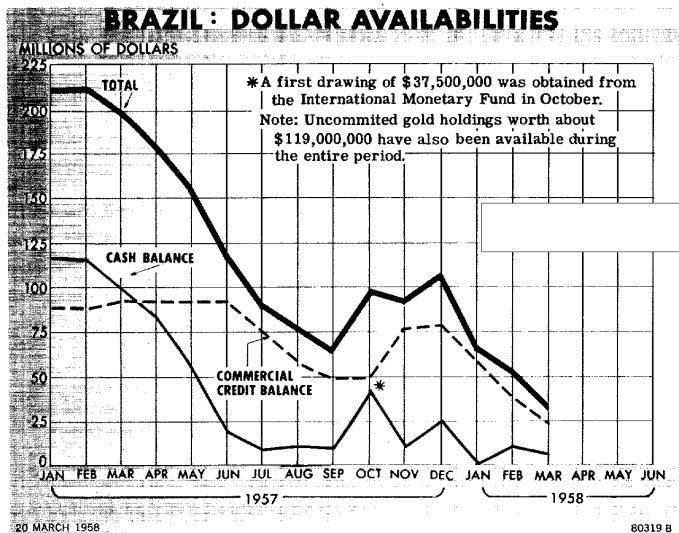
Brazil's foreign exchange position is so critical, despite drastic new import restrictions, that Finance Minister Alkmin fears it may be impossible within a few weeks to meet current bills. A solution of the basic problem would call for scrapping large parts of Brazil's complex subsidy, revenue, and economic development schemes--measures politically difficult in an election year.

At the end of December, Brazil's estimated payments deficit for the year was \$129,000,000 compared with a surplus of nearly twice that much in 1956.

mination to continue supporting the world price of coffee, even though other countries have been selling at prices below the floor Brazil is trying to establish. Since the start of the present crop year last July, Brazil has spent the equivalent of over \$100,000,000 on withholding stocks from the market and additional amounts on support purchases in the New York market.

Although coffee accounts for only 5 percent of Brazil's gross national product, it normally provides up to 85 percent of the country's dollars and

70 percent of its total foreign exchange earnings. With increasing production in both Latin America and Africa, the coffee outlook for the next few years is poor, despite the adoption this year of marketing quotas for the major Latin American producers. Brazil produces about half the world supply and is committed this year to withholding at least 20 percent of this from the market.



The deficit, which is continuing to mount, was caused by increased imports, payments of \$170,000,000 on foreign loans, and a serious drop in coffee prices and sales.

Thus far, the government has refused to consider revising its exchange structure, fearing the effects such a move would have in an election year, and has reiterated its deter-

development of its iron ore and manganese production have been undercut by the recent decline in world demand for these products. The payments outlook is further dimmed by the schedule of repayments due this year on fixed foreign obligations. The amount due is about \$200,000,000 or approximately 15 percent of the country's total export earnings last year. In addition, domestic inflation,

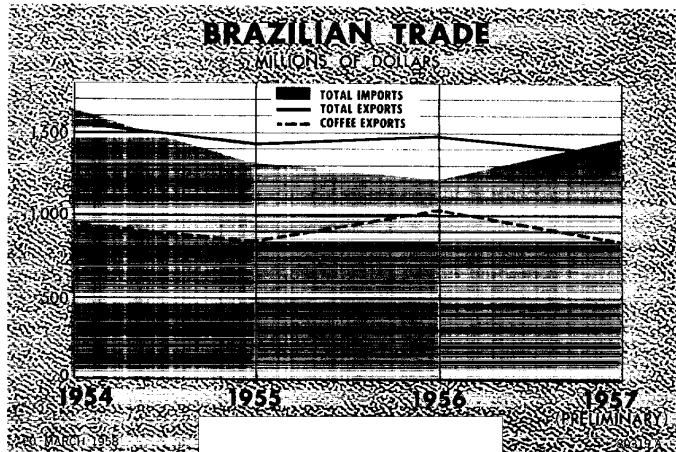
**SECRET**

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

which was slowed during 1957, threatens to spurt ahead again as a result of the government's price-support buying and of curtailed imports.

This situation has led to renewed agitation within the past few weeks for new and expanded trade ties with the Soviet bloc. This agitation had almost died out during February but, following statements by the finance minister that he was attempting to sell coffee to Moscow through Western European intermediaries, a Senate committee presented a new demand



25X1

to the foreign minister in early March for an "explanation" of why the government has not renewed either diplomatic or commercial relations with the USSR.

25X1

\* \* \*

**SECRET**

~~SECRET~~**CONFIDENTIAL**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

## PART III

PATTERNS AND PERSPECTIVES

## BULGARIA READY FOR NEW PHASE OF COMMUNIST DEVELOPMENT

Bulgaria may become the first Sino-Soviet bloc satellite to complete "the transition from capitalism" to socialism and enter into the final phase of Communist development--"the transition from socialism to Communism." The Bulgarians have apparently met all the conditions which the Soviet Union used to justify the same step in 1936. Entry into the new phase could thus be declared whenever the move would best serve Soviet interests and at the same time be reconciled with the problems that would be created within the bloc--particularly over Czechoslovakia's progress toward socialism. It could be used to refute the arguments of Poland's Gomulka and others who advocate a rightist course as the only correct way to "build socialism," to illustrate to the uncommitted nations of Africa and Asia the material progress Bulgaria had

achieved by attaining this stage, and to counter Yugoslav ideological propaganda.

Bulgarian Claims

The Bulgarians claim they have met all the conditions which authoritative Soviet formulations cite as prerequisite to advancement from the stage of the transition from capitalism to socialism to the stage of transition from socialism to Communism. While they have not yet claimed to have embarked on the new stage, important figures in the hierarchy clearly consider Bulgaria ready to emerge from the first phase.

Bulgarian party First Secretary Zhivkov stated on 20 January that "in fact, we have already created the material basis of socialism in our country....(the people) have already tasted the fruits of socialism

**BULGARIA'S VIEW OF ITS "ADVANCE TOWARD COMMUNISM"**

## CONDITIONS FOR ENTERING STAGE TWO STATEMENTS OF BULGARIAN COMPLIANCE

Voluntary observance by the people of the elementary conditions of socialist life.

"Our greatest success in the past years has been the change in the minds of the people...the fact that our people have changed and become more disciplined and united and more politically farseeing."--Vulko Chervenkov, 18 December 1957

Public ownership of the means of production.

"We have socialized the means of production and have built a socialist economy, not only in the towns but in the villages."--Todor Zhivkov, 20 January 1958

Absence of exploitation of man by man.

"In the process of our victorious socialist construction, we have liquidated the capitalist order and the exploitation of man by man in our country."--Resolution of the Bulgarian party central committee, 18 February 1958

Comradely collaboration in relations with other Communist parties and states.

"Proletarian internationalism and fraternal solidarity with all Communist and workers' parties, with the international workers' movement, and with the great Soviet Union became one of the main forces in the development of the Bulgarian People's Republic."--Zhivkov, 20 January 1958

An uninterrupted upsurge in the material and cultural level of the working people.

"We have succeeded in substantially improving the material and cultural situation of the workers and we can definitely say now that for the workers in towns and villages, socialism is no longer mere propaganda, and a distant target."--Zhivkov, 20 January 1958

The practice of criticism and self-criticism as the motivating force of socialist development.

"Criticism and self-criticism are a moving force in party life and development, as well as in our community." -- Bulgarian press, 2 January 1958

Virtual completion of agricultural collectivization.

"The socialist reorganization of our agriculture is one of the greatest achievements of our people's democratic state." "Socialism has attained a final and irrevocable victory in our villages." -- Appeal issued by a conference of collective farm members, 6 December 1957. (Some 87 percent of Bulgaria's land has been collectivized, a percentage larger than that in any other satellite.)

Complete accord between the means of production and "productive relations" (i.e., the workers' place in society and industry)

"Our working class, toiling peasants, and people's intelligentsia, liberated from capitalist oppression, are the sole creators and owners of all material and cultural goods in their socialist motherland." -- Resolution of the Bulgarian party central committee, 18 February 1958

**CONFIDENTIAL**~~SECRET~~

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

itself." Politburo member and Deputy Premier Vulko Chervenkov stated on 18 December, "Our nation is already a socialist nation...The foundations of socialism were laid during the First Five-Year Plan and the Second Five-Year Plan ending this year (1957)." No other top satellite leaders are making such claims for their countries.

The Qualifications

The conditions which must be met for entry into the new stage are sufficiently intangible that full compliance is both difficult to achieve and to prove. In terms of Marxian analysis, however, the key factor is that of achieving state ownership of the means of production, after which most of the other conditions theoretically follow. Bulgaria is the only satellite which can present a just claim that it has met this qualification.

A second condition is that of a planned economy which knows no crises or unemployment. The Bulgarians can point to have completed their Second Five-Year Plan to prove existence of a planned economy. Further, Bulgarians claim--without grounds--that unemployment does not exist in their country. (See chart for further qualifications.)

Possible Motivations

By crediting Bulgaria with moving to a more advanced stage of socialist development, Moscow would have a weapon to use against "revisionism" in the bloc. The Bulgarians have developed what they consider to be "unique" forms of socialism by having adapted Soviet experience to their own local conditions. Although these forms actually differ little from those in the USSR, they nevertheless could be alluded to by Moscow to point up the degree of "creative application" that

is desirable in a satellite, thereby providing an example of the "correct interpretation" of the concept of separate roads to socialism.

Thus one of the chief arguments of Polish party chief Gomułka and other proponents of a rightist, pragmatic course--that doctrinaire, Soviet-oriented tactics actually obstruct "socialist" development--could be refuted by showing that the Bulgarians were able to complete the transition from capitalism to socialism through a rigid Soviet-oriented policy without major setbacks or eruptions and at the same time were able to exercise a degree of internal independence.

Bulgarian advancement to the new stage would also serve to further Soviet foreign policy objectives, particularly in respect to the uncommitted nations of Asia and Africa. Bulgaria in the past had one of the lowest standards of living in prewar Eastern Europe. Since the war, agricultural production has increased, and now the industrial and agricultural sectors of the economy contribute approximately equally to the gross national product, whereas before the war Bulgarian industry's contribution was approximately 20 percent.

The fact that a backward country could achieve significant material advances while moving rapidly toward socialism would be useful ammunition for bloc propaganda asserting the superiority of the Communist system. The assertion that all this had been accomplished with the help of the Soviet Union would also show the advantages the "uncommitted" countries could gain through establishing an intimate association with the USSR.

The Yugoslavs will be holding a party congress in April, where ideological

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

pronouncements with regard to socialist gains in Yugoslavia can be expected to give Moscow cause for concern. In preparation for the congress, Yugoslav ideologists have been discussing the withering away of the Yugoslav state, and have boasted that Yugoslav forms of worker management (workers' councils) constitute the most advanced form of socialist development in existence.

Moscow considers these claims to be heresy. Since the Hungarian rebellion, and especially in connection with the 40th anniversary of the Soviet revolution in November, the Soviet Union has been attempting to recover its stance as the only country qualified to lead the socialist camp. The Soviet leaders therefore cannot allow any Yugoslav pretensions of Marxian superiority to go unanswered. An announcement by Bulgaria that it had progressed so far along the road to Communism would serve as an indirect Soviet answer to the Yugoslav position and a defense of the supremacy of Soviet ideology.

Effects Within the Bloc

A declaration of Bulgarian advancement would, however, pose certain problems within the bloc. It could cause morale problems for party members in the other "orthodox" satellites, especially highly industrialized Czechoslovakia, which has little respect for "backward" Bulgaria and has ambitions of its own. Pronouncements made by the Czechoslovak party's central committee, preparing for a party congress, suggest that Czechoslovakia too is on the "threshold of socialist society."

The Czechs, however, do not expect to meet several of the qualifications until the end of their Second Five-Year Plan in 1960. Thus these claims are not so extensive as

the Bulgarians', although a Czech political commentator recently predicted that Czechoslovakia would "be the second country in the world, after the Soviet Union, to complete the building of a socialist economy, of a socialist order of life." The animosity which would probably be generated in the Czechoslovak party by such a Bulgarian advance might convince the Russians that they should delay their authorization of such a move until it can be coordinated with a similar move by the Czechs.

The position of Communist China also comes into question. The Chinese, however, do not meet the qualifications, and do not seem to be in any hurry to pass into the new stage. They describe their regime as having "essentially" completed the tasks of the transition to socialism, a formula which will probably hold them at least to the end of their present five-year plan in 1962. China thus appears to be in a position similar to, but behind, that of Czechoslovakia.

Internal Consequences

Formal advancement on the socialist ladder would presumably require internal changes. Bulgaria would have to adopt a new constitution, as was the case in the USSR, and would probably have to merge the Agrarian Union into the Communist party and dissolve the Fatherland Front mass organization, since these organizations would be considered superfluous in the new phase. Although constituting a sizable task, these alterations could probably be accomplished without causing excessive difficulty for the regime.

Of a more serious nature would be the relationship of the new Bulgarian Socialist Republic with the USSR. Incorporation into the USSR is an

**SECRET**

**SECRET**

**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**20 March 1958**

extremely unlikely consequence, since such a move would have an adverse psychological effect on the peoples of Eastern Europe and would destroy the propaganda effect the announcement presumably would be intended to create. It seems

more likely that Bulgaria would be allowed to become a prototype of a bloc country outside the USSR arriving at a new stage of socialist development while retaining an approved degree of autonomy.

25X1

\* \* \*

25X1



**SECRET**



**Page Denied**

Next 1 Page(s) In Document Denied

**SECRET**

**CURRENT INTELLIGENCE WEEKLY SUMMARY**

**20 March 1958**



25X1

\* \* \*

**AN ASSESSMENT OF UNESCO**

The increasing political use which the USSR and its satellites have made of the United Nations Educational, Scientific, and Cultural Organization

(UNESCO)--a specialized agency intended at its inception to engage only in nonpolitical activities--has put the organization under a cloud.

**SECRET**

**SECRET**

**CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

UNESCO's vulnerability to Soviet exploitation results primarily from the nature of the agency itself and the differing views of its members regarding its functions. Whereas Western European countries seem to regard UNESCO only as a means for promoting cooperation and contact among intelligentsia, the less developed countries look on the agency as a neutral source of aid and assistance and as a possible bridge between the free world and the Communist bloc.

The USSR has, on occasion, been able to turn the interest in UNESCO as an East-West bridge into propaganda for "peaceful coexistence." It has also benefited from the way UNESCO's organizational structure has permitted it to be dominated by a voting majority of countries which contribute little to its support.

Organization

Final authority over the 79-member organization rests with the General Conference of country representatives which meets every two years to pass on UNESCO programs and other policy matters by a simple majority vote. Its membership differs in a number of respects from that of the UN itself. West Germany and South Korea, not in the UN, have been members since 1951, while the USSR did not join until 1954. Admission of Communist China in place of Nationalist China has been proposed at each conference and is expected to arise again at the next General Conference in Paris in November.

Regular administrative matters are handled by the 1,000-man Secretariat and the Executive

Board, which meets periodically and is composed of 24 representatives elected by the General Conference.

A basic concept of UNESCO since its establishment in 1946 has been maximum reliance on member countries, nongovernmental organizations, and individual citizens for the achievement of its objectives.

The present director general, Luther H. Evans, an American, is up for re-election at the next General Conference.

MEMBERS OF UNESCO				
BY PERCENTAGE OF CONTRIBUTION TO BUDGET				
Represented on UNESCO Executive Board				
<b>MORE THAN 5.0%</b>	United States (31.30%)	Soviet Union (13.11%)	United Kingdom (7.33%)	France (6.35%)
<b>.50 - 5.0%</b>	Argentina Australia Belgium Brazil Canada China	Czechoslovakia Denmark Germany India Italy	Japan Mexico Netherlands Pakistan Poland	Spain Sweden Switzerland Turkey Ukraine
<b>.10 - .50%</b>	Austria Bulgaria Belorussia Ceylon Chile Colombia Cuba Egypt	Ethiopia Finland Greece Hungary Indonesia Iran Iraq	Israel Korea Morocco New Zealand Norway Peru Philippines	Rumania Sudan Thailand Uruguay Venezuela Vietnam Yugoslavia
<b>LESS THAN .10%</b>	Afghanistan Bolivia Burma Cambodia Costa Rica Dominican Republic	Ecuador El Salvador Guatemala Haiti Honduras Jordan	Laos Lebanon Liberia Libya Luxembourg Monaco	Nepal Nicaragua Panama Paraguay Saudi Arabia Syria Tunisia

Members Differing Attitudes

The international reputation of UNESCO in Western Europe and much of the Western world depends to a large extent on its standing as a meeting place for scholars. Delegations to UNESCO meetings and appointments to the Executive Board have been recruited primarily from the ranks of intellectuals who are not necessarily politically minded. Governments of these countries have usually left the administration of UNESCO affairs to their ministries of education and culture.

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

Many of the non-European countries, on the other hand, see UNESCO largely as a source of neutral aid for aspects of their national development programs--such as efforts to abolish illiteracy, standardize textbooks, or provide teacher training. They have not hesitated to use their majority position in the General Conference to push through favorite projects. At the 1956 General Conference in New Delhi, the budget recommended by the director general was increased by \$1,000,000 in a vote of 27 for, 20 against, and 19 abstentions. The 27 votes to increase the budget came from countries that contribute only 15 percent of the total budget.

At both of these conferences, the United States and other Western countries successfully defeated attempts to have the conference call for "peaceful coexistence." However, it has since become apparent that a number of members regard the revised version of the phrase as simply one of terminology and still believe the resolution to be applicable primarily to the differences between the Communist and non-Communist systems. The UNESCO Secretariat has chosen to interpret the resolution in the same manner. In conjunction with several international nongovernmental social science organizations, the Secretariat has promoted a series of professional meetings in which emphasis has been placed on having equal numbers of representatives from the Soviet bloc and the West, regardless of the qualifications of individual representatives.

Soviet Bloc Activities

When the USSR joined UNESCO in April 1954 after an eight-year boycott, its early activity was devoted primarily to trying to make a favorable impression. A definite change in the Soviet attitude was noted in early 1956 with the assignment of V. A. Kemenov, a deputy minister of culture, as permanent representative to UNESCO and the USSR's member of the Executive Board. Kemenov immediately adopted a more aggressive line than his predecessor and has continued to slow down the work of the board with frequent and verbose interventions.

Soviet interventions have been directed primarily to the thesis that UNESCO should take the lead in promoting "peaceful coexistence" and East-West contacts. Although the Executive Board often rejects Soviet proposals, the American representative has pointed out that the USSR by its interventions

As an initial measure, the West will attempt to amend the rules to require a two-thirds majority vote on budget matters at this fall's General Conference. A number of Western countries are also planning changes which will result in closer government control over their representatives at UNESCO.

Political Issues

There has been a tendency for UNESCO to become increasingly involved in international political issues, often in a way that Soviet propaganda can readily exploit.

The 1954 and the 1956 General Conferences called on UNESCO members to make increased use of the social sciences to develop "peaceful cooperation."

**SECRET**

**SECRET**

## CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

successfully gets its viewpoint on the record and, by sheer length of presentation, dwarfs those advanced by other members. Soviet tactics have considerably more success at the General Conference, where the large number of neutralist countries are enamored of the idea of UNESCO. A British official has stated that, at the 1956 conference in New Delhi, "there was more emphasis on Suez, Hungary, and Cyprus than on education, science, and culture.

In accord with the present Soviet line, Hungary hopes to step up its activities in UNESCO, in an effort to regain a measure of acceptance in

international affairs. Such increased activity probably would be directed toward whitewashing the present regime and blaming the revolution on intervention by "Western imperialists."

The Soviet bloc can be expected to continue its present obstructionist tactics in UNESCO and to capitalize on the voting majority in the General Conference held by the underdeveloped countries. Continued introduction of critical political issues at future conferences could lead to serious reversals for the West on such issues as Chinese representation. [REDACTED]

25X1

\* \* \*

## THE SITUATION IN THE PHILIPPINES

Economic drift and political irresponsibility are becoming increasingly evident in the Philippines. Although President Carlos Garcia has made numerous forthright pronouncements regarding the country's economic difficulties and the need for austerity, his administration has so far been uninspired and there has been no vigorous follow-through in implementing corrective measures.

Garcia's announced austerity program is aimed primarily at building up Philippine foreign exchange reserves, which declined rapidly during 1957. With \$200,000,000 considered a safe minimum, Philippine reserves stood at about \$138,000,000 in late December, and much of this was committed for expenditure. An increase to \$150,000,000 by the first week of March is believed to reflect

principally seasonal returns on sugar exports rather than the effects of austerity, and some responsible Philippine officials are predicting a new foreign exchange crisis by June.

The government has continued to yield to pressure to grant exceptions to the tightened exchange and credit restrictions imposed last December. Recently, it has eased cutbacks in foreign exchange allocations for luxury imports and relaxed a ban on bank credit for purchase of real estate and other nonproductive undertakings.

The 1959 budget also casts doubt on the Garcia administration's determination to enforce austerity. The proposed level of expenditures is slightly above that proposed for the present fiscal year and well above the level of actual expenditures so far. The government is

**SECRET**

ILLEGIB

**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

relying heavily on questionable sources of revenue, including proposed foreign bond financing of \$50,000,000.

ed the lifting of all economic controls over a two-year period, while permitting the peso--now pegged at two to the dollar--to seek a free rate. Even Central Bank Governor Miguel Cuaderno, previously the staunchest advocate of a hard-money policy, has declared himself in favor of devaluation if it is accompanied by adequate safeguards.

President Garcia's hesitation to take a stand on the issue, however, creates considerable danger that devaluation may be introduced as a sudden dramatic gesture, or through poorly prepared congressional legislation. Without adequate preparation and controls, devaluation could bring windfall profits to certain export interests, while imposing a new inflationary burden on the already hard-pressed population.

In recent weeks, reports reaching the American Embassy in Manila have indicated generally deteriorating conditions in many rural areas. Shortages of consumer goods are apparent, particularly rice supplies, which have been reduced by drought and by the maneuvers of speculators. Prices have been rising and there are reports of widespread unemployment. Constabulary authorities are citing an increase in crime in many provinces, and further economic decline could lead to serious social unrest.

The prospect for firm legislative action is not promising in the light of Garcia's relations with Congress to date. Control of committee chairmanships by Garcia's followers has provoked considerable discontent, even among members of his own Nacionalista party. One disappointed Nacionalista congressman has attacked the President for failing to carry out Philippine law, and there have been the usual threats of impeachment by the weak Liberal party opposition. The present congressional session appears to be drifting toward the customary last-minute passage of ill-considered legislation.

The longer range economic policies of the government have not yet been spelled out, but there appears to be virtual unanimity among Philippine officials that some form of peso devaluation will soon be necessary. A presidential committee investigating ways to increase export production has recommend-



GARCIA

**SECRET**

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958

President Garcia has made known his desire to visit the United States and his hope of obtaining American economic assistance during such a visit. He is under considerable pressure to revive long-standing Philippine war claims against the United States totaling \$800,000,000 or to obtain a large foreign exchange stabilization loan. The Philippines has already taken steps to increase its borrowing quota with the International Monetary Fund, and has applied for an Export-Import Bank loan to finance construction of a steel mill. The country is also seeking substantial rice imports under US Public Law 480.

On specific foreign policy issues, the uncertainty surrounding Garcia's intention was aggravated by his long delay in confirming the appointment of Foreign Affairs Secretary Felixberto Serrano. The Presi-

dent's appointment as secretary of justice of the anti-American Jesus Barerra.

[redacted] may foreshadow considerable difficulty on the issue of American bases.

On several occasions, Garcia has affirmed his opposition to recurring suggestions that trade relations be opened with the Sino-Soviet bloc.

[redacted] Although he has in the past endorsed an Asia-for-the-Asians foreign policy, Garcia is expected to maintain the basic Philippine Western orientation. Within this framework, however, he may endeavor to bring about a more independent attitude toward the United States and closer ties with non-Communist Asian countries.

25X1

25X1

25X1

25X1

25X1

25X1

25X1

\* \* \*

SUDAN FACING NEW ECONOMIC PROBLEMS

The Sudan faces a need for austerity in its economic policy this year as a result of an extremely small long-staple cotton crop.

[redacted] the 1957-58 crop will total only 256,230 bales compared with a record 560,150 bales the previous season. The Sudan's short-staple (American-type) cotton crop is double last year's, but is still not a major foreign exchange earner.

The management of the Gezira Development Board--the country's major cotton-growing agency--is largely responsible for the present crop shortfall. The insect infestation which damaged the crop could have been averted had the board taken effective preventive measures early in the season. By the time the board decided to use insecticides on a large scale,

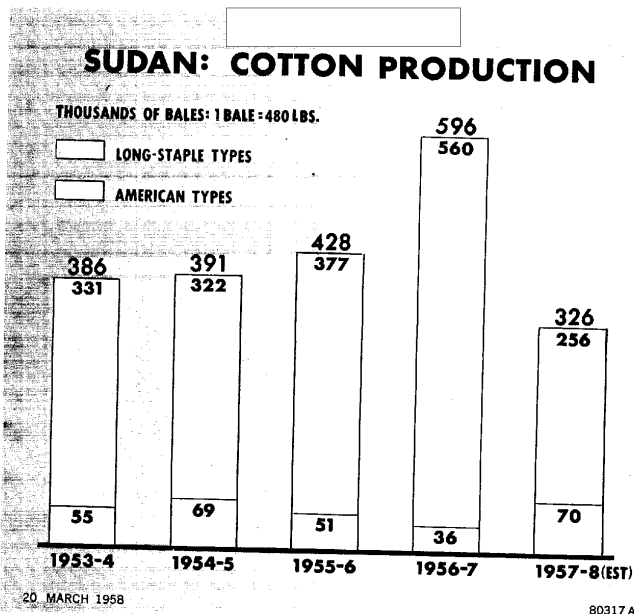
25X1  
25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

20 March 1958



25X1  
 The carry-over will help substantially to make up for this year's shortfall, since total Sudanese long-staple cotton available for this sales season will be only 17 percent below last year. Even if all the available cotton is sold, however, receipts will be \$25,000,000 to \$30,000,000 less than the 1956-57 figure of almost \$59,000,000.

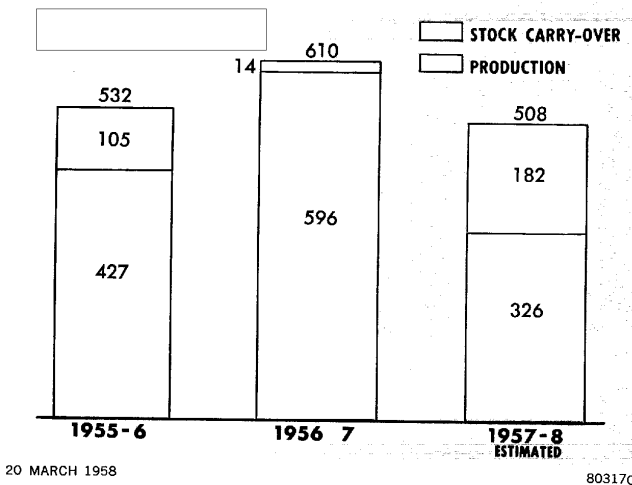
Although the present cotton problem is far from the "national disaster" claimed by Prime Minister Khalil, it will put a crimp in the Sudan's modest development plans and probably further reduce the country's dwindling foreign exchange reserves. The Sudan, almost completely dependent on cotton for its economic well-being, must maintain relatively large foreign exchange reserves to weather the vicissitudes of the international cotton market as well as local natural

the bulk of the damage already had been done.

The board's managing director, Mekki Abbas, was also the architect of the cotton-marketing fiasco last year. He thought his country could force world cotton buyers to pay a high price for Sudanese long-staple since the Communist world had taken the bulk of long-staple Egyptian cotton. His refusal to recognize the basic fallacy of his position--a world oversupply of cotton--resulted in such a loss of sales that the Sudan was forced last fall to reduce the price of its cotton drastically in order to make it competitive. Since the move came late in the 1956-57 marketing season, the country entered the 1957-58 marketing year on 1 March with the largest carry-over stock in its history.

**SUDAN: COTTON SUPPLY POSITION**

(THOUSANDS OF BALES; 1 BALE = 480 LBS.)



25X1

SECRET



**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY**

20 March 1958

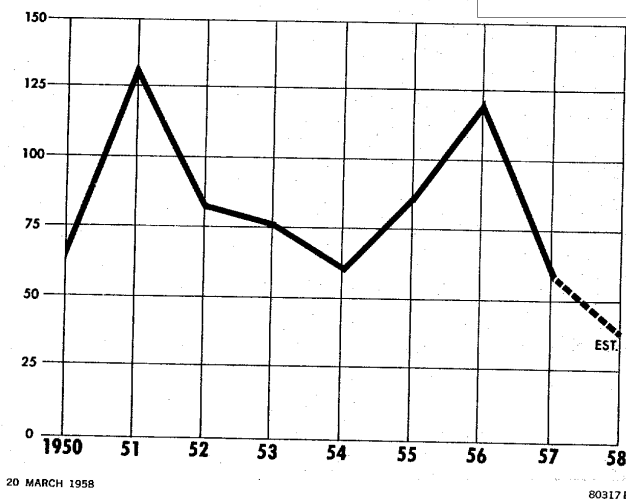
hazards which affect the cotton supply.

In recent years, the declining value of sterling securities--the major form of Sudanese financial reserves--and the shortfall in cotton sales have placed major strains on the country's finances. In 1957, for example, the total net foreign exchange loss amounted to about \$72,087,200--a major deterioration in the foreign exchange reserves. The value of long-staple cotton exports last year was only \$58,876,000 compared with about \$119,931,848 in 1956.

Because of the cyclical pattern of export receipts from long-staple cotton exports, the country faces serious recurrent problems. Failure to market the bulk of this year's salable cotton could cause an economic crisis. The foreign exchange windfall of 1957 resulting from the currency agreement between Egypt and Britain on the one hand and the Sudan on the other will not recur this year. This agreement establishing the Sudan's own currency gave the country about \$51,121,600 in foreign exchange.

Although sales of Sudanese cotton mounted toward the end of 1957 as a result of the government's reduction of the price of cotton, competition from Egypt may place increasing pressures on prices and slow down

**SUDAN: VALUE OF LONG-STAPLE COTTON EXPORTS**  
(MILLIONS OF DOLLARS)



25X1

future sales. Egypt's new currency regulation, for example, probably will reduce the price of Egyptian cotton to Western buyers by as much as 30 percent. These factors and the general oversupply of cotton on the world markets will probably increase the Sudan's problems in disposing of its present crop, relatively small though it is.

Serious economic difficulties arising from the cotton problem could be the occasion for a Soviet offer of aid, as occurred in 1957. The pressure for acceptance would probably exceed that which Khalil successfully resisted last year, and could undermine the pro-Western orientation of the Sudanese Government.

(Concurred in by  
ORR)

25X1

25X1

\* \* \*

**SECRET**

**Page Denied**