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CURRENT INTELLIGENCE WEEKLY SUMMARY



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~~SECRET~~
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CURRENT INTELLIGENCE WEEKLY SUMMARY

30 October 1958

PART I

OF IMMEDIATE INTEREST

MIDDLE EAST DEVELOPMENTS

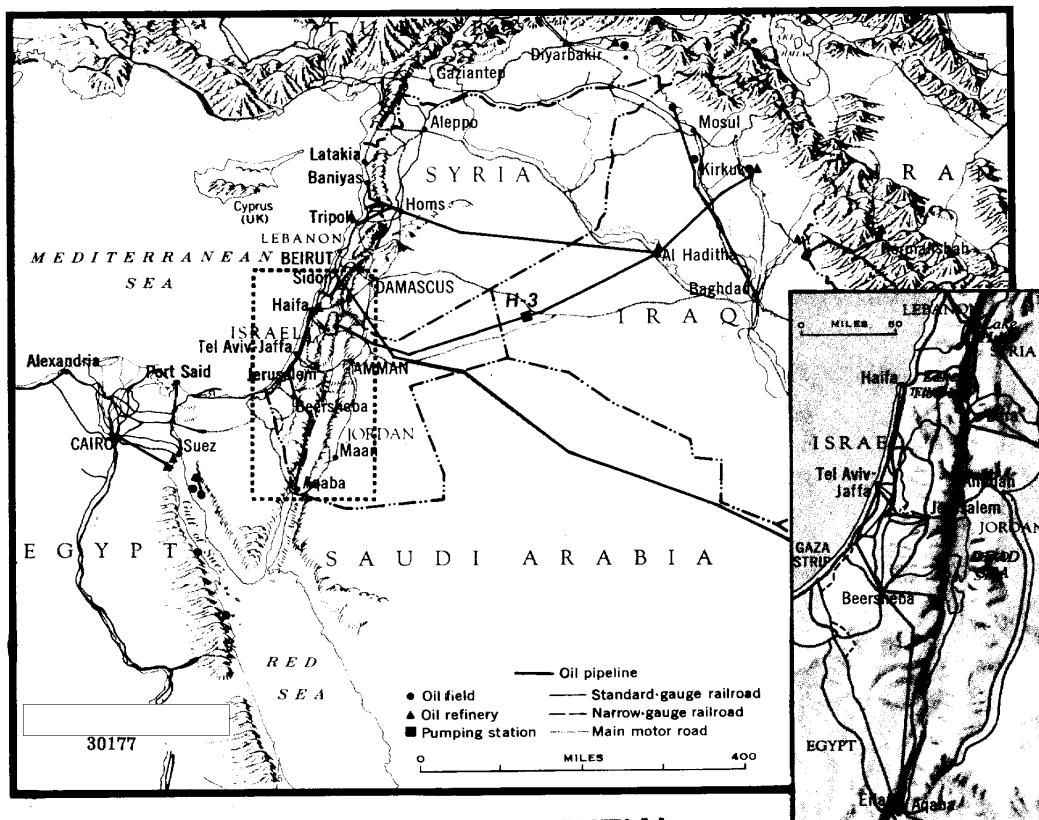
Arab-Israeli tension is again building up as the withdrawal of British troops from Jordan nears completion. According to the most recent schedule, the withdrawal may be completed by 3 November

to leave for his European "vacation" on 9 or 10 November

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Husayn's departure could be the signal for a gradual shift toward an accommodation with Nasir; it also presumably removes one obstacle to a coup attempt by the more violent

King Husayn now plans



CONFIDENTIAL

~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

pro-UAR elements. The Israelis have long indicated they would view either development as necessitating some action on their part, and military circles in Israel have hinted that they favor an immediate occupation of West Jordan despite the problems raised by the presence of a large Arab refugee population there. Prime Minister Ben-Gurion last week proposed that if the status quo in Jordan were changed, West Jordan should be demilitarized under the aegis of the UN and Israel's frontiers should be guaranteed by the UN and the "great powers."

Kurdish communal elements in Kirkuk in northern Iraq on 25 October was suppressed by the army after some considerable loss of life and property damage. This disorder was probably a product of Kurdish excitement over the visit of Mulla Mustafa Barzani, Kurdish leader recently returned from the USSR, although the government apparently has sought to minimize publicity over his tour of his Kurdish home areas.

A clash broke out in Baghdad on 27 October, when pro-UAR demonstrators heading toward the airport to welcome a visiting UAR dignitary were intercepted by a mob of anti-UAR partisans, probably organized by local Communists. Army tanks were used to suppress this incident, after police stood aside.

The Iraqi Baathists continue to assert that former Deputy Premier Arif will return on 5 November. They anticipate that he will be brought back into the government as a member of a predominantly military cabinet rather than as the head of a new regime. Arif's whereabouts is still uncertain. Rumors have had him in Switzerland, Rome, and, most recently, in Cairo. These rumors probably represent little more than wishful thinking by Baathist supporters, but the political situation in Iraq is still very fluid.

Inside Iraq, tensions also seem to be increasing again. Rioting between Turkish and

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TAIWAN STRAIT SITUATION

Peiping's Defense Minister Peng Te-huai issued a message on 25 October to Chinese "compatriots" suggesting that for the time being, the Chinese Communists intend to use political tactics toward their objective

of gaining control of the off-shore islands. Peng's message is, in effect, a declaration of a limited cease-fire which "facilitates for a long time to come" the entrenchment of the Nationalists on the Chinmens.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

Peng implies that a "fat" garrison will be a better future prize than a "lean" one.

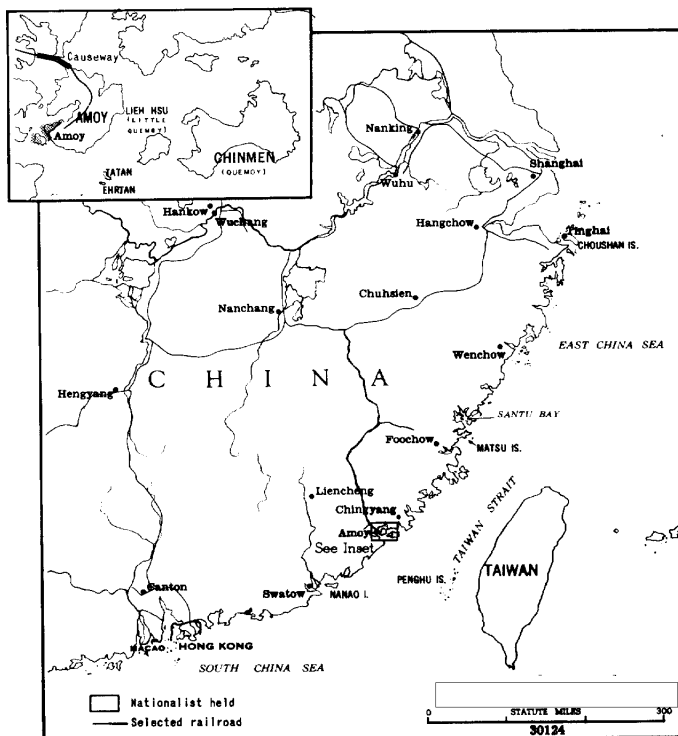
Peng's order enables Peiping to claim that the Chinese Nationalist Government is able to maintain itself on the Chinmens purely by Communist sufferance. At the same time, the Chinese Communists retain the flexibility to fire or not to fire without appearing to accept American proposals for a de facto cease-fire and without incurring the risk of expanded hostilities or American involvement. The limited cease-fire is "still conditional on not introducing American escorts."

Peng thus continues the regime's efforts to bring about the disengagement of the United States from any active military support of the Nationalists and to obtain a de facto American recognition of its claim to a 12-mile limit of its territorial waters. Since American destroyers modified their pattern of patrolling in the Matsu area on 22 October, Peiping has not issued a "serious warning" against alleged American intrusions.

Chinese Communist propaganda prior to 21 October, as well as Peng's earlier cease-fire orders of 6 and 12 October, pointed to "political work" as the principal method to be used in the campaign to take over the offshore islands and Taiwan. Peng's latest message makes it clear that Peiping does not

expect important gains in the immediate future. He states, "We are not advising you to break with the Americans right away; that would be an unrealistic idea." Peiping does expect, however, a lowering of Nationalist morale, some grumbling against the Nationalist authorities, and even defections during a prolonged period of pressure against the offshore islands and Taiwan.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

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Communist Military Activity

Communist artillery in the Amoy area has fired on the Chinmens daily, with the exception of a 23-hour lull on 23 and 24 October. The firing has been relatively light and sporadic, however. The 25 October order of Communist China's defense minister was clarified by a Peiping announcement the next day declaring: "Today happens to be an even date. Our military units on the Fukien Front, strictly abiding by the order of the minister of national defense, did not bombard the airfields on Chinmen or the wharf, beach, and ships at Liaolo Bay when they shelled Chinmen." This made it clear that the Communists did not intend to suspend all shelling "on even dates," but only to refrain from shelling those areas specifically mentioned in the 25 October order.

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Reaction on Taiwan

In commenting on the Dulles-Chiang communiqué, Kuomintang

newspapers have asserted that the only way to deal with the Chinese Communists "is by means of force." The papers also emphasized that the Nationalist campaign to recover the China mainland "seeks to couple a war in the Taiwan Strait area with a revolution on the mainland." These comments probably were intended to offset any public impression that the government had weakened in its resolve to recover the China mainland.

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Nationalist military officials indicated to the press on 25 October that their government has agreed in principle to an American request, made prior to the offshore island crisis, for a gradual one-third reduction in the armed forces on the offshore islands, with a corresponding increase in firepower through modernization. This fact suggests Taipei could be moving toward decreasing the garrisons.

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SECRET

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

30 October 1958

PART II**NOTES AND COMMENTS****PAKISTANI ARMY TAKE-OVER COMPLETED BY MIRZA OUSTER**

The ousting of President Mirza on 27 October by General Ayub consolidates Ayub's control over Pakistan and makes it clear that the army is in sole command. Ayub apparently suspected Mirza of political maneuvering to enhance his own power at Ayub's expense. Mirza has been flown under army escort to Quetta, near the Afghan border, from where he is to proceed to England.

As the new President, Ayub may be expected to continue Pakistan's cooperation with the West. He showed special concern over neutralist political speeches before the 7 October take-over, and since then has arrested numerous leftist leaders in Pakistan. His new government, however, may attempt to improve relations with the Arab states.

The army probably will be fully occupied with administering the country. The initial apprehensions in Kabul and New Delhi will probably dissipate, as military adventures are unlikely under Ayub, who has been a cautious military leader. Since 7 October, Pakistani agitation over the Kashmir issue has been shelved.

President Ayub seems unlikely to relinquish power voluntarily in the foreseeable future. With his appointment of nonpolitical figures as ministers in the new cabinet, all

top political and administrative positions now are held by new personnel. This will probably further discourage most party politicians, who presumably will continue to wait and see for the time being. The public will probably not be offended by Mirza's departure. He has no mass popularity, and his political strength has been declining since late 1957.

Vigorous prosecution of corruption has created an atmosphere favorable for at least initial improvements in the national economy. Ayub has focused attention on the problems of land reform and refugee settlement as necessary first steps toward increased agricultural production and general economic development. The new regime may be able to introduce some reforms bringing relief to tenant farmers and hastening the distribution of newly irrigated land. However, the army has already begun to discover its limitations in framing sound economic policies. After certain initial successes, it will encounter the basic problems inherent in the country's inadequate natural and personnel resources.

Ayub has made a strong appeal for East Pakistan's support. East Pakistan, however, probably will chafe under an exclusively West Pakistani army regime and may erupt in open unrest if government policies appear to favor West Pakistan.

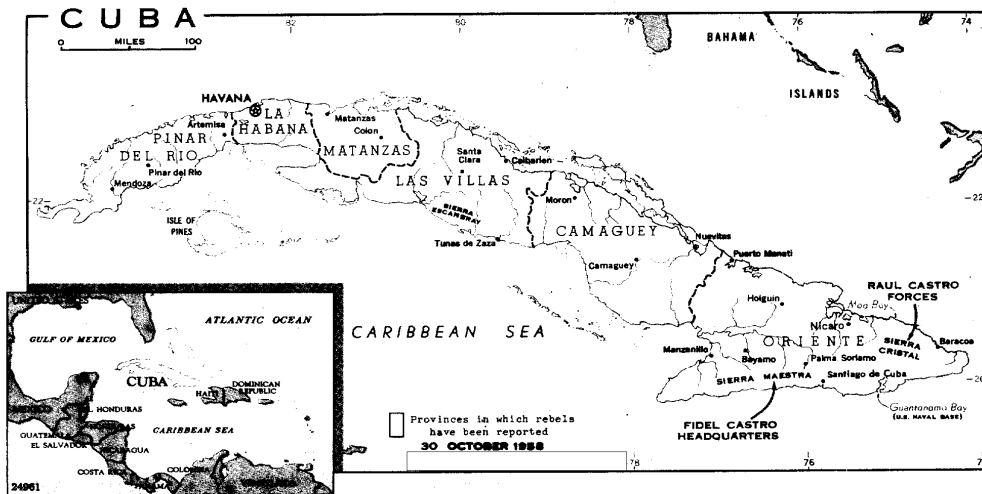
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HARASSMENT OF UNITED STATES' INTERESTS IN CUBA

American businesses and the nickel installation owned by the US Government in Cuba's rebel-dominated Oriente Province are being increasingly threatened

by an upsurge in revolutionary activity. Rebel leader Fidel Castro, publicly committed to an "all-out" effort to prevent the national elections scheduled

CONFIDENTIAL~~SECRET~~

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

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for 3 November, has increased his demands on companies located in areas under rebel domination in an attempt to acquire supplies and cash to support his movement.

During the two years since Castro landed in Oriente Province, US companies have suffered losses, through sabotage and theft, estimated in excess of \$2,000,000. Castro has repeatedly professed respect for US personnel and installations, but many companies have been approached for sizable "contributions." These demands are not limited to foreign companies; Cuban enterprises have been subjected to a growing number of rebel-imposed taxes.

One company, the US Government - owned, \$95,000,000 nickel installation at Nicaro, closed down following the evacuation of more than 50 US employees and dependents on 24 Octo-

ber because of the loss of administrative personnel and a lack of supplies. American officials doubt that the Cuban Army can guarantee security in the area. The operations of the Texaco refinery near Santiago have been seriously curtailed by rebel interference, which has included the temporary kidnaping of two employees. The company is considering a shutdown if rebels persist in their blackmailing demands for cash or arms valued at several hundred thousand dollars. Other US companies in Oriente have been subjected to varying degrees of harassment.

Castro has announced his intention to continue disruptive actions through the electoral period, threatening to call a general strike--a strike called last April failed--and to paralyze transportation and communications throughout the island. He has warned all Cubans to stay indoors on election day.

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SARIT'S PLANS FOR REMOLDING THAILAND'S POLITICAL INSTITUTIONS

Marshal Sarit is going ahead with his plans to remold Thailand's political institutions. He is expected to announce about 1 November the

formation of a provisional cabinet which will operate under an as-yet-unrevealed provisional constitution. This regime will probably stay in power for at

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

least a year, during which time a new "permanent" constitution will be drafted and the ground prepared for election of a more amenable legislature.

There are growing indications that Sarit himself is to be premier in the provisional government, with the other major portfolios assigned to his colleagues in the military group. The inclusion of the same military personnel who were in the former Thanom cabinet would point up the fact that Sarit's "revolution" is only a partial one. Several of his military followers are notoriously corrupt, and their activities were a continual problem to Thanom.

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The new "permanent" constitution is expected to place severe limits on the powers of the legislature with a corresponding strengthening of executive powers. The articles being considered include one providing for exclusion of assembly members from the cabinet and another allowing dismissal of the cabinet without reference to the assembly. Mildly socialistic economic provisions reportedly will also be incorporated at Sarit's personal insistence.

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The arrests of alleged Communists and other opposition elements are continuing but are apparently running behind the targets set by the police. This suggests that many of those most vulnerable to charges of being Communists may have succeeded either in escaping the police net or in bribing the police to avoid arrest. Twelve pro-Communist or leftist newspapers are still closed down, and the police seem to be enforcing a previously imposed ban on the showing of Soviet and Chinese Communist films in Bangkok.

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MANEUVERS AGAINST THE SUDANESE GOVERNMENT

The pro-Western Sudanese Government coalition, led by Premier Abdullah Khalil's Umma party, is facing renewed pressures from both the neutralist, pro-Egyptian National Unity party (NUP) and from the Sudanese Communist party. The controversial question of accepting American aid is the central issue, but the ruling coalition is also charged with corruption, unsuccessful economic policies, and "foolhardy" measures against labor.

The NUP is the second largest party in the Sudan, with

25 percent of the seats in Parliament compared with the Umma party's 35 percent; its popular following is approximately as numerous as that of the Umma. In a situation where the votes of a number of deputies can be bought, the NUP, especially if it gets further financial aid from Egypt, has some prospect for gaining control of the government in mid-November, when Parliament is scheduled to reconvene.

The Communist party has no representation in Parliament and no great popular following, but

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

it controls the leadership of the bulk of organized labor and has effective front groups among students and intellectuals. Although the Sudan is essentially an agricultural country and the government runs most industry and transport, the trade union movement, with about 55,000 members, is in a powerful position. Some 21,000 of the union members belong to the Sudan Railway Workers' Union and some 17,000 to unions affiliated with the Sudan Workers' Trade Union Federation (SWTUF). Both these organizations are Communist led, and a sustained strike by their workers could paralyze the Sudanese economy.

The government has attempted to destroy the SWTUF, first by setting up a rival trade federation, the Sudanese Government Workers' Trade Union Federation, with only slight success, and then by passing legislation designed to make the SWTUF illegal. On the basis of the new law, the government instituted an

action this month against the SWTUF in the Sudanese courts, but failed to obtain a ruling outlawing the organization. The Communist party and the SWTUF responded on 21 October with a one-day strike and with worker and student demonstrations. The strike was effective throughout the country, particularly in the transport industry. Most significant was the support of the demonstrations by the NUP.

This support underlines the potential danger to the government of parallel--but not necessarily coordinated--action by the NUP, operating principally in Parliament and with political maneuvers, and by the Communist party, undercutting the government through agitation, demonstrations, and strikes. Government officials are reported to be seriously disturbed, and Khalil has threatened strong measures against "forces of anarchy."

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ALGERIA

The Algerian rebel regime, which rejected French Premier de Gaulle's invitation to come to Paris to arrange a cease-fire, seems to be continuing to maneuver for his acceptance of the Algerian National Liberation Front (FLN) as the valid spokesman for Algerian Moslems. Paris has consistently refused such recognition, claiming the FLN represents no more than a small, rabid minority.

While branding De Gaulle's offer of safe-conduct to "leaders of the rebellion" to come to Paris for talks a "request for unconditional surrender,"

rebel "Premier" Abbas attempted to keep the door open by proposing negotiations on neutral ground for "a true solution of the Algerian problem in its entirety." This position is in accord with Abbas' 26 September statement which soft-pedaled demands for independence and expressed his regime's readiness to negotiate.

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Rejection of De Gaulle's offer, rather than its qualified acceptance which had been anticipated by some French and

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

30 October 1958

Tunisian circles, was probably dictated by extremist military members of the rebel regime in order to retain command of the rebellion.

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Moroccan and Tunisian leaders, while deploring the tactics

employed by the Algerians in rejecting De Gaulle's offer, probably will continue to urge that the Algerians be amenable to a compromise with France as a step toward ultimate independence for Algeria. The joint Moroccan-Tunisian offer made last November to mediate a settlement of the Algerian dispute still stands, and Bourguiba continues to seek to enlarge his influence for moderation among the Algerians and gain their support in his difficulties with Nasir.

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THE MILITARY BACKGROUND OF DE GAULLE'S NATO PROPOSALS

French Premier de Gaulle's proposals for an American-British-French "directoriate" to coordinate global strategy are not aimed solely at enhancing French prestige, but appear to be based at least partially on French military thinking that the nature of modern warfare demands new concepts for stemming Communist encroachments. French military leaders believe they have a "new weapon" in the form of perfected psychological-warfare techniques to supplement NATO and to cope with subversive warfare on a global scale.

General Paul Ely, chief of staff of the French armed forces, has been a stabilizing pro-NATO influence in France. In the July 1957 issue of the semiofficial Review of National Defense, he argued that polarization of the world around the US and the USSR had resulted in elevating

defense problems, "even though in terms of localized conflicts," to a global plane. Ely delineated three axes along which Soviet pressure is exerted: (1) Europe; (2) the Middle East, prolonged into North and Black Africa; and

Chief of Staff General Ely
on psychological aspect of war:

Not only can a military action, in an appropriate psychological framework, obtain great results with limited means, but propaganda can even succeed in transforming the nature of the facts themselves, even to the extent of turning a military defeat into an essentially successful operation. Limited wars are only the "hot" stages, so to speak, of that total war permanently waged throughout the world—psychological war—which modern techniques amplify and intensify to such a point that they sometimes offer possibilities of action as brutal and decisive as outright war.

--Review of National Defense, July 1957

(3) Southeast Asia. He concluded that the increasing importance of ideological over nuclear factors in the development

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

30 October 1958

of modern war "exalts the psychological aspects of politico-military action." In another article published this week, Ely reiterates these ideas and calls for creation of an "African shield" patterned on NATO, along the "Paris-Al-

Commentator Claude Delmas
on future of Atlantic pact:

The Atlantic alliance really expresses Western solidarity only if its members succeed in finding a common policy in Europe, in the Middle East, and in Asia—all the more so since the fundamental problems of the Middle East and Asia are determined by a Soviet policy identical to that against which NATO was set up.

--Review of National Defense, July 1958

giers-Brazzaville axis" and stronger regional defense of Western interests in eastern Africa.

Ely's views apparently stem from the French Army's increasing emphasis on psychological warfare and action, which was stimulated by France's failure to retain Indochina despite overwhelming conventional military superiority. He now seems convinced that France is successfully applying in Algeria warfare techniques superior to purely conventional military operations and applicable to most, if not all, areas of tension. The French have

adapted Chinese Communist leader Mao Tse-tung's concepts of mass indoctrination and control of native populations in countering Algerian rebel tactics.

Recent French military literature is replete with arguments that France is "fighting NATO's battle" in North Africa and that the withdrawal of most French NATO units from Europe to Algeria in no way diminishes France's contribution to NATO. A recent article in the Review of National Defense questions the outlook for European countries in a NATO "which involves weakening them in the intermediate zone" between NATO's boundaries and the limits of the United States' widespread interests.

The military services are reportedly re-examining French diplomatic and military problems from the viewpoint that American-Soviet nuclear parity has vitiated NATO's deterrent strategy. The conclusion is that "the two major powers could no longer risk annihilation to protect allies but would only retaliate with nuclear weapons if attacked directly themselves," and that "the only protection now for any country is its own thermonuclear devices."

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TENSIONS WITHIN THE PORTUGUESE ARMED FORCES

Premier Salazar's regime, which since last spring's election campaign has encountered open opposition unprecedented in his 30-year rule, now is

reported concerned over a rift in the Portuguese armed forces between supporters and opponents of the recently dismissed defense minister, Col. Fernando

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

30 October 1958

dos Santos Costa. The rival factions both seem loyal to Salazar, but may be maneuvering to strengthen their positions against the day when the 69-year-old prime minister retires.

Shortly after the presidential inauguration in August, a major cabinet reshuffle dropped Santos Costa, presumably to eliminate friction between civilian and military components of the cabinet, and also prob-



SANTOS COSTA

ably to quiet dissension in the army. Santos Costa is ambitious and has been regarded as one of the most likely successors to Salazar. He commands the personal loyalty of many key officers, but many junior officers resent his dictatorial methods, promotion policies, and efforts to inject the army into politics during the presidential election campaign last May. Moreover, his vigorous measures to prevent a continuation of the campaign

disturbances had kindled public discontent and made him, after Salazar, the principal target of the opposition. 25X1

Santos Costa is considered 25X1 completely loyal to Salazar, and, except for Air Force General Humberto Delgado, the opposition presidential candidate in May, there are no indications of disloyalty to Salazar among high-ranking military officers.

In view of rumors that Salazar intends to retire within a year, intrigues involving pro- and anti-Santos Costa factions will probably be considerably influenced by the political fortunes of General Delgado, whose campaign for the presidency stirred up popular unrest that has since continued. He has little military support for his political activities, but in the May electoral campaign he was unusually successful in uniting opponents of the regime, and his subsequent criticism of the government has led to rumors he would be arrested. The extensive public discontent will probably encourage the military to take an active part in selecting and establishing Salazar's successor.

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WEST GERMAN - SOVIET RELATIONS WORSEN

Relations between West Germany and the USSR have deteriorated markedly since the signing of the trade and repatriation treaty last April, largely

as a result of Soviet refusal to discuss political conditions in East Germany with either Chancellor Adenauer in Bonn or Ambassador Kroll in Moscow.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

Adenauer plans to continue his talks with Soviet Ambassador Smirnov, but he has publicized the USSR's negative attitude in an effort to counteract the increasing tendency among Bundestag members to accept the Soviet proposal for a four-power commission to negotiate a peace treaty with "the two Germanies."

Adenauer may also be concerned over East German press reports that 27 Bundestag members discussed reunification with East German representatives during the recent Bundestag session in Berlin. He is therefore attempting to emphasize continued Soviet intransigence on East Germany and unification, while demonstrating his own willingness to explore all avenues with Moscow, including a meeting with Khrushchev.

West German officials are not particularly concerned over the increasing coolness, pointing out that the most Bonn expects are occasional periods of improvement, such as Mikoyan's visit last April. Bonn is delaying the start of negotiations on cultural exchanges to see if the number of returning German repatriates increases after Bundestag ratification of the trade and repatriation agreement. Of about 15,000 to 20,000 repatriates

expected, less than 2,000 have returned since the agreement was signed.

In order to satisfy growing Bundestag pressure, the Foreign Ministry has prepared a conciliatory reply to the 18 September Soviet note, which proposed a four-power commission whose discussions would be limited to drafting a peace treaty. Bonn's note will probably ignore Soviet criticism of Bonn's NATO policy. It will, however, attempt to keep alive West Germany's proposal for a commission on the entire question of German unity by noting Soviet "agreement in principle" to the idea of a four-power commission.

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Moscow's refusal to discuss East Germany stems from fear that acknowledging a legitimate West German interest in the subject would undercut its policy of achieving recognition of the "two Germanies." Moscow continues to fall back on its peace-treaty proposal as evidence of willingness to solve the German problem.

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NEW FIGURES FOR KHRUSHCHEV'S "ASTOUNDING" SEVEN-YEAR PLAN

Soviet production goals for 1965, recently revealed in advance of the over-all Seven-Year Plan, suggest that the USSR's planners envisage a growth in industrial production of at least 10 percent annually over the next seven years. Fore-shadowing such targets, Pre-

mier Khrushchev recently stated that the Seven-Year Plan will "seem...improbable" and will "astound" the world.

High Soviet officials stated this month that the steel goal for 1965 is 91,000,000 metric tons--11,000,000 tons

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

below US output last year and near the lower limit of Khrushchev's 1972 target of 100,-000,000 to 120,000,000 tons. Although serious problems exist, this ambitious goal could be met if the priority allocated the industry is increased and some success is achieved in importing equipment from the free world. This and other goals recently mentioned in the press indicate that the iron and steel industry is expected to achieve larger rates of increase in 1959-65 than have been accomplished since 1955. The 1965 targets for crude iron ore also are only slightly below the lower limits of Khrushchev's 1972 goals.

The new petroleum goal of 240,000,000 tons for 1965, mentioned to Eric Johnston by Mikoyan early this month, is 10,-000,000 tons over previous indications and more than double the 1958 goal of 113,000,000 tons. If this new target is achieved, the industry will be well on its way toward the 1972

goal of 350-400,000,000 tons envisaged by Khrushchev.

The natural gas goal remains at the high level of earlier forecasts, and the electric-power goal is probably a refinement of an earlier, somewhat higher, rounded figure of 500 billion kilowatt-hours. Khrushchev's recent decision to stress development of thermal power--which brings quicker returns--over the expansion of hydroelectric capacity may reflect in part concern over attainment of such a level of production. The Seven-Year Plan will call for a greatly increased output of trucks and buses by 1965, but it will schedule fewer passenger cars than did the original Sixth Five-Year Plan.

Khrushchev has been exploring other possibilities for achieving maximum growth and tightening the economy. He hopes to achieve significant additional output from student labor; extracting work from them may

USSR: PRELIMINARY GOALS OF SEVEN-YEAR PLAN (1959-65)

		PRODUCTION				ANNUAL INCREASE (%)		
		1957	1958 Plan or Est. Actual	1965 7-Year Plan	1972 Khrushchev's Forecast	1956-60 Original 6th 5-Year Plan	1958-72 Khrushchev's Forecast	1959-65 7-Year Plan
Usable Iron Ore	MILLION TONS	84	87	160 (EST.)				9.1
Pig Iron	MILLION TONS	37	39.5	70	75-85	9.9	5.3	8.5
Crude Steel	MILLION TONS	51	55	91	100-120	8.6	5.3	7.5
Finished Steel	MILLION TONS	40.2	42.5	70		8.3		7.4
Petroleum	MILLION TONS	99	113	240	350-400	13.3	9.4	11.4
Cement	MILLION TONS	29	34	82	90-110	19.5	8.6	13.4
Natural Gas	BILLION CUBIC METERS	18.5	31	150	260-310	32	16	25.3
Electric Power	BILLION KWH	210	232	488	800-900	13.5	9.8	11.2
Wool Textiles	MILLION YARDS	308	318	558	600-710	6	5.2	8.3
Silk Textiles	MILLION YARDS	880	928	1,594		15		8.1
Knitwear	MILLION PIECES	463	505	940		9		9.3
Cotton Fabrics	BILLION YARDS	6.1	6.1	8.7		4.2		5.2
Artificial Fibers	THOUSAND TONS	149		628		26.5		
Leather Footwear	MILLION PAIRS	315	342	515	600-700	9	4.9	6.1
Trucks	THOUSAND UNITS	372	390	650				7.6
Autos	THOUSAND UNITS	114	120	170				5.1
Buses	THOUSAND UNITS	10	11	40				20.3

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30 OCTOBER 1958

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

become something of a crusade--like conquering the "new lands." "School children's brigades" of Stavropol Krai are reportedly already achieving better harvests than collective farms, and Khrushchev called for this patriotic example to be emulated elsewhere in agriculture and, by inference, in industry. In another effort to tighten the economy, the diversion of in-

vestment funds intended for industry into "unessential construction"--swimming pools, culture palaces, and private homes --has been exposed and penalized in recent months.

The outlook for the consumer is one of gradual improvement in the major items of food, housing, and clothing. 25X1
25X1 (Prepared by ORR)

PROPOSED CHANGES IN SOVIET COLLECTIVE FARMS

Khrushchev, Agricultural Minister Matskevich, and lesser Soviet figures have indicated in recent statements that important changes aimed at increasing the efficiency of the collective farms may be made soon, probably in early 1959 at the 21st party congress or at the third All-Union Collective Farmers' Congress.

Payment of guaranteed monthly cash wages involving new performance norms has already been introduced experimentally on several collective farms, reportedly with favorable effects on output and worker morale. If adopted, this new method of payment would be a further step toward converting collective farms from cooperative membership groups to ordinary Soviet business enterprises operating, like the state farms, on a profit-and-loss basis. Recent decrees reorganizing machine tractor stations and establishing a single-price system for state procurement of agricultural products were earlier major steps in this direction.

Matskevich recently said conditions now are ripe for such a move, and Khrushchev--speaking on a related subject--noted the time has come to set correct work norms in agriculture. To deal with such matters, the farmers' congress will amend the collective-farm

model charter established in 1935 and may make collective farms similar in many respects to a state farm or factory.

Modeling collective farms more closely after industrial enterprises would make it possible to calculate agricultural production costs on a nationwide basis for the first time in Soviet history. It would also provide the state with additional means to exert pressure on the collective farms to cut costs and increase output. The system might thus facilitate the transfer of labor from agriculture to industry.

Other possible developments in the near future include a rapid increase in purchases by collective farms of the extensive livestock owned privately by individuals, and the establishment of a collective-farm union. Khrushchev's favorite farm, Kalinovka, has recently purchased all the privately owned livestock of its members. While Khrushchev has previously warned against a too rapid extension of this procedure, it may be sanctioned at the collective farmers' congress and spread rapidly.

Establishment of a collective-farm union has been discussed in the Soviet press. Such a "union" has been suggested as an organization which could draw funds from the stronger farms to help the weaker.

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

30 October 1958

Systematic improvement of collective farm villages apparently will be stressed in the future. The farmers' congress is to examine "the urgent problems" of collective farm construction. Part of Khrushchev's controversial 1951 speech on agrogorods--large improved collective-farm settlements--was reprinted in August in Izvestia--the part on the necessity of further construction on collective farms to improve the cultural and everyday conditions of life. More recently, in Pravda, a collective-

farm chairman stated the time had come for the advanced collectives to pose the question of radically reconstructing their villages on the basis of long-range architectural plans.

Neither of these recent statements, however, resurrects the controversial aspect of Khrushchev's speech, which called for eliminating small villages and developing agrogorods. Thus, if the question of establishing agrogorods is being reopened, it is being done so cautiously. 25X1

(Prepared by ORR)

SOVIET DILEMMA OVER THE NOBEL PRIZES

The awarding of Nobel prizes for literature to Russian poet and novelist Boris Pasternak and for physics to atomic scientists P. A. Cherenkov, Igor E. Tamm, and I. M. Frank has posed the Soviet regime with the sharpest dilemma it has yet faced in its efforts to increase its respectability abroad while maintaining discipline at home. The overriding need to shelter the Soviet citizen from anti-Soviet attitudes has forced Moscow to denounce both the literary award and its recipient in an attempt to counteract the increase in popular interest resulting from the first Nobel prize award for literature to a Soviet writer. Pasternak's prestige in Soviet literary circles was already high, and most Soviet readers were aware of the existence of the book. The regime's decision to permit acceptance of the coveted physics award was made only shortly after this denunciation of Pasternak.

A letter signed by seven prominent members of the USSR Academy of Sciences and

published in Pravda on 29 October made a sharp distinction between the "tendentious nature" of the Pasternak award, with its "specific reactionary political aims" and the "fully deserved" physics award for work of "intrinsic scientific value." Groundwork for such a distinction is laid in the Great Soviet Encyclopedia, which notes that Nobel prizes, especially in the fields of literature and work for peace, are "frequently connected with the political interests of reactionary circles."

The announcement on 23 October of the award to Pasternak, for his achievements in lyric poetry and in the field of the great Russian epic tradition for his first novel, Doctor Zhivago, evoked the sharpest Soviet press attack on a literary work since Stalin's death. The members of the Nobel prize committee for literature were stigmatized by Pravda as "enemies of democracy" and "advocates of war," and the award was denounced by Literary Gazette as a "hostile political

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

30 October 1958

act directed against the Soviet state." The novel was described as a political lampoon totally without literary value, and its hero as a moral monstrosity and resurrected Judas. Pasternak himself was said to have "selected the path of shame and dishonor" in joining those who are trying to stop the forward movement of Communism. In



PASTERNAK

an interview with a Western press correspondent in March, Pasternak spoke repeatedly of his sense of obligation to "bear witness" as an artist and to provide a document of his age, regardless of the cost.

It seems unlikely that disciplinary measures against

Pasternak personally will go beyond stern words and the very real financial pressures which his expulsion on 27 October from the USSR Union of Writers will entail. His first cable in response to the award, declaring himself "immensely thankful, touched, proud, astonished, abashed," was followed by a second indicating his "voluntary" refusal of the award in view of "the meaning attributed to this award by the society in which I live."

Mindful of the danger of making him a martyr, Pravda ridiculed "silly rumors of persecution," asserting that any West European or American writer might envy the life Pasternak lives, and Literary Gazette contented itself with consigning him to a fate of "popular disdain."

How much "popular disdain" the press attacks will create among the Soviet reading public is debatable. Official expressions of disdain are not even unanimous within the rest of the bloc. Although most of the European satellites fell obediently into line, the Polish Writers' Union sent Pasternak a message of congratulations after the Soviet regime's attacks.

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EAST GERMANY EXPANDS ARAB-AFRICAN CONTACTS

East Germany is trying to develop political and trade contacts among the new countries of Africa and is also broadening its existing contacts with the Arab countries, particularly with the United Arab Republic, with the hope of ultimately securing recognition as a sovereign state. These efforts have been accompanied by a continuing attempt to overcome

West German influence and to counter Bonn's threats to break relations with any state which recognizes the Ulbricht regime.

East Germany recently sent a diplomatic delegation to Guinea with the apparent immediate aim of establishing some form of permanent mission in that country and with the ultimate hope of gaining full

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

recognition. The East Germans probably hope that Marxist-oriented Premier Toure will be amenable to relations.

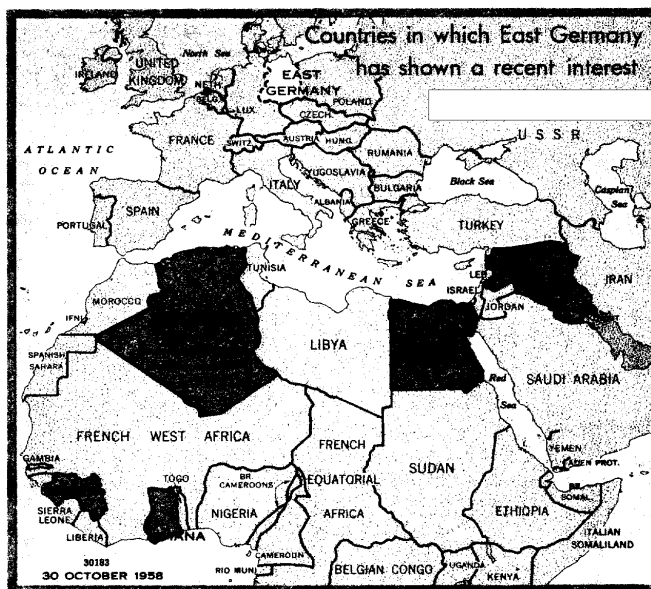
An East German delegation headed by a high trade official was reportedly soon to leave for Ghana for a prolonged stay, and will offer Ghana a number of complete industrial installations. As in Guinea, the establishment of a commercial foothold would serve as the basis for subsequent efforts to secure recognition.

East Germany reportedly plans also to open three or four other trade missions in Arab countries, perhaps staffed in part by diplomatic personnel. It hastened to "recognize" the new regime in Iraq, and soon after the July coup sent Paul Wandel, its ambassador to China, to Baghdad to seek diplomatic recognition. This mission was apparently not completely successful, however, for Baghdad announced it would establish diplomatic relations with all bloc countries except East Germany and would maintain only economic relations with the latter for the time being.

The two countries signed a trade agreement on 26 October which includes provisions for technical cooperation and the establishment of trade

missions in the two capitals. East German Premier Grotewohl, moreover, has sent Premier Qasim a letter which may include an offer of credits or other economic aid.

The East Germans may also be considering recognizing the Algerian provisional government, following Communist China and the two Asian satellites, in order to further its campaign for recognition by the UAR. East Germany, like the USSR, is reported offering "an unlimited number of scholarships" to



Algerian students, and in its propaganda media it has supported the Algerian "liberation" campaign.

Although East German newspapers habitually refer to their Cairo representative as their "ambassador to the Arab states," the UAR, in order to avoid a break with West Germany, has not yet recognized East Germany. The countries maintain trade offices in each other's capital and have

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25X1

30 October 1958

recently signed a trade agreement under which East Germany has granted a \$20,000,000 long-term credit to the UAR for complete industrial plants and equipment.

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A new German-Arab Society was formed on 10 October with the declared purpose of improving Arab-German friendship and combating the activities of the counterpart West German society. (Concurred in by ORR)

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THE CYPRUS SITUATION

Month-long efforts within the North Atlantic Council (NAC) to convene a conference of interested parties to the Cyprus dispute have collapsed with announcement from Athens that the Greek Government would not attend such a conference. The Greek decision to oppose a conference at this time apparently was largely inspired by the attitude of Archbishop Makarios. Makarios, who had previously indicated his intention to attend the proposed conference as representative of the Greek Cypriot community, may have been influenced, in turn, by the intransigent wing of the Cypriot Ethnarchy.

Officially, Athens has rejected the conference idea because of "juridical and procedural" obstacles and because the results would be "disadvantageous to Greek Cypriot interests." Both government leaders and the press have pointed to what they regard as a lack of a "conference spirit" in the NAC discussion. The Greeks and Makarios particularly emphasize that their recent renunciation of enosis has not been matched by comparable concessions by Ankara and London. The Greeks are insisting on abandonment of partition as a final solution. In addition, Greek officials, despite assurances to the contrary by NATO Secretary General Spaak, continue to believe that little attention at the conference would be given to the ma-

jor Greek interest in an ultimate solution for Cyprus.

Britain and Turkey, while insisting that the major attention of the conference should be focused on the British seven-year interim plan for Cyprus, did accept discussion of a final solution as an item for the agenda. The wide divergence of views in Athens and Ankara concerning a final Cyprus solution, however, makes it highly unlikely that a permanent solution could be worked out at any conference in the near future. The sudden Greek rejection of the conference idea will probably be followed by official explanations in London and Ankara, charging Greece with sole responsibility for failure to convene a Cyprus conference--a move which will further embitter Anglo-Greek and Greek-Turkish relations.

NATO Secretary General Spaak is apparently attempting to keep alive the possibility of further NATO conciliatory efforts in the Cyprus dispute at some future date. The major attention of the parties to the dispute, however, will now switch to New York, where the UN General Assembly is scheduled to take up the Cyprus issue during its present session. Greece will probably try principally to gain international support for an independent Cyprus.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

25X1

POLITICAL TENSION IN TURKEY

Criticism of policies of the Turkish Government and, in turn, the government's threats to curb the Republican People's party (RPP) are expected to become more intensive during the session of the Grand National Assembly which begins on 1 November.



MENDERES

Prime Minister Menderes' opponents may exploit the widespread discontent over economic conditions and the dissatisfaction over the government's conduct of foreign affairs and restrictions on individual freedoms. Since Menderes' Democratic party (DP) holds 415 of the 610 legislative seats, the principal threat to the prime minister lies in discordant elements within his own party combining against him.

Laws restricting the press, curtailing academic freedom, and limiting public political meetings have been strengthened during recent years. The prime minister backed the use of force in a small town in north-central Turkey on 17 October where police clashed with supporters of the RPP who were seeking to welcome their party leader, Ismet Inonu. Under Inonu's aggressive leadership, the RPP has vigorously attacked all these restrictive measures. Menderes



INONU

has responded to this criticism by alleging that the opposition is willing to resort to revolutionary methods to obtain power and by threatening to take stern measures to protect the country.

For the first time in many years, the conduct of foreign

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

policy probably will be a partisan issue in the assembly; last summer the opposition sought a full debate on this issue in the special sessions of the legislature, but were given only a brief hearing. While essentially pro-Western, the RPP sought political advantage by criticizing the Baghdad Pact and by demanding a review of arrangements under which the United States uses the facilities at Adana air base.

Menderes' opponents can be expected to exploit widespread

dissatisfaction over rising prices and shortages. Since economic conditions may improve as the stabilization program made possible by foreign credits takes effect, they will probably highlight the present inflation and scarcity of goods during the coming session.

Faced with criticism on these issues and with opposition from within and outside his party, Menderes may carry out his threats to take measures to restrain the RPP.

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JAPANESE POLICE LAW CONTROVERSY

Growing popular opposition, led by the Socialists, to Prime Minister Kishi's effort to strengthen the powers of the Japanese police could weaken the political position of the conservatives and undermine Kishi's control of the government party. Protest strikes by left-wing labor unions are planned for early November, and the use of force by the government to control the situation would strongly influence the public against Kishi.

The controversial "Police Duties Execution Law" now before the Diet has been designed by Kishi to cope with the extreme tactics of leftist organizations -- particularly those of the General Council of Trade Unions (Sohyo), the Communist-dominated teachers' union (Nikkyoso), and the student federation (Zengakuren). The bill empowers the police to take into "protective custody" individuals suspected of instigating disruptive demonstrations, such as sit-down

strikes in government buildings.

Police authority to take preventive action is the central issue; Kishi insists such power is necessary to maintain public order and safety, while the Socialists foresee a revival of pre-World War II restrictions on civil liberties.

The Socialists have gained the support of large liberal groups in addition to the usual leftist organizations by exploiting the widespread popular sensitivity to excessive use of police powers arising from bitter prewar experiences. They already have strong press support.

Kishi appears determined to secure passage of the law despite popular criticism. Finance Minister Sato, his brother, stated on 24 October that the government would use the defense forces to control any popular demonstrations.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

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ment's position.

The Socialists resorted to violence in the Diet when the bill was introduced on 8 October, and the government apparently believes they will again use extreme tactics, which would strengthen the govern-

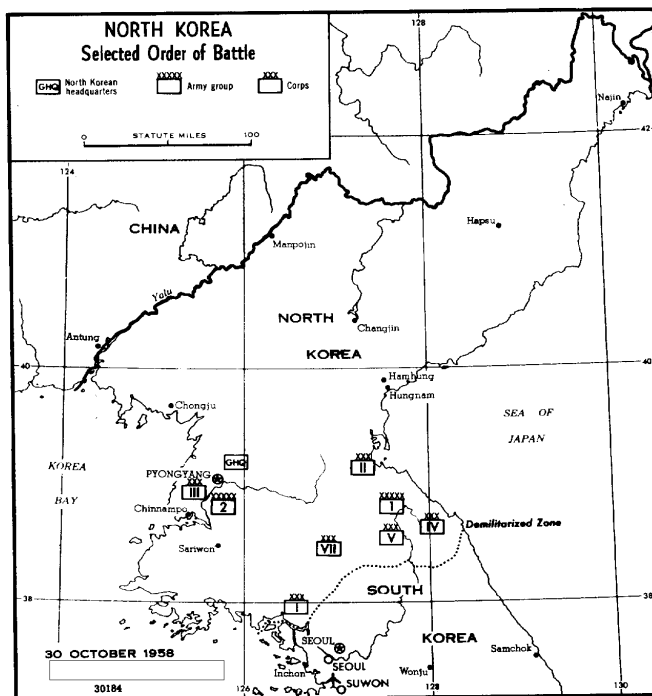
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CHINESE COMMUNIST WITHDRAWAL FROM NORTH KOREA COMPLETED

The Chinese Communists announced on 26 October that the last of their troops have been withdrawn from North Korea. This move completes on schedule the withdrawal plan announced earlier this year. The Chinese are capable, however, of deploying about six armies--about 300,000 troops--to forward areas of North Korea within two weeks if reinforcements should be required by the North Korean Army.

and included five armies--the 1st, 16th, 21st, 23rd and 54th. The final phase of the withdrawal began on 25 September and involved the Chinese Communist 1st Army and support units totaling about 100,000 troops.

The withdrawal plan was first announced on 18 February in a joint statement by Chou En-lai and Kim Il-sung. On 12 March, Peiping radio announced that Chinese "volunteer" forces would be completely withdrawn from North Korea by the end of 1958 and that the withdrawal would be completed in three stages. Chinese Communist troops in North Korea at that time totaled about 300,000

**SECRET**

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

It is probable that small detachments of communications, liaison, and logistics personnel will remain in Korea for at least a short time to take care of the final details of the withdrawal. An undetermined number of advisory personnel may remain for an indefinite period.

The location of most of the troops withdrawn from North Korea is unknown, but [redacted]

[redacted] some of the troops may have been sent to Southeast China.

The redeployment of North Korean Army units to replace the withdrawn Chinese Communist armies has resulted in some loss of defensive depth in the for-

ward areas, with reserve divisions having greater areas of responsibility. The 334,000-man North Korean Army is greatly outnumbered by the South Korean and the remaining UN forces, which total about 589,000. This numerical disparity is offset to a considerable degree, however, because the North Korean Army has developed a powerful artillery capability and possesses an air force of at least 535 jet fighters and about 100 jet light bombers. South Korea has only 98 jet fighters and no jet bombers. In addition, the Chinese Communist capability to re-enter Korea in force on short notice assures the North Koreans of adequate military assistance if it should be required. [redacted]

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PROSPECTS FOR UN STAND-BY PEACE FORCE

The idea of establishing a permanent UN stand-by peace force along the lines of the UN Emergency Force (UNEF) created two years ago is likely to meet with considerable opposition when it is discussed by the General Assembly in early November. The assembly probably will ask Secretary General Hammarskjold to consult with member governments about such a force and report back to the next session.

Hammarskjold, in a 10 October report on the experience gained in operating the 5,000-man UNEF in Gaza, recommended that any UN police force be recruited only on an ad hoc basis after an emergency situation has arisen. He suggested a paramilitary force which would not include troops from the five permanent members of the Security Council. The force would be sent into a danger area only with the consent of the country involved and would strike only

in self-defense. The Security Council or the General Assembly would make the final decision to use the force; ultimate decisions on operations would be left to the secretary general.

Hammarskjold was criticized by the USSR for supporting American "imperialism" through US "control" of a UN peace force. On 24 October, a Soviet UN delegate told the American delegation that the USSR remained strongly opposed to any UN force controlled by any organ other than the Security Council, where the USSR has a veto. Indian and Yugoslav opposition apparently stems in part from a long-held view that creation of a permanent UN peace force overemphasized the military aspects of the UN Charter. Both countries, however, have troops currently serving in the UNEF.

Recent debates in the assembly's budget committee have revealed growing sentiment for

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

30 October 1958

financing UN peace and security operations by such new means as voluntary contributions by the big powers. Costs for UNEF were assessed by the General Assembly on the same percentage basis as members' regular contributions to the UN budget, but only 25 of the 81 UN mem-

bers have paid their 1957 assessments in full. The Soviet bloc contends that such assessments are illegal. Virtual subsidy of a UN stand-by peace force by the free-world big powers would lay it open to the charge of Western domination.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

30. October 1958

PART III

PATTERNS AND PERSPECTIVES

THE CHINESE COMMUNIST "PEOPLE'S COMMUNES"

One of the most far-reaching social reorganizations of modern times is under way in Communist China, where new social and economic organizations called "people's communes" are being established. Rural communes are formed by merging the older collective farms into larger units, a move in violation of last fall's central committee resolution which provided that the size of collectives should be limited and then fixed for ten years. The prototype commune, called the "Sputnik," was formed last April, but it was not until July and August that Peiping began to give intensive publicity to the subject.

The leadership's motives for pushing the drive almost certainly include economic ones--to increase production and limit consumption--as well as political and sociological ones, to enhance party control and foster a "new way of life." Peiping argues that the commune is better suited to meet present demands for more manpower and investment capital and for the communalization of daily living.

The politburo resolution in late August advised against "undue haste" in forming communes but, only a month later, over 90 percent of the nation's farm households had reportedly been enrolled. Some 750,000 collectives are said to have been merged into 23,384 communes, and Peiping observes that the speed and scope of the movement has exceeded that of the "high tide" of cooperativization in late 1955.

Description

The commune controls not only agriculture, but industrial,

commercial, cultural, and military affairs as well. Although the People's Daily has noted a "tendency" to link communes into "federations" within county boundaries or to embrace entire counties, the present commune is in general equal in size to a township, and as such is much larger than the collectives it replaces. The structure of the township government and the commune administration is identical--they have the same chief, the same party secretary, and the same people's congress, and the people's council of the township is the administrative committee of the commune.

Under this committee are the various commissions--planning, technology, and supervision are usually included--and departments--covering such fields as agriculture, commerce, finance, education, and military affairs--which actually run the commune. Under these in turn are the various production teams for industry and agriculture, which in many cases are the old collectives under a new name.

Once organized, the commune generally takes over all property, common funds, and reserves of the collective and some of the liabilities. The commune strikes at the remaining vestiges of private property by absorbing privately held plots, orchards, and some domestic animals.

Early communes began by paying members on a "wage-plus-reward" system. This was a striking innovation, replacing the twice-yearly payments in kind to collective members calculated on the basis of work-days valued as a portion of collective income. The commune

CONFIDENTIAL
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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

30 October 1958

member gets a straight monthly wage in cash. Wage earners in the commune are classified for pay purposes into a number of categories based on physical power, technique, intensity of work, and "work attitude." Bonuses are distributed--usually to only 40-60 percent of the members--on the basis of such criteria as "progressive thinking, work enthusiasm, obedience, love of public property, and struggle against evil persons." Those lacking these traits get no share in some 20-25 percent of the commune's wages.

More recently, the trend has been toward the "gradual" adoption of a "wage-plus-supply" system, under which members are provided, in addition to a wage, "free" staples like rice or wheat. Chairman Mao has encouraged the spread of this system, suggesting that it need not stop at basic foodstuffs, but might be broadened to include other necessities such as clothing. Some communes have gone so far as to include luxuries in the supply system, probably on the grounds that the leadership can easily suppress "inappropriate desires." Peiping has indicated that the supply aspects of the system are based on the Marxist principle "to each according to his needs."

Under either system, the commune member will perhaps recognize one hang-over from the past--the fact that the interests of the state come first. Peiping does not hide the fact that it expects better mobilization of rural capital through the communes. Their size will permit the accumulation of a larger capital fund in one place. Insofar as production is increased and consumption reduced, the rate of capital formation will be increased. Some early communes have reported marked success in this respect. The Sputnik Commune estimates that 30 percent of its income

this year will be channeled into its public fund. This compares with a national average of around 20-22 percent.

Finance and Trade

In the communes, rural supply and marketing cooperatives become departments which, under the leadership of state commercial departments, buy and sell for the commune and set up branch sales--and presumably purchasing--centers throughout the commune. Old credit cooperatives become credit departments. Under the professional leadership of the state bank, they accept deposits from members, regulate the floating capital of the commune, extend loans to production teams on behalf of the state bank, and settle noncash accounts with other communes.

The authorities in Peiping have not yet come to grips with all the financial problems this rural reorganization will bring. The first notable public commentary on this aspect of the communes was in a "letter" from the finance minister to the theoretical journal Red Flag. He noted that the communes will inevitably bring a decrease in commodity exchange, and that the present tax structure, which leans heavily on revenues extracted from this exchange, is no longer "suitable." He offered no solution in his letter. However, the Sputnik Commune says it has taken over the responsibility of paying an "overall tax" to the state, including taxes on agriculture, industry, and trade. It has also assumed responsibility for delivering agricultural products to the state in accordance with regulations.

Labor

The communes will help further the regime's demands for fuller and better use of rural labor, both men and women.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

Labor will be organized along military lines and will tackle its tasks as an "army fights a battle." With its centralized control of the township's labor force, the commune can plan larger projects than were possible under the old system and marshal the labor force necessary to carry them out. It will be possible to shift labor more freely between agriculture and industry.

"New Way of Life"

The social changes the communes bring to Chinese village life will, in the long run, probably far outweigh the economic. Plainly, the leaders in Peiping intend to create what Red Flag has called a "new way of life" through the organization of communal mess halls, housing, nurseries, schools, and other "amenities."

Communal mess halls have so far received more stress than other aspects of the new life. Peiping has pointed out that not only do they help restrict "excess" consumption--one mess hall entirely eliminated "excess" consumption three days after it opened--but also they free the housewife to work in field or factory. By speeding up the eating process, they permit the workers to spend more time on the job; one commune reported that each person put in three extra hours a day in the fields after its mess hall opened. Finally, political cadres and activists have noted the advantage of having the whole production unit assembled in one place to receive "instructions and explanations."

Party Secretary General Teng Hsiao-ping has publicly stated the regime's intention eventually to relocate all housing. "Residential areas in rural regions," he said, "will come to look like beautiful cities." The regime has already begun what may be a slow

process of tearing down old houses and using the materials to build large, barracks-like dwellings which will be home to the communalized Chinese peasant. This aspect, together with the communal mess halls, will bring him a highly cellular existence. He will be inextricably tied to his particular production unit, and will work, sleep, eat, study, and relax with his co-workers. There will be no place to hide.

The regime has suggested that the breakup of the traditional Chinese family is a primary objective of the communal system, which seems well designed to achieve this. Wages are being paid directly to the individual wage earner rather than to the head of the household. Husband and wife may be separated by work assignments in distant parts of the commune. Children are in communal nurseries or schools, and the regime has strongly indicated its preference that these should be run as full-time boarding installations.

At one school operated in this manner, it is said that the children "no longer think about their homes." Even when the family is reunited, it will most likely be at a communal meal, in a communal barracks, or at a communal meeting. This destruction of the old patriarchal Chinese family will not come easy for the Communists, especially in South China, where the family and the family goods are especially well entrenched, and Peiping admits that the family probably will exist for a "long time."

Measures such as these seem designed also to facilitate the total regimentation of all Chinese behind the regime's programs and their complete submission to its authority. There will be a further extension of an already pervasive political control. An important

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

instrumentality of this will be the commune's militia, only a small and rigidly select part of which will be armed. It will serve as the state's internal security police in rural areas.

An ancillary effect will possibly be a drop in the rate of population growth, which last year reached 2.5 percent. The brake which these social factors put on population growth will be in addition to whatever can be achieved through birth control techniques such as contraception, abortion, and sterilization.

Dispersion

The Chinese Communists have frequently suggested that in the event of a wholesale nuclear war the country with the greatest and most widespread population will stand the best chance for survival as a national unit. Both Mao Tse-tung and Chu Te have spoken of the need to have "relatively complete industrial systems" providing diversified goods in various parts of the country. The commune will emerge as an almost self-contained unit with its own administration, agriculture, industry, education, and military system. These units might well reduce the vulnerability of the local control structure and permit it to continue even when cut off from central authority.

Urban Communes

Recent statements by top leaders make it plain that cities and industrial regions are expected to follow the example of their rural cousins. Some months ago, the press cited instances of the formation of urban collectives to release women from the "burden" of housework for work in mills and factories. Communal kitchens and nurseries followed. Then, in September, Chairman Mao di-

rected that large plants like the Wuhan Iron and Steel Works should gradually turn themselves into integrated enterprises which turn out a variety of industrial goods and embrace agriculture, exchange, culture, and military affairs.

Teng Hsiao-ping, while on a recent tour in the northeast, listened to reports on experimental work being done there on urban communes. Applauding the idea, he encouraged the city of Ssiping--about 140,000--to go ahead with the organization of such a city-wide commune.

More recently the People's Daily, commenting that the old social life in cities, factories, and mining districts is "incompatible" with current needs, approved the "growing pressure" for the establishment of urban communes. It called attention to the "readjustment" of workers' housing at a coal mining site in Shansi, where the housing has been reallocated on the basis of production teams and their accompanying party and administrative superstructure. Widespread adoption of this step, the daily argued, will "drastically improve" the relations between the leaders and the masses, free workers' dependents of "burdensome" housework, rid the teams of "undesirable characters," and lead to rapid production increases. Such a step, the daily concluded, must be taken "sooner or later."

Will Communes Work?

Some non-Communist observers have reported that Chinese peasants are "cheerfully" accepting communal life--not an entirely unexpected development at this early stage in the program. Conditioned to submitting to the will of the state by a harsh series of "counterrevolutionary" campaigns during the first years of the regime, the populace was further prepared

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

30 October 1958

for communalization by the recently concluded "rectification" campaign of 1957-58. However, there have been hints in the Communist press that the program has met with some resistance.

Obviously a number of very pressing problems will follow from this far-reaching social reorganization. Some have already begun to crop up, including a problem which has plagued --but not prevented--earlier reforms introduced by Peiping. This is the perennial problem of the comparatively well-to-do peasant.

Like the collective system before it, the commune in effect penalizes the more efficient producers by taking all but a bare minimum away from him. In the case of communes, the problem is magnified since now it is entire villages or cooperatives which have to sustain the less efficient ones. It is questionable how long Peiping can go on penalizing its better farmers without destroying their incentive to excel.

The system certainly concentrates tremendous power over details of daily life in the hands of a few. Cases of resentment have already arisen in the assignment of work grades and wages. The loss of private plots, orchards, livestock, fowl, and other holdings, as well as of house and home will of course not please everyone. The degrading of the peasant from the status of part-owner to hired hand will not be popular, nor will the introduction of an almost monastic way of life, with hard work, little food, strict military discipline, and only two days off a month.

On the other hand, most peasants may be willing to accept communal living for the time being. Accustomed as they are to very little, they may welcome the security of guaranteed food, shelter, and cloth-

ing, as well as provisions for medical care, education, and entertainment. It is probably the breakup of the family system that will become the crucial issue for the Communists.

Economically, it is doubtful that the mere reorganization will of itself have any great effect on agricultural output. It will bring greater intensity of labor, but the regime has certainly heavily exploited this aspect in the past. Benefits will accrue from the better maneuverability of labor in the communes and the larger capital funds made possible by the size of the commune. Some assistance can be expected in the furthering of advanced farming techniques, but large-scale farming will still have to wait for Chinese industry to produce the needed machinery.

Small-scale industry, which the communes will in many cases be taking over, is expected to add significantly to national output--more so in quantity than in quality--but this is the fruit of another program.

The full burden of the communal status will probably be felt only after some years. The communes constitute Mao Tse-tung's greatest gamble, and there seems at least a possibility that this time he has asked more of the human material than it can stand, and that there will eventually be an explosion.

International Significance

Peiping is claiming that communes will provide China with a good form of organization to speed up socialist construction and the transition to Communism. Such statements seem to imply that Peiping, while still engaged in "building socialism," is already taking steps along the road to Communism and is thus approaching the status of the Soviet Union. In general, Peiping gives the

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

impression that the advance to Communism is a long-range goal, stating, for instance, in the authoritative Red Flag that it is not appropriate to "strain" to advance from socialism to its higher phase. At times, though, Peiping has sought to give the impression that the "transition to Communism" is much nearer.

The Chinese Communists are presenting Mao Tse-tung's concept of the commune as a creative development of Marx and Engels, citing specifically the last two points of the Communist Manifesto: "combine agriculture and industry and facilitate the gradual elimination of distinction between town and country"; and "combine education and material production." In outlining a specific way of life under Communism, the Chinese, although basing it on ac-

cepted dogma, have advanced beyond Soviet theoreticians. The apparent Soviet coolness to the idea is reflected in Moscow's lack of comment.

Aside from doctrinal considerations, Moscow may also be concerned over the effect of the Chinese communes on the European satellites. The Yugoslavs have characterized communes as a combination of Stalinism and feudalism and have emphasized Peiping's presentation of them as the basic organizational form of coming Communist society in China. Eastern European Communists have reportedly been taken aback by Peiping's assertions that this is what life under Communism will be like. (Prepared jointly with ORR)

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USSR APPROACHES SHOWDOWN ON NUCLEAR TEST-BAN ISSUE

The Soviet leaders probably view the Geneva talks on a nuclear test-cessation agreement, opening on 31 October, as the climax of their intensive efforts over the past three years to make this the central issue in the East-West disarmament debate. The USSR, however, faces the severest test of its pose as the world's principal advocate of halting nuclear tests. The announcement on 22 August by the United States and Britain of a conditional one-year suspension of tests beginning on 31 October has confronted Moscow with a difficult challenge to its long-standing attempts to blame the West for failure to agree on a test ban.

Soviet maneuvers such as the unilateral test suspension last March and concessions to ensure the success of last summer's Geneva technical talks on a

test-detection system have been based on the assumption that the United States and Britain, in a showdown, could be expected to reject any agreement to halt tests which was not linked to progress on other aspects of disarmament. Moscow's successive proposals, therefore, have been aimed at increasing pressure on the West to accept an unconditional test ban by appearing to meet Western objections to the USSR's terms.

In view of this pattern of Soviet policy, the Soviet negotiators at Geneva probably will concentrate on discrediting the American and British position; this makes an extension of their one-year test suspension contingent on the installation of an effective inspection system and satisfactory progress in reaching agreement on and in implementing other substantial arms control measures.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

The Russians probably will press for an immediate "political decision" on an unconditional and permanent test ban, while insisting that elaboration of an inspection system--a Western condition for agreement--can be discussed subsequently. While the Soviet delegates probably will be prepared to discuss controls, they will seek to minimize and defer this problem by pointing out that the Geneva technical experts already have unanimously agreed that a control system is "possible and feasible."

The USSR's reaction to the Anglo-American announcement of 22 August and its proposals for a test-cessation agreement suggest that the Soviet leaders continue to believe they have more to gain by constantly seeking to make the West appear responsible for blocking a test-cessation agreement than by assuming the far-reaching commitments involved in a test ban enforced by a control system acceptable to Washington and London. This line of action reflects Moscow's basic estimate that the nuclear stalemate will continue indefinitely and that the psychological aspects will dominate the East-West struggle.

In this situation, the USSR's fundamental aim is to stigmatize nuclear weapons by all the diplomatic and propaganda means at its disposal, thereby inhibiting the West's willingness to use them, but without sacrificing Soviet freedom of action by accepting the restraints that would be imposed by an effective control system.

Soviet Policy Since 1957

Moscow's maneuvers over the past year to force a clear-cut showdown with the West on the issue of a test ban separate from all other aspects of disarmament have centered on undercutting the West's contention that Soviet opposition to effective

controls is the principal barrier to a termination of tests. The USSR's proposal in the London talks on 14 June 1957 for a two- to three-year suspension under international control was the initial attack on what Moscow regarded as the most vulnerable point in Western position.

Before introducing this ostensible concession, however, the Russians had carefully probed the firmness of the United States' position, which held that a test ban could not be separated from other aspects of the nuclear problem. The American delegate at the talks stated that the United States would not agree to a temporary cessation except as part of an agreement including a commitment to a cutoff date on the production of fissionable material for nuclear weapons. This apparently convinced the Soviet leaders that the Western powers would not accept any formula for an unconditional ban.

In his 31 March 1958 speech to the Supreme Soviet, Foreign Minister Gromyko stated that the USSR's proposal--for a two- to three-year suspension enforced by an international commission with control posts in the USSR, the United States, Britain, and the Pacific area, including Australia--was intended "to prevent the opponents of a cessation of tests from subterfuges." He declared that after the West had rejected this proposal, "it became clear...that this was not at all a matter of control but of stubborn unwillingness of certain circles of the Western powers to limit the nuclear arms race."

USSR's Unilateral Suspension

The unilateral suspension of Soviet tests decreed by the Supreme Soviet on 31 March 1958 was the boldest stroke in Moscow's long campaign to force the Western powers to take an

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

unequivocal stand on the test-ban issue and to arouse worldwide resentment toward American and British nuclear policies. This move was timed to place the forthcoming Western tests in the worst possible propaganda light. The Soviet leaders took a calculated risk that they could unilaterally suspend tests for some time without incurring serious military or technological disadvantages. They reasoned they would be free to resume testing at a date of their choosing because the United States and Britain would not counter with proposals which would call the Soviet bluff.

The Supreme Soviet decision carefully paved the way for a resumption of Soviet testing by stipulating that should the United States and Britain continue their tests, the USSR would "act freely in the question of testing...bearing in mind the interests of the security of the Soviet Union."

Geneva Technical Talks

The next move in the Soviet campaign to heighten pressures on the West to take an unequivocal stand on an unconditional test ban was Khrushchev's acceptance on 9 May 1958 of President Eisenhower's earlier proposals for technical talks on methods of detecting violations of a possible test-cessation agreement. This step constituted a marked departure from the USSR's previous insistence that all negotiations on international control of any aspect of disarmament could come only after agreements had been concluded in principle.

This reversal of position was partly motivated by the need to offset the damaging effects of Moscow's abortive charges of US nuclear bomber flights over the Arctic toward Soviet frontiers. Moscow had called an emergency meeting of the UN Security Council in which the So-

viet charge backfired badly, and the Soviet delegate was maneuvered into having to veto an American proposal for an international inspection zone in the Arctic to prevent surprise attack.

During the exchange of notes between Moscow and Washington on plans for the technical talks, the USSR sought increasingly to extract from the United States at least a tacit commitment that the talks must lead to an agreement to end tests. The Soviet note of 13 June attempted to establish a link between the technical discussions and a decision to end tests by stating that the USSR "proceeds from the assumption... that as a result (of the quick conclusion of the talks) agreement will be reached on the suspension of nuclear weapons tests by all powers possessing them."

On 25 June, Moscow sent a further note which charged that, by failing to agree that the talks must result in a test ban, the United States was "dooming the conference to failure beforehand." The note implied a threat to boycott the meeting unless the United States "confirmed" that the talks "must be subordinated" to the task of achieving a test-cessation agreement.

This overnight reversal, which may have resulted from Khrushchev's personal intervention, was an attempt to wring from the United States a last-minute acceptance of the principle of an unconditional test ban, or failing that, to delay the talks and thereby generate new pressures on Washington to change its position. But the USSR backed down and sent its delegation to Geneva after the United States had reaffirmed its position and had announced that the American scientists were proceeding as scheduled.

It soon became apparent that the USSR wanted the talks

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

to succeed and was making considerable concessions to achieve this end. The American chairman of the Western delegation observed on 25 July that, in every important case, the Soviet bloc delegates had accepted the major elements of the Western position, agreeing to points which the Western scientists did not believe at the outset they would accept.

These unusually conciliatory tactics were governed by Moscow's expectation that an agreement on test-cessation methods would create heavy pressure on the West to accept a separate and unconditional test ban. The Russians believed that any Western failure to follow through on a technical agreement would place the United States and Britain in an extremely difficult position and appear to confirm Soviet charges that Western insistence on control was merely a means of evading a test ban.

Subsequent statements by Soviet leaders strongly suggest that the concessions at Geneva, like Moscow's proposal of June 1957 for control posts to enforce a two- to three-year test suspension, were aimed at further discrediting the Western claim that the USSR was responsible for failure to reach agreement because of its opposition to an effective control system. Khrushchev declared on 30 August that the Geneva agreement had "finally buried the legend about the alleged impossibility of control over the observance of an agreement to end nuclear tests." He underscored the USSR's acceptance of the Geneva recommendations and stated, "There can now be no excuses or justifications for refusing to end at once and everywhere the experiments with nuclear weapons."

US-UK Suspension

The announcement by the United States and Britain on

22 August 1958 of a conditional one-year suspension of testing seems to have caught the Soviet leaders off balance. They immediately recognized this as a major challenge to their strategy. The Western initiative greatly complicated Moscow's plans for exploiting the Geneva technical agreement to embarrass Washington and London.

Khrushchev's reply came on 30 August in a Pravda interview in which he sought to discredit the announcement as just "another attempt to lull the vigilance of the people showing legitimate concern at the continuing nuclear tests carried out by the United States and Britain on an ever larger scale." He insisted that the announcement did not really change the Western position and that Washington and London "are still looking for loopholes to avoid an instant suspension of tests." He dismissed the proposal to stop testing for one year as of "no importance whatsoever, for a year is precisely the period necessary for preparing another series of nuclear tests."

As for the Western proposal to extend the suspension one year at a time, Khrushchev charged that the United States and Britain "hedge this agreement with such reservations and conditions that it becomes clear they have no real intention of renouncing further tests of nuclear weapons."

Khrushchev then moved to bolster the Soviet position for a major showdown in the negotiations which the United States and Britain proposed for 31 October. His most immediate concern was to counter any impression that their tests last summer had given the Western powers a commanding lead in the nuclear race. His great sensitivity on this point was reflected in his charge that the Western powers had attempted to exploit the Soviet moratorium to gain "unilateral military

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

advantages for themselves." After recalling that the Supreme Soviet decision of 31 March had stipulated that if the other powers continued their tests, the USSR would be "free to act as it sees fit," Khrushchev declared that the Western tests "relieve the Soviet Union of the obligation it had assumed unilaterally."

Test Resumption

On 11 September, Moscow announced that Northern Sea maneuvers would be held from 20 September to 25 October, "with actual use of various types of modern weapons." Soviet propagandists poured out a growing stream of arguments designed to explain and justify the forthcoming test resumption. Gromyko sought to offset the adverse effects of the new tests by calling on the UN General Assembly on 16 September to endorse a "universal cessation" of tests "for all time."

On 1 October, the day after the USSR resumed testing, Moscow sent notes to the United States and Britain proposing that the Geneva conference be held at the foreign ministers' level--a move timed to create the impression of a new Soviet "initiative" and to demonstrate the importance the USSR attaches to these talks. Gromyko's 7 October press conference statement that the Soviet Union "has all grounds to discontinue its tests only after it conducts the same number of such tests as were held by the United States and Britain" since 31 March was intended to underscore the rationale for resuming tests. Deputy Foreign Minister Zorin on 27 October reiterated Gromyko's stand in rejecting the Western proposal for a one-year ban and reserved the right to match the number of Western tests since 31 March if the Geneva talks fail.

Geneva Tactics

Moscow's negotiating tactics probably will be to make its demand for an immediate, permanent, and unconditional test cessation the key issue. The Soviet delegate will contend that the first order of business must be to conclude a definitive "political" agreement on test cessation. He probably will take the position that the Geneva technical talks have demonstrated the feasibility of an effective control system and that therefore there should be no difficulty in spelling out such details as the nature of the supervisory body, the composition of inspection teams, location of control posts, and the immunities and privileges of inspection personnel after the basic political agreement has been signed.

In his 30 August Pravda interview, Khrushchev defined the purpose of the conference as being "to conclude an agreement to end for all time tests of atomic and hydrogen weapons of all kinds by all states." He made no mention of the control problem, dismissing its importance with the statement: "Considering the positive results of the Geneva conference of experts, these negotiations could be brought to a conclusion within two or three weeks."

If in the course of the Geneva conference the Soviet leaders conclude that the United States and Britain will not abandon their position making the extension of a one-year suspension contingent on installation of an effective control system and "satisfactory progress" toward agreement on such measures as limitation and reduction of fissionable material for weapons purposes, they may drop their demand for a "permanent" cessation and reintroduce the June 1957 plan for a two- to

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

three-year suspension under international control.

Prevention of Surprise Attack

The USSR apparently will seek to establish a close link between the technical talks on measures to prevent surprise attack--scheduled to open in Geneva on 10 November--and the conference on nuclear-test cessation. Soviet notes have stressed that any agreement on surprise attack must be made contingent on "definite steps" in the disarmament field, particularly a test-cessation agreement. Moscow's note of 15 September explicitly rejected the American view that surprise-attack talks should take place without prejudice to the positions of the two governments on the timing and interdependence of the various aspects of disarmament. The fact that the test-cessation conference will open just ten days before the surprise-attack talks in the same city will facilitate Soviet efforts to underline the close relationship between these questions.

Moscow's acceptance on 2 July of President Eisenhower's earlier proposals for technical talks on the surprise-attack problem probably was motivated primarily by the need to over-

come the adverse effects of the abortive Soviet charges against alleged Arctic flights of American nuclear bombers and the executions of the leaders of the Hungarian revolt announced in mid-June. Khrushchev's letter took the line that the surprise-attack problem had become "especially acute" because of the bomber flights.

Soviet tactics at the conference probably will be centered on repeating previous Soviet schemes calling for the establishment of control posts at railway junctions, large ports, and highways, and reciprocal aerial inspection in "zones of concentration of military forces" in central Europe and in equal portions of the Soviet Far East and the western United States. Soviet negotiators can also be expected to stress that solution of the surprise-attack problem is bound up with the settlement of other questions, such as renunciation of the use of nuclear weapons and missiles, creation of an atom-free zone in Europe, a nonaggression pact between NATO and Warsaw Pact members, abolition of foreign bases, and reduction of foreign forces in Germany and other European states.

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THE ASWAN HIGH DAM AND THE NILE WATERS QUESTION

Soviet Premier Khrushchev's offer to lend the UAR the equivalent of up to \$100,000,000 toward construction of the first stage of the Aswan High Dam should enable Cairo to make a substantial start on the project--the estimated total cost of which exceeds \$1.3 billion.

The idea of the Aswan High Dam --officially known as the Sadd al-Aali project--as a major economic scheme designed to provide at least a partial solution to Egypt's economic problems has long been a key point of President Nasir's domestic policy.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

Development, the Aswan High Dam project is technically sound and on completion--16 years for the entire project and 10 years for the dam itself--would increase Egypt's irrigated area by 1,349,400 acres--from 6,383,700 to 7,733,100--and convert to perennial irrigation the 695,460 acres of land normally irrigated by flooding. The ultimate result, according to Egyptian estimates, would be an increase in agricultural income of about 45 percent. Initially, the dam would also supply about 720,000 kilowatts of power--almost double this amount later--which is about 45 percent more than the present total Egyptian electric generation. Even if the dam is constructed, however, and all planned benefits realized, it would do little more than to enable Egypt to maintain its extremely low standard of living.

Sudanese agreement to construction would appear essential, since the reservoir created by the dam would extend 342 miles upriver, including 125 miles into the Sudan. This flooding would displace an estimated 50,000 Sudanese now living in the Wadi Halfa district.

The Soviet Offer

Moscow's \$100,000,000 loan offer--payable in 12 years at

2.5 percent, probably beginning in four years--is not large compared with the original Western proposal of \$270,000,000, including an outright grant of \$70,000,000. Nevertheless, it will allow Egypt to make substantial progress on constructing the dam itself. The immediate gain for the USSR will be the prestige it acquires in the Arab world for making a start on the project possible.

The \$1.3 billion estimated in 1955 to be the total cost of the project now is probably inadequate, since world prices of the necessary imported materials, as well as the local Egyptian costs, have been steadily rising. Egypt's ability to finance the local costs has also deteriorated. Deficit financing by the present regime has raised the government's indebtedness about 180 percent, from \$266,000,000 at the beginning of 1955 to \$740,000,000 in July 1958.

The Soviet credit will probably be used to construct the dam itself rather than be spread over the entire project. Moscow undoubtedly will exploit this as a monument to Soviet generosity and as evidence of its "unselfish" assistance to underdeveloped countries. The total cost of the dam proper is about \$316,000,000, of which

\$149,000,000 is required in foreign exchange--that is, in imported goods. The remaining \$167,000,000 is needed in local currency. According to present reliable estimates, \$100,000,000 would cover the necessary foreign-exchange costs of the dam for the next six years; an additional \$49,000,000 would be needed for the remaining four years of construction.

With its acceptance of this Soviet aid offer, the United Arab Republic will

ESTIMATED COST OF THE ASWAN HIGH DAM
(MILLION DOLLARS)

	FOREIGN EXCHANGE COST	LOCAL CURRENCY COST	TOTAL
High dam and civil works	149	167	316
Power equipment and transmission facilities	126	39	165
Irrigation and related facilities	72	225	297
Indemnities and resettlement	6	23	29
Interest during construction	37	83	120
TOTAL PUBLIC INVESTMENT IN DAM PROJECT	390	537	927
Private or public investments in reclamation and housing	- -	393	393
TOTAL	390	930	1,320

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30 OCTOBER 1958

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

have been allocated approximately half the \$2.1 billion in military and economic aid extended by the Sino-Soviet bloc to non-Communist countries.

Nile Waters Question

In the conflict between Egypt and the Sudan over the disposition of the waters of the Nile, Cairo claims rights to a greater portion of water than Khartoum is willing to acknowledge and wants a proportionately larger share of any surplus resulting from the construction of new works on the river. The Sudan is not immediately in need of more water, but desires a final determination of the share each nation is to receive before any new construction begins in order to forestall Egypt's de facto acquisition of additional water rights. The dispute has worsened in recent weeks, with Khartoum refusing to be bound by the 1929 agreement and Cairo planning to go ahead with new works without agreement from the Sudan.

Egypt's Position

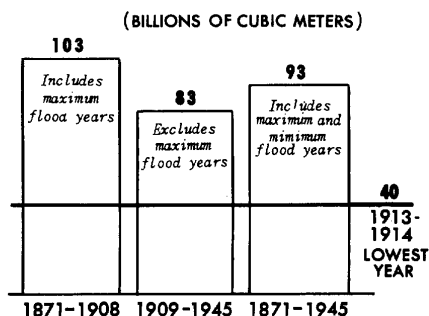
Egypt insists that the average flow of water past Aswan is only 80 billion cubic meters a year rather than 84 billion as claimed by the Sudan. A conservative estimate of the average flow is 83 billion.

Egypt also claims 51 billion cubic meters in existing water rights, 3 billion cubic meters more than Khartoum accepts. Based on the amount of irrigated land, at 8,000 cubic meters per year per acre, the figure would be 48.21 billion. Neither country disagrees with the Sudan's existing rights of some 4 billion cubic meters.

Egypt's claim to an eventual total of 62 billion cubic meters would be more than adequate for all irrigation purposes. If the maximum amount--

7,785,000 acres--of land in Egypt were irrigated, approximately 58.25 billion cubic meters of water would be required. The Sudan is willing

AVERAGE NILE DISCHARGE AT ASWAN
Figures based on selected periods



31 JANUARY 1957

70125-3

to allow 49 billion cubic meters as Egypt's ultimate share.

The Sudan's Position

Sudanese engineers say that 5,500,000 acres of land are suitable for immediate development: 3,000,000 with a gravity irrigation system in the Gezira between the White Nile and the Blue Nile south of Khartoum; 1,500,000 acres with pump irrigation systems on the Niles; 500,000 to be watered from the Atbara River; and 500,000 to be watered from the proposed Jonglei Canal. The Sudan claims the right to irrigate this area at the same rate as Egypt--8,000 cubic meters of water an acre per year. The total figure the Sudan wants would thus be 44 billion cubic meters, the equivalent, because of evaporation loss, of 35 billion cubic meters at Aswan.

In defense of its position, Khartoum cites a study made by an American engineer, H. L. Cory, which was published by the Egyptian Government in 1920. Cory would have given 61 billion cubic meters to Egypt and

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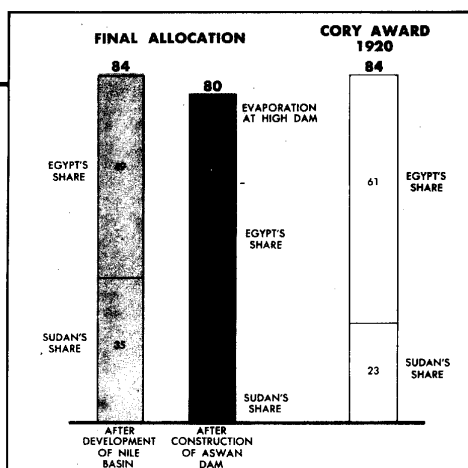
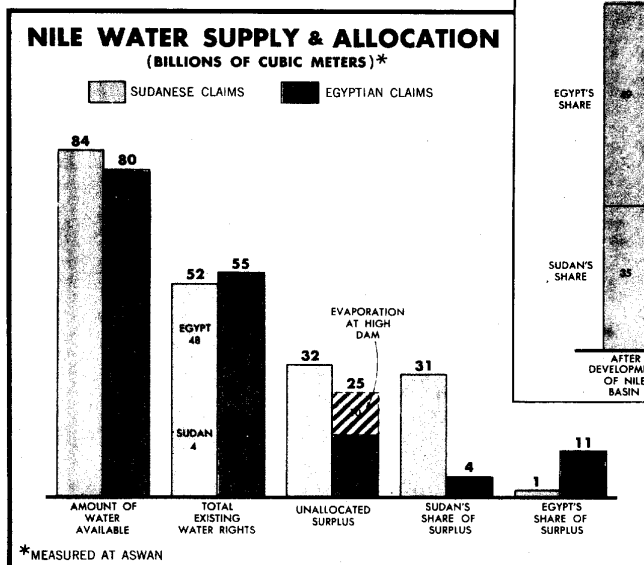
SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY****30 October 1958**

23 billion to the Sudan. Now, however, the Sudan argues that because of its rapid development, this figure is too low and it needs 31 billion cubic meters more than it now receives. Khartoum, admitting that it would be a number of years before it could use the full amount it is asking, insists that water rights be determined before any diversion project--such as the Aswan High Dam--is built and Egypt acquires more water rights.

summer, when the natural river flow is used almost exclusively by Egypt. The Gebel Aulia Dam--completed in 1937 with a reservoir capacity of 2.5 billion cubic meters--was built solely to irrigate Egyptian land.

Proposed Development Projects

All existing works in the Nile system are designed princi-



pally to regulate the annual flood, and none is concerned with irrigation storage over a period of years. The next

step in the Nile development is to provide long-term storage facilities. If this is not done, an extension of the irrigated area could prove disastrous in a year with a water shortage. Two general plans have thus far been advanced: the Aswan High Dam and a comprehensive storage scheme. Egypt's high-dam proposal was first seriously put forth in 1953. The storage scheme, favored by the Sudan, has long been under study.

The Aswan High Dam

The Aswan High Dam project involves the construction of a dam across the Nile about five miles upstream from the existing Aswan Dam. The new dam would create a reservoir with

Existing Works

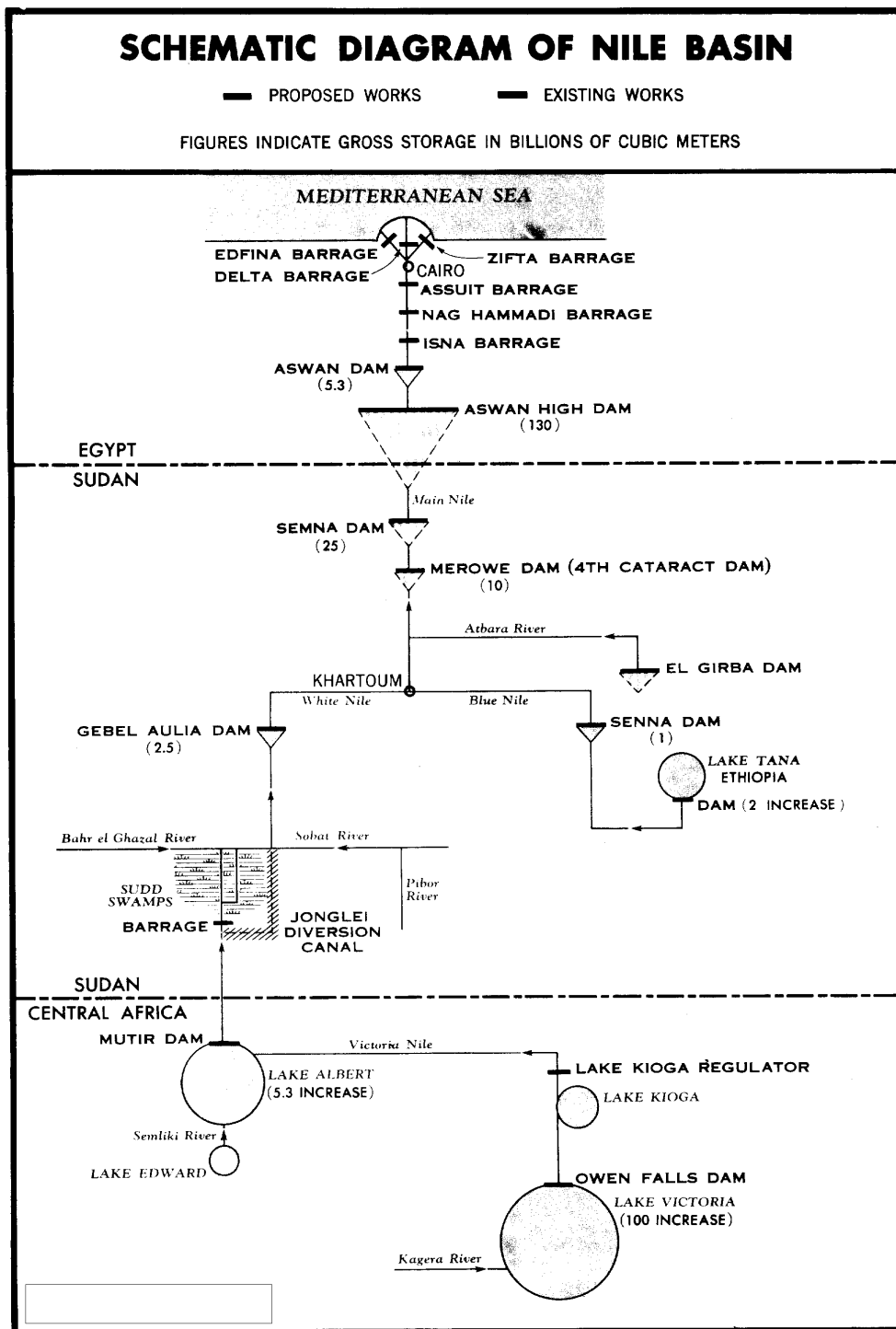
Egypt has six barrages but only one dam--the Aswan Dam built in 1902 with a present reservoir capacity of 5.3 billion cubic meters. Barrages are designed not to store flood waters, as is the Aswan Dam, but to regulate the water level during flood time and divert it into irrigation canals.

The Sudan has no barrages but has two dams, the Senna on the Blue Nile and the Gebel Aulia on the White Nile. The Senna Dam--with a relatively small storage capacity of 1 billion cubic meters--stores water to irrigate the Sudan's cotton crop in Gezira without using Nile waters during the

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958



70125-3

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

a capacity of 130 billion cubic meters. Its primary purpose would be to store water for irrigation. Secondly, it would protect Egypt's downstream areas from flood and provide improved navigation conditions.

The dam itself would take at least ten years to build. The reservoir would store 70 billion cubic meters for irrigation and 30 billion for flood control. The other 30 billion cubic meters would be allowed for silting.

The advantages of this project to Egypt would depend on the share of the water Cairo would receive under its agreement with the Sudan. If Egypt's share were significantly less than 61 billion cubic meters, the project might not be worth the large investment required. It is on this point that discussions with the Sudan were broken off in mid-1955, when Khartoum refused to acknowledge Egypt's right to this amount.

Comprehensive Storage Scheme

This plan calls for a series of dams and barrages to be built largely in the Sudan. The bulk of the long-term storage of irrigation waters, however, would be in Lake Albert and Lake Victoria. By raising the water level of Lake Albert one meter, and Lake Victoria four feet, the amount of stored

water would be equal to 105.3 billion cubic meters, some 35 billion cubic meters more than the expected capacity for irrigation storage of the high dam. Because of the large swamps through which the water from these lakes now passes, however, the water loss through absorption is substantial--on the average about 50 percent. To avoid this, a diversion canal--the Jonglei Canal--would have to be built. In addition, a number of regulating barrages would be required, as well as a dam at Lake Tana in Ethiopia.

The Aswan High Dam and the comprehensive storage scheme might be made complementary. The high dam could be somewhat smaller than now planned, and other works could be undertaken in the Sudan.

Without the Aswan High Dam, or a similar project, the growth of the Egyptian economy is likely to lag far behind the probable increase in population. This would mean a steady decline in the standard of living, with serious implications for the future social and political evolution of Egypt. Even though Aswan or similar works might not make possible any significant per capita rise in the living standard, they would at least prevent a disastrous deterioration in this standard.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

ANNEX**SINO-SOVIET BLOC ACTIVITIES IN MAINLAND SOUTHEAST ASIA****1. General Bloc Policy:**

The Sino-Soviet bloc is actively working to encourage neutralism in Southeast Asia, to destroy the Southeast Asia Treaty Organization, and to encourage the creation of a group of independent, nationalist anti-Western entities which might ultimately come under close Sino-Soviet influence.

2. Bloc policy has been flexible and opportunistic; adjusting itself to the degree of anti-Communism evident in each state. Peiping and Moscow have avoided pressing too urgently and have sought to influence by example the states in which conditions have been most favorable to them. Thus in Cambodia and in Burma--at least up to the change in government--where bloc activity has been most pronounced, Moscow and Peiping have attempted to be circumspect and have tried to fulfill economic aid agreements smoothly and satisfactorily.

3. The bloc continues to stand on a professed plank of noninterference in the internal affairs of other states embodied in the "Five Principles" enunciated by Chou En-lai and Nehru in 1954. Chou repeated his "advice" to Cambodia's Chinese to "refrain from taking part in political activities" during the August visit of Cambodia's Prince Sihanouk to Peiping.

4. The immediate aim of local Communist parties is two-fold--to achieve legality and eventually to turn their governments' policies into neutralist channels. The USSR and Communist China complement that aim by discreet and frequent offers of "disinterested" economic aid and wider cultural relations.

5. Diplomatic Activity:

Repeated bloc initiatives to expand diplomatic representation met with success in Cambodia and there is prospect of similar results in Laos. Cambodia, which already has resident missions from the USSR and Czechoslovakia, recognized Communist China in July, and ambassadors have been exchanged. This is a significant diplomatic victory for Peiping in Southeast Asia and will considerably raise Communist China's prestige among the Overseas Chinese in the area. Laotian officials revealed in July that Laos will probably send an ambassador to Moscow by the end of 1958, thus ending a long period of stalling by Vientiane since an exchange was agreed on in principle in late 1956. Malayan Prime Minister Abdul Rahman continues his policy of refusing any formal relations with the bloc until the ten-year Communist rebellion in Malaya is ended.

6. Burma has the broadest bloc representation, having relations with the USSR, Communist China, Poland, Czechoslovakia, Rumania, and Mongolia. In Thailand, only the USSR maintains a mission, which, with some 50 officials, is considerably overstaffed in terms of the work at hand. Except for some 25 Polish officials on the International Control Commission, there are no bloc officials in South Vietnam.

7. Economic Activity:

Malaya, with its large Chinese population, continues to be a focus for Communist China's commercial drive in Southeast Asia, and the over-all level of its trade with the bloc continues to rise. From December 1957 to May 1958, Malayan exports to the bloc increased by 42 percent over the first half of 1957 and totaled about \$43,000,000. Malayan imports from the bloc dropped 5 percent to \$30,000,000.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

The marked increase in exports was caused by a doubling of rubber exports to 75,800 long tons --15 percent of Malaya's total rubber exports for the first half of 1958. Communist China was once again the principal bloc purchaser. Peiping is competing with Japan and Hong Kong and has intensified its trade promotion activities in Singapore since April. A wide variety of new Chinese commodities are appearing at prices slashed 10-20 percent below those of normal suppliers. The effectiveness of this campaign is reflected in a 40-percent rise in the value of Chinese Communist goods imported during the first seven months of 1958 over the comparable period in 1957.

8. Cambodia made its first import allocations in April under trade agreements with the USSR, Czechoslovakia, and Communist China. The value of export licenses issued was much lower than the level set for imports. However, the allocations totaled about \$2,600,000 and, if actually used, would raise imports from the bloc in 1958 to at least 10 percent of Cambodia's planned imports, exclusive of those under aid programs.

9. The level of bloc trade with Thailand continues to be less than one percent of total trade because of the relatively satisfactory economic conditions in Thailand, its pro-West alignment, and extensive American aid. Thailand refused Soviet formal trade overtures in March, but did lift its embargo on rubber exports to Communist China and North Korea on 22 August. An undetermined amount of illegal trade with Chinese Communists is transacted through Hong Kong. Burmese trade with the bloc continues to decline, and rice commitments to the bloc in 1958 have been cut back to 40,000 tons. Total trade declined in 1957 to \$57,500,000, or 11 percent of Burma's foreign trade.

Bloc trade with Laos and South Vietnam remains negligible.

10. In the field of economic aid, bloc activities are concentrated on Burma and Cambodia. Cambodia is now in the second phase of a \$22,400,000 Chinese Communist grant-in-aid program, which appears to be proceeding smoothly. Phnom Penh has completed plans for various social and economic projects, and sites have been selected for the four plywood, cement, paper, and textile factories that form the core of the program. At the end of Sihanouk's Peiping visit, Cambodia accepted an additional grant of \$5,600,000, and Peiping offered to expand the program to include construction of small iron and steel works and surveys of underground fuel resources. In addition, a Cambodian economic delegation to the USSR, headed by the economic planning counselor, completed preliminary economic and technical aid talks in September. Construction is now under way on the Soviet "gift" hospital in Phnom Penh, and Cambodia has included in its 1958 import plan \$1,000,000 worth of aid-financed goods to raise funds to defray local costs.

11. Bloc countries, principally the USSR, have extended an estimated \$41,600,000 in loans to Burma. Implementation of Soviet "gift" projects appears to be progressing satisfactorily, and construction has begun on the technological institute in Rangoon, a plow factory, and irrigation works. Two Soviet loans totaling approximately \$8,500,000 were announced in early 1958 but have not yet been implemented. Communist China completed expansion of a government-owned textile factory during the first half of 1958.

12. There were approximately 140 bloc technicians in Burma in the first half of 1958 and the number of Soviet technicians will undoubtedly increase markedly as work on the Rangoon

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

Technological Institute progresses. In Cambodia, there were about 30 bloc technicians, mostly from Communist China; additional Soviet and Chinese technicians are expected.

13. Cultural and Propaganda Activities: Peiping increased its Burmese-language broadcasts 3.5 hours to a total of 10.5 hours a week, and Moscow will increase its Burmese broadcasts from 3.5 to 7 hours weekly on 15 October. Peiping also increased its Vietnamese broadcasts twice during the period of this report to a total of about 16 hours a week. Radio Hanoi increased its broadcasts to 13 hours weekly, adding a new daily program called "The Link Between North and South."

14. Bloc propaganda activities have been especially marked in Cambodia, where Communist China, the USSR, and North Vietnam have all made rapid progress in the film field. During the first nine months of 1958, over 50 Soviet films appeared as compared with a total of 15 to 20 during all of 1957. A number of Chinese technicians have arrived in Phnom Penh to install the 20-kw. radio transmitter presented to Sihanouk last year. The bloc's propaganda efforts within Cambodia have been aimed primarily at youth through the educational system, and Soviet diplomatic personnel have continued to make aggressive efforts along this line.

15. Subversive Activity: Bloc officials in the area have usually concentrated on developing correct cordial relations with constituted authorities. Covert contacts, however, are maintained through embassies and through Chinese Communist-controlled banks in places such as Burma and Singapore. The banks provide legitimate financial support to pro-Peiping adherents and are also a means of psychological and economic pressure on the population.

16. Communist China exploits extensively pro-Peiping elements within Overseas Chinese communities throughout the area. Culturally, these groups are to a large extent resident aliens regardless of formal citizenship and they are drawn toward the "homeland" regardless of politics.

17. In Thailand, South Vietnam, Malaya, and Singapore, the Communist parties are outlawed and for the most part fragmented. Although aid may have been given from time to time to insurrectionary forces, both the bloc and local Communists generally would prefer legality to continued illegal and guerrilla activity. Bloc subversive efforts have been aimed primarily at stimulating existing discontent among non-Communists.

18. The developing political situation in Laos, where the Communist-dominated Neo Lao Hak Zat (NLHZ) won 13 of the 21 assembly seats up for election last May, has shown the Communists to be successful in using legal and semilegal tactics. The NLHZ appears to be making strong gains in almost every sector of Laotian society, including a swell of pro-NLHZ sentiment among Laos' 13,000 Buddhist monks who have some influence over village opinion. The NLHZ also appears to be making some headway in penetrating the army and eroding government authority in the provinces. Some locally elected officials in rural areas are reported to be resigning under NLHZ pressure.

19. Reaction to Bloc Activities: Generally speaking, the governments of the area are preoccupied with and somewhat fearful about resurgent Communist China's rapid rise from "semicolonial" status to economic and military stature as a great power. There is also a great deal of respect for China's economic achievement. Local opinion tends to separate the Russians as outlanders, and,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

30 October 1958

except for localized incidents, the pattern of Soviet activity does not evoke a sense of threat comparable to that of Communist China.

20. Some resentment against Communist China has been evidenced in Burma over the protracted Chinese border dispute, and in Burma and Malaya over bloc efforts on behalf of opposition parties or dissidents. Singapore and Malaya are both irritated by Russian tin dumping on the world market and by Chinese Communist textile dumping. On 1 October, Singapore and Malaya restricted imports of Chinese textiles.

21. Outlook: The Sino-Soviet bloc's fluid and opportunistic approach, within the framework of a policy of developing wider contacts and relations on all levels with the nations of the area, will probably continue. The development of sentiment that is initially neutralist, independent, and nationalist will remain the general bloc aim. Communist China and the USSR will probably bend every effort to developing a smooth implementation of the economic relationship with Cambodia as

a demonstration of what neutrality can bring. Normalization of relations with Communist China should lead to an increase in Communist activity in Cambodia. In Laos, the present trend is toward a steadily growing Communist influence and possibly ultimate Communist control. The bloc is likely to make little progress in South Vietnam unless political unrest should develop and disturb the tenure of President Diem. President Diem is now anticipating a sharp upsurge in Communist guerrilla activity and terrorism in South Vietnam. Thailand and Malaya will probably continue to pursue policies of minimal relations with the bloc, although in the former there are a few indications of a softening toward the bloc. The trend toward the left in Burma has been abruptly terminated by the accession of General Ne Win and, for the duration of his premiership, Communist influence should diminish. Communist China's economic offensive in Malaya and its appeal to the large Chinese minority there--38 percent of the population--will probably result in an increase of unofficial Chinese Communist influence.

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