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# CURRENT INTELLIGENCE WEEKLY SUMMARY



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## CURRENT INTELLIGENCE WEEKLY SUMMARY

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## THE WEEK IN BRIEF

## PART I

OF IMMEDIATE INTEREST

## SOVIET SUMMIT TACTICS . . . . . Page 1

Premier Khrushchev and Foreign Minister Gromyko have denied that Soviet charges of threatening American bomber flights indicated any lessening in Moscow's desires for a summit conference. Despite the UN Security Council's support of the American plan for Arctic inspection and Secretary General Hammarskjold's endorsement of this position, Moscow still believes its bomber charge will impel a sense of popular urgency concerning a summit meeting and undercut Western efforts to ensure adequate preparation for the summit. The USSR's new willingness to discuss with Western ambassadors in Moscow what issues are ripe for settlement further indicates a desire to expedite summit talks but does not mean that the USSR has yielded to the Western demand for detailed substantive negotiations at the ambassadorial level.

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## MOSCOW AND BELGRADE SEEK TO MINIMIZE POLEMICS . . . . . Page 2

The Soviet and Yugoslav parties are maintaining their irreconcilable ideological positions, but both appear determined to prevent an outbreak of bitter polemics and a breakdown in governmental relations comparable to that in 1948. The Yugoslav party congress has led to serious difficulties in the Yugoslav-Soviet detente, and the situation will be difficult to control. The Kremlin is chronically hostile toward any challenge, particularly one as strong as the Yugoslavs presented last week.

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## FRENCH GOVERNMENT CRISIS . . . . . Page 3

Former Premier Rene Pleven, leader of the small center Democratic Resistance Union party, at this time has scarcely an even chance to succeed in his attempt at investiture on 5 or 6 May. Even if he fails, his negotiations will have served to isolate the issues on which party compromises are necessary and thereby to speed up the "ripening" of the crisis.

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

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**PART I (continued)****INDONESIA . . . . . Page 4**

With the occupation of Bukittinggi, Sumatra, on 28 April, by government forces, the center of dissident military activity has shifted to North Celebes, where Lt. Col. Sumual is in command. Sumual's troops invaded and occupied the island of Morotai on 28 April, and dissident aircraft, singly and in pairs, have carried out a series of successful strikes against government targets on Borneo and East Indonesian islands. Government operations in Celebes are continuing from the already established beachhead in the Donggala area, and new landings may soon be launched from Balikpapan,

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**PART II****NOTES AND COMMENTS****LEBANESE PROBLEMS COMPLICATE MIDDLE EAST SITUATION . . . . Page 1**

There are some indications that President Chamoun is near a decision on whether to risk internal disorders by announcing his candidacy for a second term. Other Middle Eastern states have begun to look on Chamoun as a symbol of pro-Western policy and to support or oppose him on this basis. Nasir is receiving full "red carpet" treatment in Moscow. British efforts to counter Yemeni-inspired subversion in the Aden Protectorates have produced new military action there. Iraqi parliamentary elections on 5 May are heavily weighted in favor of the Nuri regime; they are a necessary step toward giving effect to Iraqi-Jordanian union plans.

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**GAZA AND THE UNITED ARAB REPUBLIC . . . . . Page 3**

The United Arab Republic (UAR) is using the newly re-constituted government in the Gaza strip in an anti-Israeli, anti-Jordanian propaganda campaign, but does not appear ready to grant Gaza independence or incorporate it into the UAR. Egypt is unlikely to relax its military control as long as the original Gaza inhabitants resent the unrepresentative character of the Gaza government hand-picked by Cairo.

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**PART II (continued)****CYPRUS . . . . . Page 4**

New EOKA threats of an all-out offensive on Cyprus unless the British initiate negotiations for a settlement and cease "torturing" political detainees have led the British on Cyprus to take additional protective measures.



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**NORTH AFRICA . . . . . Page 5**

The conference of Moroccan Istiqlal, Tunisian Neo-Destour, and Algerian National Liberation Front leaders in Tangier from 27 through 30 April will probably immediately result in an increase in Moroccan support for the Algerian rebellion. In the long run, the conference probably will come to be regarded as the first significant step toward creating a North African federation. In its final communiqué, the conference recommended the eventual formation of an independent Algerian government and the creation of a North African consultative assembly. A permanent secretariat for the three North African parties was established.

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**MIKOYAN VISIT TO WEST GERMANY . . . . . Page 6**

The four-day visit of Soviet First Deputy Premier Mikoyan to West Germany to sign the Soviet - West German trade agreement provided the occasion for Moscow to reaffirm its "hard line" on the German problem while professing to favor increased contacts and a broadening of friendship and trust between his government and that of West Germany. Although the Bonn leaders achieved their goal of sounding out Mikoyan on a wide range of political topics, they were generally disappointed by his uncompromising stand.

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**SOVIET ATLANTIC FISHING FLEET MAY BE AIDING SUBMARINE OPERATIONS . . . . . Page 7**

The large, modern Soviet fishing trawlers off Newfoundland may have been deployed to this area for more than fishing activity. While there is no firm evidence of covert activities on the part of these trawlers, this fleet could be used to support long-range submarines on patrol, and to carry out surveys which would aid future submarine operations in the area. These ships are equipped with extensive antennae arrays and radio facilities which would permit electronic surveillance, including monitoring of North American communications.

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

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**PART II (continued)****EXPANDED SOVIET MERCHANT FLEET OPERATIONS . . . . . Page 9**

The USSR is using larger numbers of its merchant vessels in its trade with the free world in order to reduce its dependence on chartered Western ships, to conserve foreign exchange, and to extend the Soviet economic offensive to ocean shipping. The growth in the number of Soviet, as well as satellite, vessels operating on free-world trade routes at a time when the world charter market is depressed is creating increasing difficulties for Western shipowners. The bloc, however, is not likely to be successful in eliminating its reliance on Western vessels to carry bloc cargoes in the near future. [REDACTED]

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**USSR PLANS BALTIC OIL DEPOT TO SUPPLY NORTHERN EUROPE . . Page 10**

The USSR plans to build a major oil depot, including storage and shipping facilities, at an ice-free port on the Baltic Sea in the Lithuanian SSR. This would enable the USSR to supply the petroleum-deficient countries of northern Europe expeditiously and at low cost from the oil-rich Ural-Volga area. The proposed base and its associated refineries and pipelines, which are not expected to be completed before 1962, would put the USSR in a competitive position with free world oil producers for a share in the growing market in northern Europe. [REDACTED]

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**SOVIET STRENGTH IN EASTERN EUROPE . . . . . Page 12**

At least 28 Soviet ground line divisions and 50 air regiments remain in Eastern Europe following the recent reduction of troop strength in East Germany and Hungary. Any adverse effect of the reductions on the capabilities of Soviet forces has been largely offset by a recent reorganization of these forces and the redistribution of modern equipment and some personnel from departing units among remaining forces. Soviet strength in Poland and Rumania remains stable and in Hungary is twice its pre-rebellion level. [REDACTED]

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**SOVIET LEGAL DEVELOPMENTS . . . . . Page 13**

A recently completed draft of basic principles for Soviet criminal procedural codes apparently fails to provide for any genuine liberalization of Soviet law. The principles seem merely to formalize the limited legal concessions approved at the 20th party congress, rejecting many proposals which if adopted would have been of great importance in establishing and safeguarding the basic rights of the Soviet individual. [REDACTED]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****1 May 1958****PART II (continued)****NEW SOVIET DECREE ON THE SEVEN-HOUR WORKDAY . . . . . Page 14**

The central committee of the Soviet Communist party has set the schedule for the adoption of a seven-hour workday in heavy industry. The party decree, issued on 21 April, is in line with the decision announced at the 20th party congress to introduce a basic seven-hour workday throughout Soviet industry by 1960, resulting in a 41-hour week. This and the related program of wage reform initiated in 1955 are designed to increase workers' welfare and eventually their productivity. [REDACTED]

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**PROBLEM OF DISSIDENT BULGARIAN WRITERS UNRESOLVED . . . . . Page 15**

The Bulgarian regime continues to be plagued by literary dissidence. In the past month, considerable public attention and criticism has been paid the rebellious writers, with the aim of forcing conformity without the use of police terror. The regime may have refrained from adopting the harsh measures it used recently in resolving troubles with youths and economic profiteers because of the current Soviet line favoring "comradely persuasion" of recalcitrant intellectuals. It may also have been swayed by the need of support from the writers in stimulating enthusiastic participation in the Third Five-Year Plan. [REDACTED]

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**NORTH VIETNAMESE INTELLECTUALS ARRESTED . . . . . Page 16**

Eighteen months of coercion, exhortation, and re-education have failed to silence the critics of the Hanoi regime among the North Vietnamese intelligentsia. At least three dissenters accused of counterrevolutionary activities were arrested last week, and unconfirmed reports state that 14 others have also been arrested. Hanoi will use the forthcoming treason trials of the three to document its case against other dissenters, and the renewed effort at intimidation will probably silence the critics for a time. It is also likely, however, to cost the regime the cooperation of many talented and well-educated individuals in a society which has few to spare. [REDACTED]

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**LAOTIAN ELECTIONS . . . . . Page 17**

Conservative control of the Laotian National Assembly is not threatened in the supplementary elections on 4 May which will add 21 seats to bring the total to 59. The Communist Neo Lao Hak Zat party (NLHZ) is expected to make a strong showing, which would result in increased pressure on the government for closer relations with the bloc and pave the way for the NLHZ to become a leading contender in the 1959 national elections. Regardless of the outcome of the present elections, continued Communist representation in the cabinet is likely. [REDACTED]

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**SECRET****CURRENT INTELLIGENCE WEEKLY SUMMARY****1 May 1958****PART II (continued)****NEW CAMBODIAN GOVERNMENT . . . . . Page 18**

The new Sim Var government in Cambodia is expected to provide a more capable administration and to combat Communist subversion more vigorously than its predecessors, while continuing to follow a foreign policy of strict neutrality. Sim Var is Cambodia's most prominent anti-Communist leader and has the confidence of Crown Prince Sihanouk, who continues to show an awareness of the Communist danger to Cambodia. [REDACTED]

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**STRIKES RENEWED IN CEYLON . . . . . Page 19**

The recent flare-up of strikes involving some 150,000 workers in Ceylon, which has been plagued by labor discord since last November, is increasing the political and economic strain on Prime Minister Bandaranaike's government. Colombo port and transportation facilities are partially tied up, and the tea market is virtually paralyzed. Since Ceylon must import about two thirds of its food, continuation of the strikes will again cause island-wide food shortages. [REDACTED]

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**PROSPECTS FOR THE ECHANDI ADMINISTRATION IN COSTA RICA . . Page 20**

The inauguration on 8 May of Mario Echandi as president of Costa Rica for four years will initiate a period of improved relations with neighboring countries and more conservative economic policies at home. Some difficulties are likely to develop in Echandi's relations with the legislature, where his partisans will be in the minority and where the Communists will apparently exercise some influence in one of the other parties. However, Costa Rica's democratic tradition is believed sufficiently strong to withstand these strains. [REDACTED]

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**GROWING LEFTIST SENTIMENT IN CHILE . . . . . Page 21**

Irritation at the United States over the copper question has brought a rise in sentiment favorable to the leftists in Chile, and President Ibanez has already secured lower house approval of a bill restoring Communist voting rights. Ibanez may also support the proposals of left-wing presidential candidate Allende to increase the tax burden on the US-owned copper companies and to divest them of control over sale of their products. [REDACTED]

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## PART II (continued)

## FRANCE DOWNGRADES NATO PRIORITIES . . . . . Page 22

Defense Minister Chaban-Delmas' public reversal on 17 April of the order of priority of the French armed forces' missions formalizes the de facto emphasis Paris has given its efforts to maintain its overseas holdings at the expense of its NATO commitments. Chief of Staff General Ely, who is firmly pro-NATO, is scheduled to retire this summer, and his successor might push the armed forces reorganization along the lines suggested by Chaban-Delmas. [REDACTED]

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## SPAIN'S OIL PROBLEM . . . . . Page 23

Steadily rising oil imports--now costing over \$100,000,000 a year and increasing at an accelerating rate--are one important cause of Spain's deteriorating foreign exchange position. Domestic pressure groups, however, have blocked cabinet action on new legislation that would encourage foreign companies to prospect for oil in Spain. Meanwhile, dollar reserves have fallen to a new low of about \$15,000,000, and stringent import restrictions with consequent oil rationing are threatened within the next few months. [REDACTED]

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## PART III

PATTERNS AND PERSPECTIVES

## THE RETREAT FROM DE-STALINIZATION . . . . . Page 1

The new official Soviet biography of Joseph Stalin, recently published after a long delay, puts the Khrushchev regime on middle ground in its attitude toward the Stalinist record. Khrushchev's assumption of an increasingly large share of Stalin's power and prestige, the crackdown on domestic nonconformity in the USSR, the reassertion of Soviet primacy in the Communist bloc, and the sharp deterioration of Soviet-Yugoslav relations recall the Stalin era, although present political, cultural, and economic policies continue to show a disavowal of extreme Stalinism. Since the spring of 1956, when the anti-Stalin campaign was only a little more than a month old, the regime has retreated from its nearly total condemnation of Stalin at the 20th party congress. [REDACTED]

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## PART III (continued)

TURKEY SEEKS MULTILATERAL HELP IN STABILIZING ITS  
ECONOMY . . . . . Page 4

The modest efforts of the Turkish Government have failed to halt the country's economic deterioration. Wholesale prices and the cost of living have reached an all-time high, and runaway inflation, always possible in a rapidly developing country, seems closer than at any time in recent years. Unless the Menderes government is willing to make substantial changes in its economic policy as the price of multilateral Western aid, the situation will steadily worsen. [REDACTED]

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## THE ELECTRIC POWER PROBLEM IN LATIN AMERICA . . . . . Page 7

The drive to expand electric power facilities has great political as well as economic importance in Latin America, where industrialization is regarded as the key to an enhanced international standing. Installed capacity increased more than 50 percent from 1951 to 1956, but is still less than 10 percent of US capacity, and power rationing is still common. Most countries are seeking foreign capital for further expansion. The recent inauguration of small nuclear reactors in Brazil and Argentina for training personnel in their use highlights Latin American interest in the ultimate use of nuclear power.

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## PART I

OF IMMEDIATE INTEREST

## SOVIET SUMMIT TACTICS

Premier Khrushchev and Foreign Minister Gromyko have denied that Soviet charges of threatening US bomber flights indicated any lessening in Moscow's desires for a summit conference. The Soviet charges appear instead intended in part to increase the pressure on the United States for a summit meeting by demonstrating that the danger of war has seriously increased. The USSR's new willingness to discuss with Western ambassadors in Moscow what issues are ripe for settlement further indicates a desire to expedite summit talks, but does not mean that the USSR has yielded to the Western demand for detailed substantive negotiations at the ambassadors' level.

The USSR is still trying to transfer the negotiations as quickly as possible to the foreign ministers' level by claiming that the ambassadors are unable to make progress. Insistence on separate meetings is one device for handicapping preparatory talks. Moreover, in the meetings on 17 and 18 April, Gromyko raised substantive issues with the three ambassadors before they had instructions for negotiations.

Khrushchev said at Kiev on 26 April that the ambassadors "could not say anything intelligible" to Gromyko. The Soviet aide-memoire of 26 April also pointed out that the ambassadors had failed to shed

any light on the issues that might profitably be discussed at the summit. When talks with the ambassadors are resumed, Gromyko will probably continue trying to discredit them and to prove that they lack the authority for productive substantive negotiations.

Gromyko and UN delegate Sobolev used the American proposal for Arctic inspection as an excuse for renewing the charge that American bomber flights carry a serious threat of war. Despite the Security Council's support of the American position for Arctic inspection and Secretary General Hammarskjold's endorsement of this plan, Moscow still believes its bomber charges will impel a sense of popular urgency concerning a summit meeting and embarrass Western efforts to ensure adequate preparation for the summit.

The Soviet tactic with regard to the Arctic inspection proposal was to deride it without detailed examination and to insist that measures to prevent surprise attack must be discussed along with other disarmament questions at the summit rather than in the UN. The USSR has been trying to avoid UN disarmament talks and has consistently subordinated the question of surprise attack to other disarmament issues that it considers more urgent, such as banning the testing and use of nuclear weapons. [REDACTED]

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## MOSCOW AND BELGRADE SEEK TO MINIMIZE POLEMICS

The Soviet and Yugoslav parties are maintaining their irreconcilable ideological positions, but both appear determined to prevent an outbreak of bitter polemics and a breakdown in governmental relations comparable to that in 1948. The Yugoslav party congress has led to serious difficulties in the Yugoslav-Soviet detente, and the situation will be difficult to control. One of the obstacles to maintaining such a delicate balance is the Yugoslav desire to extend its influence in Eastern Europe and particularly to increase contacts with Poland.

Mme. Furtseva, a member of the Soviet party presidium, denied to reporters in Warsaw that there would be a repetition of the Soviet-Yugoslav break of 1948 and insisted that Marshal Voroshilov's visit to Yugoslavia in May would take place as scheduled. First Deputy Premier Mikoyan said on his visit in Bonn that state relations with Belgrade were "excellent" and that only ideological problems existed, which he hoped would soon be resolved.

The restraint shown in recent propaganda emanating from Moscow is a further sign that the USSR is trying to avoid polemics. Moscow has quoted criticisms of the Yugoslavs voiced by Communist parties in other countries but has not launched independent attacks on Belgrade since the Kommunist article published before the Yugoslav party congress began. Pravda, however, in an article on 28 April, denounced "revisionism" without explicitly naming the Yugoslavs as practitioners of that heresy--a

device Moscow may use increasingly in regard to Yugoslavia.

A TASS correspondent in Belgrade, however, has predicted that a Pravda attack on the Yugoslav congress can be anticipated within two weeks. Another TASS correspondent in Belgrade spread the rumor that, even after the Kommunist article appeared, Khrushchev held out the hope of Soviet attendance at the congress if it were postponed a few days--presumably while negotiations continued.

It is possible Moscow and Belgrade are still working behind the scenes in an attempt to effect a compromise. It seems doubtful, however, that any further negotiations could achieve a compromise between the two ideological extremes. The Yugoslav party congress approved the party program but left a commission free to work out "final editing" of the document.

The sharp attacks which Yugoslav speakers hurled at the USSR during the party congress for the Soviet boycott and its "ideological interference" in Yugoslav affairs were generally accompanied by expressions of hope that the dispute would not spill over into governmental relations. President Tito, in his closing remarks at the congress warning the USSR that polemics will gain nothing, declared that the Yugoslavs would like to solve disagreements in a "different way: more through comradely understanding." He added that it would be tragic if the USSR adopted the tactics of 1948 in its relations with Belgrade. He stated that Belgrade will not, for it does not

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want to be reproached for weakening the "international workers' movement."

Despite their efforts to check the further deterioration of their tense relations with Moscow, the Yugoslavs are not optimistic. Tito declared that in view of the tactics adopted to date--"negative and incorrect writing in the press and biased speeches about Yugoslavia in some socialist countries"--the future for good relations looked dim. He may be correct, for, despite the present efforts to limit the dispute, both Moscow and Belgrade are emphatically committed to opposing positions, and the Krem-

lin has been consistently hostile toward any challenge, particularly one as strong as the Yugoslavs presented last week.

The Yugoslavs may be reconsidering their time-worn rationalization that difficulties with the USSR are a product of "Stalinist opposition" to Khrushchev, forcing him to take up the cudgel. Some Yugoslav officials are taking the line that while Khrushchev has some good qualities, he nevertheless is imbued with the Stalinist legacy. Such an attitude would bar any resumption of a close Soviet-Yugoslav rapprochement.

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## FRENCH GOVERNMENT CRISIS

Former Premier Rene Pleven, leader of the small center Democratic Resistance Union party, at this time has scarcely an even chance to succeed in his attempt at investiture on 5 or 6 May. Even if he fails, his negotiations will have at least served to isolate the issues on which party compromises are necessary and thereby to speed up the "ripening" of the crisis.

Although Pleven's declaration on North Africa--which includes a new call for a ceasefire in Algeria, direct talks with Tunisia, and a warning against foreign "interference"--has been endorsed by almost all the nonextremist parties, it is so vaguely worded that the real difficulties in getting agreement on Algeria are still to be met.

The Socialist party, which holds the key to Pleven's suc-

cess or failure, has been tending toward a more liberal approach to the North African problem. The Socialists blocked Popular Republican Georges Bidault's effort last week to resolve the crisis on the basis of a rightist solution and their leader, Guy Mollet, hopes to see Socialist Robert Lacoste removed from his post as minister for Algeria. Pleven would reportedly shift Lacoste to the Ministry of Defense, to take the place of ex-Gaullist Chaban-Delmas, if the Socialists agree to participate in his government.

Independent Senator Duchet, leader of the other large party whose opposition could upset Pleven's try for a government majority, told an American Embassy official on 29 April that his Independent party will join a Pleven coalition if it also includes the Socialists. To placate the right, Pleven

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apparently is planning a shake-up of the army in Algeria, in line with the ideas of the discontented younger officers, which would permit a step-up in antiguerrilla operations.

Economic problems aggravate the split between the

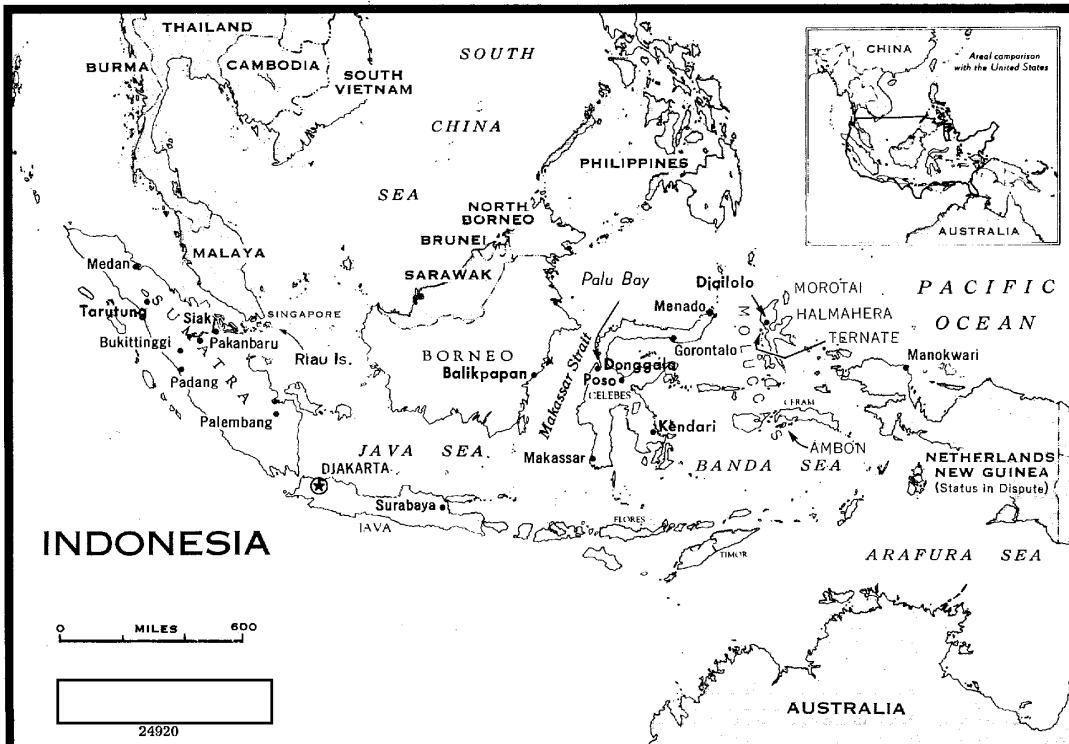
Socialists and Independents and may hinder a rapid solution of the political crisis. Inflation and foreign exchange difficulties are mounting, and labor's demands for wage increases have merely been postponed by the crisis.

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## INDONESIA

With the military campaign in Sumatra largely completed, the center of dissident military activity has shifted to North Celebes, where Lt. Col. Sumual is in command. A North Celebes task force, supported by two fighter planes, invaded Morotai Island on 28 April and dissident planes, singly and in

pairs, have carried out a series of successful strikes against government targets on Borneo and East Indonesian islands. They have inflicted significant damage, particularly against shipping. In addition to several Indonesian vessels sunk or damaged, several ships under foreign flags were bombed;

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one British tanker was destroyed at Balikpapan, Borneo. Djakarta has confirmed that a freighter recently purchased from the Soviet Union was hit in Makassar Strait. As a result of dissident air strikes on Balikpapan, a Shell subsidiary --BPM--has ordered the temporary closure of its Borneo oil fields and refinery.

The dissident air strikes apparently are chiefly responsible for the strong public statement by Prime Minister Djuanda on 30 April accusing foreign interests of involvement with the dissidents. He said the government had proof of foreign supply of arms and aircraft to the insurgents, said the dissidents were employing American and Chinese Nationalist pilots, warned that such intervention could have "very wide consequences," and called for denunciation of this intervention by Asian and African nations.

Djakarta is continuing its preparations for new landings in North Celebes, although dissident air strikes may retard government plans.

In the meantime, government forces are continuing to expand the area under their control in the Donggala region.

In the dissident areas of Sumatra, the last significant urban centers have been occupied by the government--Tarutung in Tapanuli on 27 April and Bukit-tinggi, the dissident capital, on 28 April. Government occupation moves include the banning of political activity, the appointment of military administrators, and the screening of police, military, and civil service officials.

Djakarta has sent a deputy chief of staff to South Sumatra, which has professed neutrality, to investigate the entire command and suspend officers disloyal to the central government. Thus far Lt. Col. Barlian, the district commander, has been placed on "leave," and Major Nawawi, the former Palembang town commander, has been sus-

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Further military equipment from the Soviet bloc is expected shortly

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Political maneuvering involving President Sukarno, the Communist party, and army headquarters officers is likely to intensify in the near future. Sukarno is reported planning another

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interregional conference and can be expected to make every effort to ensure his own personal power by insisting on his system of "guided democracy" and by attempting to maintain a balance between the army and the Communist party. In this policy, Sukarno will have the strong support of the Communists. Brigadier General Djatikusumo, a deputy chief of staff, has publicly stated that

the "Communists are getting too strong and we must stop them." He has strongly suggested that Indonesia look to the army for leadership and has proposed that national elections--scheduled for 1959--be postponed for five years.

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## PART II

NOTES AND COMMENTS

## LEBANESE PROBLEMS COMPLICATE MIDDLE EAST SITUATION

Lebanese President Chamoun may be nearing a decision on whether to risk internal disorders by announcing he intends to seek a second term. A group of parliamentary deputies in Beirut last week announced they would soon introduce the constitutional amendment which is the necessary prelude to Chamoun's re-election for another six years in office. The actual timing of Chamoun's decision is likely to depend on his estimate of both domestic and foreign support.

Pro-Western leaders in the Middle East have developed considerable interest in supporting

Chamoun, whom they tend to regard as a symbol of their common antipathy toward Nasir. Turkey and Iraq have urged the West to give Chamoun as much support as possible.

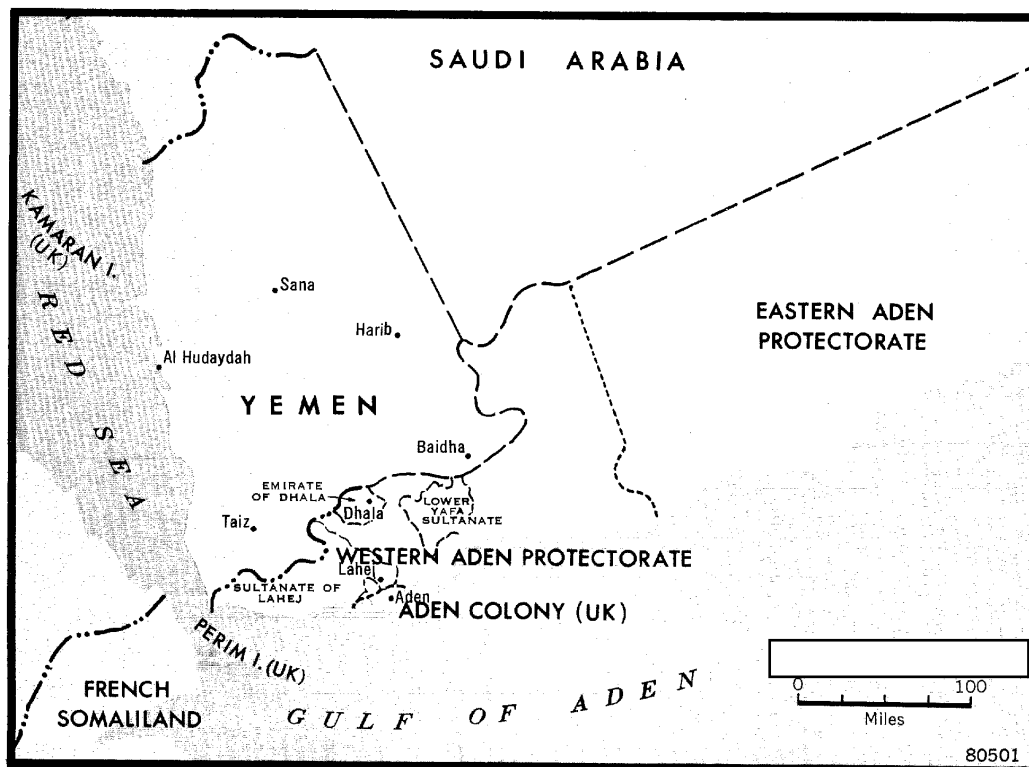
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Nasir in Moscow

The UAR President arrived in Moscow on schedule on 29 April, flying from Cairo in a Soviet TU-104 jet transport.

Moscow has turned on the expected flood of propaganda on



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the Nasir visit, flattering both Nasir and Egyptian-Syrian feelings of self-importance. The visit is interpreted by Soviet spokesmen as demonstrating the importance with which Moscow views growing Soviet-UAR cooperation in political as well as economic and cultural fields, and every occasion is used to allege Soviet-UAR agreement on the issues of Arab unity, anti-imperialism, and anticolonialism.

Yemen

Long-standing Yemeni efforts to subvert the border states of the Aden Protectorates produced a new flare-up of military activity last week. A rebellion has broken out in the Emirate of Dhala, where a contingent of native troops and a British political officer were besieged by the rebels in the classical Arabian manner. A relief column of three companies of British troops, drawn in part from the contingents recently flown to Aden from the strategic reserve in East Africa, moved to the rescue, while RAF fighter-bombers sought to keep the enemy at bay.

This incident followed hard on the heels of the arrival in neighboring Lahej of a British column which sought to arrest three subversive leaders, the most important of whom escaped to Yemen. This is only part of the wider problem which

the British authorities face in trying to develop some firmer political structure among the hodgepodge of sultanates, emirates, and just plain states north, west, and east of their strategic base in Aden Colony. Yemen's acquisition of Soviet arms and Egyptian military experts, plus the local prestige it has gained from affiliation with Nasir, the Arab hero, can be expected to generate continuing trouble in this area.

Iraq-Jordan Union

Iraq will take a major step on 5 May toward implementing its union with Jordan when it holds new parliamentary elections. The ill-organized opposition to the Nuri Said regime has indicated it will boycott the contest, and more than 80 of the 145 seats have already been filled by unopposed candidates. In what is probably a typical case of the way this election is being run in rural Iraq, a local Kurdish notable informed the American consul in Mosul, whom he asked to favor his cause, that he hoped to run but was awaiting word from "Baghdad" before even putting up his deposit money. The elections are necessary before the Iraqi Parliament can approve the constitutional changes which will make way for the establishment of a union parliament.

In Jordan, new elections are not constitutionally

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required; members of the future union legislature will simply be appointed from the ex-

isting Jordanian Parliament.

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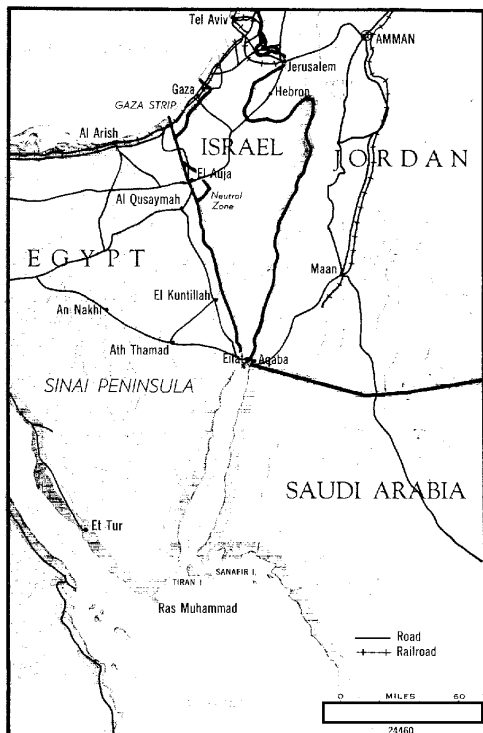
## GAZA AND THE UNITED ARAB REPUBLIC

The United Arab Republic (UAR) is using the newly re-constituted government in the Gaza strip in an anti-Israeli, anti-Jordanian propaganda campaign, but does not appear ready to grant Gaza independence or incorporate it into the UAR. The Gaza area of the former state of Palestine has been under Egyptian military governorship since 1949. The unrepresentative character of the present Gaza government and the opposition to Egyptian rule among Gaza's nonrefugee elements are complicating Cairo's problems there.

The revival of constitutional government under Egyptian supervision on 14 March, followed by the appointment of a legislative council, stimulated widespread speculation that Gaza would be declared "independent" and then choose union with the UAR. In its first session on 3 April, the Gaza legislative council resolved that the people of "Palestine" were determined to join the UAR at a time chosen by the "proper authorities." Another resolution asserted the equality of "Palestine Arabs" residing in Gaza, i.e., refugees, with the "inhabitants" of the Gaza district. There are 220,000 refugees and about 95,000 natives in the area.

The implication that Gaza would become a new Palestine and a haven for the refugees was calculated to harass the government of Jordan, with its nearly half-million refugees, and at the same time sound like a potential political threat to Israel. However, the actual practice of Egyptian rule in Gaza, and even the legal terms under which the Gaza government operates, are such that Cairo would have considerable difficulty in even creating a facade of independence preparatory to bringing the area into the UAR.

The hand-picked officials of the present governing legislative and executive councils

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are subservient to Cairo, and Egyptian control is resented by some of the older inhabitants of Gaza. The Egyptian governor general in mid-April requested urgent reinforcement by Egyptian troops following public demonstrations protesting rumors of UAR intent to "annex" the area. To intimidate this opposition, Cairo is staging a treason trial in Gaza. A prominent resident, not a refugee, is charged with

having contacted Jordanian authorities in connection with an alleged plot to reach an agreement with Israel.

Until the divisions among Gaza's inhabitants, some of which go back to pre-1947 Palestine politics, become less acute, the Egyptians probably would be reluctant to loosen their military administration even for a very short time.

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## CYPRUS

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ised to lift the emergency regulations if order is restored. He said he intends to go to London for conversations on Cyprus early in May, but warned of the consequences if violence continues. His relatively conciliatory policy is opposed by almost his entire staff, and British officials have said they are ready to take stricter and more effective countermeasures

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An EOKA campaign of sabotage and assassination--mostly of Greek Cypriot "traitors"--continues. Recently, EOKA has sent two demands to the British. The first, issued on 21 April, threatened an all-out EOKA offensive unless Britain immediately began negotiations for a settlement of the Cyprus question. The second, issued on 26 April with a 48-hour time limit, warned that attacks on British personnel would begin unless the "inhuman tortures" of political detainees were stopped. However, no attacks on British personnel have yet been reported.

In response to EOKA activity, Governor Foot again called for an end to violence and prom-

London can do little to advance a settlement while a caretaker government in Athens waits for elections scheduled for 11 May. In addition, any British statement which might placate EOKA and the Greeks would cause a violent reaction in Turkey and among the Turkish Cypriots.

Speculation has been growing in London, Nicosia, and Athens that Britain may offer a plan calling for immediate self-government, self-determination in ten years, and a Turkish military base under NATO in the northeastern part of the island.

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The increasing belligerency of EOKA may indicate that a difference of opinion on tactics is developing between EOKA leader George Grivas and the moderate Greek Cypriots, including

Archbishop Makarios. Grivas is reportedly ready to plunge Cyprus into what he has termed a "heroic holocaust."

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### NORTH AFRICA

The conference of Moroccan Istiqlal, Tunisian Neo-Destour, and Algerian National Liberation Front (FLN) leaders, who met in Tangier from 27 through 30 April, will probably immediately result in increased Moroccan support for the Algerian rebellion.

in both Tunis and Rabat. Its main function probably will be public relations.

The conferees demanded the evacuation of French troops from Tunisia and Morocco. They also asked that France end its aggression against Algeria, and that NATO and other powers cease prolonging the colonial war by providing "political and material aid" to France. As a sop to Istiqlal's expansionist policy and to Mauritanian observers attending the conference, the final communiqué pledged "active support" to the Moroccan-sponsored group from Mauritania which wants to unite that French West African territory to Morocco.

In the long run, the conference is likely to be regarded as the first significant step toward the creation of a federation of Maghrebian (North African) governments. Toward this end, the conference, in its final communiqué issued on 30 April, recommended that an independent Algerian government be formed by the FLN after consultation with the Moroccan and Tunisian governments and that a North African consultative assembly be created to include representatives from the Moroccan and Tunisian national assemblies and FLN delegates. Meanwhile, two representatives from each of the three parties meeting in Tangier will establish a permanent North African secretariat with headquarters

Although the Libyan Government had been invited to send an observer, no Libyans attended the conference. Bourguiba will continue, however, to press for Libyan participation in future North African meetings.

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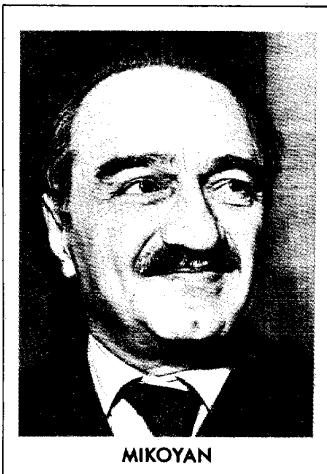
[redacted] The American consul general in Tangier comments that the delegations generally gave the impression

of caring little whether France reacted adversely to their decisions.

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## MIKOYAN VISIT TO WEST GERMANY

The visit of Soviet First Deputy Premier Mikoyan to West Germany from 25 to 28 April to sign the Soviet - West German trade agreement provided the occasion for Moscow to reaffirm its "hard line" on the German problem. While professing to favor increased contacts and a broadening of friendship and trust between his government and that of West Germany, Mikoyan--the highest ranking Soviet official ever to visit the West German Republic--made it



MIKOYAN

clear that Moscow takes a dim view of Bonn's military policy. In both public and private talks, Mikoyan warned of the consequences

of the Bundestag decision to arm the German Army with nuclear weapons. In addition to his warning of a "catastrophe" in case of armed conflict, the Soviet leader emphasized that the atomic armament of West Germany was irreconcilable with ultimate German reunification.

Mikoyan declared his government's willingness to refrain from using nuclear and rocket weapons on any West German targets even in the event of a military conflict if the territory of the Federal Republic is kept free of atomic and rocket weapons. This offer would go further than limiting West German atomic armament, since it would require removal of allied nuclear and missile weapons on West German soil. This "unilateral offer" was intended to encourage those factions in West Germany opposed to atomic armament, a major aim of the visit.

Mikoyan repeated the old formula that "the Germans must confer around one table and come to terms." He visited East Berlin after leaving Bonn to emphasize the Soviet policy of affording the two German states "equal treatment." He reiterated in Bonn that Soviet agreement at the 1955 summit to a German reunification plan

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involving free elections was no longer binding on his government and that any reunification work must be begun anew. He then encouraged summit discussion of a German peace treaty with a "confederation or representation" competent to represent both East and West Germany.

West German Reaction

West German official reaction to the Mikoyan visit has been largely negative. While in its announcements Bonn spoke of "coming closer together" with Mikoyan, Foreign Minister Von Brentano called the visit "disappointing."

One of Bonn's primary goals was to sound out Mikoyan privately on a comprehensive range of political topics. Adenauer's and Mikoyan's personal talks dragged on for five hours; at

one point an impatient Soviet diplomat remarked, "The two foxes in the hole refuse to let go of each other."

Mikoyan's attempts to exploit internal West German differences on nuclear arms may be largely offset by Adenauer's current stress on the need for controlled disarmament and the implication that Bonn would then no longer need nuclear weapons. In addition, Mikoyan's repetition of the Soviet "hard line" on reunification disillusioned even German opposition circles.

The visit also led to agreement with Bundestag President Gerstenmaier that the long-postponed visit of a Bundestag delegation to Moscow would take place in September.

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## SOVIET ATLANTIC FISHING FLEET MAY BE AIDING SUBMARINE OPERATIONS

Soviet fishing trawlers, appearing in increasing numbers off Newfoundland, may have been deployed to the area for more than fishing activity and could be associated with Soviet submarine operations in the area. There is no firm evidence of covert activities on the part of these fishing ships, however.

The Soviet trawlers in the Newfoundland area are engaged in fishing operations, but recent observation indicates that a fair proportion of their time is spent stopped or cruising at very slow speed in water believed too deep for fishing or in areas known to be unproduc-

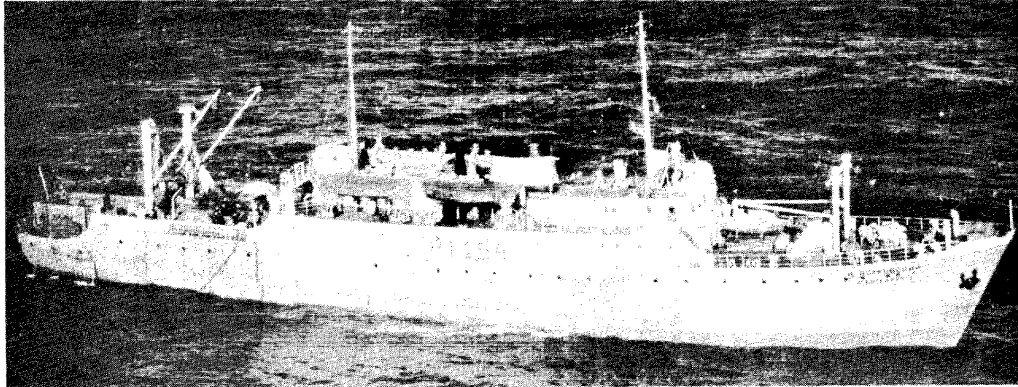
tive. Commercial fishermen of Western countries have repeatedly expressed opinions that the Soviet ships continue to work areas and use techniques unprofitable for customary fishing practices.

Most of the Soviet high-seas fishing fleet operating in the North Atlantic area concentrate in a triangle formed by Iceland, Jan Mayen Island, and the Faeroe Islands. During the past two years, however, a number of larger and more modern trawlers have operated in the Grand Banks area off Newfoundland in the vicinity of the North Atlantic shipping lanes.

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Type of Soviet trawler operating in North Atlantic

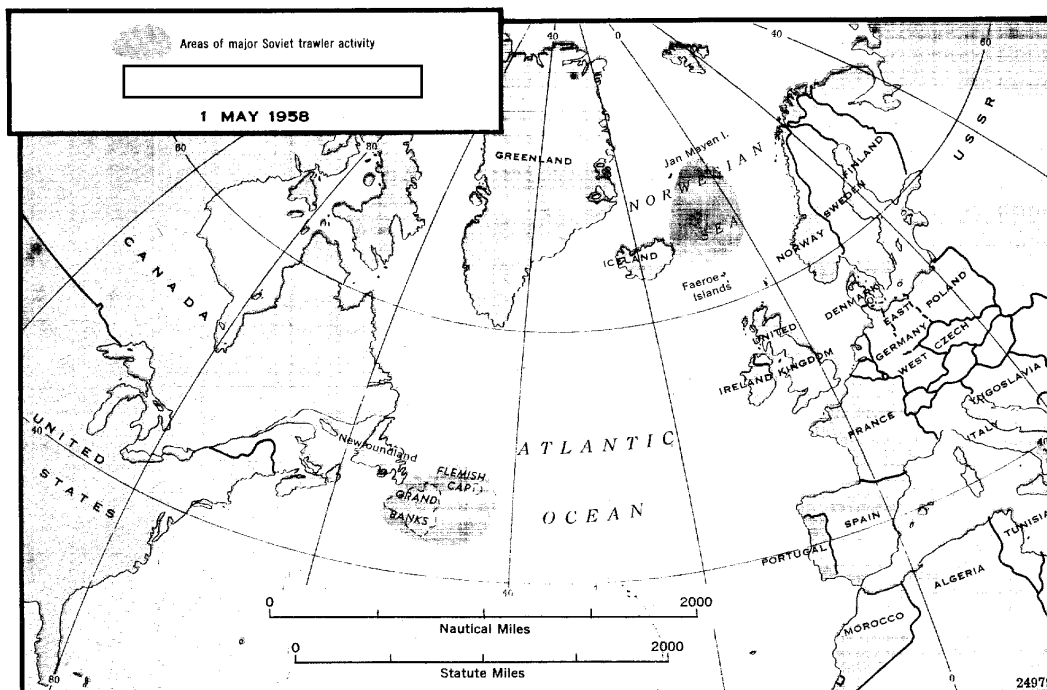
This provides opportunities for using these ships for clandestine military purposes in conjunction with and under the cover of legitimate fishing, and intelligence collection is probably a continuing objective.

The trawlers may be carrying out special hydrographic and oceanographic surveys which would aid future Soviet subma-

rine operations in the area, and could provide support to submarines on long-range patrols.

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The position of the Soviet fishing fleet off Newfoundland



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25X1 and its length of stay in the area would permit [redacted]

[redacted] monitoring of North American communications.

Extensive antenna arrays and radio facilities have been noted on these ships. [redacted]

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## EXPANDED SOVIET MERCHANT FLEET OPERATIONS

The USSR is using larger numbers of its merchant vessels in its trade with the free world in order to reduce its dependence on chartered Western ships, to conserve foreign exchange, and to extend the Soviet economic offensive to ocean shipping. The growth in the number of Soviet, as well as satellite, vessels operating on free-world trade routes at a time when the world charter market is depressed is creating increasing difficulties for Western shipowners. The attempts by the bloc to eliminate its reliance on Western vessels to carry bloc cargoes are not likely to be successful, however, in the near future.

In a recent speech, the deputy minister of the Soviet Merchant Marine reported on the great strides during 1957 in carrying foreign trade cargoes and stated that "during 1958 the greatest emphasis in the work of the maritime fleet should be to increase the volume of cargoes carried for the Ministry of Foreign Trade." He also noted that domestic production of large tankers and various types of cargo ships with the latest technological refinements will make it possible to end Soviet dependence on capitalist steamship companies and to save foreign exchange. As a start, Soviet plans call for eventually carrying all export petroleum in Soviet bottoms.

The Soviet intent is clearly discernible in the use of its tanker fleet. The USSR had seldom carried oil to nonbloc destinations until the closure of the Suez Canal from November 1956 to May 1957. During the past year, however, the USSR has made permanent arrangements for the use of its tankers in oil deals with the West. Finland until early 1957 had been supplying transportation for oil purchased from the bloc. In February of that year, in a supplemental petroleum agreement, the USSR indicated it would use Soviet tankers for the delivery of additional oil.

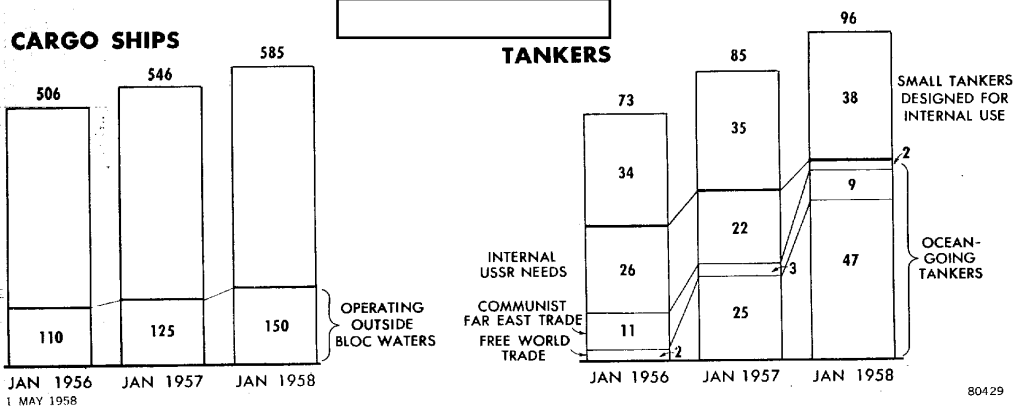
The USSR-Iceland agreement calls for half the deliveries to be made by Soviet vessels. In 1957, Italy not only began to receive much of the crude oil it buys from the USSR in Soviet tankers, but the USSR also loaded refined products in Italy for delivery to nonbloc countries in northern Europe.

Soviet cargo ships are also now servicing trade with the West. At the present time only Soviet cargo ships are engaged in carrying sugar to the USSR under a 150,000-ton Soviet-Cuban contract. During 1957 only one third of Cuba's sugar cargoes were carried in Soviet vessels, and in 1956 no Soviet ships were used. Soviet vessels now on this run also deliver Polish coal to South America, reducing the need for Poland to charter Western tonnage for this purpose.

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**SOVIET MERCHANT FLEET**

The USSR is now carrying in its own ships the 400,000 tons of wheat it agreed to purchase annually from Canada. In 1956 over 60 percent of this wheat was carried by chartered Western vessels. Similar situations have developed in Western Europe. Danish shipping officials complain that the increasing proportion of Soviet vessels being used in Soviet-Danish trade is intensifying the shortage of cargoes available for Danish ships.

Soviet bloc economic and military aid agreements in the Middle East and South and Southeast Asia have stimulated bloc shipping to these areas. Large

numbers of tankers and cargo vessels have been calling regularly at Egyptian and Syrian ports for the past two years, and more recently the bloc has stepped up its shipping to India, Ceylon, and Indonesia under the terms of trade agreements.

Poland, the major East European satellite engaged in overseas shipping, also is expanding its routes to the West. In 1957 the Polish Ocean Lines advertised large numbers of regularly scheduled calls at ports in the Far East and Southeast Asia. Polish experts are now in Indonesia proposing a Polish-Indonesian shipping agency. (Prepared by ORR)

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**USSR PLANS BALTIC OIL DEPOT TO SUPPLY NORTHERN EUROPE**

The USSR plans to build a major oil depot, including storage and shipping facilities, at an ice-free port on the Baltic Sea in the Lithuanian SSR. This would enable the USSR to supply the petroleum-deficient countries of northern Europe expeditiously and at low cost from the oil-rich Ural-Volga area. The proposed base, near

the Kurskiy Lagoon, and its associated refineries and pipelines are not expected to be completed before 1962.

Construction of a large oil refinery has been started at Polotsk in the USSR about 300 miles east of the proposed Baltic depot. Oil pipelines to Polotsk from the Ural-Volga

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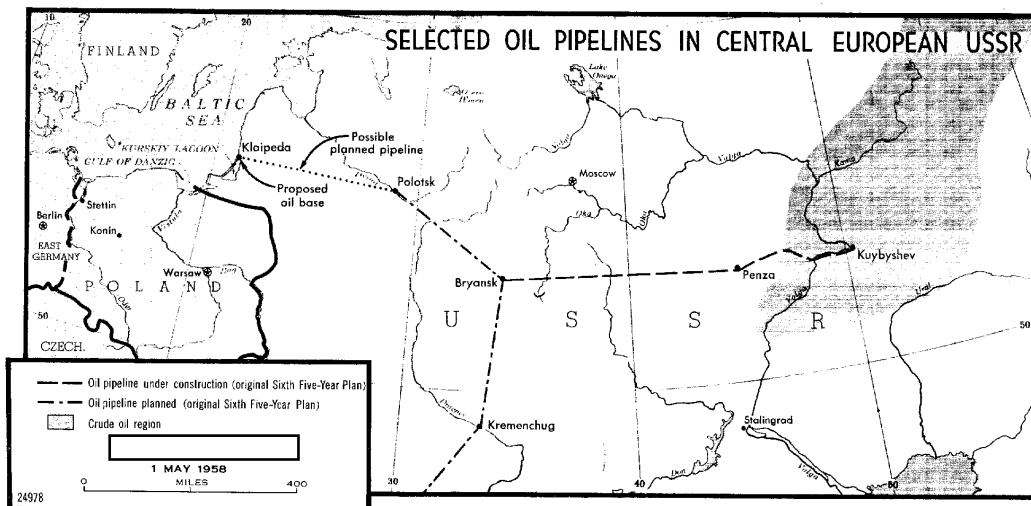
area, which by 1960 will produce 75 percent of Soviet crude oil, are under construction or planned. No plans have been announced for connecting the refinery at Polotsk with the proposed Baltic depot, but such a pipeline system could forward crude from the producing fields as well as petroleum products from the refinery.

In 1957 Soviet bloc petroleum sales to nonbloc northern European countries--Finland, Sweden, Norway, Iceland, Britain, Belgium, the Netherlands, Denmark, and West Germany--were about 3,400,000 tons, delivered by tankers from Black Sea ports. Shipment from the proposed Baltic Sea base would reduce the average tanker haul to about one fourth the distance and thus cut total transport costs considerably.

Present demand for petroleum in the nonbloc northern European countries is about 85,000,000 metric tons annually and is expected to increase to about 145,000,000 tons per year by 1965. Most of this must be met by imports. A new Soviet oil depot on the Baltic Sea would

be in a strategic position to enable the USSR to compete with free world oil producers for a share in this market. The USSR has announced a production goal of 350,000,000 to 400,000,000 tons of crude oil in 1972. Production approaching this magnitude would permit the USSR to supply a substantial part of the increased northern European demand by 1965.

The proposed oil depot could also serve the bloc countries of northern Europe to advantage. Poland plans to build a refinery at Konin, 150 miles inland from the Gulf of Danzig, with an annual capacity of 2,000,000 metric tons of crude oil. Crude oil for this refinery is to be supplied by the USSR and could come from the new oil base. There is also a coordinated European satellite plan to build a pipeline from the port of Stettin (Szczecin) near the mouth of the Oder River to supply oil to western Poland, East Germany, and Czechoslovakia; this pipeline could also be served from the new oil base.

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## SOVIET STRENGTH IN EASTERN EUROPE

Soviet military strength in Eastern Europe continues to be formidable; at least 28 ground line divisions and 50 air regiments remain after recent withdrawals from East Germany and Hungary. Any adverse effect of the personnel reductions on the capabilities of Soviet forces has been largely offset by a recent reorganization of these forces and the redistribution of modern equipment and some personnel from departing units among the remaining forces. Soviet strength remains stable in Poland and Rumania and is twice its pre-rebellion level in Hungary.

In January, the USSR announced that those troops withdrawn from East Germany and Hungary would be demobilized. The USSR has taken pains to demonstrate the fulfillment of its announced withdrawal plans, but it will be difficult to ascertain whether the troops will in fact be demobilized.

East Germany

The bulk of Soviet strength in Eastern Europe is concentrated in East Germany, where ground forces recently improved their capability by an extensive reorganization which increased the ratio of armor and transport to infantry. Some 345,000 troops are organized into 20 combat-ready line divisions and an air army of 22 air regiments equipped with 955 late-model aircraft.

The training cycle for ground troops this year has departed from that of previous years to achieve an improved year-round combat capability.

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The 24th Air Army in East Germany is the largest and best balanced of the Soviet tactical air armies and is well integrated with ground units which it supports. A network of first-class airfields facilitates, along with good ground support equipment, the maintenance of a high level of training.



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Hungary

In Hungary at least 60,000 troops are organized into four or more line divisions and nine air regiments equipped with 305 late-model aircraft. Ground troops have been receiving the normal cycle of intensive training for the past year. As presently deployed, these troops would be better able to deal with civil disturbances than were the prerebellion divisions. During the past year, Soviet air strength in Hungary was augmented by three fighter regiments.

Other Satellites

In Poland and Rumania, where the USSR did not announce plans for withdrawing troops,

strengths have remained relatively stable. The 35,000 ground troops stationed in each country are organized into two line divisions and support elements. In Poland, 14 Soviet air regiments having 445 aircraft and, in Rumania, five air regiments with 190 aircraft serve in an air defense role as well as provide tactical air support for ground units.

Although there are no Soviet line units in Czechoslovakia, Bulgaria, and Albania, Soviet advisory groups are maintained in these countries. Soviet forces in Eastern Europe can be readily reinforced by the 886,000 ground troops--47 line divisions--and 155 air regiments located in the western USSR.

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## SOVIET LEGAL DEVELOPMENTS

A recently completed draft of basic principles for Soviet criminal procedural codes apparently fails to provide for any genuine liberalization of Soviet law. As described in the March 1958 issue of Socialist Legality, the principles seem merely to formalize the limited legal concessions approved at the 20th party congress, rejecting many proposals which if adopted would have been of great importance in establishing and safeguarding the basic rights of the Soviet individual.

Designed as a model for all republic criminal procedural codes, the principles have been in preparation for over a year. Along with similar drafts for civil and criminal codes, they are the regime's substitute for the USSR code of laws recommended by Lenin. After many

false starts, plans to draft a nationwide code were dropped at the February 1957 session of the Supreme Soviet. Since that time, leading Soviet jurists have written many articles recommending reforms of the outmoded legislative guide which has been in use since October 1924.

The new draft rejects the principle of presumption of innocence until guilt is proved on the grounds that no legal case is initiated on the sole basis of suspicion. To presume innocence, the article stated, would be to undermine confidence in the Soviet investigative organs--the police and the prosecutor general's office. A proposal that the number of people's judges be increased was also dropped because such a move would have been a step

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toward trial by jury. It was explained that socialist society does not need a jury system since democratic rights and procedures are guaranteed by the Soviet constitution.

A middle course was steered on the question of the role of confessions. They will be treated in the same manner as any other evidence, and neither as overriding proof of guilt, as was done by Andrei Vyshinsky, nor as inferior evidence, as the liberal school of Soviet juridical thought had proposed.

The law relating to the role of the defense attorney was somewhat liberalized. While accused persons in the past were entitled to a defense attorney only at the point when a case came to trial, the defense counsel can now begin preparing his case as soon as the state's evidence against the accused is presented to him. A proposal that the defense be allowed to participate in the preliminary investigation of cases was turned down on the grounds that a suitable defense could not be prepared until all the evidence had been gathered.

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## NEW SOVIET DECREE ON THE SEVEN-HOUR WORKDAY

The central committee of the Soviet Communist party on 21 April set a schedule for shortening the workday in heavy industry, in line with the decision announced at the 20th party congress to introduce a basic seven-hour workday throughout Soviet industry by 1960, resulting in a 41-hour week. This and the related program of wage reform initiated in 1955 are designed to improve workers' welfare and eventually to increase their productivity.

The first step toward universal shorter hours was taken shortly after the 20th party congress in March 1956 when the workweek for all workers and employees was reduced from 48 to 46 hours by reducing the Saturday working day from eight to six hours. Following this was a general reduction in working hours for persons under 18 from eight per day to six, effective 1 July 1956.

After experimental introduction of the shorter workday in several plants and mines during 1956, the Council of Min-

isters decreed a seven-hour day for aboveground workers and a six-hour day for underground workers in the Ukrainian coal industry. This change was completed by 1 January 1957 and was followed by an announcement that other industries would make the same move in the course of the year. In May, Khrushchev announced that the workday would be shortened during 1957 "in mines and metallurgical and chemical enterprises in the iron and steel industry" and that measures were being taken to do so in all other industries.

In detailing timetables for the changeover, the new decree demonstrates a firm recommitment to the program, which may have been thrown off schedule by the industrial reorganization. Issuance of the decree probably indicates that the seven-hour day, where it has been instituted, has thus far been successful. The cement industry, for example, is scheduled to change over to the new hours between July and December 1958, while the nonferrous metallurgy

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industry will be phased over between July 1958 and September 1959. The regime hopes to complete the changeover of heavy industry and to begin the transfer of other branches of industry in 1959. By the end of 1958, some 8,000,000 Soviet workers will be on the six- or seven-hour day.

The shorter hours may promote productivity in the long run by reducing absenteeism and by providing the worker with added incentive to maintain his output. Most Soviet sources have claimed that the reductions in hours carried out so far, notably in the coal mining industry, have not adversely affected production, productivity, or wage level. An early April report published in Trud, how-

ever, implies that wage costs for ferrous metal production have increased as a result of the reduction. Nevertheless, increased labor productivity which apparently resulted from the measure has kept the need for new employees below that anticipated.

The new decree also mentions the progress of the wage reform, an effort to correct the inequities of varying wage rates for different industries, and the illogical bonus system. In addition to correcting these disproportions, the wage reform program is aimed at raising the wages of low-paid workers by "closing the gap between the maximum and the minimum wages" and at assuring a rise in labor productivity.

(Prepared by ORR)

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## PROBLEM OF DISSIDENT BULGARIAN WRITERS UNRESOLVED

The Bulgarian regime continues to be plagued by literary dissidence. In the past month considerable public attention and criticism have been paid the rebellious writers, with the aim of forcing conformity without the use of police terror. Party Leader Todoz Zhivkov said in a speech at the annual "accountability meeting" of the Writers' Union on 7 and 8 April that the writers had neglected their most important responsibility, that of raising the people's social consciousness to the level of their material progress.

Zhivkov censured the chief rebellious writers--Emil Manov and Todor Genov--but indicated that the dissidents, several of whom recently were removed from their posts on regime publications, have neither been expelled from the party or the

Writers' Union nor denied permission to write. He expressed concern, however, that young writers were being won over to the cause of these rebellious writers. At the close of the meeting, the Writers' Union indicated how firmly it was under regime control by issuing a message to the party central committee pledging complete conformity with the party's wishes.

On 16 April, the new presidium of the Writers' Union elected Georgi Karaslavov, candidate central committee member and regime favorite, as its secretary general. The other new secretaries were almost all moderates, although all of them have backed the regime completely in recent months. Although the secretaries are not likely to be overindulgent of the dissidents' behavior, the fact that the regime chose any

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moderates for the leadership of the union is another example of its willingness to make concessions without compromising on the basic issues.

The main point at issue between the dissident writers and the regime has been the latter's right to control literary affairs. After a protracted critical press campaign during the latter part of 1957, the regime tried to force the rebels to indulge in self-criticism at the November meeting of the Writers' Union party bureau. After this failed, at least 15 of the dissidents were removed in February from responsible editorial posts.

The regime may not have adopted the same harsh measures

with the dissidents that it used recently in resolving troubles with youth and economic profiteers because of the current Soviet line favoring "comradely persuasion" of recalcitrant intellectuals. Party chief Zhivkov's speech may be an indication that the regime is trying not to antagonize the writers since it requires their positive assistance if it is to make the claim that Bulgaria is moving toward socialism in all areas. More practically, it needs their favorable literary comment to convince the people that they should accept their lot and to exhort them to willing participation in and enthusiasm for the Third Five-Year Plan.

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## NORTH VIETNAMESE INTELLECTUALS ARRESTED

Eighteen months of coercion, exhortation, and re-education have failed to silence the critics of the Hanoi regime among the North Vietnamese intelligentsia. At least three dissenters accused of counter-revolutionary activities were arrested last week, and unconfirmed reports state that 14 others have been arrested. Those jailed are Nguyen Huu Dang, a well-known writer and political analyst; Thuy An, a woman novelist; and Tran Thieu Bao, publisher of magazines which were suspended by the Communist authorities. Roughly coinciding with the arrests was a wave of self-criticism by figures who had been extremely vocal in their censure of the regime.

Signs of impending trouble became apparent in January when the regime suspended Van, the organ of the Vietnamese Writers' Association, for publishing

articles critical of the status quo in North Vietnam. The magazine was bitterly assailed in the party press for aping the attitudes and opinions of a periodical which had been suspended a year before--Nhan Van. Nhan Van had appeared between September and December 1956 during a short-lived liberalization experiment in Hanoi. Embarrassed by the periodical's criticism and demands for more freedom, the regime forced its closure and regrouped the intellectuals into a new cultural association whose organization was designed to facilitate the suppression of criticism.

In February this year, Hanoi postponed its spring theatrical festival because the new plays were "worthless and politically underdeveloped." At the beginning of March, the regime called a meeting of over 300 writers and artists, ostensibly to study the declaration

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made at the conference of Communist parties held last November in Moscow, but the length of the meeting--40 days--suggests that it was principally a re-education and indoctrination session.

Concurrently, the party press published long, bitter articles attacking revisionism in literary circles, the brunt of the criticism falling on the so-called Nhan Van clique. Thirty-two of North Vietnam's most prominent writers, poets, artists, and composers were named as having fallen into the revisionist trap. They were accused of opportunism, bourgeois idealism, cynicism, anarchism, and, perhaps most ominously, of fighting the party's leadership.

When the conference closed on 17 April, Hanoi announced that writers and artists had reached a unanimity of views and that they had expressed absolute confidence in the par-

ty's leadership. The Communist victory, however, seems to have been considerably short of complete. The recantations of several literary figures published in the press were not groveling; they evaded answering the party's major criticisms. Two days later, it was revealed that three persons, all well-known cultural figures, had been arrested for using literary activities as a front to sabotage the regime. The Minh Duc publishing house which had printed Nhan Van was accused of being the center of an espionage ring.

Hanoi will use the forthcoming treason trials of the three arrested to document its case against other dissenters, and the renewed effort at intimidation will probably silence the critics for a time. It is also likely, however, to cost the regime the cooperation of many talented and well-educated individuals in a society which has few to spare.

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## LAOTIAN ELECTIONS

Informed observers estimate that the Communist Neo Lao Hak Zat party (NLHZ), successor to the Pathet Lao movement, will capture between four and ten seats in the Laotian National Assembly elections on 4 May. A total of 21 seats are at stake, and the elections will increase the number of deputies to 59. The NLHZ has been conducting a disciplined and effective campaign in contrast to the conservative parties, which have failed to consolidate their resources and agree on a limited list of candidates.

A strong showing by the Communists would pave the way for the NLHZ to become a lead-

ing contender in the 1959 national elections, when all assembly seats will be at stake. It would also result in increased pressure on the government for closer relations with the bloc.

The campaign has been marked by some irregularities and incidents of violence. The Laotian Government has assembled a dossier of NLHZ electoral violations, and the NLHZ has filed a formal protest with the tripartite International Control Commission against army and government activities. Murder, abduction, bribery, false arrest, and voter intimidation have been freely charged by members of all

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contending parties and various unaffiliated candidates. The NLHZ complaints and additional charges of American intervention in Laotian affairs have been exploited by Hanoi radio in a manner designed to play on Laotian fears that the Communist insurrection might be renewed.

The conservative parties of Laos will have a comfortable majority in the assembly for the coming year. The premiership will probably remain with the Nationalist party, currently the assembly's largest, and will be held by Premier Souvanna Phouma or former Premier Katay. Regardless of the outcome of

this election, the Communists probably will continue to be represented in the cabinet.

Throughout the campaign, the Laotian Army has been the conservatives' most effective agency, and it will have the responsibility for policing the voting. While the army appears to be in a position to ensure the election of government-selected candidates in most areas, too blatant interference will run the risk of censure by the International Control Commission and consequent international pressure for the retention of that supervisory body.

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## NEW CAMBODIAN GOVERNMENT

The investiture of the conservative Sim Var government in Cambodia on 24 April foreshadows a more effective government and greater efforts to counter Communist subversion, although without abandoning Cambodia's neutral foreign policy. Sim Var is Cambodia's most prominent anti-Communist leader. He became "caretaker" premier last summer during Crown Prince Sihanouk's absence abroad, but resigned in January when the National Assembly was dissolved. He has announced specific steps to fight "subversive maneuvers and antinational activities" and has recommended long-range reforms to ward off political and economic deterioration.

The new government enjoys the full support of Sihanouk, who continues to show an awareness of the Communist threat to Cambodia. He has admonished the recently elected assembly to cooperate with the executive branch and has indicated he would like to see the present government remain in office at least one year. To bolster

further the prestige of the Sim Var administration, Penn Nouth, the senior political adviser to the throne, has also been designated official adviser to the government.



SIM VAR

In addition to the problem of subversion, Sim Var has listed as primary targets for government action corruption, clandestine immigration, illegal

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nationalization--presumably largely involving Chinese--and rising rural insecurity. He has called for immediate reorganization of the police, a more enlightened information program, and general efforts to restore state authority "at all echelons."

Despite the good intentions of the Sim Var government, implementation of the announced programs will be hampered by traditional Cambodian lethargy and the dearth of trained per-

sonnel. An upcoming test of the new government's ability involves taking over direct administration of the nation's 250,000 Overseas Chinese, whose affairs formerly were handled by semi-autonomous regional Chinese associations recently abolished by the government. Although this step was taken with the apparent aim of curtailing pro-Peiping influence in the Chinese community, the confusion which has resulted stands to facilitate Communist subversion.

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## STRIKES RENEWED IN CEYLON

The recent flare-up of strikes involving some 150,000 workers in Ceylon, which has been plagued by labor discord since last November, is increasing the political and economic strain on Prime Minister Bandaranaike's government. The strikers include groups who disrupted Colombo port, rail, and communications facilities last fall, indicating that labor leaders and workers are still dissatisfied with wage increases granted by the government and private employers.

Since Ceylon must import about two thirds of its food, continuation of the strikes will again cause island-wide food shortages and serious losses to private industry and trade. The Bandaranaike government, already troubled by communal tension, once more must find a solution to the problem of labor's widespread lack of discipline which has damaged the island's economy for the past five and a half months.

The present strikes were begun on 22 April by railway and postal workers belonging to

the leftist Public Service Workers' Union Federation, which claims the allegiance of about two thirds of the island's public service workers. On 24 April, some 25,000 nongovernment members of the Communist Ceylon Trade Union Federation joined the strikes, disrupting work in Colombo port and in printing, engineering, tea, and rubber trading firms. The strikers demanded more political rights and a cut in the cost of living.

Governor General Goonetilleke immediately ordered the military to run essential services, and the police patrolled Colombo to hold down violence and to protect the skeleton staffs working in government offices. On about 26 April, Prime Minister Bandaranaike called the troops off the streets and relaxed security controls in response to union protests against the government's antistrike activities. The strikes and bomb-throwing incidents continued.

On 28 April the government issued a communiqué promising no disciplinary action if the strikers returned to work and

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stating that their demands would receive attention once work was resumed. On 29 April, one union reportedly directed its workers to return, but the largest federation announced plans to intensify the strike until its demands are met. As of 1 May, neither side appeared willing to negotiate.

The Colombo tea market, on which the Ceylonese economy depends heavily, reportedly is paralyzed, and the movement of cargo is slow in the commercial section of Colombo port, where the Communist harbor union is on strike. Six ships left last week end, abandoning some 10,000 tons of unloaded goods.

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## PROSPECTS FOR THE ECHANDI ADMINISTRATION IN COSTA RICA

The inauguration on 8 May of Mario Echandi as president of Costa Rica for four years will initiate a period of improved relations with neighboring countries and more conservative economic policies at home.

Echandi, a former foreign minister and ambassador in Washington, will adopt more orthodox methods in his foreign policy

against their governments involved Costa Rica in serious trouble with Nicaragua and other rightist regimes. Echandi, on the other hand, is on close personal terms with the Nicaraguan President, and relations with all neighboring countries are likely to improve.

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ECHANDI

than those of his predecessor and bitter political foe, Jose Figueres. The latter's aggressive championship of democracy and his tacit encouragement of exiles from "dictatorial" regimes of the area to plot

On the domestic scene, Echandi's freedom of action will be reduced by the probable pro-Figueres majority in the new Legislative Assembly. The Figueres bloc, which lost the 3 February presidential election by a narrow margin, is sure to fight aggressively with a view to the elections four years hence.

Another assembly opponent of Echandi will be former President Calderon Guardia, whose alliance with the Communists and roughshod political tactics a decade ago led to the 1948 revolution and his exile. His Republican party made a notable political comeback in the legislative elections and clearly retains significant support from the lower classes, who remember Calderon's social and labor reforms. Calderon has publicly rejected a new Communist alliance, but most of the party's

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other deputies-elect gratefully accepted Communist campaign assistance, and the small Communist party hopes to benefit from Calderonista contacts in the assembly. Communist chances of major gains are dimmed, however, by Echandi's open anti-Communist stand.

Economic policy is likely to become a major issue.

Echandi is a conservative while Figueres and Calderon are somewhat left of center and not above exploiting latent class divisions for political ends. Any alliance between Figueres and Calderon, however, is unlikely to be more than a temporary expedient, since Figueres led the 1948 revolution against Calderon and the two men are bitter personal enemies.

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## GROWING LEFTIST SENTIMENT IN CHILE

Irritation at the United States over the copper question has brought a rise in sentiment favorable to the leftists in Chile, and President Ibanez has already secured lower house approval of a bill restoring Communist voting rights. Ibanez may also support the proposals of left-wing presidential candidate Allende to increase the tax burden on the US-owned copper companies and to divest them of control over sale of their products.

Ibanez' decision to cancel his state visit to the United States, in apparent irritation over proposed US legislation raising copper tariffs, received virtually unanimous popular approval and found fertile ground in the anti-US feeling that has grown as Chile's economic situation has worsened. Chile receives 65 percent of its foreign exchange from copper, and has been hard hit by the drop in the price of copper from 46 cents in early 1956 to its present 25 cents a pound. This means a serious balance-of-payments problem for 1958 and new difficulties for the US-backed economic stabilization program.

A newly formed left and center congressional bloc, which dominates both houses of Congress, took action on 28 April in the Chamber of Deputies, in accordance with a proposal by Ibanez, to approve restoration of Communists' voting rights, and similar action is expected in the Senate. These actions, which have been taken to consolidate Ibanez' popular support, particularly with the left, are expected to strengthen greatly the candidacy of Socialist Senator Allende, one of the two principal candidates for president in the 4 September elections.

While Allende does not advocate nationalization of the US-owned copper companies--valued at over \$500,000,000--and has admitted the benefits of foreign capital for developmental purposes, his proposed modification of the basic copper law would cut deeply into company profits and would raise the threat of "creeping expropriation." For political purposes, and with some success, Senator Allende is playing the role of the defender of Chile's interests with respect to the United States.

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Despite the growing left-ist trend, a too rapid move to restore privileges to the Communists might still arouse determined opposition from the right and center parties. Short

of this development, Allende's campaign is expected to prosper with the deterioration of the Chilean economic situation and the further softening of the copper market. [REDACTED]

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## FRANCE DOWNGRADES NATO PRIORITIES

Defense Minister Chaban-Delmas' public reversal on 17 April of the order of priority of the French armed forces' missions formalizes the de facto emphasis Paris has given its efforts to maintain its overseas holdings at the expense of its NATO commitments.

In discussing the reorganization of the French military establishment with the Association of Graduates and Faculty of the Institute of Higher National Defense Studies, Chaban-Delmas defined the missions in order of urgency as:

- (1) to assure "the French presence overseas for a long period";
- (2) to equip France "nearly simultaneously" with "total" weapons;
- (3) to assure the interior defense of French territory and to combat "subversive warfare";
- (4) "to respect our international engagements, because it is desirable that France preserve its position in the European theater."

Heretofore, policy statements by ranking French officials have always placed primary emphasis on fulfillment of France's NATO commitments, even though the French NATO contribution has sharply deteriorated since 1954 because of Algerian operations.

Chaban-Delmas' views may particularly be felt through the four-year armed forces reorganization plan which he is instituting. Many French military and civil officials have ascribed the Algerian rebels' continued resistance to the development of a new type of "subversive" or "revolutionary" war which they believe cannot be combated successfully by conventional large military units. Doubts have also been expressed whether major combat units can be developed which can cope with "subversive war" and at the same time be used effectively in support of NATO forces in Europe. Current limitations on the defense budget severely curtail the French heavy arms program and have added weight to the prospect that a choice must be made between the two types of ground forces.

Should Chaban-Delmas' views prevail, France may become increasingly dependent on Western nuclear capability to deter Soviet aggression and on foreign military aid to support French forces primarily designed for NATO ground defense in Europe.

Chief of Staff General Ely, who is firmly pro-NATO, is scheduled to retire this summer, and his successor might push the armed forces reorganization along the lines suggested by Chaban-Delmas, particularly if the Algerian operations seem likely to continue indefinitely. [REDACTED]

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**SPAIN'S OIL PROBLEM**

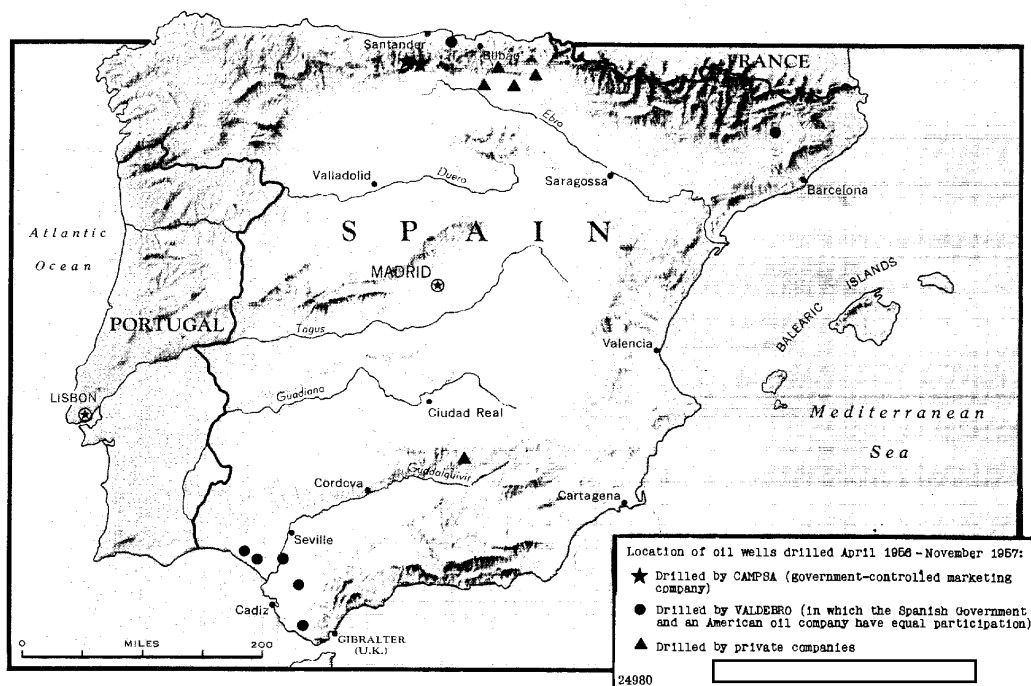
Steadily rising oil imports--now costing over \$100,000,000 a year and increasing at an accelerating rate--are one important cause of Spain's deteriorating foreign exchange position. Domestic pressure groups, however, have blocked cabinet action on new legislation that would encourage foreign companies to prospect for oil in Spain.

Expanding industrial requirements for petroleum are forcing Spain to spend about one sixth of its foreign exchange earnings on oil. This rate is increasing by 15-20 percent each year, and Spain, like Italy, apparently hopes to reduce this drain by discovering domestic oil deposits. Drilling operations have been carried out in 14 localities since April 1956, mainly by government-controlled companies, but these operations have been

unproductive to date. The participation of foreign capital has been effectively discouraged by the law limiting such participation in most cases to 25 percent.

A new oil bill was recently drafted in the Ministry of Industry, with the help of American firms, to allow foreign interests 100-percent participation in companies exploring and exploiting Spain's petroleum resources. The American Embassy in Madrid reports that cabinet approval was withheld early in April largely because of the desire of the National Institute of Industry to continue with government-controlled explorations and to stake out the largest possible claims for itself for future operations.

The bill's obstruction is a defeat for those forces in the cabinet which are trying to



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remedy Spain's increasingly serious foreign exchange difficulties. With Spain's dollar reserves now approaching a new low of \$15,000,000, Finance Minister Navarro Rubio has told the American Embassy that he fears severe limitations on

imports will be necessary within the next few months. Rationing of oil and other key raw materials would then have to follow, with consequent plant shutdowns, unemployment, and political unrest.

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## PART III

PATTERNS AND PERSPECTIVES

## THE RETREAT FROM DE-STALINIZATION

Since the spring of 1956 when the Soviet party press revealed that the anti-Stalin campaign--only a little more than a month old--had opened a crack in the wall of political and ideological discipline, the regime has retreated from its nearly total condemnation of Stalin at the 20th party congress.

Early Reverses

In April 1956, Pravda was obliged to denounce "some rotten elements" in the Soviet party which, on the basis of Khrushchev's attack on Stalin at the February party congress, were "trying to question the correctness of the party's policy." It became evident that the official denunciation of Stalin had quickly raised questions about taboos which the regime had every intention of keeping intact. Although the revision of certain Stalinist dogmas and historical canards went ahead in a number of professional journals, de-Stalinization through the removal of Stalin busts and pictures, the withdrawal of his works from libraries and bookstores, and the renaming of places and institutions soon slowed noticeably.

In June of that year, the text of Khrushchev's denunciation of Stalin at the party congress was published in the West, causing dismay and confusion in foreign Communist parties, most of which had only second-hand reports of its contents. Party leaders issued long statements calling on Moscow for further clarification and, in some cases, raising highly embarrassing questions. Togliatti, for example, asked whether the revelations about Stalin's rule meant that Soviet

society had assumed "certain forms of degeneration."

The Soviet reply to the inquiries, in the form of a central committee resolution of 30 June, was evasive. It insisted that the Soviet system was sound and it retreated from Khrushchev's February position by calling attention to Stalin's "positive achievements" and by arguing that some of the worst features of his rule had been justified by international and domestic difficulties.

Intelligentsia's Indiscipline

The regime's iconoclastic attack on Stalin put the intelligentsia in a mood to question long-standing dogmas. Taking their cue from the June resolution, the new issues of the party journal *Kommunist* attacked as "revisionist" the editors of the journal *Problems of History*. *Kommunist* charged that the journal's editors, "in posing certain questions connected with overcoming the cult of personality ... are drawing hasty and invalid conclusions" and were "tainted by hysteria and sensationalism."

Similarly a small but remarkably vigorous group of writers quickly set out to extend the criticism of Stalin and Stalinism into the area of Soviet life generally.

These "rebels" exaggerated the degree of relaxation which the regime had intended its anti-Stalin campaign to signify. The decision to hand down a somewhat broadened orthodoxy from above had aroused false belief that it might be redefined from below. De-Stalinization as an experiment in

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modified totalitarianism--which the authorities expected four decades of indoctrination and enforced conformity to keep under control--aroused serious misgivings within the party hierarchy even before the upheavals in Poland and Hungary sent the process of de-Stalinization into sharp retreat.

Impact of Hungary

In Eastern Europe, the deliberate destruction of the Stalin myth was taken to mean both domestic liberalization and a relaxation of the Soviet grip on national life. De-Stalinization thus served as a catalyst in the process which led to the Polish and Hungarian rebellions.

These uprisings made the Soviet regime acutely conscious that cultural and ideological drift and restlessness with party control of thought are danger signs in a totalitarian society. In the closing weeks of 1956, the party press poured a cascade of abuse on critics of "socialist realism" and advocates of loosened party controls in the arts.

The Chinese Communists were the first to imply publicly that the denigration of Stalin, to which they had never warmed, had played a big part in inciting the turmoil in Communist ranks. The leading article in the People's Daily of 29 December 1956, primarily a manifesto of support for Soviet actions in Eastern Europe, asserted that "if Stalin's mistakes are compared with his achievements, the mistakes will be seen to be only secondary."

Current Line on Stalin

The ink was hardly dry on the Chinese statement before Khrushchev--ten months after the 20th party congress--declared at a Kremlin celebration of the New Year 1957 that:

"Stalin made mistakes, but we should share responsibility for these mistakes because we were associated with him. Stalin did so much good that one must overlook his mistakes." At a reception for Chou En-lai on 18 January, he declared that Stalin's errors were not of a fundamental kind. "God grant," he added, "that every Communist should be able to fight like Stalin."

During the spring and summer of 1957, the regime turned nearly every weapon at its command, short of outright suppression, against its errant intelligentsia. Among the writers, editorial censure and organizational pressure brought the submission of all but a handful of the "sons of the wild jackass" who were charged with taking refuge in an irritating but inarticulate "conspiracy of silence." In early June the "revisionist" historians were purged from the editorial board of Problems of History, amid charges that they had persisted in dwelling on Stalin's vices while ignoring his virtues.

In his pronouncements on literature published in August 1957, Khrushchev laid down a stern party line for the literary profession and warned that submission to "comradely persuasion" was an obligation.

Khrushchev's statement on Stalin, in reviewing 40 years of Soviet history at last November's anniversary celebration, and the new biography published in volume 40 of the Large Soviet Encyclopedia, presumably bring to a halt, at least for a time, the fitful re-evaluation of Stalin. In both cases, Stalin is presented as a leader who had serious failings but, on balance, did more good than harm.

In the biography's fuller treatment, some of the earlier charges made against him are repeated, some are softened,

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and others are dropped--all in the interest of the primary argument: Stalin's cult and his mistakes did their damage and were disowned but they were not a product of the Soviet system nor did they basically affect the character of that system.

The biography sums up with a paraphrase of Khrushchev's anniversary speech: "It would be the crudest distortion of historical truth to spread the errors permitted by Stalin in the last year of his life over the whole of his many years of party and government activity. The campaign launched by reactionary imperialist circles against 'Stalinism,' which they invented themselves, is in reality a campaign against the revolutionary workers' movement. The revisionists' statement against so-called 'Stalinism' are likewise in essence a form of struggle against the basic propositions of Marxism-Leninism."

Outlook

The Soviet regime's official portrayal of Stalin has been in many ways a gauge of its estimate of domestic and bloc attitudes. The 20th party congress, besides producing the attack on Stalin, was marked by persistent criticism of the elements of "dogmatic conservatism" within the Communist parties. It also brought forth the doctrine of "various roads to socialism," signifying broader tolerance of diversity in satellites and Yugoslavia. Soon after the congress, the Cominform was dissolved. Developments in the intervening two years, however, have driven Moscow in the opposite direction.

The Moscow conference of Communist parties last November firmly acknowledged Soviet primacy within the bloc, heavily qualified the idea of "sepa-

rate roads to socialism," and declared that "revisionism" was a greater threat to Communist unity than "dogmatism." The conference also decided to re-establish a joint party publication for the bloc, but did not call for the creation of another Cominform-like organization. Moscow's purpose at the conference was to establish stricter conformity within the bloc without the threat of full-scale Stalinist coercion.

The renewed clash of Soviet and Yugoslav positions is evidently another expression of this spirit: while it sends relations between the two parties to the lowest point since Stalin's death, it seems unlikely to produce the bitter extremes of the 1948 break.

At home, de-Stalinization in its original form has ended, but the spirit and methods of the Stalin era have not been fully revived. Khrushchev has assumed much of Stalin's personal power and seems increasingly to be taking on the attributes of uniqueness which were part of Stalin's "cult of personality." He is not, however, a demigod. High-level opposition to his leadership, although obviously risky, remains a possibility; and, despite continuing indications of resistance to his policies at various levels, the police are still held in check.

Having discovered that its youth and intellectuals are capable of "unhealthy manifestations" if given any encouragement to assert their independence, the regime has freely used its administrative power and its monopoly of the media of expression, as well as threats, to restore discipline, but Stalin's postwar cultural purge has not been repeated. While most of its more nettlesome critics have been forced to recant, they appear to be in no danger of being branded "enemies of the people."

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Continuing its search for effective solutions to persistent economic problems, the present regime ranges widely beyond the confines of Stalinist forms and rigid dogma--notably in its recent reorganization of industry and agriculture. While spurring rapid industrial expansion, the regime is implementing programs for shorter working hours, improved worker benefits, expanded housing, and improved consumption, ostensibly to improve labor productivity. This was an approach largely ignored by Stalin.

Khrushchev's intent in launching the anti-Stalin campaign was probably to "clear the air," certainly not to fill it with flying debris. It was taken as a step in the modernization of the Soviet dictatorship, not its weakening. This seems to be Khrushchev's goal still, but a new outbreak of dissension at home or in Eastern Europe or a serious threat to his personal power could send him into further retreat from de-Stalinization and possibly even reliance on Stalinist controls to maintain himself.

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## TURKEY SEEKS MULTILATERAL HELP IN STABILIZING ITS ECONOMY

Turkey's economy has deteriorated to such an extent that the government of Prime Minister Menderes has apparently decided to make major changes in its economic policies in order to obtain substantial Western financial assistance. During the past month, Turkey has been pressing its European creditors--the United States, the International Monetary Fund, and the Organization for European Economic Cooperation--to formulate quickly plans for a fund which would stabilize the sagging Turkish currency and provide a means to consolidate the country's staggering foreign debt. While Turkey's free world partners have all expressed an interest in helping, they are not likely to proceed as fast as Turkey had hoped. It now seems probable that an over-all economic program for Turkey cannot be formulated before midsummer at the earliest.

The Problem

Turkish economic development since 1950 has been sub-

stantial but purchased at the price of serious monetary instability. The government's insistence on proceeding with economic development at a much faster rate than warranted by available resources has resulted in a serious imbalance throughout the economy. Domestic prices are far out of line with world prices, and exports of Turkish goods generally are made possible only by substantial government subsidies. On the import side, the government has resorted to substantial short-term borrowing to pay for investments with long-term economic returns. The Turkish foreign debt has reached alarming proportions and is estimated to be as much as \$1.5 billion. Creditor nations are reluctant to extend further loans.

Turkey's ability to repay its existing debt is extremely limited and a number of defaults are likely to occur. Already behind in its obligations to the OEEC, Turkey is the only country to fail to honor its arrears

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in that organization's ten-year history.

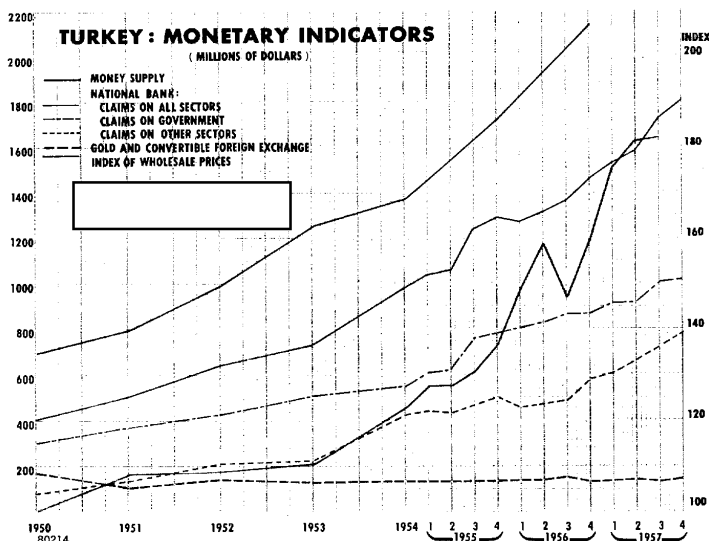
The Menderes government has been attempting to improve the situation by a series of moves designed to cut imports and step up exports. Imports, as a result of this policy, declined last year and, in fact, were the lowest since 1951. Exports increased but not enough to avoid a deficit. Internally, prices continue to rise as the government pumps money into various development schemes and urban reconstruction. Wholesale prices reached an all-time high in late 1957, following a 25-percent increase in less than a year, and the cost of living climbed to a record level. The government's efforts to hold down prices by rigid enforcement of price controls probably will result only in slowing down the price rise. As long as money incomes continue to increase, the pressure on the central authorities to allow exceptions to its price program is likely to result in abandonment of its efforts to enforce price controls.

The 1957 decline in imports--down about 3 percent from 1956--while desirable from the point of view of reducing the country's balance-of-payments deficit, has had a deleterious effect on industry. A number of plants are idle for want of parts, while other factories are mere shells awaiting imported machinery. In some cases, plants are completely shut down for want of imported raw materials. The General Electric light-bulb plant in Istanbul was idle from August 1957 to early February 1958 for

lack of \$75,000 in foreign exchange to purchase raw materials.

**Menderes Seeks Solution**

Turkish officials apparently now are convinced that a solution to Turkey's problems is beyond the country's own resources. However, the price required for Western support of a stabilization program has been politically too high in the view of the Menderes government. Before the recent elections, gov-



ernment officials were reluctant to discuss any moves to cut the level of investment activity and were thinking largely in terms of new investment. Since the elections, Prime Minister Menderes apparently has become convinced that corrective measures must be taken to get free world help, but whether he now is willing to make the drastic moves required--such as some form of devaluation--is still a matter of conjecture.

No definitive program is yet evident, but the Turks will probably attempt to get by with few changes in their economic program. In the area of exchange rates, Ankara probably

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will insist on only minimum changes, although it is in this field that perhaps the most forceful measures are required. Turkish currency is selling on the free money markets at a rate of 15 Turkish pounds to the dollar as compared with an official rate of 2.80. The membership of the recent Turkish delegation to the OEEC, which included two of the most able and ardent supporters of sound economic policies, suggests that some progress has

crisis as requiring consolidation of the country's debt position, a task beyond the scope and resources of the OEEC. That organization, therefore, is not likely to agree to hasty action but will insist on careful study. The International Monetary Fund apparently will not move until after consultations with Turkish officials in Ankara this June.

Turkish hopes that a program could begin before the harvest this summer are thus unlikely to be met. Although Ankara has not indicated the amount it considers necessary to solve its economic problem, there have been hints that between \$300,000,000 and \$500,000,000 would be required.

Soviet Bloc Aid

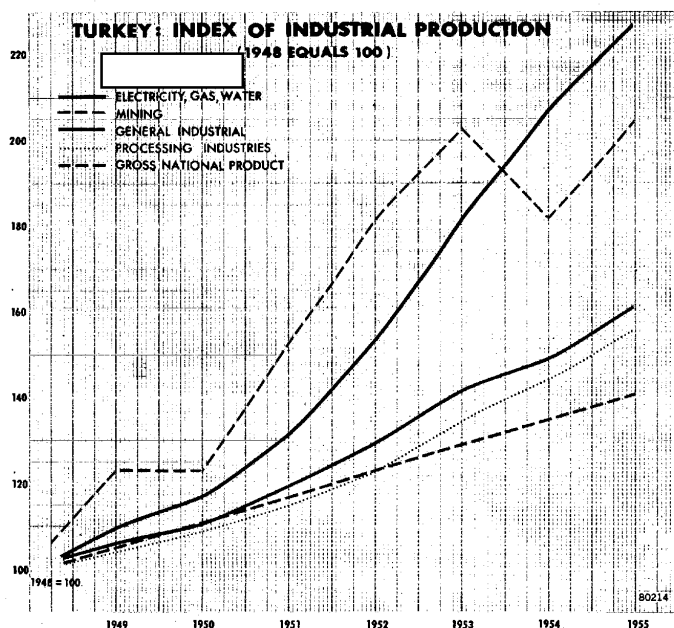
As the Turkish Government becomes aware of the relatively slow pace its financial negotiations are likely to take, a sense of frustration may cause it to consider aid from the Soviet bloc. The recurrent petroleum crisis, for example, could result in Ankara's seeking an assured source of petroleum products for which it could pay in exports or soft currencies.

Turkey's political hostility toward the Communist world is not carried over into the economic sphere. In the first eight months of 1957 the Soviet bloc accounted for about 18 percent of Turkey's total trade. In addition the bloc has given Turkey some industrial aid and has offered to supply a number of additional factories.

been made in Turkish government circles toward a realistic appraisal of the country's economic problems. This may be a harbinger of a more forthright and sound government approach.

A Possible Timetable

Ankara pressed for prompt consideration of its payments problem at the April meetings of the OEEC. There is little doubt, however, that Turkish efforts to gain quick consideration of its request for Western aid have failed. The OEEC views a solution to the Turkish



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Prospects

In the absence of a multi-lateral solution to its economic problems, Turkey faces a disastrous economic crisis. Now that the Turks have about reached the end of their credit, it will be difficult for the country to continue under present conditions. A runaway inflation, always possible in a rapidly developing underdeveloped country, seems closer than at any time in recent years. This could result in a collapse of the internal price structure

with all the attendant consequences.

With the national elections last October, the government has nearly four years before it must face the electorate in another general election and it may feel more secure with respect to taking unpopular economic actions. Whether the financial program finally adopted will solve the Turkish problem will depend in large measure on how willing the government is to slow down, or drop, a number of its economic development programs.

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## THE ELECTRIC POWER PROBLEM IN LATIN AMERICA

The drive to expand electric power facilities has great political as well as economic importance in Latin America, where industrialization is regarded as the key to an enhanced international standing. Although installed capacity in 1956 was less than 10 percent of US capacity and power rationing was still common, this capacity had increased more than 50 percent in the preceding five years, and most countries are seeking foreign capital for further expansion.

Industrialization, coming comparatively late to Latin America, has been linked particularly to the development of electric power facilities. Coal is scarce in the area, and in all the larger Latin American countries except Argentina the hydroelectric potential is considerable and is used more extensively than thermoelectric plants in generating power. Expansion of power facilities sometimes symbolizes in the popular mind a whole economic development program and can be

made a potent issue for winning elections, as Brazil's President Kubitschek has demonstrated.

Electric power development is also seen in a number of countries as a way of gradually counteracting the excessive concentration of population and economic life around the capital, which has been characteristic of the Latin American countries since colonial times. Typically, in Peru, at least 80 percent of electric power consumption is in the immediate area of Lima. In that country, however, as in Venezuela, Colombia, and Brazil, the example of the US Tennessee Valley Authority has influenced the government to construct power facilities in an as yet underdeveloped or less developed part of the country. The certainty of power availability is expected to attract new industry to such backward areas and thereby establish new economic and political centers.

In most countries, both the government and foreign private enterprise participate in power

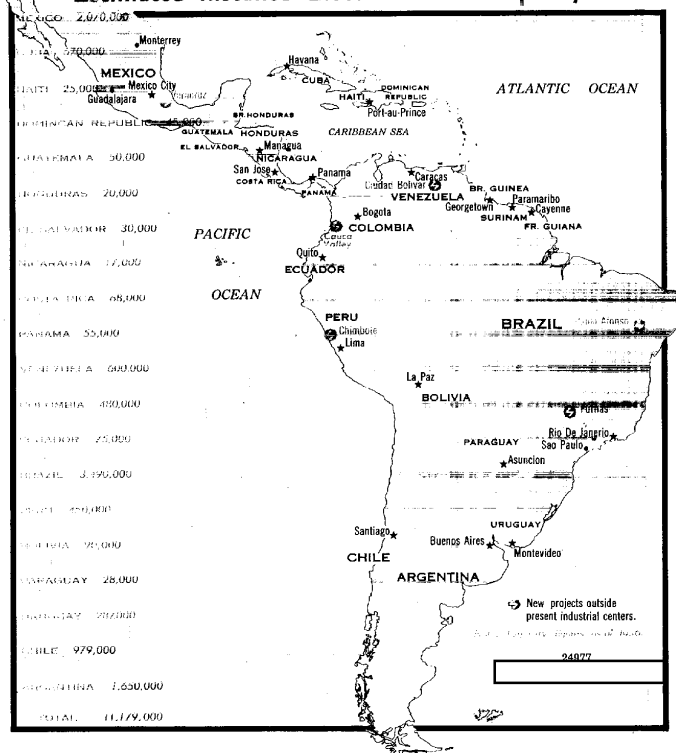
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## Estimated Installed Electric Power Capacity



but inadequate power is still a serious bottleneck in industrialization and each of the three plans to spend hundreds of millions of dollars in foreign exchange on expansion during the next few years. Brazil and Argentina are also looking forward to the eventual generation of electricity by atomic power. Each has in the past few months begun the operation of small reactors for training personnel in their use. Brazil and Cuba have recently been studying texts of possible atomic energy bilateral treaties with the UK.

Brazil

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Installed electric capacity in Brazil is about a third of the

generation. Public power has been expanding faster than private power in recent years, however, because nationalist pressures have in many cases imposed rates on private companies which do not permit the expansion of facilities. In El Salvador, the most nationalistic of the Central American countries, virtually all power generation is now in the hands of the government. While Salvadoran plans for power generation are more complete than those of almost any other Latin American country, fulfillment of these plans may be threatened by the weakness of the international coffee market, source of almost 90 percent of Salvadoran foreign exchange.

The most serious problems of electric power development in Latin America are seen in its three largest countries--Argentina, Brazil, and Mexico. Each has installed capacity exceeding 1,600,000 kilowatts,

total for all Latin America. Power deficiencies--arising in large part from a struggle over rates between the government and private power companies--are nevertheless a serious hindrance to Brazil's economic growth. Power expansion was one of the major campaign promises of President Kubitschek, who took office in 1956. Although installed capacity at that time equaled 3,000,000 kilowatts, power was sometimes rationed in the principal industrial centers. The relative adequacy of power in Kubitschek's home state at the end of his term as governor had been of considerable importance in drawing business support to his campaign.

Kubitschek has promised he will raise Brazil's power capacity to 5,000,000 kilowatts by January 1961, when he leaves office. In terms of 1956 prices, the cost has been estimated at about \$800,000,000, half of which would be needed in foreign

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exchange. The program, which involves both public and private power, thus far appears to be on schedule. The financial resources required are substantial for Brazil, however, and prospects there, particularly for export earnings, are deteriorating.

The Kubitschek regime is continuing work on the grandiose Paulo Afonso project, which was begun by the Vargas regime and is already partly in operation. It is located in the primitive backlands of northern Brazil and is to serve an area almost as big as western Europe. Projects begun by Kubitschek, however--such as the 1,000,000-kilowatt Furnas installation--are focused on Brazil's industrial centers. Need for power is greatest in the state of Sao Paulo, where power capacity rose 30 percent between 1952 and 1956 but still meets little more than half the demand.

Mexico

Electric power capacity in Mexico has almost tripled during the past 15 years, the fastest rate of increase among the three largest Latin American countries. Promises of presidential candidate Lopez Mateos--who is virtually certain to become president in December--to double capacity during his term of office indicate not only that demand for power is increasing at an accelerated rate but also that provision of adequate power continues to be good politics in Mexico.

The recent expansion in capacity to slightly over 2,000,000 kilowatts has almost eliminated the electric power shortage which originated in the 1930's when the privately owned power companies, beset by nationalistic pressures and labor difficulties, curtailed their investments. A public corporation, established to

fill the gap, had by 1957 an installed capacity representing about two fifths of Mexico's total.

Most of the expansion now planned is for the existing industrial centers of Monterrey, Guadalajara, and Mexico City. However, Mexico, like many other Latin American countries, is creating a substantial surplus capacity in one zone, Puebla-Veracruz. The new 154,000-kilowatt plant there is located far from consumption centers and the power will be used mainly to attract new industries, thus dispersing Mexico's industrialization.

Argentina

The power problem is perhaps more serious in Argentina than in any other Latin American country, and the government has as yet found no popular solution to the conflict between public and private power which has slowed development throughout Latin America.

Installed capacity in Argentina came to 1,172,000 kilowatts in 1943--the year in which Juan Peron began his climb to power. It far exceeded Mexico's and was about equal to Brazil's. Since 1943, however, capacity has expanded only about 40 percent, one of the slowest rates in Latin America. While nationalism hampered the expansion of foreign companies which dominated Argentina's electric service, the governments during this period failed to provide by other means the needed increase in generating facilities.

President Frondizi, inaugurated on 1 May, has promised "full guarantees" to foreign private companies. Although his political party has been a strong advocate of government operation of utilities, he recognizes that his financially strained government greatly needs foreign capital for

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industry, including electric power. Even before his inauguration, Frondizi started negotiations with the subsidiary of a large American power company regarding its long-standing claims for compensation for that part of its properties expropriated during the Peron regime. Frondizi would like

the company to reinvest in Argentine electric power even more funds than it may receive from the sale of part or all of its property. The company, dissatisfied with insufficient rate adjustments, would like to sell all of its holdings but is considering new investment.

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