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CURRENT INTELLIGENCE WEEKLY SUMMARY



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CURRENT INTELLIGENCE WEEKLY SUMMARY

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

EAST-WEST NEGOTIATIONS Page 1

While denying that Khrushchev will try to "divide the world" with the United States during his forthcoming visit to Washington, Soviet propaganda continues to keynote the responsibility of the "two great powers" for relaxing international tensions. In Western Europe, speculation on the possibilities of a Moscow-Washington deal has subsided somewhat with the announcement of the President's plans for consultations in Europe beginning on 27 August. Moscow, for the most part, has confined any anti-Western comments to continued attacks on Adenauer as the principal opponent of an East-West detente. [redacted]

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THE CARIBBEAN SITUATION Page 4

The Castro regime in Cuba suppressed a large-scale conspiracy on 8-9 August, making hundreds of arrests. Evidence that Dominican agents were involved in the conspiracy can be used by Castro to strengthen his case against his bitter foe, Dominican dictator Trujillo, and may be used to justify further attempts to oust Trujillo. Meanwhile, Cubans have been identified in the Nicaraguan rebel groups operating against the Somoza regime from Honduran and Costa Rican territory. Costa Rican President Echandi anticipates a new airlift of arms and men from Cuba to reinforce the Nicaraguan rebel groups now just inside the Costa Rican border. [redacted]

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SITUATION IN LAOS Page 6

The past week's lull in the fighting and a letup in monsoon rains have apparently permitted the government to re-establish control over a number of outposts in northern Laos. The army's generally poor performance, however, may have further undermined the government's tenuous authority in the affected areas. The defection of some troops of the recently integrated former Pathet Lao battalion will further reduce the army's prestige and probably embolden Communist partisans to risk new acts of violence.

The bloc propaganda campaign is continuing at a high pitch. Statements from Hanoi strongly imply that the "armed popular uprising" in Laos will soon increase in scope and intensity. A Chinese Communist Foreign Ministry spokesman has said that "all activities of the US Government" menacing the security of Communist China would be

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PART I (continued)

"firmly opposed." Both Peiping and Hanoi have taken the position that the Laotian crisis cannot be resolved by the UN, as the Geneva agreements are not UN sponsored.

[Redacted]

PART II

NOTES AND COMMENTS

MIDDLE EAST HIGHLIGHTS Page 1

The Qasim regime in Iraq has further restricted the Communists' opportunities for wielding popular influence, by such measures as giving a more moderate tone to Baghdad radio. However, Qasim continues to take action only against individuals, rather than against the Communist party as a whole. An Arab League experts' meeting, including representation from Iraq for the first time in recent months, has rejected UN Secretary General Hammarskjold's proposals for continued international support for the Palestine Arab refugees.

[Redacted]

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AFRICAN CONFERENCE AT MONROVIA Page 2

The conference of nine independent African states and the Algerian provisional government, held in Monrovia early this month, adopted generally moderate resolutions on the Algerian situation. The involvement of African states in the Algerian problem is likely to deepen, however, and to cause serious difficulties with France. The success of the delegates in achieving general agreement suggests that this meeting--one of several recent African diplomatic and nationalist gatherings--will give impetus to developing African unity and be reflected in coordinated efforts in the UN this autumn.

[Redacted]

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FRANCE'S ALGERIAN POLICY Page 3

The French Government is likely to become increasingly touchy regarding foreign pressure for a solution to the Algerian problem as the UN General Assembly session draws near and the results of the highly publicized Challe Plan for a military cleanup appear more and more inconclusive. De Gaulle's prospective trip to Algeria from 27 to 30 August re-emphasizes France's preoccupation with the problem but is unlikely to signal any change in his plan for the gradual emergence of a French Algeria with a large measure of local autonomy.

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PART II (continued)

SPANISH-MOROCCAN RELATIONS Page 4

Last April's improvement in Spanish-Moroccan relations may be impaired by Rabat's apparent determination to harass the Spaniards into accelerating their troop withdrawals from northern Morocco. Madrid recently agreed to make a sizable reduction in its troop strength there. This agreement is likely to increase irritation among those Spanish military leaders who view any military withdrawals from the area as an indication that General Franco no longer considers their special interests of prime importance.

[Redacted]

POLITICAL DEVELOPMENTS IN KENYA Page 5

The Kenya Government's authorization of nationwide political parties in late July has stimulated political activity in the British colony. Two new parties formed from the ranks of African legislators are pressing for constitutional changes in anticipation of the constitutional conference to be held in London early next year. The party led by Tom Mboya will probably emerge as the primary spokesman for Kenya's Africans.

[Redacted]

PEIPING'S INTEREST IN AFRICAN NATIONALISM Page 6

[Redacted]

Peiping is also promoting government-to-government contacts with the newly independent countries of Africa, in the hope of eventually establishing diplomatic relations. Chinese Communist propaganda to Africa seeks to form a camaraderie of the "exploited"-- with the implication that Peiping is a model of the appropriate path for the underdeveloped areas.

[Redacted]

PEIPING ACTS TO SMOOTH RELATIONS WITH INDONESIA Page 7

Peiping is sending a government good-will delegation to Indonesia as part of its effort to ward off any deterioration of relations with Djakarta. Indonesian officials have expressed a growing fear of Communist China, and Peiping has been worried by recent legislation in Indonesia which discriminates against Overseas Chinese. The leader of the delegation will probably allude to Communist China's recent loan as evidence of his country's friendship.

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PEIPING CALLS FOR GREATER ECONOMIC EFFORT Page 8

The official Peiping People's Daily, apparently reflecting a recent re-evaluation of economic prospects by party leaders, says the situation is "extremely favorable" to the fulfillment of plans to achieve another "leap forward" this year. All that is needed, the daily says, is to overcome the "rightist conservative" tendencies now emerging among party cadres so that the masses can be "activated" to a new upsurge of effort. The editorials, which appear to be a reaffirmation of Mao Tse-tung's hurry-up economic policies, are probably the opening gun in an effort to regain some of the recently lost momentum. [redacted]

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THE ECONOMY OF EASTERN EUROPE AT MIDYEAR Page 10

High rates of industrial growth during the first half of 1959 indicate that most of the Eastern European satellites will probably achieve their uniformly high production goals for the year. This year's bad weather will reduce agricultural output, and pressures on the people to work harder may cause unfavorable popular reactions. However, these and other limiting factors are not expected to slow the pace of over-all growth substantially. [redacted]

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HUNGARIAN AGRICULTURAL POLICIES CAUSING PARTY DIFFICULTIES Page 11

Poor organization within newly formed collectives in Hungary, peasant opposition, and inadequate propaganda work by the party are further evidence of weaknesses in the rural party organizations. The situation has prompted the regime to emphasize "consolidation" of gains already made rather than formation of new collectives. This shift in tactics, perhaps abetted by Khrushchev's recent sanction of a moderate approach to collectivization in Poland, may cause a renewal of policy controversies in the top party levels and lead to efforts by moderates to ease unreconstructed Stalinists out of positions of responsibility. [redacted]

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UNITED NATIONS PARTICIPATION IN FUTURE DISARMAMENT NEGOTIATIONS Page 12

Secretary General Hammarskjold anticipates opposition from most UN members to the Soviet-initiated proposal of the Geneva foreign ministers' conference for a ten-member disarmament group--five Western and five Soviet--without strong ties to the United Nations. He believes the General Assembly will object to removal of disarmament negotiations from the jurisdiction of the UN and will discuss the whole question heatedly at the session opening on 15 September. He

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PART II (continued)

has suggested certain procedural steps designed to give the UN some role in disarmament talks and thus make the proposal more palatable to the majority of UN members.

[Redacted]

CAMBODIAN - SOUTH VIETNAMESE RELATIONS Page 13

Relations between Cambodia and South Vietnam have taken on an aura of cordiality following the recent meeting of Premier Sihanouk and President Diem in Saigon. Agreement has been reached on several issues that have long caused friction between the two countries. Sihanouk advocates a "safe" neutrality policy because of his belief that a Communist victory is inevitable in the East-West struggle; this remains a basic cause of regional dissension.

[Redacted]

SINGAPORE GOVERNMENT LAUNCHES "MALAYANIZATION" PROGRAM . . Page 14

The left-wing government of Singapore has embarked on a highly publicized program to "Malayanize" Singapore's predominantly Chinese population in an effort to improve prospects for an eventual merger with the Federation of Malaya. A complete overhaul of the educational system is planned, with the ostensible goal of making Malay the national language and of "molding a national character." There probably is little genuine support for the program either among Chinese citizens--who constitute more than 75 percent of the population--or among political leaders.

[Redacted]

PAKISTAN ACTS TO PREVENT DEVELOPMENT OF OPPOSITION Page 15

The Pakistani military regime's order of 7 August effectively barring opponents of the regime from public office illustrates President Ayub's intention to retain full authority while establishing a facade of constitutional democracy. Local elections are scheduled to begin in October, but only candidates acceptable to the government are likely to be permitted to run. Rumors of personal rivalries within the military leadership suggest Ayub may also have to deal with some dissension within the regime.

[Redacted]

ARGENTINE LABOR DIFFICULTIES Page 16

Peronista attempts to promote a general strike in Argentina on 11 August led to the shutdown of major industries but failed to gain general support. The anti-Peronista unions, although also critical of government labor policies, denounced the strike as politically motivated. Labor is still strongly opposed to the government's

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austerity measures, and further strike moves are likely. The government is seeking legal means of more effectively curtailing Communist activities. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

DE GAULLE'S VIEWS ON EAST-WEST RELATIONS Page 1

De Gaulle considers Soviet Communism a transient phenomenon. He expects that Russia, fearing Chinese expansionism and under internal pressures for a higher standard of living, will eventually cooperate with the West. He apparently envisages the emergence of four major power blocs--Soviet, Chinese, "Anglo-Saxon," and a "Euro-african" group led by France. While wanting a solid Western stand on such immediate issues as Berlin, he seems convinced that even at present a Continental European bloc must exercise a moderating role between the US and the USSR. [redacted]

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THE SOCIALIST PARTY OF JAPAN Page 4

The opposition Socialist party in Japan faces its annual convention, expected in September, rent by ideological and factional conflicts. Socialist defeats in recent local and upper-house elections have brought open criticism of party leaders by both right- and left-wing elements and encouraged right-wing leaders to challenge the leftist trend in party policies. While Socialist prospects for coming to power remain dim, the leftist-dominated party is nonetheless capable of seriously harassing Japan's present conservative government. [redacted]

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INTERKOLKHOZ ENTERPRISES IN THE USSR Page 7

The Soviet regime is continuing to push the organization of interkolkhoz enterprises. These enterprises, mostly construction units, are joint undertakings of several collective farms--or kolkhozes--operating with capital investment contributed by each farm from resources not subject to distribution among the members. The new organizations are an excellent device for progressively blurring the distinction between state property and the cooperative property of collective farms--thus serving political as well as economic ends. The regime will probably elaborate on the role and scope of the interkolkhoz units at the next party plenum, scheduled for November. [redacted]

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PART III (continued)

REPLACEMENT OF SOVIET AMBASSADORS Page 11

The Soviet Government has during the past three months shifted eight of its 53 ambassadors and has named an additional deputy foreign minister to serve under Gromyko. In most cases the shifts apparently were made to improve relations with the host country, and do not signal any changes of direction in Soviet foreign policy.

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PART I

OF IMMEDIATE INTEREST

EAST-WEST NEGOTIATIONS

East-West Relations

Moscow is continuing its campaign to create a favorable atmosphere for the forthcoming Eisenhower-Khrushchev exchange of visits. The volume of Soviet radio commentaries on the visits last week exceeded that devoted to the foreign ministers' conference in every week except the initial one. Particular emphasis has been on creating the impression that in planning the exchange of visits the "two great powers" have recognized their primary responsibility in bringing about a relaxation of international tensions.

A typical commentary stated on 10 August that "the whole world realizes that the thaw in American-Soviet relations is a thaw in the entire international climate." Another stated that "a safe peace depends chiefly on normal and friendly relations between the Soviet Union and the United States." Soviet propaganda has asserted further that "public opinion in all countries has shown tremendous interest in the news." Soviet commentators' emphasis on the groundlessness of fears that Eisenhower and Khrushchev will arrive at an agreement against the interests of the smaller countries may have been calculated, in fact, to play on just such suspicions.

Except for the allegation that news of the visits has

caused a considerable drop on the New York stock exchange in the value of shares in companies "concentrating on the manufacture of arms," anti-Western comments have, for the most part, been confined to attacks on Chancellor Adenauer as the principal opponent of an East-West detente.

In his press conference in Moscow on 5 August Khrushchev said he does not consider the meetings with President Eisenhower a substitute for a conference of heads of government, which the USSR still considers "useful and necessary."

Mikoyan Visit to Latin America

Moscow has apparently launched a trial balloon concerning a possible visit by Mikoyan to Latin America. Unconfirmed press reports, one attributed to Radio Moscow, stated on 11 August that Soviet Deputy Premier Mikoyan would visit Latin America "within the next few months." No information is available concerning any official invitations, and Western stations monitoring Moscow broadcasts heard no such announcement. The report coincides with favorable Latin American reaction thus far to the Eisenhower-Khrushchev visits.

Moscow may actually be trying to ascertain Latin views on such a visit by Mikoyan, and to elicit invitations from the

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Latin American governments. The action would be in line with bloc activity in recent months aimed at increasing trade and economic ties with Latin America and undermining US prestige and policy in the area. Mikoyan could visit unofficially those countries with which the USSR maintains diplomatic relations--Argentina, Mexico, and Uruguay.

Western Europe

Western European attention has turned toward President Eisenhower's forthcoming visits to Bonn, London, and Paris and their significance in relation to the Khrushchev trip to the United States.

West German officials, although preferring a Western summit meeting, showed great relief at the President's decision to include Bonn in his itinerary. The semiofficial Diplomatische Korrespondenz observed that the visit should silence all talk about the beginning of West Germany's "isolation." Bonn officials feel the visit will reaffirm the ties binding West Germany to the Western alliance and demonstrate to the USSR Western unity on Berlin and the German question.

Various government and Christian Democratic Union officials nevertheless continue to fear possible American concessions detrimental to German interests. Bundestag Foreign Affairs Committee Chairman Furler has warned that talks involving only the two great powers inevitably entail some risk to those not participating.

Initially heavy French press discussion of a possible Moscow-Washington deal at the expense of Western Europe has fallen off. A government statement on 12 August that Paris considered that only Soviet-American relations could be dealt with in the Eisenhower-Khrushchev talks nevertheless underscores French official sensitivity regarding any suggestion that Eisenhower has a mandate to speak for Paris. Italian Premier Segni's ire over the possibility that the President would "snub" Italy while going to Bonn and Paris has been soothed by the President's plan to see Segni in Paris.

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Several other NATO delegations have indicated displeasure over the planned meetings as well as hope that Secretary Herter will meet with the NAC before the Khrushchev visit.

In London there has been virtually no indication of distrust or feeling that the United States might negotiate behind

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Britain's back. Opposition leader Gaitskell, while noting that Labor's "shadow" foreign secretary, Aneurin Bevan, had privately raised such a question, told the American Embassy that few Labor supporters would share Bevan's doubts. Announcement of the Eisenhower-Khrushchev exchange has eased pressures in Britain for an immediate four-power East-West summit meeting. The American Embassy anticipates, however, that as the time approaches for general elections--probably this fall--Prime Minister Macmillan will revive the summit issue. Even after the elections, British public opinion and Macmillan's personal conviction can be expected to keep the subject alive.

Test Ban Talks

Moscow's announcement on 10 August, officially accepting the 10 July report of the technical working group on the detection of high-altitude nuclear explosions, was probably designed to create the impression of progress at the test ban talks during the hiatus in broader East-West negotiations.

Khrushchev's reply, published on 10 August, to a letter from the European Federation Against Atomic Armaments stated that the Soviet Union "is ready to accept the most solemn obligation not to be the first to conduct any further tests of nuclear weapons." This statement was probably calculated to gain the maximum propaganda advantage from talk in the United

States of resuming testing after 31 October. Soviet propaganda has called Senator Anderson's admonition--that Soviet inflexibility at Geneva might force the US to resume testing--an example of the "increasing evidence" that the United States is preparing to renew its test program in spite of the negotiations in Geneva. Khrushchev's letter further claimed: "Unfortunately, I do not see any reason to believe that at this time the Western powers will show more readiness to put an end to nuclear tests."

In a less critical reply, published on 12 August, to a memorandum from the World Federation of Scientific Workers, Khrushchev declared that the United States and Britain must show the same "desire to cooperate and aspiration to attain the goals of the conference" as the Soviet Union has demonstrated, if agreement is to be reached. An article in Izvestia on 12 August charged that the Anderson statement is related to efforts to poison the international atmosphere and counteract "warming currents" inspired by the announcement of the Eisenhower-Khrushchev visits.

The Soviet delegation at Geneva has continued to insist on its proposal for an annual quota for on-site inspections which would give the USSR a two-to-one advantage over the United States and Great Britain. Its position on staffing of the control posts has remained unchanged.

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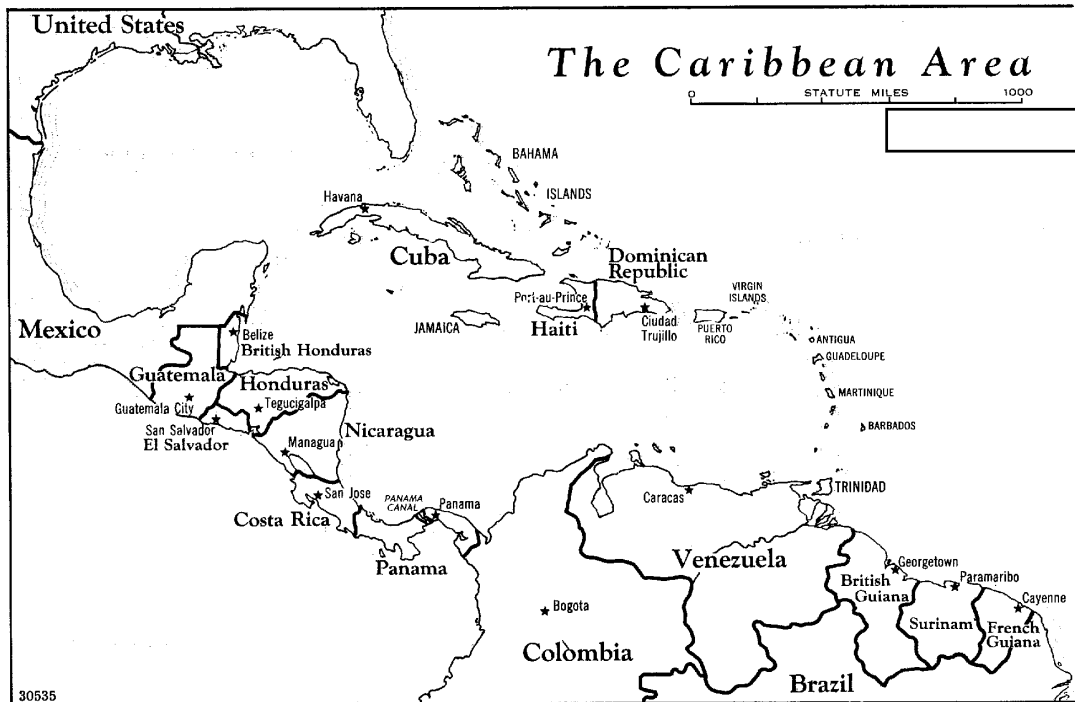
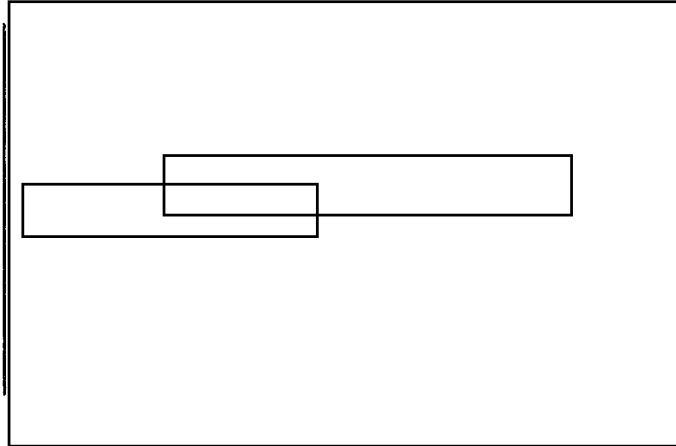
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THE CARIBBEAN SITUATION

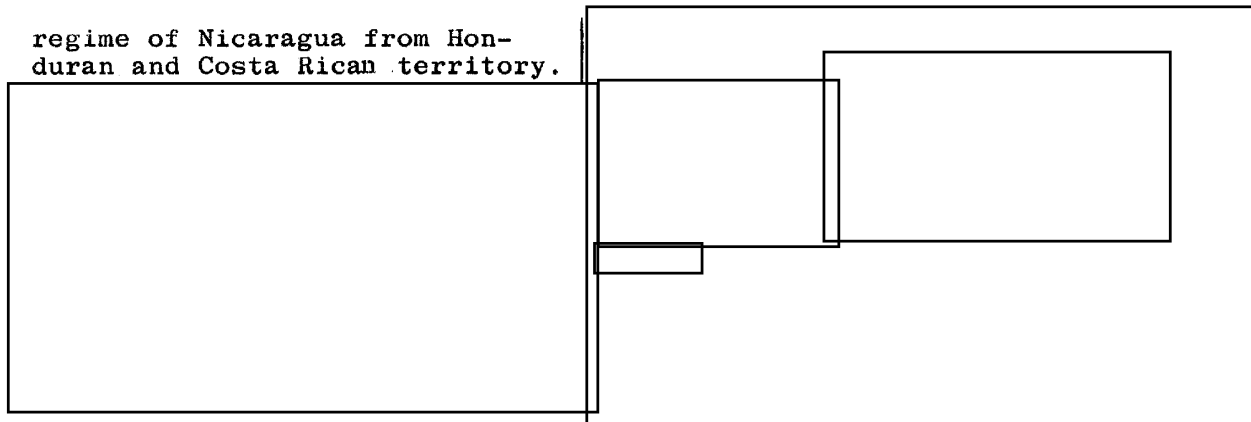
A large-scale conspiracy against the Castro government was suppressed with hundreds of arrests on 8 and 9 August. Evidence that Dominican agents were involved in the conspiracy can be used by Castro to strengthen his case against his bitter foe, Dominican dictator Trujillo, and may be used to justify further attempts to oust Trujillo. Meanwhile Cubans have been identified in the rebel groups operating against the Somoza



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regime of Nicaragua from Honduran and Costa Rican territory.



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The arrests of suspected plotters in Cuba have reached more than a thousand, according to unofficial Cuban sources. At first the arrests were chiefly of armed forces personnel who had been held over from the Batista regime and of large landowners who had actively opposed Castro's agrarian reform program. Later arrests probably included other groups.

Castro probably still feels committed to force the ouster of Trujillo, and evidence of Dominican implication in the Cuban conspiracy will strengthen the Cuban case against Trujillo at the inter-American foreign ministers' conference.

Attempts Against Nicaragua

Cubans have been identified among the rebels that have been trying without success to mount a revolt against the Somoza regime in Nicaragua, and some of the rebel groups are believed to have been supplied with weapons from Cuba.

Costa Rican President Echandi is making every effort,

within his country's limited military capacity, to enforce Costa Rica's neutrality, which is compromised by the presence of an estimated 200 anti-Somoza rebels just inside the border. These rebels made a foray into Nicaragua on 3 August and threaten further incursions. They are being supported by influential Costa Rican political figures of the opposition.

On 10 August Echandi ordered an estimated 180-man Costa Rican military force in the border area to disperse the rebels, returning their fire if necessary. Echandi informed the American Embassy on 11 August that two Costa Rican legislators and two pilots are in Cuba organizing an airlift of men and arms to reinforce the Nicaraguan rebels. He asked Guatemala for two fighter planes to help prevent any aircraft used for this purpose from landing in Costa Rica, but this request was declined by the Guatemalan Government.

The small rebel group that entered Nicaragua from Honduras early this month has been almost completely wiped out by the Nicaraguan armed forces, and there is no indication that the public agitation over recent student killings in Nicaragua has led to popular support for the rebel cause.

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SITUATION IN LAOS

The Laotian Army claims to have reoccupied several posts in northeastern Laos taken by the Communists in the initial phase of the fighting, and a break in the monsoon rains has permitted the airlift of supplies to troops and civilians. However, the US army attaché, who visited Sam Neua on 9 August, says that the airfield is rapidly becoming unusable because of the continued heavy rains and lack of proper maintenance. Loss of the field would leave the province dependent on air drops and movement over jungle tracks.

battalion escaped on 8 August from their encampment near Luang Prabang and are heading toward Sam Neua Province. This latest evidence of army ineptitude, which Laotian officials are attempting to keep secret, will probably embolden Communist cadres to risk new acts of violence against the regime.

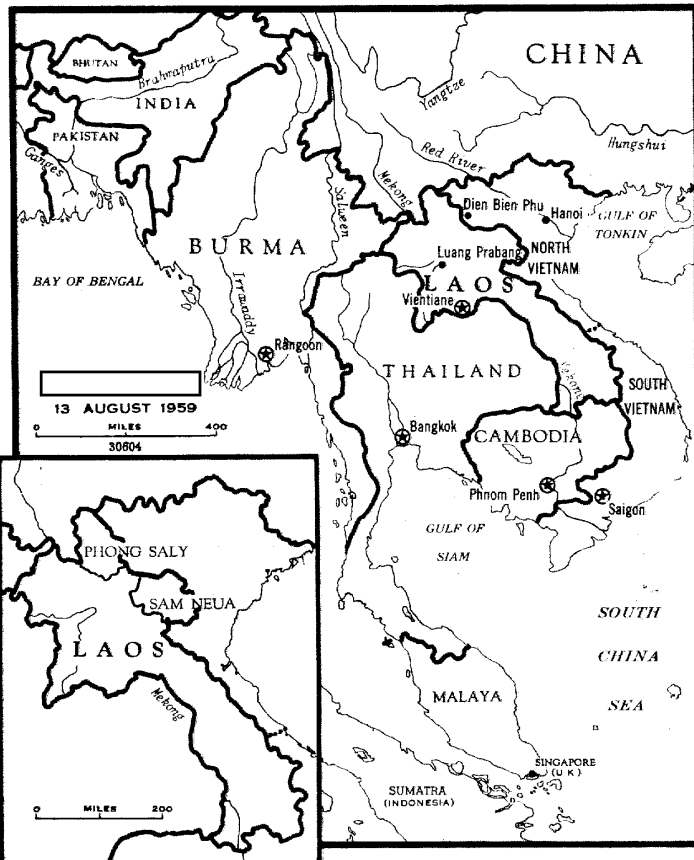
There is as yet no firm evidence that any of the approximately 25,000 North Vietnamese troops deployed along the Laotian border are directly involved in the conflict

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The army's poor performance during the initial phase of the upheaval may have further undermined the government's tenuous authority in the affected areas.

Communist subversive efforts in the two provinces had already met with considerable success before the insurgency began.

The Laotian Army's already diminished prestige will further dwindle when it is becomes known that 114 men out of a total of about 750 in the recently integrated former Pathet Lao



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been reports that troops are being flown from Hanoi to Dien Bien Phu [redacted]

[redacted] the transport of small numbers of troops would not necessarily be unusual, although it is possible that this activity may be connected with the situation in Laos. It is likely that the North Vietnamese are limiting their aid to the insurgents to logistical support and clandestine direction at this time, although their 270,000-man army gives them the capability to intervene actively and in force at any time.

Laotian officials have rejected Britain's proposal that the UK and the USSR, as cochairmen of the 1954 Geneva agreements, request the secretary general of the United Nations to sent a "fact finder - mediator" to Laos. They are opposed to UN mediation of the current crisis, but appear to be considering a request for a UN observer in order to demonstrate that they do not fear an on-the-spot investigation.

The Communist bloc continues strongly to attack the US as the power behind the scenes in Laos. Both Hanoi and Peiping profess to see the aim of US activities, particularly the introduction of a military training mission, as a "plot" to bring Laos into SEATO, which they term a "threat to China and Vietnam." On 8 August the North Vietnamese vice minister of national defense stated that Hanoi would regard military intervention in Laos by any foreign country as a "direct threat to the security" of North Vietnam, to which it could not "remain indifferent." The Chinese Foreign Ministry has also stated that "all ac-

tivities of the US Government and the Laotian authorities violating the Geneva agreements and creating tension in Indochina and further to menace the security of China will certainly be opposed by the Chinese government and people."

In discussing measures to reduce tension in the area, both Peiping and Hanoi have taken the position that the United Nations lacks the competence to settle the issue, as the Geneva agreements were not UN sponsored. The Chinese Foreign Ministry statement of 12 August goes so far as to state that to bring the Laotian "question" before the UN would in itself be a violation of the Geneva agreements. As an alternative, Peiping asserts that tension in Laos can only be reduced by the withdrawal of all American military personnel and arms, the abolition of all "US military bases," the return of the International Control Commission (ICC), and the correct implementation of the Geneva and Vientiane agreements.

Although Moscow has not given the Laotian situation as much publicity as either Hanoi or Peiping, it continues radio and press support to Communist claims, with particular emphasis on demands for reactivation of the ICC in broadcasts to South Asian listeners. On 7 August Izvestia described events in Laos as "fraught with the danger of grave military clashes" which might spread to "a whole line of Southeast Asian countries." Soviet broadcasts have maintained pressure on London stating that Britain, as co-chairman of the Geneva agreements, must participate if a "peaceful settlement" of the Laotian problem is to be achieved.

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PART II

NOTES AND COMMENTS

MIDDLE EAST HIGHLIGHTS

Iraq

The Qasim regime does not appear to have slackened its determination to punish and control Communist elements which have encouraged internal disorder. The American Embassy in Baghdad believes Qasim has been so alarmed and angered by the Communists that he now will not only check their further attempts to increase their power but will also take concrete steps to reduce present Communist influence. Baghdad radio on 10 August attacked the foreign policy attitude of the Communist party press, stating that the Communists' articles do not reflect the foreign policy of the regime and hinting broadly that if the press persists too strongly in its line, it could be suppressed for harming Iraq's relations with other states.

The tone of the "nationalist" press in Baghdad reflects steadily growing confidence on the part of the anti-Communists, who have even criticized Baghdad radio for giving too much Communist-slanted news. However, the normally televised activities of Colonel Mahdawi's "people's court," which it was hoped might soon cease, apparently will be given a new fillip by the trial of Brigadier Tabaqchali, commander of the army's Second Division at the time of the Mosul rising last March. Mahdawi, who still acts as a Communist tool although he is Qasim's brother-in-law, aids the Communist cause by distracting public attention to alleged "imperialist" or Nasirist plots and the evils of the Nuri regime.

The American Embassy warns that Qasim apparently is still unconvinced that Communist

ideology threatens Iraq's future in any way which he, as a popular leader, cannot meet and overcome. Qasim continues to assert that he will never act against "parties," but only against individuals.

Arabs and Palestine

One of the first steps toward bringing Iraq back into the Arab community was taken when an Iraqi representative joined "experts" from the other Arab states in Beirut to consider UN Secretary General Hammarskjold's report, issued last June, on future support for the Palestine Arab refugees. The secretary general, faced with the termination in 1960 of the operating charter of the United Nations Relief and Works Agency for Palestine (UNRWA), has urged that UNRWA be continued within the context of the economic development of the Near East as a whole, and has suggested that the relief and rehabilitation funds, the bulk of which have been contributed by the United States, be channeled through the governments of those Arab states where the refugees are now residing.

To the Arabs, Hammarskjold's proposal smacks of another "imperialist-Zionist plot" to integrate the refugees into their host countries rather than maintain them in a separate status pending the unlikely event that Tel Aviv will agree to implement the UN resolution of 11 December 1948, which calls for either repatriation or compensation of the refugees. On opposition to Hammarskjold's proposal, all the Arabs can unite, and the significance of the Beirut meeting may turn out to be as much that it provided a forum

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for Iraqis, Jordanians, the UAR and other estranged parties to get together, as that it summoned the Arabs to close ranks against the secretary general's report.

The views of the Arab "experts" will receive formal endorsement at a conference of Arab League foreign ministers, tentatively scheduled for 1 September in Casablanca. The Moroccan city was chosen instead of Cairo, the usual meeting place, in an effort to relieve the impression that the league machinery is dominated by the UAR and to make it easier for "dissident" members --the Jordanians, Iraqis, and Tunisians--to attend. In the view of Iraq, however, the choice of Casablanca is only slightly less unhappy than Cairo, since the Iraqis had extended an early invitation to have the meeting in Baghdad.

Israel

The Israelis have continued to concentrate most of their attention on the problem of the Suez Canal, and have baffled the Cairo authorities by failing to take up the UAR's offer to allow the impounded Danish vessel Inge Toft to return to the Mediterranean with its cargo. Tel Aviv, which still does not seem to have made up its mind whether or how to take the canal issue to the United Nations, may wish to let the matter simmer rather than compromise its case by ordering the ship to leave Port Said.

Foreign Minister Meir reported to the Israeli parliament's foreign affairs committee last week that recourse to the UN seemed the only avenue left to the government. Meanwhile Prime Minister Ben-Gurion is taking another vacation, officially announced as a rest in a hospital but possibly a Mediterranean cruise.

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Iran

There has been no perceptible shift meanwhile in Iran's stand against the Soviet propaganda campaign.

Yemen

The Imam of Yemen arrived back in his country on 10 August, following an apparently inconsequential shipboard meeting with Nasir. His return was accompanied by a denunciation by the Yemeni radio of "imperialist rumormongers" who had spread reports that there would be disagreements between the Imam and Crown Prince Badr, who has headed a "reform" administration in the Imam's absence.

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AFRICAN CONFERENCE AT MONROVIA

The second conference of independent African states--the first was at Accra in April 1958--was held in Monrovia, Liberia, from 4 to 8 August. The primary topic of discussion was the Algerian situation. Although the resolutions passed

were generally moderate in tone, the sympathy demonstrated for the rebels suggests the African nations will become increasingly involved in the Algerian problem. Such involvement would severely strain their relations with France, which has already

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indicated it intends to sever diplomatic ties with nations recognizing the Algerian provisional government.

The increasing frequency of African meetings--particularly where both Arab and tropical African states are represented, as at Monrovia--suggests that African unity is developing and will be reflected in the United Nations by a more influential bloc, united by its opposition to Western colonialism.

The representatives at Monrovia--generally of ministerial rank--from nine independent African states and the Algerian provisional government resolved that France should recognize the right of the Algerian people to self-determination leading to independence. They called on Paris to end hostilities, withdraw its troops from Algeria, and enter into negotiations with the rebel government. The individual African states were asked to prepare for the forthcoming debate in the United Nations, to continue diplomatic action in behalf of the rebels, and to give material aid to the Algerian nationalists.

The anticipated increase in ties between the African states and the Algerian rebels

is likely to cause serious difficulties with France. French-Ghanaian relations are already tense following Accra's recognition of the rebels in July. The Guinean delegation to the conference announced that Conakry would consider an exchange of diplomatic representatives with the Algerian government. Liberia, resentful of considerable French diplomatic pressure and subjected to strong demands at the conference, reportedly will announce recognition in several weeks. Ethiopia, which values French support in the Somali problem, is likely to be the only African state that does not intend to recognize the Algerian rebels, but Addis Ababa will probably support the Asian-African bloc in the UN debate this autumn.

The conference gave a sympathetic hearing to petitioners who attacked British rule in Uganda, the racial and political policies of the white-settler government of the Federation of Rhodesia and Nyasaland, and Belgium's denial of rapid political evolution to its trust territory of Ruanda-Urundi. In addition, exiled nationalist extremists from the French trust territory of Cameroun received a favorable reception to their plea for a rehearing in the UN this autumn.

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FRANCE'S ALGERIAN POLICY

The French Government is likely to become increasingly touchy regarding foreign pressure for a solution of the Algerian problem as the UN General Assembly session draws near and the results of the highly publicized Challe plan for a military cleanup appear more and more inconclusive. De Gaulle's prospective trip to Algeria from 27 to 30 August--his first visit there since becoming President in January--re-emphasizes France's preoccupation with the problem, but is unlikely to signal any

change in his plan for the gradual emergence of a French Algeria with a large measure of local autonomy.

De Gaulle's policy is based on the hope that France can win over the Algerian people so that they will choose to remain within the framework of French political institutions. To do this, he envisages that military pacification of the country will continue until the rebels negotiate a cease-fire without political conditions or foreign intermediaries. This

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would permit France to step up its efforts to attain the rapid social and economic development of Algeria and to encourage the evolution of a Moslem political elite to carry on local government and protect the distinctive culture of the area.

The French press in late July termed General Challe's drive to clear the rebel stronghold in the coastal mountain range east of Algiers a final great offensive to win the war. Recent communiqués, however, emphasize that this may take months to complete. Premier Debré inspected field operations during his 6-8 August trip to Algeria, and De Gaulle during his own visit probably will also be concerned with the progress of this campaign. It is rumored Paris plans an announcement of "promising developments" in an effort to persuade UN members to postpone action on Algeria for another year, and De Gaulle may seek first-hand information on which to base such a statement.

Political moderates within the Algerian provisional

government appear to be losing ground to more militantly anti-French elements. Premier Ferhat Abbas, who has sought a negotiated solution for the Algerian war which would hold out the prospect of eventual independence, is reported virtually without influence in the rebel movement; the de facto leader, Deputy Premier and Defense Minister Belkacem Krim, is believed to incline toward the views of rebel military commanders who desire to continue the war at any price rather than negotiate on terms favorable to France.

Despite recent rebel military difficulties, the cause of Algerian independence continues to enjoy wide support within the Asian-African bloc--as demonstrated at the Monrovia conference of African states--and any moderate resolution in favor of Algerian independence stands a good chance of passage by the UN General Assembly this fall. Paris, however, is increasingly insistent that France's allies oppose any Algerian resolution using the word "independence." [REDACTED]

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SPANISH-MOROCCAN RELATIONS

Last April's improvement in Spanish-Moroccan relations may be impaired by Rabat's apparent determination to harass the Spaniards into accelerating their troop withdrawals from northern Morocco. Madrid recently agreed to make a sizable reduction in its troop strength there.

Moroccan Premier Ibrahim's visit to Madrid in April resulted in the creation of a Spanish-Moroccan commission to discuss technical problems between the two countries. The commission

concluded its second round of talks on 5 August with an agreement by the Spanish Government to evacuate its 3,000 troops in Tetuan in the near future. According to a Spanish Foreign Ministry official, this decision has given Rabat "a considerable political plum and great satisfaction" and yet does not denote any departure from Spain's basic policy on the troops issue--that in recognizing Morocco's independence in April 1956, Spain acquired the right to keep troops in the area during the transitional period.

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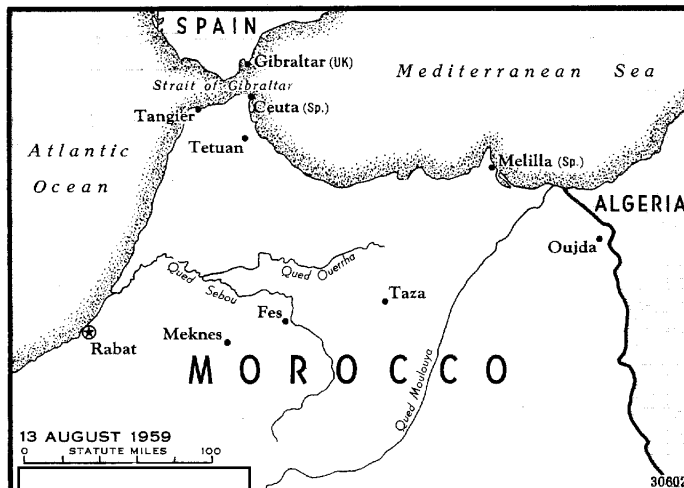
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According to the Spaniards, the decision to reduce their troops in Morocco from 11,000 to 8,000 elicited a Moroccan agreement involving "certain cultural concessions" and the payment of a consolidated debt of about \$6,000,000 over a 25-year period. No decision was reached on Spanish demands for fishing rights in Moroccan territorial waters, and the issue of a complete withdrawal from Ifni was not discussed. Morocco apparently has not yet raised claim to the garrison cities of Ceuta and Melilla, which are juridically part of metropolitan Spain.

Rabat appears bent on harassing the Spaniards into accelerating their troop withdrawal schedule. According to recent reports from Ceuta and Melilla, the Moroccans are still enforcing restrictions on the entrance



of Spanish troop replacements into Morocco and are even interrupting the movement of food and other supplies around Melilla.

The agreement may have unfavorable repercussions on Franco's relations with the military. Many Spanish Army leaders view any troop withdrawals from Morocco as an indication that Franco no longer considers the special interests of the military of prime importance.

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POLITICAL DEVELOPMENTS IN KENYA

The Kenya Government's authorization of nationwide political parties in late July has stimulated political activity in the British colony and will probably result in increased pressure for constitutional changes. Two new parties have been formed under the leadership of African members of the Legislative Council and are vying with one another in advocating increased autonomy and internal reform.

Immediately following the authorization, the Kenya National party (KNP) was formed by 10 of 14 African members of

the Legislative Council over the objection of their leading spokesman, Tom Mboya. The KNP calls for civil liberties without discrimination, a systematic examination of the problem of land distribution, nonsegregated education, and the "democratization" of the civil service. Mboya has indicated that he regards these principles as too general and too close to those of the European-dominated New Kenya Group. Besides opposing the KNP platform, Mboya probably also wants to reassert his leadership of the African legislators.

On 7 August six African legislators--including Mboya

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and two defectors from the KNP-- formed the Kenya National Movement (KNM), which has a more radical platform than the KNP. The KNM calls for the fixing of a date for Kenyan independence, universal adult suffrage with a common voters' roll, the opening of the White Highlands farming area to Africans, and the abolition of military bases.

In permitting the establishment of national rather than regional parties, the Kenya Government specified that they must be multiracial in composition and not advocate unconstitutional activity. Both new

parties are vulnerable to government suppression in that they are multiracial in name only and espouse views which might be deemed subversive. The British will probably threaten to proscribe Mboya's group should it attack the government on issues such as the presence of British military installations in Kenya.

Mboya's prestige is probably high enough to attract further defectors from the rival KNP between now and early 1960. At that time Mboya will probably be the primary spokesman for the 25X1 Africans at the conference in London to revise Kenya's constitution.

PEIPING'S INTEREST IN AFRICAN NATIONALISM

25X1 build a camaraderie of the "exploited"--"we Chinese people have long suffered from colonial oppression"--with Communist China's own development an implied example of the successful path.

Since the first of the year Peiping has supported this theme with rallies condemning the "Belgian colonialists' massacre" in the Congo; by celebration of "Cameroon Day," "Africa Freedom Day," and "Solidarity with Uganda Day"; and by endorsement of such things as the "demand of the Nyasaland people to withdraw from the Central African Federation." 25X1

to the words of Chou En-lai, who told the National People's Congress in April that Communist China was "ready to give support and assistance to the full extent of our capability to all national independence movements."

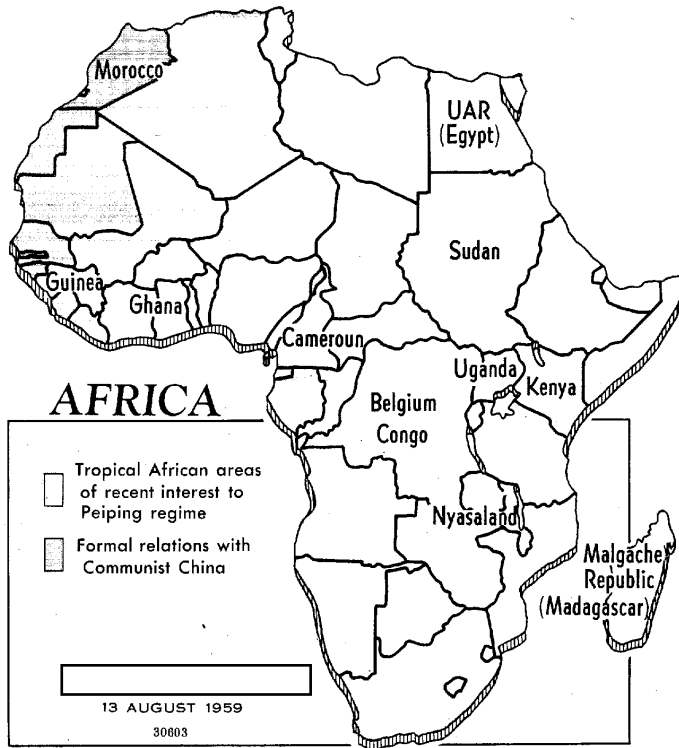
There has been little previous evidence of direct financial aid to nationalists in tropical Africa, but Peiping is increasingly seeking to exploit anticolonial sentiment there for its own political ends. Under the banner of "independence" for colonial areas, Peiping's propaganda seeks to

In addition Africans from Kenya, Madagascar, the Cameroons, Guinea, and Ghana have had expense-paid trips to Communist China on invitation from the Chinese Peoples' Institute of Foreign Affairs and the Chinese Committee for Afro-Asian Solidarity. Both are semiofficial organizations

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and Ghana, Peiping's policy is one of encouraging government-to-government contacts which the Chinese hope will lead to formal diplomatic relations. Peiping sought in late June to demonstrate its friendship for Guinea with a gift of 5,000 tons of rice. The almost simultaneous arrival in Conakry of Peiping's ambassador to Morocco suggests the Chinese were trying to take maximum advantage of the gift by pressing for more formal relations. Some success may have been achieved; the Chinese Communist New China News Agency, which has a permanent correspondent in Accra, reportedly is preparing to

providing a means for expanding personal contacts in areas where the Chinese have no formal relations. Peiping also has a permanent representative on the Secretariat of the Afro-Asian Solidarity Council and belongs to the Afro-Asian Economic Cooperation Organization.

With regard to the newly independent countries Guinea

open an office in Conakry.

A trade delegation from Ghana will visit Communist China in September, but Peiping's trade with tropical Africa is small and--with the exception of token exchanges for political purposes--likely to remain that way for some time.

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PEIPING ACTS TO SMOOTH RELATIONS WITH INDONESIA

Peiping is sending a government good-will delegation to Indonesia as part of its effort to ward off any deterioration of relations with Djakarta. Last spring Communist China reportedly felt that the United States was "regaining lost ground" in Southeast Asia, with

the implication of a concurrent loss in Chinese prestige. Indonesian officials have expressed a growing fear of Communist China and of the threat of subversion from Indonesia's 2,500,000 Overseas Chinese.

This apprehension was reflected in Djakarta's long

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delay in deciding to exchange ratification instruments on the dual-nationality treaty with China. [redacted]

[redacted] Indonesian officials were unenthusiastic about the treaty's provision for the establishment of temporary Chinese offices at a time when Overseas Chinese must state their citizenship preferences.

The Chinese Communists in recent months have manifested considerable concern lest Indonesia's anti-Chinese Nationalist actions last year develop into wider, indiscriminate, anti-Chinese restrictions. This fear was heightened by the recent decree banning alien-operated retail enterprises outside metropolitan areas after the end of the year.

[redacted] Djakarta reportedly plans to postpone enforcement of the ban--largely because of the unsettling effect it would have on the economy--and may wink at efforts of Chinese merchants to evade the ban by hiring Indonesians to act as the nominal heads of their businesses.

Peiping probably hopes that its good-will delegation expected soon in Djakarta will reinforce Chinese assurances of friendliness to Indonesia. Kuo Mo-jo, the delegation's leader and the regime's leading "peace spokesman," will probably make a special point of allaying Indonesian uneasiness over recent representations on behalf of the Overseas Chinese. He may allude to last May's \$30,000,000 loan for industrial development as evidence of Communist China's good will. [redacted]

PEIPING CALLS FOR GREATER ECONOMIC EFFORT

Two recent editorials in the official Peiping People's Daily may well reflect a re-assessment of Communist China's short-term economic outlook by party leaders. The paper asserts that "tremendous strides" were made in the economy during the first half of 1959 and that the present situation is "extremely favorable" to the

fulfillment of this year's plan to drive ahead with "leap forward" economic programs. All that is needed to achieve this goal, the daily says, is to eliminate the "rightist conservative" tendencies which are beginning to infect local party officials, and to "activate" all manpower in a new upsurge of mass labor.

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In taking up the cudgels against "rightist conservatives," the paper resurrects several themes from last year's "leap forward" which have been muted of late. A "rightist conservative" in the present sense is a local official who "exaggerates" certain difficulties of a "temporary and local nature." He thus lacks the confidence needed to lead production and becomes "lax."

An agricultural cadre so infected adopts an attitude of "depending upon heaven for food" and stands passively by in the face of flood and drought. The answer lies, says the daily, in the local cadres' once again letting "politics take command"--a slogan central to the "leap" last year but which has been toned down over the past several months. The cadres are told to use all methods of leadership which were successful last year and to spur the workers on to a new access of energy. Peasants are to be convinced that "man can certainly defeat nature"--another 1958 slogan which has not been prominent recently.

In their renewed drive to get more work out of the masses, the local cadres are urged to concentrate on the "crucial" months of August and September. The regime will celebrate its tenth anniversary on 1 October, and it places great importance on being in a position to boast of "spectacular achievements" at that time.

The editorials appear to be a reaffirmation of the general approach to economic development taken by Mao Tse-tung and his most influential advisers--an approach epitomized by the "giant leap forward"

last year. There had been signs recently that elements among the party leadership who favor a somewhat less hasty and hazardous course were beginning to make themselves heard again. Abnormalities in the weather and other difficulties had been emphasized in what seemed an effort to moderate some of the heady expectations encouraged earlier. Warnings had been issued in influential journals against setting targets too high and thus dampening the ardor of the masses--warnings which could have been applied to some of the more inflated targets for 1959.

In a recent discussion of the winter wheat crop, the People's Daily said that increases of 10 to 20 percent in agriculture could fairly be called a "leap." This contrasts with the 100-percent increases claimed for grains last year. One official has even talked in terms of a "retrenchment" this year, but he was careful to say that it would not be as great as in 1957.

Peiping evidently believes that a renewed reliance on exhortation--plus the harvest already in hand, which could be used to provide more in the way of direct incentives to the workers--will enable the 1959 "leap" to regain some of its lost momentum. The party leaders may have redefined this year's "leap" goals in terms less extravagant than those formulated last December and never officially retracted, but there is no hint of such a shift in the editorials. The subject of a possible retrenchment will evidently be played down--at least until after 1 October.

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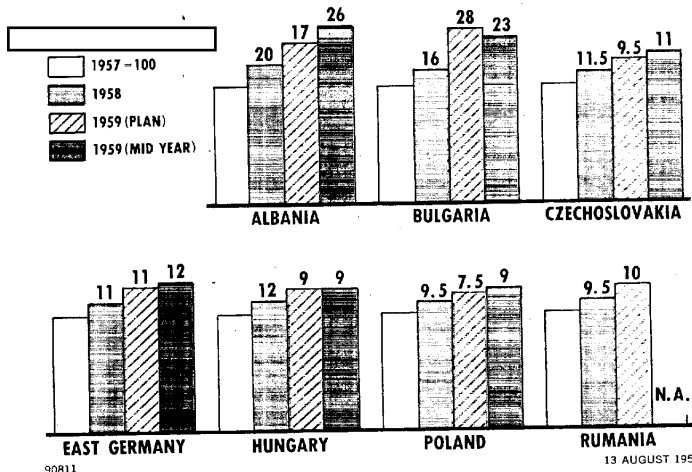
THE ECONOMY OF EASTERN EUROPE AT MIDYEAR

Official reports on economic developments during the first half of 1959 in all Eastern European satellites except Rumania indicate that industrial output for the year will probably be close to announced goals. Planned production increases, high by West European standards, range between 7.5 and 11 percent above the levels of 1958 for the more developed satellites and 28 and 17 percent respectively for Bulgaria and Albania, which have much smaller industrial bases. Only Bulgaria has fallen short of its goal, but its progress has been substantial.

ing, if small, improvement in consumption has provided greater incentives for better labor performance.

Despite the need to continue a high rate of investment in order to maintain a high rate of growth, the regimes plan some improvement in the standard of living. Currently and for the next several years the annual gain in consumption per capita is estimated to range between 2 and 4 percent. This is to include improvement in the quality of the diet and a wider

EAST EUROPEAN SATELLITE INDUSTRIAL OUTPUT
ANNOUNCED ANNUAL PERCENTAGE INCREASE IN GROSS PRODUCTION



In most of the satellites the production of basic industrial commodities such as cement, coal, and steel showed substantial expansion in the first six months of the year, and in the more advanced countries--Czechoslovakia, East Germany, and Poland--there was notable growth in the output of the engineering industries.

These accomplishments--coming after a highly productive 1958, when the larger satellites claimed increases in industrial output of 9.5 to 12 percent--are due in part to the timely arrival in increasing quantities of industrial materials, largely from the USSR, eliminating costly fluctuations of production.

Moreover, additions to labor force and plant capacity have in most cases added significantly to economic growth. It is also possible that a continu-

distribution of textiles and consumer durables. There is little or no alleviation of the housing shortage in sight, however.

The satellites have not yet made significant progress in their campaign to "catch up with the West." The more advanced of them, however, may achieve a few limited goals in this campaign. East Germany, for example, may succeed by the early 1960s in matching West German consumption per capita

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of various basic consumer items, disregarding differences in quality.

Agricultural production will lag far behind the advances made in industry. Dry weather in many areas appears to have limited production of feed for livestock, especially in East Germany and Poland. This raises the possibility that the meat supply will not keep pace with the improving standard of living unless imports of fodder are increased. The harvest this year will generally not be equal to 1958.

Despite the economic advances being recorded, there

are problems which could limit economic growth. In Bulgaria, for example, overambitious planning appears to have caused dissension in the party. As in East Germany and Czechoslovakia, where the regimes have put heavy pressure on the workers by raising norms and adjusting wage scales, there may be unfavorable reaction on the part of Bulgarian workers, who have already contributed greatly to the industrialization of the country by their sacrifices. Nevertheless, a high rate of economic growth is forecast for the satellites for 1959. [REDACTED]

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HUNGARIAN AGRICULTURAL POLICIES CAUSING PARTY DIFFICULTIES

Poor organization within newly formed collectives in Hungary, peasant opposition, and inadequate propaganda work by the party are further evidences of weaknesses in the rural party organizations. The situation has prompted the regime to emphasize "consolidation" of gains already made rather than formation of new collectives. This shift in tactics, perhaps abetted by Khrushchev's recent sanction of a moderate approach to collectivization in Poland, may cause a renewal of policy controversies in the top party levels and lead to efforts by moderates to ease unreconstructed Stalinists out of positions of responsibility.

Leading Hungarian spokesmen have stated that the regime plans this fall to consolidate those cooperatives which were formed during the 1958-59 campaign rather than to create large numbers of new units. In a 26 July Nepszabadsag article,

Lajos Feher, a top economist, sought to point out that this would be "progress" and not a "halt." Leading party ideologist and politburo member Gyula Kallai stated on 29 July that in terms of building socialism, the "consolidation of gains in the field of cooperative farms is an important part of progress and not a retreat in the face of difficulties."

Khrushchev's endorsement of Polish agricultural policies should encourage those in the party leadership who, during central committee debates in 1958 and early 1959, opposed rapid collectivization on the grounds that "the conditions were not ripe" and that Hungary lacked the machinery necessary for large-scale farming. One provincial journal demonstrated the impact of Khrushchev's statements when it condemned "hostile elements in the country who were responsible for spreading the rumor that 'Khrushchev has stopped the cooperative movement in Hungary.'"

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On the other hand, a recent article by Hungarian Deputy Minister of Agriculture Andrasi in the Soviet publication Selskoye Khozyaistvo expressed the hope that "mass entry of peasants into cooperatives would continue in the coming autumn." This suggests that doctrinal elements in the party will continue pressure for rapid collectivization.

Thus, agricultural policy questions again threaten to hamper the work of rural party organizations, already weakened by intrigue and dissension. Charges have again been made of both right- and left-wing deviationism in the implementation of the program.

Both the Feher editorial and the provincial press point up weaknesses in the socialized sector. The Bekes Province Nepujsag stressed that many new recruits have not participated in collective life: some want to leave cooperatives, and many who remain are "bourgeois infiltrators." Furthermore, many of the collectives formed in the first quarter of 1959 are on

paper only, and it remains to be seen whether they will begin to farm cooperatively this fall.

Naplo, published in Hajdu-Bihar Province, admitted on 24 May that opposition had led to a "demonstration in the village of Egyek to overthrow our regime," and the US Legation has reported a rumor that the head of a collective farm in eastern Hungary was killed early last month. Feher indicated a need to overcome "small-holder"--i.e., non-Communist--thinking patterns, and acknowledged that there was a shortage of machinery to meet minimal agricultural needs.

To combat these evidences of failure and shortcoming in the countryside, the Bekes paper anticipated a more militant program. In addition to increased agitprop activities including--as Feher suggested--the establishment of party and Communist Youth League units in the producer cooperatives, "administrative measures" are threatened, and the church--characterized as an oppositional element--may be further restricted.

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UNITED NATIONS PARTICIPATION IN FUTURE DISARMAMENT NEGOTIATIONS

Secretary General Hammarskjold anticipates opposition from most UN members to the proposal of the Geneva foreign ministers' conference for a ten-member--five Western and five Soviet--disarmament group without strong ties to the United Nations. He believes the General Assembly will object to removal of disarmament negotiations from the jurisdiction of the UN and will discuss the whole question heatedly at the session opening 15 September.

During the last days of the Geneva conference, the Western

ministers tentatively accepted the USSR's proposal for a ten-member group on disarmament composed--like the 1958 conference on surprise attack--of the United States, Britain, France, Canada, and Italy, along with the USSR and four satellites. Acceptance was conditioned on discussions with Canada, Italy, and Hammarskjold.

Noting the lack of representation for Asia, Africa, Latin America, and the "neutral countries in Europe," Hammarskjold said the proposed group could not be considered

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adequately linked to the UN. He suggested the big four should issue a declaration to the General Assembly's 82-member Disarmament Commission that the new group would report to it in such ways as the commission found appropriate. The assembly could then discuss the whole range of disarmament issues and probably set up a new and more manageable Disarmament Commission to which the ten-member group could report in the future.

This procedure would put a UN stamp of approval on the "essentially bilateral"--i.e., Soviet-Western--negotiations, and, Hammarskjold believes, provide a safety valve for those UN members--particularly the Latin American bloc--which will

resent exclusion from disarmament talks. Such UN action would "blunt the edge" of what he considers the real significance of the Geneva proposal: the removal into another forum of one of the major substantive problems belonging to the UN under its charter.

Some dissatisfaction with the proposal has already been expressed by UN members. Norway's delegate characterized it as a "complete sellout" to the USSR's demand for parity. Canada, though feeling unable to refuse participation in the ten-nation group, also is reported by its delegate as unhappy about the lack of an effective link to the UN.

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CAMBODIAN - SOUTH VIETNAMESE RELATIONS

Relations between Cambodia and South Vietnam, chronically poor and at a record low last spring, have taken on an aura of cordiality following the talks in Saigon from 3 to 5 August between Cambodian Premier Sihanouk and Vietnamese President Diem. The results of the meeting apparently exceeded expectations on both sides. Sihanouk termed the outcome "positive" and as "clearing the way for an entente." Diem, while pleased, has cautioned against overly enthusiastic interpretations which could hamper subsequent working-level negotiations on mutual problems.

Parallel talks held simultaneously between top advisers of the two leaders resulted in basic agreement on several outstanding issues. Long-suspended commercial relations between the two countries are expected

to be resumed at an early date, and a meeting of minds was achieved on such practical matters as customs controls, transit, and exchange of publications. Encouraging progress was made on the larger problems of joint border security and settlement of Vietnam's debt to Cambodia under a 1954 agreement; further negotiations on these subjects have been scheduled.

The only discordant note in the talks came when Foreign Secretary Vu Van Mau advanced South Vietnam's claim to small disputed islands in the Gulf of Siam. Cambodian Foreign Minister Son Sann reacted so vigorously that the matter was dropped. Son Sann raised some embarrassing questions about the presence of dissident Cambodians in Vietnamese territory and the clandestine anti-Sihanouk radio, but allowed Mau to duck these delicate points by commenting

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SIHANOUK



DIEM

to him, "Now that we are friends, we hope you will do something about this."

Effective, lasting rapport between Cambodia and South Vietnam, however, seems improbable, given Sihanouk's belief in an eventual Communist victory in the East-West struggle--a view which collides head-on with Diem's aggressively anti-Communist position. Sihanouk, according to high-level Vietnamese sources, expounded on the superi-

ority of the USSR in the intercontinental missile field, brushing aside rebuttals from his hosts. Sihanouk reiterated his belief that Cambodian neutrality is the only "safe" policy, and referred to the current fighting in Laos as an example of problems that derive from adopting too strong an anti-Communist stand.

Diem, who considers that such a defeatist attitude is facilitating Communist inroads

in Cambodia--particularly by Peiping--undoubtedly continues to feel that South Vietnam's security will be undermined as long as Sihanouk is in power. Fear of a Communist take-over in Cambodia was behind the covert support given by South Vietnam and Thailand to Dap Chhuon's abortive effort last spring to oust Sihanouk from leadership, and will continue to be a disruptive factor in regional relations.

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SINGAPORE GOVERNMENT LAUNCHES "MALAYANIZATION" PROGRAM

Since taking office in June, the left-wing People's Action Party (PAP) government of Singapore has embarked on a highly publicized program to "Malayanize" Singapore's predominantly Chinese population. Its major goal is to make the prospect of Singapore's merger with the Federation of Malaya more palatable to the Malay-dominated government of the Federation. The merger is almost universally desired in overcrowded Singapore, mainly for economic reasons, but is opposed by most Federation Malays. The Malays are suspicious of Singapore's left-wing government and fearful of becoming a minority in their

own country if Singapore's million or more Chinese are added to Malaya's large Chinese minority.

In a recent public debate, Singapore's Prime Minister Lee Kuan Yew stated that in five years the majority of Chinese would follow the pattern of a Malayan, not a Chinese, society. Lee also associated himself with former Federation Prime Minister Abdul Rahman's denunciation of communal parties. The PAP program will place primary emphasis on the educational system; a complete overhaul is planned, with the ostensible goal of making Malay the national language

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and of "molding a national character." The minister of culture is planning a companion program designed to bring "the cultural activities of the different races together."

Despite the fanfare, prospects of "Malayanizing" Singapore appear dim. Not only do the Malays constitute a small proportion of Singapore's population --less than 14 percent--but they are generally regarded as inferior by the Chinese, who make up more than 75 percent of the population. Furthermore, the PAP itself is completely dominated by Chinese, and there seems to be little genuine support for the government's program either among the party's rank and file or among many of its leaders. In a recent private statement

the minister of education reportedly said that although he must make "a big show" over Malay education, his real interest is Chinese education.

Meanwhile the entire, relatively moderate program of the PAP government may be in jeopardy if Prime Minister Lee fails to control the growing strength of the PAP extremists.

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PAKISTAN ACTS TO PREVENT DEVELOPMENT OF OPPOSITION

The Pakistani military regime's recent order effectively barring opponents of the regime from public office illustrates President Ayub's intention to retain full authority while establishing a facade of constitutional democracy. Local elections are scheduled to begin in October, but only candidates acceptable to the government are likely to be permitted to run.

Under the "Elective Bodies Disqualification Order" promulgated on 7 August, any person can be barred from public office for the next seven years for such offenses as "contributing to political instability" and "any other abuse of whatever kind of power or position." Special tribunals will conduct hearings at which the accused must appear without benefit of counsel. No appeal is to be permitted.

The order is almost certain to arouse strong resentment among the politically

conscious segments of the population. If the regime applies the order to popular figures and to broad sections of local leadership, the general public would also be likely to react unfavorably--although it would probably welcome action against the more notorious of the country's former political leaders.

President Ayub may also have to contend with opposition from within the regime itself as its leaders acquire a taste for political power. There have been increasing rumors that rivalries are developing between the Pathan and Punjabi provincial elements in the military leadership. In addition, dissension has been rumored between Army Chief of Staff Habibullah and the President. While the military regime and the army still appear united, Ayub's determination to start moving the national capital north from Karachi to the neighborhood of army headquarters in Rawalpindi may be partly inspired by a desire to be on hand to curb any rival elements.

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ARGENTINE LABOR DIFFICULTIES

Peronista attempts to promote a general strike in Argentina on 11 August led to a shut-down of major industries but failed to gain general support. The anti-Peronista unions, although also critical of government labor policies, denounced the strike as politically motivated. Labor feeling against the government's austerity measures still runs high, and further strike moves are likely.

The call for a 24-hour strike was ostensibly to protest violence growing out of the Tucuman sugar workers' strike in northwestern Argentina. Its real purpose, however, was to renew pressure against austerity measures under the US-backed stabilization program and possibly to test the discipline of Peronista unions in preparation for future strikes for wage increases, such as that threatened by the metallurgical unions.

The weak response of non-industrial Peronista unions on 11 August was probably influenced by the government's increasingly firm insistence on "no pay for political strikes" and apprehension that government control might again be imposed over some of the unions just recently released from military control. Moreover, Peronista leaders are disunited, and Tucuman is remote from the largest urban areas. In an effort to end the strike there, the government granted the sugar workers a 70-percent increase on 10 August, thus exceeding its formula of 30 percent now and 20 percent after October.

Despite the Peronista-Communist announcement in June of a joint campaign against President Frondizi's austerity program, the Communists at the last minute decided not to join the general strike. This move was probably determined by several factors, but mainly by fear of stronger anti-Communist measures growing out of increasing government publicity on Communist agitation and charges the Communists promoted violence in the Tucuman strike.

On 5 August the government released the conclusions of an interministerial investigating committee, which held Communist agents responsible for much of the recent violence and terrorism. The interior minister informed the Senate on 7 August that there had been more than 700 terroristic attacks during the past few months and urged amendment of the penal code.

Thus far the executive decree of 27 April banning all Communist party political activity has not reduced Communist activity among labor or prevented the party's participation in elections in the provinces, which control their own electoral processes. The Communists, supported by former members of the outlawed Peronista party, only narrowly missed obtaining several offices in the Santa Fe municipal elections, and the government is worried about their impact on the Congressional elections in February 1960. Frondizi is hoping to block their participation through judicial action, since he thinks Congress would balk at outlawing the party. 25X1

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PART III

PATTERNS AND PERSPECTIVES

DE GAULLE'S VIEWS ON EAST-WEST RELATIONS

De Gaulle considers Soviet Communism a transient phenomenon. He expects that Russia, fearing Chinese expansionism and under internal pressures for a higher standard of living, will eventually cooperate with the West. He apparently envisages the eventual emergence of four major power blocs--Soviet, Chinese, "Anglo-Saxon," and a "Eurafrican" group led by France. While wanting a solid Western stand on such immediate issues as Berlin, he seems convinced that even at present a Continental European bloc must exercise a moderating role between the US and the USSR.

The French President has long conceived France's proper role as that of an independent power capable of maintaining equilibrium between Moscow and Washington. Shortly before he came to power in 1958 he stated privately that he intended to keep the best of both camps while discarding the offensive characteristics of each, and that "the USSR could help us become less dependent on the US." In June 1958 he proclaimed cryptically in public that "France is part of the West, but not confined to the West." Finance Minister Pinay cautioned American officials in May 1959: "We had to reckon with some feelings of good will on the part of De Gaulle toward the USSR."

On his visit to Italy last June, De Gaulle broached the idea of regular high-level political consultations between Paris, Bonn, and Rome to establish a "common" European policy. De Gaulle assured Italian Pres-

ident Gronchi that the proposal would not involve abandoning NATO, but that it would present the Soviet Union with a strong unified European force to be reckoned with. He told Gronchi that Western Europe must be prepared for eventual collaboration with the Soviet Union, but that it was necessary not to arouse the suspicions of the US.

Despite the Paris-Bonn friendship of the postwar era, De Gaulle still seems to have some sympathy for Soviet concern over the prospect of a strong united Germany. He has said privately that he has no interest in German reunification, and he said publicly last April that the problems of Berlin and German reunification "are the kind you don't resolve. You learn to live with them."

De Gaulle seems to envisage a "Eurafrican" power bloc in which France's pretensions to lead West Germany and the other nations of the European Continent would be reinforced by the French Community in Africa. In the series of meetings establishing the French Community institutions, De Gaulle and other French officials made a point of "consulting" community leaders on world issues. Paris is probably counting also on the acquisition of an independent nuclear weapons capability and the economic potential of Saharan oil and gas resources to assure its leadership of the Eurafrican bloc.

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On Communism

De Gaulle told Secretary Dulles in July 1958 that, while he agreed with Dulles' estimate of Moscow's objectives, he felt that the traditional Soviet imperialism of a nationalistic character was more important than Communism. Communism, he later said, is a transient phenomenon, whereas Russia is permanent. He advocates increased Western contacts with the USSR, arguing--as in a speech at Bourges in May 1959--the logic of reaching agreement between East and West. Pushing his idea for joint East-West aid to underdeveloped countries, he said the peoples of the two camps "would perceive that they resemble each other, that regimes don't make any difference, that they are white men on both sides, that they are civilized people who possess great means, great resources, and that consequently their duty is the same."

Russia's "Return to West"

De Gaulle said privately last January that, as time went on, the Soviet Union would become increasingly influenced by European and American ways. He told Australian Prime Minister Menzies in June 1959 that Khrushchev does not want war. Khrushchev, he felt, has supreme power in the USSR, but must reckon with a growing class of technicians and managers who want higher living standards and more security. De Gaulle expressed the belief that the Soviet Union is uneasy about China and does not wish to encourage Peiping to develop into a great military power.

The theme that Russia will eventually return to the West was formally enunciated in an article in the February Review of National Defense by the armed forces chief, General Ely, who is believed to have expressed De Gaulle's views. Ely's theme was that a new world equilibrium must be found to guarantee the survival of Western civilization and avoid the catastrophe of a nuclear war. He saw hope of this through the return of Russia to cooperation with the West, largely in reaction to Chinese pressures.

Joint East-West Aid

De Gaulle's conviction that the USSR will eventually want to make common cause with other white nations against the nationalism of non-European peoples lies behind his March proposal of a joint East-West economic aid program for underdeveloped countries, according to Premier Debré. The premier said De Gaulle also saw the proposal as a way to place the USSR on the defensive. De Gaulle, however, does hope the proposal will gain acceptance and furnish the basis for a reduction in East-West tensions, although he has admitted the probability of a Soviet rejection. 25X1
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Poland

Poland appears to have an especially strong attraction for De Gaulle, partly because of historic French-Polish ties and partly because of his own military service there after World War I. De Gaulle may consider Poland as a pilot experiment in East-West relations. At the same time, his views are probably colored by France's traditional search for "friends in the East" as a counter to a strong Germany.

Since De Gaulle came to power he has repeatedly referred to his desire to "do something for the Poles." He told Secretary Dulles in July 1958 that "in order to assist the Poles" it might be appropriate not to reject summarily Polish Foreign Minister Rapacki's plan for a Central European zone free of nuclear weapons. A high French Foreign Ministry official got the impression at about the same time that De Gaulle might be willing to consider a security arrangement "to help the Poles" which would be based on the status quo--i.e., a divided Germany. French military officials, however, are firmly opposed to disengagement, and De Gaulle has since said the Rapacki plan is "not interesting" unless the proposed zone could be extended deep into the Soviet Union.

De Gaulle's desire to "do something for the Poles" was probably the motivation for the statement in his speech in May which clearly implied recognition of the Oder-Neisse line. The announcement also served to

indicate again French "independence" of the West and gave De Gaulle the opportunity to indicate formally to the Soviet Union that he was not opposed to the status quo in central Europe.

Implications for Western Alliance

The dominant factor in De Gaulle's ideas about a Western policy toward the Soviet bloc will probably be his search for a "more positive approach" to put the USSR on the defensive. Although he said at an early cabinet meeting that nonaggression pacts with the Soviet Union "don't mean very much," he will probably continue to press proposals, such as his joint East-West aid program, which he believes may serve to reduce international tensions. He may even believe that French recognition of Communist China --now in abeyance largely because Peiping has recognized the Algerian rebel government --would serve such ends, although he now says he sees little advantage in such recognition.

His immediate policy innovations are more likely to occur within the framework of NATO. He has frequently inveighed against "Anglo-Saxon" domination of the Western alliance, and he can be expected to continue to press the United States and Britain for a larger share in Western policy determination.

Much of De Gaulle's drive for a French independent nuclear capability is keyed to the same end. He wants admission to the "nuclear club" and has expressed

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annoyance that Paris is not recognized as sufficiently advanced to obtain US nuclear technical help and material at least on a par with Britain. He also wants immediate participation in policy decisions on the use of nuclear weapons.

De Gaulle now can be expected to step up the formation of a Continental European bloc led by Paris. However, since French leadership would depend very largely on Paris' continuing to head a French Community in Africa and its retaining control over the oil of the Sahara, France will probably press increasingly hard for Western support in Africa and particularly on Algerian policy.

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THE SOCIALIST PARTY OF JAPAN

The opposition Socialist party in Japan faces its annual convention, expected in September, rent by ideological and factional conflicts. Socialist defeats in recent local and upper-house elections have brought open criticism of party leaders by both right- and left-wing elements and encouraged right-wing leaders to challenge the leftist trend in the party's policies. Leftist party leaders adhere to the Marxist concepts of a class war to seize political power as the only effective way to solve the problems of the workers. Debates over the character of the party, the reorganization proposals, cooperation with the Communists, and the degree of opposition toward the US-Japanese Security Treaty will probably continue right into the party convention. Socialist prospects for coming to power by parliamentary or rev-

olutionary means will remain dim until this ideological conflict is resolved.

Parliamentary Strength

The Socialist party has never had a majority in the Diet and was in office only once, in 1947, when it won a plurality over two competing conservative parties. The ensuing coalition cabinet headed by Tetsu Katayama fell in 1948 because of serious administrative weakness arising from inexperience.

The party's popular vote dropped to a low of 13.5 percent in the lower-house election of 1949, but rose to a high of 34 percent in a nationwide election in 1956. This upward trend was reversed in the June 1959 election to the upper house by a drop to 30 percent--a loss of approximately

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1,000,000 votes, although a few additional seats were gained. The 1959 election showed popular antipathy toward the party for its views on foreign policy and for its involvement in the political struggles of leftist labor against the Liberal-Democratic government.

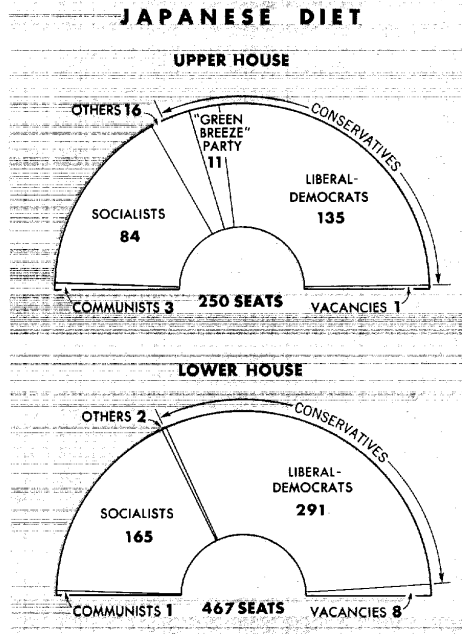
In the past ten years, the Socialists increased their Diet strength from 49 to 165 in the 467-seat lower house and from 61 to 85 in the 250-seat upper house. They now control one third of the seats in the upper house and thus are in a position to block at least until 1962 an amendment to the constitution to legalize rearmament.

Right and Left Divisions

The present Socialist party was formed by the merger of the left and right Socialist parties in 1955. The left wing has dominated the party by means of its greater financial resources and by its numerical superiority in both Diet representation and party membership. This wing depends for support on Sohyo, Japan's largest labor federation, from whose ranks almost one third of the 165 Socialists in the lower house have come.

Since Sohyo leaders believe the Socialists will be unable to achieve power by parliamentary means, they advocate a strong class party which seeks to gain control of the government by force. While continuing to support the Socialists as a parliamentary party, Sohyo leaders actually are working to change it into an instrument for their revolutionary objectives.

The right-wing Socialists favor expanding the party's base of popular support to include white-collar workers, small-business men, and farmers.



They advocate parliamentary means rather than strikes and violence to obtain power and achieve legitimate labor goals. Their principal support comes from Japan's second largest labor organization, the moderate Zenro.

Leftist Trend

In the hope of increasing its popular appeal in the elections this year, the party shifted from a "neutralist" policy toward a pro-Communist foreign policy. Secretary General Inejiro Asanuma, heading a party mission to Peiping in March, called the United States the "common enemy" of Japan and China and issued a joint communiqué with Chinese Communist leaders in which he agreed that Japan must sever relations with Nationalist China and sign a peace treaty with Peiping. He also subscribed to Peiping's call for a nuclear-free zone in Asia, the "liberation" of Taiwan, and the linking of political questions to that of trade with Japan.

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Concurrently, party executives during the absence of most of the party's right-wing leaders pushed through a decision to form a joint front with the Communist party, Sohyo, and other leftists in an all-out attack on the US-Japanese Security Treaty.

Some party officials of both left and right wings are concerned, however, over the adoption of policies similar to the Communists' and are disturbed over the increasing Communist infiltration of labor unions which support the party. In an effort to block Communist attempts to secure worker votes, Socialist headquarters has instructed its local federations to insist that labor unions pass resolutions in their conventions supporting Socialist candidates and not allow "freedom of political support" as proposed by extreme leftists. Nevertheless, despite an increasing fear of the Communists, the party headquarters appears incapable of taking decisive action to eliminate their growing influence.

The leftist drift by the party's leadership has further exacerbated the division between the right and left factions of the party, but the response of the right wing has been mixed. The extreme right-wing faction led by Suehiro Nishio has been outspoken in opposition to the class party concept and does not desire to abolish the security treaty in its entirety or to support the policy of cooperation with the Japanese Communists. Nishio is engaged in extensive efforts to assume leadership of the entire right wing of the party and to moderate party policies. However, other factions have equivocated in their opposition to the left in an apparent attempt to conciliate party differences.

Further Divergence

In addition to the conflict between the left and

right, "younger" party elements, in a drive for greater influence, are challenging the "older" leaders whose tenure dates from the period before World War II. They have pressed the party into drafting a reorganization plan to be presented to the September convention for approval. The plan provides for a reduction in the number of members of the central executive committee, direct election by the convention to fill major party positions, preclusion of party leaders from simultaneously holding Diet and party posts, and election of most delegates to the convention according to the number of party members in each prefecture. In order not to add to the hard feeling between the left and right wings, the plan probably will be modified and major positions allocated by prior discussion. Reorganization is likely to be a major issue at the convention.

The Socialists are approaching their convention less united today than at any time during the past three years. Nishio has threatened to bolt the party if the leftist trend continues, but he probably will not do so unless he receives the support of other factions. While dissension can be expected at the convention, it probably will be at least a year before a split actually materializes, if then.

Socialist prospects for winning control of the Japanese Government will remain dim as long as the ideological conflict persists or as long as the party limits itself to a narrow labor base for political support. Nevertheless, the party at this time is a highly vocal opposition capable of seriously harassing the conservative government. Despite their divisions, the Socialists can threaten Prime Minister Kishi's leadership whenever they are able to find an issue capable of inflaming public opinion.

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INTERKOLKHOZ ENTERPRISES IN THE USSR

The Soviet regime is continuing to push the organization of interkolkhoz enterprises. These enterprises, mostly construction units, are joint undertakings of several collective farms--or kolkhozes--operating with capital investment contributed by each farm from resources not subject to distribution among the members. The new organizations are an excellent device for progressively blurring the distinction between state property and the cooperative property of collective farms, thus serving political as well as economic ends. The regime will probably elaborate on the role and scope of the interkolkhoz units at the next party plenum, scheduled for November.

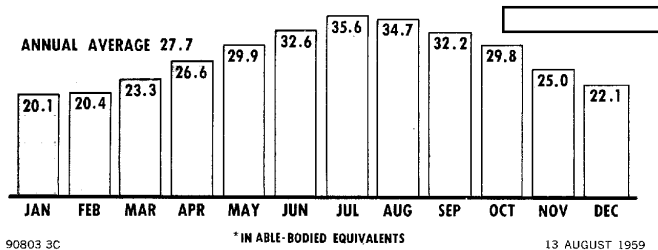
peasant's use of private plots. When he originally proposed such villages in 1951, the necessary capital was not readily available and his scheme was rejected by the party. However, collective farms have had a rapid growth of income in recent years, much of which has been siphoned into the indivisible funds. The next party plenum, scheduled for November, will probably consider the problem of coordinating and supervising this construction activity and elaborate on the role and scope of the interkolkhoz enterprises.

Advantages

The use of collective farm labor by the construction units

At the present time the joint enterprises largely perform functions for which the resources of individual collective farms are inadequate, or for which the individual kolkhoz finds it uneconomical to devote its capital. For example, construction projects in the complex task of urbanizing the Soviet countryside--laying out areas for future utilization of electricity and gas, constructing feeder roads, building new consolidated villages--are almost certain to be beyond the capabilities of any single collective. As the system develops, the interkolkhoz units are apparently to take on more and more of the auxiliary functions now performed by individual farms.

Construction in the countryside is gaining momentum because of pressure from above. Khrushchev is again urging the building of urban-type villages, which tend to restrict the

SEASONAL NATURE OF KOLKHOZ EMPLOYMENT
(MILLIONS EMPLOYED ON KOLKHOZES, 1956)*

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and the productive enterprises built by them may tend to circumvent the seasonal nature of collective farm work and serve to train the young collective farmer in industrial techniques. The units should operate more efficiently than a single collective farm enterprise, thereby improving construction in the collective farm villages. Additionally, industrial techniques and standardization may be more easily introduced in such enterprises, and equipment which most collective farms could not afford to own individually will be available to the construction units.

For the collective farm and its members the advantages of interkolkhoz ties are weighed

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against the fact that collective farm funds invested in interkolkhoz enterprises become subject to new conditions. Economically strong collective farms, which invest most heavily, may be expected to exert more influence in determining the type and location of projects to be undertaken. Once invested, collective farm funds apparently may not be returned to the individual collective. Stronger state and party control is a logical outcome of increased interkolkhoz ties, and the individual farmer gets a smaller share of farm profits for his own personal disposal.

Background

Prior to World War II, there was little cooperative activity among collective farms. The heavy load of postwar reconstruction, particularly in the formerly occupied territories of the western USSR, did encourage joint construction efforts to a limited degree, but it was not until January 1955 that a plenary session of the party central committee recommended that collective farms with a large volume of construction combine resources to create construction and building-materials enterprises. Before this, Soviet officialdom had looked askance at brickmaking and similar activities at collective farms.

At the 20th party congress in 1956, Khrushchev asserted the correctness of the interkolkhoz development. That same year the Ministries of Agriculture and of Urban and Rural Construction issued statutes officially sanctioning the movement, which has since received favorable attention at every major party and governmental forum. During the past year, the regime began to put particular stress on the formation of interkolkhoz enterprises--representing them as "a higher level of socialization of kolkhoz property" and as playing

a major role in transforming cooperative property into state property.

Present Scope

Interkolkhoz ties have been expanded to include a wide variety of activity; construction organizations and related enterprises, however, are still the largest category. By early 1959 there were over 1,200 construction and building-materials organizations involving 11,000-14,000 collective farms in the USSR.

Nearly 750 interkolkhoz power stations with high-tension networks had been placed in operation by that date. In some areas equipment parks, motor pools, and trucking organizations have been established. Irrigation, drainage, and peat extraction are also important joint projects. In Vinnitsa Oblast an intercollective feed lot was established to fatten cattle on the waste materials of a local alcohol plant. Hybrid seed corn banks and cattle-breeding stations are also reported. Canneries and other crop-processing plants are being created. Radio networks, schools, medical facilities, and sanatoriums have been established.

Organization

There appears to be considerable variation in creating an interkolkhoz farm enterprise. The first organizational questions are apparently discussed at meetings of collective farm representatives, where decisions are governed by existing statutes and undoubtedly by the interests of each farm. Management for the enterprise is contracted for by the participating farms and obtained through the local or regional interkolkhoz council, an administrative organization of party and governmental officials. Labor is obtained both locally on a

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part-time or full-time basis and through transfers from other areas.

Circulating and fixed capital of the enterprises is formed from share contributions by the participating farms. These contributions from the indivisible funds consist of money, equipment, tools, build-

INTERKOLKHOZ DEVELOPMENT IN THE UKRAINIAN SSR*

	1955	1956	1957	1958
Number of interkolkhoz construction organizations	NIL	319	477	603
Percentage of kolkhozes participating in interkolkhoz organizations	NIL	32.2	50.6	81
Amount of kolkhoz investment in interkolkhoz organizations (MILLION RUBLES)	NIL	55.2	164.1	267.3
Percentage of construction work on kolkhozes completed by interkolkhoz organizations	NIL	3.4	21.5	NOT AVAILABLE

*The Ukrainian SSR is apparently the leading republic in interkolkhoz development.

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ings, and other property. Once established, the enterprises are expected to show a profit, and their operations are based on the system of economic accountability.

The permanence of an enterprise and the extent of its activities are determined largely by its initial objective. It may be a temporary arrangement for construction of a single project such as a school, or it may be intended as a permanent enterprise such as a repair depot. Some enterprises organized for one purpose have remained in existence by branching into other fields or combining with other units to form interkolkhoz trusts.

While member farms have the primary responsibility of supervising an enterprise, the state exercises control through the interkolkhoz council and its planning organizations. In actual practice, control has sometimes been very lax. Re-

cently, publicity was given a large enterprise which was in operation nearly two years without any inspection by collective farms or rayon officials.

Control from higher echelons is slowly increasing as the interkolkhoz movement expands. In the Ukrainian Republic, where the campaign is most advanced, several oblast interkolkhoz construction associations have been formed, and the chairman of one such unit has stated that a republic-wide interkolkhoz construction association should be formed as soon as possible.

In March 1959 the newspaper Trud indicated that the intercollective unit may be considered a form of state-directed, collectively owned enterprise. Not infrequently the intercollective activity is actually transferred to the direct management of corresponding state enterprises. Electric power stations, for example, while remaining on the balance sheet as joint collective farm property, are often transferred to state offices of the Electrification of Agriculture Administration under an agreement that the state will take over operation of the station, provide trained cadres, make capital repairs, and furnish power to the member farms.

Legal and Other Difficulties

Property rights and relationships of the interkolkhoz enterprises have not yet been clearly defined. As a result, complex legal, organizational, and administrative problems have arisen. The basic law of collective farms--the model charter of agricultural artels--was adopted more than 23 years ago and its inadequacies are publicly criticized by Soviet jurists. Since the charter said nothing about interkolkhoz relationships and limits

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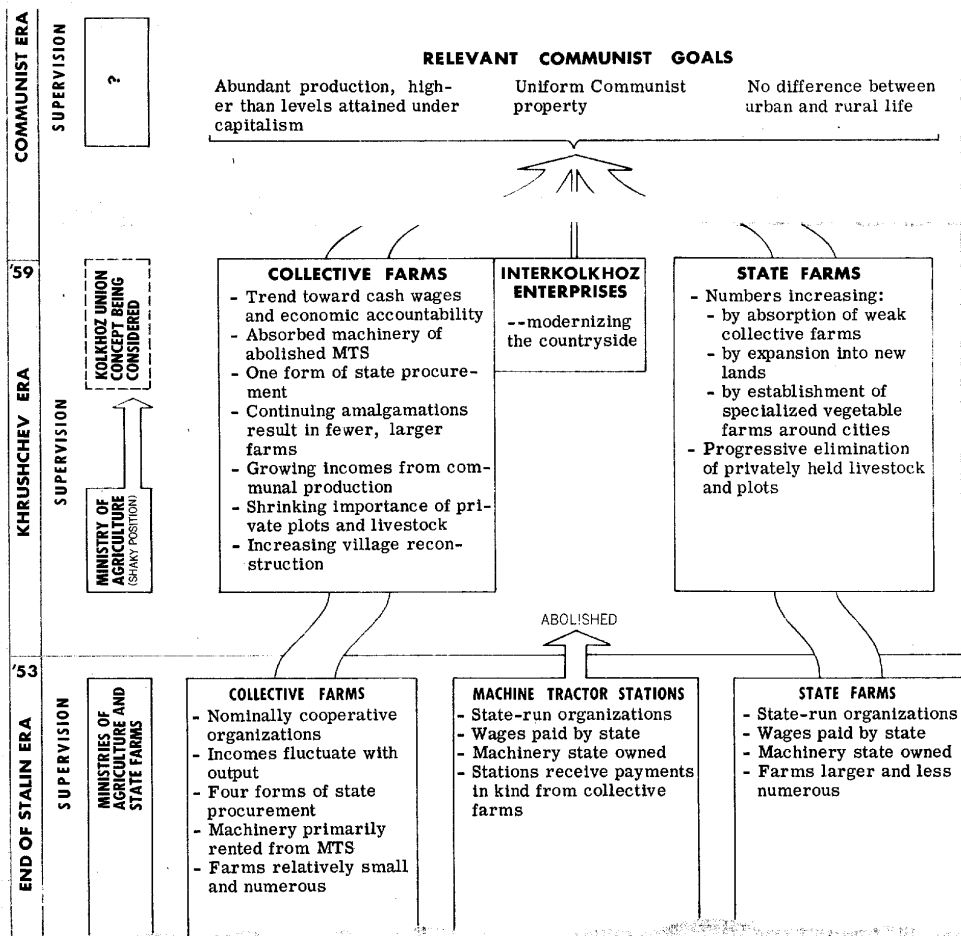
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PROGRAM OF BUILDING COMMUNISM IN THE SOVIET COUNTRYSIDE



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collective farm ownership to capital investments required in direct farm production, the present intercollective units appear to exceed their legal sanction. Recently an Izvestia editorial urged that the charter be altered and the USSR constitution be amended to define the legal position of the new enterprises.

Other difficulties plague the intercollective organizations. Different bases are used to apportion shares among member collective farms. Some enterprises assess the participating farms equally, others

according to the level of a farm's fixed assets or according to its area of arable land. There is also the converse problem of how to apportion the profits among member farms.

The question of reimbursing the collective farm arises again when one farm is absorbed by another, when a farm withdraws from an enterprise, or when an enterprise is liquidated. Recently a Soviet economist urged that the fixed and working capital of interkolkhoz activities be considered as indivisible funds which may not be touched by the member collectives once

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the enterprise is established. Thereafter the state would make any redistribution and then only among other interkolkhoz enterprises.

Collective Farm Unions

There have recently been suggestions in the Soviet press that collective farm unions at the rayon, oblast, and republic levels may be created. These would, among other things, supervise the interkolkhoz enter-

prises. By removing some of the resources of the collective farm yet another step from the concern of the individual peasant--though nominally they still belong to him as a member of the collective--the distinction between the cooperative property of collective farms and state property will be increasingly blurred, thus hastening the day when the regime can declare that all property has become Communist public property. 25X1

[redacted] (Prepared by ORR)

REPLACEMENT OF SOVIET AMBASSADORS

During the past three months the Soviet Government has shifted eight of its 53 ambassadors and has named an additional deputy foreign minister to serve under Gromyko. In most cases the shifts apparently were made to improve relations with the host country and do not signal any changes of direction in Soviet foreign policy.

Four of the eight ambassadorial changes have taken place in the South Asian and Pacific Ocean area. They began on 6 May when Aleksandr Abramov was named ambassador to Cambodia to replace Aleksandr Anikin. It has been reported that Anikin was under fire in early 1958 from the Cambodian Government, which resented his extra-diplomatic propaganda activities. Abramov, like most of those involved in the shifts, is a career diplomat who has served in several stations, but not previously in the Far East.

Several days later, Aleksey Shchiborin in Rangoon requested agrément for his successor, Andrey Ledovsky, a former deputy chief of the Foreign Ministry's Far East Division, in a change which apparently resulted from sharp Burmese reaction to the

Soviet Embassy's highhanded methods in handling the attempted defection of the Soviet military attaché on 26 April. Shchiborin's failure to quash a libel suit brought against a TASS representative in Rangoon probably was another factor in his recall.

Diplomatic relations were formally reopened with Australia with the appointment of Ivan Kurdyukov as ambassador to Canberra on 22 June. The post had been vacant since the diplomatic breach which followed the defection [redacted]

[redacted] Until that time, the Kremlin's representative in Australia had also been accredited to New Zealand; failure to give Kurdyukov the customary double accreditation suggests that Moscow may soon begin overtures for the establishment of an embassy in Wellington. 25X1
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The 1 July appointment of Yevgeniy Zabrodin, formerly minister-counselor in Tokyo, as the first Soviet ambassador to Nepal implements the Soviet-Nepali agreement of mid-April to exchange resident ambassadors. The ambassador to India had previously been accredited

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to Katmandu but seldom made an appearance there.

On 30 May, Terentiy Shtykov was assigned to Budapest to succeed Yevgeniy Gromov, a former department head in the Soviet central committee apparatus, who presumably returned to party work in Moscow. Shtykov is former chief of the party organization in Primorsky Kray and was ambassador to North Korea during the late 1940s. Like Gromov, he is a full member of the party central committee, but he has never served in the central party apparatus and thus may not be as obvious a symbol of Soviet control in Hungary as was his predecessor.

The only other full member of the party central committee involved in the changes is Pan-teylemon Ponomarenko, who was accredited to the Netherlands on 29 June. A veteran party official and onetime member of the party presidium, Ponomarenko was ambassador to India until last April. He was named to The Hague after the Netherlands Government refused to accept Vyacheslav Molotov on the grounds that he did not enjoy the full confidence of his government.

In what appears to be a routine reassignment, Dmitry Zaykin succeeded Nikolay Generalov as ambassador to Libya on 22 June. Zaykin is a career foreign service officer who has served in the United States, South America, and Poland.

The most recent change in ambassadors took place on 6 August, when Vladimir Yakovlevich Yerofeyev was accredited to the United Arab Republic. A former chief of the Near East Division of the Foreign Ministry and onetime counselor of embassy in Paris, he succeeds Yevgeniy Kisilev. While the latter served in Cairo long enough to justify routine reassignment, his replacement provides a "new face" which will not recall to the UAR the exchanges of recriminations between Cairo and Moscow of late 1958 and early 1959.

In addition to shifting several ambassadors, the Kremlin on 23 July named Aleksandr Orlov as deputy minister of foreign affairs; this brings to five the number of men holding this post. He is a specialist in East German and Central European affairs for the Communist party, and at the time of his appointment was head of an unspecified department in the party's central apparatus. His previous experience apparently qualifies him to deal especially with the Berlin crisis and the German question in general.

At least one further diplomatic change may be in the offing. The American Embassy in Tokyo has reported that Ambassador Nikolay Fedorenko, who is currently on vacation, may not return to Japan.

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