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18 October 1956

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE

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THE WEEK IN BRIEF

PART I

OF IMMEDIATE INTEREST

ARAB-ISRAELI SITUATION Page 1

Jordan remains the center of tension in a growing power struggle in which Iraq, with British encouragement, is attempting to counter the extension of Egyptian influence. The entry of Iraqi troops into Jordan has been indefinitely postponed, primarily because of Israeli opposition. Meanwhile, Jordan is still planning to hold elections on 21 October, which will be a test of strength between King Hussain and pro-Egyptian elements. [redacted]

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SUEZ DEVELOPMENTS. Page 2

Agreement by Britain, France, and Egypt on six broad principles for negotiation of a Suez settlement provides a starting point for direct talks, which will probably begin within a few weeks. Neither side, however, has modified its position on international operation of the canal. The agreement to hold direct talks outside the UN has somewhat reduced the Soviet Union's opportunity to influence the terms of a settlement. [redacted]

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PART II

NOTES AND COMMENTS

HUNGARIAN EFFORTS TO IMPROVE RELATIONS WITH YUGOSLAVIA Page 1

Since the recent meeting in the Crimea at which Hungarian party first secretary Gero met President Tito, the Hungarian regime has intensified efforts to improve its relations with Yugoslavia. A series of pro-Yugoslav statements and gestures, culminating in the public reinstatement of ex-premier Imre Nagy in the party, preceded the arrival on 15 October of a high-level Hungarian delegation in Belgrade. [redacted]

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GOMULKA RETURNS TO POLITICAL SCENE IN POLAND Page 2

The Polish United Workers (Communist) Party announced on 15 October that Wladyslaw Gomulka, former party secretary general purged for nationalist deviation in 1948, was to take part in the plenary meeting of the central committee to be held on 19 October. At this meeting Gomulka's appointment to the central committee and politburo probably will be announced, and he may also be appointed a deputy premier. Although Gomulka has never fully recanted the views for which he was purged, Polish and Soviet leaders probably desire the participation of this popular figure in the regime in order to enhance its prestige. [redacted]

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DELAYS IN WEST GERMAN MILITARY BUILD-UP. Page 3

West Germany's doubts about its present rearmament program are reflected in various governmental and legislative actions which will appreciably slow the military build-up. A cabinet reorganization, largely in preparation for the 1957 elections, brought Franz Josef Strauss into the Defense Ministry post but did not name a new and stronger vice chancellor. Strauss, who favors a small army equipped with modern weapons, is likely to continue the rearmament slowdown while awaiting a complete review of NATO strategy. [redacted]

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FRENCH NATIONAL ASSEMBLY DEBATE. Page 4

The Mollet government seems assured of continued but grudging support in the French National Assembly, although the premier is increasingly threatened by dissension within his own Socialist Party. Attacks on American policy are highlighting the general policy debate. Dissatisfaction over lack of progress on Suez and Algeria may generate pressures for a reappraisal of France's ties to the Atlantic alliance. [redacted]

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JAPAN PLANS SPECIAL DIET SESSION Page 5

A special session of the Diet is tentatively scheduled for mid-November for the dual purpose of ratifying Prime Minister Hatoyama's anticipated agreement with the USSR on the normalization of relations and of selecting his successor as prime minister. The outcome in both instances depends on the nature of the agreement Hatoyama is able to obtain in Moscow. [redacted]

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PAKISTAN Page 6

Prime Minister Suhrawardy's trip to Communist China comes at a time when political tension in Pakistan has been temporarily eased. Suhrawardy may enter some economic agreements and may take up Chinese incursions along the northern border of the portion of Kashmir held by Pakistan. [redacted]

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IRAN'S OCCUPATION OF PERSIAN GULF ISLANDS. Page 7

The recent occupation by Iranian marines of one--and probably more--small, uninhabited islands in the Persian Gulf is a bid to establish claims for offshore oil exploration. The Iranian action may lead to an international controversy out of all proportion to the islands' importance. [redacted]

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NEW SOVIET OVERTURES TO TURKEY AND IRAN Page 8

The Soviet Union is persisting in its attempts to improve relations with Turkey and Iran by combining professions of Soviet friendship with admissions of past Soviet errors. Moscow is emphasizing the advantages that would accrue from increasing trade and accepting economic assistance. To date, Soviet policy has made appreciably more progress in Iran than in Turkey. [redacted]

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BLOC ECONOMIC CAMPAIGN IN SYRIA. Page 9

Syrian president Quwatli, who is scheduled to visit Moscow late in October, is reported willing to accept an unconditional gift from the USSR, or long-term loans at low interest, but does not desire Soviet assistance or technical aid for specific projects. Bloc offers to Syria of credits for various development projects have increased in recent months. [redacted]

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HONG KONG RIOTS. Page 10

The riots in Hong Kong from 10 to 13 October are believed by British authorities to have been principally the work of Chinese secret societies and criminal elements. The riots took on strong anti-Communist overtones. Communist China will probably follow its protest to the British government with renewed pressure to obtain diplomatic representation in the colony. [redacted]

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SINGAPORE. Page 11

The Singapore government's drive on Communist sub-
version, now in its fifth week, is concentrating on
Chinese middle schools, where concerted resistance to the
campaign has developed. The government has succeeded in
forcing the pro-Communist People's Action Party to shift
from united-front tactics to active political opposition.

[REDACTED]

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SOUTH VIETNAM. Page 12

The promulgation of South Vietnam's constitution on
26 October will mark the final stage in President Diem's
consolidation of power. Despite his past successes, how-
ever, Diem is far from complacent and recognizes that the
Viet Minh can still make trouble in the south.

[REDACTED]

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CAMBODIAN POLITICAL CRISIS Page 13

Prince Sihanouk's third resignation this year as
premier has engendered increasing opposition among some of
his closest supporters and may eventually lead to the emer-
gence of a new strong man. [REDACTED]

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PEIPING'S STATEMENT
ON GENEVA TALKS. Page 13

Like Peiping's four previous statements this year on
the Johnson-Wang talks at Geneva, the Foreign Ministry re-
lease of 16 October charges the United States with "deliber-
ately preventing" progress at the meetings. Although it
follows the previous statement by less than three weeks--
suggesting that Peiping is stepping up its propaganda ef-
fort to pin responsibility for a possible breakdown on the
United States--the Communists have avoided any threat to
discontinue the talks and continue to state their case in
moderate terms. [REDACTED]

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BRITAIN AND CHINA TRADE CONTROLS Page 14

Concern for tripartite unity on Suez has been in part
responsible for the apparent British decision to postpone
calling for a review of China trade controls, at least
until February 1957. Britain has achieved a de facto re-
duction in China trade restrictions over the past four
months by liberal use of the exceptions procedure.

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HONDURAS Page 15

The political machine of Honduran chief of state Julio Lozano claims to have won all 56 seats in the constituent assembly in the elections of 7 October. The assembly is expected to meet on 1 November to "constitutionalize" the regime. The government is highly unpopular and is weakened by the conflicting ambitions of some of its leaders. So far, disturbances have been scattered and minor, but conditions are present which might lead to serious violence.

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PART III

PATTERNS AND PERSPECTIVES

SATELLITES TAKE STEPS TO IMPROVE RELATIONS WITH THE UNITED STATES Page 1

A number of Eastern European governments have been seeking to improve relations with the United States. The softer tone of the Satellite press toward the United States has been accompanied by semiofficial overtures for closer relations. Rumania has taken the lead in making some effort to remove obstacles to improved relations, and Czechoslovakia, Hungary and Poland have also sought to make some adjustments.

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AFGHAN GOVERNMENT LEADERSHIP Page 4

Afghan prime minister Daud's success in maintaining his position and carrying out his policies rests in large part on the fact that many educated Afghans sympathize with his outlook and aspirations. While most of these Afghan leaders retain their deep suspicion of the USSR, they favor Afghanistan's policy of "neutrality" and are convinced of the benefits to their country of Soviet bloc aid. If Soviet penetration became obviously threatening, Kabul would probably be prepared to go to considerable lengths in order to obtain Western support and protection.

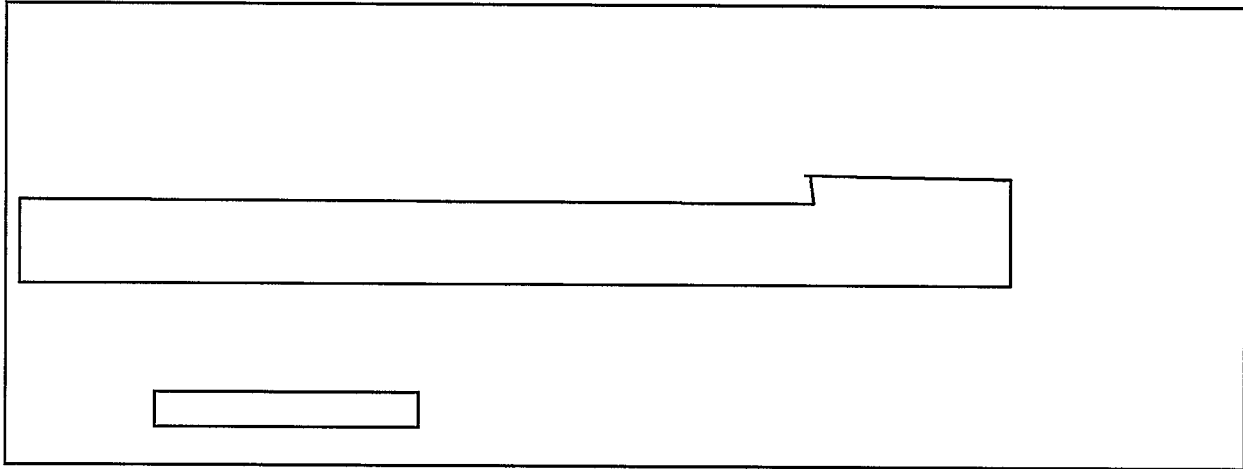
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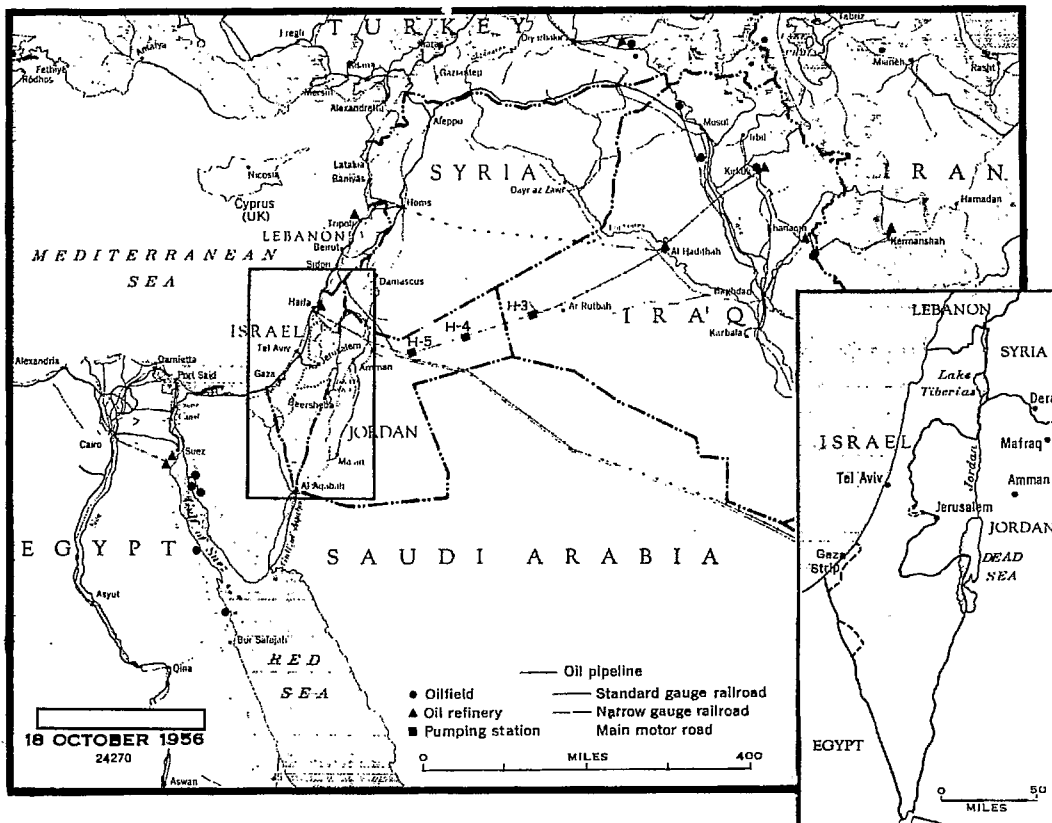
PART I

OF IMMEDIATE INTEREST

ARAB-ISRAELI SITUATION

Jordan remains the center of tension in a growing power struggle in which Iraq, with British encouragement, is attempting to counter the extension of Egyptian influence. Israeli opposition has led to a postponement of the entry of Iraqi troops into Jordan. The outcome of events in Jordan will indicate whether Nasr's influence over the other Arab States will continue to grow, or whether there are prospects for successful development of an alternate Arab alignment.

The delay of the Iraqi troops' move into Jordan may cause Jordan's King Hussain to lose political support, which would be reflected in the lower house elections on 21 October. The government has already taken limited measures to curb extremist gains. Barring a new Israeli raid, or a last minute decision by King Hussain, the elections apparently will be held, and anti-Western strength considerably increased; virtually all candidates are committed against Western ties and favor



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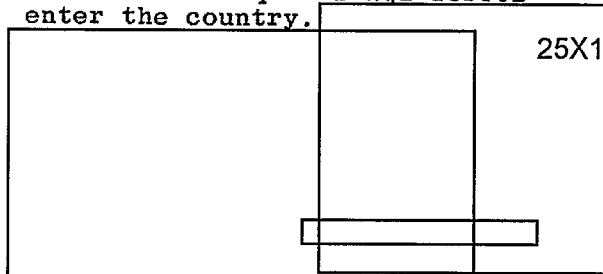
abrogation of the Anglo-Jordanian treaty. Serious unrest may be averted if the government does not attempt major interference with the elections; postelection disturbances are possible, however, if the king should attempt to dissolve a legislature unacceptable to him or if the government should attempt to rig the ballot counting.

Iraq's decision to defer the plan for sending Iraqi troops into Jordan was primarily a consequence of Israel's warning that such a movement could mean war.

The Israeli government has continued recalling reserves. A serious breakdown of stability in Jordan involving the entry of sizable Iraqi and Syrian forces would present Israel with a direct threat to its most vulnerable flank and invite it to reconsider a move to the Jordan River as a more defensible border.

Although Britain is committed under the 1948 Anglo-Jordanian Treaty to defend Jordan "in the event of war," the Foreign Office has reaffirmed that British intervention would not be automatic, but would be determined in London "in the light of circumstances at the time."

Egypt is concerned that events in Jordan may undermine its leading position in the Arab world and promote a new Arab alignment. Syria, meanwhile, is acting overtly in Jordan in behalf of Egypt to counter Iraq; it has recently sent medium tanks and artillery to Jordan and has plans to intervene with a limited force north of Mafraq if Iraqi forces enter the country. 25X1



SUEZ DEVELOPMENTS

No arrangements have yet been made for direct negotiations between Britain, France, and Egypt under the agreed six principles for settlement of the Suez dispute endorsed by the UN Security Council on 12 October. As a result of having adopted the six principles, the Security Council remains technically "seized of" the Suez question. This precludes referral to the General Assembly. There are presently no plans for further council meetings on the issue.

Although Britain and Egypt believe the principles provide a useful starting point, their basic positions on operation of the canal remain as far apart as ever. Despite the present awkward pause as each side insists that the other should make the first move, direct talks will probably begin within a few weeks, possibly after further stimulation from Secretary General Hammarskjold.

London and Paris were heartened by the support of nine

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Security Council members for the 18-nation plan for international operation. They point to the second paragraph of the vetoed resolution to back their view that Egypt should now make counterproposals.

The statement issued by Prime Ministers Eden and Mollet following their talks in Paris on 16-17 October underlined this position. They still hope to avoid protracted negotiations that would enable Nasr further to consolidate his position, and are maintaining their military build-up in keeping with statements that the use of force cannot be entirely excluded.

To strengthen their hand in the negotiations with Egypt, both Britain and France remain intent on establishing the users' association (SCUA) as a functioning body receiving tolls from all 15 members. The uncertain long-term prospects for SCUA continues to handicap these efforts. Until a suitable person is found who will accept the ill-defined job of administrator, Britain will probably provide a temporary administrator.

The Eden government's relative freedom of action is assured by moderate public approval of the agreement reached in New York, and by endorsement at the recent Conservative Party conference. However, the conference also showed an unprecedented coolness toward the United States. Instead of the customary obeisance to the Anglo-American alliance, Eden hailed the "growing sense of partnership" with Western

Europe as a happy consequence of the crisis.

A generally hostile attitude in France toward Suez developments continues to inhibit the Mollet government from easing its firm stand. Strong anti-American feeling prevails even among friends of the United States.

Egypt

Egypt is reported generally pleased that a basis for negotiations was achieved at the UN Security Council deliberations without yielding any basic principle set forth at the onset of the Suez crisis. The events in New York will reinforce Egypt's determination to retain control of the canal. A bitter press campaign against Britain and France for their continuing promotion of international control and their statements that force has not been excluded, however, suggest strong suspicions in Cairo as to Western sincerity.

[Redacted]

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President Nasr gave further evidence of Egyptian agreement with the advisory body plan proposed by India's Krishna Menon. He specifically pointed out that he wanted an expanded users' association to include the Arab states, India, and possibly others.

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[Redacted]

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that Egypt could not agree that any percentage of the tolls, however small, should be paid to the users' association.

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Nasr was adamant in refusing any measure of international operations and stated that his agreement to have an international arbitrator of disputes between the Egyptian canal company and the users' association was his maximum concession.

The canal continues to be operated smoothly and no backlog has been reported.

Soviet Influence

The USSR's ability to influence the terms of a settlement or to receive credit for a final solution has been somewhat reduced by the turn to direct talks. Moscow will probably continue to work against Western attempts to reinstitute any type of international control over Suez, in an attempt to accelerate the diminution of Western influence in the Middle East.

Except for its use of the veto on 13 October--the USSR's seventy-eighth and Foreign Minister Shepilov's first--the USSR remained in the background during the Security Council

debate, partly by choice, partly because of Western maneuvers, and partly because of Egypt's reluctance to be identified openly with the Soviet camp. From the beginning of the discussions, the Russians appeared uneasy over their inability to influence the means, if not the terms, of settlement. The Australian delegate noted that the Russians did not appear to be filled in on developments in the private three-nation talks in New York.

The USSR particularly seemed to fear American efforts to bring about a settlement. In contrast to the Egyptian press, which gave limited credit to the United States as a mediator, Soviet propaganda attacks on Secretary Dulles suggested that the USSR is concerned that credit for any settlement might go to American rather than Soviet diplomacy.

Despite Mikoyan's advocacy of the principle of freedom of passage through the canal for all ships including Israeli--the first time this has been done by a Soviet official--the USSR will probably not wish to disturb its relations with Egypt by implementing Mikoyan's general statement.

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PART II

NOTES AND COMMENTSHUNGARIAN EFFORTS TO IMPROVE
RELATIONS WITH YUGOSLAVIA

Since the recent meeting in the Crimea at which Hungarian party first secretary Gero met President Tito, the Hungarian regime has intensified efforts to improve its relations with Yugoslavia. A series of pro-Yugoslav statements and gestures, culminating in the public reinstatement of ex-premier Imre Nagy in the party, preceded the arrival on 15 October of a high-level Hungarian delegation in Belgrade.

Nagy's Reinstatement

Yugoslav-supported Imre Nagy was readmitted to the party on 14 October. He was premier during the "new course" period from July 1953 until his ouster as a "rightist opportunist" in April 1955. Nagy had written a letter to the central committee on 4 October requesting "clarification" of his party status and "rectification" of untrue charges made against him when he was removed from office. The letter apparently represented a compromise with previous regime demands that he accept present party policy in exchange for reinstatement, but Nagy in no way implied a capitulation to the party. Although calling for party unity and stating his willingness to abide by party decisions, Nagy pointed out in the letter that he remains in disagreement with some regime policies.

Nagy's appointment to high office in the government or in the popular front appears likely in the near future in view of his reacceptance by the party. In addition, one of his supporters reportedly will be selected as the new premier

during the National Assembly session scheduled to convene on 29 October.

Hungary's executed Titoist, Laszlo Rajk, was reinterred on 6 October in a mass public demonstration symbolizing the "new era" in Hungary. This reburial and a later one of five "falsely accused" Hungarian general officers were hailed in Hungary and Yugoslavia as clear evidence of progress in Hungarian political life.

Treatment of Rakosi

Perhaps even more to Belgrade's liking was Budapest radio's strongly anti-Rakosi comments on 14 October. The broadcast admitted that Rakosi did not resign as party leader last July because of poor health but, on the contrary, was forced out because of his involvement in "staining and disgracing the cause of socialism." Rakosi, the broadcast declared, is as guilty of illegal actions as the recently arrested Mihaly Farkas--onetime politburo member and defense minister. Farkas and others of his ilk must now "answer to the courts"; Rakosi is now "far away from our country and our party, and our people do not wish that it should be otherwise."

Other Gestures

According to the Hungarian party daily, Szabad Nep, on 14 October, "there are few nations in the world more dependent on each other than the peoples of Hungary and Yugoslavia." Hailing Yugoslavia as a country which has "never deviated from the path of building socialism

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and striving for the triumph of national independence," the paper indicated that a closer look at Yugoslav internal practices must be taken.

Another Hungarian paper recently paid homage to Yugoslavia by publishing an alleged conversation held in 1949 between Laszlo Rajk, who was awaiting execution, and one of his associates, the recently rehabilitated Pal Justus. Justus was quoted as saying Rajk denied he had conspired against the party but admitted he had disagreed with Rakosi on the question of the popular front and the Yugoslav issue. Rajk claimed that Tito was not a traitor, that it was fatal to bring about a split in the socialist camp and that he had wanted to offer the "good offices of the Hungarian party to the Soviet Union for ironing out the misunderstandings and differences with Yugoslavia."

Belgrade Talks

Belgrade radio on 14 October asserted that the conversa-

tions between the Hungarian and Yugoslav leaders will take place in a "spirit of mutual respect" and "equality" and that the "positive process which has embraced Hungary undoubtedly represents a good basis for fruitful cooperation between our two countries."

Almost certain to be discussed, in addition to questions concerning economic relations and delegation exchanges, are Nagy's political future and the status of Hungarian-Soviet relations. The Yugoslavs can be expected to continue their moral support of Hungarian trends toward internal liberalization and increased independence of the USSR.

According to the American legation in Budapest, the likelihood of Soviet intervention in Hungarian affairs has recently decreased. Moscow apparently has accepted a further gradual decline at least in its overt control over Hungary. 25X1

 25X1GOMULKA RETURNS
TO POLITICAL SCENE IN POLAND

The Polish United Workers (Communist) Party announced on 15 October that Wladyslaw Gomulka, former party secretary general purged for nationalist deviation in 1948, was to take part in the plenary meeting of the central committee to be held on 19 October. At this meeting, Gomulka's appointment to the central committee and politburo probably will be announced. He may also soon be appointed a deputy premier.

The stage was set for Gomulka's reinstatement by the resignation last week of first



GOMULKA

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deputy premier Hilary Minc from the government and the politburo. Minc was the remaining member of the triumvirate of Bierut, Berman and Minc which was principally responsible for the purge of Gomulka in 1948. Bierut died early this year and Berman was ousted from the politburo in April.

The readmittance of Gomulka to high party councils follows several months of negotiations between him and party leaders on the terms of his return. Although Gomulka has never fully recanted the views for which he was purged, Polish and Soviet leaders probably hope to exploit his wide popularity to strengthen the regime's prestige, always low, which has declined even more since the Poznan riots.

Gomulka is aware that his popularity is the result of his previous opposition to Soviet domination of Poland and to pressure for collectivization, and of the general belief that he could bring about a rapid increase in the standard of living. Since the regime has already demonstrated greater independence of Moscow and has suspended the collectivization drive, Gomulka probably feels he can co-operate with it on these matters. Gomulka knows,

however, that no rapid improvement in the standard of living is possible without either a drastic shift of resources from heavy to light industry or large-scale outside aid.

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[redacted] Gomulka is considering requesting large-scale American assistance. Gomulka allegedly has prepared a completely new economic plan, which the regime will accept, calling for large sums for modernizing Polish industry and purchasing raw materials.

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It is not clear what Gomulka's relations will be with the moderate Communists who are pushing the liberalization drive, but he has probably agreed to co-operate with them. The intellectuals comprise a large part of the moderate group and are distrusted by Gomulka. However, they are advocating policies he has favored in the past, which will probably provide sufficient basis for co-operation, at least for the near future.

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(Concurred in by ORR)

DELAYS IN WEST GERMAN
MILITARY BUILD-UP

West Germany's doubts about its present rearmament program are reflected in various governmental and legislative actions which will appreciably slow the military build-up. Ambassador Conant feels that the newly appointed defense minister, Franz Josef Strauss, may continue the rearmament

slowdown while awaiting a complete review of NATO strategy. According to press sources, Chancellor Adenauer has urged Strauss to inform NATO that West Germany has overcommitted itself in its goal of a 500,000-man force.

When the parliament considers the conscription bill

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month, adoption of a service term of only 12 months for the regular army is a virtual certainty and there is considerable doubt that a term of 18 months even for technicians will be adopted.

Although the Defense Ministry earlier said it hoped for 70,000 additional volunteers



STRAUSS

to compensate for this reduced service term, it recently stopped recruiting volunteers, claiming a shortage of barracks. The French have already agreed to turn over accommodations for 35,000, and talks are under way with the Belgians and British for similar aid, but the Defense Ministry is reserving present barracks space for the first call-up of draftees in April 1957. The temporary cut-off of volunteers will hold the defense force to a maximum of

80,000 by the end of 1956, 16,000 short of the goal. Continued shortages seem likely, and there is some press speculation that the first draft will be postponed until after the September 1957 elections.

Public pressure for greater economies in military spending continues. The defense committee of the Bundestag planned the defense procurement program only to March 1958, apparently to assure purchase of the latest equipment. It therefore cut the procurement budget by \$240,000,000, largely a reduction in tank and armored car purchases from the United States. It is concerned about an eventual shift in the West from conventional to atomic weapons and a withdrawal of allied troops from Western Europe, and it appears to be waiting for a restatement of Western defense strategy in NATO before proceeding with West German defense plans.

Adenauer believes that "all European armies" may receive atomic weapons, and Defense Minister Strauss is one of the chief advocates of the view that Germany must be included. The long-expected cabinet reorganization which shifted Strauss from atomic affairs minister into the key Defense Ministry post was largely designed to quiet opposition criticism of the government's defense policy before next year's election. A new and stronger vice chancellor was not appointed, however, because of Adenauer's reluctance to name a successor.

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FRENCH NATIONAL ASSEMBLY DEBATE

The Mollet government seems assured of continued but grudging support in the French National Assembly, although the premier is increasingly threatened by dissension within his own Socialist Party. Harsh

attacks on American policy are highlighting the general policy debate, and dissatisfaction over lack of progress on Suez and Algeria may generate pressures for a reappraisal of France's ties to the Atlantic alliance.

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The necessity of Socialist support for any new government and continuing willingness in the assembly to let Mollet shoulder responsibility on the Suez and Algerian issues are still major factors blocking an adverse vote. Despite strong Communist hostility on these issues, the Communist drive for unity of action with the Socialists may lead the party at least to abstain. The Communist attitude, in turn, may oblige the right center to back Mollet to avoid the impression that he is dependent on Communist support.

The French public regards the six-point generalized agreement by Britain, France and Egypt on Suez as a retreat by the West, and protracted and difficult negotiations on the details will probably intensify pressure for the return to a strong policy.

Many political leaders still believe that the Algerian problem cannot be settled until a satisfactory solution has been found for the Suez situation, but there is growing dissension in the cabinet over Mollet's pacification program for Algeria. He is under pressure for an immediate declaration of intent and is report-

edly planning some spectacular gestures before the UN General Assembly session opens in the hope of enticing the Algerian nationalists into a negotiated settlement.

The Suez issue and, to a lesser degree, the Algerian problem, continue as sources of extreme anti-Americanism even among many traditionally friendly to the United States. The belief that the USSR is making inroads in the Near East and Africa is spreading in France, and there is growing speculation that Paris should re-examine the advantages of closer ties with Moscow. A major reverse in Algeria could lead to Mollet's replacement by someone who would favor taking France out of NATO.

The overwhelming success of the loan for Algerian expenses relieves pressure on the treasury for the rest of 1956, but the threat of renewed inflation and social agitation continues. The government will probably rely on social reforms to maintain labor's allegiance. However, the Socialist-led unions will be increasingly vulnerable to Communist appeals for united action.

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JAPAN PLANS SPECIAL DIET SESSION

Japanese conservative leaders are tentatively planning to call a special session of the Diet in mid-November to ratify the anticipated agreement with the USSR which Prime Minister Hatoyama is negotiating now in Moscow and to approve the Liberal-Democratic Party's selection of a prime minister to succeed him.

Japan's inability to pursue a consistent course in negotiations with the USSR is largely caused by the struggle among conservative party factions over a successor to Hatoyama, whose early retirement is a generally acknowledged necessity. Dissidents within the conservative ranks have put pressure on Hatoyama to seek an agreement which

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includes two troublesome demands--the return of Shikotan and the Habomai Islands and unconditional Soviet support for Japan's membership in the United Nations.

The Soviet position on these points has not been clarified to the satisfaction of Japan. Press reports have quoted Premier Bulganin on the United Nations issue as saying that the USSR would not use its veto but could not guarantee another nation's similar restraint.

Hatoyama may be willing to settle for less than clear-cut Soviet commitments on these questions and attempt to overcome any adverse Japanese reaction by including in the agreement additional concessions--such as access to fishing ports in the disputed islands, prospects for increased trade, and scientific exchanges. These factors, supported by relief that the prolonged negotiations can be concluded on even par-

tially favorable terms, may be sufficient to win general Japanese acceptance of the agreement.

In such circumstances, Secretary General Shinsuke Kishi of the Liberal-Democratic Party, who appears to have aligned himself with the Hatoyama-Kono "main current" faction after a long noncommittal role, is regarded as the most likely successor to Hatoyama. There is an intraparty movement, however, led by former education minister Kenzo Matsumura, which is endeavoring to shift conservative party power away from the "main current" faction. Such a shift could result in the selection of a neutral among conservative leaders to succeed Hatoyama. The party's Executive Board chairman, Mitsujiro Ishii, and Minister of International Trade and Industry Tanzan Ishibashi are most prominently mentioned in this connection. []

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PAKISTAN

Pakistani prime minister Suhrawardy's trip to Communist China has been made possible largely as a result of his government's having temporarily solved its two most pressing domestic and international problems. Without such easing of tension, Suhrawardy's political position might have been so shaky as to prevent his leaving the country. As matters now stand, it appears that Suhrawardy can count on relative political quiet, at least until December.

Suhrawardy left Pakistan on 16 October, taking with him high Foreign Ministry officials,

economic experts, and a delegation of Pakistani women. He reportedly hopes to study Chinese agricultural and industrial methods and flood control techniques. It is possible he will make some economic agreements in Peiping. Among the political issues discussed may be that of Chinese incursions along the northern border of the portion of Kashmir held by Pakistan. It is unlikely that any significant change in Pakistan's relations with the Baghdad pact and SEATO will result from Suhrawardy's visit.

One of the primary factors making Suhrawardy's trip possible

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includes two troublesome demands--the return of Shikotan and the Habomai Islands and unconditional Soviet support for Japan's membership in the United Nations.

The Soviet position on these points has not been clarified to the satisfaction of Japan. Press reports have quoted Premier Bulganin on the United Nations issue as saying that the USSR would not use its veto but could not guarantee another nation's similar restraint.

Hatoyama may be willing to settle for less than clear-cut Soviet commitments on these questions and attempt to overcome any adverse Japanese reaction by including in the agreement additional concessions--such as access to fishing ports in the disputed islands, prospects for increased trade, and scientific exchanges. These factors, supported by relief that the prolonged negotiations can be concluded on even par-

tially favorable terms, may be sufficient to win general Japanese acceptance of the agreement.

In such circumstances, Secretary General Shinsuke Kishi of the Liberal-Democratic Party, who appears to have aligned himself with the Hatoyama-Kono "main current" faction after a long noncommittal role, is regarded as the most likely successor to Hatoyama. There is an intraparty movement, however, led by former education minister Kenzo Matsumura, which is endeavoring to shift conservative party power away from the "main current" faction. Such a shift could result in the selection of a neutral among conservative leaders to succeed Hatoyama. The party's Executive Board chairman, Mitsujiro Ishii, and Minister of International Trade and Industry Tanzan Ishibashi are most prominently mentioned in this connection. []

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PAKISTAN

Pakistani prime minister Suhrawardy's trip to Communist China has been made possible largely as a result of his government's having temporarily solved its two most pressing domestic and international problems. Without such easing of tension, Suhrawardy's political position might have been so shaky as to prevent his leaving the country. As matters now stand, it appears that Suhrawardy can count on relative political quiet, at least until December.

Suhrawardy left Pakistan on 16 October, taking with him high Foreign Ministry officials,

economic experts, and a delegation of Pakistani women. He reportedly hopes to study Chinese agricultural and industrial methods and flood control techniques. It is possible he will make some economic agreements in Peiping. Among the political issues discussed may be that of Chinese incursions along the northern border of the portion of Kashmir held by Pakistan. It is unlikely that any significant change in Pakistan's relations with the Baghdad pact and SEATO will result from Suhrawardy's visit.

One of the primary factors making Suhrawardy's trip possible

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was passage by the national assembly on 12 October of a bill establishing joint electorates for Hindu and Moslem voters in East Pakistan and separate electorates in West Pakistan. This is essentially an unsatisfactory compromise, but should give Suhrawardy's new government time to prepare for another attack.

Since the Western powers were willing to let Pakistan attend the second London conference on the Suez question merely as an observer, Suhrawardy

has been relieved of the necessity of making an immediate decision on membership in the Suez Canal Users' Association. Both he and Mirza personally favor co-operation with the Western powers, though Suhrawardy to date has opposed actual association with them. Pakistani public opinion, however, strongly favors Egypt, and Suhrawardy probably foresees considerable danger in unnecessarily inflaming that opinion so soon after coming to office. [REDACTED]

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IRAN'S OCCUPATION OF PERSIAN GULF ISLANDS

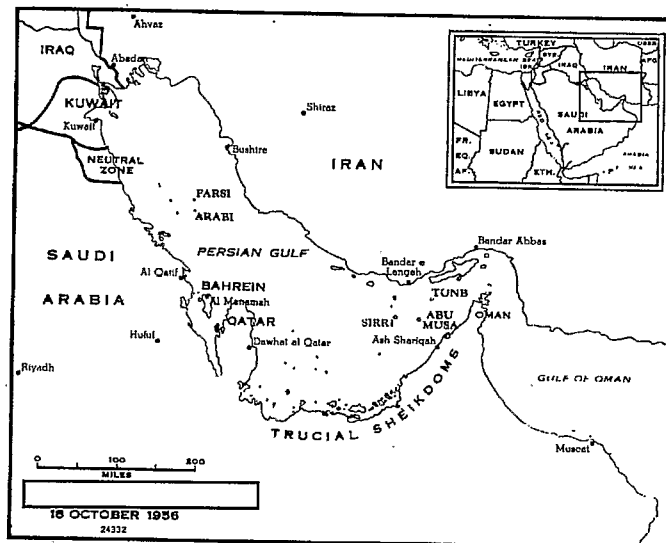
The occupation by Iranian marines of one--and probably more--small, uninhabited but strategically located islands in the Persian Gulf in late September may lead to an international controversy out of all proportion to the islands' importance.

Sixty Iranian "naval infantrymen" occupied Farsi Island, lying midway between Saudi Arabia and Iran, apparently in an effort to establish claims for offshore petroleum exploitation. The most persistent Iranian claim in the Persian Gulf during recent years is to the oil-rich Bahrein Island, over which Britain has considerable influence but where American companies hold the oil concessions.

In addition, Iran is apparently planning to occupy

Abu Mus, which has significant oxide deposits, and possibly Arabi, Sirri, and Tunb, in order to establish a median line in the Persian Gulf as the international boundary.

There are conflicting claims to the islands of the Persian Gulf. The British have thus far been able to defend Bahrein's sovereignty and Kuwait's

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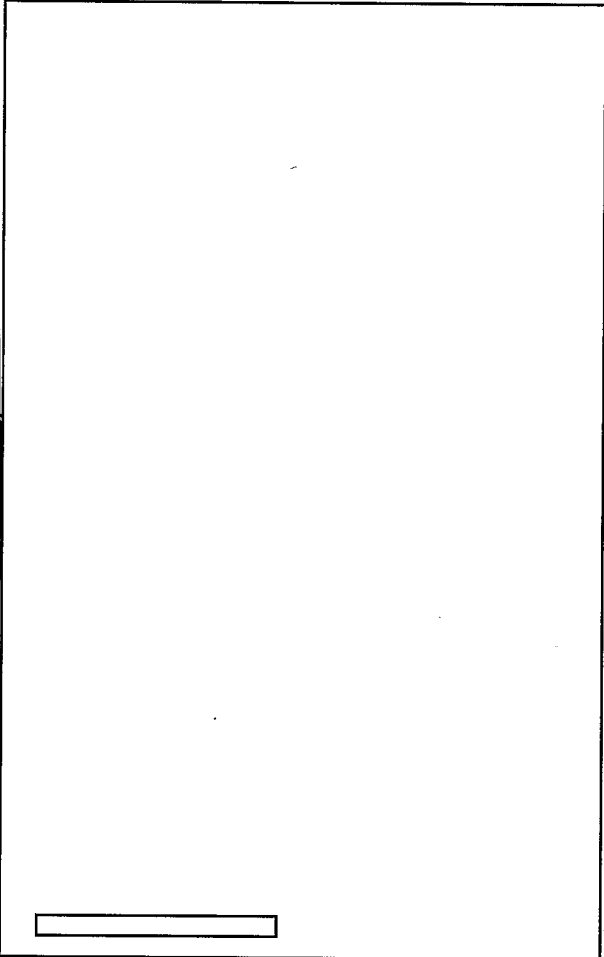
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claim to Farsi. Iran has never relinquished its claims to the islands, although it has never been in a position to assert them forcefully. Its one attempt to lay claim to Farsi in 1948 by placing a plaque on one of the British-constructed beacons on the island was parried by the British.

Vested interests in Iran, probably the National Iranian Oil Company, have apparently decided that, in view of Britain's problems in Egypt and Cyprus, the time is ripe to attempt to extend Iranian territorial jurisdiction to the median islands in the Persian Gulf.

The Saudi government, however, apparently waived claims to Farsi in 1955 negotiations with Britain in exchange for acknowledged sovereignty over other Persian Gulf islands, although no formal document was signed. If Iran occupies Abu Mus, Arabi, Sirri and Tunb, Saudi Arabia will probably make strong protests.



NEW SOVIET OVERTURES
TO TURKEY AND IRAN

The Soviet Union is persisting in its attempts to improve relations with Turkey and Iran. Moscow has combined professions of genuine friendship with admissions that it was at fault for past bad relations with the two countries.

Soviet diplomacy has emphasized that peaceful co-existence makes Turkey and Iran's

commitments to Western defense pacts obsolete and that the military build-up involved is a useless drain on limited economic resources. The USSR also stresses the advantages that would accrue from increasing trade with the Soviet bloc and accepting technical assistance and large-scale, unconditional credits for economic development programs.

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To date the Soviet Union has made appreciably more progress in improving its relations with Iran than with Turkey.

Iran

No specific offer of Soviet economic assistance to Iran was made to the Shah during his visit to Moscow in July. A new Soviet ambassador, N. M. Pegov, was sent to Tehran in August following the Shah's return.

The ambassador has renewed Soviet offers of general economic assistance of any kind and in almost any amount. Recently he proposed to the Shah the joint construction of a million-kilowatt hydroelectric project on Iran's northwest border with the USSR, plans for which are to be submitted to Iran soon. Increased barter trade and reciprocal air service were mentioned as other fields for possible co-operation. Iran's internal political and economic situation is such that it is increasingly

difficult for the government not to consider offers of economic aid from the Soviet Union.

Turkey

Despite repeated Soviet attempts to convince Turkey that the Soviet Union genuinely desires Soviet-Turkish friendship, Turkey's long-standing suspicion of Soviet motives has not slackened.

In May 1953 the USSR abandoned its territorial claims on Turkey and indicated that the existing system for control of the Turkish Straits is satisfactory, thus easing the way for friendlier relations.

Soviet bloc trade has played an important role in the Turkish economy, comprising 20 percent of Turkey's foreign trade in 1955. Although Turkey has continued to rebuff Moscow's offers of economic assistance, apparently aimed at exploiting its economic crisis, several Satellite firms have obtained important new contracts in Turkey. [redacted] (Concurred in by ORR)

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BLOC ECONOMIC CAMPAIGN IN SYRIA

Syrian president Quwatli, who is scheduled to visit Moscow late in October, is reported willing to accept an unconditional gift from the USSR, or long-term loans at low interest, but does not desire Soviet assistance or technical aid for specific projects.

Both Soviet and Satellite economic efforts in Syria have

been stepped up in recent months. Existing Syrian credit agreements with the bloc for government and military construction projects are estimated at over \$7,000,000. Bloc offers of credit for various other Syrian development projects, including the oil refinery at Homs, are estimated at around \$25,000,000, while at least \$35,000,000 in credits are being extended

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to finance Syrian purchases of arms.

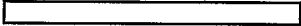
The bloc has obtained several contracts in Syria by cutting prices below Western bids and offering low interest rates.



Czech bids for the Homs oil refinery have been reduced several times in order to undercut the bids of Western firms.

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During Shepilov's visit to Syria in June, various proposed development projects were reportedly discussed, probably including those listed under the \$31,000,000 extraordinary development budget approved in 1955. The chief source of funds for this program was to be foreign and domestic loans. In August, an official Soviet economic mission visited Damascus and discussed the construction of railways, grain storage facilities, and the proposed Jusfu Pasha dam.



(Prepared by ORR)

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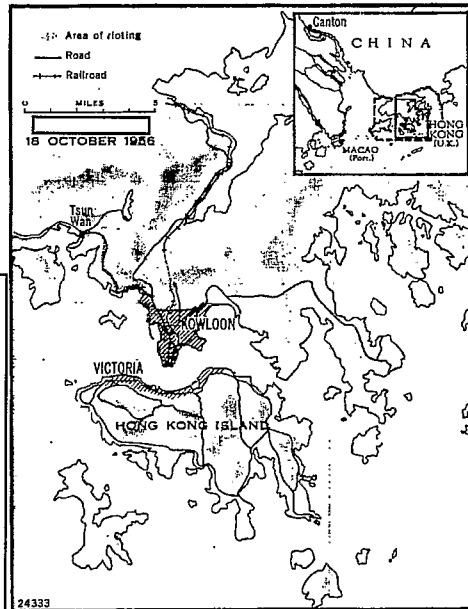
HONG KONG RIOTS

The riots in Hong Kong from 10 to 13 October are now believed by British authorities to have been principally the work of Chinese "Triad" secret societies and other criminal elements. These groups apparently capitalized on a minor disturbance in the crowded refugee areas of Kowloon in order to even their score with the police and indulge in looting. No prior planning was apparent; the anti-Communism theme was used by the gangsters to stir up the anti-Communist refugees and swell the ranks of the rioters. The disorders apparently were not organized or spread by either pro-Nationalist or pro-Communist Chinese.

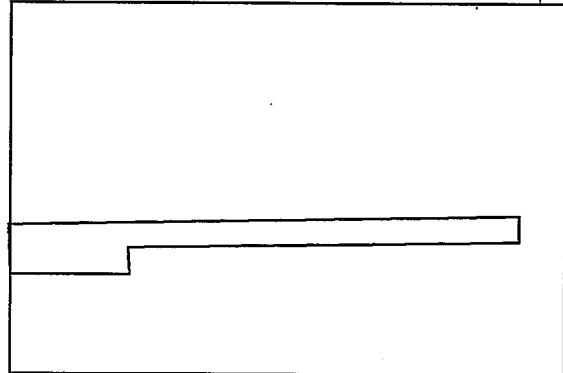


government also has a new appreciation of the gangster elements, and proposes within the next six weeks to seize the leaders and break up the gangs.

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Peiping was probably surprised by the strong anti-Communist feeling revealed in the riots. Its initial reaction was to accuse the Nationalists of inspiring the violence and to charge the British with laxity in dealing with the mobs.

On 13 October, Premier Chou En-lai lodged an official protest with the British chargé d'affaires in Peiping and, on 14 October, told the press, "China cannot permit such disorders on her doorstep."

Sir Alexander Grantham, governor of Hong Kong, announced on 16 October that the British chargé d'affaires in Peiping had forwarded a "refutation of allegations" to Chou En-lai's protest. Grantham said that so far as he knew, this would be London's "only reply."

There have been Chinese Communist propaganda and

diplomatic protests against Hong Kong authorities before-- notably, the demands for British action against the colony's Nationalist sympathizers after the sabotage of an airplane carrying part of the Chinese delegation to Bandung in 1955. Peiping has refrained from pressing for recovery of the territory, however, presumably because of its value as an access to the outside world and the international repercussions which would result.

The damage Communist prestige has suffered in the riots is of more concern to the Chinese Communists than any injury to persons or property. Peiping will probably renew its pressure on the British for diplomatic representation in the colony and make a more intensive effort to infiltrate Hong Kong's Chinese population.

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SINGAPORE

The Singapore government's drive on Communist subversion, now in its fifth week, is concentrating on Chinese middle schools, where concerted resistance to the campaign has developed.

The minister of education on 12 October temporarily closed two of the six schools where 6,000 Communist-led students were engaged in a "stay-in" strike. This strike was called in protest against the banning of the Chinese Students' Union, the arrest of six students, and an order for the expulsion of two teachers and 142 students from Chinese schools.

As a result of the government's action, the number of

striking students dropped to 1,000. Chief Minister Lim and Minister of Education Chew are deliberately refraining from using force to clear the schools in order to avoid making "martyrs" for the Communists to exploit.

The government's antisubversion drive has also succeeded in forcing the pro-Communist People's Action Party to shift from united-front tactics to active opposition. The People's Action Party had supported Chief Minister Lim in his preparations for self-government talks with Britain and has generally co-operated in the government's over-all program. At a rally on 14 October, however, a party spokesman demanded

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immediate general elections and declared that a change in tactics was necessary to "oust Lim and his men."

The People's Action Party and other Communist-front groups claim their opposition to the government will be conducted along peaceful, legalistic lines. They will probably intensify their emphasis on civil rights and continue to label the Lim

government as fascist and pro-colonial. Student-labor disorders are possible, however, in view of the support pledged to the students on 9 October by the militant Singapore Factory and Shop Workers' Union. The government, aware of this possibility, has warned that forceful resistance will invite further punitive action.

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SOUTH VIETNAM

The promulgation of a constitution in South Vietnam on 26 October will mark the final stage in President Diem's consolidation of power which began a year ago with the referendum that removed former emperor Bao Dai as chief of state. Having surmounted the numerous political and military crises which have threatened South Vietnam during its short history, the Diem government has never been more self-assured. Diem nevertheless regards his government as entering a crucial stage of economic development on which its long-range viability as a free nation depends.

Impressive celebrations lasting three days will begin on 26 October with the inauguration of Diem as president for his first constitutional term. Parades, a diplomatic reception, exhibitions and courtesy calls to Saigon by naval vessels of friendly foreign governments will demonstrate the South Vietnamese government's growing prestige at home and abroad.

The proceedings, however, will be principally an expression of satisfaction with the

past and optimism for the future. Henceforth, the government plans to give greater publicity to its goals in construction and economic development, instead of stressing anti-Communism as in the past.

Diem is known to feel that the time is psychologically and politically propitious for South Vietnam to make important strides toward agrarian reform and economic expansion. Accordingly, he may take the occasion of his investiture to spell out at least the broad outlines of various development plans.

Despite past successes, Diem is far from complacent. In addition to his concern over South Vietnam's economic problems, he recognizes that the Viet Minh's ability to foment trouble is still significant. He can be expected to maintain maximum police and military pressure on Communist cadres, and he is alert to indications that the increasingly aggressive attitude of the labor unions may stem largely from the influence of infiltrated Viet Minh agents.

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CAMBODIAN POLITICAL CRISIS

Prince Sihanouk's third resignation as premier in less than a year has engendered increasing opposition among some of his closest supporters and may eventually lead to the emergence of a new strong man.

Sihanouk said he resigned on 15 October because of fatigue and budget difficulties, but the real reason appears to have been his conflict with the two strong men in his cabinet--Defense Minister Monireth and Internal Security Minister Dap Chhuon. Sihanouk reportedly objected to the severity of anticorruption measures contemplated by these two men, who are noted for their ruthless discipline.

Sihanouk's recognition of Cambodia's need for a strong government after nine months of aimless drifting is indicated by the competency of the cabinet he formed on 15 September. In particular, the appointments of Monireth and Dap Chhuon were attributed to Sihanouk's appreciation that Cambodia's internal security needs to be strengthened to meet the threat of subversion resulting from the close relations he has promoted with the Sino-Soviet bloc.

Sihanouk may attempt to resolve the present crisis by forming a "national union" government, drawing particularly from the ranks of the heretofore opposition Democratic Party. The prince is known to be disgusted with his own organization, the all-powerful Sangkum, which he describes as a "giant with feet of clay." By forming a "national" government, he might hope to revitalize the Sangkum's policy of "making the little man king" and to eliminate those who are questioning his capacity for leadership.

Although the outspoken criticism of Sihanouk indicates that the prince's prestige is in a decline, he remains the key figure in Cambodian politics. To challenge him successfully, Sihanouk's opponents would need the active support of the palace, which has shown some uneasiness over the situation. In the event of a showdown, principal contenders for power would appear to be Monireth, Dap Chhuon and Nhiek Tioulong, now ambassador to Japan. All three are considered pro-Western and strongly anti-Communist.

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PEIPING'S STATEMENT
ON GENEVA TALKS

Like Peiping's four previous statements this year on the Johnson-Wang talks at Geneva, the Foreign Ministry release of 16 October charges the United States with "deliberately preventing" progress at the meetings. Although it follows the previous statement by less than three weeks--suggesting that Peiping

is stepping up its propaganda effort to pin responsibility for a possible breakdown on the United States--the Communists have avoided any threat to discontinue the talks and continue to state their case in moderate terms.

Noting that Peiping has made "many endeavors" to promote

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a cultural exchange between the United States and Communist China, the Communists say the American refusal to discuss the latest proposal results from fear of "any improvement in the relations between China and the United States." The Chinese observe that the latest American rebuff follows rejection of earlier Communist proposals to lift trade controls.

The Chinese Communists evidently feel confident their propaganda position at Geneva is still strong, despite their failure to live up to the 10 September 1955 agreement on repatriation of nationals and their unwilling-

ness to sign a meaningful renunciation of force agreement. Additional Foreign Ministry statements designed to embarrass the United States can be expected as Peiping makes new "reasonable" proposals unacceptable to the United States.

The Chinese Communists are still eager to see the talks raised to the foreign minister level, although their most recent statements have not stressed this point. Peiping may feel that renewed pressures for a Dulles-Chou meeting should be delayed until after the American presidential elections.

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BRITAIN AND CHINA TRADE CONTROLS

Concern for tripartite unity on Suez has been in part responsible for the apparent British decision to postpone calling for a full review of China trade controls, at least until February 1957. The review, originally postponed from August, was expected to be in December 1956 but, according to the COCOM chairman, the British delegate personally doubts the wisdom of summoning the Consultative Group to meet even in February.

In the past four months, Britain has essentially achieved the effect of a formal reduction in trade restrictions by use of the exceptions procedure without the unanimity formerly required, and now may feel less compulsion for a formal review.

The British began actively pushing gradual elimination of

the differential between controls on trade with China and that with the Soviet bloc in December 1955. In May 1956 they announced plans to make greater use of the complex exceptions procedure for items on the China differential. Since then, extensive use of the exceptions procedure, coupled with increasing pressures for defined reductions in both CHINCOM and COCOM controls generally, has been supported almost unanimously by the participating countries.

The Suez crisis ended Anglo-French plans to press for a major relaxation of East-West trade restrictions at the August meeting of COCOM and CHINCOM, according to the French COCOM delegate. Nevertheless, the decision taken by Eden, in consultation with Pineau, to avoid irritation of the United States, was labeled temporary

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and not expected to last six months.

Britain apparently has decided to seek more liberal export quotas in the COCOM review of quantitative controls scheduled to begin on 9 November, in return for which it may agree to a quota control on copper.

The British continue to want ultimate revision of COCOM controls in line with their

"thermonuclear warfare concept" of strategic controls. Presumably this would entail a re-examination of the strategic value of materials in the light of advanced weapons developed since the controls were laid down. The British, however, have neither defined this concept nor produced a list of possible reductions in line with it, and there is no indication as to when they will do so. [REDACTED]

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HONDURAS

The Honduras regime of Julio Lozano employed violence, intimidation and bribery to assure its victory in the election of a constituent assembly on 7 October. It claims to have won all 56 seats. The assembly, to be convened on 1 November, is expected to name Lozano constitutional president, ratify his acts as chief of



LOZANO

state, and approve the draft of a new constitution.

Lozano assumed control of the Honduran government as de facto chief of state in

late 1954 when constitutional order broke down in the heat of a bitter presidential campaign. For almost two years he tried strenuously to create a stable government in which the three major parties would participate. Repeated frustrations have led him in the past few months to adopt increasingly authoritarian measures, which have led to steadily growing tensions.

The opposition Liberal and Nationalist Parties, the traditional parties in Honduras' long-time two-party system, will apparently lack representation in the newly elected assembly. Though political enemies, the two parties have considered acting in common against the regime on several occasions in the past four months, and may now do so. Each party has been reported independently planning a revolt. There were indications early this month that ex-dictator Tiburcio Carias, Nationalist Party chieftain, might be planning a revolt, while exiled Liberal leader Villeda Morales has publicly declared his intention of inciting Hondurans to revolt.

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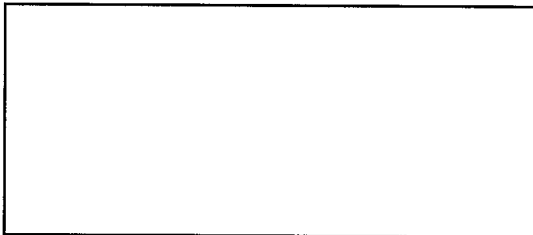
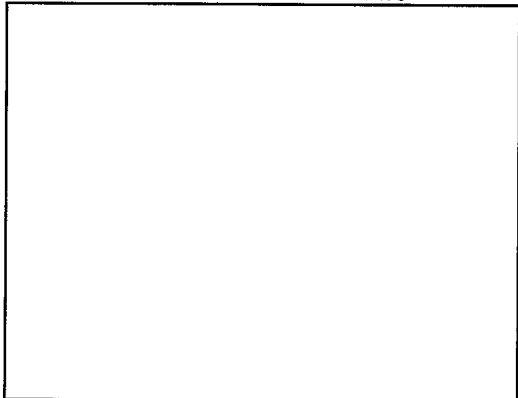
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The regime is weakened by the ambitions of Abraham Williams, head of the small and nominally pro-Lozano Reformist Party which will dominate the constituent



The government probably will try to strengthen its position by attempting to make a deal with Carias, and, as a step in that direction, named Carias' son ambassador to the United States on 11 October.

Top leaders of the 3,000-man army are believed loyal to Lozano and, if united, could probably quash any attempted revolt. However, the high tension and Lozano's lack of popular support may weaken the army's loyalty.

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PART III

PATTERNS AND PERSPECTIVES

SATELLITES TAKE STEPS TO IMPROVE RELATIONS WITH THE UNITED STATES

As part of the general "thaw" in Soviet bloc policies, a number of Eastern European governments have been seeking to improve relations with the United States. The softer tone of the Satellite press toward the United States has been accompanied by semi-official overtures for closer relations. Rumania has taken the lead in making some effort to remove obstacles to improve relations, and Czechoslovakia, Hungary and Poland have also sought to make some adjustments.

Formal Negotiations

Several of the Satellite regimes have approached the United States with suggestions for negotiating outstanding issues to pave the way for expanded trade relations and technical exchanges.

Czechoslovakia began negotiations on outstanding economic problems on 28 November 1955; Rumania, on 15 October. The negotiations with Czechoslovakia have dragged on through 26 sessions, and Prague's reluctance to make concessions may indicate it has little intention of attempting to overcome obstacles to closer relations at this time.

Rumania may be more willing to make concessions at the conference table in view of its oft-expressed desire to expand economic interchange. The talks, which were first proposed by the Rumanian Foreign Ministry on 7 March, will cover economic problems related to the claims of American citizens--estimated at \$88,000,000--for property in Rumania, the problem of frozen Rumanian assets in the United States and the problem of trade exchanges.

A high Rumanian official, commenting on his government's refusal to release all dual nationals prior to the conference, stated that the "action would spoil Rumania's negotiating position." However, long-denied exit visas have been granted to several members of the group. The Rumanians have also rejected all American efforts to reopen the USIS reading room in Bucharest, closed since 1951.

Rumania may hope in the negotiations to realize its previously expressed desire to exchange Chamber of Commerce representatives and agricultural attachés, to open consulate offices and, above all, to expand trade with the United States. A number of American businessmen and trade delegations have visited Rumania, but only a few minor trade deals have been concluded.

Hungary is on record as desiring closer relations and both general and specific economic discussions, but has followed up its statements with only a few gestures of good will, such as the release of two of the arrested legation employees and of the former press stringer Endre Marton and his wife.

The Poles on 8 October declared their readiness to enter into discussions with the United States. There are apparently advocates of normalized relations--especially economic--among Polish officials who have counted on the de-Stalinization campaign to facilitate the process, but they have been opposed by a number of party leaders. The expected return of Wladyslaw Gomulka to a high office may

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lead to closer relations with the United States.

On 28 June, the Poles agreed to a lend-lease settlement with the United States following a series of meetings which began in Washington in 1954. The settlement called for the payment of a net sum of \$110,000 to the United States.

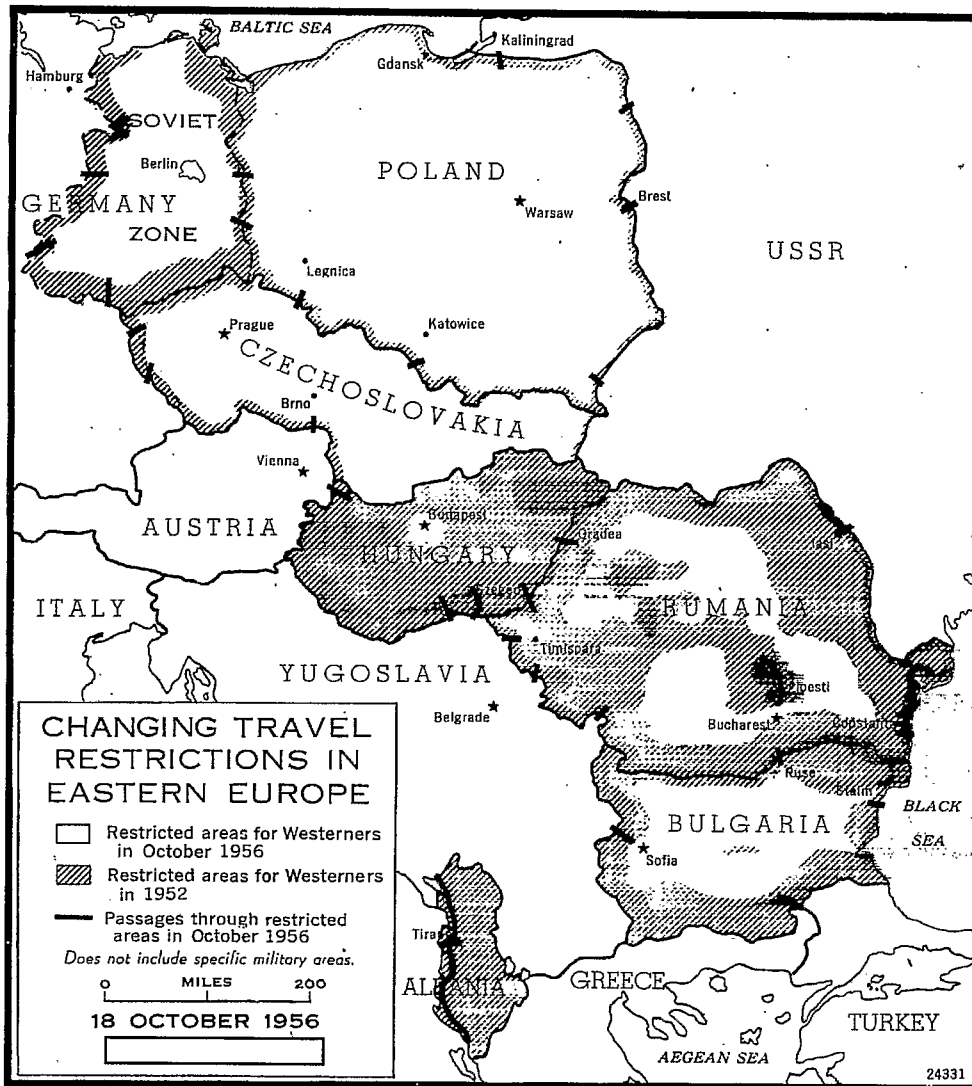
During the past few months, Bulgaria and Albania have re-

iterated their interest in renewing diplomatic relations with the United States.

Conciliatory Gestures

Several Satellites have eased conditions for American diplomatic missions.

The Rumanians have reduced travel restrictions on diplomats and on occasion have even allowed American officials to travel in restricted areas.



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A Hungarian Foreign Ministry official is quoted to the effect that all travel restrictions on the American legation staff may be removed. Rumania has granted a number of exit visas to nationals. The Poles have permitted several hundred persons, most of them dual nationals, to leave Poland. The Czech, Rumanian and Hungarian governments have lightened their surveillance of Western, particularly American, diplomats.

Most Satellites have pushed tourism, and in many cases American visitors--businessmen, clerics, former nationals and plain tourists--have been given a virtual carte blanche on travel. Hungary, Poland and Czechoslovakia have arranged for conversion of Western currencies at a rate more favorable than the artificially high official rate of Eastern European currency.

Although the Satellites recently have been more factual than in the past in their reporting of developments in the United States, on foreign policy questions they still adhere closely to the Soviet propaganda line. They have been very sensitive to Radio Free Europe activities and assert these are an obstacle to the development of healthy relations. Hungary, Czechoslovakia and Poland have condemned "American propaganda balloons" and, in an effort to implicate RFE and the United States, have incorporated allegations of Western espionage activity in several recent spy trials.

East-West Exchanges

Most Eastern European countries have demonstrated considerable interest in establishing cultural contacts with the West, and the enthusiasm with which American artists have been received has been striking.

The Boston Symphony Orchestra performing in Prague on 11 September received tumultuous applause after playing the Czech and American national anthems. The American embassy in Prague notes that the concert was an unforgettable evening for the Czechs in which their intense appreciation of musical artistry and their admiration for Americans was joined.

Budapest residents reacted similarly when Yehudi Menuhin performed there in June. The visit induced much nostalgic emotionalism and fanned hopes for closer cultural ties. A spokesman for the Hungarian literati approached the American legation in an effort to stimulate literary exchanges. Hungarian officials have expressed interest in scheduling concerts by Menuhin, Leopold Stokowski and Marian Anderson in 1957. Hungary had denied visas to some performers in 1955. These increased contacts, the more objective press treatment of the United States, and the recently publicized delivery of American aid for Hungarian flood damages have had a healthy psychological effect on the Hungarian people, who have gone out of their way to be friendly to Americans.

Rumania and Poland have also demonstrated some interest in cultural exchanges. American theatrical producer Billy Rose, for example, was warmly received by the Rumanians, who gave "universal approval to his desire to widen cultural contacts between the two countries."

Rumania, following the Soviet example, has accepted the American invitation to send observers for the presidential election. Poland and Czechoslovakia have rejected the invitation, in a conciliatory manner, and Hungary has not responded. 25X1

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AFGHAN GOVERNMENT LEADERSHIP

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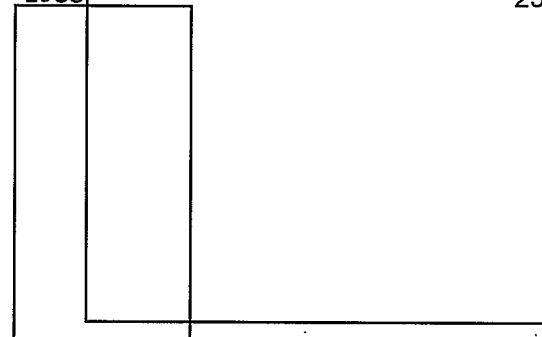
Afghan prime minister Daud's success in maintaining his position and carrying out his policies rests in large part on the fact that many educated Afghans sympathize with his outlook and aspirations. While most Afghan leaders retain their deep suspicion of the USSR, they favor Afghanistan's policy of "neutrality" and are convinced of the value to their country of Soviet bloc aid.



King Zahir Shah, first cousin of Naim and Daud, has played a shadowy role ever since his accession to the throne in 1933

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In the 19th century, Afghan rulers resorted freely to intrigue, war, and enforced isolation to maintain national independence. The present leaders realize that this goal can be achieved only in a larger framework of world affairs. In addition they are faced with the necessity of promoting economic and social development within the country.

The Second Echelon

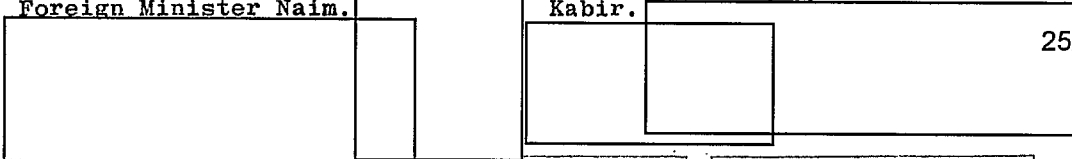
The three royal cousins make all the important decisions. Unlike his predecessors, however, Daud has allowed nonmembers of the royal family a significant role in the government. These include such officials as Finance Minister Malik, Interior Minister Hakim, and Public Works Minister Kabir.

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The Royal Triumvirate

The architect of Afghan policy is Mohammad Daud Khan, who has been prime minister since September 1953, Daud is aided by his older brother, Foreign Minister Naim.

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"The Young Effendis"

Of much greater potential importance to Daud and Afghanistan is a third group of younger, Western-educated men who are sometimes referred to as "the young effendis." They staff most of the top positions in the Afghan civil service and are responsible for any efficiency the Afghan bureaucracy may possess. They can be divided into two subgroups.

First are the competent young careerists, who carry out orders from above regardless of their own views. Some have become enthusiastic exponents of Daud's policies. Notable examples are Sardar Najibullah Torwayana, ambassador to London, Mohammad Hashim Maiwandwal, deputy minister of foreign affairs, and Abdur Rahman Pashwak, director of the Office of Political Affairs in the Foreign Ministry.

The other, potentially more dynamic, section of the "young effendis" consists of liberal-minded men with a desire for progress. Several of these were imprisoned by Daud's predecessor in 1952 for participating too enthusiastically in an "experiment" under which the government briefly permitted the establishment of political parties and uncontrolled newspapers. They have been released from jail by Daud and have been given government positions. Abdul Hai Aziz, who negotiated the June 1956 aviation development agreement with the United States on behalf of the Daud government, is a member of this group.

Bloc Ties

Afghanistan's greatly expanded ties with the Soviet bloc appear practical to these leaders. In their view, contact with the bloc has contributed to internal development and has focused the attention of the world on their country. These developments will certainly strengthen the modern-minded group over tribal and religious elements.

Further, the government leadership apparently is convinced that the USSR does not intend any kind of direct attack on Afghanistan. They base this conclusion on the theory that Soviet policy is at present too dependent on world--especially

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Asian--opinion to permit an attempt at a take-over on either the Baltic or Czech models.

The preservation of Afghan independence remains, however, the ultimate policy aim, and there is no question of Afghan official awareness of the dangers inherent in Soviet benevolence.

To date, therefore, the Afghan leaders have no reason to regret their decision to turn to the USSR for the economic and political support which they were unable to obtain elsewhere. Despite their confidence in their ability to outmaneuver the Russians, however, some of the more astute officials realize that on their own they cannot ward off Soviet penetration indefinitely. Consequently, they welcome indications of continuing American interest in Afghanistan, such as the \$14,500,000 aviation development agreement signed last June.

The Afghan leaders reportedly came to an agreement with the USSR recently on the amount of aid they plan to accept from the United States. They would probably welcome a similar understanding with the United States on the extent of their commitments to the Soviet bloc. The purpose of this would be to enable them better to judge American intentions in the event they find their independence endangered by Soviet activities.

If Soviet penetration becomes obviously threatening as time goes on, Kabul will probably be prepared to pay a considerable price

in order to obtain Western support and protection. At present, however, the Afghan leaders appear to be content with their "neutrality" policy, and will probably follow it indefinitely. There is a danger that if subtle but massive Soviet activity continues at its present rate, by the time Kabul becomes convinced of a dangerous degree of penetration, it may be too late for any Western support to be effective.

Outlook

The Soviet bloc, as a result of an investment of almost \$150,000,000--including about \$25,000,000 worth of arms--has been able to exercise some influence in the economic field in Afghanistan in the past year. There has never been any overt Communist party in Afghanistan nor any clear-cut evidence of political penetration.

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