

~~CONFIDENTIAL~~
~~SECRET~~

COPY NO. 14

OCI NO. 1783/58

3 April 1958

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 4
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS, S
NEXT REVIEW DATE: 1989
AUTH: HR 70-2
DATE: 7 Aug 79 REVIEWER: 25X1

CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

~~CONFIDENTIAL~~

~~SECRET~~

25X1

25X1

RETURN TO RECORDS CENTER
IMMEDIATELY AFTER USE
JOB 7912/BOX 17

DIA, USAF, State Department review(s) completed.

128513/1

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

Next 7 Page(s) In Document Denied

25X1

25X1

25X1

~~SECRET~~
CONFIDENTIAL**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

PART I**OF IMMEDIATE INTEREST****USSR COUNCIL OF MINISTERS**

Premier Khrushchev has retained virtually intact the previous Soviet Council of Ministers, reinforcing earlier indications that Nikolai Bulganin's demotion from premier to chairman of the State Bank stemmed from his disloyalty to Khrushchev during last June's leadership crisis. Refurbishing of the "inner cabinet" by the appointment of party presidium members Frol Kozlov and Anastas Mikoyan as first deputy chairmen and Iosif Kuzmin, Dmitry Ustinov, Aleksandr Zasyadko, and Alexei Kosygin as deputy chairmen of the Council of Ministers indicates that Khrushchev, while reserving for himself full powers in formulating policies, intends to delegate responsibility for their day-to-day implementation. Bulganin had only four deputies and no first deputies.

The elevation of Mikoyan from deputy to first deputy premier places him in a key position of government responsibility where he will continue to provide much of the behind-the-scenes brain work for Khrushchev. Mikoyan, the cautious Armenian, whose ability for survival in the Soviet leadership is unmatched among the present top leaders, probably would not be considered for a frontman position.

There are some indications that Kozlov, who was transferred from party boss of Leningrad to chairman of the Russian Republic Council of Ministers last December, was being groomed to replace Bulganin as premier, but was designated first deputy when

Khrushchev himself decided to assume the top government job. He nevertheless has clearly been promoted and is presumably in line for the premiership should Khrushchev decide to relinquish it. D. S. Polyansky, former first secretary of the Krasnodar Krai whose career has been spent almost entirely in the party apparatus, replaced Kozlov as premier of the Russian Republic.

Of the four deputy chairmen, apparently only Kuzmin, chairman of Gosplan, will retain a specific ministerial position. Zasyadko, judging by his background as a coal production expert, will probably supervise the heavy industry sector. Kosygin will most likely bear primary responsibility for light industry, while Ustinov will oversee the defense industries. All ministers have been reappointed including Foreign Minister Malinovsky, Defense Minister Matskevich, Culture Minister Mikhailov, and MVD chief Dudorov. The replacement of Aleksandr Domrachev by Konstantin Rudnev as chairman of the State Committee for Defense Technology and the substitution of Bulganin for Vasilii Popov as chairman of Gosbank constitute the only changes among state committee chairmen. General Serov remains as head of the KGB. There were no structural changes in the 19 ministries and the 13 state committees.

The State Planning Committee, the single most important economic agency in the USSR, has had some personnel readjustments

~~SECRET~~**CONFIDENTIAL**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

following general press criticism of its failure to adapt to new conditions resulting from last year's industrial reorganization. Georgy Perov has recently been promoted from deputy to first deputy chairman of Gosplan and Aleksandr Zasyadko was apparently relieved as a

department head in connection with his promotion to a deputy chairman of the Council of Ministers. Three deputy chairmen and three department heads of Gosplan were given ministerial rank. The position of two other earlier identified deputy chairmen is unclear.

25X1

SUSPENSION OF SOVIET NUCLEAR TESTS

Soviet Premier Khrushchev probably expected the unilateral suspension of all nuclear tests announced by Foreign Minister Gromyko to cause confusion, friction, and indecision throughout the Western world. The Soviet move was intended not only to place further American and British tests in the worst possible propaganda light, but also to thwart efforts to strengthen NATO's defenses.

Gromyko made it clear that the suspension of Soviet tests would not be permanent unless Britain and the United States also suspend their tests. Although he did not set any time limit on the suspension, he warned that disarmament would not "continue to be carried out unilaterally by the Soviet Union alone, while the Western powers meanwhile accumulate their armaments." A massive Soviet propaganda attack, already foreshadowed by the note delivered on 28 March protesting the American establishment of a danger zone in the Pacific for testing, can be expected on the American tests to be conducted this spring and summer.

The USSR hopes that in Britain the test suspension will help left-wingers in the Labor party force the party to take

a firm stand against nuclear weapons tests and production instead of merely advocating a temporary test suspension.

In West Germany, Soviet propaganda and diplomacy will seek to strengthen efforts of the Social Democrats to overturn the Bundestag's decision on 25 March to equip West German forces with modern weapons. Gromyko launched a severe attack on the "suicidal policy" of the Adenauer government, which he warned was creating a new obstacle not only to German unification but also to disarmament. Gromyko's words foreshadow an intensified bloc propaganda campaign on this issue.

In France, the Soviet move will give much-needed impetus to the French Communists' campaign against nuclear weapons and missile launching sites.

For the last two years, Moscow has tried to make the test suspension issue the central and overriding problem in all disarmament discussions. This tactic is part of the continuing Soviet effort to establish a distinction between conventional and nuclear weapons in an effort to neutralize the West's nuclear retaliatory capabilities. It is an issue with

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

wide public appeal, which will be increased now that the USSR has suspended tests.

The announcement of test suspension and Gromyko's emphasis on the ease with which nuclear explosions can be detected suggest that if the issue becomes a subject of negotiation the USSR will put pressure on the United States to scale down its inspection requirements. Moscow is likely to urge that no inspection agreement is necessary if Britain and the United States follow the Soviet example. In the case of nuclear test suspension, as in other areas of disarmament, the USSR appears to prefer to take unilateral steps that may force the West to follow suit, rather than to sign agreements that would require any inspection.

The USSR has previously announced troop cutbacks and withdrawals from Germany and might in the future announce a unilateral pledge, contingent on Western willingness to assume a similar obligation, not to use nuclear weapons or not to deploy them and build missile bases in Europe. Gromyko, however, hinted that military countermeasures would be taken in Eastern Europe if West Germany is armed with modern weapons.

Free World Reaction

Most Western European commentators have pointed out the propagandistic nature of the Soviet statement, the absence of provisions for controls, and its timing. Government officials received the announcement with a mixture of caution and skepticism, while opposition parties and press and, in general, the governments and press in the Afro-Asian world were much more willing to accept the Russian move as a sincere step toward relaxation of tensions. In Britain the Laborites called on the government and the United States to follow the Russian lead. The Times, however, declared both nations should first conduct their scheduled series of tests. Prime Minister Macmillan, pointing out the need for tight controls, said he was eager to secure agreement on disarmament but not at the price of endangering British security.

In West Germany the government and virtually all segments of the press welcomed the Soviet announcement provided it is more than a propaganda move. The progovernment press questioned Soviet motives while pro-Socialist papers tended to interpret the announcement as a Soviet concession on the disarmament issue, and called on the US and Britain to renounce testing. Chancellor Adenauer, expressing the government's hope that the proposals would lead to worldwide controlled disarmament, said that, in such a case, implementation of the Bundestag decision to equip the West German Army with atomic weapons would not be necessary.

25X1

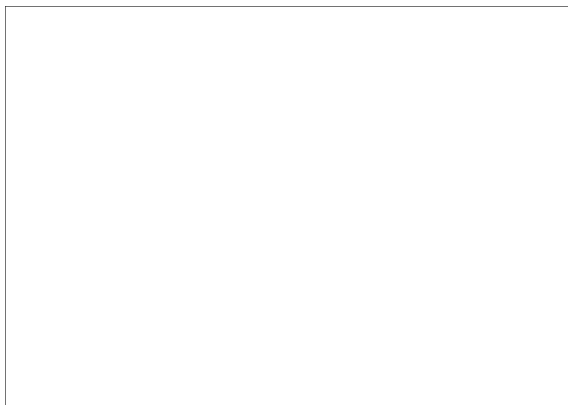
25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

25X1



In France, where most people are favorably disposed toward the idea of French acquisition and testing of weapons, the announcement was received with a good deal of skepticism.

The United Arab Republic welcomed the Soviet decision in an official statement as in harmony with the Bandung conference resolutions and hoped that it might lead to general agreement on ending nuclear tests and the use of nuclear weapons. Newspapers played up Gromyko's call for a similar step by the US and Britain and the West's "suspicion" of the Russian move.

Australian reaction followed the Western European pattern. Foreign Minister Casey publicly

advised caution but declared the announcement to be a move in the right direction if Moscow intends to negotiate a practical disarmament agreement with the West. Opposition leader Evatt warned that the offer should not be distrusted as mere propaganda.

In general, Japanese reaction to the Soviet announcement was enthusiastic. Foreign Minister Fujiyama said the Soviet declaration was "very welcome" and some Japanese officials pointed out that though the proposal had obvious political aims, the US and Britain would lose the support of world opinion if they do not follow the Soviet lead in halting nuclear experiments.

Indian officials called the Soviet move a step toward relaxation of world tension, and Nehru is understood to have welcomed the news. The American arguments in favor of holding nuclear tests as scheduled were denounced and the comment made that though the Russians may be somewhat ahead as a result of their recent tests, the bomb, whether "clean" or "dirty," is unlikely to be used unless a nation faces extinction anyhow.

25X1

MIDDLE EAST DEVELOPMENTS**Israeli-Syrian Border**

Incidents on the Israeli-Syrian border in the vicinity of partially drained Lake Hula seem likely to continue as long as the Israelis insist on conducting construction operations under heavy guard near or inside the Israeli-Syrian demilitarized zone. The area has been the scene of serious incidents on several occasions

in the past because of this kind of Israeli activity; the Arab reaction is the more violent inasmuch as a substantial portion of the land in the Israeli-controlled demilitarized zone is claimed to be Arab property.

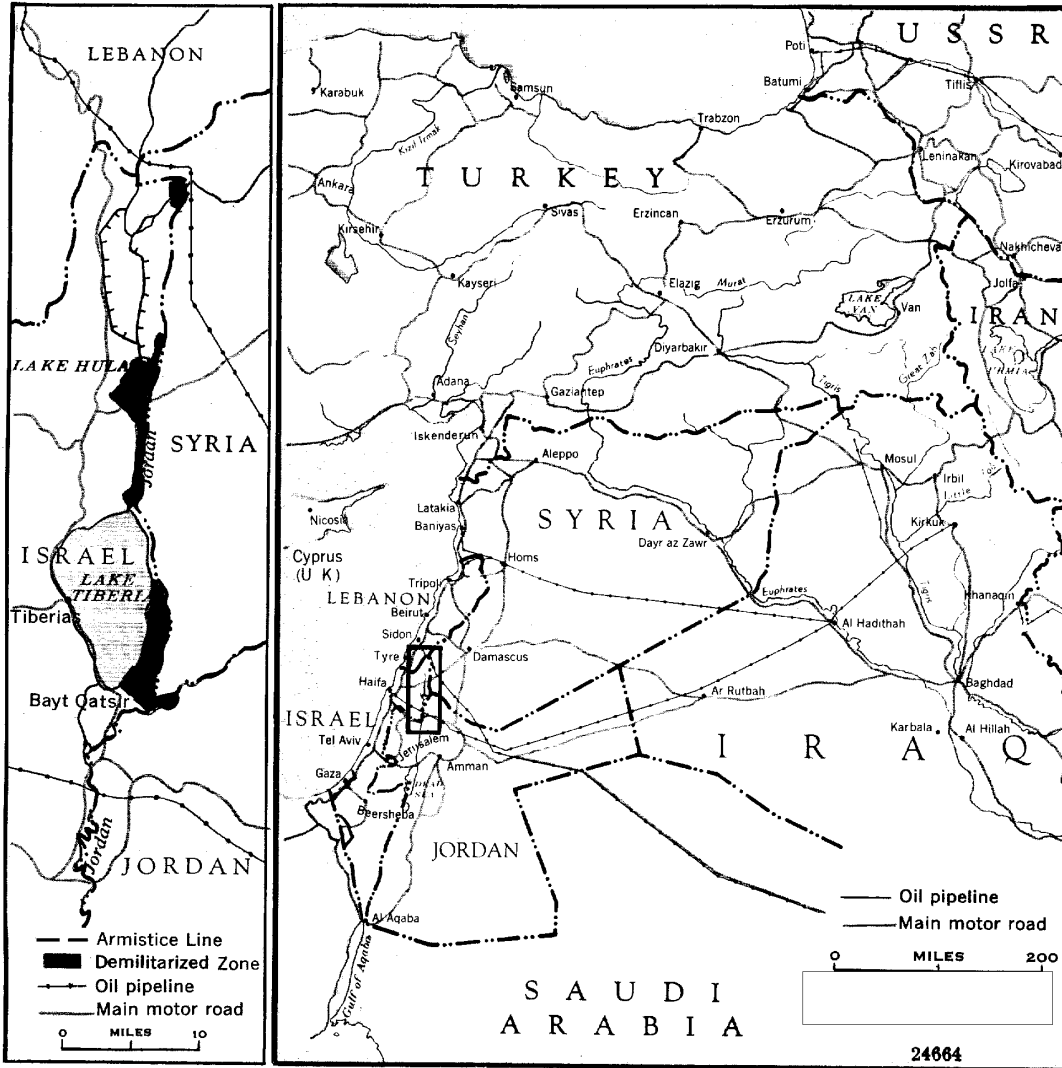
While the Israelis are in a sense testing the reaction of the United Arab Republic, they are probably reluctant to push

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958



25X1

matters very far at this time, since prolonged violence might frighten away the tourists the Israeli Government expects during the country's celebration of its tenth anniversary of independence. Israeli forces in the area nevertheless have been reinforced, and the government has stated it is determined to maintain its "right" to conduct civilian operations of this kind.

The Nasir regime's reaction to these incidents has been to take a strong propaganda line domestically, exaggerating the number of Israeli casualties, to let other governments know that it takes a "very serious view" of the developments, and to make an appeal to the UN. Cairo has withheld for the moment, however, the request for a meeting of the UN Security Council which it

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

publicly announced it would make.

Saudi Arabia

A recrudescence of activity on the Arab-Israeli border seems likely to have an impact on the situation in Saudi Arabia. So far, Crown Prince Faysal appears to be moving cautiously in exercising his powers, but his bitterness toward Israel remains intense and this could lead the Saudi Government to play a more active role in the Arabs' anti-Israeli activity. The 30-to-31 vote of the Geneva Law of the Sea Conference, which in effect supported Israel's contention that it has a right to use the Gulf of Aqaba even though the whole gulf might be claimed as Arab territorial waters, might also stir the Saudis into some gesture of defiance. Nasir has long sought to encourage the Saudis into an act of this kind, which presumably would help bring them under his own influence by leading them to seek his help.



25X6

Lebanon

Lebanese President Chamoun has not yet announced his intentions on running for the presidency again, but is intensifying his maneuvers to feel out the opposition and assess the strength of his support. He apparently is assured of sufficient strength in the Lebanese Parliament to be able to change the constitution to permit himself to be re-elected. However, the opposition is relying more heavily on force, particularly the instigation of civil disorder with its implied threat of civil war, to intimidate the President's supporters and press him to abandon the idea of a second term.

Clashes between demonstrators and police in the heavily Moslem town of Tyre this week have been taken as the kind of manifestation Chamoun's opponents, with Egyptian and Syrian help, may be prepared to incite. Lebanese security chiefs continue to take a gloomy view of the chances of maintaining order if Chamoun decides to run, and the President apparently has not yet obtained clear assurances from General Shihab, commander of the army, that the military would step in forcefully in order to support Chamoun. The opposition seems to be counting on Shihab's playing a more neutral role, and, in the event of widespread disorder, stepping in to maintain an interim government as he did in somewhat similar circumstances in 1952.

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

INDONESIA

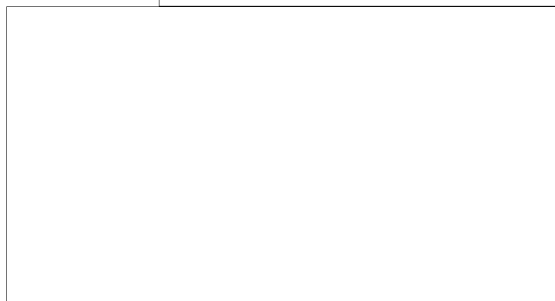
25X1

The westward overland drive of the Indonesian Government forces in Central Sumatra toward the rebel centers of Padang and Bukittinggi has slowed somewhat because of supply difficulties, rugged terrain, and the increased dissident resistance. The furthest points reached at last report were Bangkinang on the Pekanbaru-Bukittinggi road, which was occupied on 28 March, and Sungai Langsat on the road linking Padang and South Sumatra, about 29 March. The lull in activity may also have been imposed to give the Indonesian Air Force an opportunity for aircraft maintenance and for preparing paratroops for further action.



In Padang and Bukittinggi, dissident leaders are dealing with a counterrevolution within their own ranks and have arrested several officials and fired others.

25X1

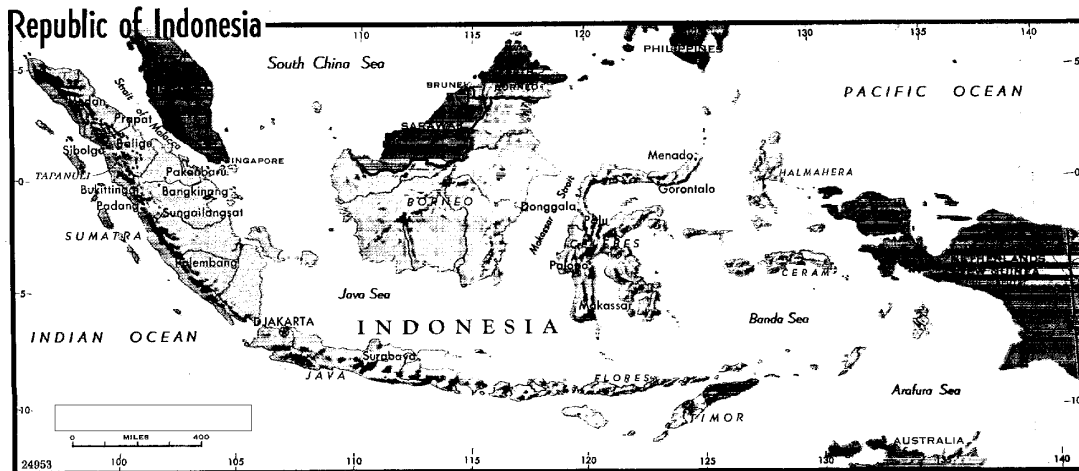


25X1

Indications of activity on the Tapanuli border in North Sumatra have been reported. Government troops are reported grouping in and around Prapat and dissidents around Balige. The local commander in Tapanuli has so far insisted that he is neutral. He has, however, permitted dissident troops to enter his command and apparently to recruit additional forces there.

The revolutionary government is also encountering some reluctance among officers of the local Mobile Brigade;

25X1



25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

they are willing to perform police duties but refuse to defend positions against an attack by Djakarta forces.

The American army attaché has been informed that an all-out offensive against Padang and Bukittinggi, including air drops, will begin about 8 April.

Djakarta forces, on the west-central coast of Celebes, reinforced by sea with two battalions, on 2 April reoccupied

two towns in North Celebes--
Donggala and Palu.



25X1

* * *

SECRET

CONFIDENTIAL**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

PART II**NOTES AND COMMENTS****NASIR'S TRIP TO THE USSR**

UAR President Nasir is to visit the USSR the last week in April for about two weeks. His trip may set the stage for a return visit to Cairo by Khrushchev.

While Nasir is in the Soviet Union--he is scheduled to attend the May Day parade and to tour places as far afield as Tashkent--the Soviet leaders can be expected to use the visit to demonstrate the USSR's strong support for Nasir's brand of Arab nationalism and neutralism. Khrushchev probably will also take great pains to try to remove Nasir's suspicions of ultimate Soviet aims in the Middle East. Nasir himself is reported to desire a discussion of the basic Soviet stand on the area and to talk about the Palestine problem in particular.

The Soviet leaders may seek to send Nasir home with various

aid offers of high propaganda value even if they contain nothing essentially new. While Nasir presumably does not want to increase Egypt's already heavy dependence on Soviet aid, economic pressures, especially Egypt's critical foreign exchange shortage, are likely to lead him to try to make some kind of deal to obtain hard currencies for Egyptian cotton.

Nasir will be vulnerable to Soviet persuasion and pressure in that he apparently feels he must balance the suppression of Communist elements in Syria--a "pro-Western" move in his vocabulary--with a pro-Soviet gesture. He probably also feels under some pressure in his new position as head of the UAR, and may well wish to come home with some seemingly spectacular success for the UAR in its first major foreign policy venture outside the Arab area.

25X1

25X1

SOVIET ECONOMIC AID PROGRAM IN EGYPT AND SYRIA

The USSR is beginning to implement the program called for by the economic aid agreements signed with Egypt and Syria in late 1957. Teams of Soviet specialists and technicians began arriving in these areas during March.

The agreements, which provide for the first Soviet economic assistance loans to Syria and Egypt, may be adjusted and coordinated in the name of the United Arab Republic during Nasir's forthcoming visit to Moscow. The USSR probably would

be willing to make the necessary readjustments.

The head of the Soviet Directorate for Manpower and Technical Instruction arrived in Cairo on 26 March with eight assistants to discuss implementation of an instruction program to be set up under the Soviet-Egyptian economic and technical cooperation agreement. This agreement, concluded in November 1957, established a \$175,000,000 low-interest line of credit repayable over a 12-year period.

~~SECRET~~**CONFIDENTIAL**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

Some 40 contracts have already been signed under this agreement for construction of spinning mills, delivery of machinery and equipment, and other projects essential to the Egyptian Five-Year Plan. The agreement specified that Soviet technicians were not mandatory, but some specialists have already arrived in Egypt.

The first of the Soviet missions provided for under the Soviet-Syrian \$168,000,000 aid agreement concluded in October 1957 began arriving in

Syria on 23 March. At least 50 Soviet economic specialists have arrived since that time. A topographical mission of 22 experts with four aircraft will conduct a mineral and oil survey. Another mission consisting of irrigation, power, and dam experts arrived shortly thereafter. Additional Soviet experts are expected to investigate transportation facilities, another major economic area to be developed with Soviet assistance.

25X1
25X1**PEIPING'S FOREIGN AID ACTIVITIES IN SOUTH AND SOUTHEAST ASIA**

Communist China's latest venture in the foreign aid field is a \$20,000,000 loan to Indonesia. Under the loan Peiping is shipping rice and textiles worth \$15,000,000 for sale in Indonesia, the proceeds to be used to finance the local construction costs of a textile factory. With the remainder of the loan, the Chinese have agreed to supply textile machinery to equip this plant. Indonesia will repay the loan by exports to China over a ten-year period. If this arrangement proves successful, it may prompt other Asian countries to arrange for similar loans from China, as this program largely overcomes the underdeveloped areas' lack of domestic funds for economic development projects.

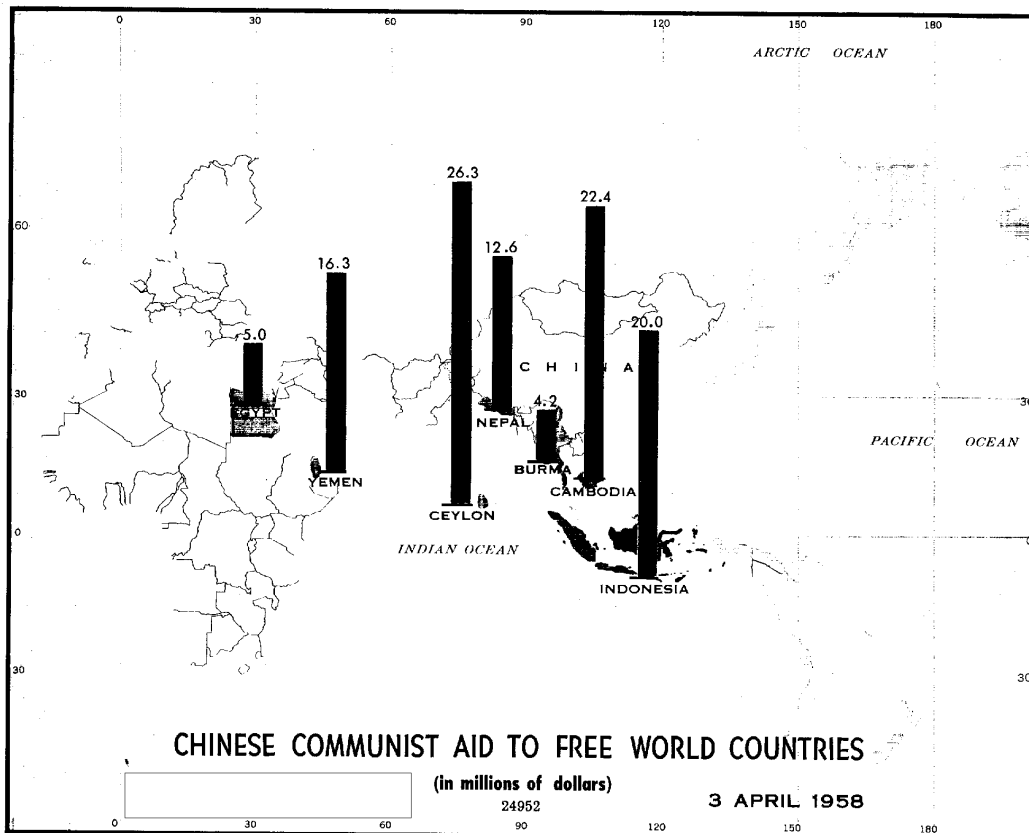
The Indonesian loan meets China's short- and long-range goals of quickly introducing Chinese goods into local markets, and, through repayment provisions, assures the development of future trade relations.

During 1957 Peiping's foreign aid program cost about

\$185,000,000, and a similar amount--equivalent to 3.7 percent of China's total planned expenditures--has been budgeted for 1958. At least 25 percent of this will be used to fulfill China's agreements with South and Southeast Asian countries. This year for the first time China's economic aid to free-world nations will include shipments of Chinese equipment.

Under its new loan program, initiated in December 1957, China has already concluded four agreements, including the loan to Indonesia. Burma is to receive \$4,200,000 worth of machinery for a textile factory, and Ceylon is to get economic assistance worth \$10,500,000 for flood rehabilitation. In its first moves to support the bloc's economic offensive outside its own area of major interest in South and Southeast Asia, Peiping gave Egypt \$5,000,000 in foreign exchange following the Suez crisis and concluded a \$16,300,000 interest-free loan with Yemen in January 1958 for Chinese heavy machinery and technical assistance.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****3 April 1958**

China's first aid offers to the free world in 1956 were limited to grants. Both Cambodia and Nepal received gifts of \$22,400,000 and \$12,600,000 respectively. Cambodia is receiving this aid in the form of Chinese goods worth \$13,000,000 to create counterpart funds for Cambodian construction projects. Although Cambodian consumers have shown reluctance to purchase some of these goods, the Cambodian Government, eager to secure revenues, has engaged in a campaign to increase their consumption.

Nepal in 1957 and 1958 has received \$4,200,000 in rupees which China secured from its favorable trade balance with India, and during the next two years China will deliver the remainder in goods. In 1958, China will also make its first delivery of consumer goods to Ceylon under a \$15,750,000 five-year grant to assist in the financing of Ceylon's rubber replanting program. (Prepared by ORR)

25X1

SOVIET PROGRAM FOR CONSUMER WIDENED

A Soviet decree on 19 March calling for an increase in the output and improvement in the quality of children's clothing

and footwear within two years is the first step in carrying out the goal, announced by Khrushchev in his 40th

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

anniversary speech, of providing "sufficient" clothing and footwear for the Soviet population within five to seven years. A larger program for reaching this goal may follow, placing the clothing program in step with the meat and milk, and housing programs.

Judging from his 15-year forecast of footwear output in the above speech, however, any effort to match the United States in per capita output must extend well beyond seven years. Khrushchev stated that, according to preliminary estimates, Soviet output of leather footwear will reach a level of from 600,000,000 to 700,000,000 pairs in 15 years. On the basis of the present rate of population increase, this would amount to 2.5 pairs per person, still below the 1957 American output of three pairs per capita.

The five- to seven-year program was announced at a time when output of clothing and footwear was falling well below the increases required to meet the original 1960 goals. Output of clothing in 1957 may even have declined from the 1956 level. Announcement of both this program and the decree on children's clothing therefore serves also to divert public attention from the present situation.

The three programs--meat and milk, housing, and clothing and footwear--were being discussed at the time of the 20th party congress early in 1956. At that time Soviet planner

Saburov said informally that the USSR could match the United States in food consumption in three years and clothing in seven years. He added that the housing shortage could be overcome in ten years. Although these claims were not presented as goals for the Sixth Five-Year Plan (1956-60), steps have since been taken to carry out certain features of them. The meat and milk program was launched in the spring of 1957 and the 10-12 year housing program initiated in the fall of 1957.

Official statements on the forthcoming Seven-Year Plan (1959-65) emphasize clothing, and it is likely that the plan, when announced, will place more emphasis on light industry. This may already have been decided on, and a two-phase program worked out with children's clothing to be improved first--possibly at the expense of adult clothing. This would be followed by the second phase aimed at "satisfying" the demands of the entire population by the end of the Seventh Five-Year Plan (1961-1965).

The long-range success of the clothing and footwear program will depend on the measure of success achieved in the expansion of agriculture and of the artificial and synthetic fiber and leather branches of the chemical industry, marked for expansion under the 1958 and 1959-65 plans, and on the availability of new, modern production equipment. Further aid may also come from increased imports of raw materials from underdeveloped countries.

(Prepared by ORR) 25X1

MASSIVE SOVIET SUBTERRANEAN EXPLOSIONS

Four underground detonations of large amounts of high explosives have been announced by the Soviet press

The first three occurred in China during 1956

USAF 25X1

USAF 25X1

SECRET

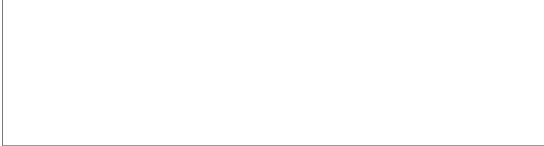
SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

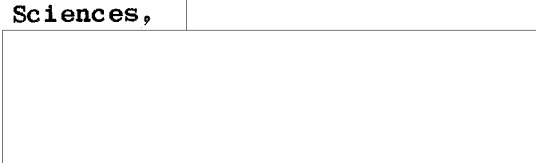
3 April 1958

25X1 USAF

In August 1957, a Soviet publication reported the use of 1,640, 4,000, and 9,200 tons of high explosives to open a large pit mine near Lanchou in Kansu Province, Communist China, in July, November, and December 1956. The work was carried out by engineers of the All-Union Office for Explosions. The publication noted that other explosions had been set off to open a deep cut for a rail line being built between Paochi and Chengtu and that a mountain ridge had been cut through twice by "gigantic blasts" on the course of the same railroad.



Between 22 December 1957 and 9 February 1958, four separate Soviet news media reported the "recent" underground detonation of 1,000 tons of high explosives in a cell or chamber 140 feet underground near Tagansai, northwest of Tashkent, in the Uzbek SSR. It was alleged to have been the latest of a series of such experiments conducted by the Soviet Academy of Sciences,



25X1
25X1

25X1

25X1
USAF



SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

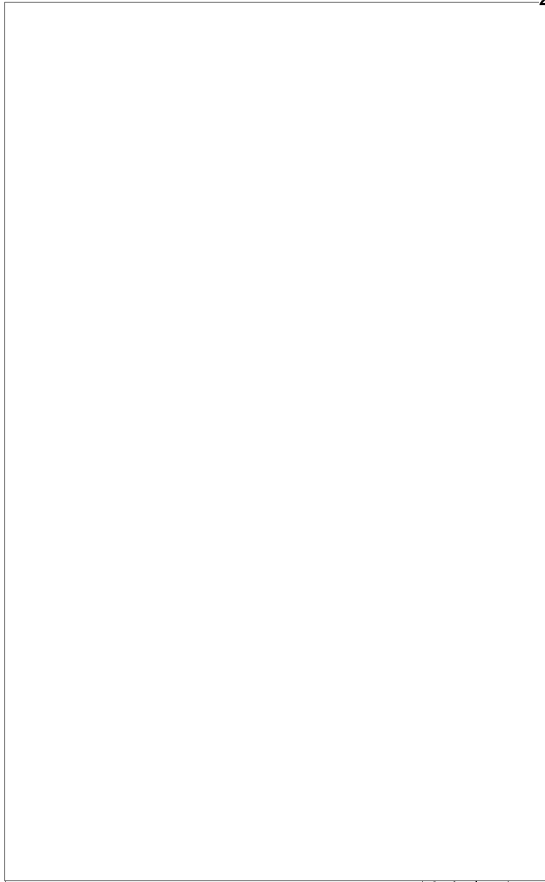
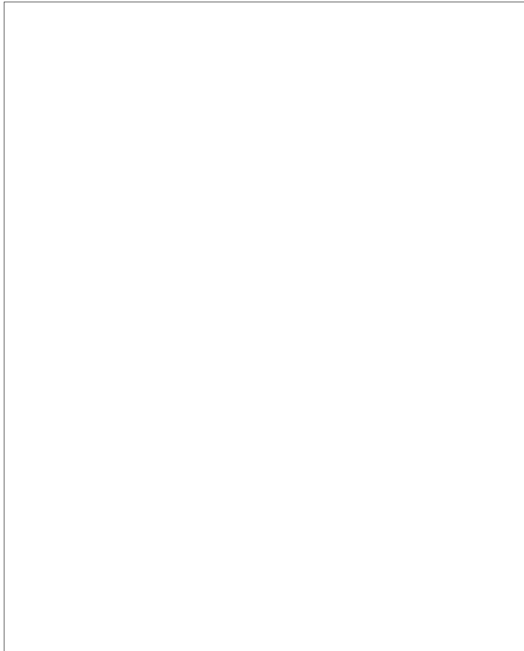
3 April 1958

25X1



of even greater amounts of high explosives. They referred specifically to a detonation of 30,000 tons of explosives in 1959 to widen the bed of the Angara River and thus increase the flow of water into the Bratsk hydroelectric project reservoir.

25X1



25X1
USAF

The USSR has announced it will continue using high-explosive underground charges. The report of the blasting operations in China stated that still more powerful explosions would open a large ore mine in Kazakhstan, and all the articles on the Tagansai explosion claimed that the information gained there would be applied to the use

(Prepared by OSI; Concurred in by ORR) 25X1

SOVIET TROOP WITHDRAWALS IN EASTERN EUROPE

The USSR apparently has almost completed the troop withdrawals from East Germany and Hungary that it announced in January. Completion of the announced withdrawals would leave 20 line division in East

Germany, and more than twice as many Soviet troops in Hungary as were there prior to the 1956 revolt.

In East Germany, all but one of the ten departure ceremonies

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

scheduled between 27 February and 10 April have taken place. Only a few hundred troops and small quantities of equipment have been involved in these ceremonies, but the number of trains which have departed has been more than sufficient to transport the 41,000 men the USSR announced would be withdrawn. An uneven loading of the trains with men, equipment, and personal effects and a redistribution of equipment within the Group of Soviet Forces in Germany (GSFG) make an accurate survey impossible. No complete tactical unit has been withdrawn from Germany.

A reorganization of Soviet forces in Germany in the past year reduces the impact of the

withdrawals. Also, only trained Soviet personnel will be sent to Germany in the future whereas formerly one third of the personnel in the GSFG at any one time consisted of raw recruits. The withdrawal, moreover, would still leave over 300,000 Soviet troops in Germany.

In Hungary, Soviet troops have been withdrawn from at least two towns and departure ceremonies have taken place in five others. Western observers have stated that complete withdrawal from all of these towns would account for most of the announced 17,000 reduction in Soviet forces. Prior to the revolt in the fall of 1956, two Soviet line divisions were located in Hungary. 25X1

BELGRADE SHOWS INCREASING PARTIALITY TO BLOC FOREIGN POLICIES

The Yugoslav press, for the present at least, has abandoned its position of impartiality on questions of East-West negotiations, even though Yugoslav officials may still attempt to define Belgrade's international position as uncommitted. Belgrade may be responding to the friendly treatment accorded it by the Soviet press and radio after virtual silence since November which had annoyed the Yugoslavs. Tito may hope that if he increases his support, the bloc will be less inclined to condemn his ideological differences with the Soviet camp which perhaps prompted his talks with Hungary's Kadar last week.

Moscow's treatment of Yugoslavia possibly resulted from Tito's complaint in a speech on

16 March that Soviet propaganda was ignoring Yugoslavia. Moscow has since emphasized Yugoslavia's devotion to peace and agreement with Soviet policy on international issues such as disarmament and a summit conference. It summarized the foreign-policy aspects of Tito's speech approvingly and commented favorably on the Yugoslav elections--even congratulating Belgrade on the results.

In supporting Soviet policy, Belgrade has been vituperative on the subject of the establishment of rocket bases in NATO countries and nuclear armament for West Germany. Almost the only comment on the possible establishment of Soviet rocket bases in the Warsaw Pact area, however, has been a notation

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

that the USSR would probably abandon this idea if the West canceled its plans.

The West Germans are now the chief Yugoslav target. Most editorials depict German militarism as again threatening the world. The American Embassy in Belgrade believes the Yugoslavs may plan to take the issue of West Germany's nuclear armament before the UN. In addition to genuine anxiety regarding resurgent German military strength, the Yugoslavs would probably regard their move as more likely to gain them increased international prestige than the issue of rocket bases in Italy which they nevertheless continue to emphasize in their press. Likewise, Tito may hope that his involvement with Bonn on this issue will lead to an invitation to a summit meeting.

While the Yugoslavs may feel some concern over the centralization of Khrushchev's power, Tito lost no time in congratulating him on his election. At the same time, he alluded to Yugoslav independence from the Soviet bloc by calling for con-

tinuing cooperation between Yugoslavia and the USSR. The Yugoslavs also promptly supported Gromyko's announcement that the USSR was discontinuing nuclear testing. A Yugoslav spokesman declared that "a negative reaction to this decision or refusal for motives of distrust would not be in the interest of peace."

Tito undoubtedly is concerned over how the Sino-Soviet bloc will treat Yugoslavia's forthcoming party congress and its controversial program. He may have hoped to gain some indication of the bloc's intentions by accepting Hungarian party leader Kadar's long-standing invitation for a meeting.

Likewise the announcement at this time that Tito will make a return visit to Polish party leader Gomulka this spring appears to be a further attempt to elicit a favorable reaction from the bloc to the Yugoslav congress. Tito is aware of continuing Soviet suspicions regarding Yugoslav influence in Poland.

25X1

OPPOSITION TO POLAND'S NEW ECONOMIC PATTERN OVERCOME

After protracted indecision and some compromise with the Polish regime's more conservative economists, party leader Gomulka has given the go-ahead to the liberal economists who favor a radical reorganization of the country's economy. The first stage of the reorganization plan was approved by the 11th party plenum in February and parliament moved quickly to implement it; the party now has announced it intends to proceed in 1959 with further liberal economic measures. While some leaders who remain opposed to

the moves have lost their posts, other former critics have publicly declared their support.

Although the basic reorganization was forecast at the party's eighth plenum in October 1956, it was not acted on until the 11th plenum at the end of February 1958. Conservative regime economists had blocked earlier adoption of the program, which they considered ideological deviation as well as a dangerous experiment at a time of extreme economic strain. Liberal economists, however,

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

argued that the only cure for Poland's economic ills was a drastic overhaul, an argument that became more convincing as stopgap measures failed to improve the situation.

The details of the industrial decentralization plan were published on 11 February in Trybuna Ludu, the party newspaper. Although there was evidence that the plan was an accommodation in part to the conservatives, it nonetheless provided for significant decentralization and liberalization in industrial management. The structural reorganization, which is to be completed during 1958, will grant greater powers to the industrial enterprises themselves.

One of the steps already taken in the reorganization--the reduction of overstaffing in industry--was launched with considerable propaganda at the party's 11th plenum. The campaign to justify this step was necessary to combat both fear of the resultant unemployment and an anticipated tendency on the part of enterprises to undermine the move.

The party theoretical journal, Nowe Drogi, explained in March that the 11th plenum discussed only the tasks to be completed in 1958 and did not take

up the second and third stages of the economic reorganization. The second stage--price and wage reform--is to be accomplished in 1959. The third step to be taken envisages the promotion of economic competition among state and private enterprises, which would force weak economic units to make profits or go out of business.

The long delay in carrying out this basic economic reorganization indicates the intensity of the controversy over the plan within the party. Gomulka not only has secured central committee approval for the first stage, which was the most unpopular, but he has placed the party on notice that its approval for later stages will be expected. The rapid implementation of the first stage of the plan, as well as the support publicly accorded it by its former critics, constitutes a victory for Gomulka in achieving unity within his faction-ridden party. The thoroughness with which the regime is able to carry out the dismissal of surplus workers, a potential source of industrial unrest, will be a measure of Gomulka's ability to command the support of medium-level functionaries on whom he must depend for the execution of his programs. [redacted]

(Concurred in by ORR)

25X1

25X1

OUTER MONGOLIA'S PARTY CONGRESS REVEALS INTERNAL PROBLEMS

The Mongolian People's Revolutionary (Communist) party held its first congress since November 1954 in Ulan Bator between 17 and 22 March. First Secretary Dashin Damba dominated the proceedings and showed himself to be in control of the party's organization. Premier

Tsedenbal outlined a new three-year state plan (1958-1960) directed at halting a serious drop in the number of livestock and increasing centralized control over the herds. Certain segments of the Mongolian intelligentsia were sharply warned against revisionism and told

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

that steps would be taken to eradicate such tendencies.

The high-level character of the delegations from other Communist countries attending the congress reflects a plan to enhance Outer Mongolia's international standing as a sovereign state. In contrast to the low-level party official who headed the Soviet delegation in 1954, this year's chief Soviet delegate was Nikolai Ignatov, a full member of the Soviet party presidium. Ignatov termed Mongolia an equal member of the commonwealth of Communist countries and hailed it as an example to Asia and Africa of a backward state which, with the aid of more advanced countries, was bypassing capitalism in progressing toward socialism.

Damba outlined the party's goals for the future. He attacked Choibalsan, Stalin-like leader of Outer Mongolia from 1932 until his death in 1952, as having been an object of exaggerated praise, adding that the personality cult surrounding him had led to flagrant violations of "revolutionary legality" and a downgrading of the role of the party. This was the first time Choibalsan had been attacked by name, and, while Damba advocated collective leadership, the attack in itself reflects his own authority and stature.

Both Damba and Tsedenbal praised the country's economic

successes, but their figures on livestock herding, the basic element in the Mongolian economy, disclose another picture. The number of cattle declined by 1,100,000 in 1956-57, and the regime failed to reach its goal for 1953-57 by almost

25X1

OUTER MONGOLIAN POLITBURO
MARCH 1958

POLITBURO
FULL MEMBERS

Damba, First Secretary	Chairman, Presidium
Surunjab, Second Secretary	Chairman, Council of Ministers (Premier)
Tsedenbal	Deputy Chairman, Council of Ministers;
Damdin	Minister of Industry
Dugersurun	Deputy Chairman, Presidium
Sambu	First Deputy Chairman, Council of Ministers;
Baljinyam	Chairman, State Planning Commission
Lhamzhin	
Tsende	

GOVERNMENT
POSITION

CANDIDATE MEMBERS

Samdan	
Tumur-Ochir	
Balgan	
Zhagvaral	Deputy Chairman, Council of Ministers;
	Minister of Agriculture
Molomjamts	Deputy Chairman, Council of Ministers

Members of party secretariat

3 APRIL 1958

80402

4,000,000. Damba urged individual stockbreeders, who comprise 65 percent of the herders, to join agriculture unions, but maintained that cooperative herding would be established "on a purely voluntary basis."

Damba accused certain elements of the intelligentsia of expressing opinions alien to party policy, questioning the benefits of economic relations with the Soviet Union, and undervaluing the role of the working class in a people's democracy. Damba declared that revisionism is the main deviation threatening the Communist movement and asserted that all such tendencies in Mongolia would be eradicated.

(Concurred in by 25X1
ORR)

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

CYPRUS

Explosions and armed attacks marked 1 April, anniversary date of the campaign of violence by EOKA, the Greek underground organization, which began in 1955 and ended in March 1957. The renewed violence which began four weeks ago continues to be restricted to government installations; however, and British personnel apparently remain immune.

The renewed sabotage coincided with initiation of a passive resistance campaign among Greek Cypriots. Despite EOKA threats that it would enforce a boycott of British goods, this campaign has not been particularly successful except in a few nationalist centers.

Growing tension in the Greek Cypriot community over failure to advance toward a Cyprus settlement was somewhat dissipated by Governor Foot's decision to permit processions on Greek Independence Day--25 March. No serious incidents were reported in the separate demonstrations held by left- and right-wing Greek Cypriots.

In Greece, where national elections are now scheduled for 11 May, the handling of the Cyprus problem during the past two years by the government of former Premier Karamanlis will certainly be a major campaign

issue. Archbishop Makarios, still in exile in Athens, recently renewed his demand that Britain negotiate a settlement directly with the Cypriots and warned that unless resolved soon, the Cyprus issue would again be placed on the agenda of the General Assembly.

Both London and the colonial government in Nicosia apparently feel the Cyprus problem must be solved soon because of the desire of the British people to rid themselves of the issue, the relatively conciliatory attitude of the Greek Government at this time, and the danger that relations with the Turks will deteriorate further.

25X1
25X1

Turkish Cypriots and much of the press in Turkey have grown increasingly hostile to Governor Foot since British security forces killed several Turkish Cypriots in suppressing Turkish riots in January. Foot's action in permitting the 25 March processions has given further impetus to this hostility.

25X1

AFRICAN NATIONALISTS STRENGTHEN POSITION IN KENYA

The sweeping electoral victories won in March by African Nationalists in Kenya pledged to the revision of the recently imposed constitution foreshadow an increase in political and racial tension in this British crown colony. Although the leadership of Tom Mboya, the

most prominent African leader, has recently been repudiated by other African politicians, the unity of the Africans in dealing with the Kenya Government is probably not endangered.

The eight African legislators, who received an impressive

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

vote of confidence from the African electorate when candidates supported by them won the six new African seats, refused to participate in the government last year because the African community had not been given enough legislative seats. The two leading candidates, one of whom is an American-educated instructor at the local Royal Technical College, scored overwhelming victories despite the opposition of the Kenya administration. Both men promised to help "smash" the recently imposed Lennox-Boyd constitution which does not satisfy African political demands and continues European control in Kenya. They demand universal suffrage, strictly limited immigration, and removal of European privi-

will almost certainly not find widespread support in Britain. The Conservative government supports the constitution which it imposed last fall, and Labor party representatives have told the Africans to cooperate with the government if they expect any redress of grievances.

Tom Mboya, secretary of the Kenya Federation of Labor and leading African spokesman since March 1957, was recently successfully challenged by other African leaders while he was out of the country in Ghana. They ousted him from his position as leader of the elected African members of the legislative council. There does not appear to be any split, however, in the Africans' ranks over their noncooperation with the Kenya Government.

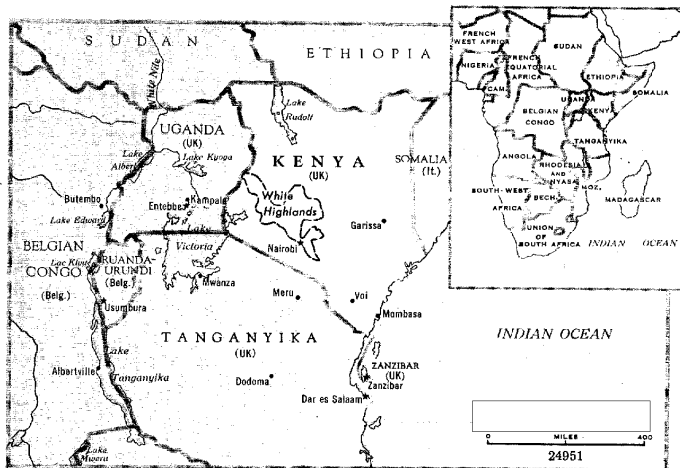
Mboya, who still appears to be the most promising of the African leaders, is planning to start an independent African newspaper and to assume open leadership of the People's Convention party (PCP).

Despite Kenya's law against colony-wide African parties, Mboya

25X1

apparently hopes to transform the PCP, a relatively strong political organization restricted to the Nairobi area, into a national organization. For the present he will probably avoid any overt organic ties between district branches and thus avoid violating the Kenya law. Mboya is likely to use weapons such as strikes, boycotts, and passive resistance, but will probably avoid, at least for the foreseeable future, the use of violence to secure concessions from the European settlers and Kenya administration.

25X1



leges, including exclusive rights in the fertile "White Highlands" agricultural area.

The victory of the nationalists is likely to intensify their opposition to Kenya's present form of government which gives the 60,000 Europeans a disproportionate influence to that of the African population of about six million, but probably does not presage a return to the violence of the Mau Mau period.

The African campaign for further political advancement

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

WEST INDIES FEDERATION FACES INSTABILITY

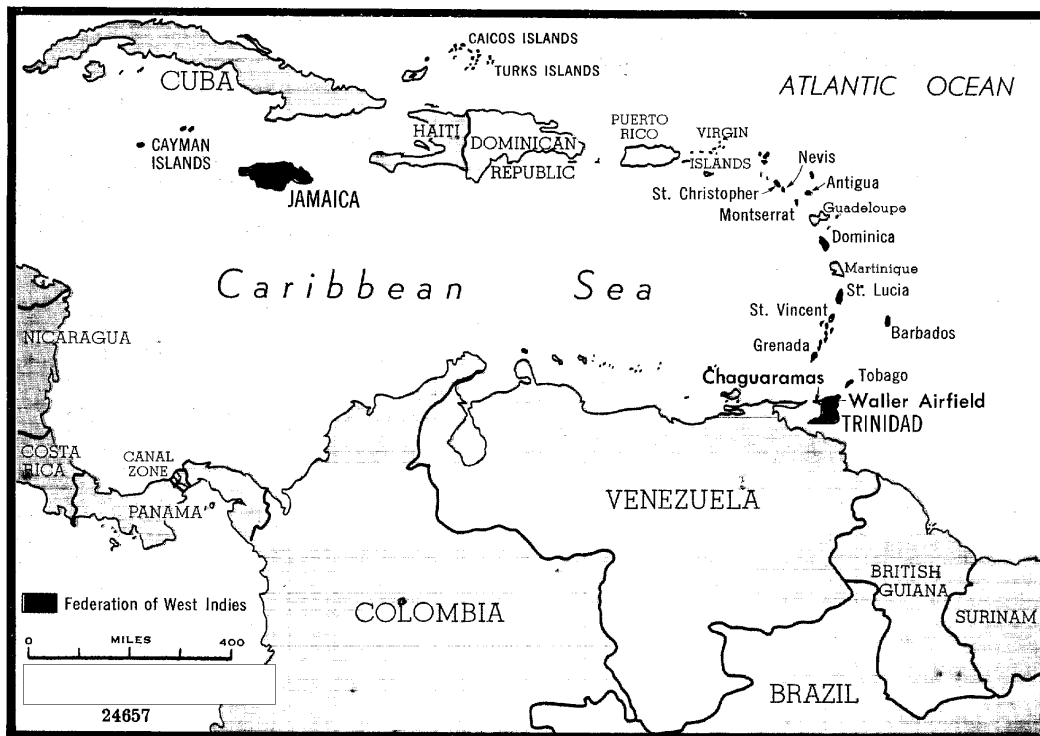
The narrow margin of victory gained by the Federal Labor party (FLP) on 25 March will slow development of the new West Indies Federation's cohesiveness and may result in new elections soon after the formal inauguration of the federation on 22 April, which will be attended by Princess Margaret.

The FLP has 23 seats plus one additional supporter, compared with 21 for the Democratic Labor party (DLP) following the tentative switch to the DLP of two Grenada representatives elected under the FLP. Further hard bargaining by the small affiliates of the major parties could alter this margin even before the inauguration.

If the present line-up is maintained, Barbados' Sir Grantley Adams will become prime min-

ister. The FLP's prospects for running a strong or stable government are dimmed by its defeat on the two major islands of Jamaica and Trinidad. The unexpected majority gained by the DLP in Trinidad reflects the increasing political influence of the East Indians in an area of Negro dominance and suggests that racialism may develop into a cause for dissension.

The defeat of the party of Trinidad's Chief Minister Eric Williams, who had demanded that the United States release its naval base at Chaguaramas for use as the federal capital site, will probably diminish pressure on this issue. Controversy may be revived, however, by the publication in late April of the joint US - UK - West Indies Commission

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****3 April 1958**

report, which is expected to recommend against either relocation or partition of the Chaguaramas base.

The British appear to have been encouraging West Indian leaders to seek partition of the base, which would practically destroy its military usefulness. The FLP might adopt this line, but the opposition DLP advocates using the deactivated air base of Waller Field, which the United States has previously offered to release.

The new House of Representatives is expected to con-

centrate on finding a site for the federal capital and obtaining foreign development aid, and will work cautiously toward a customs union and freedom of movement for individuals among the islands. The federation needs to supplement its meager economic resources and small federal budget of \$5,600,000. Adams has estimated it will take five years to attain a customs union, partly because of opposition from prosperous Jamaica, which also objects to freedom of movement for fear of an influx from the poorer, overpopulated islands.

25X1
25X1

SIGNS OF INSTABILITY IN PARAGUAY

Paraguayan President Stroessner, the last remaining South American dictator, faces more political opposition than at any time since he took over in 1954, and he appears to have weakened his vital military support. Economic conditions, improved in part by a US-backed stabilization program, have played no significant part in the popular disaffection, but dissidence within the ruling Colorado party has increased and the Catholic church for the first time has criticized the regime.

The loyalty of the army, bulwark of Stroessner's regime, may have been substantially weakened this week by the administration's decision to rely on the Colorado party's armed Guardia Urbana, rather than the army, in heading off a coup threatened for just before Easter. The army is reported "tense and strongly opposed" to calling out the party guard. Such a coup, reportedly planned by three opposition groups

aided by unidentified army elements, would seem less of a danger to the regime than are the new signs of army disaffection. An attack by 15-40 persons on military outposts near the border town of Encarnacion on 31 March has been termed a "nuisance raid" according to the American Embassy in Asuncion.

25X1
25X1

25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

Democracy has received increasing lip service in Paraguay since Perez Jimenez' ouster from Venezuela on 23 January. Stroessner still went through with his own plebiscite-type re-election on 9 February, but he has "promised" free municipal elections soon, and his government has shown unusual leniency toward antigovernment demonstrations in the past few weeks.

The Catholic Church has now spoken out against political unrest. The Archbishop of Asuncion issued a pastoral letter on 19 March which was conciliatory in tone but spoke of widespread unrest and a crisis of power in government. A parish priest, speaking without church authority, has made a series of highly critical speeches calling for a general amnesty, freedom of speech, and more attention to the people's needs.

POLITICAL OUTLOOK IN VENEZUELA

The unity policy endorsed by the three major Venezuelan parties and the Communists when the Perez dictatorship was overthrown in January is likely to be tested shortly as the governing junta seeks their cooperation on such issues as the nature and date of elections for restoring constitutional government.

The leaders of the three major parties--the leftist Democratic Action (AD), the leftist Democratic Republican Union (URD), and the moderate COPEI--hold divergent views on the election question. Romulo Betancourt, leader of the AD, which is probably the majority party, has indicated his opposition to a single state. The URD has formally approved this arrangement, and COPEI leader Rafael Caldera has granted at least conditional approval of this solution to the electoral problem.

Opinion similarly conflicts on whether the presidential candidate should be nonpartisan, on the date of elections, and on the extent of participation of the Venezuelan Communist party (PCV).

Party cooperation with the junta may be rendered more difficult by the fact that present party leaders and their

policies have not been endorsed and ratified by national conventions, scheduled for April or May. Both Betancourt and Jovito Villalba, URD secretary general, seem to face considerable competition as spokesmen and leaders of their respective parties.

The armed forces, divided into factions, are suspicious of growing civilian--particularly leftist--influence in the government. They are not likely to attempt a coup, however, or enter into an open struggle with civilian groups because of their own division and especially because the spirit of the civilian elements that overthrew Perez is still so high that widespread violence would probably result.

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

STRAINS ON ICELAND'S LEFTIST COALITION GOVERNMENT

Iceland's 20-month-old coalition government is suffering from internal dissension over the country's increasing financial difficulties.

The government intends to present to parliament early in April plans for meeting an estimated \$19,500,000 deficit in the regular budget and the export fund. If its stabilization program fails, the government may be forced to curtail its elaborate subsidy system, as well as the economic development program on which it is staking its political future. Although the Communist-front Labor Alliance appears willing to accept some of the required deflationary measures, it firmly opposes an outright devaluation

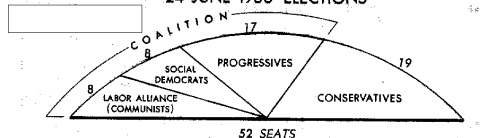
in 1960, which they hope to win on the basis of the government's economic development programs. To arrest the upswing in Conservative party influence, they are supporting the Communists in the trade union elections. The Social Democrats, disheartened by their losses in the January municipal election, apparently fear that general elections now would jeopardize their existence as a party.

The Labor Alliance seems to have even less intention of bringing about the fall of a government through which it is influencing domestic economic policy and pursuing its long-range objective of building up a single leftist party under its exclusive control. The Communist newspaper in recent weeks has strongly supported the government's record on economic policy and minimized the country's economic problems.

Under the circumstances, the government may be tempted to seek further foreign economic assistance and may find enticing the Soviet offer of last year to make the equivalent of up to \$24,500,000 available to Iceland. Evidently seeking an American alternative, a high bank official has already informed American officials that Iceland requires a foreign loan to pay the approximately \$7,500,000 cost of some eight fishing trawlers which are being contracted for in Western Europe.

ICELANDIC PARLIAMENT

24 JUNE 1956 ELECTIONS



of the currency. With the black market krona now less than half the official rate, the prime minister still will not undertake devaluation without the alliance's cooperation.

A unanimous desire to remain in office has thus far enabled the cumbersome coalition to overcome severe internal strains. The Progressive leaders are determined to retain power until the scheduled election

THE STRIKES IN SPAIN

Strong measures taken by Spanish officials to curb the present extensive strikes are probably aimed as much at checking political agitation as at reducing economic losses from a

spread of the walkouts. Government charges that the strikes are Communist-inspired are not likely to block further public protests against rising living costs.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

The government on 15 March suspended three articles of the Bill of Rights "to prevent further damage to the nation's economy" as a result of strikes for higher pay in the Asturias coal fields in northern Spain. Following walkouts on 25 March at Barcelona, the local governor closed five factories and the police detained 80 workers. Madrid has announced the arrest of 11 persons on charges of being Communists and causing the Asturias coal strikes. In addition, workers arrested in the strikes around Bilbao in April and May 1956 were reportedly again detained as a precautionary measure.

These are the strongest measures the government has taken since March 1957. At that time the interior minister militarized mines and conscripted miners because a combination of slowdown and walkout tactics by some 5,000 miners in protest over wage rates drastically cut coal production for three weeks. Nevertheless, in both Barcelona

and the Asturias region, new incidents followed the government's repressive measures, and work stoppages were reported to have spread to San Sebastian and Valencia. On 31 March the police were said to be anticipating labor outbreaks in Pamplona.

The Spanish finance minister on 20 March expressed to Ambassador Lodge apprehension that the coal strike might cause rail tie-ups and industrial shut-downs. He also stated that Spain's dollar reserves would reach bottom in about three months.

Prolonged or extensive stoppages in either the transportation or industrial sector would probably intensify the present inflationary pressures. Labor now has lost practically all the gains from the November 1956 wage boosts and it may be more readily brought to demonstrations on a nationwide scale forceful enough to present a distinct threat to the Franco regime.

25X1

FIFTH CONGRESS OF THE INDIAN COMMUNIST PARTY

The fifth congress of the Communist Party of India will be held in northern India from 6 to 13 April in an atmosphere reflecting continuing Communist gains at the expense of Nehru's ruling Congress party. Despite factional differences, the Communists will probably present an appearance of unity and a program with strong voter appeal.

The major business of the congress will be to ratify suggested alterations in the party's constitution and organizational structure. The party goal, for instance, will be redefined as "socialism by peaceful means."

Though the Indian party adopted constitutional tactics some years ago, now it is emphasizing that it is possibly the first Communist party to declare in its constitution that it has, in effect, forsworn violence as a party policy.

Approval will also be granted for sweeping changes in the party leadership structure and membership regulations. These changes, some of which have already gone into effect, are designed to make the Communist party resemble the Congress and Praja Socialist parties in organization and to give it the

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

appearance of a party with broad popular support rather than one with a tightly knit hard core. Expansion of party membership from 125,000 to 218,000 during the past year has been part of this program.

The aim of the Communists in making these changes is to draw on their experience in the national election of 1957 when they discovered that the Congress party can be defeated through the ballot box by a party championing local causes and campaigning intensively at the village level. By presenting itself as a respectable, peaceful organization, the Communist party apparently hopes to attract voters who are becoming increasingly disillusioned with the ruling Congress party.

Further Communist election gains and Congress losses in the year since the national election suggests that the Communist program will be fairly successful. The Communists, already play an important role in the municipal governments of Bombay and Delhi, which the Congress party no longer controls, and of Calcutta, which Congress rules by a margin of only one seat. Indian

labor is also turning toward the dynamic, Communist-controlled All-India Trade Union Congress for aid in obtaining higher wages and better working conditions.

There continue to be strong differences among Communist leaders regarding party policies of militancy or peacefulness. In some areas the party is lethargic, and in most regions its funds are insufficient. Factional strife in the West Bengal branch forced the temporary suspension of one of the party's leading members, and the Communist government of Kerala State still has not solved any of the state's pressing economic problems.

The woes of the Communist party in many instances, however, are fewer than those of corresponding Congress units, and the Communists continue to gain strength by default if not as a result of direct action. Communist General Secretary Ajoy Ghosh recently remarked that Congress party deterioration is occurring faster than the Communist organization can take advantage of it.

25X1

25X1

* * *

SECRET

SECRET

CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

PART III

PATTERNS AND PERSPECTIVES

CENTRAL PLANNING IN KHRUSHCHEV'S INDUSTRIAL REORGANIZATION

The new State Planning Committee (USSR Gosplan) emerged from Khrushchev's reorganization of industrial administration in 1957 as the most important economic organ of the USSR, although central planning considerations were not the primary reasons for the reorganization. Gosplan now has full responsibility for specifying in detail the economic plans for current operations and for determining the proper balance for future economic development programs as decreed by the top leadership. It is also responsible for marshaling and directing the economy toward these goals. Certain measures embodied in the reorganization were intended to correct faulty aspects of planning criticized by Khrushchev and others. Although some aspects of the reorganization evidently are already successful, the possibility

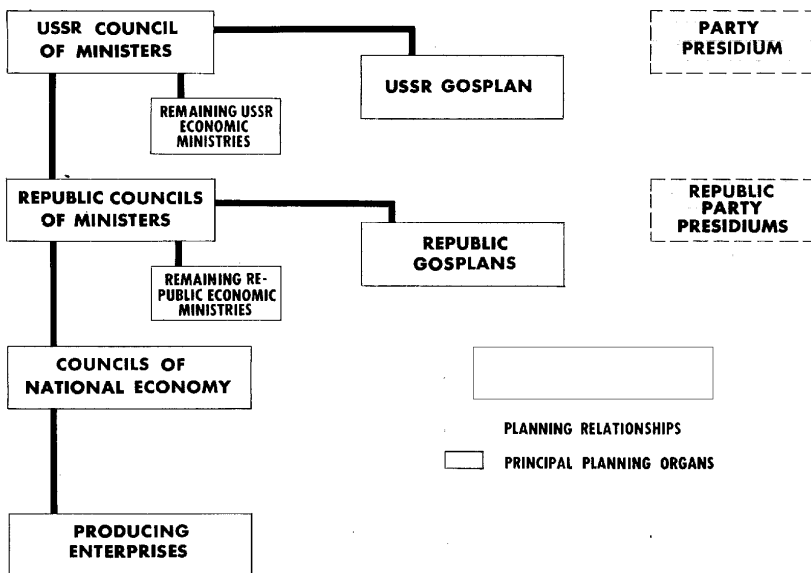
exists that Gosplan will bog down in current problems such as breaking supply bottlenecks.

Gosplan's Operations

Often described as the "economic general staff" of the Soviet state, Gosplan has the responsibility for preparing integrated national economic plans. Though it is the apex of a planning apparatus which reaches into every enterprise in the USSR, Gosplan, in one sense, is "in the middle." It must resolve the conflicts between the demands of the leadership on the economy and the supply capabilities of the economy reflected in technical and practical production considerations.

Gosplan translates the broad directives it receives from the top leadership, the

USSR: ORGANIZATION OF INDUSTRIAL PLANNING 1958



25X1

CONFIDENTIAL
SECRET

80331 2B

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

3 April 1958

**PLANNING DEPARTMENTS OF USSR GOSPLAN AFTER
1957 INDUSTRIAL REORGANIZATION****GENERAL ECONOMIC DEPARTMENTS (9)**

General Long-Range Plans and Development of
Union Republics
Over-all Current Economic Plans of Union
Republics
Labor and Wages
Prices and Cost of Production
Material Balances and Over-all Distribution Plans
Finance
Commodity Turnover
Capital Investment
Foreign Economic Relations

There are, in addition, appropriate staffs and support units, a Council of Technical and Economic Expertise, and, "temporarily," about 17 consolidated sales and marketing organs formerly part of the abolished industrial ministries.



3 APRIL 1958

INDUSTRIAL DEPARTMENTS (23)

Ferrous Metallurgy
Nonferrous Metallurgy
Coal, Peat, and Shale Industry
Oil and Gas Industry
Electrification
Lumber, Paper, and Wood-Processing Industry
Chemical Industry
General Machine Building
Heavy Machine Building
Automobile, Tractor, and Farm Machine Building
Electrical Equipment and Instrument Manufacturing Industry
Defense Industry
Building Materials Industry
Light Industry
Food Industry
Fishing Industry
Agriculture and Procurements
Transport and Communications
Construction Industry
Culture and Public Health
Geology
(Two departments not yet identified)

80331 2C

presidium of the party central committee, into specific economic plans. It prepares plans covering a number of years, such as a draft five-year plan or operational annual plans, which have the force of law when approved by the USSR Council of Ministers, Gosplan's parent body. Gosplan also monitors implementation of the plans.

Gosplan is organized into general economic departments and industrial departments. The former are responsible for economy-wide planning problems such as aggregate investment, finance, and current economic plans. The industrial departments plan for specific production branches or activities such as ferrous metallurgy, transport and communications, and geology. Also "temporarily" merged into Gosplan are the consolidated central marketing and supply organs formerly belonging to the industrial ministries. These continue for the present the direct allocation of important materials within the economy pending the overhaul of the supply system, one of the major goals of the reorganization.

In the attempt to achieve balance and consistency among detailed plan goals, Gosplan technicians draw up balance sheets for important products showing the economy's planned resources and requirements, including data on production, consumption, inventory changes, foreign trade, and similar factors. These balances are "juggled" by the planners until particular production plans are consistent among themselves and with other elements of the plan. At the same time, the plans must satisfy the demands of the leadership and be deemed feasible.

In addition, monetary resources and expenditures for various parts of the economy are computed to assist determination of important over-all "proportions" within the economy. These also provide the basis for planning the state budget--a separately stated, though integral, part of the state economic plan--as well as for checking the consistency among important goals.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

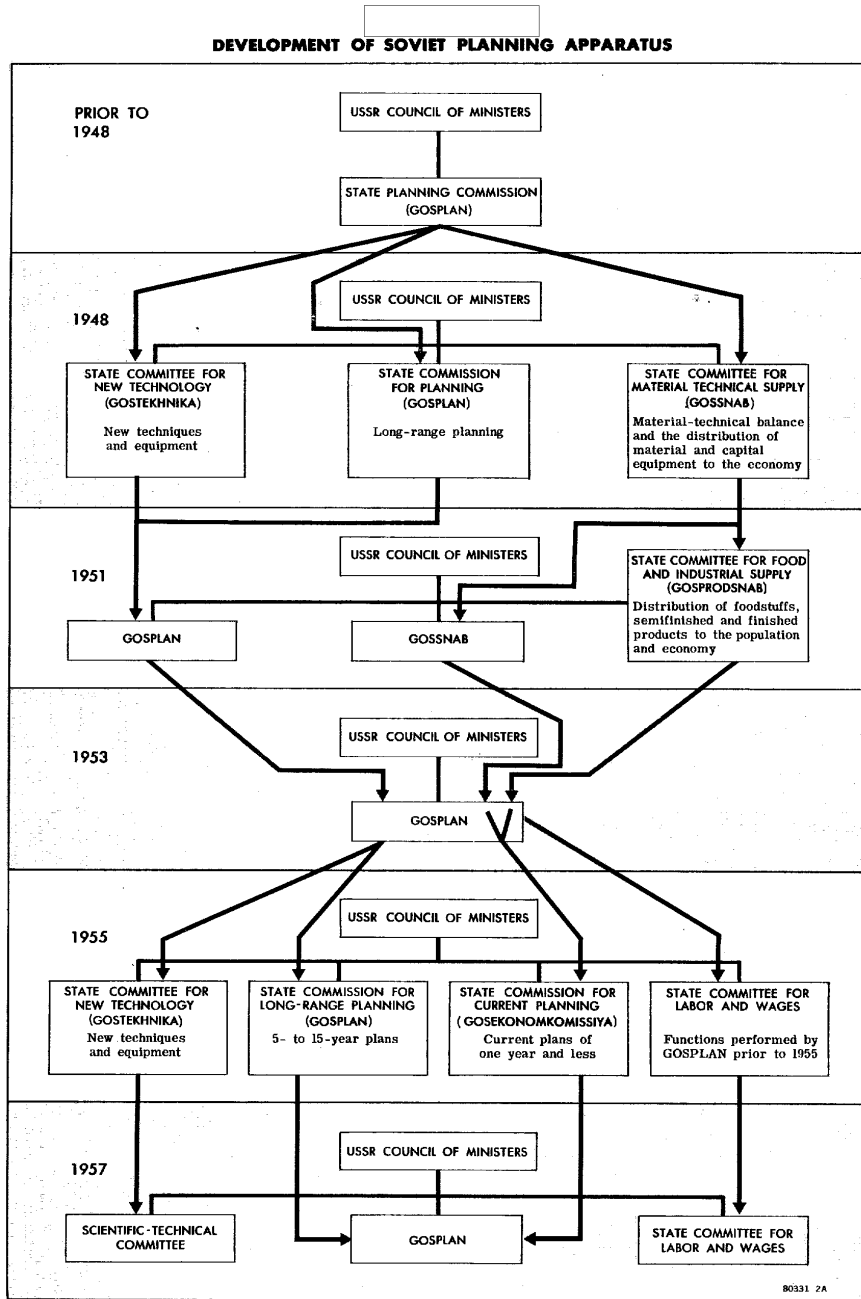
3 April 1958

Planning Inconsistencies

During early postwar reconstruction, plans followed prewar Soviet economic patterns. Breaking existing production bottlenecks was more pressing than fixing long-term develop-

ment proportions. As the Fourth Five-Year Plan progressed and industry after industry recovered to prewar output levels, the problem of planning growth proportions became more complex and critical. Problems of current supply allocation persisted,

25X1



SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

and many of Stalin's organizational changes were directed toward their solution. Neither Stalin nor the "collective leadership" after him was notably successful in improving either the current or long-term planning situation.

By late 1956 the situation had become acute. The ministers complained that the planners' unrelenting demands for output increases and unreasonable niggardliness in allocating resources were jeopardizing attainment of important goals of the Sixth Five-Year Plan. In December, top planner Saburov was ousted and Pervukhin, his presidium-member successor, spoke out against "excessive strains"--the unrelenting output demands placed on the economy by the leadership and blamed on the planners. Pervukhin's 1957 state economic plan reflected more reasonable demands by the party presidium.

Detailed charges against the planners accompanied Khrushchev's theses on the reorganization of industry and construction and the ensuing "popular discussion" during the first half of 1957. The planners were roundly castigated for their alleged "mechanical approach" to planning, for neglect of regionally integrated planning, for "unrealistic" planning, for "isolated" and "disconnected" planning, and for other "errors" leading to major disproportions and looming bottlenecks. An example cited for lack of regional coordination was the construction of a rail line down the Angara river valley just before it was to be inundated by the Bratsk hydroelectric project.

Central Planning Revamped

Khrushchev's doctrinal formulation of his 1957 reorganization in terms of strengthening "democratic centralism" implied that the effectiveness

of central planning and control must be enhanced in order to assure direction of the economy toward the goals desired by the Soviet leadership. At the same time, it implied the need for greater scope for local initiative to increase productivity for further surges of economic growth. Improved central planning and control was to provide the counter to "localist tendencies," which were feared as a possible result of the added responsibility and authority given republic and regional economic organs.

Not all the top leaders were reassured, however. A fear that perhaps irreversible forces might be let loose appears to have been a common bond of the so-called "antiparty group" in June 1957.

Khrushchev, nevertheless, pushed ahead with his plan to abolish most industrial and construction ministries, replacing the technically specialized ministerial linkage between the controlling "center" and the producing "periphery" with a new regional linkage through the republics and the new regional "councils of national economy" (sovnarkhozy). He merged the central planning organs and reshuffled personnel.

Where before had existed neither effective mechanisms nor responsible agencies to assure regional coordination of planning, the new sovnarkhozy, together with the revitalized republic Gosplans, were to perform integrated regional planning, as well as administration. Investment, construction, and development of resources could better be viewed in relation to the regional economy and its balanced development rather than almost solely in terms of nationwide branch-of-industry development.

Merging the central planning organs into a single USSR

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****3 April 1958**

Gosplan was intended to promote continuity in planning and consistency between successive annual plans and the longer range plans. In drafting the 1958 plan, the planners had available to them the guidelines for the 1959-1965 plan and had simultaneously drawn up a rough preliminary 1959 annual plan. Presumably these, as well as preliminary 1957 plan fulfillment data, were taken into account in the detailed drafting of the 1958 plan. Notwithstanding the seeming complexity of these procedures, the 1958 plan was promulgated prior to the beginning of the new year--an unusual achievement. This timely planning may well have been facilitated by the fact that some important Gosplan department heads under the new system held seats on the USSR Council of Ministers.

Branch-of-industry planning was unequivocally fixed in Gosplan, with the determination of "correct proportions" for branch development improved by the transfer to appropriate departments in Gosplan of former ministerial leaders who could provide a cadre of knowledgeable specialists to assure more "realistic" and less "mechanical" planning. Gosplan itself was responsible for development planning of industries and had to resolve matters without recourse to bluster.

Central Planning Appraised

The early operation of the new organs pointed up the neglect of regional coordination that had existed. Though the abolition of most industrial ministries eliminated the traditional wrangling between the ministries and the central planning organs, new difficulties became apparent almost at

once between the central planners and the regional planners and administrators. The conflict about a particular planned action tended to involve their varying viewpoints--branch-of-industry integration versus regional integration of economic activity. Final say, nevertheless, rested with Gosplan.

Despite the reported increases in economic output claimed under the first months of operation of the new system, the long-term effectiveness of the new Gosplan in coping with the increasing complexity of the economy remains to be demonstrated. Gosplan must still present an acceptable draft plan for the 1959-1965 period and follow through its implementation.

The timeliness and seeming realism of the 1958 annual plan are not necessarily attributable solely to improvements in Gosplan technique or organization. They could well result from the fact that planning now is in the hands of men with recent close ties with the producing elements of the economy. The test will come when their practical experience becomes obsolete, less and less relevant to newly emergent planning problems sure to develop. Will Soviet central planning then be able to avoid becoming once again "unrealistic" and "mechanical?"

If Gosplan can avoid bogging down in current operational problems--if long-term disproportions can be skirted in the search for solutions to current supply bottlenecks--the reorganized structure of Soviet central planning may well, for a time at least, provide improved planning in support of further Soviet economic growth. 25X1
(Prepared by ORR)

* * *
SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

3 April 1958

COMMUNIST CHINA LAUNCHES PROGRAM TO MODERNIZE AGRICULTURE

Communist China is in the early stages of an effort to modernize its traditional agriculture. Its ability to feed its tremendous population-- estimated at about 643,000,000 and growing at a rate of about 15,000,000 a year--and at the same time to pursue a program to become a modern industrial nation hinges on the success of this undertaking. In the final analysis China's industrialization program, including the importation of needed machinery, is paid for primarily by agriculture.

The leaders are modifying their policy of giving overwhelming priority to industrial development. During the First Five-Year Plan (1953-57), state in-

vestment for industry and agriculture was at a ratio of seven to one. During this period the regime concentrated on relatively inexpensive programs, such as small-scale irrigation projects, the use of improved seed, and double-cropping.

The ratio between industry and agriculture for 1958, the first year of the Second Five-Year Plan (1958-62), is approximately four to one. Direct state investment in agriculture increased by 40 percent this year over last, and additional funds are being channeled into those industries which support agriculture. Yet even with this shift in emphasis, the amounts being spent on agriculture are small when



SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

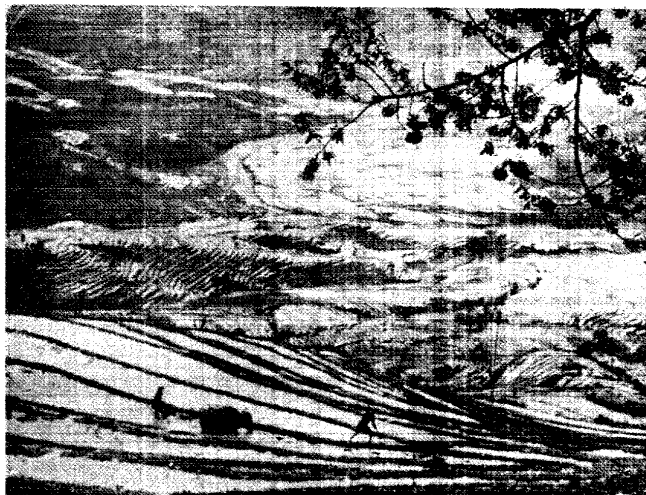
3 April 1958

China. Most of these are located on large state farms in northern Manchuria and in Sinkiang. The first China-made tractor is to be turned out this year in Tientsin. A large tractor factory in Loyang with a capacity of 15,000 tractors a year is to go into operation in 1959, a year ahead of schedule. A plant to build small ten-horsepower tractors will be

pumps for irrigation purposes, to add 590,000 horsepower to the Chinese countryside during 1958--roughly double the output of power equipment now in use.

The regime plans to raise yields also by increasing the acreage of irrigated land, by extending the double-cropped areas farther north, and by expanding the acreage planted to

high-yield crops. According to a deputy minister of water conservancy, irrigated acreage is to be doubled by 1962, to the point where two thirds of the nation's cultivated land would be irrigated. Millions of hands will be at work on millions of small water conservancy projects, while the state will continue work on major conservancy measures such as the Huai River Project. Plans are being drawn up to carry out basin-wide conservancy projects on both the Yangtze and Yellow rivers.



Terraced rice fields in Yunnan Province

finished at Nanchang in 1959. Various machinery plants will start this year turning out large numbers of small, garden-type tractors similar to those used by America's suburban farmers, appropriate in a country where much of the land is hilly and where paddy farming is important.

Provincial and local governments have been given the major responsibility for stepping up the supply of improved farm implements and tools. Peiping says that agricultural output might increase by as much as 20 percent through widespread use of moldboard-type plows which plow deeply and turn the soil properly. Machinery factories, many of them built and operated by local enterprises, are scheduled to turn out various types of powered implements, such as

In connection with its plans for double-cropping and high-yield planting, Peiping will experiment with improved strains of seeds. The authorities are encouraging every locality to set aside experimental plots in which better seeds and farming methods may be tested for applicability to local conditions. More attention to control of crop diseases and insects is being urged, and the regime has taken steps to provide more insecticides and equipment for their application.

Problems

Almost all of China's 277,000,000 cultivated acres are farmed intensively by traditional methods. The human being is still the primary source of all power. The number of

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****3 April 1958**

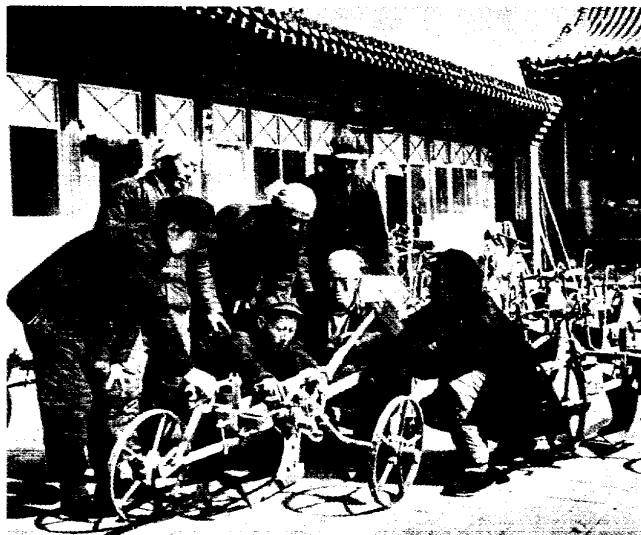
Dike construction at Tungting Lake in Hunan Province



draft animals is inadequate, and there is practically no mechanical power. The possibilities for opening up new lands are limited by geography, climate, and the heavy costs involved. Furthermore, efforts to introduce modern techniques have encountered the backwardness of a largely illiterate peasantry. In 1956, for example, Peiping unloaded on the peasants more than a million and a half steel plows. Most of these plows found no market at all. Those which reached the countryside were quickly dubbed "wall plows" in testimony of a strong peasant tendency to hang them on pegs in the wall rather than use them in the fields.

The minister of agriculture recently launched a campaign to overcome what he termed the "ideological problem" which make these plows unpopular. In addition, Peiping

has plans to expand agricultural extension work so that a scientific and technical information office will be established in every hsiang (an area smaller than a county, composed of several villages). Regional and provincial agricultural institutes and experimental centers will be set up, and an attempt made to have at least one primary school in every cooperative. In its



Instruction in use of double-share plow

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

2 April 1958

deteriorating; the equipment and materiel they are using in North Africa is rapidly wearing out, and reserve stocks are being exhausted. After more than a decade of fruitless overseas warfare on top of the humiliation of 1940, the army's core of regulars is fatigued and its morale is declining.

Only 32 of 42 French front-line air force squadrons promised in the 1957 NATO force goals are available in Europe. Algerian requirements and previous budgetary cuts have severely curtailed operational training and flying in the French Air Force and reduced its standards below minimum SHAPE readiness requirements. Air force budget cuts have resulted in a 50-percent reduction in the monthly production of bombers, fighters, transports, and helicopters and in a severe restriction of research and development. The transfer of 10,000 men from the air force to shore up army units in Algeria has dealt a severe blow to air force morale.

The navy has been obliged to abandon its major-unit construction program, which included a proposed third aircraft carrier. Naval air budgetary cuts mean further delay in obtaining modern jet fighters.

Military Reappraisal

The latest attempts to juggle the military budget are bringing to a head a number of festering problems involving both interservice friction and civilian-military disagreement. General Paul Ely, chief of the Armed Forces Staff, has served notice on Defense Minister Chaban-Delmas that he will resign unless an additional \$186,000,000 is added to the \$3.15 billion defense budget to help maintain France's NATO contribution, continue the pacification of Algeria, and restore the gutted arms construction

programs. The air force chief of staff and two air force generals in charge of aircraft production have already quit, and the Defense Ministry is reported "fighting off" numerous other threatened resignations.

The French commander in chief in Algeria wants more reinforcements, but there is evidence of increasing discontent among younger officers over the question of whether resources already in Algeria have been properly utilized. A prominent paratrooper, Lt. Col. Marcel Bigeard, has openly criticized the government and the army high command. He charged that the bulk of the French ground forces in Algeria is tied up in guard and patrol duty, leaving only 10 percent for offensive operations against the rebels. Bigeard was reassigned at Chaban-Delmas' request to train special cadres of young officers in techniques of combating "revolutionary war," and his transfer has been given unusual publicity by the government. This move is probably indicative of the government's sensitivity to the political implications of public criticism from the military at this time.

The continuous pressure from rightist elements for an expanded Algerian offensive has recently aroused concern in France over the nation's weakened European defense posture. The press has aired the issue, and an authoritative military correspondent for the influential Paris daily Le Monde questions whether France "will practically cease furnishing any military contribution to NATO." He points out that French aircraft plants are releasing many engineers and technicians, including some Germans who will presumably be taken on by the expanding West German plane industry. In an obvious effort to stir public opinion, he raises the possibility of German squadrons manning some NATO

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****3 April 1958**

attempts to inform and educate the peasants, Peiping intends to make use of the large number of surplus cadres and office workers--more than 1,300,000 at last count--who have been sent back to the countryside to "engage in production."

A shortage of petroleum is a serious handicap in China's program to mechanize agriculture. Wide use of farm machinery powered by gasoline is inappropriate in a country where regular highway transport is curtailed because of a shortage of petroleum products, and Peiping has made provision to develop machinery using alternative sources of power such as coal. But at best this provides only a partial solution of the problem.

The problem of supplying highly technical equipment to the fertilizer industry appears to be a critical point in the regime's program to expand fertilizer output. Its acquisition from abroad would be costly and difficult. Although China has produced prototypes of certain important pieces of equipment, the Chinese will have difficulty in producing such machinery in large quantities.

Repair and maintenance of equipment once it reaches the countryside present other problems. Spare parts for imported equipment are in chronic short supply and mechanical skills and machine facilities are lacking. A high government official closely connected with this problem has remarked, "When the peasants won't work, we preach Marxism-Leninism; when the draft animals won't work, we whip them; but when the machines won't work, we are at our wit's end."

Prospects

Peiping's program for modernizing Chinese agriculture is a long-range one. Mao Tse-tung has indicated that the country would be doing well to accom-

plish the technical reform of its agriculture by 1975. Even then, judging by the outlines of the present program, the regime does not appear to visualize an agriculture which uses large mechanized equipment on a scale approaching that of the United States or the Soviet Union. China's problem is, in fact, almost the opposite of that faced by the Soviet Union. China, with its immense reservoir of manpower, feels no pressing need to release rural labor for employment in industry. Its industry does not, and will not for the foreseeable future, be able to absorb a significant fraction of the annual additions to the labor force.

The regime has shown an increased awareness that it can learn much from Japanese experience. Several delegations have gone from Peiping in the past several months to study Japanese farm technology and the chemical fertilizer industry. The result will probably be a widening use in China of chemical fertilizers, farm implements adapted for local conditions, and small powered machinery.

There is little doubt that the modernization program beginning to emerge in China will result in substantial additions to agricultural output. Just how far and how fast the regime will be willing and able to go depends on the ultimate cost of the program. It is certain that the program will be expensive and that it will have an impact on other development schemes. Peiping will strive to minimize this impact because, fond as it is of agriculture, it is even fonder of industry and has shown no signs of a willingness to give industry a back seat. If the program is implemented along the general lines now emerging, however, it will make more reasonable some of Peiping's long-range agricultural goals, which have in the past seemed well out of reach.

(Prepared by ORR)

25X1
25X1

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

2 April 1958

FRANCE'S MILITARY PROBLEMS

Premier Gaillard's insistence on maintaining his ceiling on 1958 military expenses despite increased Algerian war costs has forced a reallocation of defense budget funds which has further weakened French NATO commitments and has aroused violent reactions among France's armed forces chiefs. The cuts in arms production funds jeopardizes the maintenance of a balanced defense establishment, and the developing civilian-military friction may stimulate military participation in French politics.

The Budgetary Dispute

The inevitable collision between Gaillard's austerity program and the growing costs of the Algerian war finally occurred in early March. The premier's stringent budget retrenchment program--which held defense expenditures to \$3.15 billion had been accepted by the National Assembly in late 1957 because most deputies realized its inadequacies would soon be apparent. By early 1958, the armed services faced the prospect of cutting their consumption of goods and services approximately 25 percent because of budgetary reductions and price increases as compared with 1957. This, plus the subsequent deterioration of the military situation in Algeria, obliged Gaillard to agree to find an additional \$225,000,000 for the Algerian war.

New taxes were violently opposed by the proponents of strong measures in Algeria, however, and they insisted on economies within the budgetary framework. The armed forces felt the extra funds could easily be found in the budgets of the civilian ministries, but since many Socialists and a growing minority in the center parties were convinced that additional defense appropriations

would be pointless if they were to be swallowed up in Algeria, Gaillard was in no position to further limit the funds of the civilian ministries.

The right was able to insist on reallocation of military expenditures without directly affecting nonmilitary commitments, because in 1958, for the first time, the military budget includes the Algerian pacification costs, the bulk of which was formerly covered by special appropriations separate from the "ordinary" military budget. The arms production programs have borne the brunt of this redistribution to date. Other military activities are in danger of curtailment, however, since Gaillard's expressed hope of securing \$43,000,000 in support costs from West Germany is hardly likely to be realized.

The Algerian Drain

The shuffling of defense programs is focusing increasing attention on the incongruity of instituting a policy of budgetary austerity in the face of the expanding requirements of an active military campaign. A disproportionate share of France's armed manpower resources is now concentrated in North Africa, mostly Algeria: approximately half of all French ground forces and a third of the air force and navy.

Ten of the 13 French NATO-committed divisions are mired in the North African operations and could not conceivably meet SHAPE's requirements for available effective units in Europe within 30 days after M-day. Most of the troops in North Africa, regardless of special skills and training, are serving as infantrymen and would require considerable retraining for modern war operations. The heavy equipment they left in Europe is

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

2 April 1958

airfields in France because there may not be enough French units available.

The Gaillard government and the National Assembly will soon be obliged to take steps to meet both the increasing military dissatisfaction over budgetary restrictions and developing military-civilian

differences over defense requirements. The basic decisions are political in nature and in view of the personal stakes involved, the outlook is for increased political activity on the part of the armed services, which heretofore have avoided overtly identifying themselves with such steps.

25X1

* * *

SECRET

Page Denied