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COPY NO. 54
OCI NO1115/59

12 March 1959

CURRENT INTELLIGENCE WEEKLY SUMMARY



DOCUMENT NO. 1
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS
NEXT REVIEW DATE: 1989
AUTH: HR 70-2
DATE: 4 Aug 79 REVIEWER:

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PART I

OF IMMEDIATE INTEREST

EAST-WEST NEGOTIATIONS

Premier Khrushchev has used his trip to East Germany, ostensibly to visit the Leipzig Fair, to further impress on Western public opinion his apparent willingness to make "concessions" and thereby to increase pressure in the West for a summit meeting. In a speech in Leipzig on 5 March he offered to defer the transfer of Soviet control functions to the East Germans for a month or two beyond the 27 May deadline if the West is prepared to "negotiate reasonably." This was intended to demonstrate Moscow's professed desire for a negotiated settlement of the Berlin and German questions and to undercut Western objections to negotiate under threat of an ultimatum.

As a further "concession," Khrushchev on 9 March suggested that a "minimum number" of forces of the Big Four or of neutral states could be stationed in West Berlin to guarantee its status as a "free city" after Soviet control functions are turned over to the East Germans. Although Moscow initially proposed that the "free city" be demilitarized, this modification does not essentially alter the original Soviet proposal turned down by the West. Khrushchev probably believes that Western rejection of his two "concessions" could be used as additional justification for transferring control functions and signing a separate peace treaty with East Germany.

While Khrushchev's statement is the first public suggestion that Western forces could remain in West Berlin, Soviet

spokesmen have taken this line in private conversations. The counselor of the Soviet Embassy in Paris on 27 January told an American official that the Western powers could keep their troops in Berlin if they wished and that an international control commission could be created to protect the rights of the West Berliners.

Khrushchev may plan to offer before 27 May further "concessions" designed to make the USSR's proposals seem more attractive and keep the West off balance. Despite Khrushchev's reference in his 9 March speech to the "absurdity" of proposals to include East Berlin in the free city, Moscow may still have such a move under consideration. Communist sources in Europe were circulating this idea in December and January.

Soviet spokesmen continue to call for a meeting at the summit as the only level at which important decisions can be made. The counselor of the Soviet Embassy in Paris recently told an American official that a foreign ministers' conference must be followed by a summit meeting and that these negotiations will lead to an East-West compromise. The only "real solution" the Soviet diplomat saw, however, was for President Eisenhower, who enjoys enormous prestige in the USSR, to invite Khrushchev to the United States. A member of the Soviet delegation to the United Nations in a talk with a member of the US delegation on 5 March expressed interest in the possibility of a summit meeting within the framework of the General Assembly. He

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suggested that perhaps the USSR's Berlin and German treaty proposals were designed to compel the West to negotiate and were not the final position Moscow would take during negotiations.

While adopting the appearance of flexibility, Soviet leaders reaffirmed their intention to sign a separate peace treaty and transfer Berlin access controls to the East Germans if the West rejects the USSR's proposals. In his talk with West German Social Democratic Chairman Ollenhauer on 9 March, Khrushchev stated that if there is no progress in a foreign ministers' or summit conference, the USSR will conclude a separate treaty and then turn over controls to the East Germans.

While the communiqué issued on 11 March at the end of Khrushchev's visit to East Germany made no specific mention of a separate treaty, it repeatedly stressed the determination of the USSR and East Germany to "strive for the conclusion of a peace treaty at the earliest possible moment." After reaffirming standard bloc positions on a German confederation, peace treaty, and guarantees of the "free city" status of West Berlin, the communiqué announced that the East Germans had accepted Khrushchev's invitation to send a government and party delegation to Moscow in May. This announcement, which carried the implication that a separate treaty would be signed during the visit, probably was intended to exert further pressure on the West to accept Soviet terms for early high-level negotiations.

The USSR's basic hostility to German reunification was again made clear in recent private statements by Soviet leaders to Western officials. Khrushchev told Ollenhauer in blunt terms

that the USSR prefers to keep "what we have now" because the future actions of a reunified Germany would be uncertain. He also claimed to have precise information that the United States, France, Britain, and "most West Germans" do not want reunification.

Khrushchev's threats to counter with force any Western attempt to maintain access to West Berlin once controls are turned over to the East Germans are meant to induce the West to compromise rather than face such an eventuality. In his 9 March speech he asserted that the USSR would not be "intimidated" by "saber rattling" and added, "We are ready to give due rebuff to any attempt to use force against us or our friends."

Khrushchev attempted to use his talks with Ollenhauer to advance Soviet efforts to split West German opinion and induce the Social Democrats to take a stronger public stand against Adenauer on the questions of European security and reunification. The Soviet premier stated that the "USSR places the security question in the foreground of any discussion of the overall German problem and wants a withdrawal of foreign troops" from both German states. He claimed Prime Minister Macmillan had told him this ought to be possible.

Khrushchev endorsed the Social Democratic party's thesis that reunification should proceed on a step-by-step basis, beginning with a military relaxation in Europe. He declared reunification negotiations would be possible "only after an absolutely clear settlement between the USSR and the United States of the military status of a reunified Germany." He said he was convinced this problem could

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be discussed with Secretary Dulles and Prime Minister Macmillan but he was uncertain about President de Gaulle's attitude. "The worst and most difficult case," he said, "is Adenauer."

New Soviet approaches to the West German Social Democrats and propaganda attempts to exploit the Macmillan-Khrushchev reference to a European zone of arms limitation reflect the Soviet leaders' confidence that they can capitalize on West European interest in various disengagement schemes in any future negotiations. Soviet propaganda has declared that the Macmillan-Khrushchev meeting is the first time a Rapacki-type plan has been "considered at top level between East and West."

East Germans Ready
To Assume Controls

Preparations for the East Germans to assume control of access to West Berlin have reached a state of readiness so that the transfer could be effected at any time.

In the Potsdam district bordering West Berlin, members of the East German workers' militia (Kampfgruppen) were slated to undergo a week's special heavy-weapons training

This training was to take priority over all factory production work in order to complete the establishment and training of special heavy-weapons battalions of the Kampfgruppen in this district by 21 March. Officials of the police and Kampfgruppen were informed that "provocations" from West Berlin and West Germany could be expected during the last ten days of April, to reach a climax on

26 and 27 April. They were also told the army and border police had already been ordered to submit their final action plan by 21 March.

Western Views

Prime Minister Macmillan, in talks in Western capitals since his meeting with Khrushchev, is exercising increasing personal authority over British foreign policy and seeking to take the lead in forming the West's position in negotiations with the USSR.

Macmillan has publicly stressed his achievement in securing Khrushchev's agreement that East-West differences should be settled by negotiations and evidently believes there is considerable hope that some real progress on major problems might be achieved by a summit meeting. However, the government, having helped inflate the British public's hope, may find itself under formidable political pressure to purchase agreement with the USSR by generous concessions.

Prior to Macmillan's visit to Paris, Adenauer and De Gaulle on 4 March reached agreement on a strong stand on access to Berlin. De Gaulle is willing to undertake major risks, and, if necessary, an "exchange of shots." French and German foreign ministers agreed that a foreign ministers' conference is preferable but that a summit conference could be accepted if properly prepared. They saw substantial difficulties on agenda and participation, though both Bonn and Paris would accept the Poles and Czechs as "observers" on a German peace treaty.

In their talks on 9-10 March, Macmillan and De Gaulle also

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agreed on accepting a foreign ministers' conference and a subsequent summit meeting. The British, however, are willing to accept a more flexible formulation of the agenda, and see the inclusion of Czechoslovakia and Poland as no major obstacle.

There is considerable divergence in the West European views of possible talks on disengagement. Adenauer and De Gaulle were seriously concerned at the reference in the Macmillan-Khrushchev communiqué to the "limitation of forces and weapons, both conventional and nuclear, in an agreed area of Europe." British officials, however, maintain that Mac-

millan has not endorsed any troop withdrawals, but only a study of "thinning out of forces."

In West Berlin, Ollenhauer has been sharply criticized for his handling of his meeting with Khrushchev. The press stressed he was outmatched by Khrushchev. West German officials and West Berlin SPD leaders regard as a particular blunder Ollenhauer's acceptance of Soviet terminology in the communiqué.

Willy Brandt's rejection of Khrushchev's invitation to Berlin talks was generally hailed in West Germany and West Berlin.

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MIDDLE EAST DEVELOPMENTS**Iraq**

The revolt of the Mosul army garrison in northern Iraq has been suppressed. Army units from Baghdad have been sent north to reinforce the local security units in curbing tribesmen who have been pillaging and cutting communications in the countryside. Reprisals against rebel sympathizers are probably also occurring in Mosul.

Colonel Shawwaf, the Mosul garrison commander who led the revolt, clearly expected immediate support from army units elsewhere in Iraq, and his plans apparently depended in large part on the success of an assassination attempt against Prime Minister Qasim. None of the other phases of the plot materialized, and even the best known army opponent of Qasim's policies, Brigadier Tabaqchali,

commander of the Second Division of which Shawwaf's force was a part, only sat briefly on the fence before pledging support to Qasim.

Remnants of the rebel force are reported to have fled toward the Syrian border, under strafing attacks by Iraqi Air Force planes, but Shawwaf and a number of his officers apparently were killed by their own men after a government air attack on their headquarters.

The Iraqi Communists are using the revolt to justify intensified demands for a purge of all "sympathizers and supporters" of the revolt from the government and army, for the arming of the Communist-controlled Popular Resistance Force, for the execution of anti-Qasim leaders now under death sentence, and for immediate

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withdrawal from the Baghdad Pact. These "demands" are being broadcast by Baghdad radio, which is Communist directed, and by the Baghdad press. All "nationalist" and pro-UAR newspapers in Baghdad were put out of action by mobs which destroyed their presses on 10-11 March.

UAR

The most immediate international result of the suppression of the Iraqi revolt has been a sharp deterioration in Baghdad's relations with Cairo. The Iraqi Government on 9 March declared 11 members of the UAR Embassy in Baghdad personae non gratae, and some 30 Egyptians left Baghdad the following day.

The expulsion of the Egyptians was accompanied for the first time by direct attacks, without euphemisms, on Nasir and the UAR as the instigators of the rebellion, although local Communist elements--following Moscow's initial line--also sought to throw some of the blame on the United States.

The UAR President replied to the Iraqi attacks in a speech on 11 March in Damascus, where he has been engaged in a round of political fence-mending and handshaking. Frustrated by the failure of the revolt and stung by this and previous Iraqi accusations, Nasir lashed out in the strongest terms he has yet used against Qasim and the Communists. He said Qasim was dividing the Arabs--making a play on Qasim's name, which means "divider" in Arabic--and he denounced the Communists as "agents" of "the foreigners." He reiterated that his own "mission" to bring about full Arab unity remains unchanged. He concluded with an oblique

reference to the possibility of further difficulty between the UAR and the Soviet Union by saying he intended to pursue his mission "regardless of the harm which may befall us."

This speech breaks the surface concord which had been established last month by Nasir's speech and Khrushchev's letter on their respective attitudes toward Arab Communist movements. Moscow's initial commentary on the Iraqi uprising sought to avoid identifying it with the UAR by asserting that the revolt was a consequence of American attempts to bolster the Baghdad Pact, but it is unlikely that Soviet leaders will be able to ignore so blatant an attack on the Communists as Nasir's latest. The most recent Moscow comment has predicted that the "secrets" of the anti-Qasim conspiracy will be revealed, as will the "threats" which "lead outside the borders of Iraq."

With the eclipse of his influence in Iraq, Nasir's contests with Qasim and the Communists may move into peripheral areas. One possible arena is Kuwait, whose oil revenues have long been eyed by both Iraqi and UAR leaders. Baghdad is in a favorable geographic position to apply pressure on Kuwait--there are border disputes which could be revived on short notice--and the Kuwaitis have traditionally feared and resisted Iraqi pressure.

Nasir has long been a hero to the Kuwaiti populace; and his propaganda has been spread by non-Kuwaiti schoolteachers, taxi drivers, newspaper writers, and other professionals. The ruling family has been less enthusiastic, but has sought both to appease Arab nationalism by

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making friendly gestures toward Cairo and to suppress nationalist sentiment by banning newspapers and closing nationalist clubs. UAR interest in Kuwait was publicly demonstrated by the visit of a UAR military mission in mid-January.

Sudan

Additional changes in the Sudanese Government have further reduced the influence of the relatively pro-Western members of the Ansar sect and Umma party. Major General Wahab, the principal Ansar representative, has been removed from both the Supreme Army Council and the cabinet.

The threat that Ansar tribesmen might be brought in-

to Khartoum as counterpressure has probably been parried for the moment. The Ansar leader, Sayyid Abd al-Rahman al-Madhi, is reported to have urged about a thousand of his followers to return to their homes. The situation remains unstable, however, and there still appears to be considerable maneuvering within the army. Although the Sudanese foreign minister has attributed developments to personal rivalries among senior officers, the pro-Egyptian sentiment of many junior officers is also playing a role. More changes in the make-up of the government seem inevitable, and a Cairo newspaper has published a report that General Abboud himself may step down as head of the government. 25X1

UNREST IN EASTERN AFRICA

The Africans in Nyasaland --in the Federation of Rhodesia and Nyasaland--are resorting to guerrilla warfare in their struggle against white-settler rule. In Kenya, moderate African nationalists may be forced by extremists to resort to violence to win more political rights and the assurance of future control of that British colony.

Nyasaland

There has been no letup in the nationalists' campaign of violence despite the government's widespread arrests of nationalist leaders. Agitation appears to have shifted from crowd demonstrations in front of public buildings to armed attacks on targets of economic or communications importance--tea plantations, highways,

bridges, and airfields. Five Rhodesian infantry battalions now are in Nyasaland in addition to police units, but the rebels have been able to block the main north-south road and destroy bridges.

The disorders have received increased international attention. Partisan debate has become more bitter in Britain, and propaganda broadcasts and statements have increased from the Communist nations, the UAR, and African organizations in Nigeria, Ghana, and the Union of South Africa. The United Nations may become involved if the Tanganyika Government is reprimanded in the Trusteeship Council for using its police to quell riots outside the trust territory. Furthermore, a crisis in London's relations with the Rhodesian federation

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might arise if Britain moved troops from Kenya, now on a six-hour alert, to Nyasaland without the federation's request.

Kenya

Britain may soon face violent demonstrations in Kenya if Tom Mboya, the moderate leader of the Africans, is forced to go along with extremists of the proviolence wing of his party. The extremists now are aroused over Britain's arrest of their leader, Omolo Agar.

Mboya has not been able to obtain Britain's agreement to a "round-table" discussion on his terms for eventual African

control of Kenya and immediate political reforms. There are indications, however, that London plans to issue a new policy statement for East Africa, probably in April. Since the new policy purportedly will establish "parliamentary democracy" and the governor has commented that it may lead some Europeans to leave Kenya, the statement apparently will favor African interests. In this event, European extremists might provoke demonstrations.

If a gradual program extending over a decade or more is envisaged, it is also likely that most African nationalist leaders will be dissatisfied with the pace of reform.

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PART II

NOTES AND COMMENTS

KISHI'S RIVALS CRITICIZE US-JAPANESE TREATY

Dissidents in Japan's ruling Liberal-Democratic party (LDP), seeking to deny Prime Minister Kishi and Foreign Minister Fujiyama full political credit for an acceptable revision of the US-Japanese security treaty, are demanding sweeping changes in the administrative agreement, the status-of-forces document which spells out the broad terms of the treaty itself. The changes go far beyond the Japanese Government's position in negotiations to date. Kishi has been forced to abandon plans to submit both documents to the Diet for early ratification until he can restore sufficient conservative unity to cope with strong Socialist opposition to the treaty.

Anti-Kishi elements in the LDP have fallen into line on terms for the revision of the treaty itself. The generally accepted Japanese position calls for advance consultation on the deployment of US forces in Japan and on their use in hostilities outside Japan; exclusion of the Ryukyu and Bonin Islands from the area to be covered by the treaty; elimination of US authority to quell

Japanese civil disturbances; and a ten-year time limit on the treaty.

The initial Japanese position on the administrative agreement called only for the elimination of the requirement that Japan contribute local currency for the support of US forces and facilities. Under pressure from the dissidents, however, Tokyo may seek additional changes involving criminal jurisdiction, the extent of US control over bases in Japan and their access, air traffic controls, and importation into Japan of equipment and materiel--including nuclear weapons--for US forces.

The dissident demands are motivated largely by a desire to prevent Kishi from scoring a major political success prior to the upper-house elections in June and to obscure the Fujiyama "stamp" on the initial Japanese stand. This position, if accepted by the United States, might establish Fujiyama as a logical successor to Kishi for the prime ministership.

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JAPAN-KOREA REPATRIATION ISSUE

The International Committee of the Red Cross (ICRC) is under strong pressure from both North and South Korea not to participate in the screening of Korean residents in Japan to determine which ones desire to go to North Korea. The Japanese Government,

possibly interpreting continued ICRC indecision as tantamount to rejection of its request, is considering direct contact between the Red Cross societies of Japan and North Korea under nominal ICRC auspices.

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The ICRC is planning to send a delegation to South Korea to seek assurances of noninterference before making a final decision. Seoul almost certainly will refuse such assurances. ICRC wavering appears to have hardened the South Koreans' attitude and increased their self-assurance. They have rejected Tokyo's proposal to resume negotiations for normalizing relations between the two countries and are planning to reinforce their armed patrols along the "Rhee line." Despite continued anti-Japanese statements, however, Seoul appears as yet to be avoiding precipitous action against Japan.

Pyongyang has rejected any screening, probably fearing that its claim that 100,000 of the

600,000 Korean residents desire repatriation to North Korea is exaggerated. A Japanese Foreign Ministry official believes that this is an unnegotiable North Korean position which was made to prevent ICRC acceptance of the Japanese request.

Tokyo desires to avert a major domestic political problem before the upper-house election in June, but it is under increasing pressure from leftist Koreans in Japan and from a propaganda campaign sponsored by Pyongyang to settle the repatriation issue. Domestic pressure, combined with continued lack of cooperation on the part of both North and South Korea, may force Japan to refer the issue to the United Nations.

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USSR STEPS UP PRESSURE ON JAPAN IN FISHERY NEGOTIATIONS

New proposals introduced by the USSR at the annual fishery negotiations in Tokyo on 6 March would drastically limit Japanese fishing operations in the northwest Pacific. They apparently are designed to force Tokyo either to discuss further restrictions on Japanese fishing or to move the discussions up to the "political" level. Foreign Minister Fujiyama said on 10 March that Tokyo would seek a "political solution" to Moscow's new proposals.

Moscow proposes to restrict Japanese salmon fishing in the treaty area to four zones, none of them east of 165 degrees east longitude, end the fishing season on 30 July instead of 10 August, and limit the catch of

red salmon to 10,000 metric tons instead of 25,000 as permitted last year.

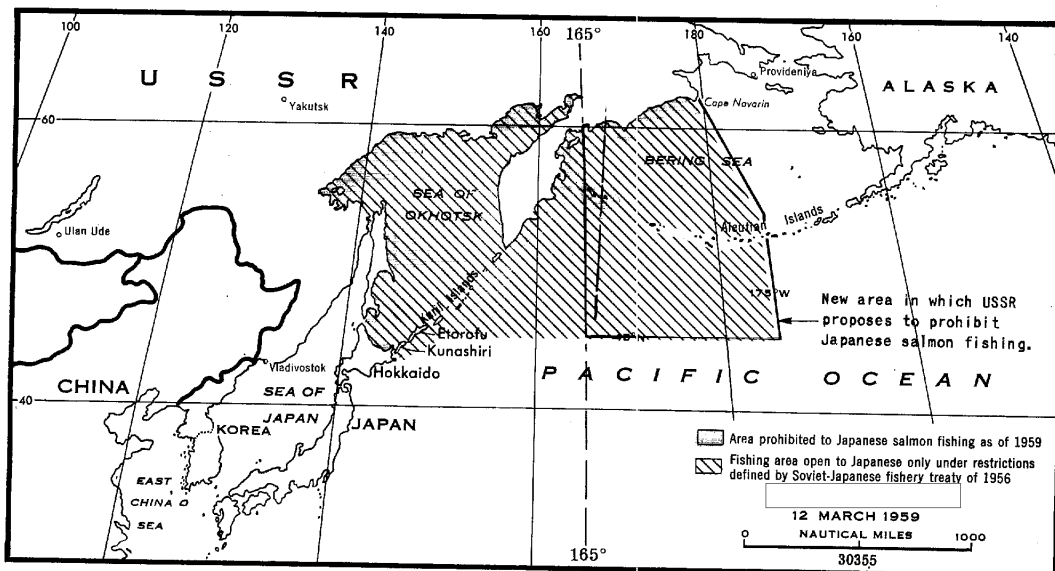
Tokyo has flatly rejected the Soviet proposals, claiming they would cut Japan's operating area under the 1956 Soviet-Japanese fishery treaty 82 percent and would permit a total salmon catch of only 35,000 tons, compared with the 1958 catch of 110,000 tons. Nevertheless, the Kishi government will be under mounting pressure to reach an agreement as the fishing season approaches. Fishing for some species is scheduled to begin on 5 April.

Since the negotiations began on 12 January, Soviet negotiators have built a strong case

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for conservation, contending that fish resources have been depleted by intensive Japanese open-sea salmon fishing and by treaty violations on the part of Japanese boats. Tokyo denies that Japanese fishing is responsible for the salmon shortage, but its negotiators have admitted violations and have accepted a resolution requesting tighter controls over Japanese boats--the only agreement reached so far.

Two Soviet moves during the talks apparently were designed to increase pressure on Tokyo. A Soviet broadcast to Japanese listeners on 9 February announced that several small areas in the Soviet Far East would be closed to fishing for flatfish and herring--an activity encouraged by the Japanese Government in recent years. The broadcast added that other areas would be closed in the future. Then, on 5 March, Mos-

cow informed Japanese maritime authorities that in the future Japanese fishing vessels would be banned from entering Soviet territorial waters for shelter during storms without prior permission. Although Soviet fishery officials later denied that such measures would be implemented, Moscow nevertheless might resort to unilateral closures in the future.

Moscow may attempt to use its bargaining assets on fishery issues to draw Japan into peace-treaty negotiations. Previously, however, the Kremlin has settled for additional restrictions on Japan's fishing when important political concessions were not forthcoming. The Seven-Year Plan envisages sufficient expansion to bring the USSR into direct competition with the Japanese fishing industry.

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NUCLEAR-TEST TALKS

There is no sign of an imminent Soviet move to break off the negotiations at Geneva on a nuclear test cessation agreement. In his initial reaction to the American draft article introduced on 10 March which provides for indefinite duration of the proposed treaty, Soviet chief delegate Tsarapkin charged that the West is seeking to give any party the unilateral right to withdraw from the treaty on the basis of an "arbitrary evaluation" of the effectiveness of the control system. While implying ultimate rejection of the proposal, however, Tsarapkin reserved the right to elaborate at a later time on his "preliminary" comments.

Soviet propaganda promptly charged that the American draft article on duration "would assure a possibility for the United States to resume tests at any time"--a reference to

language in the draft making duration subject to the inherent right of any party to withdraw if provisions of the treaty are not observed.

After the meeting in Geneva on 9 March several members of the Soviet delegation, including the chief delegate himself, individually approached members of the American delegation suggesting that, "since we obviously have nothing to talk about now," the meetings should be cut down to "one or two a week." Since Moscow probably believes it has fully developed its position for the record, this apparent desire to prolong the talks suggests that the Soviet leaders hope to avoid the possible unfavorable effect that a break-off of negotiations at this time would have on their campaign for East-West talks on the Berlin crisis.

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TITO REPLIES TO THE BLOC

Tito's defiant replies to bloc criticism of Yugoslavia during his tour of Asia and Africa and his expressed determination to answer bloc charges blow for blow in the future foreshadow a further worsening in relations, especially with Albania and Bulgaria. Stating that he had not replied before in deference to his hosts, Tito spoke on 6 March--only a few hours after returning to Yugoslavia--before 200,000 people in Skoplje, Macedonia, and on the next day to over 300,000 in Belgrade. In these speeches he defined his trip almost exclusively in terms of Yugoslavia's dispute with the bloc.

Tito claimed that the bloc's attacks, instead of isolating Yugoslavia, actually served to increase its stature in the Afro-Asian areas; thus, he said, the efforts by Chou En-lai and others to sow distrust against Yugoslavia backfired. The Western forces, he said, at least had the wisdom to keep quiet.

Tito saved his strongest invective for the bloc's "dishonest policy" of distorting the facts about Yugoslavia and his trip. His speeches were addressed to the people over the heads of their leaders, a tactic previously employed by the bloc against Yugoslavia. He

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claimed that the bloc countries dared not print the truth about his trip, because the people would then see the falsity of the entire bloc campaign against Belgrade.

Tito stated his belief that his dispute with the bloc is not one of theoretical disagreements but of occasional "differences of opinion on certain issues which the practice of socialist development has raised both in other countries and in Yugoslavia." He said these were matters "for discussion."

Tito accused his critics at the Soviet 21st party congress of misrepresenting Yugoslavia by charging that Belgrade had betrayed the interests of the working class and had minimized the role of the party.

In fact, he said, the Yugoslav party is in full control and directs the development of socialism "as the Yugoslav people think best." In his Skoplje speech Tito accused Bulgarian and Albanian leaders of attacking Yugoslavia "under orders and directives from outside," implying that they should act independently of Moscow's control.

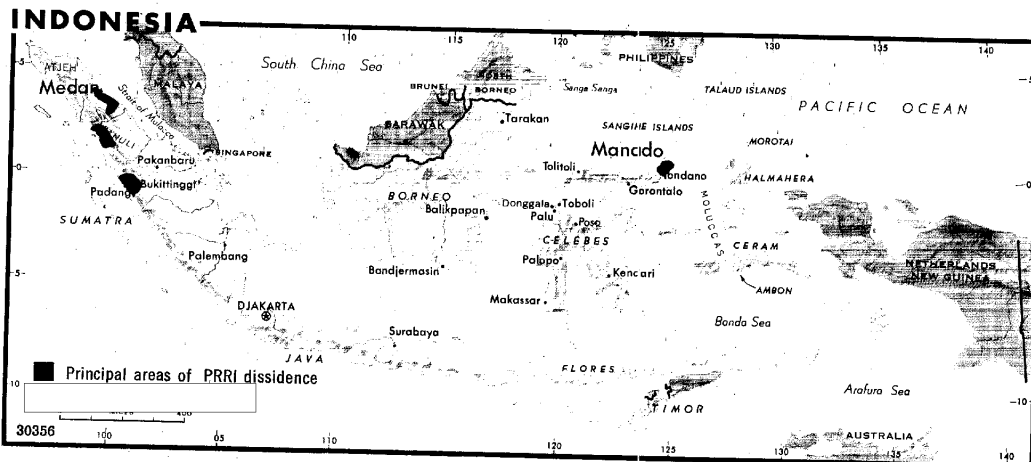
Tito's emphatic denial that Yugoslavia sought to create a third bloc or to revive the Balkan Pact--which he said would be to refute everything he had said about pacts during his tour--accentuated his apparent determination that Yugoslavia's policy of nonalignment be carefully preserved as the most effective position for exerting influence in international affairs.

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DISSIDENT ACTIVITY IN INDONESIA

The Indonesian Army has recently faced increasingly severe attacks by dissidents of the so-called Provisional Republic of Indonesia (PRRI) in North

Celebes and North Sumatra. In addition, there has been renewed harassment by the Moslem dissident group, the Darul Islam, in South Celebes and West Java.



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The resurgence of PRRI activity has forced the government to augment its air and ground units, particularly in Celebes, where some 1,200 troops were sent from Java on 25 February. Army Chief Nasution's recent emergency decree ordering two-year compulsory military service for all males between the ages of 18 and 23 is indicative of his concern over army losses and the general state of insecurity in widely scattered areas of Indonesia.

Recent press reports of heavy fighting around the former dissident capital of Manado, in North Celebes, state that government control of the town is threatened. The Indonesian Air Force during the past week has mounted a series of air

raids in the northern tip of Celebes. The PRRI commander there, Colonel Sumual, claimed in early March that his five light battalions had gained the initiative after probing government strongholds around Manado and had "pretty well severed" the government's defense line.

In North Sumatra, the PRRI dissidents have resumed attacks on American- and British-owned rubber estates south of Medan, apparently with the aim of disrupting production, intimidating workers, and ultimately of reducing government revenues. In a 1 March raid, a British estate manager was beaten and his life threatened--the first reported instance of violence against a European. 25X1

COMMUNISTS PRESS FOR RESUMPTION OF CONTROL COMMISSION IN LAOS

Peiping and Hanoi, confident that the 1954 Geneva agreements give them a sound legal position, are pressing demands for immediate resumption of International Control Commission (ICC) activities in Laos. The presence of the ICC in Laos assured the Communists that there would be no effective build-up of Laotian forces and that no American bases would be established near North Vietnam; it also served to safeguard local Communists against government repression. Furthermore, any weakening of the Geneva agreements undercuts one of Hanoi's basic policy goals--the reuni-

fication of Vietnam under terms of the 1954 accords.

Chinese Communist Foreign Minister Chen Yi complained on 6 March that "outside forces" were seeking to undermine the Geneva agreements, "creating tension in Southeast Asia," but he concluded his remarks on a moderate note. Comment from Hanoi has been equally restrained, although the Vietnamese Communists have more at stake and reportedly induced the Chinese to request formally that the Geneva conference co-chairmen--Britain and the USSR--act to revive the commission's operations.

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Moscow has sought to play down the issue even more than Peiping. The Kremlin delayed one month in transmitting to Britain the formal letter North Vietnam's Premier Pham Van Dong sent the Geneva conference co-chairmen. Presumably Hanoi now thinks that Moscow will make representations in its behalf. North Vietnam recently published the text of an 11 January letter from Neo Lao Hak Zat chairman Souphannouvong to the ICC protesting alleged acts of repression and reprisal against former Pathet Lao members by the Vientiane government.

The Communists apparently believe that even though they cannot prevent the introduction of US military personnel into

Laos, they can impede it and inhibit Laos' recent drift toward a closer alignment with the West. They are seeking to make an impression on Asian neutrals by stressing the "illegal" nature of Laotian and American moves, but they have given no indication that they would take any military action even if the United States should send military advisers.

As a rule, some time elapses before appeals to the co-chairmen are answered. Meanwhile, Peiping and Hanoi will avoid military threats, demand that reprisals against former Pathet Lao personnel cease, and repeat their proposal for government-level talks between Hanoi and Vientiane concerning the border dispute.

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SOMALIA

The Somali Youth League (SYL)--governing party of the Italian trust territory of Somalia--won 83 of the 90 seats in the 4-8 March national legislative assembly elections, but it now faces the threat of increasing tribal frictions within its ranks. The new legislative body, elected for a five-year term, is to write Somalia's constitution, select a chief of state, and guide the new state after its scheduled independence in December 1960.

The election was bitterly contested by the UAR-supported Greater Somalia League (GSL), which failed in its attempt to form a coalition of opposition parties to boycott the election. This action was to be taken in protest against the highhanded tactics employed by the SYL and the Italian authorities, such as hampering election registrations

and arresting GSL leaders on political charges. The fact that SYL candidates were unopposed in districts considered opposition strongholds raises serious doubts whether the assembly is representative of the Somali people.

The GSL retaliated by resorting to violence in Mogadiscio on 24 and 25 February. The SYL-controlled police suppressed the rioting, enforced a dusk-to-dawn curfew, and arrested about 300 leaders and extremists from opposition--largely GSL--parties. In an attempt to destroy the GSL's grass-roots appeal, the governing party immediately followed up this action by adopting the GSL's popular demand for early creation of a Greater Somalia state.

In addition to its susceptibility to opposition charges

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of electoral fraud, the SYL will suffer from lack of an effective legislative opposition. This will favor the re-emergence of bitter tribal animosity within the governing coalition. Allegations by the rival tribal groups of favoritism and discrimination in political appointments may result in a party split

along tribal lines and be reflected within the administration, including the police. Moreover, opposition charges of corruption could discredit the government in 1960 when the UN discusses the procedure for termination of the trusteeship preparatory to complete independence. 25X1

TUNISIA

The selection of a political bureau composed largely of conservatives at the 2-5 March congress of Tunisia's ruling Neo-Destour party assures the continuation of President Bourguiba's moderate policies within party and government. Several strong supporters of a more radical point of view, notably Ahmed ben Salah, former head of the principal Tunisian labor federation, failed to be elected. The political bureau can be expected, nevertheless, to press Bourguiba to develop a neutral course in foreign affairs and lean toward the policy of "nonengagement" which he enunciated last fall.

President Bourguiba completely dominated the congress--the first held since 1955 when his rival, Secretary General Salah ben Youssef, was ousted in a struggle which sharply divided the party. Bourguiba, while refusing life tenure as party president, accepted unanimous re-election.

While Bourguiba certainly will continue to dominate Tunisian politics, a potential rival emerged at the congress. Mongi Slim, Tunisia's 51-year-old ambassador to Washington, secured more than 97 percent of the delegates' votes for membership on the political bureau. Believed to aspire to succeed Bourguiba, who reportedly does not trust him completely, Slim may be relieved

of his diplomatic duties and return to more active politics.

Algerian independence and a Maghrebian (North African) federation--which Tunisia has soft-pedaled recently--were the keynotes of the congress. Observers from the Algerian National Liberation Front, the Moroccan Istiqlal party, and the pro-Communist Union of the Cameroun Peoples were seated with the diplomatic delegation. In his opening speech Bourguiba renewed his bid for a negotiated solution of the Algerian rebellion by holding forth the possibility of French-Maghrebian cooperation when peace is established in Algeria. Toward the end of the congress, however, he indicated pessimism regarding De Gaulle's ability to solve the Algerian problem and the effectiveness of a meeting with De Gaulle, which he has recently demanded.

Having successfully concluded the party conclave, Bourguiba probably will soon promulgate the long-deferred constitution expected to legalize his position by providing for a strong and centralized executive. Promulgation could occur on 20 March, the third anniversary of Tunisian independence, and might be followed by some popular endorsement of Bourguiba as President. Legislative elections would then follow within six months to select a parliament to replace the Constituent Assembly, which drafted the constitution. 25X1

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AUSTRIAN GOVERNMENT CRISIS

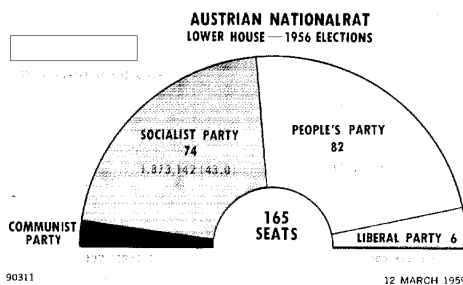
The 9 March decision of the Austrian coalition parties to hold national parliamentary elections on 10 May 1959 climaxes months of increasing disension within the People's party - Socialist coalition, which has given Austria a stable government for 13 years.

Tension between Chancellor Raab's People's party and the Socialists has been growing since the generally unexpected victory of the Socialist candidate in the presidential elections in early 1957. The Socialists' success, while restoring the balance upset by their poor showing in the 1956 parliamentary elections, in effect deepened the cleavage between the two parties and increased the competition between them. Coalition leaders decided last December to advance the 1960 elections to October 1959, but Raab was evidently persuaded by his party strategists to force the reluctant Socialists to accept the earlier date.

There are no real foreign policy differences between the coalition parties, both of which are strongly pro-Western, and major domestic issues--such as public housing, state-church relations, and administration of the nationalized industries --are likely to be overshadowed by uncertainty over the future of the coalition itself. After previous postwar elections, restoration of People's party - Socialist cooperation has been

assured by the absence of any real alternative to it in a country where excessive partisanship in the interwar period led to sporadic civil conflict.

Several factors now could make postelection agreement more difficult than before: the tendency of party leaders to harp on historic issues, rising bitterness over mutual charges of corruption, and the ever-present possibility that either party might score an unexpected electoral success.



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While Raab has expressed himself in favor of continued cooperation with the Socialists, he has also declared that the coalition pact which has made it possible is much too "rigid." If the elections should give Raab's party a workable majority, either by itself or in combination with the small right-wing liberals, Raab would be sorely tempted to shut out the Socialists.

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GREEK MUNICIPAL ELECTIONS

A new test of the strength of the outlawed Communists in Greece now is slated for early April, when municipal elections will be held throughout the nation. The elections will also

permit an evaluation of the effectiveness of the government's recent anti-Communist program, inaugurated following the large pro-Communist vote--24 percent--in the parliamentary elections of May 1958.

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Spokesmen for the governing National Radical Union (ERE) have announced that the party will not enter formal lists of candidates, and they have expressed the hope that the elections will be "nonpolitical." Leaders of both the Communist-front United Democratic Left (EDA) and non-Communist opposition parties, however, have announced their determination to make the elections a test of the government's popularity.

The recently passed municipal electoral law provides for the election of municipal councilors by proportional representation and the subsequent election of mayors by these councilors. This system was advocated by the government in preference to a majority system in a move to prevent the creation of electoral fronts between EDA and the non-Communist opposition parties. The system will permit EDA to place members on nearly all municipal councils but should also ensure a nationalist, non-Communist majority on most councils. The indirect and open vote for mayors should prevent the election of EDA can-

didates in most of the municipalities.

EDA, in preparation for the elections, launched a widespread effort to create an electoral front "to rid the nation of minority rule." Most non-Communist opposition leaders, however, have been wary of collaborating with EDA. EDA leaders now indicate they will throw their support to non-Communist opposition candidates in many areas in any case, in an attempt to defeat candidates favored by the government.

New victories for EDA in the municipal elections would not immediately affect the stability of Greece, as the central government maintains a large degree of control over the municipalities through appointed provincial officials. Such victories, however, would discourage all Greek anti-Communists, would indicate that the government's anti-Communist program is ineffective, and would give ammunition to those who advocate a right-wing authoritarian regime as the answer to the Communist threat.

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UNREST IN COLOMBIA

The antigovernment violence in Bogota on 3 March, climaxing two months of sporadic demonstrations there and in other parts of the country, was part of the exploitation by opposition elements of Colombia's continuing economic difficulties. President Lleras, who has acted to forestall further outbreaks, has accused the Communists and followers of former dictator Rojas of provoking the disturbances in an effort to undermine his seven-month-old National Front government of

Liberals and Conservatives. The government appears to be stable and in control of the situation, although it may be confronted by additional violence.

The 3 March rioting, which necessitated the use of the army to restore order, was prompted by recent increases in bus fares--frequently a cause of violence in Latin American cities. Since early January, Communist agitators have been prominent in organizing worker-student demonstrations in the capital against

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the increases. The government believes Communists also exploited or provoked widespread provincial demonstrations in February, most of which were against increased consumer prices in cities where Communists have strong influence among labor unions.

The unrest suggests the possibility that dissident Conservatives might join Rojas to undermine Lleras. Rojas, who has occasioned considerable public tension since he returned to Colombia last October, was detained in December for allegedly plotting against the government and is now on trial

before the Senate for misconduct during his 1953-57 term in office. His followers are definitely linked with the demonstrations, and the dissident Conservatives, who passively or actively oppose the National Front, have apparently been attempting to justify or magnify the recent disturbances.

The coalition government appears to be stable and to retain the loyalty of the armed forces. It will probably face further violence and increased opposition activity, however, unless it controls these demonstrations. [redacted]

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ACTIVITIES OF PARAGUAYAN REVOLUTIONARIES

Paraguayan exile groups seem to be having some success in the war of nerves they are conducting against the Stroessner dictatorship through a hostile press campaign in neighboring countries, paramilitary forays across the border, and feints of invasion.

The exiles--based mainly in Argentina and Uruguay--apparently adopted the new tactics partly because the change of government in Uruguay on 1 March makes the situation there less favorable for more violent activity. They may also believe that since the Paraguayan Army still supports President Stroessner, their best hope is to create tension within the ruling group and thereby exploit existing differences within Stroessner's camp. [redacted]

The exiles made a number of harassing attacks with small armed groups against Paraguay in February and early March. The government easily repelled the invaders but seems disturbed

over the press campaign. The government has shown deep concern over the effectiveness of such criticism outside Paraguay and, by way of countering it both at home and abroad, has even permitted the arrest of a high police officer accused of brutality.

Exile hopes of conducting extensive guerrilla activity in the future are encouraged by the prospect of foreign assistance. Some Venezuelan elements sympathetic to the exiles may already have given financial aid to the exiles. [redacted]

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[redacted] Cuba has offered arms to the factionalized exiles if they agree to unite in a front in which all parties participate. [redacted]

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For the present, however, the rebels remain divided and Stroessner, despite his own difficulties, still seem stronger than his opponents. [redacted]

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NEW SOVIET COMMITTEE FOR AUTOMATION AND MACHINE BUILDING

The USSR has established under the Council of Ministers a new State Committee for Automation and Machine Building. This shows serious concern about effective implementation of the ambitious Seven-Year Plan program for integrated mechanization and automation and about reducing the time lag between scientific development and industrial application.

Last month's 21st party congress noted that "the transition to complex mechanization and automatically controlled production by means of electronic technology is the chief characteristic of contemporary technical progress" and represents the decisive means of ensuring further technical progress in the Soviet economy. It will then, in turn, lead to an advance in labor productivity, lower production costs, and improve the quality of production as well as working conditions. The reason for this Soviet concern over mechanization and automation of industrial production processes becomes more apparent in Khrushchev's statement that over 50 percent of the work in the machine-building industry is performed by hand labor.

One of the problems which has arisen in trying to implement this program has been local resistance to innovation, which has caused a significant lag in the introduction of new techniques into industry. The unremitting pressure for increases in output has discouraged enterprise managers from adopting innovations which they see as likely to disrupt production and jeopardize plan fulfillment. Despite the claim of the planners that "overstrains" from unrealistically ambitious planning have been eliminated, the formation of the new committee implies a continuing need for central initiation, promotion, and coordination.

The committee's chairman, A. I. Kostousov, was formerly minister of the USSR Machine Tool Building and Instrument Industry; since mid-1957 he has been chairman of the Moscow Oblast Council of National Economy. Kostousov's former ministry had the main burden for planning, directing, and coordinating the mechanization and automation of the machine-building industry.

(Prepared by ORR; concurred in by OSI)

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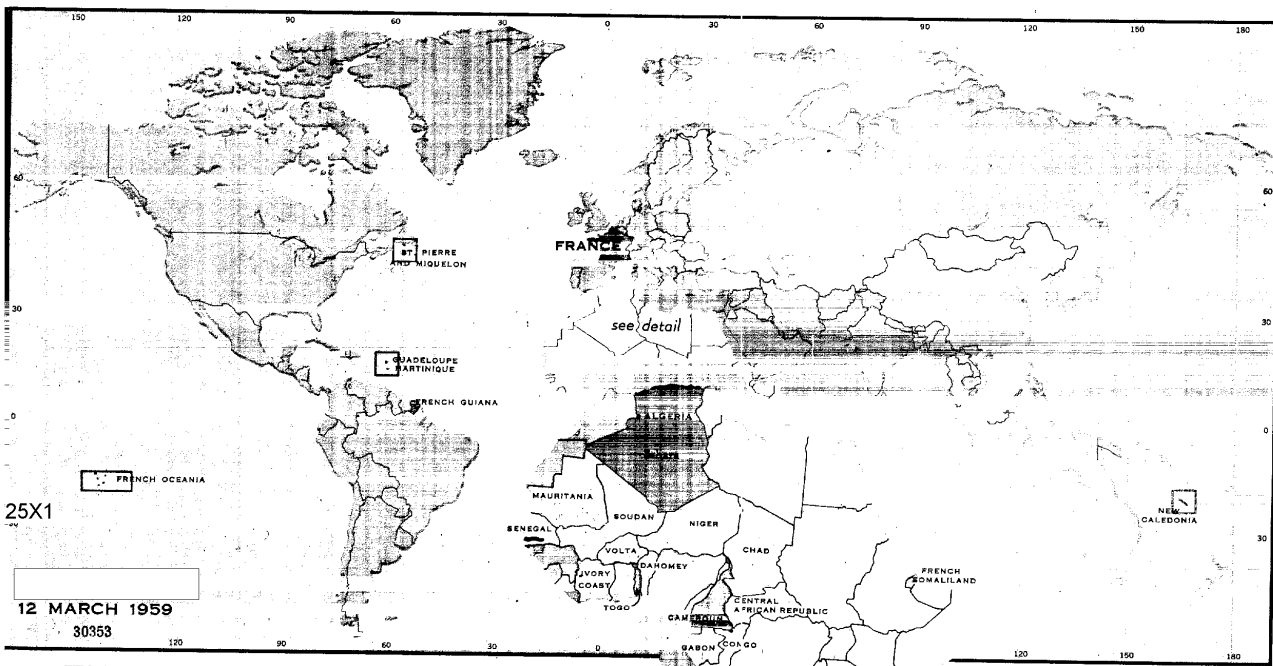
PART III

PATTERNS AND PERSPECTIVES

DE GAULLE'S NEW FRENCH COMMUNITY

Formation of the new French Community is a major step forward in France's colonial relations, but President de Gaulle has in practice pre-empted the decision-making functions for the community, leaving the African representatives only an advisory role. He may also plan to manipulate the new grouping to strengthen France's claims for a larger voice in international affairs. The rising tide of African nationalism may soon undermine the community, especially if its formal organization proves too rigid to accommodate African desires for territorial federation.

The French Community is a voluntary association of France and those African states which opted for the status of autonomous republic under French protection. Besides the Republic of France, it includes the Malgache Republic (Madagascar), four territories which formerly constituted French Equatorial Africa, and seven of eight territories once grouped as French West Africa. The overseas departments and the remaining territories are considered part of France. Paris' hopes of "associating" the former French colony of Guinea and the Indo-chinese states with the community were disappointed.



THE FRENCH COMMUNITY

- Republic of France
- Autonomous Republics
- UN Trust Territories

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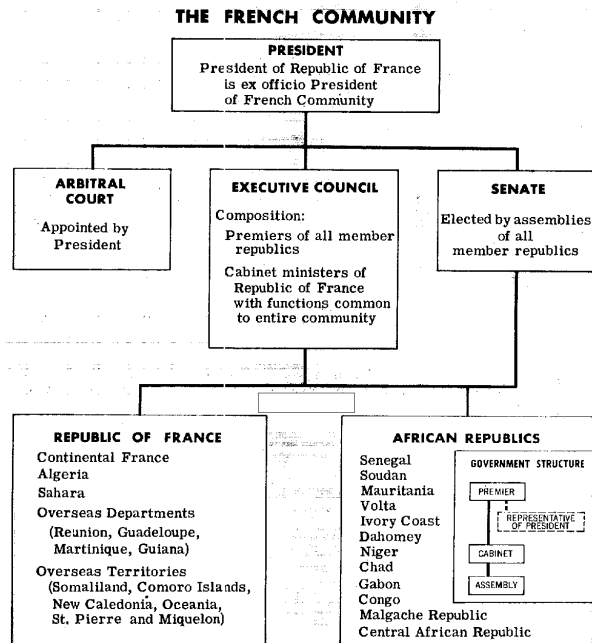
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The community, in essence, will be responsible for "common affairs"--defined as foreign policy, defense, economic and financial policy, justice, and higher education--and will be the channel for French economic and technical assistance to the African territories. Through it, De Gaulle apparently hopes to protect France's military bases and sources of raw materials in Tropical Africa, while at the same time giving the Africans substantial reasons for maintaining political ties with France.



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Another potentially important purpose, illustrated by French radio comments on the community council's 3 March communiqué expressing "complete unity of views" regarding the Berlin problem, is to bolster French claims for a larger voice in determining Western international policy by playing up De Gaulle's position as spokesman for a "vast and united community stretching across two continents."

Institutions

The community organization consists of a president, an executive council, a senate, and a court of arbitration. The president of the Republic of France is ex officio president of the community and has considerable power to "formulate ... measures for the management of common affairs and ensure their execution." He has a representative in each of the member states, replacing the former governors.

The Executive Council consists of the premiers of the

13 member republics and approximately a dozen French cabinet ministers whose departments have responsibility for "common affairs." The council, the "supreme institution" for cooperation between the governments of member states, apparently will meet at intervals of one or two months. De Gaulle handles the council sessions just as he conducts French cabinet meetings--drawing up the agenda, requesting the opinions of the participants, and making policy decisions without taking a vote.

In its two sessions so far, the council dealt only with technical organizational matters and was steered away from any issue which might have revealed dissension. Its most important accomplishment has been planning for the inclusion of African personnel in certain French diplomatic missions and on the community's Arbitral Court. This should help in training native administrators badly needed in Africa.

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The Senate will be composed of delegates chosen by the legislatures of the member states. It will probably be primarily a consultative body, since it can legislate only within special fields where the member states have delegated jurisdiction. On the invitation of the president, the Senate can "examine" declarations of war and treaties which bind the community, and can "deliberate" on common economic policy before laws on such policy are voted on by the French Parliament.

With each member state entitled to one senator for 300,000 inhabitants, the 12 African republics will have 98 senators and France 186. These senators will be selected by the parliaments of the member states by 6 April 1959. The Senate will meet in Paris in two annual sessions of not longer than one month each.

The Arbitral Court is composed of seven judges appointed for six years by the president. It has jurisdiction in disputes concerning interpretations of community laws or agreements and in disputes submitted to it by agreement between member states.

French-African Differences

De Gaulle may believe that getting the community off to a rapid start will generate confidence in the new organization, and that efficient handling of technical matters will persuade African leaders that their best interest lies in remaining under French guidance.

As originally conceived, the community goes beyond the Fourth Republic's French Union in that all members, including France, have a constitutional right to withdraw and all have internal autonomy. Paris, however, appears to hold the opinion that the African members

should defer to France, which is making the greatest economic and political contribution to the community, and that De Gaulle, whose election to the presidency was participated in by 3,500 African electors, should control the community as he does France.

African politicians, on the other hand, want a sizable role in directing the community, but do not yet have a unified position. Most of them probably see as their goal a "confederate" community of fully independent states similar to the British Commonwealth, while a smaller group envisages a "federal" community within which all members, including metropolitan France, are juridically equal and subordinate to the federal authority, which should be shared by Africans. At the initial council meeting, De Gaulle refused a request by Premier Kone of Soudan that the powers of the president be lessened and those of the African premiers increased. This demand, however, will probably be renewed.

Local African attempts to regroup the separate territories into larger units are under way, particularly in cases where major tribes are split between two or more states. The most ambitious effort to date has been the creation of the "Federation of Mali" by Senegal, Soudan, and Volta, although it is still uncertain whether it will really materialize as a state. Application by Mali or any other new African combination for membership in the community would upset almost at the outset French ideas of "permanent arrangements."

Prospects

The future of the French Community will be determined primarily by developments in Africa. Recent French concessions, such as constitutional recognition of the implicit

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right to independence and rapid extensions of local autonomy, have stimulated African nationalism. Should the move toward consolidation among French territories in Tropical Africa continue, these all-African federations might in time become rivals of the French Community for the loyalty of the member republics.

While most African leaders would probably support a long-term loose association through which they could receive badly needed economic and technical aid, many may prefer no community at all to one dominated by France. French insistence on tight control over community affairs might drive the African members to seek premature independence, as Guinea did in the 28 September constitutional referendum. Developments in Guinea and the French-administered UN trust territories of Cameroun and Togo, scheduled for

independence in 1960, will be a measure for comparing benefits of membership and non-membership in the community.

Opposition within the autonomous republics may be spearheaded by the General Union of Workers of Tropical Africa (UGTAN) which is based in Guinea but has affiliated unions in the community territories. At its January congress, UGTAN went on record against the community.

The Algerian question may also affect the community, since De Gaulle has said that a "special place" is reserved for Algeria within the organization. French conservatives, including a majority of the National Assembly, who previously had little interest in French Tropical Africa, may now fear that further concessions there might indirectly encourage separatist tendencies in Algeria.

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OUTLOOK FOR INDIA'S SECOND FIVE-YEAR PLAN (1956-61)

India may fulfill 85 to 90 percent of its Second Five-Year Plan (1956-61) as a result of substantially increased foreign aid and a sharp rise in agricultural output. The Third Five-Year Plan (1961-66) now being formulated, is apparently to be considerably larger, with greater emphasis on agriculture--despite India's low level of foreign exchange reserves and the large foreign debt repayments it will face during the third plan period.

Agricultural Production

Production of food grains rose sharply in 1958-59 from the low level the previous year, when a severe drought in central and

eastern India reduced output by nearly 9 percent--from 69,000,000 metric tons to 63,000,000 metric tons. This led to a sharp increase in food grain prices. Convinced that more emphasis had to

INDIA: AGRICULTURAL PRODUCTION

	FOOD GRAINS (MILLION METRIC TONS)	1949-1950 = 100		
		FOOD GRAINS	ALL OTHER	TOTAL
1950-51	50.8	90.5	105.9	95.6
1951-52	52.0	91.1	110.5	97.5
1952-53	59.2	101.1	103.8	102.0
1953-54	69.8	119.1	104.7	114.3
1954-55	66.9	115.0	120.9	117.0
1955-56	66.3	115.3	120.0	116.9
1956-57	69.8	120.5	130.4	123.8
1957-58	63.0	107.3	125.7	113.4
1958-59	71.0 (EST)	122.0 (EST)	—	—

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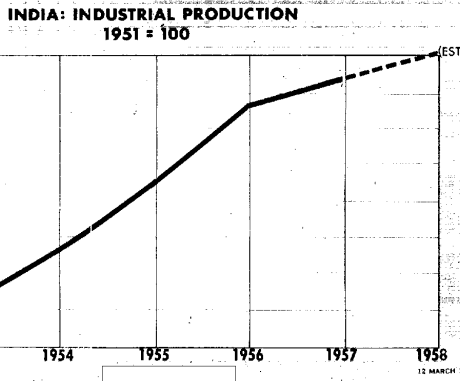
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be placed on agriculture, Indian officials began a concerted drive to expand the use of irrigation facilities. This action, combined with favorable weather, is expected to raise food-grain output in 1958-59 to about 71,000,000 metric tons. If India has reasonably good weather during the last two years of the plan period, it should reach its production goal of 76,200,000 metric tons of food grains in 1960-61.

Industrial Production

Industrial production rose only slightly during 1958, chiefly because of a recession in the cotton textile industry, which still accounts for about a third of India's industrial output. This recession was caused by a sharp drop in textile exports and by higher prices for food, thus leaving people with less money for textiles. The recent fall in food prices, which began with the improved crop outlook, should aid the textile industry. India, however, is unlikely fully to recover its export markets until it modernizes its textile factories--a program which will take several years.



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Industrial production other than that in the textile and food-processing industries rose about 6 percent during the first eight months of 1958. The rate of growth may have declined during recent months, however, for curb on imports have reduced supplies of raw materials and semifinished goods--particularly steel. These difficulties should be only temporary. India's steel expansion program should cause production during 1959 to rise about 50 percent, while the increased foreign aid obtained during 1958 will permit larger imports.

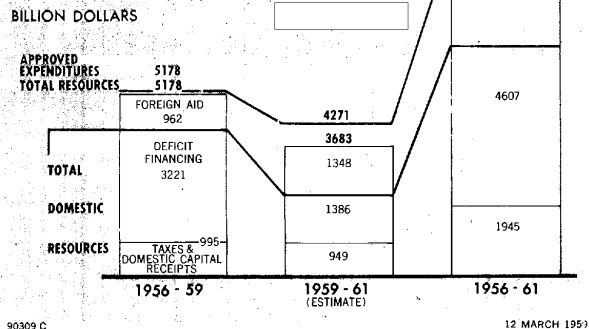
First Three Years

Despite the difficulties experienced by agriculture and industry, the level of both private and government investment during the first three years of the plan--April 1956 to April 1959--has been high.

The private sector of the economy is expected to reach its goal of \$5.04 billion--although price increases will mean a small shortfall in real terms--largely because of the spurt in investment activity during the first two years of the plan.

Private foreign investment, which amounted to \$1.009 billion at the end of 1955, rose to \$1.163 billion by

INDIA: PUBLIC RESOURCES AND EXPENDITURES SECOND FIVE-YEAR PLAN



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industrial sector. This complex is unlikely to be completed before the middle of the Third Five-Year Plan (1961-66).

The 1959-60 Budget

The 1959-60 budget presented to the Indian Parliament on 28 February provides for continued increases in economic development expenditures. Total government expenditures--state and national--for economic development during the fiscal year beginning on 1 April are budgeted at \$2.354 billion. Administrative difficulties as well as the shortage of resources probably will prevent full utilization of these funds, but by the end of the fourth year the Indian Government probably will have spent about \$7.4 billion of the \$9.45 billion planned for the entire Second Five-Year Plan period.

Defense expenditures, which increased materially in the past few years, are to fall from \$641,000,000 in 1958-59 to \$578,382,000 in 1959-60. This drop chiefly results from the reduction in purchases from abroad of modern military equipment--particularly aircraft--and indicates that India's military modernization program has passed its peak.

While no major change has been made in the tax system, the small changes made will increase revenues by about \$50,000,000. These will be more than offset, however, by the decrease of about \$70,000,000 in customs duties because of tight curbs on imports. Therefore, the higher expenditures for economic development and civil administration will probably be met by increased deficit financing and foreign aid.

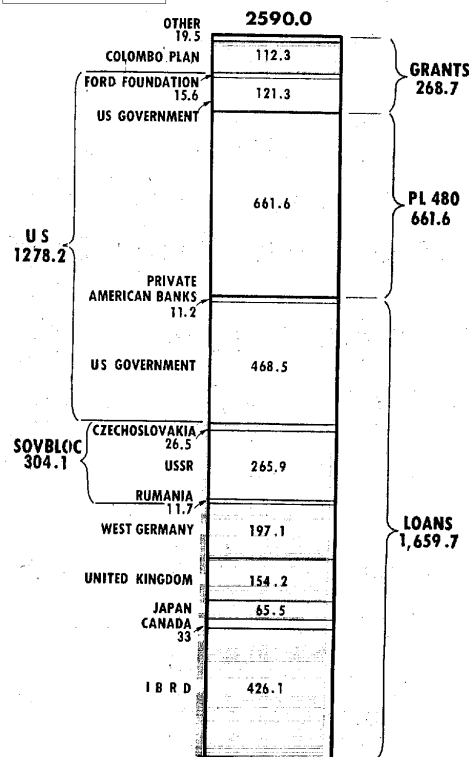
Foreign Exchange Gap

Although India has already secured \$2.590 billion in foreign aid for use during the second-plan period, it still

has an estimated foreign exchange gap of \$641,000,000 for the last two years of the plan, assuming that it postpones its 1960-61 obligation to repay \$72,500,000 to the International Monetary Fund. The gap amounts to \$355,000,000 in 1959-60 and \$336,000,000 in 1960-61. Several countries participating at the creditors' conference held by the International Bank for Reconstruction and Development in August 1958 stated that they intended to provide approximately \$250,000,000 in aid to India during the last two years of the plan. India will therefore probably seek an additional \$400,000,000 at the creditors' conference scheduled to begin in Washington on 16 March.

FOREIGN AID COMMITTED FOR INDIA'S SECOND FIVE-YEAR PLAN PERIOD

(MILLION DOLLARS)



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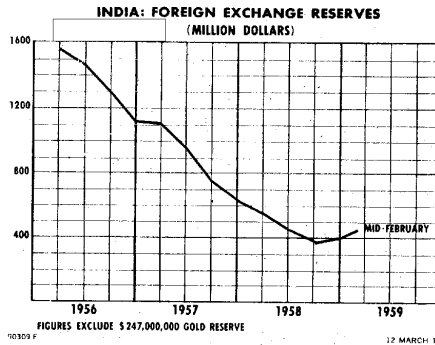
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Third Five-Year Plan

Since the outlook for the second plan has improved, New Delhi's interest is beginning to shift to the Third Five-Year Plan (1961-66). Although planning is still in the preliminary stages, Prime Minister Nehru and other high officials have stressed that the third plan must be larger than the second plan if economic development is to gain momentum and keep ahead of population growth--now estimated at 2 percent a year. Deficit financing and foreign aid are likely to account for nearly 50 and 25 percent respectively of the expenditures of the second plan. Since the level of taxes is already high, any larger plan is likely to be even more dependent on deficit financing and foreign aid.

Despite these limitations, Indian officials appear to be thinking in terms of a total outlay--both public and private--of about \$21 billion. This would be a 45-percent increase over the approximately \$14.5 billion likely to be spent during the second-plan period. Some officials appear to want to maintain the present two-to-



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one ratio of government to private expenditures, while others foresee a larger role for the government. Most Indian leaders, while recognizing the need for greater attention to agriculture, want industrial growth to continue to receive high priority.

India will begin the third plan with its foreign exchange reserves less than one third their level when the second plan began, and it will be faced with large payments on foreign debt obligations. Partially to offset this, India's new factories will make the country considerably less dependent on imports of industrial goods. If the third plan is heavily oriented toward agriculture, India's need for industrial goods could be met to a much larger extent through domestic production than during the present plan, although large imports and foreign assistance would still be required.

If--as seems more likely--the plan calls for rapid industrial as well as agricultural growth, it would be far more dependent on foreign aid. Since the second plan will require about \$3 billion in aid plus a \$1 billion reduction in foreign exchange reserves, the third plan--with about \$1 billion in foreign debts to repay--would probably require at least \$1 billion to \$1.5 billion a year in foreign assistance to reach its goals.

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INDIA'S FOREIGN DEBT*
(MILLION DOLLARS)

YEAR	DEBT OUTSTANDING 1 JANUARY	PAYMENTS ON PRINCIPAL & INTEREST DURING YEAR
1959	1763	83
1960	1712	157
1961	1604	249
1962	1420	227
1963	1253	164
1964	1140	148
1965	1036	152
1966	924	143
1967	816	141
1968	706	131
1969	603	116
1970	511	104
1971	428	86
1972	358	74
1973	298	60
1974	247	34

* EXCLUDES REPAYMENT OF \$200,000,000 LOAN FROM INTERNATIONAL MONETARY FUND AND LOANS REPAYABLE IN RUPEES.

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THE BLOC ECONOMIC OFFENSIVE--PROGRESS, PROBLEMS, POTENTIAL

Sino-Soviet bloc economic and military assistance to the nonbloc world passed the \$2.5 billion mark in 1958. New assistance granted in 1958 reached \$1 billion--the largest amount in a single year, since the program began five years ago.

The bloc continued to exploit political and economic difficulties to conclude new agreements and at the same time maintained a level of implementation of existing agreements apparently satisfactory to most recipients. About \$1 billion of the bloc aid granted since 1954 now has been drawn, of which 60 percent has been used for military equipment. Free world underdeveloped countries have actually used less than \$275,000,000 worth of bloc economic aid. Yugoslavia accounts for over \$130,000,000 worth of the bloc economic credits drawn.

Progress

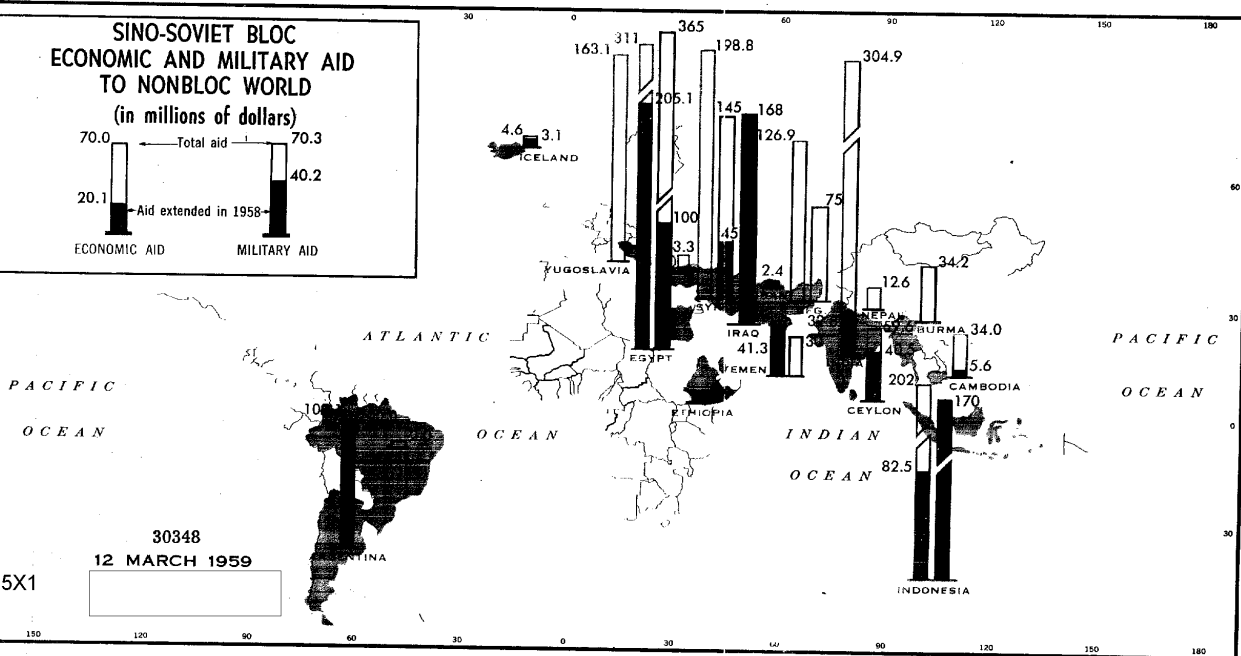
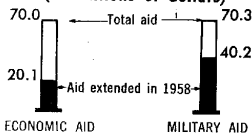
The scope of the bloc aid program was broadened in 1958, but only three countries were

added to those receiving credits. Iraq accepted a major Soviet military aid program, Iran received a small Polish credit for a sugar factory, and Ethiopia accepted bloc financial assistance for construction of a hospital. Argentina, which in 1955 accepted a small Czech credit for a coal-washing plant, in 1958 became the first South American country to accept a large bloc credit--a \$100,000,000 loan for development of its oil industry.

Other aid agreements negotiated in 1958 include the \$100,000,000 Soviet loan for construction by bloc technicians of the first phase of the Aswan Dam, large new military credits for the UAR, Soviet and Chinese economic credits for Yemen, additional Chinese and the first Soviet economic aid for Ceylon, and a large Chinese and Soviet military credit and Chinese and Polish economic loans to Indonesia.

Over 4,000 bloc technicians were active in underdeveloped countries in 1958, as compared with 2,500 during 1957. The

SINO-SOVIET BLOC ECONOMIC AND MILITARY AID TO NONBLOC WORLD
(in millions of dollars)



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increased number is largely accounted for by economic specialists. For the first time, large numbers of Chinese personnel have participated in this program. Several hundred are believed to be in Yemen working primarily on road development.

Bloc economic specialists engage in a wide variety of economic and military activities, including construction work, training, equipment maintenance, geological surveys, mineral exploitation, and economic planning. The bloc also has a well-developed program under which students from the underdeveloped countries are trained in the bloc. About 3,200 students, workers, and military specialists now have received such training. It includes instruction in the use of bloc arms, military tactics and strategy, the training of workers for bloc-constructed projects, and advanced education for students from free world countries.

The Soviet bloc's implementation and administration of its aid program during the past few months reveal that it will continue to be a major factor in Communist attempts to influence the underdeveloped areas. Cooperation and coordination between the USSR and the East European satellites in the economic offensive is growing, particularly in the Council for Mutual Economic Assistance (CEMA). CEMA is playing a greater role in collecting and surveying potentialities and assigning functions to specific bloc countries. The increasing importance of this function at the time CEMA is attempting to foster the growth of rational economic development and integration of the Soviet and East European economies suggests that bloc ability to compete with the West over the long run may be enhanced.

The USSR, with its greater prestige, negotiates agreements

and provides major credits, while actual implementation is frequently assigned to the European satellites. This technique enables the Soviet Union to exert maximum control over the bloc economic program in the underdeveloped areas, to wield substantial influence on economic development within recipient countries, to introduce and expand satellite activities, and to bring the combined economic strength of the satellites and the Soviet Union to bear in each target country.

Sino-Soviet bloc trade with the rest of the world for the most part has not registered any significant increase in value during the past year. Partial statistics now available for trade in 1958 reveal that while the volume of the bloc's purchases increased, falling prices of raw materials from the underdeveloped countries--the bulk of the bloc's imports--is keeping the value of such purchases at previous levels. Trade with the bloc, however, continued to win acceptance in the underdeveloped areas. As a principal feature of its trade program, the bloc continues to offer in exchange for surplus agricultural commodities goods normally bought by underdeveloped countries for scarce hard currencies. The bloc also expanded its program of direct imports from primary producers rather than through West European middlemen as had been the practice.

Problems

While the bloc's five-year-old economic offensive is forging ahead, changing political and economic situations, Soviet economic pressures in its relations with its more developed trade partners, and abnormal sales in world commodity markets may complicate its operations. Perhaps most important, the operation of the aid program--originally lauded as

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without "strings"--has proved to be tied substantially to a country's pursuit of policies acceptable to the bloc.

The bloc's ideological conflict with Yugoslavia, which resulted in the virtual cancellation of unused credits, has not passed unnoticed in the underdeveloped world, although most free world recipients of bloc aid regard it as a special case. The equally flagrant use of economic pressure to topple the Finnish Government in late 1958 and recent economic as well as political threats to Iran again expose the potential danger of too close economic involvement with the USSR.

During the early years, Soviet aid activity was largely limited to the negotiation of attractive long-term, low-interest credit agreements devoid of complicated financial and other conditions. More recently, hindrances have appeared in the implementation of these agreements. In an attempt to take advantage of rapidly changing political conditions in the Middle East, the USSR granted military and economic aid to Iraq but thereby strained relations with Cairo. While Soviet economic support of the UAR continues, [redacted]

[redacted] Nasir also has complained that the implementation of the Soviet aid program lags.

In Burma, internal economic difficulties and a change of government have caused Rangoon to eliminate some Soviet projects and to request that those remaining be on a grant basis. Cambodia, in a similar action, refused a \$12,500,000 interest-free, 40-year "loan" on the basis it could accept only grants.

The Soviet bloc has thus far resisted giving aid on a grant basis, probably largely because economic ties through such aid have a less lasting effect than loans, for which contacts are maintained at least during the term of repayment. Peiping, however, has made grants to Cambodia and Nepal. Other countries, such as Nepal, which need outside assistance but do not wish to become involved in the East-West struggle, have declined or minimized the acceptance of bloc aid by appealing primarily for grants.

With construction activity now under way in several countries, the quality of bloc aid projects has been criticized. The East German - built sugar mill in Indonesia has never functioned properly despite the withdrawal of the original technicians and the assignment of a new engineering force to the project. Complaints also have been made that the Soviet-built Afghan bakery complex is not satisfactory.

The Sino-Soviet bloc itself has complained of a lack of cooperation from aid recipients. In Yemen, China has found it necessary to send several hundred semiskilled workers to build roads, probably as a result of Yemeni inefficiency. Bloc personnel there have difficulty in finding quarters, and the Imam frequently refuses to make domestic currency available to the foreign workers.

The bloc's trade program also has suffered setbacks and encountered resistance. Singapore and Malaya countered Chinese Communist price slashing by imposing controls on imports of Chinese goods, and Malaya proposes to end unorthodox financing of Chinese goods by closing local branches of the Bank of China. Brazil has asked for

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ironclad assurances that coffee sold to the bloc will not be re-exported to its traditional cash-paying customers. Other underdeveloped areas have protested that unregulated sales of metals by the USSR have seriously hampered their foreign exchange earnings.

Potential

Despite these setbacks and hindrances to its economic offensive, the Sino-Soviet bloc's program of providing long-term, low-interest loans and bartering manufactured goods and fuels for surplus commodities is still attractive to many areas where bloc aid and trade programs are not yet under way. The drive has been limited primarily to the Middle East and Asia, with incursions elsewhere only in highly favorable situations.

The bloc is expected to continue to expand its efforts in Asia, but there is evidence that long-range plans now are being readied for an assault in Latin America. This drive probably will not chiefly rely, as it has in the past, on grasping at momentary economic and political fluctuations, but will be based on long-run developments there. Although some satellites have conducted fairly steady small-scale trade with several Latin American countries, the periodic bloc "drives" have consisted mainly of poorly co-

ordinated trade offers and indefinite aid proposals.

The bloc's economic activity in Africa does not yet bear the marks of a well-planned assault. Fast-moving political events have been exploited, but few economic inroads have been made. At the time of Ghana's independence, the USSR bought large amounts of Ghana's cocoa, but later virtually abandoned the market. The Sino-Soviet bloc, however, is likely to follow up its present flurry of political attentions to the newly independent states with economic programs reflecting the bloc's past five years' experience in Asia.

The USSR is placing more emphasis on its economic campaign in the underdeveloped countries, and the bloc's capabilities are adequate to support a substantial expansion of this offensive. Demand for raw materials produced mainly in the less-developed countries is growing, and their corresponding demand for equipment is increasingly being met by machinery exports from the bloc. Furthermore, strongly nationalist elements in underdeveloped areas are supporting the acceptance of bloc assistance rather than foreign private investment in basic industries and resources.

(Prepared by ORR)

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NORTH KOREA

North Korea, long a "hard-line" satellite of the Soviet Union, has recently attempted to demonstrate initiative by setting a rapid pace in the

management of internal affairs. In speeches this winter, North Korean leaders sounded the most optimistic notes in the 11-year history of the Pyongyang regime

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when they enunciated an economic program designed to make North Korea less dependent on the rest of the bloc.

Premier Kim Il-sung, in an address to the Soviet 21st party congress in January, proudly cited "tremendous" advances in "socialist construction" made by North Korea and stated that his country was successfully struggling to become "an advanced socialist industrial state within a few years." In a speech before a national conference of party propaganda cadres, made last November but not released to the public until after his return from a trip to Communist China and North Vietnam, Kim announced that North Korea will begin the "transition to Communism" in five years and will surpass Japan in per capita production within a short but unspecified period.

The Economy

Kim Il-sung has called 1958 a decisive year, one in which socialism won a "complete victory" and which saw the economy advance "like a flying horse." Although progress was not as dazzling as Kim's simile suggests, Pyongyang has adopted ambitious policies.

In October and November, having just completed rural "cooperativization," Pyongyang swiftly carried out an amalgamation of some 13,000 farm cooperatives into 3,800 township-size units. These amalgamated cooperatives resemble the Chinese communes in some important respects, but they do not have such far-reaching social implications and are essentially still collective farms.

Rather than choosing either the USSR or China as a model for development, North Korean leaders seem to be making their own adaptations in reorganizing

the countryside. This adaptability is also displayed in Pyongyang's decision to build a large number of small and medium-size factories--more than 1,000 in 1958--to be operated by local authorities.

Pyongyang claims that in 1958 the value of industrial output increased 37 percent over the previous year, and that North Korean plants began producing trucks, tractors, excavators, bulldozers, small electric locomotives, and large hydroelectric generators. Grain output allegedly reached a bumper 3,700,000 tons despite what official spokesmen described as a severe drought.

The final 1958 production claims for pig iron, steel, electric power, and textiles, however, were considerably lower than the figures announced by Kim Il-sung in September when the "flying horse" campaign was in full flight. Failure of these key commodities to reach Kim's optimistic production estimates casts doubt on the feasibility of the extremely ambitious long-term goals he unveiled at that time.

Plans for 1959 are no less ambitious: Pyongyang intends this year to fulfill or surpass the original targets for the entire First Five-Year Plan (1957-61). The 1959 target for the metallurgical industry is 20 percent greater than the original 1961 goal.

To finance this accelerated expansion, the state plans to increase its spending this year by 74 percent--to a total of \$1.9 billion at the nominal exchange rate--and to put nearly 45 percent of all spending into capital construction. Pyongyang is quick to point out, moreover, that aid and credit from other bloc countries will amount to only 2.7 percent--\$52,000,000--of 1959 revenues.

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The regime has not only greatly speeded the pace of industrialization, but has also promised a vastly improved standard of living for North Koreans. On 1 January, wages of employees of state, social, and cooperative organizations-- who have increased 36 percent

the Soviet Union rather than Communist China. Kim Il-sung, unlike Mao Tse-tung and Ho Chi Minh, was brought to power by the Soviet Army following World War II. He and several of the top party figures in Pyongyang are onetime Soviet citizens and orthodox Communists dating from the Stalin era, and they have no qualms about using strong-arm methods to maintain themselves in power. Since the unsuccessful coup attempt in the fall of 1956, Kim has methodically eliminated his rivals in a series of purges and has tightened his government and party control through periodic ministerial changes. In September 1958, in the most recent reshuffle, seven of North Korea's 26 ministers were replaced.

For the first time following a major shake-up, however, specific ministries were not criticized, nor were attacks leveled against those removed from office.

After the "antiparty" plot of August 1956, on the other hand, highly placed individuals were denounced and purged for conspiring to reverse Kim's program for heavy industrialization and attempting to divert funds for the manufacture of consumer goods. The subsequent shake-up, extending to and including that of September 1958, appears to be a continuation of the program begun in 1956 to eradicate all opposition to Kim Il-sung's personal power.

Although these purges parallel the rectification campaigns in Communist China and North Vietnam, they seem to have sprung from a different cause, for there was no excess liberalism to "correct" in North Korea.

NORTH KOREAN PRODUCTION CLAIMS AND GOALS
(MILLION METRIC TONS EXCEPT WHERE NOTED)

	1957 CLAIMED OUTPUT	1958 CLAIMED OUTPUT	1959 GOAL	1951 ORIGINAL GOAL (5-YEAR PLAN)	1954-15 GOAL
STEEL	.277	.365	.884	.670	3.0-3.5
PIG & GRANULATED IRON	.330	.393	1.120	.900	4.000
IRON ORE	1.060	1.550	4.450	2.640	NOT AVAILABLE
COAL	5.000	6.880	10.860	10.000	25.000
ELECTRIC POWER (BILLION KWH)	6.900	7.630	9.700	9.700	20.000
CHEMICAL FERTILIZERS	.327	.457	.706	.630	1.5-2.0
CEMENT	.895	1.240	3.185	2.200	5.000
COTTON TEXTILES (MILLION YARDS)	100.000	120.000	219.000	219.000	546.000
GRAIN	3.200	3.700	5.000	3.760	7.000
FISH PRODUCTS	.564	.682	.855	.600-.650	1.000

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during 1958 to a total of 1, - 200,000--were boosted 40 percent. This year, it is claimed, per capita real income will be 80 percent above the 1956 level.

There has been no explanation of how the economy is to absorb so large an increase in purchasing power. Although Pyongyang denies that the recent currency exchange was anything but a simple accounting device, it is quite possible that it was carried out in such a way as to absorb at least part of this purchasing power.

Pyongyang's statistics and assertions should not be taken at face value. North Korean living standards are not higher than those in the South, and it is only by using figures for certain selected products that Pyongyang can legitimately claim that North Korea is approaching Japan in per capita industrial production. Nevertheless, there have been impressive achievements.

Leadership

The present leadership continues to be oriented toward

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Now that Communist China has reversed its liberalization trends, Pyongyang's leadership probably finds itself increasingly in accord with Peiping, especially on foreign policy matters. The attacks on Belgrade in the North Korean press have approached the vehemence exhibited in Peiping's People's Daily.

Foreign Policy

North Korea, which has not received de facto recognition from even the most ostentatiously neutral nations, has tried--like Communist China--to identify itself with the Afro-Asian bloc and further its international acceptability through trade and technical ties. There are permanent North Korean economic missions in India, Burma, and the United Arab Republic. Pyongyang followed Communist China in promptly recognizing the newly established regimes in Iraq and Guinea, as well as the "Algerian provisional government" in Cairo; it has, however, been rebuffed in all bids for reciprocal recognition.



Chou En-lai and Kim Il-sung during Kim's tour of Communist China, November 1958.

Indonesia at times has appeared potentially receptive to Pyongyang's overtures. The Indonesian ambassador to Peiping was extended lavish treatment during his first visit to North Korea last November, but Djakarta made it plain that recognition was not to be extended in the immediate future at least.

Probably the most important single development within the past year has been the withdrawal of nearly 300,000 Chinese Communist troops, a move which was completed on 26 October 1958. On their departure the Chinese turned over without cost military installations and equipment and, according to several reports, left behind a reservoir of Korean good will.

The withdrawal was accompanied by an energetic propaganda campaign to bring pressure on the United States for a similar move in South Korea. Stories alleging atrocities by American troops were circulated in an effort to stir anti-American sentiment



Kim Il-sung (center) celebrates departure of Chinese Communist troops from Korea with General Yang Yung (left), commander of Chinese troops in Korea, and Kuo Mo-jo, leader of Chinese delegation visiting Korea.

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in the South. Also widely publicized were glowing reports of Pyongyang's advances in "socialist construction," always comparing Seoul's rehabilitation progress unfavorably.

Last November Kim made a three-week good-will tour of Communist China, his only trip to Peiping since 1953, during which he had talks with Mao Tse-tung, Liu Shao-chi, and Chou En-lai.

Pyongyang's adoption of certain features of Peiping's policies should not be construed as a diminution of Moscow's overall influence or an implicit challenge to Soviet domination. What changes have taken place may rather reflect the greater relevance to the Korean scene of certain of Peiping's politico-economic innovations, as well as Communist China's increasing ability to provide leadership to the Asian satellites.

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