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1 November 1956

CURRENT INTELLIGENCE WEEKLY SUMMARY



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CENTRAL INTELLIGENCE AGENCY
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T H E W E E K I N B R I E F

PART I

OF IMMEDIATE INTEREST

HOSTILITIES IN EGYPT Page 1

The basic objective of the British and French action against Egypt is to reverse the deterioration of their position throughout the Middle East and North Africa. The advantages the Israelis may hope for are a lifting of the Egyptian blockade of Suez and the Gulf of Aqaba, territorial gains, and the neutralization of Egyptian strength. [redacted]

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THE SITUATION IN HUNGARY Page 5

The fighting ended in Budapest and Soviet troops withdrew from the city on 30 and 31 October. The Soviet Union virtually capitulated to the demands of the Hungarians rather than use force to crush them. The provisional government of Premier Imre Nagy, yielding to the principal insurgent demands, has promised free elections and has asked for Hungary's withdrawal from the Warsaw pact. [redacted]

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POLISH SITUATION Page 9

The Gomulka national Communist regime has followed up its "revolt" with additional moves to strengthen its internal position. The Polish people appear to feel that the crisis has been successfully weathered. Further liberalization and greater independence from the Kremlin are implicit in the continuing purge of Stalinist elements in the party and the prompt restoration to office of the Polish primate, Cardinal Wyszynski. [redacted]

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THE SATELLITE SITUATION AND THE SOVIET LEADERSHIP Page 10

The Soviet declaration of 30 October on relations with the Satellites is intended to regain the initiative and recoup the serious loss of prestige and leadership which the USSR has suffered from the events of the past two weeks in Hungary and Poland. It promises concessions but stresses "close fraternal co-operation and mutual aid between the countries of the socialist commonwealth." The situation is producing considerable confusion among the Soviet leaders and is probably causing strain on the unity of the collective leadership, although the initial reaction will most likely be to close ranks to deal with the crisis. [redacted]

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PART II

NOTES AND COMMENTS

EAST GERMANY Page 1

The East German regime is becoming increasingly nervous over the situation created by the political upheavals in Poland and Hungary and widespread dissatisfaction over conditions within East Germany. The regime's show of determination to suppress the first evidence of resistance, the significant improvement in the capabilities of police, military, and security forces since the riots of June 1953, and the presence of approximately 400,000 Soviet troops in East Germany serve as strong deterrents to any major outbreak. [redacted]

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NORTH AFRICA Page 2

France's position in North Africa continues to deteriorate [redacted]

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[redacted]

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SINGAPORE Page 3

The Singapore government has used the Communist-led riots of 25 to 28 October to justify the arrest of approximately 700 persons and to proscribe four more Communist-front organizations. For the time being, Communist subversive organizations and activities have been disrupted. [redacted]

SHIFTS IN VIET MINH LEADERSHIP Page 4

Widespread peasant discontent with the North Vietnamese land reform program is an important factor in the ousting of Communist Party secretary general Truong Chinh and at least two other party leaders. The assumption of Chinh's post by Ho Chi Minh, party chairman and president of the regime, suggests an effort to throw his prestige behind the program. A temporary slowdown in the land reform program may be in the offing. [redacted]

PRESSURE MOUNTING IN JAPAN FOR CLOSER TIES WITH PEIPING Page 5

The Japanese want to establish diplomatic relations with Communist China but, fearing American and Chinese Nationalist reaction, will probably press for de facto relations. Peiping can be expected to increase its efforts to neutralize Japan. [redacted]

NEW CAMBODIAN GOVERNMENT Page 6

The new Cambodian government headed by San Yun, a former royal councilor, is essentially the same as that organized by Prince Sihanouk prior to his resignation on 15 October. The prince will rule from behind the scenes. The retention of Minister of Internal Security Dap Chhuon underscores Sihanouk's desire to strengthen Cambodia's defenses against Communist subversion. [redacted]

INDIAN-NEPALESE RELATIONS Page 7

The Indian government, which apparently has not been fully informed by the Nepalese regarding their recent contacts with Communist China, is disturbed at developments in Nepal and seems likely to take steps to increase its influence in Katmandu. [redacted]

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UNESCO GENERAL CONFERENCE Page 8

The ninth general conference of UNESCO, which opens in New Delhi on 5 November, may bring East-West rivalry in the cultural and propaganda fields into open contest, with both sides bidding for the support of the Arab, Asian, African and Latin American countries. The USSR will attempt to develop UNESCO into a sounding board for "peaceful coexistence" and "cultural exchanges" and will make a major effort to admit Peiping to the organization. [redacted]

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EURATOM AND THE COMMON MARKET Page 9

The treaties for EURATOM and the European common market are "hanging in the air" as a result of the failure of the foreign ministers of the six CSC countries to bridge outstanding French-German differences at the 20-21 October conference in Paris. Proponents of the projects differ in their opinions on the prospects for salvaging the treaties, but they agree that the personal intervention of Chancellor Adenauer is now crucial. [redacted]

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REACTIONS TO THE HUNGARIAN AND POLISH DEVELOPMENTS Page 10

Eastern Europe: Poland and Yugoslavia have declared in favor of the Hungarian insurgents--the Albanian, Bulgarian, Czech, and East German regimes having condemned them as counterrevolutionaries. Popular sympathy with the insurgents, coupled with unrest, is reported in East Germany, Czechoslovakia, Rumania, and Albania.

Peiping: Communist China has taken no public position in the evolution of new Soviet-Eastern European relationships. Although Chinese Communist leaders probably sympathize with the efforts to achieve a larger degree of independence, Peiping will almost certainly support Soviet efforts to maintain the bloc.

Asia and the Middle East: The non-Communist press has welcomed the uprisings as a victory for the forces of anticolonialism and independence, and as a forerunner to similar developments in the other Satellites. Nehru interprets them as steps in the "wholesome process of liberalization and democratization." Except for Taiwan and South Korea, both of which called for strong free-world action, official comment has been guarded.

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Western Europe: The revolt in Hungary is almost universally regarded in Western Europe as symptomatic of a fundamental, and perhaps enduring, change in the USSR-Satellite relationship. The Communists' reaction reflects the continuing stresses on national party unity in almost every country. [redacted]

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PART III

PATTERNS AND PERSPECTIVES

POLAND'S ECONOMY: GOMULKA'S PROBLEMS AND PLANS Page 1

The economic policies proposed by party first secretary Gomulka on 20 October will result in the rapid increase in Polish living standards necessary to reduce worker discontent only if substantial foreign aid is received. Regardless of whether such aid is received from the Soviet Union or from the West, however, Gomulka's plans imply that the Polish economy will remain partially dependent on trade with other bloc nations for some time to come. [redacted]

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CHINESE COMMUNIST ECONOMIC GROWTH Page 4

A general air of satisfaction with the economic situation prevailed at the eighth congress of the Chinese Communist Party, which met in Peiping in late September. Progress under the First Five-Year Plan (1953-57) met with approval, and the same rates of growth were projected into the Second Five-Year Plan (1958-62). The emphasis was on realistic planning. [redacted]

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THE REORGANIZATION OF THE STATES OF INDIA Page 7

Reduction of the number of Indian states from 27 to 14 on 1 November is intended by Nehru as a move toward greater national unity. The government has conceded, however, to demands by provincial linguistic groups to make certain changes along linguistic lines, raising doubts as to whether national unity actually will be increased. [redacted]

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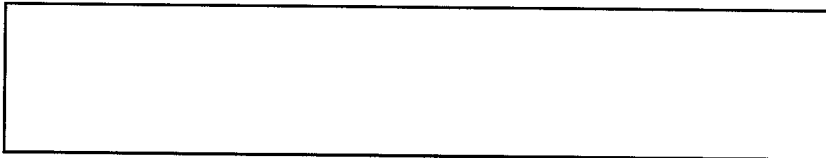
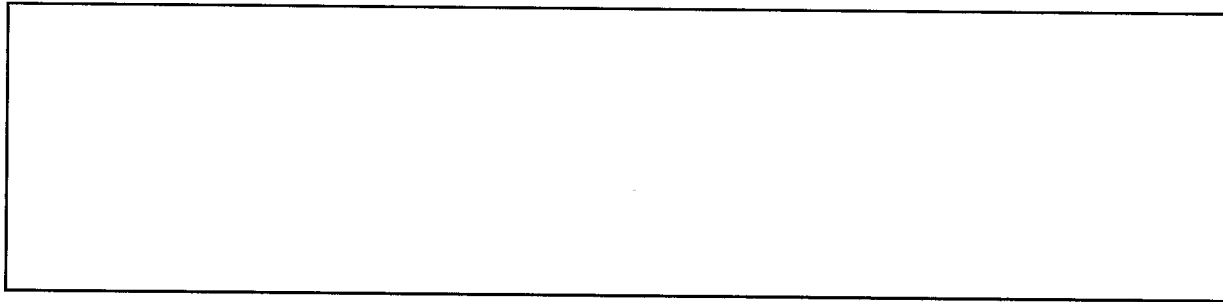
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ARGENTINE POLITICAL SITUATION Page 9

The problems of the Argentine provisional government are being increased by the conflicting views of politicians on constitutional reform and on preparations for the elections scheduled for late 1957. The Aramburu regime appears determined to transfer authority to a duly elected civilian government. It is apprehensive, however, over the dissidence among its supporters and the apparently well-financed subversive activity of the Peronistas. [redacted] 25X1

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PART I

OF IMMEDIATE INTEREST

HOSTILITIES IN EGYPT
(As of 1200, 1 November)

Military Situation

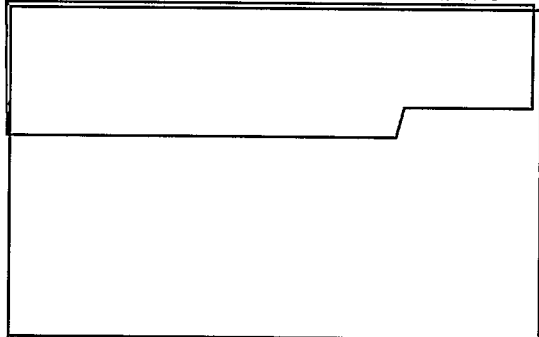
British and French military operations against Egypt began on 31 October following Egypt's rejection of the Anglo-French cease-fire ultimatum. The joint headquarters on Cyprus announced air attacks on Egyptian military airfields in the delta and the canal zone on both 31 October and 1 November.

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The French Foreign Ministry announced on 1 November that Anglo-French naval forces were already moving toward the Suez Canal zone in both the Mediterranean and the Red Sea.

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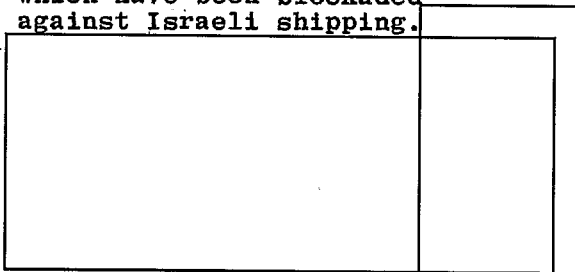
The Egyptian LST Akka, which Cairo declared to have been sunk in the Suez Canal near Lake Timsah by Anglo-French air action, is believed to have been scuttled by the Egyptians in order to block the Suez Canal. An Egyptian LST loaded with rocks had been reported held in readiness in this area for such a purpose.

Israeli Objectives

Israel, enjoying an unusual sense of security as the tacit ally of two major powers, has taken little trouble to offer convincing justification for its invasion of Egypt. Tel Aviv has asserted that the objective of its operations is not the Suez Canal, but the occupation of territory from which it alleges Egypt has launched fedayeen terrorist operations. The Israelis, almost certainly by prearrangement with the British and French, "accepted" the Anglo-French ultimatum of 30 October and said they would halt their troops ten miles from the canal as specified in the ultimatum. However, the Israeli government made its compliance conditional on Egyptian acceptance, and Tel Aviv radio broadcast the Israeli stand after it had rebroadcast Egypt's refusal.

The advantages Israel may hope for, in addition to the defeat of Egypt or the neutralization of Egypt's new military strength, almost certainly include freedom of transit for Israeli ships through Suez and in the Gulf of Aqaba, both of which have been blockaded against Israeli shipping.

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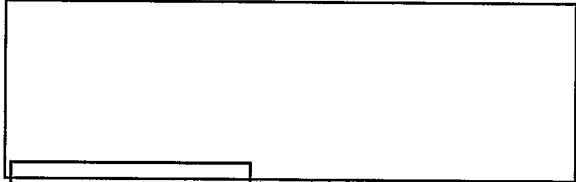
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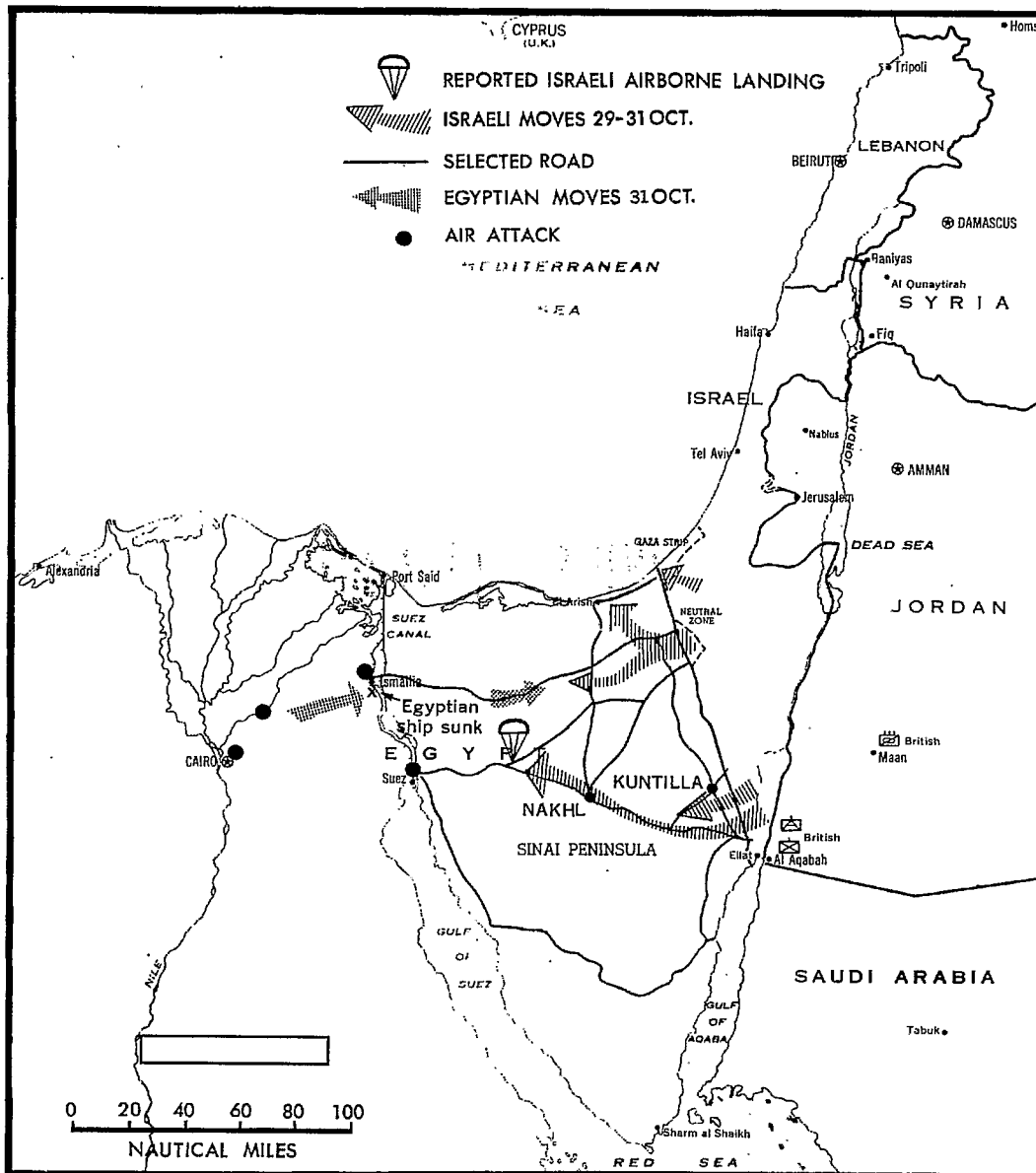
there is considerable private satisfaction over Egypt's troubles.

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Martial law has been declared in Baghdad and

Arab Moves

The initial attitude of Egyptian leaders in the face of



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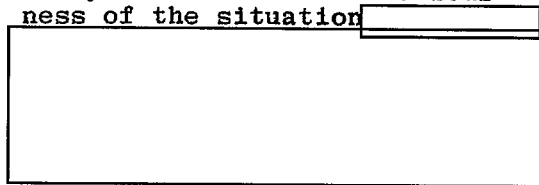
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the Israeli mobilization and the announcement of American evacuation plans was one of puzzlement--President Nasr asked Ambassador Hare what all the stir was about. Immediately following the Israeli attack, Egyptian officials sought publicly to minimize the seriousness of the situation

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President Quwatli of Syria saw fit to continue with his scheduled visit to the USSR,

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remains to be seen whether Syrian, Jordanian or Saudi Arabian forces will intervene to aid Egypt.

British-French Purposes

The purposes of the British and French in acting against Egypt appear to be threefold: to bring about the overthrow of Nasr, to ensure their long-term interests in the vital Suez waterway, and especially to reverse the deterioration of their position throughout the Middle East and North Africa.

Statements in both London and Paris are heavily weighted with references to a crisis of national survival. Eden asserted an obligation "to dis-

charge our national duty" and said safe passage through the canal is a matter of survival "for us and all of Europe." His statements display his recognition that the government's course involves a fundamental departure in Britain's foreign policy and strategic posture.

Both the British and French parliaments split on support of the action--the British along straight party lines, and the French with some 40 deputies joining the Communists against the government. The Communists alone had opposed Mollet's Algerian policy in August. Former premier Mendes-France is reputed to oppose the government policy.

Although the news of British-French intervention was received in France with much the same nationalistic satisfaction as greeted the recent seizure of the five Algerian leaders, some misgivings have already been expressed on possible adverse repercussions on France's North African position and relations with the United States. The conservative Parisien Libere notes that the move makes sense only if it strengthens France in North Africa.

Large sections of the British press condemn the government. Most independent and Labor papers deplore the

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action, and misgivings have appeared in some of the Tory press and in the influential independent Times.

Labor Party leader Hugh Gaitskell has asserted that the "fantastic" intervention represents an assault on the basic principles of British foreign policy: solidarity with the Commonwealth, the Anglo-American alliance, and adherence to the United Nations charter. The depth of the split is shown by Gaitskell's statement that his party would use "every constitutional means" to oppose military operations.

Soviet Reaction

The official Soviet statement of 31 October charged that the Israeli attack was designed as a pretext for Western intervention, particularly by Britain and France, to re-establish control over Suez. The statement called for immediate Security Council action.

At the same time, Soviet propaganda has tried to involve the United States as an accomplice of Britain and France. Pravda on 31 October asserted that the United States had a direct hand in the Israeli military action and charged that the order for evacuation of Americans from the Middle East issued one day prior to Israeli action was evidence of prior American knowledge of Israeli intentions.

According to a press report from London on 31 October, Communist diplomats who have accurately reflected the thinking of Soviet leaders stated that "volunteers from the Soviet Union and other countries" could be expected to pour into the Middle East to aid Egypt in the event of any Anglo-French attack. At the same time, they suggested that the USSR and the West should guarantee Israel's existence, insisting that the seriousness of the situation makes it "imperative to accept facts and realities, one of which is the existence of the state of Israel." These diplomats also expressed the hope that the United States would "exert its influence" on Britain and France against the use of force.

During the Suez crisis, Moscow limited itself to promises of equipment and volunteers in the event of Western military action. There is no indication that the USSR will make any further commitment at this time.

United Nations

The support of more than two thirds of the 76-member General Assembly seems assured for the American resolution vetoed by Britain and France on 30 October in a Security Council meeting. It will probably be voted on during the emergency special session convening on 1 November. The resolution calls for a cease-fire

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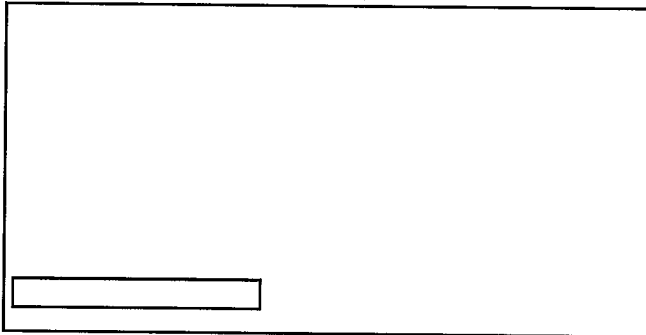
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and the withdrawal of all forces, and enjoins all members to refrain from the use of force or threat of force in the area. Overwhelming support for the American position has been voiced by the Arab-Asian, Latin American, and Scandinavian blocs in the UN. French-British intervention has been denounced.

Secretary General Hammarskjold has put the full weight of his office behind any General Assembly action to restore peace in the area. While the General Assembly is expected to pass a resolution along the lines of

the United States draft, any attempt to incorporate a condemnation of Britain and France as aggressors would probably fail to muster two-thirds majority support at this time. 25X1



THE SITUATION IN HUNGARY
(as of 0900, 1 November)

The fighting ended in Budapest and Soviet troops withdrew from the city on 30 and 31 October. The Soviet Union on that date had virtually capitulated to the demands of the Hungarians rather than use force to crush them. The provisional government of Premier Imre Nagy, succumbing to many of the principal rebel demands, has promised free elections, agreed to form a new army from insurgent units, and has asked for Hungary's withdrawal from the Warsaw pact.

Military Situation

There are conflicting reports concerning the withdrawal of certain Soviet troops from the country as a whole. Soviet troops, did, however--after

several days of threats, counter-threats and promises by Moscow, the Hungarian government and the insurgents--complete their withdrawal from the beleaguered Hungarian capital on 31 October. These troops are reportedly camped on the Budapest outskirts; there are no firm indications that any Soviet forces have as yet returned to their garrisons. Hungarian army, police, youth and worker brigades have taken over the task of maintaining order within the capital. Various Soviet units remained deployed in the provinces, but these forces are not intervening in local affairs.

Major elements of at least four Soviet divisions totaling approximately 40,000

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men were within the borders of Hungary as of 27 October.

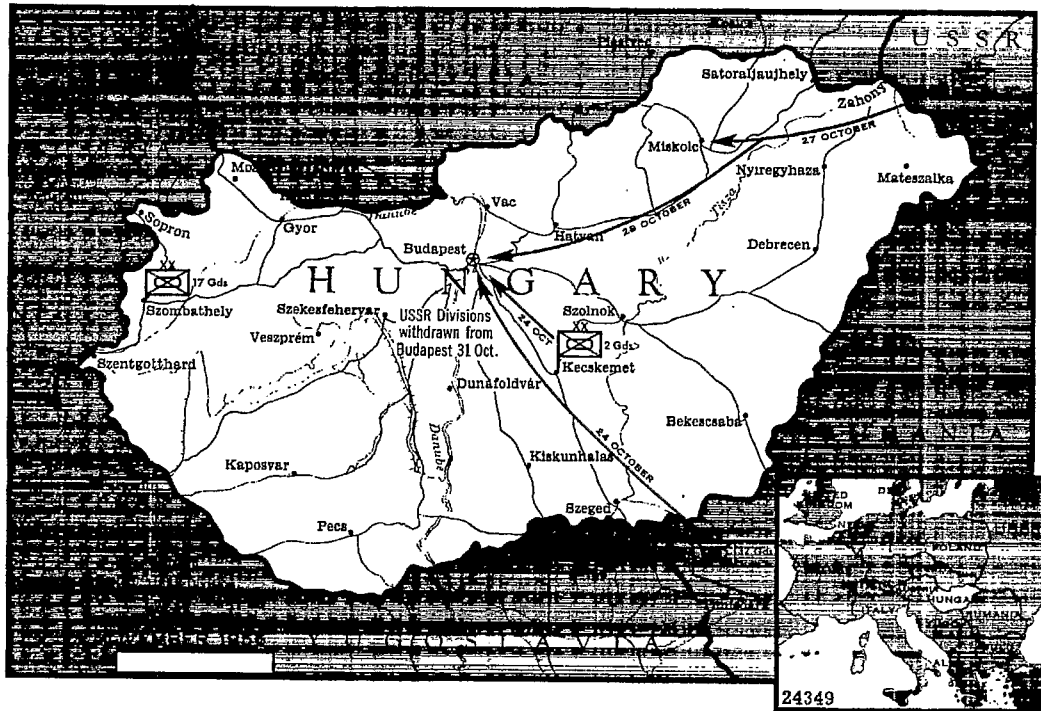
In a speech the afternoon of 30 October, Nagy repeated his earlier statement that he was negotiating with the USSR concerning the question of Soviet troop withdrawal from the country. Moscow's announcement on 30 October that it is "ready to enter into relevant negotiations...on the question of Soviet troops in Hungary" suggests that agreement may be reached soon concerning this question.

The Soviet Union apparently realized that it faced a clear choice in Hungary: either

a cease-fire--allowing Nagy to try to salvage whatever Communism he could--or a full-scale war against the entire Hungarian nation.

Hungarian Army

The formation of a Revolutionary Military Council of the Hungarian Army was announced on 30 October. This council, consisting of representatives from the army, air force, police and insurgent groups, has been recognized by the Nagy regime. It has announced approval of demands made on the government by workers' councils and dismissed a number of high military



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officers, including General Toth, the armed forces chief of staff. Colonel Pal Malater, hero of the Kilian barracks stand against the Soviet troops, was named first deputy minister of defense.

Subsequently it was indicated that the council would be responsible for maintaining order throughout the country until a new popularly elected government takes office. The council--or organs now subordinate to it--has probably gained wide popular support by threatening on 30 October to attack Soviet units if they did not withdraw from Budapest "within 12 hours," and from the entire country by 31 December.

Nagy Regime's Concessions

The key concession from the Nagy regime came late in the evening of 30 October when it announced free and secret elections, without, however, specifying a date. Earlier in the day Nagy had stated that he specifically recognized the regional governments and asked them to assist in maintaining order, thus implying that they should remain armed. In the same speech he announced that the one-party system in Hungary has been abolished and a coalition government would be formed consisting of representatives from the Communist Party and from the other parties existing in 1945--presumably including the Smallholders (57 percent of popular vote in 1945), the Social Democratic (17 percent), and the National Peasant (6 percent).

Nagy announced that the presidium of this new coalition

cabinet will include national Communists Nagy, Kadar (party first secretary), and Losonczy; Smallholders leaders Bela Kovacs and Tildy; Peasant Party representative Erdei (a hold-over from previous Communist governments); and one or more persons, as yet unnamed, from the Social Democratic Party.

The Nagy regime has hailed the events of the past week as "a national revolution" and classified the insurgent workers and youths as "patriots," and a spokesman proclaimed that the date of the Budapest uprising would be a national holiday. Szabad Nep, the Communist party organ, on 30 October condemned as an insult to the Hungarian people Pravda's branding of the uprising as an "unpopular adventure."

On 31 October Nagy made a speech in Kossuth Square, blaming ousted party boss Gero and former premier Hegedus for calling in the Soviet troops. Nagy also repeated his call for Soviet troops to leave the country and announced his intention to ask for Hungary's withdrawal from the Warsaw pact, apparently in answer to demands by the Hungarian Army Revolutionary Committee.

On the same day, the Nagy government restored all civil and ecclesiastical rights to Cardinal Mindszenty, who had been freed by a rebel army unit the night before.

Nagy appears to be trying to reach an accommodation with sufficient elements of the insurgents to end the chaos in Hungary. He presumably is counting on the Communists

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being a prominent element in the present coalition and hoping that organizational strength of his party will give it an advantage over the newly organized parties, enabling it to thus retain some position in the government even after an election.

The Insurgents

Virtually all of the insurgent demands on which there was fairly unanimous agreement have now been promised. The question of timing and a guarantee of these promises, however--particularly regarding the Soviet troop withdrawal and free elections--will be the governing factor in the extent of co-operation with the Nagy regime by the insurgent groups and the non-Communist parties.

Since actual fighting--the major unifying factor--has now ceased and since the present moves of the Nagy regime may be causing some confusion among rebel groups, political maneuvering is already under way between the various insurgent factions. The Communists seem to retain some confidence in Nagy, but insist that he implement his promised deeds before they will actively support him--but the non-Communist rebels probably continue to regard him as suspect and tainted.

At least one major regional government--that centered at Gyor--is attempting to line up support from insurgents elsewhere to withhold recognition from the Nagy regime until their demands are met. This group calls itself the Trans-Danubian National Council and

was established on the night of 30-31 October. It claimed the support of the national councils of several western counties and military units in the area, including the Hungarian army's 9th Division, and is apparently now supported by the insurgents at Miskolc. The council is negotiating with Nagy for an official proclamation of Hungarian neutrality at the UN, a guarantee that general secret elections be held by the end of January 1957, and greater representation of "freedom fighters" in the interim government.

Political Parties

The National Peasant, the Smallholders and the Social Democratic parties have all re-established their national organizations, according to Budapest announcements. The Social Democratic Party, which reopened its headquarters on 30 October, has taken over publication of the trade union journal, Nepszava. It elected Ana Kethely--who never compromised with the Communists--as provisional president, and excluded from high posts those members who had favored fusion with the Communists in 1948. The Social Democrats made no statement in support of Nagy's coalition attempt, and the attitude of the other parties remains obscure. It is evident that for active co-operation and a realistic coalition, Nagy will not only have to guarantee a date for free elections but will have to include genuine minority party leaders in the temporary coalition which will steer the government until a new one is formed after the general election.

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POLISH SITUATION

The Gomulka national Communist regime has followed up its "revolt" with additional moves to strengthen its internal position. The Polish people appear to feel that the crisis has been successfully weathered. Further liberalization and greater independence from the Kremlin are implicit in the continuing purge of Stalinist elements in the party and the prompt restoration to office of the Polish primate, Cardinal Wyszynski.

The optimistic outlook among Polish Liberals is, however, somewhat tempered by concern over Poland's ailing economy. The Polish press continues to stress the solidarity of the Polish-Soviet alliance.

Gomulka's Moves

Party first secretary Gomulka has continued to consolidate his position by removing the members of the executive bodies of the party organizations in 11 provinces. Polish press reports indicate that purges of the central boards of the youth organization and trade union federation and the army's officer corps are to take place soon.

In addition, the establishment of a "committee for ascertaining party responsibility of persons who supervised the activity of security organs in recent years" suggests that high Communist officials who had a part in past police excesses, including former security minister Radkiewicz, may face trial or punishment.

The departure "on leave" of Marshal Rokossowski and

Polish radio attacks on members of the antiliberalization faction of the party suggest that further purges of the party and armed forces are likely. Press reports indicate that General Turkiel, Russian commander of the Polish air force, and General Andrejewski, Russian commander of the Warsaw garrison, have been replaced by Poles.

As a further move to win popular support, the regime announced that Cardinal Wyszynski, the Polish primate, has been freed to take up his office again in Warsaw and that confiscated church properties would be restored. In addition, a joint church-state commission was formed to consider outstanding problems, presumably the church's demands for greater latitude in educational matters and the right to issue independent publications, the regime's insistence on prohibition of political activity by religious institutions and on the appointment by the Vatican of Polish bishops for new dioceses formed in the western territories.

The regime took another step to meet popular demands when it announced on 26 October the establishment of a workers' council in the Gdansk shipyards, the first to be established in Poland. The announcement suggested that the council will have a voice in the selection of managerial personnel and formulation of policy in respect to efficiency and safety measures.

While a few popular demonstrations occurred in Warsaw and other Polish cities in the last week, no serious disturbances developed. The

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comparatively calm situation is probably due in part to Gomulka's appeal for order, as well as to a growing "wait-and-see" attitude on the part of the people.

At the same time, the problem of solving Poland's economic ills looms ominously as the Gomulka leadership debates whether to seek aid from the Soviet Union or the West, or both. (See Part III, page 1)

Foreign Policy

Some press comment indicates that, regardless of future arrangements made with the West, Poland has no choice but to continue its alliance with the Soviet Union. "Who," asks Glos Pracy, the trade union publication, on 26 October, "but the Soviet Union... is defending this (Oder-Neisse) frontier together with Poland?" However, on 28 October, Zycie Warszawy, Warsaw Communist daily, called for an independent Polish foreign policy based on national interest and historic traditions, rather than solely on the country's alliance with the Soviet Union.

The Polish move toward independence of the Soviet

Union may include the removal of many, if not all, Russian technicians, advisers and specialists in the police, security forces and army, according to various sources of the American embassy in Warsaw. These sources consider it likely that in view of recent Polish and Hungarian developments, the Warsaw pact will be revised and Soviet troops in Poland will be withdrawn.

Two-Party System

A "two-party" system could develop in Poland, [redacted]

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[redacted] evolving from the election of "progressive" elements in the elections in January when voters will choose among several national-front candidates. In subsequent elections, various deputies will become increasingly identified with the voters as "progressives,"

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[redacted] in this way, without necessarily affixing political labels, a "two-party" system will begin to take shape.

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THE SATELLITE SITUATION AND THE SOVIET LEADERSHIP

The Soviet declaration of 30 October on relations with the Satellites is intended to regain the initiative and recoup the serious loss of prestige and leadership which the USSR has suffered from the events of the past two weeks in Hungary and Poland. It

promises concessions but stresses "close fraternal cooperation and mutual aid between the countries of the socialist commonwealth."

In reacting to the fast-moving developments in the Satellites, the Soviet leaders

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seem to be confused in the face of the growing threat to their hegemony in Eastern Europe.

Khrushchev reflected this confusion when, in replying to a direct question on the fighting in Hungary, he said that while the military situation appeared to be under control, the political situation was completely unclear. In another recent conversation, Khrushchev blamed the difficulties in Poland and Hungary on their excessive rate of industrialization, claiming that the USSR had warned the leaders of these countries they should slow down.

The Soviet leaders have been quiet, subdued and even glum at recent receptions. While these surface signs of strain have appeared only recently, the series of unsuccessful stopgap actions taken in Eastern Europe by the Soviet leaders since the summer have reflected increasing concern and weakness. The latest action--in response to the Eastern European events--was the government declaration of 30 October on relations with the Satellites. Great emphasis was placed on the Warsaw pact as a unifying agency necessary to protect and maintain the Communist system. East Germany was pointedly omitted from the listing of countries where Soviet troops are stationed under the authority of the Warsaw pact, whereas, in the case of Poland, it was carefully

established that Soviet troops were there under the Warsaw pact and the Potsdam four-power agreement as well.

The Soviet leadership is faced with a powerful and triumphant nationalism in Poland and Hungary, which is likely to be communicated to the other Satellites. This prospect must be producing considerable strain on the unity of the collective leadership, although the initial reaction will probably be to close ranks to deal with the crisis.

Khrushchev and Bulganin are probably more subject to criticism for recent events in Eastern Europe than Molotov, who opposed that policy, or Kaganovich, who has not been closely associated with Soviet policy toward the Satellites.

Any opposition in the party presidium might win support for the military leadership, which probably would put first priority on maintaining firm control of the Soviet border areas; from important members of the economic bureaucracy, who are basing future bloc economic development in part on a closer integration of the Soviet and Satellite economies; and from Stalinist elements. Much depends on whether Khrushchev, with his strength in the central committee and among provincial party leaders, and Bulganin and Mikoyan, remain united.

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PART II

NOTES AND COMMENTS

EAST GERMANY

The East German regime is becoming increasingly nervous over the situation created by the political upheavals in Poland and Hungary and the latent unrest and widespread dissatisfaction over conditions within East Germany. Although the situation appears calm on the surface, the regime has alerted army units, the police, internal security troops, and the Kampfgruppen--armed factory militia.

A tense situation, caused by extensive popular opposition to work-norm increases which resulted in wage reductions, existed in several industrial areas, particularly in Magdeburg, prior to the Polish government shake-up.

The East German press and radio withheld or distorted the details of Poland's defiance of Moscow, and widespread speculation increased the tension among the populace. Excerpts of Gomulka's and Cyrankiewicz' speeches practically eliminated all mention of national independence and condemnation of the personality cult. The Soviet line has been followed carefully, with East Germany reaffirming its solidarity with the USSR and the "People's Democracies."

The Communists have staged rallies and mass meetings to give workers the "correct" interpretation of recent events and permit them to air grievances under controlled conditions.

High party and government officials appearing at the meetings have promised some liberalization of the regime's political and economic policies. All have taken the line that conditions in Poland were much worse than in East Germany, implying that the East Germans have no grounds for discontent or revolt.

Propaganda organs constantly warn against demonstrations against the state and call for "people's vigilance" against what party first secretary Walter Ulbricht described as "seditious work carried out by bourgeois and fascist elements under the slogan of 'freedom.'"

Little if any significant liberalization of the East German government and its policies is likely to occur. Leaders know that concessions on a few specific issues would probably be interpreted as evidence of weakness and would give rise to further demands which might ultimately lead to an untenable situation. In a "round-table discussion" with workers, Premier Otto Grotewohl charged that those who are now demanding liberalization actually want a restoration of capitalism. "Such a policy," he asserted, "we will not pursue."

While East Germany has its own exponents of national Communism in former politburo member Franz Dahlem and ex-deputy foreign minister Anton Ackermann,

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neither has a following sufficiently strong to enable him to oust the widely hated Ulbricht. Obviously referring to demands for Ulbricht's removal, Premier Otto Grotewohl in a nationwide radio and television broadcast warned, "We are not going to change the government because it is the fashionable thing to do. We are quite immune to fashionable diseases."

While there will probably be some passive resistance to

the regime, serious and widespread outbreaks of violence appear unlikely. The knowledge of the regime's determination to suppress ruthlessly the first evidence of resistance, the significant improvement in the capabilities of police, military, and security forces since the riots of June 1953, and the presence of approximately 400,000 Soviet troops in East Germany will serve as strong deterrents to any major outbreak.

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NORTH AFRICA

France's position in Algeria, Tunisia and Morocco continues to deteriorate; the seizure on 22 October of the five Algerian nationalists has given strong impetus to North African solidarity and dissolution of remaining ties with France.

France is trying to make an effort to stem the tide of resentment in Tunisia and Morocco. Its "extraordinary missions" to Tunis and Rabat may prevent a complete rupture of relations, but right-wing critics in Paris of a conciliatory policy toward Bourghiba and the sultan will probably increase pressure on Mollet to reimpose French military control over Morocco and Tunisia. Bourghiba and the sultan are

fearful of this and are taking strong measures to prevent disorders which might provoke such a development.

The Algerian rebels now seem determined to accept nothing less than complete independence as well as the release of the five captives. Paris has reiterated appeals for a cease-fire, has promised early elections, equality between Europeans and Moslems, and negotiation of a new Algerian status when peace is restored.

The Algerian Front of National Liberation (FLN) has called a nationwide strike on 1 November--which may also be

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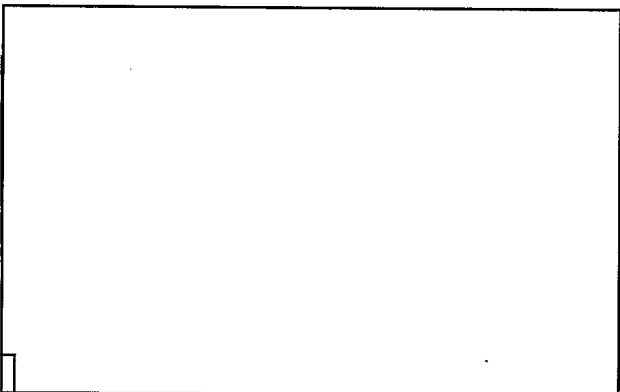
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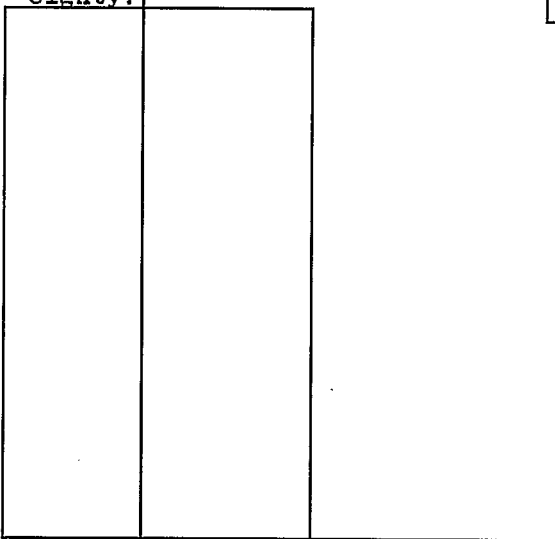
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observed in Tunisia and Morocco--to commemorate the second anniversary of the outbreak of the Algerian rebellion. Despite French security measures, this strike may set off additional terrorism.

The seizure of the Algerians has sharply heightened Tunisian and Moroccan sensitivities regarding their sovereignty.



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The new predominantly Istiqlal government formed in Rabat on 27 October immediately endorsed Algerian demands for independence, denounced France's seizure of the Algerians, and announced it would attempt to "liberate" the economy from French control.

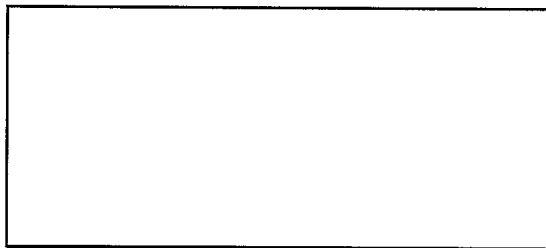
Despite this hardening of attitude toward France, both governments are loath to become too intimately linked to the Middle East, and refused to participate in the general strike called for 28 October by the Arab People's Congress in Cairo.

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SINGAPORE

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The Communist-led riots in Singapore ended on 28 October, but during the four days they were in progress the government took advantage of the situation to arrest approximately 700 persons and to proscribe four more Communist-front organizations. Although there is a possibility of labor unrest and a resumption of the disorders, the government is fully in command of the situation and will continue its firm measures against Communist subversion.



Among those arrested is Lim Chin-siong, widely believed to be the colony's leading Communist, who is also a member of the Legislative Assembly, an official of the People's Action Party, and secretary of the militant Singapore Factory and Shop Workers Union.

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For the time being, Communist subversive organizations

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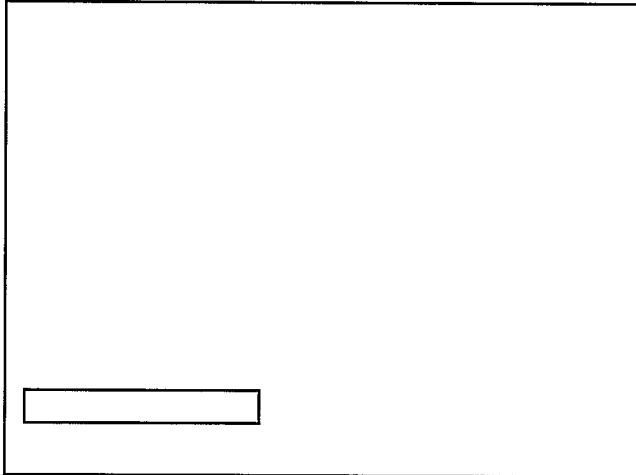
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and activities have been disrupted. Fear of further government action probably will hamper the People's Action Party in regrouping its forces.

Deportation of China-born subversives has been an important weapon against Communism in both Singapore and Malaya, and thus far there has been little difficulty in sending them back to their homeland.

[REDACTED]



SHIFTS IN VIET MINH LEADERSHIP

Truong Chinh has resigned as secretary general of the Vietnamese Lao Dong (Communist) Party because of his responsibility "for mistakes committed in the land reform." He probably ranked second only to Ho Chi Minh in the Viet Minh hierarchy. More drastic action is apparently not contemplated, as Hanoi has announced that Chinh will retain his positions as member of the politburo and secretariat. Already chairman of the party and president of the North Vietnam government, Ho has assumed Chinh's party position, further illustrating the limited degree to which the Viet Minh is following the Soviet line on "collective leadership."

Shortly after Chinh's resignation, Hanoi announced

that two other high-ranking party members have been disciplined for "grave mistakes in the guidance of land reform and the readjustment of organization." Le Van Luong, vice minister of interior, has been relieved of his position on the politburo and other party positions, while Ho Viet Thang, vice minister of agriculture and forestry, has been dropped from the central committee. The official party newspaper, Nhan Dan, appears to have left the door open for further high-level shifts. A 23 September editorial stated that the mistakes committed on agrarian reform were not the fault of the lower party members, "but stemmed from the high executive committees...."

Peasant discontent over the land reform program has been

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heightened as a result of famine conditions resulting from poor crops since 1954. Several times this year the Viet Minh has admitted scattered cases of arson and murder and only last week Hanoi radio spoke of further open violence against the program.

Ho's acceptance of his new post probably indicates an effort to use his great popularity to gain wider peasant support for the land reform program. Chinh's dismissal may mark a slowing down and modification of the regime's

land reform program in view of recent criticisms of the "thousands of leftist errors" which have been committed.

Recent Viet Minh statements continue to reflect considerable Communist concern and frustration with the steady progress of the Diem regime in South Vietnam. The growing viability of the Saigon government may also be a factor in the Viet Minh effort to make its own internal program more palatable. (Concurred in by ORR)

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PRESSURE MOUNTING IN JAPAN FOR CLOSER TIES WITH PEIPING

The desire of the Japanese to establish diplomatic relations with Communist China is at a new peak of intensity following the agreement on 19 October normalizing relations with the Soviet Union. Both the ruling conservative party and the Socialist Party agree that a rapprochement with the Chinese mainland is now a primary foreign policy goal.

Japan's Socialist Party has called the Soviet-Japanese agreement a "steppingstone" to normalized relations with Peiping and on 23 October decided to send a mission of Socialist Diet members to China before the end of the year to promote the early restoration of diplomatic relations. The party also is considering changing its "two Chinas" policy to one advocating recognition of Peiping only.

Conservative attitudes are indicated by Foreign Minister Shigemitsu's recent statement that the time has come for Japan

to consider the restoration of relations with all Communist countries, particularly Communist China. While implying that Japan's relations with the United States and Taiwan would make a settlement with Peiping "extremely difficult," his statement and other information suggests Japan will probably press for de facto relations in the coming months.

Peiping apparently anticipated the Japanese reaction and can be expected to increase its efforts to "neutralize" Japan. The Chinese Communist press and radio called the Soviet-Japanese agreement a victory for "independence and peace"--won despite American efforts to "undermine" the negotiations--and expressed hope that normal relations between Peiping and Tokyo would be restored soon.

The Chinese Communist campaign to woo Japan has featured an "invitation offensive." More than half of Japan's Diet

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members and many other individuals have been invited to visit China, and carefully selected trade and cultural delegations have been sent to Japan. Offers of "practical co-operation" on an informal basis between the governments have been made informally.

In addition, Japan's leading physicist has been invited to China to provide scientific assistance and guidance in the use of atomic energy, a Japanese medical team is in China advising on special problems, and interest has been expressed in Japanese industrial technicians. These are Peiping's first widely publicized moves to use

non-Communist scientists and technicians.

The promise of accelerated trade is another potent weapon in Peiping's campaign. Trade between the two countries is estimated this year at about \$57,000,000 in Japanese exports and \$81,000,000 in imports--less than 3 percent of the nation's total trade. This low level of trade only spurs Japanese trade promotion groups and, in agreeing with Peiping recently to extend the "private" trade pact, both sides promised continued efforts to place the agreement on a government-to-government basis.

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NEW CAMBODIAN GOVERNMENT

Cambodia's new government headed by San Yun, a former royal councilor, is essentially the same as that which held office under Prince Sihanouk prior to his resignation on 15 October. The most important change involved the dropping of defense minister Monireth, whose sweeping anticorruption plans touched off the feud with Sihanouk which resulted in the latter's resignation. Sak Suth Sakhan, a competent young army officer, has been appointed to the new post of secretary of state for defense.

San Yun, in addition to the premiership, has assumed the posts of interior, foreign affairs, defense and general reform--positions previously held by Sihanouk and Monireth--on the understanding that Sihanouk will assist him in discharging this heavy responsibility. Thus, the prince continues to be the real power in Cambodia, ruling from a position protected from public

criticism and devoid of the routine activities which he dislikes.

Sihanouk will probably seek to implement his plans to strengthen Cambodia economically, militarily and socially as a counterweight to the country's closer relations with the Communist bloc. The details of this program will probably be announced at the national conference of the Sangkum, his political organization, which is to convene on 8 December.

Among other items on the conference agenda are consideration of neutralism, the Geneva accords, the continued presence of the International Control Commission, financial stability and corruption. The December date for the conference will enable Sihanouk to deal with the issues that may arise from Chou En-lai's visit to Cambodia in late November.

The retention of the forceful Dap Chhuon as internal

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security minister underscores Sihanouk's continuing desire to strengthen Cambodia's defenses against Communist subversion. In this connection, the strongly anti-Communist Prince Monireth is being re-

tained as military adviser to the king and inspector general of the armed forces, and he will undoubtedly continue to exert strong influence in Cambodian military circles. 25X1

INDIAN-NEPALESE RELATIONS

The Indian government, which apparently has not been fully informed by the Nepalese regarding their recent contacts with Communist China, is disturbed at developments in Nepal and seems likely to take steps to increase its influence in Katmandu.

The American embassy in New Delhi has heard that the Nepalese rather than the Chinese sought the exchange of consulates and trade missions provided for in the agreements signed on 20 September.

Indian government officials have said they are seriously concerned over the Chinese moves in Nepal. The Indian press has also shown displeasure with the Nepalese. The British high commissioner in New Delhi has the definite impression that India was surprised and disturbed by the Chinese offer of about \$12,600,000

in cash and economic aid for Nepal's five-year plan.

That India is planning some form of direct action in Nepal is suggested by the treatment given to Nepalese rebel leader K. I. Singh during his visit to New Delhi in mid-October. Singh saw President Prasad, Nehru, Home Minister Pant, and Pillai, the secretary general of the Ministry of External Affairs. He held a press conference in which he criticized Nepalese prime minister Tanka Prasad and his cabinet members. Singh commented that the power politics displayed in the exchange of consulates should have been avoided and questioned the value of Chinese economic aid given without specific projects in mind. He praised India's attitude toward Nepal and its relations with Katmandu.

The American embassy in New Delhi has interpreted Singh's treatment by the Indians as an effort on their part to build up a possible rival to Tanka Prasad. Singh's press interview suggests that he is prepared to co-operate, despite the fact that he returned to Nepal from Communist China in September 1955 after three and one-half years' exile, during which, according to some reports, he had become pro-Communist. Whether he would be more friendly to India than Tanka Prasad is questionable, however.



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Nehru is almost certainly determined to keep Nepal within India's sphere of direct influence. His government long ago announced it would meet any aggression in Nepal with force. India also supported the Nepalese revolution which overthrew the hereditary government of the Ranas in 1951 and instituted so-

called "democratic rule" in the country. It might support another revolution if it felt that was the only way to prevent Nepal from falling into Chinese hands. In any case, India will probably try hard in the near future to ensure that Nepal does not drift gradually into Communist China's orbit. 25X1

UNESCO GENERAL CONFERENCE

The ninth general conference of the UN Educational, Scientific and Cultural Organization (UNESCO), which opens in New Delhi on 5 November, may bring East-West rivalry in the cultural and propaganda fields into open contest, with both sides bidding for the support of the Asian, African and Latin American countries. Increased Soviet interest and activity over the past year indicate that the USSR will attempt to develop UNESCO into a sounding board for "peaceful coexistence" and "cultural exchanges." The Arab and Asian nations have actively participated in UNESCO affairs in the past and, since the biennial conference is being held in Asia for the first time, they probably regard this meeting as the most significant in UNESCO's history.

A major effort to admit Communist China to UNESCO will take place at this conference, and, while not expected to be successful, such a drive will probably result in a large number of pro-Peiping speeches from the uncommitted countries.

This drive will also carry over into the UN General Assembly, which opens on 12 November.

After the USSR entered UNESCO in April 1954, its early activity was devoted primarily to playing a conciliatory role in an attempt to make a favorable impression. A definite change in the Soviet attitude was noted in early 1956 with the assignment of V. A. Kemenov, a deputy minister of culture, as permanent representative to UNESCO and the USSR's member of the executive board. Kemenov's tactics at the July board meeting may forecast Soviet maneuvers at New Delhi. He introduced tendentious subjects such as "peaceful coexistence," exhorted UNESCO to sponsor "world youth festivals," and pressed for admission of Communist countries.

In addition to the scheduled discussion of the 1956-57 program and budget, the conference may be asked by the USSR or a group of neutral countries to recommend that UNESCO play a

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greater role as mediator between East and West by promoting contacts in the cultural and informational fields. The Arab, Asian and Latin American members, comprising well over two thirds of the membership of the UN as well as UNESCO, will probably dominate the conference.

The smaller underdeveloped countries may also press for greater UNESCO participation in the peaceful uses of atomic energy in the hope of exerting greater control over the program than has been accorded them by the statute of the International Atomic Energy Agency. [redacted]

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EURATOM AND THE COMMON MARKET

The treaties for EURATOM and the European common market are "hanging in the air" as a result of the failure of the foreign ministers of the six CSC countries to bridge outstanding French-German differences at the 20-21 October conference in Paris. Officials differ in their opinion on the progress made and on prospects for the treaties but are virtually unanimous in the belief that the personal intervention of Chancellor Adenauer is now crucial.

still insist on exceptions and a time limit to EURATOM's absolute control over supply. This position evidently reflects a persistent belief among some Bonn officials that West German industrialists will be able to purchase nuclear fuels abroad under more favorable terms and without the intervention of EURATOM.

Greater progress seems to have been made on the common market. The other powers accepted in principle France's claim to a special position because of the burdens of Algeria, and--with the notable exception of hours of work and overtime pay--agreement was also reached on the gradual equalization of "social charges" in the six countries. The French also made a major concession by relinquishing the veto over the progression of the common market from one stage to another.

Proponents of the two projects are disappointed over the lack of decisive results, and some of them believe that another failure by the foreign ministers would be fatal. An attempt to solve these problems on a "political" basis may be made at a meeting between Chancellor Adenauer and Premier Mollet on 6 November. [redacted]

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Consequently, little progress was made on the crucial issue of EURATOM's "perfectionist" monopoly over the ownership and supply of nuclear materials. The Germans are not convinced of the need for direct EURATOM ownership of fuels and

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REACTIONS TO POLISH AND HUNGARIAN DEVELOPMENTS

Eastern Europe

Poland and Yugoslavia have declared in favor of the demands of the Hungarian insurgents-- the Albanian, Bulgarian, Czech and East German regimes having condemned them as counterrevolutionaries. Popular sympathy with the insurgents, coupled with unrest, is reported in order of magnitude in East Germany, Czechoslovakia, Rumania, and Albania.

The Polish central committee has publicly proclaimed the legitimacy of the demands of the Hungarian insurgents, insisting that they are neither anti-socialist nor inspired by Western elements. It has also openly urged the removal of Soviet troops from Hungary. Public demonstrations in Poland on behalf of the Hungarian workers came close to violence, and the Polish press has criticized the misleading Czech press treatment of events in Poland.

Officials in Rumania have revealed privately a lack of agreement with the Soviet analysis of the situation in Hungary but in the press have followed the Soviet line. Rumanian leaders

convinced of the necessity of internal reform and they have already announced a new wage and pension scale.

There are reliable reports that Rumanian public opinion favors the Hungarian workers, and unconfirmed reports of isolated demonstrations.

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In Czechoslovakia

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is a hint of disagreement among the top leaders. Publicly, the Czech leaders have been unanimous in castigating the insurgents and have declared that no such developments will be tolerated in Czechoslovakia. The Czech regime is the only Satellite to have publicly condemned the new Hungarian coalition government.

A propaganda barrage condemning the Hungarian developments, frequent public meetings called for the purpose of pledging loyalty to the party, and quick denials of rumored demonstrations, indicate official concern with a restive citizenry, which has expressed widespread sympathy for the Hungarian insurgents. The Czech party reportedly plans to raise wages in deference to worker demands. According to press reports, Czechoslovakia has alerted army units and moved troops to the Hungarian border.

Popular unrest, coupled with widespread sympathy for the Hungarian insurgents, is also evident in East Germany. Party

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leaders have made clear that disorders will not be tolerated.

Albania and Bulgaria have published only limited and derogatory news of Hungary. There have been unconfirmed reports of isolated demonstrations in Albania.

Bulgarian diplomats abroad have reportedly expressed the belief that the Hungarian events prove Stalin's policies were correct.

Yugoslav officials have made both public and private statements of sympathy for the Hungarian rebels. Tito has declared in favor of Hungary's present policies of broad liberalization and democratization and, privately, favors the removal of Soviet troops from the country. A public appeal made by the Yugoslav League of Communists to the Hungarian people on 29 October urged them to halt the bloodshed and to support the new government and party. Although the declaration contained the admission that it constituted an intervention in Hungary's internal affairs, Yugoslavia justified its action on the grounds that the revolt threatens socialism in Eastern Europe.

Tito probably fears that if the fighting continues, the Nagy-Kadar regime will be overthrown by one with Western democratic views, or that Soviet forces will engage in large-scale repression and replace the present government

with one of Stalinist coloring.

Peiping

Communist China has taken no public position--in support of either the USSR on the one hand, or Poland and Hungary on the other--in the evolution of new Soviet-Eastern European relationships. Although Chinese Communist leaders probably sympathize with Polish and Hungarian efforts to achieve a larger degree of independence, Peiping will almost certainly support Soviet efforts to keep Poland and Hungary in the bloc.

Peiping's news reports have minimized the scale of the "excitement" in Poland and the "riots" in Hungary. 25X1

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Peiping's only editorial on the subject thus far denounced American and British statements as designed to "aggravate" Soviet-Polish relations, and emphasized Western speculation that changes in bloc relationships will not be "dramatic."

Peiping's broadcasts to the Chinese people have suggested that the eventual relationship it would like to see between the USSR and the European Satellites is approximately the one the Peiping regime itself enjoys. These broadcasts, for example, have noted Polish "concern" over the Khrushchev delegation's visit during the Polish

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party central committee's plenary session and Polish demands for the defense of Poland's "national sovereignty." At the same time, they have reported in detail alleged popular demands that the Polish-Soviet "alliance" be the "foundation" or "fundamental principle" of Polish policies.

the Chinese Communist leadership can be expected to continue to act on the principle that-- as Liu Shao-chi said in September--the maintenance of the Sino-Soviet alliance is the Chinese party's "supreme international duty."

Asia and the Middle East

The non-Communist press in Asia and the Middle East has welcomed the uprisings in Eastern Europe as a victory for the forces of anticolonialism and independence, and as a forerunner to similar developments in other Satellites. Except for South Korea and Taiwan, both of which called for strong action by the free world, official comment has been guarded.

South Korea's President Rhee expressed the hope that the free world would "launch a great crusade" to overthrow Communist strongholds in Poland, Hungary and other enslaved countries, and called on the United States to oppose any Soviet attempt to suppress the uprisings. Demonstrations, probably officially inspired, have been organized to urge an uprising in North Korea. Seoul radio is broadcasting similar appeals to the North. Chinese Nationalist foreign minister George Yeh announced that his government "stands ready to give support to any movement or action in or outside the United Nations in condemnation of the Soviet violation of the principles of national independence and human rights."

Regardless of developments in Eastern Europe, the Chinese Communists themselves will almost certainly try to avoid moves which would harm their own relationship with Moscow. Despite Chinese sympathy with the Eastern European states,

The important Tokyo daily, Asahi, stated that Moscow's attitude will afford an excellent opportunity to judge the USSR's respect for national sovereignty.

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A nationalist paper in Indonesia, which sometimes reflects National Party thinking, interpreted the East European developments as a victory for Tito. It hailed him as a Communist leader who had charted a new way to socialism, permitting every Communist country to develop according to its respective methods and national interest. The same paper claimed demonstration in the revolts of the USSR's oppression of its allies was food for Indonesian thought. Two anti-Communist dailies saw the revolts largely as liberation movements aimed at Soviet colonialism.

Indian prime minister Nehru's public reaction to events in Hungary and Poland has been guarded. Both he and the Indian press, however, seem to interpret them as steps in the "wholesome process of liberalization" and "democratization." Nehru, particularly, seems likely to take these events as proof of his contention that Communist China and other Communist nations are not bound irrevocably to the USSR.

India's largest opposition group, the Praja Socialist Party, has exploited the opportunity to embarrass the Communists by reminding the USSR of its adherence to the "five principles" of peace and coexistence and by deploring its "flagrant intervention" in the internal affairs of Hungary and Poland.

The smaller Southeast Asian nations have given considerable press attention to the events, but have made little editorial or official comment. The Burmese press has expressed strong support for the rebel forces in Hungary, and forcefully condemned Soviet military intervention there.

Only the Communist daily in Indonesia has so far echoed the Soviet line that the revolts resulted from US-financed subversive activity. Japan's Communist Party paper, Akahata, attempted to refute reports that there exists "an insoluble factional struggle in the Polish Communist Party and that the party has a fundamental antagonism against Khrushchev."

The only anti-American comment in the non-Communist press was noted in Yomiuri, Tokyo's third largest daily. It deplored the American move to place the Hungarian issue before the UN. It asserted that the uprising was a domestic issue, adding that the United States was attempting to cover up the "disadvantageous situation brought on by Bulganin's message on nuclear tests."

The Turkish press regards the uprisings as a favorable sign that Moscow's "formidable power has started disintegrating." It recommends all possible help to those revolting against Soviet domination and cautions the West not to "lose the initiative to the USSR in facing up to the Polish developments." Greek comment stresses the theme that the USSR is unable to suppress the forces working for greater freedom in its empire, and most papers add that this situation demonstrates the correctness of the Greek view concerning self-determination for Cyprus.

The attention of Arab officialdom to the uprisings has been diverted by developments in Egypt and Algeria. The Egyptian government-financed press has played down the European developments, and press reaction has been generally mild.

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and hesitant. Anti-Soviet editorial comment appear in the Lebanese and Ethiopian press, with the "Voice of Ethiopia" seeing the events as the beginning of the end of Russian influence in the Satellites and East Germany.

Western Europe

The revolt in Hungary is almost universally regarded in Western Europe as symptomatic of a fundamental, and perhaps enduring, change in the relationship of the Soviet Union with its Eastern European Satellites. Most influential press organs and politicians urge, however, that no hasty or drastic action be taken by the West that might work to cancel the advances toward freedom achieved by the Hungarian rebels.

The British Foreign Office stated on 30 October that it does not believe Nagy can continue to rule in Hungary. British Labor Party leader Gaitskell has publicly expressed the hope that the other Satellites will follow the example of Poland and Hungary.

In West Germany, Chancellor Adenauer has expressed the belief that the uprisings in Hungary and Poland may ultimately promote a more compromising attitude on the part of the Soviet Union toward negotiations on German unification. He pledged that no military action would be taken against Poland to settle differences over the Oder-Neisse boundary. The West

German Socialist opposition has called for diplomatic relations with Poland and Hungary and increased West German trade with the Eastern bloc.

The Austrian cabinet has appealed directly to Moscow to stop its intervention and "restore freedom" in Hungary. Anti-Communist demonstrations have occurred in Rome and other Italian cities to protest against the Soviet forces in Hungary.

The West European Communist reaction to the violence in Hungary reflects the continuing stresses on national party unity in almost every country. The Italian Communist newspaper has abandoned its support of the Soviet line blaming counterrevolutionaries for the violence. On 29 October party leader Togliatti cited Hungary's failure to develop Communism on an adequate national base and to make reforms quickly enough.

In contrast, the French Communists have adopted a rigidly Stalinist public attitude. The American embassy in Paris reports that on 29 October, the French Communist press surpassed itself in defending the Soviet Union and gloating over the "defeat" of the insurgents.

The London Daily Worker continues to equivocate on the issue, both abhorring the "necessity" for Soviet military intervention, and referring to the Hungarian workers' "just demands."

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PART III

PATTERNS AND PERSPECTIVES

POLAND'S ECONOMY: GOMULKA'S PROBLEMS AND PLANS

The economic policies proposed by party first secretary Gomulka on 20 October call for a revised but still basically socialist economic system in Poland. Gomulka's policies will not raise living standards sufficiently in the immediate future to reduce worker discontent unless substantial foreign aid is received. Gomulka has emphasized that improvement in economic conditions must come primarily from increased worker productivity and better economic planning. Poland reportedly desires a loan of \$250,000,000 to \$300,000,000 from either the USSR or the West with no political strings attached.

The most serious problems now facing the Polish economy are shortages of food, consumer goods, and industrial raw materials. In addition, there are serious shortages of agricultural machinery and technicians, and the government lacks funds for capital investments necessary to modernize Poland's most important industry--coal mining--and to increase consumer goods output.

Previous Economic Policies

In his 20 October speech, Gomulka severely criticized Poland's previous economic policies. Heavy industry, he implied, had been developed too rapidly and at the expense of consumer goods production. While recognizing the accomplishments of the Polish Six-Year Plan (1950-1955), Gomulka

condemned the concentration of investment, and the resultant excess capacity, in the engineering industry, while investment in agriculture, mining and housing had been allowed to lag. These imbalances were aggravated after the Korean war started when defense production was increased sharply.

Other information confirms Gomulka's statements. During the Six-Year Plan, an estimated 51 percent of state investment went to industry and only 9 percent to agriculture. Heavy industrial output increased 107 percent during this period compared with 51 percent for light industry.

The forced-draft development of Polish heavy industry is also revealed by the fact that four fifths of the \$640,000,000 in loans granted to Poland by the Soviet Union between 1948 and the present was allocated for heavy industrial expansion, including the construction of such installations as the Lenin iron and steel works at Nowa Huta and the copper works at Legnica.

Some moderation of the emphasis on heavy industry had occurred prior to Gomulka's assumption of leadership. Total investments scheduled for the new Five-Year Plan (1956-60) were reduced 13 percent and most of the reduction is probably in heavy industry. In addition, some defense plants

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reportedly shifted to civilian production during the summer. The industrial committee of the Polish parliament on 8 October called for changes in industrial policy and publicly revealed that machines and equipment worth a billion dollars in foreign currencies were in storage and not operating because of overemphasis on heavy industry. Much of this machinery would "have to be scrapped."

Prospects for Improvement

Gomulka held out little promise of any speedy increase in living standards, and stated the "hard truth" that no more wage increases would be possible until labor productivity had increased and the management of industry improved. Citing the coal mining industry as an example, he found that throughout the industry, labor productivity had declined 12.4 percent since 1949. Although production increased 20,000,000 tons since 1949, four fifths of the increase resulted from overtime work. Other official admissions reveal that average output per worker throughout the Polish economy is less than in either Czechoslovakia or East Germany.

To stop the decline in agricultural output, Gomulka promised that future collectivization would be voluntary and that compulsory deliveries of produce would eventually be eliminated. Agricultural taxes, however, would assuredly continue to be collected. Admitting that previous Polish propaganda had been falsified, he

revealed that private farms, although receiving less state assistance, were out-producing state farms and that collectives were deeply in debt, having borrowed to pay wages.

For the future, he advocated self-government in collective farms, and said that those with little chance of development should be disbanded. Even these concessions to the private farmer are not likely to improve agricultural output immediately, since agricultural machinery and fertilizer are in short supply.

Although the food situation in Poland is by no means critical, the average consumer has ample reason for complaint. Agricultural production rose only 18 percent from 1949 to 1955, although a 50-percent increase was planned. While total crops in 1955 were about equal to the pre-World War II level, food output was only 85 percent of the prewar level because of greater concentration on industrial crops. Grain imports in recent years have averaged over a million tons annually, whereas prior to World War II, Poland had exported this much annually.

Foreign Aid

Gomulka's economic program will receive enthusiastic support from the population only if it can achieve a rapid improvement in living standards. In his public statements, Gomulka has emphasized that living conditions can only improve

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slowly, and progress must come primarily from increases in worker productivity. Polish officials realize that foreign aid could provide the means for more rapid economic improvement, however, and numerous reports during the past half year suggested even before Gomulka returned to power that elements of the Polish leadership were interested in a loan from the West. In September the USSR made a token loan of \$25,000,000 to Poland to alleviate economic difficulties, and probably to bolster the regime then in power. This loan was too small, however, to provide any real improvement in living standards.

Dependence on Bloc

In 1955 Poland received from the USSR 60 percent of its iron ore imports, 75 percent of its manganese imports, and 82 percent of its cotton imports. Of Poland's total foreign trade last year, 63 percent was with the bloc and 32 percent was with the Soviet Union. Poland will not voluntarily and hastily overturn the whole pattern of foreign trade which has developed with the Soviet bloc since the war, because this would seriously disrupt Poland's own economy.

The USSR also will probably not on its own initiative cut Poland's ties with the bloc, after its experience with such tactics against Yugoslavia from 1948 to 1953. The Polish economy will therefore probably remain partially dependent on trade with other bloc nations for some time. As Poland develops policies more independent of the USSR, however, trade with the West will probably expand, and the degree of Polish economic integration in the framework of the bloc's Council of Economic Mutual Assistance should gradually decrease.

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the amount which Poland believes it needs immediately is \$250,000,000 to \$300,000,000. While this amount would improve moderately the living conditions of the workers and thus gain their support, it would be sufficient only for a relatively short time and considerably more aid would be required for further improvement of the Polish economy.

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CHINESE COMMUNIST ECONOMIC GROWTH

A general air of satisfaction with the economic situation prevailed at the eighth congress of the Chinese Communist Party, which met in Peiping in late September. Progress under the First Five-Year Plan (1953-57) met with approval, and the same rates of growth were projected into the Second Five-Year Plan (1958-62).

The philosophy of economic planning was developed at great length with a recital of the evils of "leftist adventurism" and "rightist conservatism" and with unusual emphasis on the importance of state reserves to meet exigencies in the economy.

The emphasis was on realistic planning. Every reference to First Five-Year Plan goals at the congress was to the original levels of the draft plan released in mid-1953, not to the upward revisions announced since then. Furthermore, goals for the Second Five-Year Plan were related to the original 1957 plan goals. Goals were given in terms of upper and lower limits for the first time, following a practice started this year by some of the European Satellites. The anticipated overfulfillment of many First Five-Year Plan goals will count toward fulfillment of those of the second plan.

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COMMODITY (Millions of MT except as noted)	PRE-COMMUNIST PEAK	1952	1957 1st 5-yr Plan	1957 est. perform.	1962 2nd 5-yr Plan
Electric Power Output (Billions KWH)	5.96 1941	7.26	15.9	18.0	40 - 43
COAL	61.875 1942	63.528	112.985	120	190 - 210
CRUDE OIL	0.32 1943	0.436	2.012	(less than plan)	5 - 6
STEEL	0.923 1943	1.35	4.12	5.5	10.5 - 12
ALUMINUM		negligible	0.02		0.10 - 0.12
CHEMICAL FERTILIZER	0.227 1941	0.194	0.578		3.0 - 3.2
TIMBER (Millions of Cubic Meters)		11.02	20	24	31 - 34
CEMENT	2.293 1942	2.86	6		12.5 - 14.5
COTTON YARN	0.444 1933	0.656	0.907	1.016	1.45 - 1.63
EDIBLE VEGETABLE OIL		0.983	1.794	(less than plan)	3.1 - 3.2
FOOD CROPS	138.695 1936	154.395	181.59		Approx. 250
COTTON	0.8398 1936	1.3037	1.635		Approx. 2.4
SOY BEANS	11.305 1936	9.52	11.22	(less than plan)	Approx. 12.5
CATTLE (Millions of Head)	48.26 1935	56.60	73.61	("certain livestock")	Approx. 90
SHEEP (Millions of Head)	62.52 1937	61.78	113.04	(less than plan)	Approx. 170
HOGS (Millions of Head)	78.53 1934	89.77	138.34		Approx. 250

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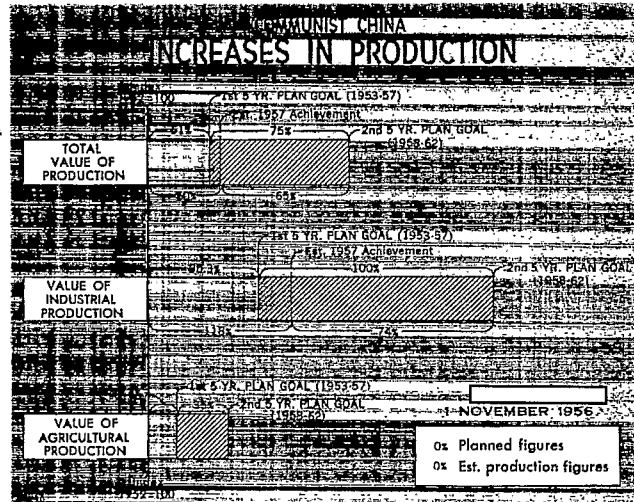
Industry

Complete economic self-sufficiency for China was set forth as a goal at the congress, although no target date was mentioned. As the first step in this direction, China is "to engage in industrial construction centered around heavy industry...." The value of industrial production over the original 1957 goal is an increase of 100 percent, or about 74 percent over the expected 1957 achievement. Of the total value of industrial production in 1957, capital goods were scheduled to account for 38 percent and consumer goods 62 percent. In 1962, capital goods, which are now expected to account for 40 percent in 1957, are scheduled to account for 50 percent. Expenditures on capital construction are expected to rise from 35 percent of total government spending under the first plan to 40 percent under the second plan.

Agriculture

The Chinese recognize agriculture's importance as the source of capital for industrialization and are making strong efforts to prevent any decline in agricultural production during the process of socialization. The vital interdependence of agriculture and industry in planning the expansion of an economy is a lesson which the Chinese have apparently learned well from their Russian tutors.

The USSR has tacitly acknowledged many mistakes both in the way socialization of agriculture was brought about in the USSR and in the attention subsequently devoted to



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agricultural production. At the congress, Chou En-lai said, "To delay the development of agriculture will not only directly jeopardize the development of light industry and the improvement of the people's livelihood, but will also greatly affect the development of heavy industry and even the development of the entire national economy."

Agricultural goals for 1956-57 and for the second plan period are considerably more modest than the figures previously released by the Chinese, and are especially low when compared with the Twelve-Year Plan (1956-1967) for agriculture released last February. To meet the goals, Peiping will continue to rely on increased use by the new agricultural co-operatives and collectives of the relatively inexpensive measures of better farming practices, more natural fertilizer, better seeds, insecticides, selective stock breeding, and small-scale irrigation and flood control.

Scheduled production of chemical fertilizers in 1962 is five times as great as that

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expected in 1957. The increased use of chemical fertilizers is believed to be the only one of these measures that is fairly certain to produce positive results. Only a small fraction of China's optimum requirement for chemical fertilizer would be met by this planned increase. Extensive water conservancy work now under way should help alleviate natural calamities such as the floods of 1954.

The scheduled 35-percent increase in agricultural production in the second plan period would require an increase of more than 6 percent per year. The measures proposed for accomplishing this increase are inadequate and only a drastic increase in the use of chemical fertilizer could bring success. An increase of only 3 percent apparently would be adequate to support fulfillment of the industrial goals. An increase of 3 percent per year rather than 6 percent is an optimistic but not unrealistic forecast of what may be expected from agriculture.

Technical crops--cotton, tobacco, oil seeds--will probably be favored as in the past in the efforts to increase production. The somewhat greater increases in these crops will help light industry. It was acknowledged at the congress

that unless the lot of the worker and peasant were improved there was little likelihood of achieving increased productivity.

The attainment of a 3-percent annual increase in agricultural production would still provide for some improvement in the standard of living, allowing for the increase in population. However, because of planned increases in the industrial labor force, improvement in the standard of living for the peasant would be slight.

Transportation

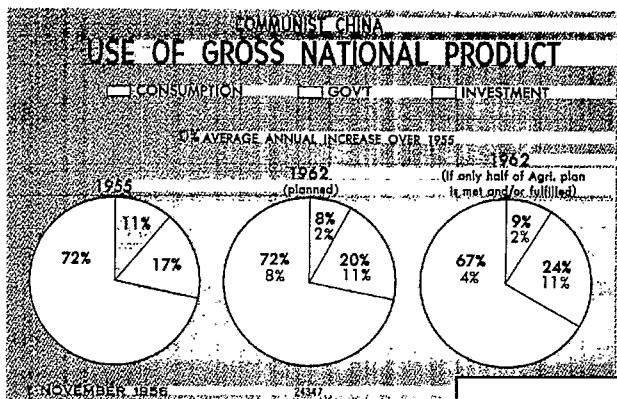
During the Second Five-Year Plan, approximately 5,500 miles of new railways are scheduled to be built and 10,000 miles of main highways built or improved. Opening of new areas in the west will be emphasized in this construction. Inability to handle increased traffic demands in some areas was acknowledged at the congress, but no plans for increasing rolling stock and other facilities or for increasing haulage were announced.

Reserves

Another lesson the Chinese have learned from the USSR is the importance of having under central state control stockpiles of food and industrial materials. They acknowledge that the planning process can never be perfected; thus the ability to allocate existing reserves of all kinds to lagging sectors of the economy may be crucial to fulfillment of the plan.

Retail Trade

To meet complaints regarding the quality, variety,



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and suitability of consumer goods, another major economic pronouncement was made at the congress; about one fourth of all consumer goods are to be removed from controlled markets and channeled into free markets. Most types of consumer goods will be affected; grains and cotton cloth, however, which make up the bulk of sales, will not be.

In a reversal of distribution procedures, retailers will order from wholesalers--who in turn will order from manufacturers--only those items at prices and in quantities they believe will find ready sale. Previously manufacturers allocated to wholesalers and retailers according to a set plan. It was acknowledged that prices of many items would rise under the new system, but it is hoped that the increased price will be compensated for

by improved quality. Almost all retail, wholesale, and manufacturing establishments have been socialized and thus remain under economic control.

This new plan is probably attractive to the regime for another reason. An increase of 25 to 30 percent both in workers' wages and in peasants' income is scheduled. This could result in serious inflation if an equivalent increase in consumer goods were not made available. By retaining price controls and rationing for essential foods and cotton cloth, while permitting prices of special foods, quality cloths and other consumer items to inflate with market demand, the excess purchasing power can be channeled back into the hands of the government through increased profits of state-owned enterprises. [REDACTED] (Prepared by ORR)

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THE REORGANIZATION OF THE STATES OF INDIA

In reorganizing the states of India on 1 November, New Delhi is undertaking a major experiment, the outcome of which is not readily foreseeable. By reducing the number of states from 27 to 14, Prime Minister Nehru's goal of less provincialism and greater national unity among the Indians should come closer to achievement. At the same time, the fact that the government was forced to make changes along linguistic lines, a concession to strong provincial linguistic movements, leaves doubt as to whether national unity actually will be increased.

Nehru has always opposed linguistic states on the ground

that they would put provincial loyalty above loyalty to India. By accentuating the differences among the Indian peoples, they would tend to divide rather than unify the country. With the formation of Andhra State in 1953 following violent agitation by Telegu linguistic groups, however, the Indian government was committed to a revision of other state boundaries along linguistic lines. This commitment was officially recognized when the States Reorganization Commission published its report.

Since October, the government's main problem has been how to please the majority of linguistic groups without violently antagonizing others. The

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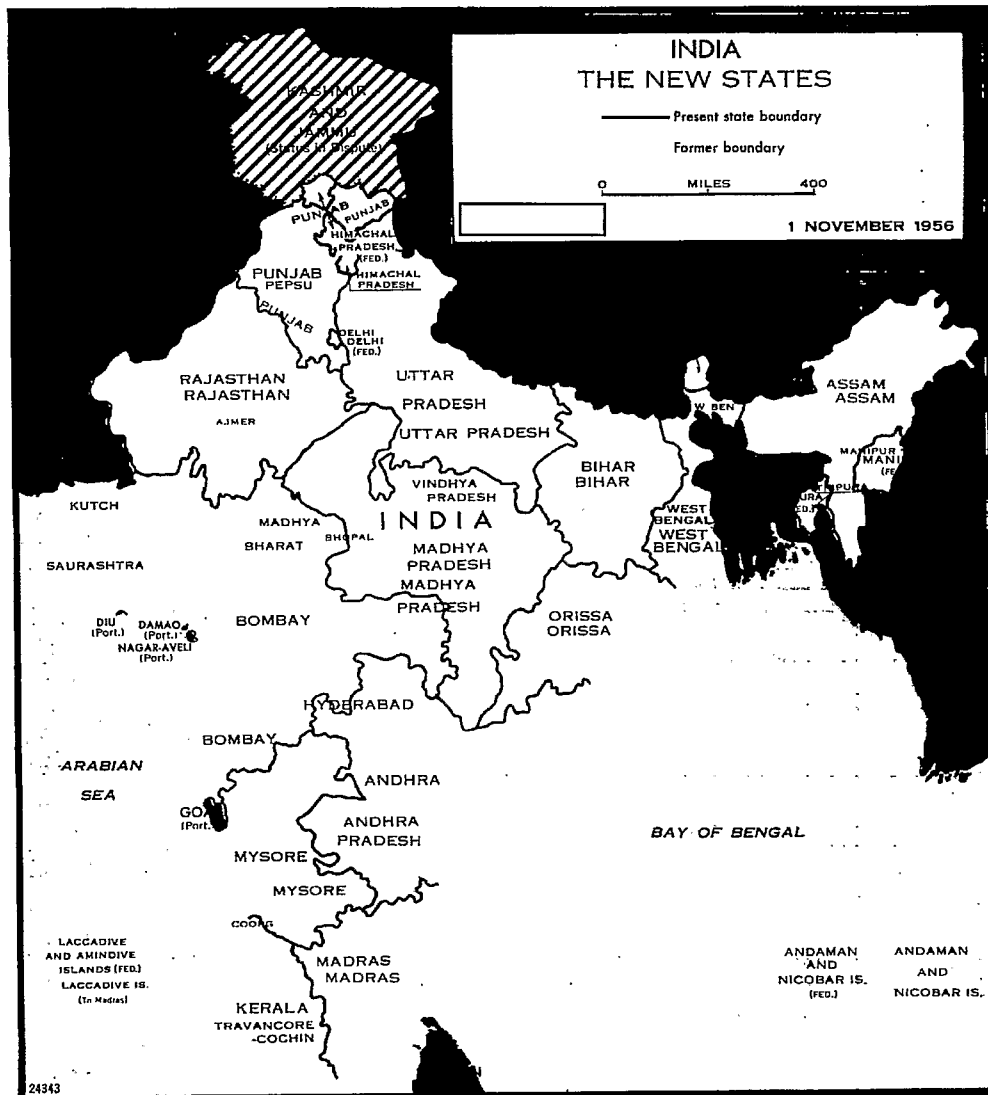
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government's original inability to do so was illustrated by the violent riots in Bombay State and some other parts of India last November and January. Continued talks with provincial leaders leading finally to settlement in August of the most hotly debated question--that of Bombay--have led to arrangements sufficiently acceptable to all sides to permit the formation of the new states.

Despite agreement on the

plan, the reorganized states will not necessarily function smoothly. Controversy has already delayed their formation from 1 October, the beginning of the third quarter of the fiscal year, to 1 November.

Major reorganizations of boundaries in the cases of Bombay, Mysore, Andhra, and Kerala States--each of which has acquired considerable new territory--will presumably cause some administrative difficulties



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if nothing more. Satisfactory integration or dismissal of state government personnel, the reorganization of state political party groupings and the establishment of new financial and administrative bookkeeping procedures all have to be achieved. The residual dissatisfaction of linguistic minorities whose desires were not granted also remains.

The fact that since August the inhabitants of the new state of Bombay have continued to display dissatisfaction suggests that one effect of the reorganization here may be to weaken the Congress Party's support in the forthcoming elections. Early in the year, for instance, nine Congress Party men resigned from the state legislature and sought re-election as independents. In Mysore, intense rivalry between Congress factions will be complicated by the addition to the struggle of a new group of individuals from dismembered Hyderabad State.

In Andhra, both in regard to government procedures and in regard to Congress Party organization, the elements from the Telengana area of eastern Hyderabad State have won such a series of safeguards against extinction of their influence that smooth operation may be

difficult. In Kerala, which will remain under direct administration from New Delhi until election time, both Congress Party members and the opposition are critical of the way the state is being administered. Since this is the most likely of all Indian states to escape from Congress control as a result of the elections, dissatisfaction within the party's own organization may become a serious weakness.

In all these states, incumbent Congress officials will have to make the choice between remaining at their posts to ensure efficient administration or of conducting active election campaigns at the risk of losing their seats because of criticism for their failure to attend to the state's business.

If the reorganization proceeds smoothly in the major Indian states, the activities of residual linguistic groups in these and other areas may gradually decrease in importance. If, however, dissension continues and becomes linked with an effective united-front movement on the part of the opposition, the unrest created by the states' reorganization may play an important part in the national election outcome in certain areas of India.

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ARGENTINE POLITICAL SITUATION

The problem of the provisional Aramburu regime in Argentina of governing the country by a military junta with the counsel of political leaders of conflicting views has been complicated by its efforts to prepare for constitutional

reforms and elections in 1957. The regime remains apprehensive over the apparently well-financed Peronista activity and over dissidence among its supporters.

The Aramburu regime appears determined to transfer authority

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to a duly elected civilian government. There are, however, sharp differences within the military junta and among political parties over electoral measures. Some critics believe the parties are still too badly split to form a democratic base. Others frankly wish to take measures to reduce the political advantage of Arturo Frondizi, leading presidential candidate of the Radical Civic Union, by far the largest legal party.

In the last national election of congressmen in April 1954, the Peronistas won some 68 percent of the total vote and the Radicals about 30 percent. The Peronista Party was outlawed in November 1955 and other parties have been trying to attract the crucial Peronista vote. Thus far the Peronistas have shown no strong disposition toward joining any of them. All groups seem to feel that among the presently organized political parties, the Radicals stand the best chance of winning free elections.

Parties other than the Radicals appear to be seeking some means to reduce the extent of a Radical victory and, if possible, to encourage the displacement of Arturo Frondizi as the official Radical candidate for president. Opinion regarding Frondizi varies, but strong criticism is centered on the left-wing Radical faction, which is important among his supporters.

The government's announcement on 27 October that constitutional reform would precede the national elections seems to be another effort to reduce the impact of a future Radical regime. Some observers believe this may delay the elections, now scheduled for late 1957.

Electoral Measures

A decree on political parties--long delayed by sharp

controversy--was finally issued on 17 October. Parties publicly active on 16 September 1955--including the Communist Party--are in effect recognized and required to comply with fewer formalities than those prescribed in the decree for new parties. The decree stresses limitations on government interference in the activities of political parties and specifically rules out any requirement for the generally split parties to undertake internal reorganization, as desired in some quarters.

The minister of interior announced on 18 October that the government was studying a "complementary" decree which would establish an open primary system for the selection of candidates for president, vice president and the chamber of deputies. The proposed decree reportedly would permit any person who could obtain 2,000 signatures to be a candidate for president. This would prevent those in control of party machinery from blocking certain candidacies.

Internal Party Divisions

The Radical Party is split into three main sections and is controlled by the Frondizi-led Intransigente faction. Except for the more conservative views of the Unionist section, the main quarrel among the Radicals concerns personalities--especially Frondizi--rather than principles. The party platform advocates complete nationalization of public service and the petroleum and meat-packing industries. The party's traditional neutralism is reflected in opposition to bilateral military pacts with the United States and to the Inter-American Treaty of Reciprocal Assistance--the 1947 Rio treaty.

The National Democratic Party, also known as the Conservative Party, has strong influence in the regime which

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disproportionate to its small size. Its effectiveness, however, is also reduced by a split over the efforts of one faction to gain support from former Peronistas.

The most important of the four very small Catholic-oriented parties are the liberal Christian Democratic Party and the rightist Federal Union. The Federal Union claims the support of the retired General Bengoa, who retains considerable behind-the-scenes influence in the army and political circles. The ambitious Bengoa, however, has not committed himself.

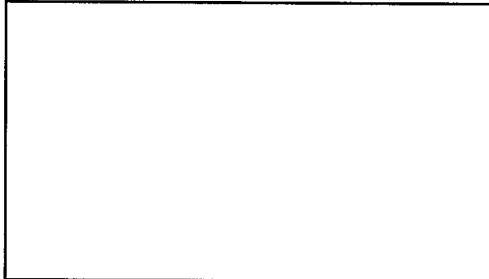
Peronista Activities

The Peronistas have increased their use of rumors and pamphlets in tactics similar to those which helped undermine Peron. The government has continued its precautions against Peronista subversive activity and has included in its pre-electoral measures special antitotalitarian clauses banning formal political activity by the Peronistas or by rightist groups seeking advantage from an alliance with them. The government's decree of 11 October establishing

a board to investigate and publicly identify Communist-infiltrated and "totalitarian" groups, however, has been strongly criticized by all political sectors as a possible instrument for persecution of any political enemy of the regime.

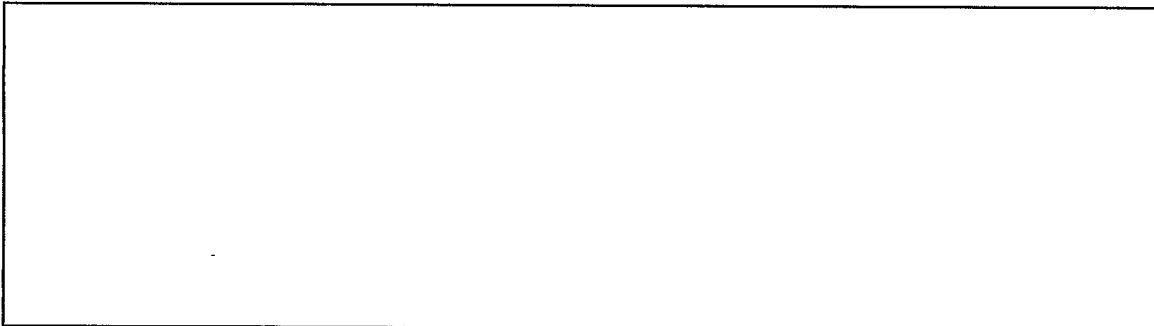
Communist Party

Overtures by the Communist Party to the Peronistas were reiterated on 20 October by Communist leader Codovilla, who stated that if Peron returned to Argentina, there would be civil war; therefore, the Peronistas were urged to join the Communist Party. He said the party had grown to 63,000 members. Other estimates place party strength at between 50,000 and 60,000 as of 1 August.



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