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25 June 1959

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CONFIDENTIAL

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

PART I

OF IMMEDIATE INTEREST

REVOLUTIONARY ACTIVITY IN THE CARIBBEAN

Dominican Republic - Nicaragua

The long-brewing campaign against Caribbean dictators has reached the stage of military action with at least three insurgent landings in the Dominican Republic since 14 June and indications of imminent new rebel incursions into Nicaragua. General mobilization in the Dominican Republic on 22 June indicates that the internal threat in that country has become a source of concern to the regime.

In Nicaragua, the government is alerted for an imminent attack by Cuban-supported rebels who it believes are converging on the Honduran-Nicaraguan border, and other rebel groups in Costa Rica may be preparing for a new incursion. Former Costa Rican President Jose Figueres informed the American Embassy that the Nicaraguan rebels in Costa Rica have reached an agreement with Cuban Prime Minister Fidel Castro under which he will supply them with weapons.

Although the initial rebel effort in Nicaragua had failed by mid-June and that in the Dominican Republic may also appear at first to founder, further foreign-supported rebel incursions can be expected. The Cuban-backed rebel groups are Communist infiltrated, and any postrevolutionary governments in either country would be likely to become influenced by the Communists.

Cuban-Venezuelan Support

While both the Cuban and Venezuelan governments repeatedly deny giving material aid to the Dominican and Nicaraguan rebels, it is nevertheless clear that such aid, particularly Cuban, has been considerable. Public opinion in both countries, as well as in most others in the area, strongly favors the rebels. The Cuban and Venezuelan governments have emphatically stated they will oppose any attempt by the Organization of American States (OAS) to assist the beleaguered governments.

Counteraction Against Cuba

High Dominican and Nicaraguan officials, who doubt that any appeal to the OAS would result in effective assistance, have seriously considered military action against hostile governments. The Dominican mobilization could mean preparations for a counterattack against Cuba. Such action, which the Dominican foreign minister said on 20 June would become "imperative" in the event of further rebel incursions, would probably include the mounting of an invasion of Cuba by the Dominican-supported Cuban exiles in the Dominican Republic. It might also involve action by the "anti-Communist foreign legion" formed in the Dominican Republic early this year and could include Dominican air attacks on Cuban cities.

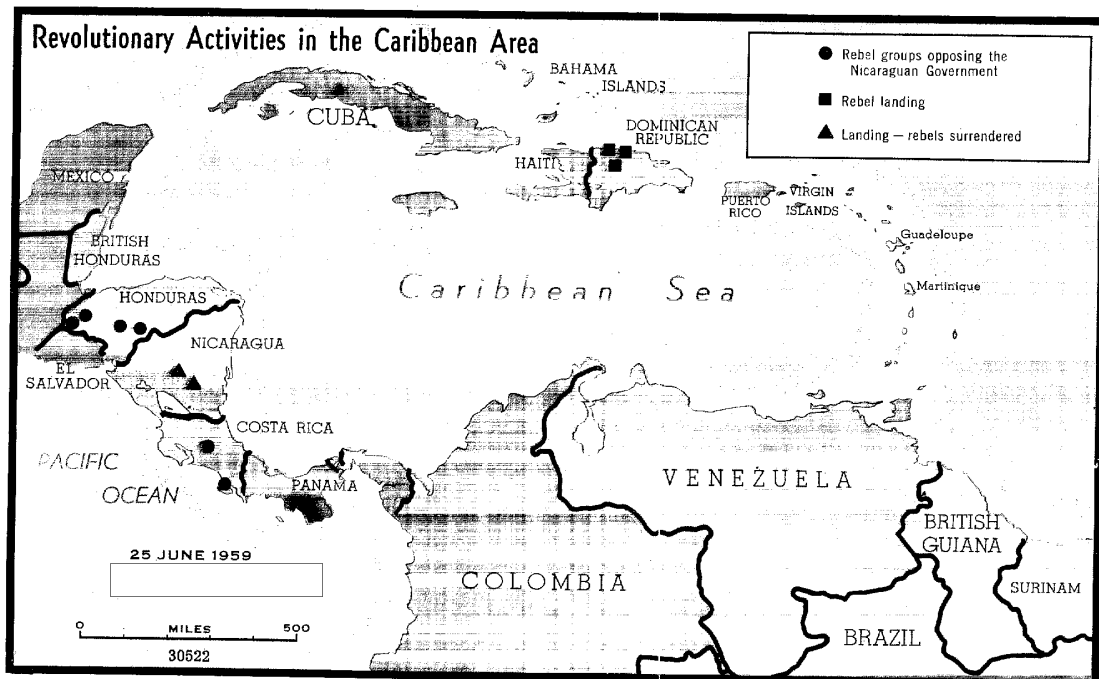
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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959



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[redacted] rapidly mounting opposition to the Castro regime. There have been bitter denunciations of Castro's drastic agrarian reform law by cattlemen and others, and the first wave of antigovernment terrorism since the fall of Batista erupted in mid-June. It is unlikely, however, that a Dominican-supported invasion by Cuban exiles could at this time topple the Castro regime. Overt Dominican action against Cuba would tend to unite all Cubans behind Castro.

Haiti

The weak and unpopular Duvalier regime in Haiti is near panic as it feels itself being caught up in a squeeze between the Cuban and Dominican governments. [redacted]

[redacted] After Dominican officials warned the Haitians to expect an imminent landing by Dominican insurgents planning to attack the Dominican Republic via Haiti, Haitian officials frantically asked for a US naval patrol to prevent such a landing.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

EAST-WEST NEGOTIATIONS

Having failed in the first six weeks of the foreign ministers' conference to induce the Western powers to consent to a change in the status of Berlin which would eliminate existing Allied rights, the Soviet leaders agreed to a three-week recess presumably in the belief that increasing public pressure in the West for an accommodation would erode Western unity and that the talks will resume under conditions more favorable to the USSR. Moscow probably calculates that it can extract further Western concessions by prolonging the stalemate on the crucial issue of Allied rights while maintaining the threat of unilateral Soviet action to sign a separate treaty and transfer access controls to the East Germans.

Soviet moves in connection with the Geneva recess, however, suggest that the Kremlin leaders intend to avoid any action which would strengthen Western unity and stiffen Western resistance to Soviet inducements during the recess. Moscow's present posture is designed to assure the West that the door to a negotiated settlement remains open.

In their statements on 19 June, Khrushchev and Gromyko carefully avoided categorically rejecting the West's proposals of 16 June which offered certain

concessions in return for a Soviet guarantee of free and unrestricted access to West Berlin. Khrushchev failed to attack these proposals in his Kremlin speech on 19 June. He also refrained from issuing any threats of early unilateral Soviet action on Berlin and stressed the USSR's desire for a negotiated settlement of the Berlin and German problems and its readiness to agree to a time limit "acceptable to all" on an "interim settlement" for Berlin. While regretting that the conference was not "running smoothly," he said that, despite their differences, the ministers' work has already had a "definite positive value."

In the last private meeting at Geneva before the recess, Gromyko apparently made no mention of the Western proposals. Instead, he introduced two modifications in his proposals on 9 and 10 June for a one-year interim Berlin settlement. He stressed that the duration of such an arrangement was not a "basic problem of principle" and suggested that the one-year limit could be extended to 18 months. If no agreements on reunification and the principles of a peace treaty were achieved by the proposed all-German committee by the end of this period, Gromyko stated that the participants in the present conference "could take up the question of West Berlin once again."

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

The initial Soviet proposals had warned that the USSR would sign a separate treaty with East Germany if the Western powers and West Germany prevented agreement on a peace treaty with both German states within one year. These two modifications, however, did not alter the basic terms of the proposed interim agreement which would terminate existing Allied rights in Berlin based on postwar agreements.

Soviet propaganda is echoing Khrushchev's optimism on the prospects for agreement when the talks resume. *Izvestia* declared on 21 June that the "positions of the Soviet Union and of the Western powers at the Geneva conference have become closer on many questions relating to the Berlin problem, and now there is a good basis for agreement." Moscow commentators, however, are attributing the recess to the insistence of the Western ministers despite "positive" achievements in the talks.

Summit Prospects

Khrushchev expressed confidence in his speech on 19 June that the West, under pressure of public opinion, will eventually agree to a summit meeting regardless of the outcome of the foreign ministers' talks. He contended that a summit conference would "become even more necessary" if the ministers fail to reach agreement and warned against any Western attempt to bring pressure on the Soviet Union by linking a summit meeting to progress at the ministers' level.

The USSR, Khrushchev said, is not prepared "to pay any price for the sake of calling a summit conference." Specifical-

ly, he said "it would be naive to think that the Soviet Union, at a conference of ministers or of heads of government, would agree to put its signature to a document that perpetuated the occupation regime in West Berlin and left Germany without a peaceful settlement for an unlimited time."

Nuclear Test Cessation Talks

Soviet tactics at the nuclear-test talks are aimed at keeping this issue open during the recess in the foreign ministers' conference. After repeatedly stressing the need for a more rapid pace, the chief Soviet delegate claimed that the Soviet proposal for a quota of annual inspections as well as those related to staffing of the control posts offer the basis for agreement. At the 100th meeting on 22 June he urged that the West not "complicate matters" by raising additional issues. He accused the UK delegation of inconsistency in its position on staffing, claiming London had earlier favored 14 or 15 host-country personnel at each post but now was limiting this number to 4 or 5.

Moscow is apparently attempting to use the concurrent experts' talks on detection of high-altitude nuclear tests to support its position that the conclusions of the 1958 Geneva Technical Report remain completely valid. Although the chief Soviet delegate to this technical working group, in session since 22 June, has asked numerous questions about new Western data on high-altitude testing, he has repeated several times that no really new information has been presented thus far. Moscow probably is concerned that any modifications of the experts' report

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

at these talks would weaken its position in refusing to consider recent American data on seismic phenomena which are in basic conflict with that part of the 1958 report dealing with underground detection methods.

The Soviet delegation to the working group has, nevertheless, endeavored to give the impression of willingness to discuss the high-altitude-tests problem seriously, thereby supporting Soviet tactics in the plenary sessions.

Moscow probably believes that increasing pressure in Great Britain for a test-cessation agreement, in contrast with obvious French adamance against making this issue a subject for summit negotiations, can be exploited to weaken Western unity. The Soviet leaders have probably calculated that the recent shift in the British Labor party's policy on the nuclear weapons issue may increase pressure on the Macmillan government for a test-cessation agreement.

A new Labor party statement of 23 June, supported by the powerful Trades Union Congress, stipulated that Britain should maintain its nuclear deterrent but should work toward the creation of a nonnuclear "club" of all nations except the United States and the USSR. While the old policy committed the Labor party to a one-year unilateral test ban, the new statement called on the next Labor government to suspend tests indefinitely while honoring its NATO obligations but to seek greater control over American bases in Britain.

Western Reaction

The differing British, French, and German attitudes

were clearly in evidence as the foreign ministers' conference recessed. In answering questions in Parliament on 23 June, Prime Minister Macmillan remained cautiously optimistic over the prospects of East-West agreement. He asserted that it would be a mistake "to underrate the degree of success" achieved in clarifying positions which in some respects, he said, are nearer together. Having thus indicated that his principal conditions for holding a summit meeting were already met, he expressed his hope that the foreign ministers' talks, when resumed, would lead to such a meeting.

On the same day, however, French Foreign Minister Couve de Murville told a television audience that the East and West remained as far apart as ever on the over-all German question.

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West German Chancellor Adenauer offered a still sharper view. He stated on 19 June that the Geneva conference has been a Soviet success in that a wedge was driven between the Western powers. The chancellor called for a Western summit meeting, implying that at such a meeting Macmillan should be persuaded to change his views on

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

Western tactics. Adenauer's strong statement may be partly motivated by internal considerations in view of his claim that the tense international situations prevented him from retiring to the German presidency, and partly from his fears that at the next round of negotiations the British may press for further concessions to gain a summit conference.

Adenauer now may revive his plan, previously raised with Macmillan in March, to demand a five-year moratorium on changes in Berlin's status in return for a four-power commission with German advisers to work out proposals for German reunification by stages and for a peace treaty. The West German delegation at Geneva was considering such a plan.

Initial press comment on the conference recess has tended to follow the government's lead in each country, with variations by political leaning. French papers were generally pessimistic over the lack of progress. British papers accepted the adjournment without alarm in the belief that a summit conference is still in prospect, but some blamed Adenauer's intransigence for the present stalemate. Conservative party sources have warned that if the West refused to go to the summit as a result of US insistence on progress to justify such a meeting, the Labor party could be expected to capitalize on the public's disappointment and win the general election expected this fall. [redacted] (Con-

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MIDDLE EAST HIGHLIGHTS

Iraq

There are additional signs that Qasim is moving slowly and cautiously to strengthen his control of the army and to reduce the power of the Iraqi Communist party. Following complaints by army commanders of excessive Communist influence, the commander of an armored brigade was arrested for openly encouraging Communist activities among his men. Subsequently, in a speech to army officers Qasim warned that any army personnel involved in politically partisan activities would be "brought to account." [redacted]

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The Communist press, which has previously criticized the government for "unnecessary" restraints on the Communist-infiltrated Popular Resistance Forces, now has lashed out against army officers, claiming that the army is being used against the "interests of the people." The Communist organ accused the commander of the army's First Division of preventing bodies of Communist "martyrs" killed in peasant riots from being brought to Baghdad for a big funeral. It attacked a lower ranking officer for ordering a guard unit to deny admittance of a Communist "watchdog" committee to Radio Baghdad. Communist domination of Baghdad press and radio has been considerably reduced during the past few weeks, and the Communist journals are presently engaged

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

in a press battle with the organ of the National Democratic party, which is competing with the Communists for control of the Iraqi peasant organizations.

Soviet Ambassador Zaitsev has left Baghdad for several weeks of "medical treatment" in Moscow. He will probably discuss with Soviet leaders the new problems facing the Iraqi Communist party; the result may be a suggestion to Iraqi Communist leaders that they modify their present tactics.

In spite of fancy advance billing, Qasim's "revolutionary" 22 June announcement proved to be no more than the signing of an agreement with the British for Iraqi withdrawal from the sterling area. The matter has been under consideration since last fall, and Qasim announced Iraq's decision to withdraw a month ago. This action is of minor economic significance but the political reaction inside Iraq has been enthusiastic.

UAR-Israel

UN Secretary General Hammarskjold will visit Cairo on 30 June to attempt to arrange a settlement of the dispute over Israeli shipping through the Suez Canal.

[Redacted]

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The Israeli-chartered Danish vessel Inge Toft, still detained at Port Said, was stopped after UN Under Secretary General Bunche had been told in Cairo there would be a reluctant moderation of restrictions against Israeli canal shipping. The detention followed Israeli publicity of the Inge Toft's planned transit of the canal despite earlier Israeli cargo seizures by the UAR.

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[Redacted]

The Israeli Government now is said to have imposed censorship on any future announcement of intended cargo shipments through Suez. This presumably will prevent any advance notice of the sailing of two ships of foreign registry now loading in Haifa which will attempt to transit the canal. If these are stopped, the Israelis might respond by interfering with UAR shipping between Egypt and Syria and Lebanon. In anticipation of such a possibility, motor torpedo boats are reported escorting UAR merchant ships on trips between Alexandria and Latakia, and ships of foreign registry may soon be employed on such voyages.

UAR

Main interest within the UAR centers around the forthcoming elections to the country's

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

single political organization, the National Union. Cairo announced this week that more than 120,000 candidates had applied for election to the approximately 60,000 openings. Nasir has decreed the abolition of the "screening committee" originally intended as a device for scrutinizing the qualifications of each applicant and, consequently, the election date has been shifted from 15 to 8 July. The apparent loosening of government controls over candidates probably will mean the election of more diverse types as representatives on the local level, but the regime still has plenty of time for weeding out "undesirables" as appointments to higher echelons are made and before selection of members to the new national assembly scheduled to meet in November.

The Soviet plan for construction of the Aswan High Dam, which the USSR has claimed would be cheaper and faster, has been almost unanimously opposed by the UAR's international consulting board of experts. Cairo has not yet announced its decision to accept or reject the plan, although a Soviet statement published in Cairo to the effect that the USSR would comply with any plan the UAR approves suggests anticipation of UAR rejection.

The UAR has given no indication of easing its 6 June order which closed the Syrian-Jordanian border. The closure, which bars Jordanian access to the all-important truck route from Beirut, has stepped up Jordanian pleas for US assistance in construction of the desert road linking Amman with the Gulf of Aqaba. The problem will be high on the agenda for discussions by Hammarskjold during his visit to the area.

Sudan

The public military court-martial of Brigadiers Shannan and Abdullah, leaders of the Sudan's abortive 22 March coup, opened on 21 June as scheduled. The testimony of the army officers who were the witnesses for the prosecution appeared damning. In addition to Shannan and Abdullah, it implicated Major General Hamid, who is a Supreme Council member, minister of agriculture and irrigation, and the strongest Ansar sect adherent in a ministerial post.

In Hamid's own testimony, he admitted he had had a few hours' advance knowledge of dissident officer and troop movements toward Khartoum, but said he had been unable to find Prime Minister Abboud to tell him. 25X1

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The Sudanese Government has reportedly placed him under "rigorous house arrest."

It thus appears that Prime Minister Abboud remains determined to continue strong disciplinary measures against the rebellious officers. He is concerned not only with demonstrating to all army personnel that his military government runs the army, but also with denying the coup perpetrators the opportunity for another try. In this respect, the core of the dissident officers' movement--Brigadier Shannan, his junior officer brothers, and their associates--would constitute an immediate threat if they went free. Mild

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

disciplinary action against Brigadier Abdullah and Major General Hamid would probably involve much less danger.

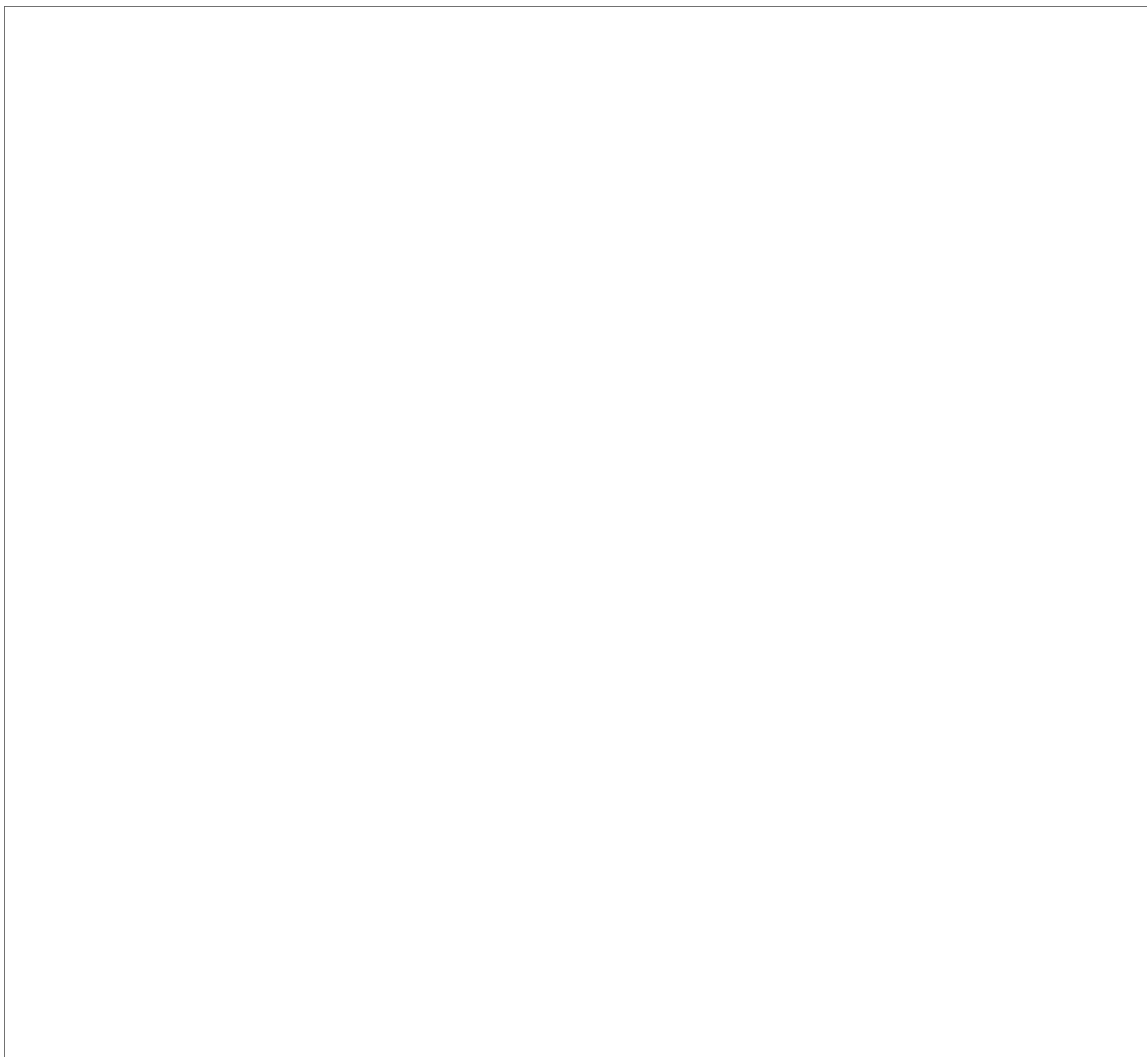
terim will become completely discredited.

Yemen

Yemeni Crown Prince Badr's hold over local loyalties may be growing more tenuous, and members of the Imam's party--including Badr's rival, Prince Hasan--now in Rome apparently intend to keep the ailing Ruler there for some time in the hope that Badr in the in-



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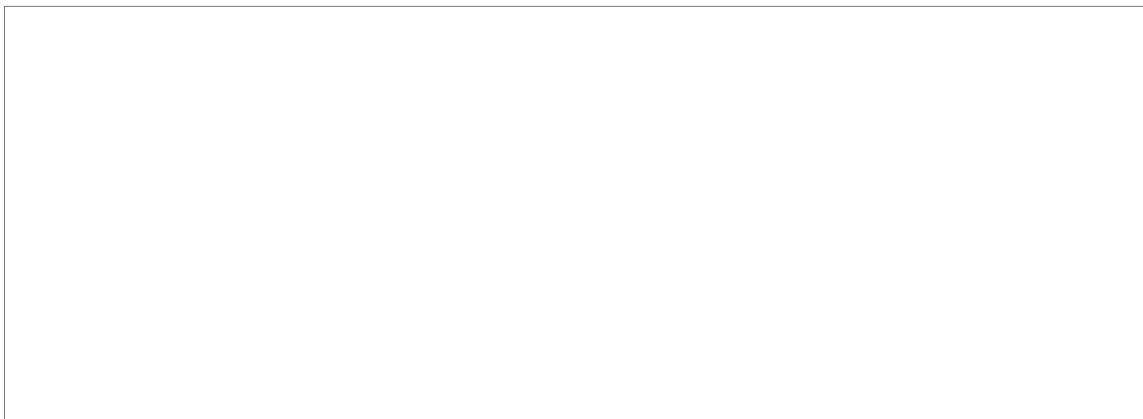
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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

25X6

**PROBABLE EAST GERMAN REACTION TO PRESIDENTIAL ELECTION IN BERLIN**

The East German regime, despite earlier threatening statements, will probably not do anything to interfere seriously with the West German presidential election in Berlin on 1 July, nor are the Communists likely to attempt to apply unusual pressure on the West during the Geneva conference recess.

The East Germans, however, may attempt to intimidate delegates bound for Berlin via surface transport by such harassments as prolonged border formalities or detainment along the road for traffic violations.



"worker" groups and troublemakers may be used for protest demonstrations and disturbances in West Berlin.

During the past few weeks there have been several veiled threats in the East German press that the "provocation" of holding the election in West Berlin would be met with a blockade.

In each case, however, the threats were obscure enough that the Communists were not publicly committed to follow through. For example, propagandist Gerhard Eisler said on 6 June, "It was not at all easy for me to persuade these Berliners to remain patient, in view of this new provocation."

The Communists are not likely to take any action which would actually prevent delegates from reaching or leaving West Berlin, for such action would result in unfavorable publicity at a time when the German Democratic Republic (GDR) is striving to establish itself in Western eyes as a respectable country.

The GDR's most likely move is an intense propaganda campaign designed to show that holding the election in West Berlin is illegal and particularly provocative at a time when the big-four powers are attempting to find a solution to major problems. The Communists also will probably draw comparisons between their reasonable posture and West Germany's rearmament policy. Such minor gains in

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

recognition as Foreign Minister Bolz' appearance at Geneva and qualified Western acceptance of East German access controls will be exploited in an attempt to promote the GDR as a sovereign state.

The East Germans will probably also carry out minor harassments during the foreign ministers' conference recess in order to try to weaken the resolve of individual Western countries to stand firm on the Berlin issue.

A separate peace treaty will probably not be signed with the Soviet Union during this period, however, and major steps to interfere with access--such as turning over the controls to the East Germans--are unlikely. Some effort to restrict movement across the West Berlin borders may be made, however. Such action has already been suggested by reports that the number of persons permitted to cross the borders to work in the Western sector will be reduced.

25X1

SIGNIFICANT OIL FIELD DISCOVERED IN YUGOSLAVIA

Yugoslavia has recently completed initial exploration of an oil field in Croatia which is one of the largest in Europe outside the Soviet Union. The field, located at Struzec in Croatia, closely resembles geologically the "great fields of California and Venezuela,"

raised by about 166 percent--sufficient to make Yugoslavia self-sufficient. A preliminary estimate, which may be conservative, places the field's reserves at approximately 22,-000,000 metric tons.

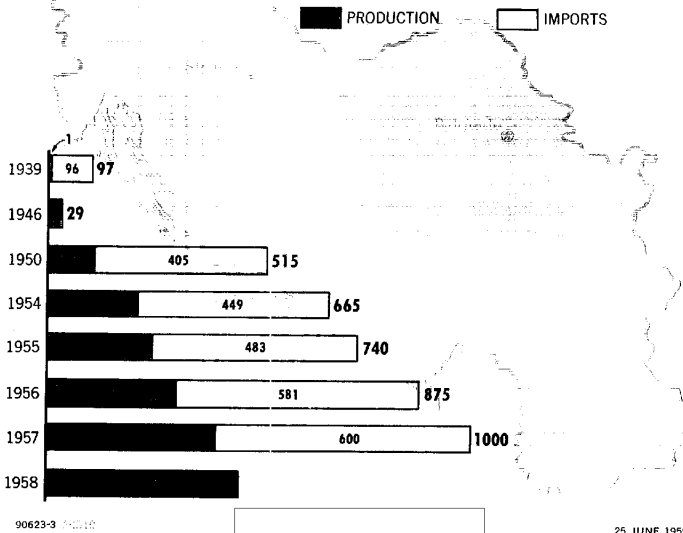
This discovery has important implications for the Yugoslav economy and deprives the Kremlin of a potentially powerful weapon in its dispute with Belgrade. Yugoslavia used 1,000,000 metric

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Exploratory work on the field was begun by the Germans during World War II. The Yugoslavs drilled their first well in the area in 1952 but did not find oil. Their second well, sunk in 1956, did strike oil, however, and 19 other wells have since been drilled. When in production, these wells will be capable of producing at least 750,000 metric tons per year as compared with a total 1957 Yugoslav crude-oil production of 400,000 metric tons. Thus production would be

YUGOSLAV CRUDE-OIL REQUIREMENTS
(1000 METRIC TONS)



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25 JUNE 1959

25X1

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

tons of crude oil in 1957, of which 45 percent came from the Soviet bloc. Recently the satellites--as part of the bloc campaign of economic harassment--have refused to guarantee delivery of important items such as crude oil and coking coal. This April, for example, Rumania, which supplied Yugoslavia with 70,000 metric tons in 1957, refused to include crude oil in its 1959 trade protocol with Belgrade.

The new discovery holds out the hope that Yugoslavia may be

able to eliminate a serious drain on its foreign exchange. If the field is exploited properly and the wells produce at maximum efficiency, Yugoslavia by 1963 will be second to Rumania in crude-oil production in Europe. Effective development could lead to an export surplus of crude oil and refined petroleum products, which in turn would serve as an important source of foreign exchange.

25X1

POLAND CONTINUES TO SHOW INDEPENDENCE IN INTERNAL AFFAIRS

Although Poland apparently still has Moscow's consent to carry out its independent internal program in return for full support of Soviet foreign policy objectives, open criticism of each other's cultural policies has recently been voiced by regime representatives. Furthermore, Gomulka has recently reiterated the unique Polish attitude toward collectivization. Despite these divergencies, however, Khrushchev is apparently satisfied with the stability achieved in Poland and probably does not want to introduce changes at this time which might upset it.

Polish publications continue to respond strongly to Soviet criticism of developments in Poland. A Polish literary magazine criticized the third and last volume of the Soviet publication History of Poland for its treatment of the pre-war history of the Polish Communist party and for its "impoverished picture of society

and the nation and even of the working class."

During the third USSR Writers' Union congress, in May, the chief Polish delegate reportedly gave a speech strongly defending freedom of expression for writers. Moreover, the Polish exhibit at the bloc-wide art exhibit in Moscow in March drew heavy critical fire from Soviet commentators for its abstractions. The USSR Writers' Union paper criticized Polish abstract art as "exaggerated, subjective... rejecting ideology...and fundamentally foreign to our social outlook." Soviet criticism has had no visible effect on Polish artists, and the Polish regime will probably not demand conformity with Soviet practice in this area, even though it is attempting to eliminate revisionist literature by various restrictions.

Another consistent departure from accepted Soviet practice is in the field of agriculture,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

where Poland continues to support the private farmer. In his speech to the second plenum of the Polish Communist party on 22 June, Gomulka did not advocate any major policy changes in agriculture. He shelved collectivization as a "distant" though "inevitable" project. He did, however, call for a more rapid development of the agricultural sector in 1959-1965 than was envisioned at the third party congress in March.

By heavy investments, mechanization, greatly expanded building, and credit plans, as well as by greater party activity through the quasi-socialist

agricultural "circles," the regime hopes to increase production and lay the basis for establishing some lower form of agricultural collectives.

Expansion of the agricultural circles--a loose form of cooperative--in the form envisioned at the plenum will make the farmer more dependent on the regime. However, the announcement of this program just prior to the harvest season--a period when the peasants are usually not subjected to pressures to collectivize--suggest that during the next few months the party will not take any harsh or coercive action.

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BAD WEATHER A BLOW TO COMMUNIST CHINA'S AGRICULTURAL PROSPECTS

Excessive rains have brought bad floods in South China, and wind, hail, and drought have damaged crops in other parts of the country. The rich, rice-producing Pearl River delta in Kwangtung is threatened by what Peiping calls a "once-in-a-century" flood, although no major dike breaks have yet been reported. The East River valley in Kwangtung was swept by record floods which also have hit a number of areas of the neighboring provinces of Kwangsi and Fukien.

Millions of peasants have been mobilized to raise and reinforce dikes. Military and civilian aircraft as well as naval and merchant vessels have been pressed into service to carry relief supplies and rescue those marooned by high waters.

Earlier in the month Peiping complained of damage by hail, rain, and windstorms in

the important winter wheat regions of Central and North China. Heavy rain damaged ripening winter wheat in a wide belt from Wuhan on the Yangtze River northward through Honan Province toward Peiping, and hail and rain damaged wheat in Hopeh and Shantung provinces. A drought has persisted in Manchuria since last fall, with only a slight respite this spring.

It is still too early to assess the damage done by bad weather to crops and food supplies. Late crops, which form the most important part of total annual output, have not all been planted. The problem of accurate assessment is complicated by the fact that the leadership has good reason to overplay the extent of this year's natural calamities as a hedge against failure to reach overly ambitious targets.

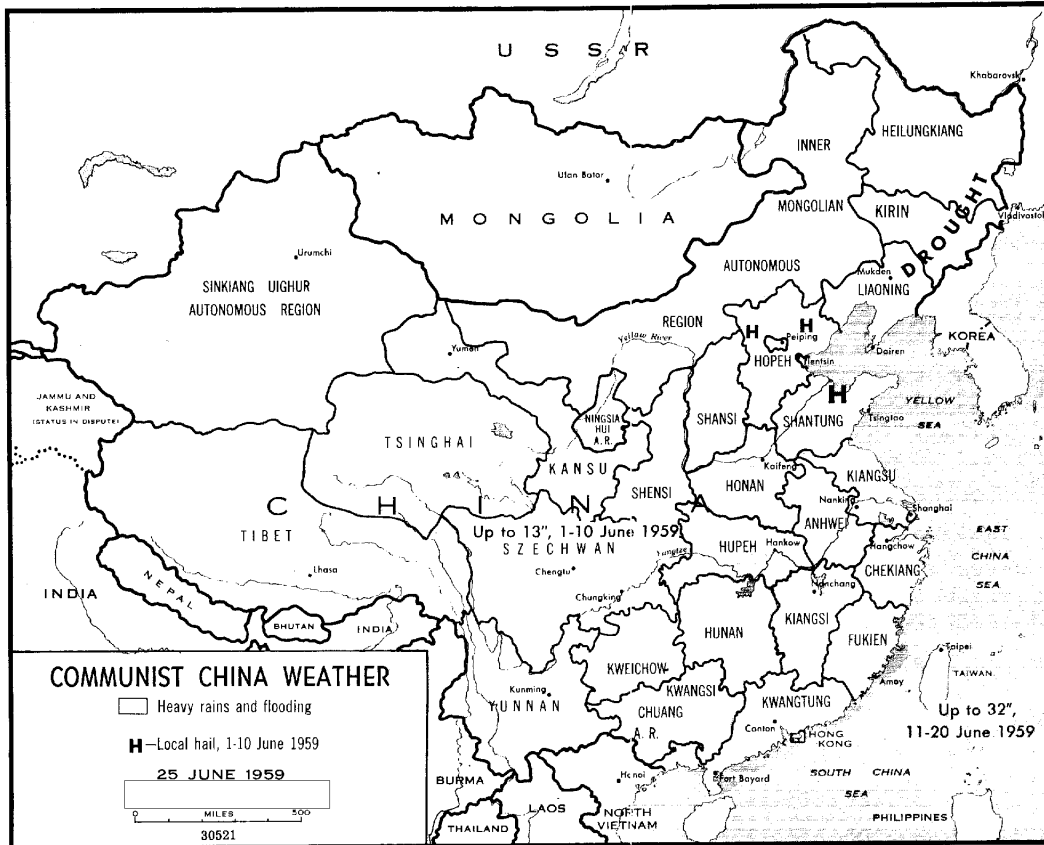
A recent editorial in People's Daily reflected Peiping's

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959



25X1

growing disenchantment with its ultra-intensive farming practices and warned that bumper harvests might be followed by poorer ones. People's Daily on 23 June pointed to the Kwangtung flood as evidence that China's flood control is still very limited--a complete reversal of the cocky attitude which still prevailed in Peiping when this year's excessive agricultural targets were announced.

While Peiping may be maneuvering to prepare for a retreat from the fantastic grain production target of 525,000,000 tons, considerable damage has been done which will aggravate already existing food shortages--especially in South China, where the shortages have been particularly severe.

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(Prepared by
ORR)

PEIPING DIVERSIFIES TACTICS TOWARD LATIN AMERICA

Peiping has recently been conducting an intensified drive to exploit anti-American sentiment in Latin America and establish strong contacts there. The campaign has involved a variety of tactics.

Spanish-language broadcasts from Peiping have approximately doubled since the visit of top Latin American Communists to China last March. The dominant theme in these broadcasts has been the "mounting struggle"

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

against US imperialism." Peiping, attempting to draw a parallel between Latin American unrest and China's emergence from foreign domination, has charged that the United States has taken measures to stem revolt attempts against the regimes of Nicaragua and the Dominican Republic, and stressed American objections to proposed Cuban land reforms. Commentary has stressed the Communist line on land reform, "peaceful co-existence," and freedom of organization for the working class.

A delegation of Chinese "journalists," led by an individual from the propaganda department of the Chinese Communist party central committee, is touring Latin America. In Chile and Uruguay the group met legislators and visited local newspaper offices. Now in Brazil, it reportedly will also visit Cuba and Honduras.

In Uruguay the "journalists" attempted to hire local reporters for the official New China News Agency (NCNA). The NCNA would probably use these reporters to guide it in preparing propaganda broadcasts to Latin America. NCNA's new office in Havana, apparently its first in the area, is said to be actively making contact with local Communist and government press agencies and reportedly plans to set up a

Chinese newspaper to influence the Cuban Chinese community, the largest in Latin America.

In carrying out a program of "people's diplomacy," Peiping has been extending invitations to diverse Latin American groups. Top-level attention, including an audience with Mao Tse-tung, has been accorded the visit of legislators from Peru and Colombia. These groups, the first Latin American parliamentary delegations to visit China, are to be followed by one from Bolivia.

Peiping is also playing host to representatives of women's, student, and Communist youth organizations, trade-union delegations, and former government officials. No Latin American country recognizes Peiping, and, in talks with the visitors, Chinese officials have discreetly avoided any mention of diplomatic relations. Instead, their comments have expressed hope for the building of "warm friendship."

However, Ernesto "Che" Guevara--a high-ranking pro-Communist military subordinate of Cuban Prime Minister Castro--reportedly plans to go to China after his current visit to the UAR, and Peiping may discuss with him the possibility of diplomatic relations.

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THE STRIKES IN ITALY

In Italy's current strike wave, the non-Communist unions are being forced into unity of action with the Communist-dominated labor confederation, (CGIL), largely as a result of management's refusal to discuss wage demands. Further labor unrest is likely to encourage moves

against Premier Segni from pro-labor and other elements in his own Christian Democratic party which are already resentful of his dependence on the monarchists and neo-fascists for parliamentary support.

The Italian merchant marine has been almost paralyzed by the

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

seamen's strike, which began on 8 June with the support of the Christian Democrat - and Democratic Socialist - oriented labor organizations as well as of the CGIL. Shipowners have rejected demands for a 30-percent increase in wages and fringe benefits. The minister of merchant marine has in effect sided with the shipowners by announcing he will not negotiate with the seamen until they return to work.

The bank clerks' walkout is more than a week old, a nationwide railroad strike is threatened, and a 48-hour strike by some one million steelworkers and metalworkers is scheduled for 26 June. A previous strike by all the metalworkers' unions on 4 and 5 May in protest against management's refusal to discuss wage raises in negotiations for a new national contract was heavily supported in northern Italy.

The aggressive leadership and greater strength of the CGIL have enabled it to seize the initiative in strike action. The less well-organized free unions have been compelled to follow suit, particularly since the government's dependence on the rightist parties in parliament has largely dashed labor's hopes for successful mediation.

A spread of strike action to other sectors of the economy and prolonged deadlocks in negotiations would further threaten Christian Democrat party unity. On 18 June, ex-Premier Scelba told the press that he and 52 other parliamentary deputies intend to mobilize the rank and file of the Christian Democrats to support a call at the party's national congress in October for a rejection of the alliance with the right and a return to a coalition with the small center parties.

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DIEFENBAKER'S POLITICAL STANDING IN CANADA

For the first time since he assumed office two years ago, public opinion polls show a marked decline in the popularity of Canada's Prime Minister Diefenbaker. Although this is probably due mainly to the economic recession from which Canada is only now recovering, his government is also under fire, even from his Conservative party, for its handling of Canada's defense program. Criticism centers on what is considered an inept defense of the decision to abandon the CF-105 interceptor program and substitute instead the US Bomarc missile. The Liberal opposition has apparently benefited from its intensive needling of the government on this issue, for it showed unexpectedly large

gains in the 11 June provincial elections in Ontario, a Conservative stronghold.

Diefenbaker is extremely sensitive to any indications that he is losing personal prestige. In an effort to regain public support, the prime minister is believed planning a major cabinet reshuffle when the parliamentary session ends, probably late next month. The able young minister of transport, George Hees, will probably be advanced to the important Trade and Commerce Ministry, and as many as six other members may be dropped from the cabinet.

In his selections so far, Diefenbaker's prime requisite

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959



DIEFENBAKER



GREEN



HEES

has seemed to be personal loyalty. The 4 June appointment of his closest colleague, 63-year-old Howard Green, as external affairs minister, is a case in point. Informed Canadian observers acknowledge Green's capability in his previous posts of minister of public works and leader of the House of Commons but fear that his lack of experience in international affairs and his old-fashioned approach will cause many problems for the government. Personal loyalty is also said to have

prevented Defense Minister Pearkes from opposing the prime minister's budget-minded concept of Canadian defense despite Pearkes' own uneasiness about its inadequacy.

It is likely therefore, that any new cabinet will still be strongly dominated by Diefenbaker with his preference for "one-man government" and his conviction that he is the only leader qualified to uphold Canada's national interests, particularly in its trade and defense relations with the United States.

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DISORDERS MAY OCCUR SOON IN BELGIAN CONGO

Nationalist-inspired disorders, possibly leading to wholesale violence against some 20,000 whites, may break out soon in Leopoldville in the Belgian Congo. The native part of the city, numbering some 350,000 persons, is reported tense and awaiting a statement from Belgium's Minister of the Congo van Hemelrijck concerning African political demands.

The Africans are led by Joseph Kasavubu, who, accused

of playing a major role in the violent riots last January, was jailed and then released without trial and taken to Belgium. Kasavubu demands that a regional "Republic of Central Kongo"--to include only the southwestern part of the Congo from Leopoldville to the ocean--be established by 1 January 1960. His plans call for the election of a president in mid-December 1959, with the election campaign to begin next month. Brussels, however, is unlikely to accept any such program.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

Kasavubu's recent activities and anti-Belgian statements suggest that despite extensive efforts by reformist Minister van Hemelrijck, Brussels has failed to win the cooperation of this prominent African leader for a program of rapid but orderly political evolution. Kasavubu has indicated a complete lack of confidence in all Belgian officials except Van Hemelrijck; he also believes the territorial and municipal council elections scheduled for November will be rigged. His scheme for a separate tribal republic is incompatible with Belgium's plans for a unified Congo state and would probably be opposed by most African leaders from other parts of the Congo.

While Kasavubu represents primarily a regional, tribal movement--the ABAKO--other Congolese have also become critical of Belgium's efforts to implement its policy statement of last 13 January. This envisaged Congolese independence at a fairly early, but indeterminate, date.

Van Hemelrijck has taken definite steps in preparation for the elections which emphasize the necessity of rapid

"Africanization" of the Congo administration. He has appointed a Congolese to the board of directors of Sabena Airlines, suggested that Congolese university graduates serve on the governor general's staff, and plans to present draft decrees granting the Congo freedom of the press, association, and assembly. However, conservative elements in Brussels have opposed these moves, and the white settlers in the eastern Congo have shown their hostility based on fear for their future in a Congolese state.

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NEW JAPANESE GOVERNMENT

Prime Minister Kishi's inclusion in the new Japanese cabinet of factional leaders formerly opposed to him promises a new alignment in the ruling conservative party, broadens support for Japan's policy of cooperation with the United States, and could have a stabilizing effect on the political scene. The strengthened cabinet should

help Kishi achieve his immediate aims of revising the US-Japanese security treaty, developing a ten-year economic program, and changing the election districts to favor the conservatives in future elections.

Kishi has placed his close supporters in the key posts of foreign affairs, finance, justice,

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

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SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

and agriculture and forestry. While he has included influential factional leaders in the cabinet and in party posts, they will be in positions limiting their opportunities to hamper his policies. The appointments should alleviate somewhat but not eliminate the chronic factionalism in the government and ruling party which has plagued Kishi.

Foreign Minister Aichiro Fujiyama and Finance Minister Eisaku Sato are the only holdovers in the cabinet, which will face an all-out fight with the Socialists over consideration of

anti-Kishi party faction, as the minister of international trade and industry. They view his appointment as a continuation of sound financial policies. Ikeda reportedly acquiesced when Kishi promised to prepare him to become prime minister in about 18 months.

Kishi was unable to satisfy all party groups, and the refusal of Ichiro Kono, an aspirant to the prime ministership, to accept a party or cabinet post leaves him as a rallying point for continued party factionalism.



KISHI

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IKEDA



FUJIYAMA



SATO

the security treaty at the Diet session this fall.

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Financial interests in Japan are generally pleased over the inclusion of Hayato Ikeda, a top leader of a previously

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CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

INDONESIAN ECONOMIC DETERIORATION

Indonesia's problem of racing inflation has been aggravated by the country's three-week political paralysis resulting from the Constituent Assembly's rejection of the 1945 constitution on 2 June and the army's subsequent ban on political activity. The free-market rate for the rupiah has declined by one third in the past two weeks, and an increasing number of shopkeepers prefer to barter products rather than to receive rupiahs. The prices of essential commodities continue to rise while wages remain relatively constant.

Nine government trading firms have a monopoly on imports, but have no capital and depend on credit from banks and the government. Most of these firms are directed by army officers whose commercial inexperience slows and tangles the arrival of essential imports. As the result of the shortage of raw materials, factories are working at less than 50 percent of capacity.

The chief pinch from the deteriorating situation is felt

by city dwellers--laborers, white-collar workers, and the armed forces--all groups which are important Communist targets. The economic crisis has not yet affected the majority of the population, which is engaged in subsistence agriculture and is relatively uninvolved in the monetary economy.

Swift and decisive action is needed if permanent and far-reaching economic and political damage is to be avoided. All political elements are awaiting President Sukarno's return to Djakarta on 29 June from his two months' trip in the hope he will break the impasse.

The Indonesian Army is apparently preparing plans for Sukarno's consideration on his return. Army representatives have consulted Sukarno during his tour, and Army Chief of Staff General Nasution has called a meeting of regional commanders stating that he "deems it necessary to take concrete action toward financial, economic, and political stability." 25X1

DALAI LAMA'S PRESS CONFERENCE

The Dalai Lama's press conference on 20 June, particularly his forthright condemnation of Peiping and his proposals regarding the future of Tibet, could increase friction between him and New Delhi. Apparently aware of this possibility, the Dalai Lama has stated that he does not intend to stay indefinitely in India or "embarrass the Indian Government." He apparently will wait out official Indian reaction for about two weeks and then request

a meeting with Prime Minister Nehru.

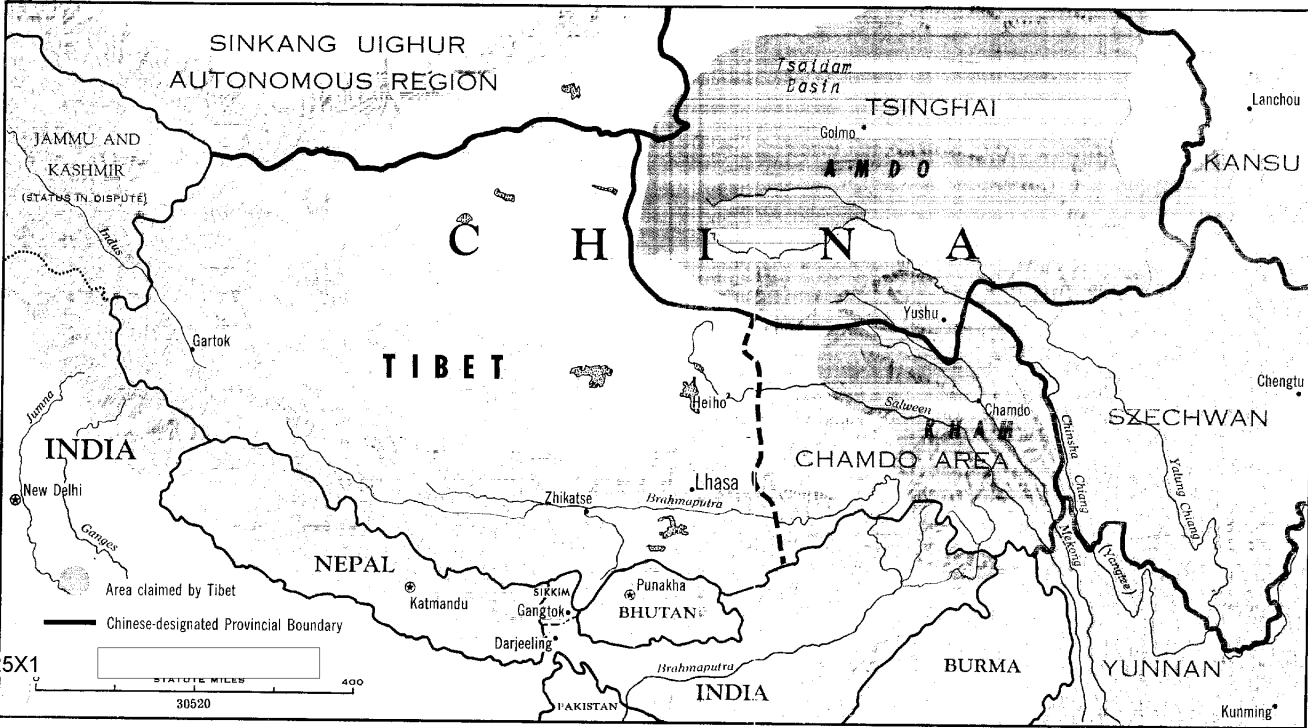
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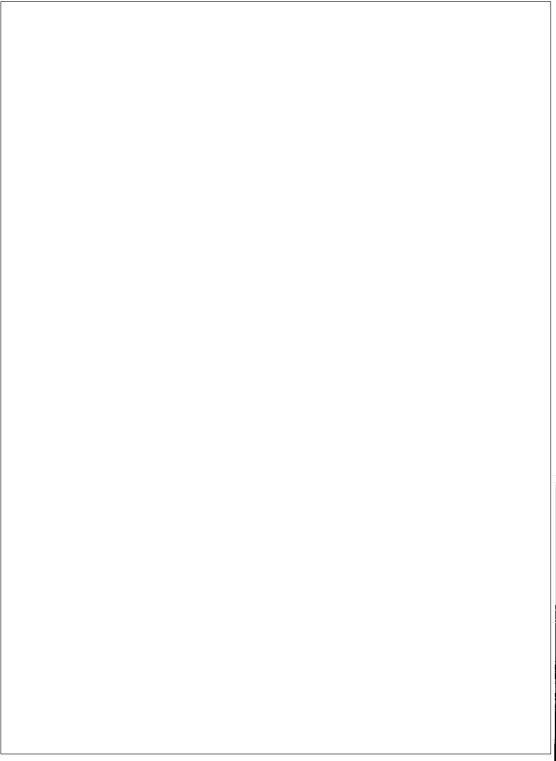
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CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959



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Some of the Dalai Lama's answers to questions by press reporters probably also disturbed New Delhi. For example, his statement that he considers himself head of a "government-in-exile" could be taken as an indication of his intentions to conduct Tibet's affairs from within India. Any such impression would be heightened by his suggestion for the creation of a "greater Tibet" which would enjoy both internal and external freedom and be guaranteed the return of the neighboring Chinese territory of Amdo and Kham.

Peiping has thus far chosen to ignore the Dalai Lama's statement, but may feel compelled to attack it after appraising its impact in nonbloc capitals. The Chinese delayed but eventually responded to the Dalai Lama's statement last April when they would have preferred to remain silent about him and his activities.

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SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

SITUATION IN KERALA

Agitation against the Communist government in India's Kerala State continues unabated. Political and communal opposition groups bent on ousting the Communists are staging demonstrations almost daily, and more than 6,000 persons have been arrested to date. However, there have been no serious clashes between the agitators and Communist-directed police since the incidents shortly after the campaign opened on 12 June--in which 12 persons were killed and many injured. In addition to student groups and labor unions, the Moslem League and two small socialist parties now have endorsed the "direct action" campaign led by the Congress and Praja Socialist parties.

Despite the opposition leaders' determination to press the fight to the end, their campaign may be weakened by indecisiveness in the top ranks of the Congress party's national leadership. Prime Minister Nehru, who earlier this month reluctantly approved the agitation on condition that it remain nonviolent, is increasingly concerned by press criticism that the Congress party in Kerala is trying to force an elected government out of office through unconstitutional means. In addition to possible damage to his party's position nationally, Nehru probably fears that his sanction of undemocratic tactics in Kerala will make it difficult

for New Delhi to counter use of similar methods by Communist and right-wing communal groups in such other key states as West Bengal, Andhra, Bombay, and Madras.

Nehru visited Kerala from 22 to 24 June to assess the situation personally. His conversations with Communist and opposition leaders in the state may lead to an attempted compromise between the warring groups. Such a compromise would bolster the Communist government's position in Kerala temporarily and renew its determination to stand firm.

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Demonstrations against the Communist government--perhaps accompanied by more violence--are likely to continue. The possibility remains therefore that New Delhi may eventually feel compelled to step in and impose direct rule in the state.

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PAKISTAN

The Pakistani military regime, in dealing with its many major problems, is maintaining an atmosphere of progress largely by making announcements of

forthcoming programs. Some tangible progress, however, is being made in land reform, refugee resettlement, and dismissal of corrupt government officials.

SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

In mid-June, the military regime made its first public commitment on the timing of the initial step toward a return to constitutional government by announcing that elections would be held this fall for representative councils at the local level. The first elections, for councils in six districts, are scheduled for 7 October, the anniversary of last year's coup.

At the same time, plans were announced for moving the national capital from Karachi to northern West Pakistan, where the climate is better. The relocation, probably some years off, would facilitate government contacts with army headquarters at Rawalpindi. The government, controlled predominantly by Punjabis and Pathans, apparently expects Pakistanis living outside the Punjab and Pathan areas to disapprove of the shift. It has announced plans for a secondary national capital in East Pakistan, apparently in the hope of lessening Bengali resentment of the Punjabis.

In addition, the regime probably restored its reputation for removing corrupt elements from government posts when in mid-June it dismissed 20 officials, forced the retirement of 75, and demoted 13 for corruption, inefficiency, or misconduct, all in East Pakistan. The people in East Pakistan had become disillusioned by what they considered premature army withdrawal from the daily administration at the local level. They felt that the corrupt civil-service officials who ran the government before the coup were still doing so.

The National Bureau of Reconstruction, which has the avowed purpose of educating the people on the responsibilities of citizens, has acquired a staff and will probably become more active in the informational field. One of its first acts has been the seizure of the pro-Communist Pakistan Times.

Some progress is also being made on politically important economic problems. Housing is being built on the outskirts of Karachi for refugees from India and Kashmir who have been a center of discontent since 1947. An estimated 70,000 refugees will be resettled by the end of summer. The minister for refugee rehabilitation has secured a new credit from West Germany for \$28,000,000, part of which will be used for the resettlement program.

The land-reform program apparently remains on schedule. Hearings are being held on the acquisition by the government of about 2,500,000 acres of land from some 3,000 landlords. About 1,250,000 acres are expected to be cultivable and are scheduled for distribution to 100,000 tenant farmers by October 1959.

All of these programs except refugee resettlement are likely to provoke opposition from specific interest groups. The regime, therefore, will probably press hard to produce early benefits from its plans in order to secure additional popular support.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959



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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

DE GAULLE'S FRANCE

De Gaulle seems confident he has successfully established a broad pattern for a renaissance in France's political, economic, and social structure, and he now is intent on instilling in both countrymen and allies his sense of France's "mission." The Fifth Republic is less authoritarian than anticipated a year ago, national unity has coalesced under his leadership, and France's international prestige is widening. Nevertheless, De Gaulle has still to solve the problems of Algeria and of political stability after his departure, and his insistence on big-power international status is threatening the Western alliance.

Having achieved his initial long-range objective of overhauling France's political institutions, De Gaulle now is concentrating on developing a spirit of national harmony based in part on an appreciation of French history and in part on a profound social evolution he hopes to achieve. He is encouraged in this hope by the rapidity with which financial stability has been regained, and by the outlook for further economic expansion.

In the series of tours he is making to all parts of France, he seems to be trying to revive in his countrymen his ideal image of France as the flower of centuries of Western civilization. He combines praise and admonition in stressing repeatedly that "France cannot be herself without being great." With surprising vigor he has developed a warm personal approach in his appeal for national unity, which he cites as a basic necessity for a solution to France's most urgent problems.

De Gaulle's Political Role

De Gaulle's desire to be supreme arbiter of a democratic but politically stable France explains both his strategy and tactics in the past year. He has maneuvered carefully from the beginning to avoid becoming a "prisoner" of the conservative-military alliance which precipitated his return to power. He included in his provisional government Socialists, Popular Republicans, and Radicals identified with the old "party system," and refused to outlaw the French Communist party.



DE GAULLE

The new constitution is a compromise between the authoritarian presidential regime De Gaulle once advocated and the Fourth Republic system in which the National Assembly was supreme. He had hopes that its provisions for presidential arbitration between the government and parliament would be facilitated by the election of an assembly fairly evenly balanced between left and right. However,

by maintaining personal control of key problems, he has made the best of the situation resulting from the election in November of an overwhelmingly rightist-oriented assembly.

He warned the new deputies, under threat of dissolving the assembly, against attempting to undermine the reforms decreed by his provisional government and encouraged a "leftist Gaullist" group which suspects the long-range aims of the dominant bloc of Independents and members of the Union for the New Republic.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

Economic Resurgence

In the bold economic reform program instituted largely on the advice of Finance Minister Pinay, De Gaulle has shown willingness to rely on professional guidance in areas where he lacks technical competence. The currency reform, trade liberalization, and austerity programs now in effect are basically the financial stabilization measures long recommended by the International Monetary Fund for sound economic growth. Their success to date owes much to the fundamental progress in reconstruction and plant modernization begun under the Fourth Republic, but De Gaulle's authority was essential to induce vested interests to accept an end to subsidies, protected markets, and uneconomic public services.

Despite curtailment of social benefits and the reduced purchasing power which the austerity program imposed on the working class, labor showed great self-restraint in deferring claims for long overdue wage increases. The government's increasingly optimistic statements on the improving foreign exchange situation, however, and the definite signs of economic recovery from the slight 1958 recession have encouraged labor demands. Some wage adjustments may have to be made in the nationalized industries this year rather than in 1960, as the government had hoped. Working-class discontent may also be alleviated by plans to improve educational opportunities for children of low-income families, and by greatly expanded housing construction.

De Gaulle and Algeria

De Gaulle probably never envisaged an early solution to

the Algerian problem. He has concentrated primarily on calming the atmosphere of the 13 May 1958 coup, and avoided specific commitments. Accepting the need for army support to carry out any policy in Algeria, he agrees with the army that genuine political, economic, and social equality should be granted to the Moslems and that the privileged position of the European settlers is incompatible with this goal. The army now seems ready to obey De Gaulle in any showdown with the settlers, who are indignant over the failure to adopt a policy of complete integration of Algeria with France.

De Gaulle has left open a decision on the ultimate relationship between Algeria and the metropole, on the grounds that the eventual political solution can come only from the Algerians themselves through universal suffrage. In the meantime, he is pressing the economic organization of Algeria which will permit France "to forge indissoluble bonds" with the area. He insists that only a thorough social and economic evolution will save Algeria for France. "If this evolution fails, even pacification is completed, Algeria will be quickly lost to us. Papa's Algeria is dead."

Recent French military successes have encouraged the view in Paris that the victory demanded by the army is in sight. The French Government seems increasingly inclined to view the outcome of the war, now in its fifth year, as depending on the active support of France's allies for French policy. While De Gaulle waits for the rebels to accept a "peace of the brave," however, his time may be running out on the clock of international opinion.

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

De Gaulle and the West

The difficulties for the Western Alliance anticipated when De Gaulle came to power have been gradually emerging in recent months. De Gaulle recognizes the necessity of the Western military alliance, but he insists that the will of a nation to fight for its ideals will deteriorate if its national sovereignty is in any way impaired. He argues, moreover, that NATO no longer corresponds geographically to strategic realities, and that the defense of Europe cannot be separated from that of Africa and the Middle East.

One aspect of his thinking in this regard may be a desire to see France as the keystone of a Eurafrikan community large and strong enough to stand up to the United States or the USSR. As its president, De Gaulle has so far successfully pre-empted the decision-making functions for the French Community. He presumably hopes its institutions and working patterns will be well established by the time African representatives push their claims for a more important role.

While De Gaulle has taken the position that France would honor existing commitments to the six-nation European community, the Debré government has not hesitated to hamper the Coal-Steel Community High Authority, and the tendency has been to encourage bilateral rapprochements with France's larger Continental neighbors. The French-German relationship is the most noteworthy example, but stronger Italian and Spanish ties seem to be envisaged also. If the reunification of Germany were likely, De Gaulle might revise his views on French-German cooperation. His public recognition of the Oder-Neisse line against Bonn's wishes appears designed to conciliate Poland, where he spent some time after World War I and toward which the French have traditionally been friendly.

In any event, De Gaulle wants a tripartite US-UK-French arrangement to plan Western global political and military strategy. He wants a veto power for France on its allies' use of nuclear weapons and remains determined to achieve a nuclear-weapons capability for France.

The nuclear-weapons question is becoming an increasingly sharp irritant in France's relations with its allies as a struggle develops within the French Government over an early choice between modernization of the armed forces, including an expanded nuclear-weapon program, and continuation of the Algerian war. In any event Paris seems determined to test a nuclear weapon, probably by early 1960, regardless of any Big Three agreement on a test ban.

De Gaulle and the Bloc

Despite his current firm position on Berlin, De Gaulle views East-West relations in a long-range perspective which provides for France an "independent role" between East and West. He remarked cryptically last summer that "France is in the Western world, to which we belong without having to confine ourselves to it." He regards Communism as a transient phenomenon, and recently advanced the idea that as time passes the Soviet Union will become increasingly "Europeanized" as it becomes subject to pressure from Communist China. In the meantime he believes that the West must be very firm in opposing Soviet threats--as on Berlin--but always ready to talk.

He is undoubtedly sincere in his recent proposal for a joint East-West undertaking to assist underdeveloped areas of the world, but he also appears to regard it as a clever propaganda device to embarrass the USSR. In spite of American opposition to such a proposal, he will probably continue insisting on its inclusion in any summit agenda as another means of demonstrating French independence.

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SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

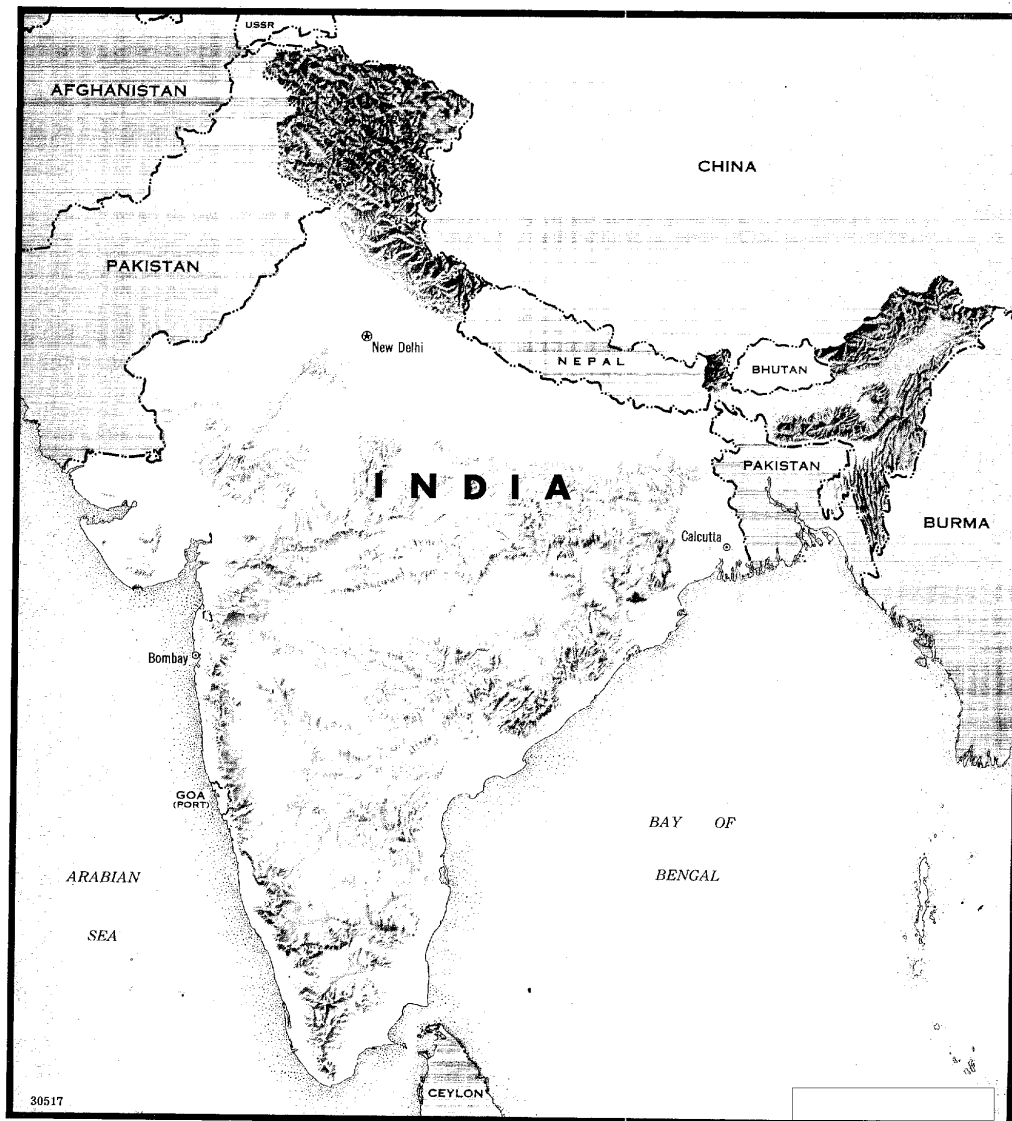
AGRICULTURAL PROGRESS IN INDIA

India's success in increasing agricultural production substantially during the past eight years has permitted a significant rise in food consumption despite a rapidly expanding population. Nevertheless, the caloric intake for most Indians is still low and their diet unbalanced. A rising population growth rate and demands for higher living standards make necessary even more rapid progress. New Delhi apparently has decided to give agriculture top priority during the Third Five-

Year Plan (1961-66) in an effort to raise crop production by an additional 45 percent.

The Natural Setting

India has the soil, water, climate, and labor to enable it to double or triple agricultural production. Over half of the country's 811,000,000 acres are cultivable, and much of the land is capable of supporting a highly productive agriculture. Since the climate is tropical or subtropical, crops can be grown



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CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

throughout the year. Most of the country has over 30 inches of rainfall a year--as much as the American midwest. Over 80 percent of the rain falls, however, in less than four months, during the monsoon period. Although India has one of the largest irrigation systems in the world, it utilizes only a small part of its rainfall potential.

Agricultural yields are among the lowest per acre in the world, largely because of poor farming methods. Farming practices and agricultural implements, although gradually

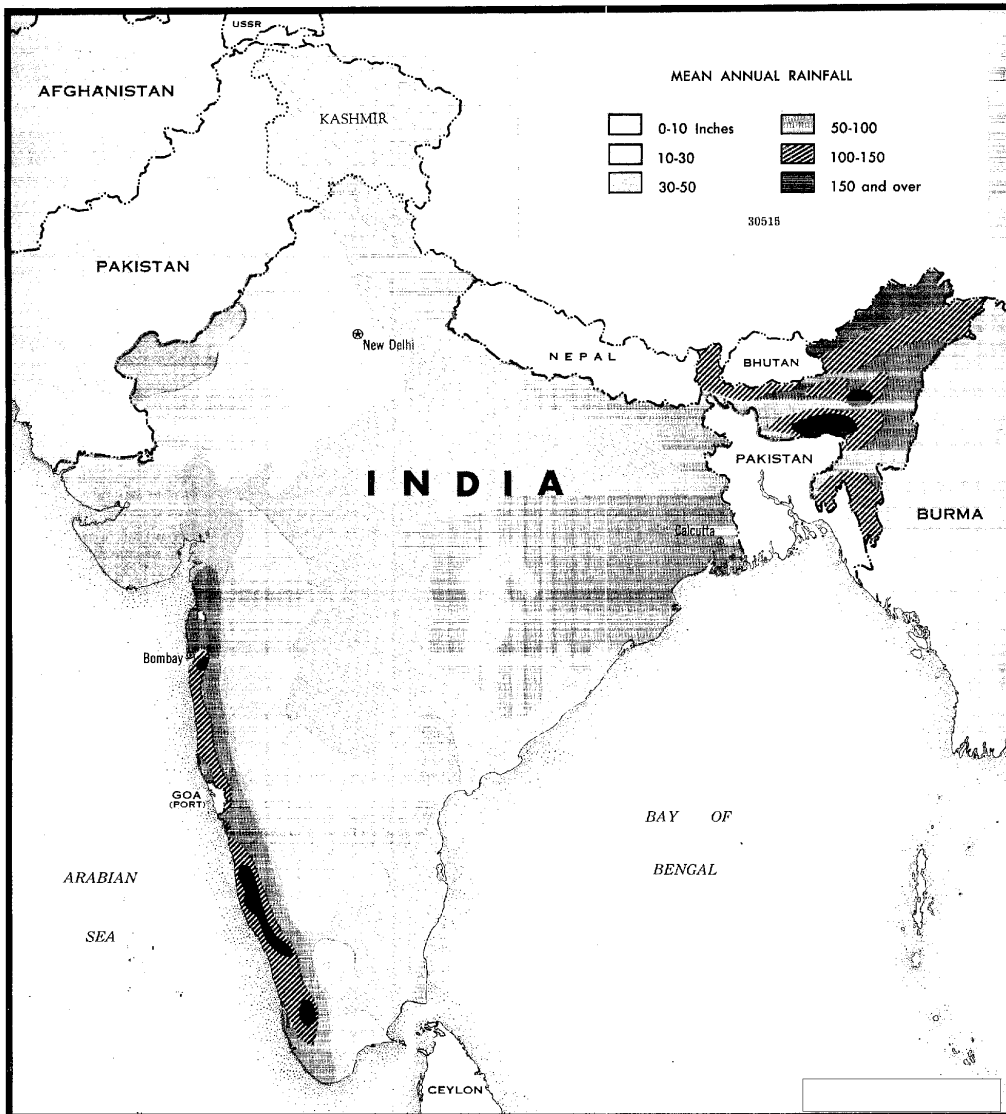
improving, are still generally the same as a hundreds of years ago. Despite the extent of irrigation, much of the irrigated land is not properly prepared to make best use of the water supplied. Seeds are still poor, and most animal manure is dried and burned as fuel rather than used as fertilizer.

Most of the land is cultivated in such small units that efficient production is difficult.

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CURRENT INTELLIGENCE WEEKLY SUMMARY

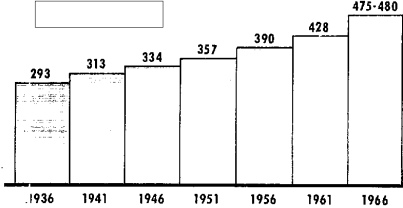
25 June 1959

Problems Since Independence

Production of food grains--the most important crops--in the present area of India declined slightly from the early 1920s to shortly after partition in 1947. Since the population in the same area increased from 248,100,000 to 356,900,000 between 1921 and 1951, there was a steady decline in per capita food supplies.

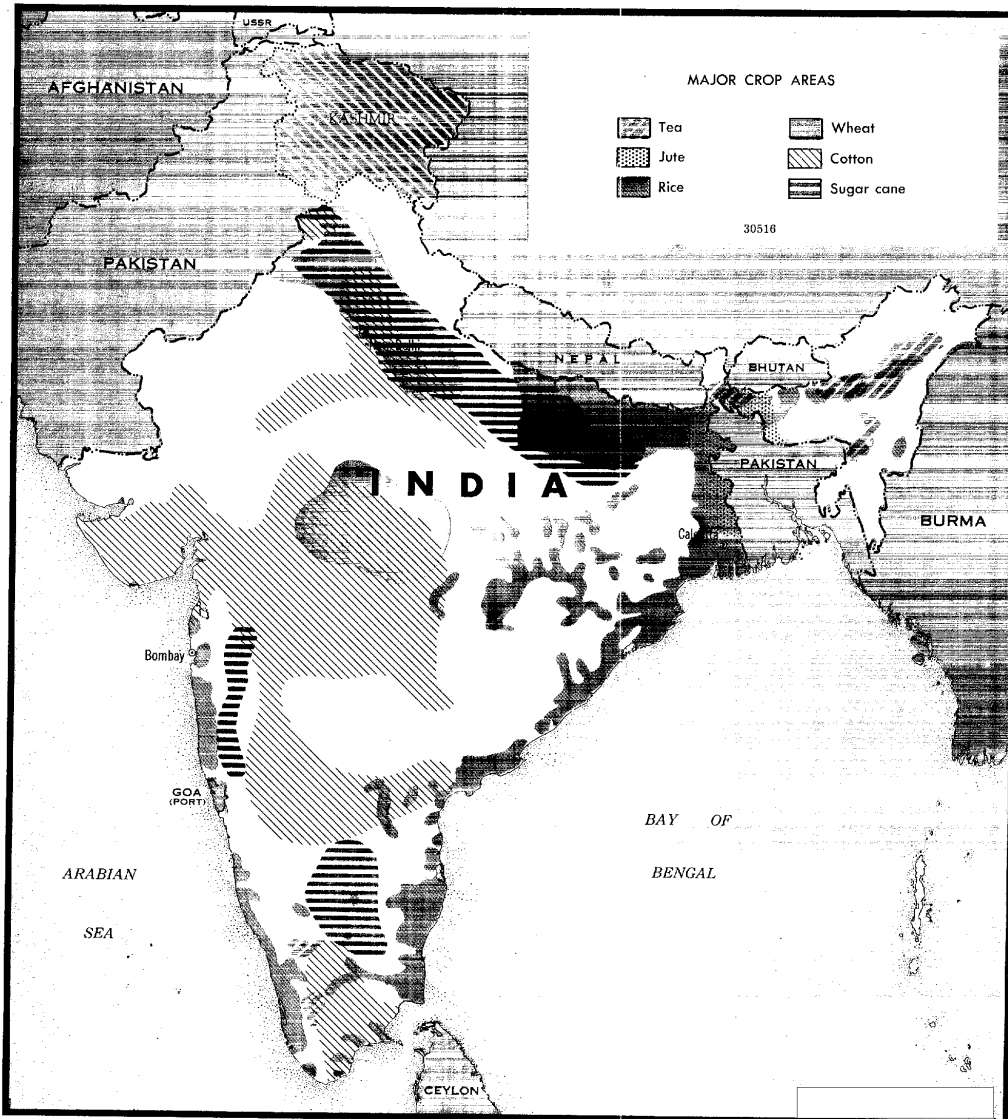
Partition of the subcontinent increased India's agricultural problems. In addition to losing a valuable wheat-producing area in the Punjab, most

INDIA: ESTIMATED MIDYEAR POPULATION (MILLIONS)



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of the best cotton- and jute-producing lands went to Pakistan, while nearly all the cotton and jute mills remained in India. Since relations between the two countries made it



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SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

politically impossible for New Delhi to rely heavily on imports from Pakistan and, since Karachi planned to construct mills to process its own cotton and jute, India had to increase rapidly the output of food-grains, jute, and cotton.

India made little progress for several years, however, except in the case of jute, largely because of unfavorable monsoons. During the years immediately following partition, New Delhi was forced to devote a major part of its energies to rejuvenating its war-worn transportation system, dealing with the refugee problem, and absorbing the former princely states.

During the late 1940s and early 1950s, per capita production of food grains stood at less than 13 ounces--1,300 calories--daily. Production of other foods raised this to nearly 1,700 calories daily--at least 25 percent below what is considered desirable, compelling the government to use its foreign exchange resources for food imports. The unusually poor crop year of 1950-51, when famine was averted only by a \$180,000,000 wheat loan from the United States, made government leaders realize that a major attack on agricultural problems could no longer be delayed.

First Five-Year Plan (1951-56)

The First Five-Year Plan (1951-56) placed major emphasis on agriculture, which received about 34 percent of the government's economic development expenditures. Irrigation was planned for an additional 8,500,000 acres of land, over a million acres were to be reclaimed, agricultural research was to be expanded, and a start was to be made on expanding fertilizer production and distributing better seeds. In addition, the Community Development Program and the National Extension Service were organized to end the

isolation of 550,000 villages and supply modern agricultural knowledge to the peasants.

New Delhi estimated that the program would increase the output of food grains 14 percent by 1955-56--from an average harvest before the plan of 54,900,000 metric tons to 62,600,000 metric tons. Production of other crops was also to increase 14 percent. While irrigation and community development programs were not completely fulfilled, the agricultural production targets were reached largely because of the adoption of better farming practices.

Actual production of food grains in 1955-56 reached 66,300,000 tons, and production during the two previous years--when there were particularly good monsoons--was even higher. Part of the increase recorded during this period probably resulted from better statistical coverage, particularly in the former princely states, and actual production during the base year may have been as high as 57-59,000,000 tons. Nevertheless, food-grain production increased by the 14 percent scheduled and may have risen even more.

Production of other crops also rose by approximately the 14 percent scheduled. Of the major crops, only jute fell substantially short of its target; cotton and oilseeds exceeded their goals and sugar cane fell somewhat short.

Second Five-Year Plan (1956-61)

Encouraged by the results of the first plan--which ended the stagnation of agriculture and enabled New Delhi to reduce food-grain imports from 4,800,000 tons in 1951 to 767,000 tons in 1955--government leaders decided that while agriculture would continue to receive substantial funds, the emphasis in the Second Five-Year Plan (1956-61) could safely be shifted to industrial

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

development. Food-grain production was scheduled to increase by 15 percent from 66,300,000 tons in 1955-56 to 76,200,000 tons in 1960-61, and production of other crops was to increase by 22 percent.

Early in the plan period, however, the government became increasingly concerned over inflationary dangers and recognized that the population was increasing more rapidly than previously estimated. They raised the target for the production of food grains by 1960-61 to 81,800,000 tons--23 percent more than 1955-56--without, however, allocating more funds to agriculture.

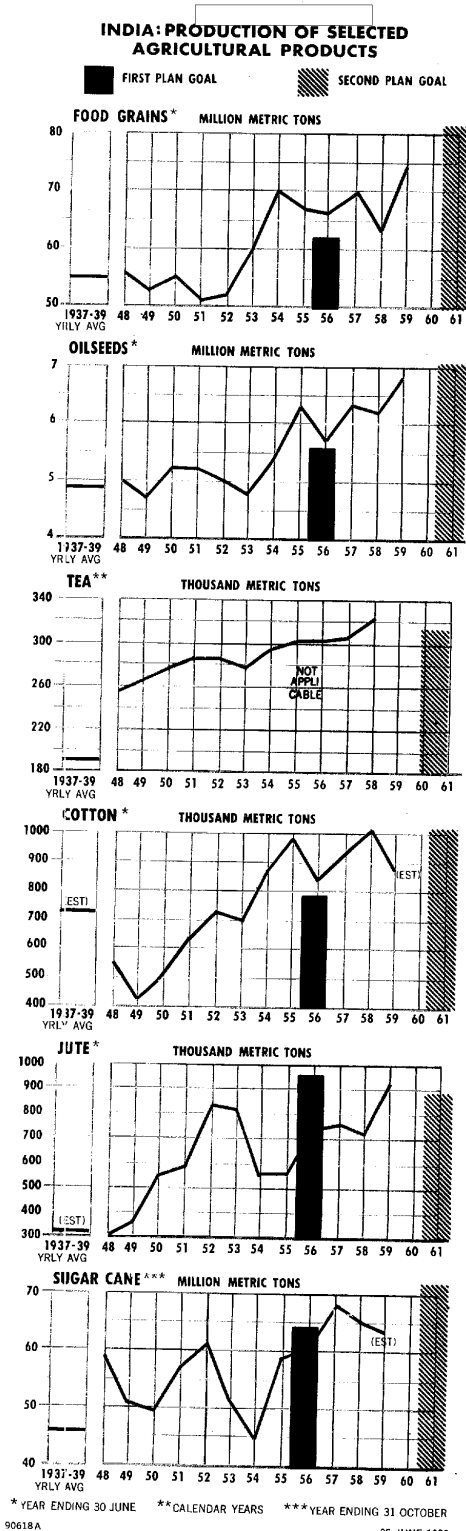
Production during the first year of the plan rose substantially, but a severe drought reduced production to 63,000,000 tons in 1957-58. The fact that the country was still so dependent on the monsoon apparently surprised many Indians, and plans were made to devote more attention to agricultural needs during the remaining years of the second plan. These efforts combined with a better than average monsoon during 1958-59 to raise output to 74,200,000 tons. Thus, India is likely to exceed the original goals of the second plan and may even reach the revised target.

Production of jute and tea surpassed the 1960-61 plan goals in 1958-59. Production of oilseeds is ahead of schedule, but output of cotton and sugar cane--which approached 1960-61 target levels in the early years of the second plan--declined somewhat this year.

Third Five-Year Plan (1961-66)

During the past 18 months, New Delhi has come to realize that the increase of nearly 30 percent in crop production since 1950-51 represents only a beginning toward meeting the country's needs. New Delhi now

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

intends to give greater emphasis to agriculture during the Third Five-Year Plan (1961-66) in order to more than double its rate of growth. The targets for 1965-66 now being discussed by the Planning Commission include 111,800,000 metric tons of food grains, 1,470,000 tons of cotton, 1,155,000 tons of jute, 91,440,000 tons of sugar cane, and 9,144,000 tons of oilseeds. In addition, New Delhi hopes to increase by 50 to 100 percent the output of such items as eggs, milk, and fish--products needed to provide a more balanced diet.

Outlook

India's chances of achieving such ambitious levels of production depend on two major factors other than normal weather conditions. The first, and least difficult, is the allocation of sufficient resources to agriculture. A sharp increase in funds and personnel devoted to agricultural research, irrigation, land reclamation and water management and to the production of chemical fertilizers, agricultural implements, and high-quality seeds will be necessary. Most of these costs will be rupee rather than foreign exchange costs, so it is within New Delhi's capacity to make the resources available. Since investment in agriculture yields a higher return than that in any other activity, such an allocation of resources would also tend to maximize economic growth.

The second and more difficult task is to organize the effort to aid agriculture in such a manner that the resources allocated actually help the peasant increase his production. Disseminating agricultural knowledge, improved seeds, chemical fertilizers, and consolidating the numerous scattered plots cultivated by most peasants--which average about seven acres--will require substantial improvement in agricultural administration, particularly at the

local level, in view of the approximately 50,000,000 farmers involved.

Even if New Delhi is able to make considerable progress in carrying out these tasks, there will still remain the problem of providing the incentives necessary to induce the peasants to make greater efforts. At present the peasant must pay from 25 to 75 percent on money he borrows from local moneylenders for seed, fertilizer, or other similar needs. Then, because he has little storage space, he must sell his crop to the local trader at harvest time--when prices are low. Faced with this situation, he often sees little reason to increase production when he receives little benefit from his efforts.

New Delhi has already decided to try to establish agricultural cooperatives throughout the country in the next three years to provide credit, seed, fertilizer, and agricultural implements at prices the peasants can afford. In addition, the government is considering the establishment of agricultural price supports to provide assured prices to farmers who are willing to raise production. Such a program would also require the construction of small storage warehouses throughout the country within the reach of the peasants.

Despite numerous indications that the government will allocate the necessary resources to agriculture, it probably will not be able to organize the necessary effort to carry out its programs on schedule. The establishment of agricultural cooperatives, in particular, is likely to take closer to ten years than three. The use of chemical fertilizer, which has quadrupled since 1951, seems unlikely to increase tenfold by 1966 as proposed.

Despite some shortfalls, however, India should be able to step up the rate of

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

growth of its agricultural production, and it should be able to produce nearly 100,000,000 tons of food grains by 1965-66. Such an increase would represent a growth of

production about twice as rapid as that of population, thus making possible a slow but steady improvement in the diet of the Indian people.

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THE SOVIET CONSTRUCTION INDUSTRY

The Soviet Seven-Year Plan (1959-65) for the construction industry calls for a volume of construction and installation work equal to nearly 90 percent of that carried out in the USSR since 1917. Greater mechanization--a topic of the current party central committee plenum --and related increases in labor productivity are vital to fulfillment of the program.

While gains in these fields have been impressive in the last ten years, plans for commissioning facilities in heavy industry were consistently underfulfilled during the Fifth Five-Year Plan (1951-55) and in the following years. Continuing shortfalls in meeting schedules have demonstrated that planning officials still impose tasks on the construction industry which exceed its recently strengthened capabilities. More realistic scheduling of project completion dates and increased efficiency are necessary to avoid disproportions in the economy which could jeopardize fulfillment of major 1965 production goals in other sectors of the economy.

Investment Patterns

Capital investment in the construction and construction-materials industries over the next seven years is to amount to 110-112 billion rubles--an increase of about 80 percent

above the investment made during 1952-58. The annual plan for 1959 calls for 14.3 billion rubles of capital investments in the two industries, close to the average annual investment of 15.9 billion rubles required to fulfill the Seven-Year Plan. The pattern seems to have been one of high percentage increases prior to the Seven-Year Plan, with the rates of increase falling off in the early years of the plan, and a nearly constant volume of investment in the later years. A similar pattern of investment growth apparently is scheduled for the cement industry.

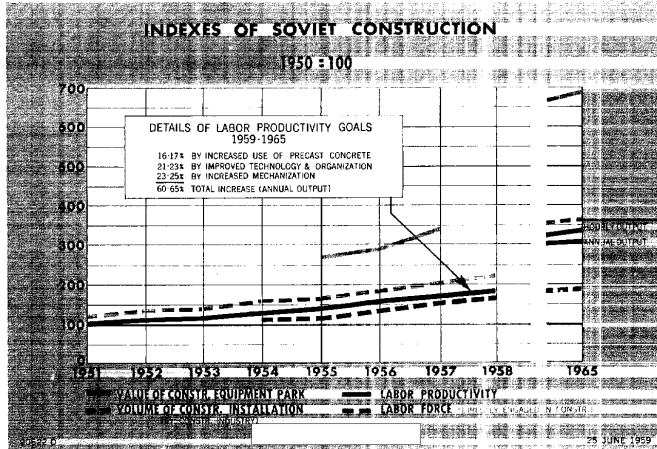
In contrast to the national pattern of investment growth in the construction and construction materials industries, regional patterns evidently are subject to a substantially different time sequence. Capital investments for these industries in the Karaganda Economic Region reportedly are "incorrectly distributed" under the Seven-Year Plan, with only 30 percent of the total allocated for the first three years. Moreover, Gosplan RSFSR reduced the investment allocation for development of the construction industry in Krasnoyarsk Kray by 30 percent in 1959 compared with 1958, despite the complaint that such investments should be accelerated in the first years of the plan in order to provide the base for fulfillment of the

SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959



cast components is to be expanded to about 200 cubic meters per million rubles of construction work, compared with about 113 cubic meters in 1957.

Technology and organization can be improved by reducing idle time of workers and by organizing most of them into teams of carpenters, concrete workers, bricklayers, and plasterers. Improvement of the wage structure in favor of construction workers

region's accelerated construction program.

Such complaints indicate that sufficient provision is not being made for the necessary early development of the construction base in at least some of the eastern regions of the USSR. Relatively heavy investment in the western areas, where economic returns are quicker, may once again be slowing the program for rapid development of the eastern areas.

Productivity - Mechanization

During the Seven-Year Plan, labor productivity in the construction industry is to be increased by 60-65 percent--16-17 percent by greater use of precast concrete components, 21-23 percent by improved technology and organization of construction, and 23-25 percent by increased mechanization of construction. Heavy restrictions on use of structural steel generally limit the choice to concrete poured in place or precast concrete components. The latter saves on labor, and by 1965 use of pre-

in recent years should continue to ease the problem of labor turnover in construction and thereby provide some gains in productivity.

Major attention is to be centered on the drive to increase mechanization. Net annual additions to construction equipment from 1951 to 1957 averaged nearly 2,700 excavators, 3,000 bulldozers, and 4,300 mobile cranes. During the Seven-Year Plan net annual additions are to average about 3,700 excavators, more than 5,000 bulldozers, and about 3,000 mobile cranes. The most glaring deficiencies in basic equipment--the absence of self-powered scrapers and graders and a shortage of small excavators--are to

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SOVIET CONSTRUCTION EQUIPMENT PARK
(END-OF-YEAR DATA)

	Excavators	Scrapers	Bulldozers	Mobile Cranes
1950	5,870	3,000	3,000	5,642
1955	17,471	9,290	16,100	28,900
1958	30,000	not available	28,000	39,000
1965	56,000	not available	65,000	60,000

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SECRET

SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 June 1959

be eased during the plan period.

The USSR has succeeded in recent years in substantially raising the level of mechanization in many construction operations, although the planned levels have generally been underfulfilled. One of the most troublesome problems has been the low level of mechanization of loading and unloading work, 21 percent of which was still performed entirely by hand in 1957. The Seven-Year Plan would reduce such hand work to 8-10 percent in 1965. Levels of complete mechanization in other operations are to be raised considerably. In addition, idle time of equipment is to be reduced, and utilization of construction equipment is to be raised by 25-30 percent.

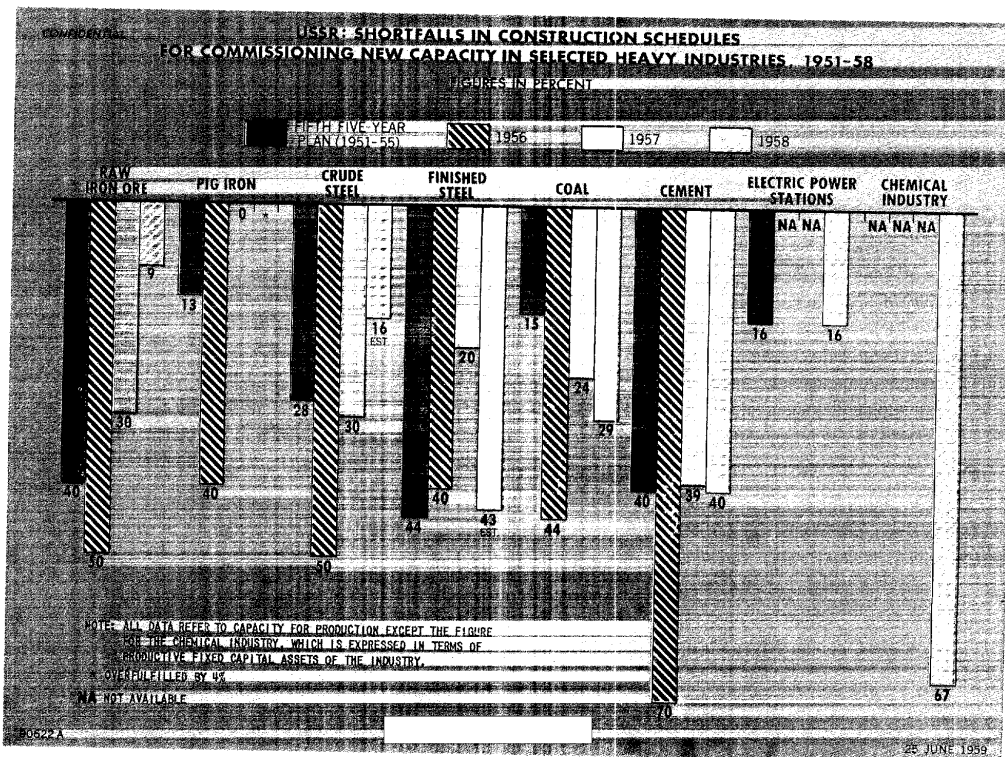
The plan for raising labor productivity is considerably more stringent when viewed in conjunction with the planned re-

duction in the workday and work-week. Labor productivity in terms of hourly output must increase 80-85 percent in order to raise productivity in terms of annual output by the planned 60-65 percent.

The regime plans to achieve construction goals with approximately the same number of total workers and employees in construction in 1965 as in 1958. The number of workers directly engaged in construction work is to be increased by 10-12 percent, however, compared with a 55-percent increase during the 1951-57 period.

Successes and Shortcomings

Reflecting the considerable success in raising the levels of mechanization and labor productivity in recent years, the construction industry as a whole became a profitable operation in 1955. Actual construction costs have been



SECRET

SECRET**CURRENT INTELLIGENCE WEEKLY SUMMARY**

25 June 1959

brought more into line with planned costs in recent years, although only slightly so for housing construction. The aggregate volumes of construction work planned for both 1957 and 1958 were overfulfilled.

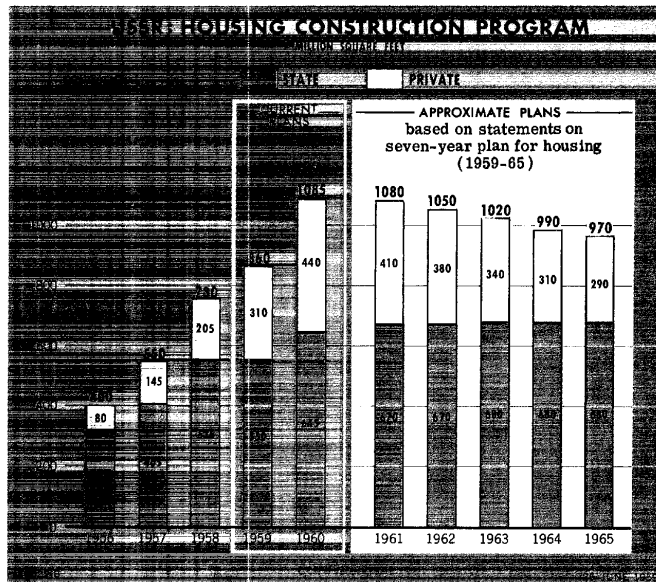
Despite these favorable indications of increased capabilities on the part of the construction industry itself, however, construction scheduling remains a substantial problem. Plans for commissioning additional facilities have been underfulfilled year after year. Underfulfillment occurred in several important heavy industries in 1958. The 1958 plan for new capacity in the cement industry was underfulfilled by 40 percent, the coal industry by 29 percent, the chemical industry by 67 percent, and thermal electric power industry by 23 percent. In the ferrous metallurgical industry, pig iron capacity was overfulfilled; crude and finished steel were underfulfilled. The plan for new capacity in iron ore mining was underfulfilled by about 9 percent, but this was a substantial improvement over the 30-percent shortfall from the more ambitious plan of the previous year.

The basic cause of shortfalls in meeting construction schedules in past years is that Soviet planning authorities have consistently underestimated the volume of capital investment and of construction resources required, and have given the construction industry too low a priority among the various competitors for resources. The planning of construction programs much larger than warranted

by the resources made available has resulted in the practice of dispersing investments among too many projects and in prolonged periods of construction. More efficient organization of construction activity cannot by itself solve this problem.

Housing Program Impact

A sizable part of the shortfalls in meeting 1958 schedules for new heavy-industry capacity must have resulted from the pressure put on construction resources by the substantial overfulfillment of the housing construction program that year. Khrushchev's commitment to better housing is causing mounting



pressure on available construction resources--pressure which will continue at least through 1960 if present plans are maintained. Because of the lack of realism in the planned cost reductions in housing construction, if housing plans are to be fulfilled, the volume of construction in state housing as a percent of the total volume of state construction work in the USSR will have to be 32 percent in 1957, 35 percent in 1958, 38 percent in 1959,

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SECRET

CURRENT INTELLIGENCE WEEKLY SUMMARY

25 July 1959

and as much as 42 percent in 1960.

The present housing program is a keystone in the effort to improve the lot of the consumer. The original Sixth Five-Year Plan (1956-1960) for state-built housing was subsequently reaffirmed in a special housing decree in July 1957, which also placed increased emphasis on private housing. This reaffirmation and extension took place despite the fact that the Sixth Five-Year Plan had to be dropped at about this time. Under the new Seven-Year Plan, housing construction apparently is to level off at the higher plateau to be reached in 1960. Urban housing will increase by an average of 8 percent per year. Even at such a high rate, however, the housing space per capita will still be far below the standards of advanced Western countries in 1965.

Recent Measures

The party has issued several decrees recently to ease the pressure on capital resources. In October 1958 a decree was issued to accomplish a drastic cutback in construction of administrative buildings, theaters, clubs, and the like. There had been some diversion of investments from heavy industrial construction and housing into less essential local needs; this decree was expected to give the central government greater control over the use of investment funds.

A more recent decree abolished the Agricultural Bank, the Bank for Financing Communal and Housing Construction, and the communal banks, and merged their functions with the State Bank and the Industrial Bank (the latter now being called

"Stroybank"--the All-Union Bank for Financing Capital Investments). A third decree was aimed at placing greater emphasis on increasing output by means of intensifying the use of existing capacity and by expanding existing enterprises and less emphasis on more costly new construction.

Some temporary easing of the pressure on construction resources was achieved in 1958 by concentrating investments on the most important projects and those nearing completion. Because of such measures, the volume of unfinished construction (i.e., the volume of work performed on projects not yet in operation) grew by only 3 billion rubles in 1958, compared with increases of about 10 billion rubles in 1956 and 1957.

Soviet planning authorities have decried the growing volume of unfinished construction but have consistently overestimated the extent to which the volume of such construction could feasibly be cut back and to which this would ease the pressure on construction resources. The past few years have shown that construction schedules for heavy industry and housing are more likely to be met by allocating a greater volume of construction resources to these ends than by cutting back the volume of unfinished construction.

In general, the success of the Seven-Year Plan for construction still depends--particularly in 1959 and 1960--on the establishment of a better relationship between plans for the volume of construction work, schedules for completion of construction projects, and the resources which are to be made available to the construction industry. (Prepared by ORR)

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