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JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

Statement by Khrushchev on Defence
Production and on Missile Deployment 1502

Defence Production

1. In his speech to the Supreme Soviet on 14 January Khrushchev stated the Soviet Union had acquired the required quantity of atomic and hydrogen weapons, but that as long as an agreement on the banning of nuclear weapons had not been reached, production would continue.

He stated that the Soviet Union was several years ahead of other countries in the creation and mass production of intercontinental ballistic rockets of various types. The Russian text of the speech has not yet been received and the phrase "mass production" also appears as "assembly-line production". Present estimates do not support the claim that the Soviet Union is several years ahead in the production of ICBMs. There is no factory evidence of the type or types of ICBM in production.

Both the military air force and the navy were said to have lost their importance, and almost the entire military air force was being replaced by rockets. Bomber production has been reduced and might even be discontinued. This bears out our estimate that production of BADGER and BEAR has ceased and that production of BISON is coming to an end. Nevertheless we believe that fighter production continues.

The emphasis in the navy was said to be on submarines, rather than surface ships. There was no direct reference to naval guided missiles. In spite of the de-emphasis of surface ships, new rocket-firing destroyers are known to be in production.

Missile Bases

Khrushchev claimed that the first blow on the USSR in a major war would not knock out all stores of nuclear weapons and missile installations, and if some were knocked out, the duplicate installations could go into action. He made no specific reference to ICBM bases. He did state that the USSR sited its rocket facilities in such a way as to ensure duplication and triplication and that it had the possibility of dispersing its rocket facilities and of camouflaging them well. The USSR was, he said, creating such a system that if some of the means earmarked for a retaliatory blow were put out of commission

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it could always send into action the means duplicating them and hit targets from reserve positions. This is the kind of general philosophy about ICBM sites which we would expect, but we have no evidence of the implementing of a plan to construct them.

Statement by Khrushchev about further reduction/503
of Soviet Armed Forces by 1.2 million

2. In his speech to the Supreme Soviet on 14 January Khrushchev proposed that the Soviet armed forces be further reduced by 1.2 million in 1960 or 1961. Such reduction would leave 2,423,000 men under arms. According to Khrushchev the proposed reduction was not motivated principally by economic considerations, but nevertheless would result in a saving of approximately 16-17 billion roubles annually, which would be applied to the economy.

COMMENT: Khrushchev made it clear that the proposed cut would not result in any decrease in the fire power of the armed forces and stated that it did not result from difficulties with the Seven Year Plan. However, in view of the labour situation in the Soviet Union it could hardly have come at a more convenient time. The Seven Year Plan calls for an average annual increase in the state labour force of about 1.6 million. This figure however, does not include the replacement of normal wastage in the labour force, and the total replacement may therefore exceed 2 million. This requirement comes at a time when there is a relative shortage of new entrants into the labour force because of the low birth rate during World War II. It is estimated, that in 1959 the number of new entrants fell below the number required by several hundred thousands, and that in 1960 and 1961 the deficit will be of the order of one million. While the reorganization in Soviet education is providing a new source of manpower, there appears to be little doubt that the armed forces reduction and other measures are needed also, to get through the period of war-induced manpower deficits.

The announced saving of 16-17 billion roubles annually will be made up largely of troop costs, but partly also of equipment costs. It may ease the investment situation under the Seven Year Plan, although it has been our estimate that investment targets can be met without such support. At first sight, it appears that the main financial motive behind the proposal is to help hold down the defence burden in the face of the rising cost of modern weapons.

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Analysis of the Soviet labour force over the period 1950-57 is included in JIC 292/1(58) of 20 October 1958 "Announced and detected reductions in the armed forces of the Soviet Union and the European Satellites". It indicated that there must have been an increase in the Soviet armed forces during the early 1950's. The figures quoted by Khrushchev support this estimate.

Agricultural Issues
Revealed at Party Plenum

1504

(CONFIDENTIAL)

3. The Central Committee of the Communist Party of the Soviet Union met in Moscow on 22-26 December 1959 to consider agricultural questions, the most important of which was the recent poor harvest.

No figure for total grain production has been revealed but it is estimated to have been 15 to 20 percent below the record harvest of 141 million tons in 1958, or about 115 million tons. State procurement of grain in 1959 is said to have been 46.6 million tons, compared with 57.3 million tons in 1958.

Khrushchev, while admitting that weather had something to do with the poor harvest, publicly abused Belyayev, party leader in Kazakhstan, for incompetence in organizing the harvest. Whether Belyayev will be replaced in Kazakhstan and removed from the central party presidium is not known.

The Plenum instructed Gosplan to draw up a fertilizer production plan and to work out plans within a month for speeding up sowing and harvesting operations on farms. It charged the presidium of the party to study the form of administering collective farms.

These resolutions suggest that agriculture will be the subject of further meetings in the near future, since agricultural performance in the first year of the Seven Year Plan fell far below Soviet expectations.

Reorganization of Soviet Security Apparatus

(CONFIDENTIAL)

4. New State Security (KGB) chiefs have been appointed in six, possibly seven, republics of the USSR during the past three months according to the Soviet press. The changes occurred in KAZAKHSTAN, TURKMENISTAN, AZERBAIJAN, MOLDAVIA, LITHUANIA and possibly ESTONIA.

COMMENT: Although these changes may be part of a general reorganization of the state security apparatus by the new

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Chairman of the Committee of State Security (KGB), ALEKSANDR N SHELEPIN to place his own men in key posts, a more plausible explanation is that they are the result of the Soviet Government's anxiety over the persistence and increase of nationalist feeling over the past year.

According to statements by MOSCOW Radio "backward citizens of the USSR" are resisting the introduction of the Russian language, culture and customs. This fact, according to the same source, can only be explained by the existence of traces of nationalism, which are doing "considerable harm to the common cause". Difficulties of this kind are believed to exist in ESTONIA, where the leaders of the Central Committee of the local Communist Party recently criticized the shortcomings and errors which have been observed in the training and work of Party collective institutions, and where the KGB chief is rumoured to have been replaced.

Revelations of nationalism in MOLDAVIA were made at a plenary session of the Central Committee of the MOLDAVIAN Communist Party on September 22 and 23 and are believed, in large part, to be related to upheavals among the political personalities which have taken place in MOLDAVIA during the past year. This situation has had its parallel in LATVIA, where the Deputy Premier was dismissed last summer for "narrow nationalism", in KAZAKHSTAN, LITHUANIA, UZBEKISTAN, TURKMENISTAN and GEORGIA.

In KAZAKHSTAN, there have also been rumours of worker unrest and even strikes and civil disturbances near KARAGANDA during September which may have required intervention by the armed forces. These events are probably at least a partial cause of the replacement of the KAZAKH KGB chief on Oct 10 and the dismissal of the Minister of Internal Affairs.

The Dissolution of the Central
Ministry of Internal Affairs (MVD) of the USSR 380

(CONFIDENTIAL)

5. On January 13, 1960 the Praesidium of the Supreme Soviet announced that it had abolished the USSR Ministry of Internal Affairs and shifted its responsibilities to the fifteen Ministries of Internal Affairs of the Union Republics.

The duties of the Ministry of Internal Affairs, or MVD, have been widely held in the public mind to include the conduct of Soviet intelligence operations abroad and counter-intelligence and counter-subversion in the USSR.

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But these operations have, since March of 1954, been in the hands of a separate organization, the Committee of State Security which enjoys the authority of a Ministry and which was formed at that time to undertake these tasks exclusively. Prior to 1954 they were included among the functions of Beriya's Ministry of Internal Affairs (MVD) which also was in charge of normal policing, control of archives, fire prevention, various important economic functions, the exploitation of slave labour and the command of para-military troops. Thus, the direct result of the splitting-up of these responsibilities in 1954 was the formation of two important law enforcement agencies neither having the power which proved so tempting to Beriya and so unsettling to the Soviet leadership following Stalin's death.

Regarding the Committee of State Security, now that the functions of the central Ministry of Internal Affairs have been divided among the fifteen Republic Internal Affairs Ministries we would conclude that this has emerged stronger than ever. It is thought to have acquired all para-military troops from the Ministry of Internal Affairs and, of course, now remains the only law enforcement agency coming directly under the control of the central Government.

Regarding the Ministry of Internal Affairs, the Soviet Government's present action follows logically from a number of steps which first became apparent in 1955. By 1957 the MVD's control of the forced labour camps, and a number of industrial enterprises for which this form of labour was considered necessary, had been sharply reduced through the transfer of the control of the camps to direction by Republican Ministries of Internal Affairs. A reorganization of the Militia seems also to have taken place along similar lines a little earlier. Before 1956, the Militia had been centrally controlled from Moscow. In the course of that year it became evident that local militia had become merged with provincial and regional directorates of the MVD which were in turn subordinate to the Executive Committees of the provincial and regional Soviets and not as hitherto to Moscow.

The main elements of the MVD's para-military forces consisted of railway guards, frontier guards, and interior troops. The first two are thought to have been transferred to the Committee of State Security at some time between 1955 and 1957. The fate of the interior troops, comprising at that time some 200,000 men, is uncertain.

Thus, by 1957 the MVD had been systematically stripped of all security or "secret police" functions and had been transformed into an ordinary department of Government. The extraordinary powers and privileges which it had previously enjoyed, with the possible exception of the interior troops, had become concentrated instead in the Committee of State.

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One additional step was taken in 1959 which further undermined the central authority of the MVD. This was the setting up of "Voluntary Public Organizations" throughout the country to combat misdemeanors of a social rather than a criminal nature, not easily definable by law. The formation of these organizations, embodying "citizens' courts" and a "voluntary militia", was explained by Khrushchev early in 1959 as a part of the "withering away of the State", envisaged under total Communism. He pointed out that the maintenance of public order would be carried out on the above "voluntary" lines and that the security organs and the official Militia, or uniformed police, would operate on a parallel basis with reduced staffs.

Thus Khrushchev's announcement of the abolition of the central MVD will probably be accompanied by claims that this represents an additional dramatic step in "the withering away of State power" and a further concession to popular participation in the Government. Actually the central MVD has lost so much of its power since 1954 that it might well have been abolished without harmful effect and without fanfare as early as 1957.

This step will also no doubt be used to serve as a demonstration that the repressive measures of the police associated in the public mind with the MVD of Beriya's day, are a thing of the past. However, it should be borne in mind that, although they have come under certain legal restraints since 1954, the "secret police" functions of the Committee of State Security appear to remain at least as extensive as ever. Although this strength has been recently justified publicly by Khrushchev in terms of the need for "greater vigilance against the external enemy", it remains available as an effective and evidently indispensable deterrent against public dissidence or any conceivable dissenting elements among the Soviet leadership.

FAR EAST

Damage to Indonesian Destroyer

15/2

6. Sarwadjala, one of two SKORY Class destroyers received last February from the Soviet Union by Indonesia, was sighted in November aground on a wreck in the approaches to the Western Madura Strait near Surabaya Naval Base. It appears that she suffered extensive hull damage prior to being refloated in December.

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COMMENT: There is no information to indicate the cause of the mishap. Since the SKORY Class destroyers have been in service in the Indonesian Navy for a short time, it is possible that it is a lack of training and navigational ability on the part of the Indonesian Navy.

They are the only two destroyers in the Indonesian Navy. If the damage to the SARWADJALA is as serious as it appears to be, the destroyer strength of the Navy will be cut in half for some time to come.

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SOVIET UNION

Soviet Intention to Test Long
Range Rockets into the Pacific

1501

1. On 7 January 1960 the Soviet News Agency Tass announced that the Soviets intend to fire rockets into the Central Pacific Ocean commencing between 15 Jan and 15 Feb 1960.

The following are the pertinent statements quoted from the official Tass release: "On the basis of the progress made by the Soviet Union in exploration of cosmic space with the aid of ballistic rockets, and in conformity with their research programme, Soviet scientists and designers are now working to develop a more powerful rocket to launch heavy earth satellites and undertake space flights to planets of the solar system. With a view to perfecting this rocket with a high accuracy of flight its launching without the last stage will be made to the Central Pacific Ocean. The penultimate stage of this rocket is expected to fall within the area of the following co-ordinates:

<u>Latitude</u>	<u>Longitude</u>
9° 6'N	170° 41'W
10° 22'N	168° 22'W
6° 16'N	166° 16'W
5° 3'N	168° 40'W

Special ships of the Soviet fleet will be dispatched to this area to carry out the necessary measurements".

COMMENT: The area suggested by the Soviets forms a rough square 300 nm on a side with its centre approximately 8°N 168° W. The great circle distance to this centre point from the rangehead at TYURA TAM measures approximately 6500 nm on the earth's surface. It is interesting to note that great circle route although passing entirely over Soviet territory is considerably south of the existing range facilities. The possible reasons for the selection of this impact point are:

- (a) An extension of the present range to 6500 nm would pass directly over the Hawaiian Islands.

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- (b) The prescribed area is well removed from the normal air and shipping routes and was previously used by the U.S. for testing nuclear weapons.
- (c) A satellite launched from the Soviet Union on a similar orbit to the Sputniks could be recovered in this general area on its second revolution. Thus the area would be well suited for any vehicle recovery attempt.

Although we have no doubts that from simple energy considerations alone the Soviets with their existing ICBM vehicle could launch a substantial payload to 6500 nm, it is possible that they have indeed developed a new engine which they wish to test over an extended range. We consider that to date the Soviet ICBM and space achievements were probably accomplished by clustering previously developed engines and that these may have achieved the upper limit of potential. Thus the next step towards larger space vehicles would be to develop considerably larger thrust engines than those currently believed to be in use.

The mention of special ships being despatched to the area to carry out the necessary measurements undoubtedly refers to the SIBIR class vessels. As of 5 Jan 1960 all vessels were reported to be about 500 nm southwest of Midway Island steaming in a south easterly direction at 8 knots. Assuming they continue at this speed their estimated time of arrival at the projected impact area will be about 14 Jan.

The Soviet emphasis on space vehicle testing rather than ICBM may be factual, but it is worthy of note that these tests could also be used for the further development of the ICBM. However, any success would have considerable political value in view of the forthcoming Summit Conference.

We consider that this is a logical and not unexpected development in the Soviet space and ICBM programme.

Start of Construction of Railway North
from Polunochnoye (East of Northern Urals) /499

(UNCLASSIFIED)

2. Construction has begun on the rail line from Polunochnoye to Nary'-Kary on the Ob river where a trans-shipment base is to be built. The first section, about 30 kms long, to Pershino, on the river Lozva, has been completed and construction of a bridge at this point is well under way.

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COMMENT: This is the start of construction of the proposed link which is to connect the Sverdlovsk railway system east of the Urals with the Pechora line at Labytnangi.

EUROPE

East German Helicopter with US Markings

14 9 7
3. Photographs taken on 13 Nov, revealed a Soviet HOUND Helicopter at the EGAF base near COTTBUS with the following United States markings:

- (a) "US ARMY 250642" in yellow, aft of the main fuselage.
- (b) Circling the tail boom below the rotor "DANGER" written in red on a yellow background.
- (c) Aft of the pilots position, "ARMY" in white.
- (d) On the lower portion of the fuselage the U.S.A. white star identification markings.

COMMENT: The actual purpose of this disguised aircraft is not known. However, a photo reconnaissance aircraft of this type could be used to gather valuable information as it is the one Soviet type aircraft that possibly could fly over Western territory unnoticed, especially with the above disguise.

In general appearance the Soviet HOUND resembles the U.S. SIKORSKI S55 helicopter.

MIDDLE EAST

Jordan Waters Controversy

1515
(CONFIDENTIAL)

4. The Jordan River, one of the very few perennial streams in the general area of Palestine, is about 100 miles long; it has its principal sources in three small rivers, better described as creeks, the Hasbani (rising in Lebanon), the Banyas (rising in Syria) and the Dan (rising in Israel) which come together just south of the Syrian-Lebanese border to form the Jordan proper. Various springs and small streams in northern

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Israel as well as Lebanon, Syria and Jordan also augment the flow to some extent. The river flows within Israel and the Israeli-controlled demilitarized zone close to the Syrian border for about 42 miles (including Lake Tiberias), forms the boundary between Israel and the Kingdom of Jordan for another 18 miles, and then passes through Jordanian territory for another 40 miles before emptying into the Dead Sea. It is a small river, some 20 yards wide north of Lake Tiberias, and 30 yards wide in its lower reaches.

Israel's urgent desire for increased water supplies is based on its hopes for large-scale agricultural settlement in the Northern Negev, and for the absorption of large numbers of new Jewish immigrants which Mr. Ben Gurion hopes might number 2,000,000 in coming decades. Conversely the Arabs fear the accretion in Israel's military and economic strength which this population increase would entail, and resent the fact that immigrant absorption is being planned for while refugee repatriation is refused and that Israel's development would be aided by "Arab water" (77% of the flow of the Jordan and its tributaries originates in the Arab countries). In short, the Arabs view the diversion scheme not in isolation as an economic project, but as an important aspect of the whole Palestine question.

Israel's water programme, which would involve the diversion of a large part of the Jordan's flow into a comprehensive system of reservoirs, power houses, and aqueducts south to the Negev, has been under way for some time. Originally, the scheme provided for water intake in one of the demilitarized zones on the Syrian-Israeli border, but after Syrian protests, work in the zone was stopped in 1953 at the instance of the UNTSO and the Security Council pending "urgent examination" of the problem by the Council. Soon thereafter the United States Government offered assistance to implement a compromise scheme for unified Jordan River valley development, known as the Johnston Plan, under which Israel was to receive 40% of the total flow of the river and its tributaries (in place of 50% as proposed by Israel and 20% as proposed by the Arabs). After considerable hesitation, the Arabs finally rejected this plan in 1956 for a number of reasons, chief among which was probably their feeling that the scheme was intended to bring them to tacit recognition of and cooperation with Israel by the back door, so to speak, and their fear that the proposed storage in Lake Tiberias, within Israeli territory, of water intended for Arab use downstream would give Israel a means of pressure against the Arabs. Jordan was and is also concerned that the water that would remain in the river after the diversion might be too salty for irrigation -- a possibility that is also taken into account in the Israeli scheme.

Israel was temporarily mollified by a \$24 million US loan for development of water resources other than the Jordan, and seems to have slowed down construction of the main Jordan-Negev water system for a time. In April of this year, however, the Israelis began to lay the giant 108-inch

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pipeline that will carry the Jordan water to the south. The first stage of the scheme will probably not be completed until the end of 1963, and extensive diversion will not start until that time. Even then it is expected to amount to only about 150 million cubic meters a year, and will probably be used mainly in central Israel rather than the Negev, although ultimately, when the installations are fully completed, the diversion will be 320-375 million cubic meters, destined for the Negev as well. Moreover, the scheme has now been modified -- 'seemingly at United States' request -- so that the take-off point will not be in the demilitarized zone, but (initially at least) from the northwest corner of Lake Tiberias. We understand that the amount of water to be taken off when the scheme is in full operation some years after 1963 exceeds what Israel would have received under the Johnston Plan, and that the United States Government has rejected financial aid for the project for this reason, although the Israelis maintain that nothing in their project is contrary to the Plan and are seeking reconsideration of the US decision. The United States Government is already aiding a Jordanian project to make use of the water of the Yarmuk, the Jordan River's largest tributary, on the ground that this is consistent with the Johnston Plan. The emphasis placed by the State Department on the need to adhere to the Johnston Plan water allocations is based not on any hope that this Plan can be agreed on in the near future, but on the fact that it provides a reasonably equitable standard on which to judge the diversion of water; the Arabs' rejection of the Plan was not based on objection to the water allocations, but primarily on their view of the Plan's political implications.

It is difficult to know precisely what occasioned the current Arab outburst, although the reasons for the Arabs' long-term concern have already been explained. The Israelis have made no secret of their intentions, but it is quite possible that the Arab countries, chronically ill-informed about Israel, have only recently realized the full implications of Israel's present construction work, possibly as a result of hearing of recent United States-Israeli talks in Washington regarding the project. The first recent public reference to the matter in an Arab country was made by the Jordanian Prime Minister in a press interview on November 15, in which he said that he felt it was up to the United Arab Republic to take the lead in protesting, since the take-off point was opposite Syria, but that Jordan would strongly support such action. The UAR, perhaps considering this a challenge, has in fact been playing the major role since that time in raising the matter in urgent terms in the press and the Arab League, despite the fact that the Syrian Region would not stand to suffer nearly so directly as Jordan from the diversion. Lebanon and Jordan have also expressed concern. As usual, inter-Arab rivalries are encouraging anti-Israel intransigence; Baghdad radio has been needling Cairo for weakness on the Jordan water question, contrasting this with Syria's success in 1953 (before union with Egypt) in getting the diversion halted.

What concrete action the Arabs will take is not clear. The new location of the take-off point outside the demilitarized zone makes it

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unlikely that an appeal to the United Nations would be successful, although the Arabs are talking of such an appeal. The UAR is reliably reported to be considering also plans to construct irrigation or other works on the headwaters. Owing to the lie of the land, however, it would probably be difficult and costly to make effective use of the water in Arab territory, or to pump it into the sea, as some Arab newspapers have gone so far as to suggest. The Israelis estimate that the water they receive could be cut about 25% by upstream works, and this would of course gravely handicap their scheme. Because of the importance they attach to their water development plans, and the large sums of money already spent, they would certainly respond extremely vigorously to an attempt to forestall their own Jordan diversion, which is for productive purposes, by an Arab diversion of the Jordan headwaters, which might be largely unproductive.

In the light of the foregoing, our tentative conclusions are as follows:

- (a) The present Arab war of words against Israel over the Jordan river question is likely to continue for some time, because of inter-Arab rivalries and the strength of public feeling on the issue.
- (b) Because of expense and technical difficulties, the Arabs are in the end not likely to do very much to divert the headwaters, in spite of their talk, and Israel is therefore not likely to feel itself compelled to take any positive action.
- (c) An appeal to the United Nations of a type which will oblige member states to take a stand on the issue is not likely.
- (d) The possibility of hostilities breaking out over this issue will be greater some time from now, when the Jordan water actually begins to be tapped by Israel, but even when the diversion takes place hostilities will by no means be inevitable as long as Israel, as currently requested by the United States, refrains from taking more than its Johnston Plan share of 40% of the river and its tributaries, some of Jordan's technical objections (e.g. those re salinity) can be met, and inter-Arab rivalries do not goad one of the Arab states into a rash act.

In short, we judge the current controversy to be serious, but not likely in the near future to become a cause of a major international crisis.

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FAR EAST

Recent Developments in Laos 1518

5. Prime Minister Phoui Sananikone's resignation on December 31, and the institution of military control appeared to represent the climax of a year-long struggle between two anti-Communist groups in Laos, the RPL and the CDIN. Direct army rule, however, was shortlived for on January 6 the King called upon Nbouy Abhay, a respected non-party elder statesman, to form a new cabinet.

The RPL (Laotian People's Rally) is a party of moderate older politicians led by Phoui which, although badly split among themselves, have formed most Laotian Governments since 1954. The CDIN (Committee for the Defence of National Interests) is a "Young Turk" movement of mixed civilian and army membership which came into being about eighteen months ago. It is less mindful of the Geneva Settlement than the RPL, more forceful in its attack on Laotian problems and much stiffer in attitude towards the Communist-aligned Neo Lao Haksat (ex Pathet Lao).

Throughout most of last year, the two groups shared in Phoui's cabinet. Owing to their diverging outlooks, however, they did not work well together and by early December the Laotian cabinet had become virtually immobilized. The Prime Minister decided to reform his Government by dropping all its CDIN members. His all-RPL cabinet received the King's approval on December 15 and that of the National Assembly, recalled in emergency session, shortly thereafter.

The immediate cause of the Prime Minister's resignation was a constitutional issue. Under the Laotian Constitution, the mandate of the National Assembly expired on December 25, 1959. Last month, after a period of direct cabinet rule under special powers granted for 12 months by the National Assembly in January, 1959, the Prime Minister obtained from the Assembly an extension of his Government's mandate until elections could be held (probably in April). However, the CDIN took the view that the Assembly's action in prolonging the Government's mandate was illegal; and that national elections should be held forthwith.

When, at the end of December, it became clear that the new King-Savang Vatthana - would not support him, Mr. Phoui Sananikone resigned. The King accepted his resignation on the pretext that mounting insecurity in Laos made Army control necessary, and a "Committee of Five Generals", including General Phoumi, one of the leaders of the CDIN, was formed. It was envisaged that the Army would rule until the "restoration of order and security" permitted appointment of a provisional Government to organize the forthcoming elections.

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It would appear, however, that the Army went further than the King intended them to go. While willing to use them to undermine the position of the RPL the King was not prepared, by the same token, to see the Army gain the upper hand at his expense. (It is becoming increasingly evident that he is likely to take a more active part in Laotian politics than his father and is not likely to be satisfied with the role of a constitutional monarch). He, therefore, called upon Abhay to form a cabinet. Although the CDIN hold in it two of the most important portfolios (Defence and Foreign Affairs) their influence may be weakened by the two RPL representatives and other non-CDIN members, particularly the Prime Minister and the Deputy Prime Minister who are expected to side with the King in any dispute with the CDIN and the Army.

Stated briefly, the developments in Laos over the past three weeks seem to show a decrease in the power of the RPL, an increase in that of the King, and a net gain for the CDIN-Army group even though they retreated from the position they briefly won.

At this point it is not clear what approach the new government will take towards domestic problems and foreign affairs which they may subordinate to their assignment of making arrangements for the general elections. These will presumably still be held in April as originally scheduled.

Sino-Soviet Bloc Foreign
Economic Activities in 1959 1528

6. Only a rough estimate can be made of trends in Sino-Soviet Bloc foreign trade in 1959 on the basis of the partial returns available at the close of the year. A very substantial growth is known to have taken place in intrabloc trade. Soviet trade with the non-Bloc world has also risen markedly. Trade between the Bloc as a whole and the rest of the world, however, probably registered a much lesser increase in 1959 than in any of the preceding five years. After a precipitous growth in 1958, China's trade outside the Bloc in 1959 appears to have slipped back almost to the 1957 level. The trade turnover between the East European Satellites and non-Bloc countries is believed to have undergone only a minor increase in 1959.

Soviet trade outside the Bloc, after remaining almost stationary in 1958, is estimated to have increased \$350 - \$400 million in 1959 (in comparison with an average growth of about \$300 million per annum since 1953 and a maximum annual increment of about \$450 million in 1957). Growth of the trade turnover between the East European Satellites and non-Bloc countries did not likely exceed \$150 million in 1959 (in comparison with \$250-\$350 million annually over the several preceding years). China's trade outside the Bloc is estimated to have declined about \$300 million. Total Sino-Soviet Bloc

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trade with the outside world probably rose by not more than \$200-\$300 million in contrast to increments of about \$600 million in 1958 and \$750-\$1,000 million annually during the period 1953-57. Trade between the Bloc and the rest of the world now totals about \$7 billion annually, with the USSR accounting for one-third, the Satellites for one-half, and China for the remaining 15-20%.

The substantial growth of Soviet trade outside the Bloc in 1959 can be attributed, in large part, to a rapid rise in exports to the industrial West. Despite the large-scale orders being placed for machinery and equipment (and moderate success of the USSR in obtaining credit for such purchases), there is no indication that Soviet imports from Western Europe in 1959 significantly exceeded the level of the preceding year. The USSR's imports from non-Bloc countries probably increased to a much lesser extent than exports. Almost all of the rise in imports, moreover, appears to have been from underdeveloped countries and much of the increase can be attributed to a shift in rubber purchases from the UK to Malaya. There is no evidence to suggest that Soviet exports to the underdeveloped areas rose significantly.

The specific commodities accounting for the sharp rise in Soviet exports to the industrial West in 1959 have not yet been determined, but petroleum undoubtedly figured prominently. There has been no indication that sales of non-ferrous metals rose appreciably.

No major new arms agreements were concluded by the Bloc in 1959, although a moderate new arms credit is believed to have been extended to Afghanistan. Deliveries of Bloc military equipment continued to the UAR, Iraq and Indonesia, but were covered in at least the latter two cases by credit agreements of the previous year.

In contrast to military aid, Soviet economic aid commitments in the underdeveloped areas exhibited a substantial upsurge in 1959. The USSR concluded aid agreements totalling about \$800 million with underdeveloped countries, in comparison with a previous maximum of about \$500 million in any single year. Additional credits of up to \$100 million were extended to underdeveloped countries by other members of the Bloc in 1959. A Soviet credit of \$125 million was also accepted by Finland, but the loan has been under negotiation for several years and there is no certainty that it will ever be drawn on.

During 1959 the USSR succeeded in making its first significant aid inroads in Africa (excluding Egypt) with loans to Guinea and Ethiopia. About half of the new Bloc aid extended to underdeveloped countries in 1959 went to India. Almost all of the new credit to India is designated for use during its third five-year plan which does not commence until 1961. A large new economic aid commitment was also made by the USSR to Afghanistan in 1959.

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SOVIET UNION

USSR Production of HOOK Helicopter (MI-6) 1474

1. A photograph published on 4 December 1959 showed a HOOK (MI-6) helicopter with the serial number 9680006.

COMMENT: The HOOK which was first seen in October 1957 is a very large single rotor craft powered by two gas turbines. There have been reports that it was developed primarily to meet a requirement for the geological survey of Siberia and that thirty had been ordered for this work. It could also be used to transport heavy military equipment or 70-80 troops.

The serial number is interpreted to mean that the aircraft was built in 1959 at Factory 168, Rostov and is the sixth in a prototype batch. Factory 168, which has been building the small HARE (MI-3) helicopter, has not previously been associated with HOOK. It may now be about to begin series production.

Baltic Fleet Submarines to Albania. 1475

2. Four Baltic Fleet "W" Class submarines (pendant numbers 148, 150, 153, and 163) and one T-43 minesweeper (pendant number 409) arrived in the Albanian port of Valona on 18 December.

COMMENT: This brings the number of Baltic Fleet "W" Class submarines in Albania to eight. The original four have been in Albania since August 1958, since which time they have operated under Soviet colours, with logistic support from the Black Sea Fleet. It is expected that these original four may shortly transfer back to the Baltic for refit.

It is now apparent that the USSR intends to maintain at least four long range submarines in the Mediterranean.

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EUROPE

Training in the Group of
Soviet Forces, Germany

3. No exercises are reported to have taken place during the first week of December. Some activity in local training areas and barrack areas was however observed.

Some minor road movements were also observed but these were concerned mainly with local training and the maintenance of training areas.

COMMENT: This activity is normal for the time of the year when recruit training begins.

Proposed Polish Military
Budget for 1959

(CONFIDENTIAL)

4. The Polish draft budget for 1960 allocates 15.3 billion zlotys (\$3,825,000 at the unrealistic official exchange rate) for defence, of a total national budget of 193.3 billion zlotys (\$48,325,000,000), according to a recent Polish press announcement. 1/. This allocation represents a 1.5 billion-zloty or 10 percent increase over the 1959 military allocation. The 1960 military allocation is approximately 7.9 percent of the total state budget, a slightly greater proportion than last year's. The proposed 1960 state budget is 6.13 percent larger than last year's.

COMMENT: The increased military allocation for 1960 probably is attributable to rising costs. It thus appears that the development and re-equipment programme for the Polish Armed Forces will continue at about the present rate--an indication that is supported by other evidence. Poland is the first Satellite State to announce the draft military budget for 1960. There is no present basis for assuming that any of the other countries will alter substantially the current rate of military expenditures.

Published budget figures in Bloc States, however, do not indicate the extent of expenditures for military purposes. Certain military costs usually are charged to other budget accounts, and the military often benefits from the favorable manipulation of prices by the Government.

1/ At the official exchange rate, 1 zloty equals \$0.25; a more realistic rate would be 1 zloty equals \$0.04.

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COPY N° 98

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SOVIET UNION

Soviet Submarine Class "G"

1467

1. Recent reliable sightings in both the Northern Fleet and the Pacific Fleet areas have indicated the existence of a new class of Soviet submarine, which has been designated "G" Class.

Reports on the submarine indicate a length of approximately 300 feet, and an approximate tonnage of 2700 tons, which is similar to present "Z" and "F" Class submarines, but with a larger conning tower. Propulsion is thought to be conventional. It is possible that at least two ballistic missiles with a short range capability may comprise the most significant portion of her armament, although torpedoes are probably included.

Two "G" Class submarines, possibly possessing a ballistic missile launching capability are being added to the Soviet Naval Order of Battle, one unit in the Northern Fleet, one unit in the Pacific. Additionally, 2 further units in each fleet are considered to be complete, but not yet operational. They will be added to the Order of Battle in due course. It is believed that "G" Class submarines are being constructed at Severodvinsk in the North and Komsomolsk in the Pacific. By the end of 1960, 12 will probably have been constructed.

Sighting of a Soviet Ship Equipped
for Electronic Warfare Activities

-1465

2. Four Soviet warships (2 Riga and 2 Skory Class destroyers) were observed in the vicinity of the Skaw Reef Light vessel (off Denmark) on 15th and 16th October, 1959.

Pennant numbers of all these ships had been painted out. Observation indicated that with the exception of one SKORY the electronic equipment fitted in these ships had not been modified.

The one SKORY destroyer had four radomes fitted, one each on the upper platforms and one each on the lower platforms of her foremast.

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Dimensions of these waveguides were as follows:

- Radome No. 1 Upper Starboard Platform - 55 cm high by 50 cm wide with
a waveguide feed (10 cm wavelength estimated)
- Radome No. 2 Lower Starboard Platform - 65 cm high by 75 cm wide
No waveguide feed visible
- Radome No. 3 Upper Port Platform - 18 cm high by 33 cm wide with
a waveguide feed (3 cm wavelength estimated)
- Radome No. 4 Lower Port Platform - 67 cm high by 63 cm wide
No waveguide feed visible

The size of radome No. 4 corresponds to the measurements of TOP HAT type A, previously evaluated as a radar jamming antenna. The other three radomes have not previously been seen.

COMMENT: It is considered probable that Radome No. 2 contains a radar jammer, while Radomes No. 1 and No. 3 contain the intercept and D/F receiver antenna necessary for control of the jammers, indicating that this SKORY class destroyer has a radar jamming, intercept and D/F capability in both S and X bands.

The appearance of this destroyer in formation with the other ships suggests that the force may be engaged on evaluation of or training in Electronic Warfare. Nine other Soviet ships are reported to be fitted with TOP HAT and other radomes.

The Russian Navy is probably well aware of the potentiality of Electronic Warfare and is likely to be actively engaged in developing equipment and tactics required in modern naval warfare.

Instrumentation and Electronics Equipment in Lunik III

1461

3. ITEM and COMMENTS: The following is a summary of the unclassified information released on the subject of instrumentation and electronics contained in Lunik III.

General

"Pravda" states that Lunik III contains "radiotechnical, photographic, television and scientific instruments; controls for orientation, programming of instruments, and temperature regulation; and the necessary

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power supplies". Lunik III is referred to throughout as "the automatic interplanetary station".

Some instruments and the chemical power supply are mounted internally on a frame. Other instruments, the solar battery and antennas are mounted externally. In the upper part there is a porthole (with cover) for camera view. At the upper and lower ends are small ports for the "solar transducers" of the orientation system. Guidance motors are mounted at the lower end.

Apart from certain on-board programming, all control of instruments is from earth by radio. Telemetry and picture transmission is transmitted from the vehicle on 183.6 Mc/s FSK, and it is understood that radio controls from earth use this same frequency. Additional telemetry is broadcast on 39.986 Mc/s using variable duration pulses.

Most if not all components in the vehicle are duplicated. In case of failure of a unit the alternative is switched in by command from earth.

Great attention has been paid to minaturization and there is extensive use of semi-conductors.

Individual Systems

"Parameters of the orbit" are measured by station-borne sensing equipment and transmitted to earth on demand, whence, within available limits, corrective signals are transmitted back. Major guidance was possible only during the powered stage of flight. The accuracy required for success was three times that required for Lunik II, designed to hit the moon. The mode of flight was changed before and after camera operation.

Knowledge of the station's course is essential for course control of earth-located radar plotting facilities and for determination of the optimum times for switching on the station's transmitter.

Auto-measuring stations on earth measure distance, angular parameters and radial speed. A computer calculates future movement to rate-aid the sensing equipment.

Photographic Equipment

Actual distance of photography was 60,000 to 70,000 Km. The camera incorporates two lenses, of focal lengths 200 and 500 mm. Simultaneous

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filming was carried out on two scales. Exposure was automatically varied over a wide range to ensure that, somewhere in the range, photos of the best quality would be obtained. After four minutes of exposures a command signal terminated this phase, which was followed by an automatically programmed sequence of processing. 35 mm. high-temperature film was used, well shielded from cosmic radiation. The automatic processing system was designed to operate at high temperatures, and in a condition of weightlessness. The developed film underwent a humidity absorption process after which it was sent to a storage cell to await the command for transmission. The film was coded to provide a later check on the processes of photography, developing, and picture transmission.

Television

This function should more exactly be described as "facsimile". The pictures are scanned by a high-resolution photo-tube and the output amplified by a very stable "photoelectronic multiplier". Number of lines per frame are variable up to 1000. Two speeds of data transmission are available, the slower to provide reliable transmission at great distance, and the rapid data rate for use at shorter ranges. Data reception was achieved at a maximum range of 470,000 Km. Transmitter power was described as "several watts". Redundancy is used to improve the received picture. Because the station is spinning during transmission it is necessary for antennas to have an omni-directional pattern. Large antennas are used for reception on earth and "receiver noise is minimized by special devices". The strength of received signal was described as "down to one hundred millionth of that available to an entertainment television receiver". Received data has been recorded on film, magnetic tape, cathode ray tubes with long persistency, and chemical paper recorders. The phototelevision product has the quality of a half tone picture.

Scientific Instruments

Apart from picture transmission nothing has been learned of sensing elements designed to report data gathered from outside the station. Environmental measurements within the station were transmitted to permit control decisions from earth. Pravda stated that the volume of information from the experiment greatly exceeded that derived from Luniks I and II.

Controls for Orientation

Controls for orientation are stated to include optical and gyroscopic transducers, logical electronic devices and control motors. The station in approach flight was spinning to prevent the build-up of high temperatures in some parts from solar radiation. As the earth disappeared

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behind the moon, this rotation was stopped, and the lower end was pointed to the sun ("by use of a solar transducer"). Due to the location of the station at this time, this pointed the upper end at the moon. The optical orientation system, being thus blinded to both sun and earth, was put in control, the solar orientation was disconnected, and the cameras were now pointed accurately at the moon. The "signal of presence of the moon" automatically commanded the beginning of camera exposure. After all frames had been exposed, the optical orientation system was switched off, and the regular rotation of the station began again.

Controls for Temperature Regulation

Design of the instruments for the station imposed a requirement for fairly close temperature control. Apart from solar radiation, heat is produced by the instruments. This is radiated into space by a radiating surface integral with the body. In one condition radiation is prevented by baffles mounted externally. When inside temperature increases to 25°C these baffles are opened to expose the radiating surface.

Power Supplies

It is inferred that there are two separate battery supplies. One is not rechargeable and is used only intermittently, the other is on line "on call" and its charge is maintained by solar energy conversion. The instrument supply is stated to be regulated.

EUROPE

1463

Internal Developments in Poland

(CONFIDENTIAL)

4. During recent weeks there have been some striking developments in Poland, primarily in the management of the economy but with important ramifications in cultural affairs. Shifts of personnel have been made in the government and in the Communist Party apparatus, and there are indications of a change of direction in some aspects of internal policy. After a few weeks of uncertainty, the situation now appears to be stable and the atmosphere of crisis has passed for the moment.

Since the return of Gomulka to power in 1956, the Polish economy has been operated with more freedom and less central control than any other in the Soviet bloc. This policy has produced some successes both in industry and in agriculture but serious imbalances have also developed.

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During the late summer of this year a serious shortage of meat developed in Poland, and corrective measures were required. These were taken, in the form first of meatless Mondays, and subsequently of price increases of 25% and more, both of which measures were naturally unpopular. In a plenary session of the Party Central Committee October 18, Gomulka attributed the shortcomings to errors in planning which had allowed purchasing power to expand faster than food production, particularly the production of meat. The demand for meat had increased at the same time as supplies had fallen off. It is understood that the situation was even more serious than they admitted publicly and that meat production was actually cut back last spring. In addition to the interim measures, the authorities have taken other major steps to correct what can be described as an inflationary situation, including the import of meat from the Soviet Union and of fodder grains from the United States and Canada, but the effect of these will not be felt for some months.

The seriousness of the economic situation and the weaknesses it revealed can be judged by the fact that Gomulka has made a public admission of error and shifted the Minister of Agriculture to another job. The failures in planning which are blamed for the troubles are to be corrected by the appointment as Deputy Prime Ministers of two known advocates of stronger central planning, who held high positions in the apparatus in the Stalinist period before Gomulka, and it is likely that some of the central controls of the economy which were removed in 1956 will be reintroduced.

This said, it can be shown that the swing back towards Stalinist economic policies has been slight so far; the measures taken to meet the specific problem have stabilized the economy for the present and have removed the elements of crisis. No minister responsible for economic matters has been disgraced (the Minister of Agriculture has actually been prompted into his new position as a secretary of the Party) and there have been no statements of changes in basic policy. On the contrary, members of the Polish Government have attempted to convince Western representatives that the changes are not intended to introduce new policies, but simply to ensure the more efficient administration of existing policies. In the economic field, this may be largely true.

The other changes, in the cultural and intellectual field, are probably more significant in the long term, and are more disturbing from the Western viewpoint. The Minister of Education who was a liberal Communist has been replaced by a man of rigid atheist ideas. The director of the International Relations Institute, a man much respected in the West, has also been released from his job. A firmer attitude toward the foreign press has been indicated by the expulsion of the New York Times correspondent in

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Warsaw. There are reports of tightening up of control in various fields of cultural endeavour in order to diminish Western influence and emphasize "socialist" values in the manner current elsewhere in the Soviet bloc.

Admittedly, these developments are only a further step in the process of contraction on the cultural front which has been going on almost imperceptibly since early 1957, but they constitute the largest step backward during the last two years. Personal freedom, which exists in Poland to an extent unknown elsewhere in the Soviet bloc, has thus far not been attacked. So far the contacts of the Canadian Legation in Warsaw in the non-official community have not been affected but in the changed atmosphere it is possible to question how long these contacts can be maintained.

The Canadian Charge d'Affaires in Warsaw has suggested that these restrictive developments may result from Soviet pressure and that in return for his strong support of Gomulka during their meeting last July, Khrushchev may have demanded greater conformity with the Soviet line on cultural matters. The Soviet Ambassador in Warsaw, who formerly was silent in public on Polish internal affairs, has recently become quite vocal in his criticism of Polish art and the undesirable influences of Western culture. There has been evidence that the Russians are concerned about Polish influence on their own people. Mr. Southam has recently suggested that more Western ideas are reaching the Russian people through Poland than through all the efforts of Western propaganda. Soviet pressure has therefore likely been strong in this field. It is doubtful, however, that Gomulka would have been influenced by this kind of Soviet pressure, were it not for his economic difficulties. Gomulka himself is known not to share many of the liberal ideas on cultural affairs which have developed in Poland since 1956 but he knows that these ideas have political importance and are not lightly to be abandoned. There are three areas where Gomulka's policies have differed most from those in the Soviet Union: his unorthodox agricultural economic policy; his liberal attitude toward the church; and his policy of cultural freedom. To Gomulka the first is the most important and the one he believes in personally. To save it and to avoid tampering with the delicate compromise with the Catholic Church which he knows to be essential, he has sacrificed, temporarily at least, some of the cultural freedom the Poles won in 1956.

Although the Polish Government maintains that its policies have not really changed, the emphasis in some fields has shifted and it can be expected that the new incumbents now installed in high places will endeavour to introduce a still firmer line. The possibility of future changes of policy in directions inimical to the West is therefore much greater now than before. It is nonetheless possible to be guardedly optimistic about the future course of affairs in Poland. If the economic situation improves as

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a result of the measures which have been taken, conditions may in time be re-created where liberal policies on culture may regain strength.

This crisis and its results have shown how dependent liberal Polish policies on cultural and religious matters are on the success of Gomulka's economic policies. In these circumstances, there seems to be no reason to revise present Western policies towards Poland. Western aid will help to strengthen the Polish economy and accordingly assist the Polish Government in preserving within the Soviet bloc its relative freedom of action and its non-conformist policies, both of which are to the long-term advantage of the Polish people and the West.

TOP SECRET

W A R N I N G

This issue of the Joint Intelligence

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SECRET

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SOVIET UNION

Sighting of Possible Ballistic Missile Launching Submarines

-1473

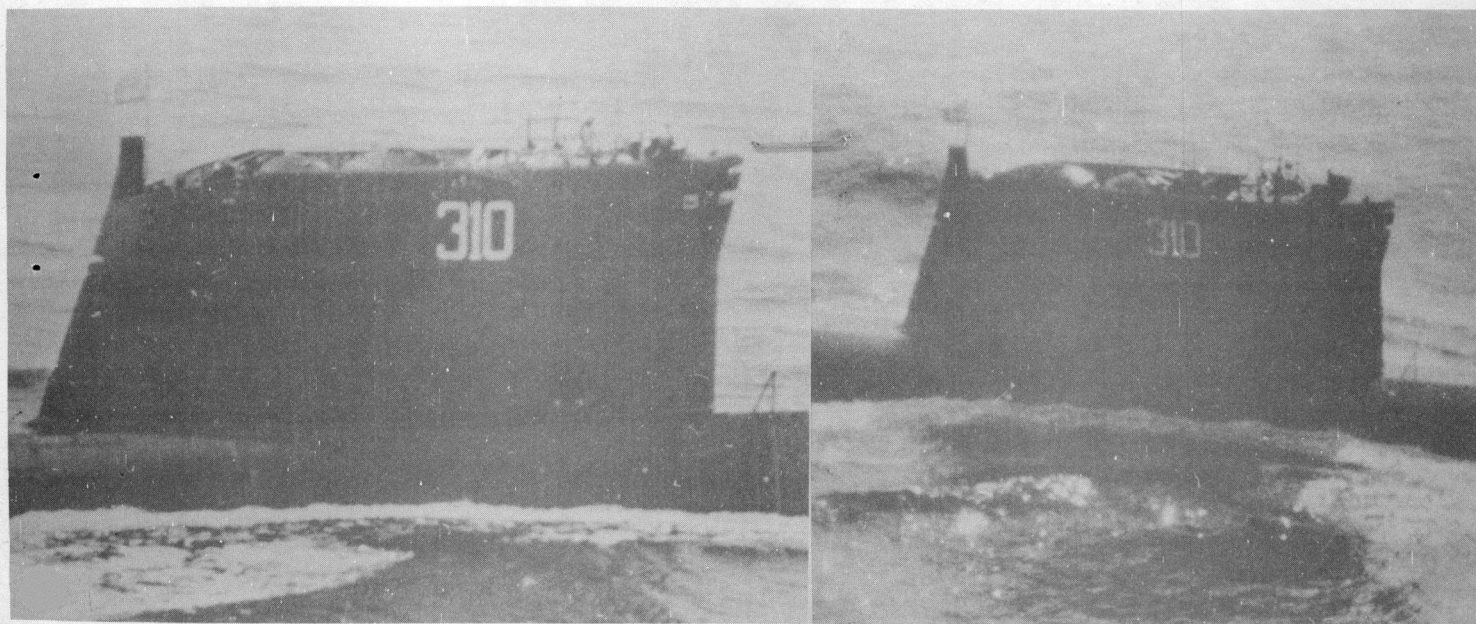
1. Two converted Soviet "Z" class submarines, possibly ballistic missile launching submarines, have been sighted in the Soviet Pacific Fleet. One Unit, pendant 310, was sighted 2 October, 1959, during Soviet Fleet exercises in the Sea of Japan. The second unit, pendant 329, which was fitted with an icebreaker bow, was sighted on 22 September en route to Vladivostok with other units which had completed the transit of the Northern Sea Route.

These two submarines have enlarged conning towers with two large hatch covers installed in the after part of the sail, and are similar to the "Z" class conversion sighted off Iceland on 29 and 30 May 1959. The hatch covers of these tubes, estimated to be 7.4 feet in external diameter, are plainly visible in the attached photographs of pendant 310.

COMMENT: Pendant 310 may be the "submarine with a large conning tower" which was reported to have been in Vladivostok in December 1958. The other unit, pendant 329, is probably the "Z" class conversion with an icebreaker bow which was sighted in the Kola Inlet on 6 July, 1959.

Four modified "Z" class submarines are now carried in the Soviet naval order of battle, two in the Northern Fleet and two in the Pacific Fleet.

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Changes in the Polish Armed Forces
High Command

1472

2. A series of unconfirmed reports emanating from Poland indicate that the recent shuffle of assignments which have given the Cabinet and Administration a greater Stalinist "hard-line" complexion may be matched by equivalent changes in the High Command of the armed forces.

Reports suggest the following possible changes:

- a. Polish Minister of National Defence Lieutenant General Marian Spychalski to be replaced by Major General Zygmunt Duszynski at present Vice Minister of Defence and Chief of the Directorate for Training.
- b. Major General G. Korczynski Chief of the Army's Intelligence Directorate to be replaced by Lieutenant General Kazimierz Witaszewski currently Polish Military Attaché to Czechoslovakia.
- c. Major General Janusz Zarzycki Chief of the Main Political Directorate of the Armed Forces to be replaced by Deputy Foreign Minister Marian Naszowski. The latter's present rank is not known but he is believed to be either Major General or Lieutenant General.

COMMENT: Witaszewski and Naszowski are both hard core Stalinists. The former was Chief of the Main Political Directorate and Vice Minister of National Defence in the Bierut régime. He was dismissed by Gomulka in 1956 and, a year later, assigned as MA to Prague, a posting that has kept him effectively side-tracked in the intervening years. Naszowski became Deputy Foreign Minister in 1952. His continuance in that office after Gomulka's ascension is not too surprising in that the Gomulka régime has unreservedly subscribed to the Moscow line in foreign affairs in return for a degree of latitude internally.

Duszynski is something of a nonentity. His past shows that he cannot be categorically labelled a Stalinist. On the contrary, as a division commander he was discharged from the Army in 1954 for questionable loyalty to the Bierut régime. In October 1956, Gomulka

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recalled him to active duty and appointed him Deputy Chief of General Staff. In February of this year Duszynski was appointed Vice Minister of Defence and Chief of the Directorate for Training. On balance he would appear to be a Gomulka liberal and his reported assignment to the Cabinet does not seem to fit the pattern that has emerged through the assignment of Stalinists to the Ministries of Agriculture and Education, to the two new posts of Deputy Prime Minister, to the Deputy Chairmanship of the Economic Planning Commission, and (as reported but not confirmed) to Chief of Secret Police.

On the other hand, should they be confirmed, the assignments of Witaszewski and Naszowski would clearly presage a disciplinary tightening of the Army's intelligence apparatus on the one hand and concentrated effort at political indoctrination on the other.

New Surface-to-Air Missile Sites
in Moscow Air Defence Area

1469

3. Recent observations in the Moscow area reveal that there are now two surface-to-air missile sites of the Glau type (six launcher pits in a circular pattern inter-connected by loop roads) in the Moscow air defence complex. One of the new sites is at Orlovo which is 12 nautical miles south-west of the city, while the other is located about 16 nautical miles to the north-west of Moscow. Both sites are inside the established missile complexes which circle the capital at distances of 25 and 45 nautical miles.

Seven Guideline type tractors and trailers, which may have been carrying missiles, were seen entering the Orlovo site on 28 Oct. This site is believed to have replaced an eight gun heavy anti-aircraft unit which was located there until May of this year. There has been no report of missiles having been delivered to the second site as yet.

COMMENT: It is possible that the Soviets intend to complete a third ring of surface-to-air missiles inside the existing pattern. If this proves to be the case, then it may be for one or more of the following reasons:

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- a. to engage targets which have penetrated the outer and inner rings now existing, since these are incapable of engaging targets to their rear;
- b. as a specifically designed defence against air-to-surface guided weapons;
- c. as a defence against low altitude aircraft.

The possibility that these sites may be intended for training purposes should not be discounted.

EUROPE

1471

Likelihood of the Withdrawal
of Soviet Troops from Hungary

(CONFIDENTIAL)

4. On the opening day of the seventh congress of the Party, Hungarian communist leader Kadar declared that all Soviet-bloc nations favour a parallel and reciprocal withdrawal of troops stationed abroad. Certain reactionary elements, Kadar said, place their hopes on the withdrawal of Soviet troops from Hungary. However, these troops are stationed in Hungary, not for domestic political reasons but solely for reasons connected with as yet unsolved international questions.

"At the moment", he said, "there are still open threats against the peoples' democracies; the imperialists have not yet eased their pressure on Hungary....and Soviet troops will remain in Hungary as long as this is required by the international situation".

Speaking about the internal situation, Kadar said that "day-dreaming about what will happen once Soviet troops leave Hungary will not help the reactionaries...The forces of socialist revolution in Hungary and those loyal to them have learned their lesson at a heavy cost and they are able to defend their system against the internal enemy".

COMMENT: Premier Khrushchev was one of the speakers who followed Kadar to the rostrum and it can be assumed that Kadar's statements represent expressed Soviet policy. References to external threats reveal Soviet concern over improved US and NATO bases in western and southern Europe. In view of these statements,

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it seems unlikely that there will be any large scale withdrawal or reduction of Soviet forces in central Europe in the near future without a high level agreement for a corresponding withdrawal of forces or reduction of armaments in the European NATO countries.

References to the improved domestic situation in Hungary obviously reflect the growing importance of the "workers' militia" which was established following the 1956 revolt and which in some respects has assumed the functions of the former secret police. These lightly armed shock workers in factories, mines and industry are dedicated to the "preservation of socialist achievements" and are now found among all satellite workers. Unofficial sources estimate their numbers in Hungary at 25,000. Their apparent role is to forestall disaffection among the workers, act as an informer service and prevent a possible uprising. Considering the record of Hungarian industrial workers in the revolt of 1956, the régime is not likely to trust the workers' militia with live ammunition for some time to come.

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ANNEX I
TO JIC SUMMARY NO. 346
dated 11 Dec 59

1470
Soviet Production of Missiles

1. In a speech to Soviet journalists on 14 November 1959 Khrushchev is reported to have said that he was not boasting in January 1959 when he said that ICBMS were on assembly-line production and that "In one year 250 missiles with hydrogen warheads came off the assembly line in a factory we visited."

COMMENT: It will be noted that although this remark was made in the context of ICBM production Khrushchev did not confirm the implication by stating unequivocally that the 250 missiles being produced in the factory he visited were weapons of that range. Serious gaps continue to exist in our intelligence which prohibit a categorical assertion that he was not referring to ICBMS. The best estimate that can be made at this time is that it is extremely unlikely that one facility could have produced this number of ICBMS in the period mentioned.

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(CANADIAN EYES ONLY)

W A R N I N G

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SOVIET UNION

Conclusions of Aircraft Production Conference 1453

1. The following is a summary of the conclusions of the Aircraft Production Conference held in Washington 17-20 November 1959:

Soviet production of medium bombers has ceased and heavy bomber production continues at a low rate. The majority held that only one plant is now producing bombers, and there are indications that even it is now phasing out of its BISON production. The minority considered that there might be another factory producing BEAR. The estimate of cumulative BISON production is 110-134 and estimate of cumulative production of BEAR is 55-100.

The USAF presented the following future estimates of AOB: 200 BISON/BEAR types operational by mid-1963 (this figure is subject to revision if it is confirmed that BISON production is being phased out), 5 nuclear subsonic bombers to be operational by mid-1964. A continuing heavy bomber force of 200 aircraft is estimated through 1970. A new medium bomber force is estimated by USAF as follows:

10 by mid-1962
50 by mid-1963
100 by mid-1964

There was no general agreement with these estimates.

The intelligence coverage of bomber factories is, as always, limited but there has been no firm evidence of new bombers in existence other than BOUNDER.

No accurate production estimates can be made of fighters because of a lack of good evidence, but there is no doubt that the Russians are continuing their efforts in the fighter field. It was the general consensus that at least one fighter of the new generation should be in operational service either now or in the near future.

Ten out of twenty-four airframe factories are now engaged in the production of military and civil transport aircraft, which is now the principal occupation of the Russian aircraft industry. It is estimated that a production rate of about twenty modern jet transports per month will be necessary for the next six years to meet apparent Soviet requirements.

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Nuclear Submarine Models Carried in 1437
Pacific Fleet Navy Day Parade

2. A Vladivostok Radio announcer, reviewing a Soviet Navy Day parade in that city on July 26, made the following statement concerning the participants in the parade: "They carry dummy models of the atomic electric power plant, the first in the world; atomic submarines (atomnyya podvodnyye lodki); and our artificial earth satellite, which circled the globe more than 6,000 times."

COMMENT The announcer's brief statement is considered significant in that this is the first known instance in which the Soviet Union has made any public reference to a nuclear submarine and in this case it would be an inference (to the audience viewing the parade) that nuclear submarines exist in the Soviet Navy.

During the year a number of unconfirmed reports have been received that the Soviets have either constructed or are testing a nuclear submarine or submarines. While the USSR may have completed a nuclear-powered submarine in 1959, it is considered more likely that development would follow on completion of the trials of the nuclear icebreaker LENIN.

Soviet Cruiser Fitted with 1439
Helicopter Platform

(CONFIDENTIAL)

3. A recent edition of the Soviet military publication ILLUSTRATED GAZETTE showed a photograph of a cruiser with only the stern and part of the after mount visible. Definitely visible in the photograph is a platform on the aftermost part of the stern. The cruiser, which was not identified by either name or fleet location, could be either a KIROV, CHAPAEV or SVERDLOV Class.

COMMENT: This is the first report of a cruiser fitted with a helicopter platform.

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(unless otherwise classified)

Visit of a Soviet Trawler to
a Canadian Port

1443

4. The Soviet trawler LEV TOLSTOI arrived in Halifax on 1 November, 1959, and cleared for sea on 15 November. The vessel, having sprung a leak while fishing off Flemish Cap, was forced to make port immediately. Halifax shipyards took the ship in hand on its arrival and effected repairs to the stern gland where the leak was located.

All communication and electronic arrays were modern, but of conventional design.

Shore leave appeared limited. Only \$450.00 in Canadian currency was made available to the ship during its 15-day visit.

COMMENT: Although the LEV TOLSTOI was only launched in 1958, she appears to have developed hull defects early. Other ships of similar age and the same class, the GRIBOEDOV and the CHERNYSHEVSKY, have had to come into Halifax for repairs.

It is considered significant that although MAYAKOVSKI class (like LEV TOLSTOI) and SVERDIOVSK class (refrigerator trawlers of approximately 2550 GT) visit Canadian ports frequently for repairs, provisions, or to land or embark sick personnel, only one research-type trawler has ever entered a Canadian port. This was the ROSSIYA, which entered St. John's Newfoundland, with a seriously burned crewman, on 6 September. The ship arrived after dark, anchored in the stream, and sailed again in 4 hours. It is probable that the Russians are sensitive about either the activities or the equipment of these research-type ships.

Possible Indication of Soviet Reserve Fleet 1441

5. A recent photograph has been received which indicates the Soviets may have in existence a Reserve Fleet of modern ships including new construction vessels. The photograph, which was taken in the Leningrad area, shows a new construction SASHA Class inshore minesweeper, apparently under tow, in a condition which most probably means the ship is "moth-balled", and was being taken to some unknown destination to be laid up in reserve. All upper deck gear and portions of the superstructure are covered with what appears to be canvas with a coating of some type of preserving material; a support structure covered with the same material is installed over the forward gun mount. The main mast was struck aft. The ship had no pendant number and was not in commission.

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COMMENT: The SASHA Class inshore minesweeper has been confirmed as being in series production at the Shcherbakov Yard on the Volga since 1957 and it has been confirmed that construction is still underway. In this regard it has been somewhat puzzling that the SASHA Class has not been sighted operationally more often and in greater numbers. The sighting of the SASHA in the condition reported above strongly suggests that the reason these units are not sighted more frequently is that they are being laid up in reserve - at some unknown destination.

The photographic intelligence which consists of only one photo is the first evidence received of such a development. If a Reserve Fleet does exist, a priority requirement will be the determination of the location of the Fleet, the types of warships in reserve, and their readiness for mobilization.

There has been no evidence of the "moth balling" of major units.

Western Preparations for "Summit" Talks 1459

6. Late April or early May now seems the most likely time for the commencement of talks between Khrushchev and the three Western heads of government. President Eisenhower has conveyed to Khrushchev his regret at the delay and an assurance that this does not mean any change in United States policy about the meeting. Khrushchev seems quite resigned to the delay, for which indeed he was partly responsible through his acceptance of de Gaulle's invitation to visit France and his own choice of late March for that visit.

The preparation of western positions is beginning with a series of ministerial visits intended more to restore confidence and clear away misunderstandings than to reach specific conclusions. Selwyn Lloyd's visit to Paris appears to have been fairly successful in this limited objective, although many of the really thorny questions (including NATO and defence) were avoided in his talks with French leaders. It was agreed between Lloyd and Couve de Murville that the United Kingdom and French governments both favour a series of "summit" meetings between East and West, a fairly wide range of topics for discussions at them, and if possible some agreement on at least one topic - probably Berlin. This appeared to represent some concession by the French to United Kingdom views.

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The French said that they want aid to under-developed countries to be discussed, and also "non-interference in the affairs of other countries" (by which they seemed to mean the stopping of communist shipment of arms to Africa). Lloyd's references to the political advantages of the European Economic Community - particularly in keeping Germany in the closest cooperation with the western alliance - may have helped to allay some French suspicions of British intentions. A specific development was agreement by de Gaulle to the use of the Western European Union for political consultations supplementary to those in the EEC and NATO. The atmosphere for these talks in Paris was undoubtedly improved by United Kingdom support at the United Nations for the French position on nuclear tests in the Sahara.

Adenauer's visit to London similarly appears to have cleared the air of some misconceptions without doing much to reduce disparities of policy. Macmillan emphasized that there was no British plan for military "disengagement" in Europe; the United Kingdom position, he said, rested entirely on the proposals of 1957 concerning surprise attack and the agreed western proposals made last summer at Geneva. (The 1957 proposals did of course envisage a zone of inspection and ceilings on armaments in certain areas). Adenauer was insistent that there should be no discussion with Khrushchev of Berlin alone, since any change in Berlin could only be for the worse from every point of view. He also stressed that the west should not give the impression of considering Germany as the only important subject for discussion: the western and Soviet positions on Germany were so far apart as to make agreement most unlikely, and in any event the real threat to the west - from communist ambitions - was independent of the German problem. On disarmament, Adenauer's view was that the study of control should concentrate on weapons rather than manpower, and on the means of nuclear delivery rather than warheads. Von Brentano said that the western aim should be to prepare a comprehensive disarmament plan and that the point of departure should be the study of the proposal put forward by Selwyn Lloyd at the UN General Assembly. On economic groupings, Adenauer said that the objective of the EEC was political integration. The Germans advanced a tentative proposal that the members of the EEC and the EFTA should meet in the very near future with the United States and Canada as observers. This suggestion was not taken up by Macmillan and Lloyd, for whom the establishments of a European Free Trade Association (the "outer seven") is the first priority.

While the western negotiating powers accept the principle of consultation with the other members of NATO on the substance of the problems to be discussed with Khrushchev, there seems little prospect of any useful consultation before the ministerial meeting of the Council on December 15.

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A four power working group in Washington is doing some preparatory work for the meeting of western heads of government in December, mainly on the agenda for a later meeting, with Khrushchev, but it remains to be seen whether the western negotiating powers will be willing to consult on matters of substance at an early date in the North Atlantic Council.

EUROPE

Possible Submarine Shelters in Albania 1447

7. Recent air photography of an area usually obscured by high ground reveals a concrete construction some 300 ft. wide at the southern end of VALONA Bay which could well be the entrance to submarine shelters extending into the rock.

COMMENT: Ever since the war there has been a steady stream of rumors of the existence of extensive submarine pens built into the rocks of SASENO island and the KARABUN peninsula. These have hitherto largely been discounted. However the present evidence, while not conclusive, is firmer than that upon which earlier reports have been based. Taken in conjunction with the presence in the Albanian navy of four Soviet "W" class submarines, this evidence suggests that the USSR may intend to establish a permanent secure submarine base in the Mediterranean.

Training in the Group of Soviet Forces, Germany 1433

8. No exercises have been held in the Group of Soviet Forces, Germany since the large-scale manoeuvre, held in a temporarily restricted area, ended on 20 October

Some units have been practicing elementary movements in local areas and some refurbishing of barrack areas has been reported.

COMMENT: Such activity is normal for this time of the year when initial preparations are normally being made for the new training season.

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Bulgarian Army Capabilities
and War Potential

1431

9. In spite of certain internal difficulties over increased socialization, Bulgaria remains the most politically reliable of all the East European satellites. Historical hatred of Turkey, Greece and Yugoslavia combined with a traditional friendship with Russia makes Bulgaria a dependable member of the Communist bloc. The morale of the officers and regular soldiers is believed to be good and that of the conscript element is also fairly high. The army appears to be popular with the people, and spontaneous cheering of troops by the populace has often startled western observers.

During the past year the army had demonstrated its capabilities in large scale field exercises. It has made serious attempts to keep abreast of the latest refinements of Soviet tactical doctrines by maintaining a thorough and intensive training programme at all levels from individual training to large scale manoeuvres of combined arms.

Bulgarian Army equipment, while not of the latest design used by the Soviet Army, is sufficient in quality and quantity to enable the army to engage in conventional war. There are believed to be enough stocks to equip the existing eight divisions of the present 110,000 man army, but not enough for raising of any additional divisions other than on a very basic scale. There is no evidence to indicate that the Bulgarian Army is equipped with nuclear weapons.

It is accepted that the Bulgarian Army would not be able to conduct an offensive war outside Bulgaria's borders without Soviet logistic support. A defensive war against traditional enemies could be more easily prosecuted without this aid, but lack of ammunition and spares would very soon be felt.

In war, the Bulgarian Army might be hampered by a lack of experienced commanders. For this reason and because of logistical dependence on the Soviet Union, it is considered that the Bulgarian Army, or elements of it would best be employed within a Soviet formation. Notwithstanding these limitations, observers agree that the improvement in training and equipment of the Bulgarian Army observed since the order of battle conference in 1958 has increased its capability and value for conventional war.

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SOUTHEAST ASIA

Laos

1457

(CONFIDENTIAL)

10. Fighting between Royal Government forces and the Communist-orientated Pathet-Lao which broke out in the Province of Sam Noua late in July spread through August to the Province of Phong Saly on the China border and Thakhek adjoining the northern part of South Vietnam. Following a lull in the fighting in mid August, increasingly sensational reports appeared concerning renewed activity by the rebels. These were substantiated through diplomatic and intelligence channels only to the extent that insurgent activity had been renewed in Phong Saly and had spread to the northern Province of Luang Prabang.

On the diplomatic front the Laotian Government made clear its continued refusal to agree to the reconvening of the International Commission and discussions proceeded among interested Governments on the possibility of international observation or mediation but without result. It was against this background that Laos appealed on September 4 to the Secretary-General of the United Nations alleging that North Vietnam was giving active assistance to the rebels and requesting an emergency force "to halt the aggression and to prevent its spreading". The Laotian action was taken without consultation with other Governments and apparently the Laotian Government has also considered appealing to SEATO at the same time. This, however, was not followed up.

The Secretary-General brought the Laotian appeal before the Security Council on September 7. The United States, United Kingdom and France proposed that a sub-committee consisting of Argentina, Italy, Japan and Tunisia be established "to examine the statements made before the Security Council concerning Laos, to receive further statements and documents, and to conduct such inquiries as it may deem necessary and to report to the Security Council as soon as possible". Following the President's ruling that this was a procedural resolution, it was adopted by a vote of 10-1 over strong Soviet objections and the sub-committee left New York for Laos on September 12.

During the sub-committee's absence possible courses of action to be taken after the completion of its investigation were under consideration by the interested Governments. The Western nations and the Secretary-General favoured a continued United Nations presence in Laos in some form after the completion of its task although there were differences of opinion on the method of achieving a lasting solution. The United Kingdom considered that

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it would probably be necessary to work toward an eventual negotiated settlement based on the Geneva Agreements but eliminating the International Commission while the United States thought that it would be enough if the Laotian Government adopted unilateral measures asserting Laotian neutrality and if foreign assistance was forthcoming to assist the government in stabilizing the country. The Secretary-General agreed that any arrangements should pay "reverence" to the Geneva Agreements and during October discussed with a number of representatives at the United Nations various means of securing both Soviet and Western agreement to sending his personal representative to Laos.

The sub-committee's report was completed and circulated early in November. The report did not clearly establish active participation by North Vietnam troops on the side of the Pathet-Lao but it did support the Laotian allegation that North Vietnam had supplied the rebels with equipment and ammunition.

It became evident at this time that the Soviet representative would not acquiesce even in the Security Council taking cognizance of the despatch of a representative of the Secretary-General to Laos. Accordingly the Secretary-General decided to proceed to Laos himself on November 10. He stated that he was going at the invitation of the Laotian Government to obtain first-hand knowledge of the situation and that if it seemed warranted he would, with the consent of the Laotian Government, station a personal representative in Laos to continue reporting on the situation following his own departure. He has since announced the appointment of the Executive Secretary of the United Nations Economic Commission for Europe to review the economic situation in Laos and to follow-up discussions initiated by the Secretary-General. He is to report his findings in four weeks. As the Secretary-General had requested, no meeting of the Security Council was held prior to his departure for Laos and he apparently hopes that on his return he can report on the results of his mission without holding a formal Council meeting.

ASSESSMENT

It is difficult to assess the Soviet reaction to the Secretary-General's action. Aside from the Soviet Union's continuing insistence on the necessity of reactivating the International Commission, it suggested in September that a new Geneva Conference might be called to consider a possible solution to the Laotian situation. The Soviet representative in London stated flatly that his Government would not agree to a United Nations presence in Laos but their representative in New York, on the otherhand, gave the appearance for a time at least of being slightly more forthcoming

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on the subject. The Soviet Union could have stopped the Secretary-General's visit to Laos by the simple procedure of insisting on a meeting of the Security Council. (The Secretary-General had made it known that he would not go to Laos if the Security Council met to discuss the sub-committee's report.) Protests were made by the USSR nonetheless on the Secretary-General's action in going to Laos and on his appointment of a special representative to remain there. There is a possibility that the Soviet Union was willing to see the Secretary-General carry out his proposed course of action but considered that it should protest for the sake of its relations with Communist China and North Vietnam. There has been no doubt as to the reaction of these two countries; both have condemned the Secretary-General. Additional fuel to Communist ire was added by the announced intention of the Laotian Government to put the detained N.H.L.S leaders up for trial. Although these trials have now been postponed, Chinese and North Vietnamese propaganda continues to sound a threatening note.

The military situation has been fairly quiet since the arrival of the sub-committee in Laos but guerrilla bands are active in all parts of the country and in control of some areas along the vietnamese border. During the past week there has been an unconfirmed report that for the first time Chinese troops were in action with Pathet-Lao in a skirmish in the northern part of Phong Saly. Subversion apparently is continuing and indeed increasing.

The Secretary-General apparently is hoping that the presence of his representative in Laos will keep the situation quiet for the time being at least. It is not known whether he envisages further discussion following his return to New York leading toward a long-term solution. There are obvious difficulties in finding such a solution not only because of the differences of opinion between East and West but because of differing views among Western nations as to how a permanent solution should be achieved. The possibility that the Secretary-General has "lost the ear" of the Communists by his recent action is an added factor to take into consideration.

While the situation is quiet at the moment it remains potentially dangerous. It is unlikely that Communist pressure will be turned off at least until the Communists are reassured concerning the Laotian neutrality and adherence to the Geneva Agreements and until at least some of the demands of the Pathet-Lao have been met. In view of the refusal so far of the Western governments to contemplate negotiations the initiative to a large extent rests with the Communists.

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MIDDLE EAST

Situation in Iraq 1456

11. A continuation of the present trend of events in Iraq is likely to lead to progressively more unstable conditions with the very real risk that the communists will consolidate their position to such an extent that they will in fact control the country. Events have demonstrated that Qasim's basic aim has been to maintain himself in power as "sole leader" by trying to balance the major political forces in the country off against each other. Whenever any political group has shown signs of becoming significantly stronger than their opponents, and hence of becoming a potential threat to his "sole leadership", Qasim has moved to curtail their power. He has been careful, however, never to reduce the power of any one group to such an extent that he could not use that group effectively against their opponents when next the pendulum swings in the opposite direction. This precludes Qasim from taking really effective measures to curb the power of the communists and from adopting a program designed to appeal to a wide spectrum of non-communist opinion much of which is becoming increasingly concerned at the growing strength of the communists.

In effecting his balancing acts Qasim has relied essentially on three forces: the enemies of the group he is moving against, his own personal popularity and, as a last resort, the Army. There is, however, increasingly strong evidence that Qasim's system will become progressively less likely to work, not only because the manipulation of political groups has become more difficult as a result of the growing polarisation between the communists and pan-Arabists, but also because there appears to have been a considerable weakening of the independent means available to Qasim to cope with this situation. The following are among the more important factors which have contributed to the polarisation of political grouping in Iraq, the widening of the gulf between the communists and the anti-communists and their increased bitterness towards each other:

- (a) The continuing tension between the UAR and Iraqi Governments which has been reflected internally in Iraq.
- (b) The growing awareness among non-communists of the threat posed by the Iraqi communists.
- (c) The series of unfortunate moves made in September by Qasim, including the public endorsement of the

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pro-communist president of the People's Court and culminating in the execution of Brig. Tabaqchali and twelve other anti-communist officers condemned by the Court.

- (d) Qasim's failure to develop a political organization personally loyal to him.
- (e) The contrast between the expectations aroused by the revolution and Qasim's inability, after over 15 months in power, to point to any really significant achievement, or even to his having drawn up a meaningful program.

As a result of these factors, the initiative has slipped from Qasim and he appears to have lost much of the support he formerly had among moderate opinion and in the Army. The question therefore arises whether he retains sufficient independent means of curbing the rival factions to maintain control of the situation. To some extent this remains an academic question while these rival factions continue, as they now appear to be, more or less evenly balanced. It is perhaps because he wishes to avoid disturbing the present relative balance between them that Qasim has so far refrained from attributing responsibility to either faction for the attempt on his life. At the same time, his failure to deal sternly with such a direct challenge to his authority may tend to support any conclusion which may have been reached by either or both of the rival factions that Qasim has lost the initiative as well as the ability to maintain control of the situation.

In these circumstances, the immediate danger in Iraq at present is that if either the communists or the anti-communists come to believe that Qasim is no longer in a position to maintain a balance between them and that the present precarious situation is unlikely to last, they will be tempted to try to gain the upper hand in order to curb the power of their opponents lest the latter seize power first. The present struggle for power between Mahdawi and Abdi would appear to be based very much on this kind of calculation.

In essence, therefore, Qasim may have reached the stage where, in order to remain in power, he has to choose between one side or the other. However, it is by no means clear that Qasim appreciates the need to make such a choice immediately or sees the means of doing so. For the reasons outlined in paragraph 1 of this item, it appears unlikely that, unless Qasim were convinced of the absolute necessity of throwing in his lot completely with

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the anti-communists, he would ever be prepared to dispense with the weapon he no doubt believes communist support gives him in maintaining himself in power. It is also doubtful whether, at this stage, he could rally non-communist support for a regime based exclusively on his sole leadership. For the reasons outlined in paragraph 3 of this item, it is equally doubtful that Qasim will be able to obtain sufficient support from any potentially neutral element such as the Army to hold the ring for him while he continues to balance the communists and anti-communists.

The only hope of arresting the present dangerous trend in Iraq would therefore appear to lie in the assumption of power by a group who would be prepared to adopt a positive policy designed to unite non-communist opinion in Iraq behind it. The transfer of power might be similar, but of course more complete, to that which took place immediately after the October 7 assassination attempt against Qasim when a group led by General Abdi, the Military Governor General, assumed the responsibilities of government. Such a transfer of power, which might take place again if Qasim were assassinated, might or might not be accompanied by some parallel move for the sharing of power by a revolutionary council of senior officers. Because the non-communist political groups are at present badly divided and not as well organized as the Communist Party, such a non-communist government would initially at least probably have to rely essentially on the Army. However, regardless of whether such a military regime came to replace that of Qasim it is obviously desirable that everything possible be done to overcome the present disunity among the non-communists. This would seem to require some adjustment of attitudes towards the UAR which would appear to be one of the main issues which divided the non-communists.

While the surest discernible way of preventing communist control of Iraq would be to overcome the present disunity among the non-communists, any move in this direction is likely to encounter resistance from the National Democratic Party, not only because its leading members have deeply held anti-UAR feelings, but also because, by being the only group which is prepared to co-operate with Qasim in a middle policy between the pan-Arab nationalists and the communists, they have been given many more cabinet portfolios than they could expect to receive if these were distributed according to popular support. Despite the short-term disadvantages for the NDP in making common cause with the anti-communists, it would certainly appear to be in their longer-term interests to try to end the present instability in Iraq which carries the increasingly likely danger for them that they will be overwhelmed by one side or the other.

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ANNEX I
TO JIC SUMMARY NO. 345
dated 4 December 1959

MIDDLE EAST

Naval Officers of the UAR in Albania 1443

1. A group of 32 officers and NCOs of the United Arab Navy has arrived in Albania to take part in training courses at the Soviet submarine base at Saseno. The UAR naval personnel were given a warm welcome in the Officers Club in Saseno. The training course is to last 4 months.

COMMENT: The UAR have eight Soviet built W-class submarines. Four Soviet submarines of the same class are stationed in Albania. It seems likely that submarine training at the Soviet Saseno base in Albania is being made available to the Albanian as well as the UAR Navy.

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National Defence Headquarters
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SOVIET UNION

Mr. Mikoyan's Stop-over in Halifax 1454

1. From conversations with members of the Soviet Embassy staff and members of the Mikoyan party, it appears that Mr. Mikoyan's visit to Halifax was unpremeditated, resulting only from a last-minute change in the aircraft to be used. Mikoyan had intended to use the largest Soviet jet airliner, the TU-114, but just before departure it was decided that there might be difficulty in getting the TU-114 into Mexico City airport, and they changed to the new Ilyushin-18, also a "turbo-prop" aircraft but with a much shorter range. Before stopping at Halifax they had already stopped for refuelling at Keflavik, and they were uncertain whether they could get all the way to Mexico City from Halifax without a stop, probably in Miami.

Mr. Mikoyan said several times how much he appreciated the courtesies and hospitality shown to him when he was only in very hasty transit. He also expressed his great pleasure at the message from the Prime Minister which he had received on the aircraft. So far as one could observe, he had no particular purpose in mind and seemed to do his best to make the stop-over smooth by putting himself completely at the disposal of his Nova Scotia hosts and falling in readily with any suggestion as to how he should spend the time.

He was very generous with the press, but certainly did not himself initiate any efforts to use the occasion for publicity. He spoke to them at the airport and was prepared to let it go at that, but later agreed on very short notice when press representatives urged a more formal press conference.

His replies to press questions contained little if anything new or different and, on the whole, were very carefully worded to leave a pleasant impression. He responded warmly to a question about the value of exchange visits between leading Canadian and Soviet statesmen, but did not himself initiate any definite suggestions on the subject. On the possibility of a visit by Mr. Khrushchev, he was non-committal, but clearly did not want to discourage the idea in any way.

At the press conference, one of the questions was about the Soviet attitude to the struggle in Algeria. After giving the usual statement of Soviet support for liberation movements, he went on to suggest that President de Gaulle's proposals might contain possibilities for a solution which would meet the interests of the Algerian people. He was about to leave the answer

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at that when the Ambassador, Mr. Aroutunian, leaned forward and whispered, "You should say the interests of the Algerian people and of France." Mr. Mikoyan obediently turned to the microphone and added "and of France". Perhaps there is a new directive which had escaped Mr. Mikoyan's attention.

He sharply and categorically rejected as lies and nonsense the charges against the Hungarian régime implied in a question on the execution of Hungarian youth.

He was asked for his reactions to the television quiz scandals in the United States. He was himself hard-pressed on the "Meet the Press" programme during his visit to the United States last January and his instant reply to this question was that he was not familiar with the details of this so-called scandal, but he could certainly say that so far as he was concerned no one had given him the answers in advance when he appeared on United States television!

At the dinner given by the Premier of Nova Scotia, Mr. Mikoyan's remarks were on the whole along the usual lines of the Soviet desire for peace. At one point, however, he included a frank recognition of the fact that living standards in Canada were considerably higher than in the Soviet Union and that the USSR would have to work hard to catch up. The Soviet party on the whole seemed rather mystified when the Premier joked that Nova Scotians should be able to contribute to peaceful co-existence with the Russians since they have even managed to achieve it with Cape Bretoners!

Mr. Borisov who was the chief Soviet negotiator in 1956 when the Canada-USSR Trade Agreement was signed, recalled his visit to Ottawa, but had nothing to say about the present negotiations beyond expressing a desire (a point also made by Mr. Mikoyan) for greater trade between Canada and the USSR. He was clearly concerned at the moment with Soviet-Mexican affairs and gave no indication of wanting to engage in anything but the most routine generalities on Canadian-Soviet trade.

A Canadian official had a number of talks with the two Mikoyan sons, both of whom are pilots and aircraft engineers, following, no doubt, in the footsteps of their famous uncle, the co-designer of the MIG, who visited Canada last year with a Soviet delegation. Both were very complimentary in all their references to what they had seen of Canada; both remarked on the number of cars in Halifax, the variety in the colours of cars, the quality and variety of private houses, and so on.

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Military Equipment in 7 Nov Parade, Moscow 1429

2. The only new equipment seen, in the short military parade, was a 17-tube rocket launcher previously observed in pre-parade rehearsals.

The tubes are estimated to be 140 millimeters, the same as on the BM-14 six wheel rocket launcher, and are mounted in two rows, nine over eight. The eight lower tubes fit into the concavities of the upper nine tubes.

The vehicle is basically the standard GAZ 63 (4 x 4), modified slightly, which provides seating space for six personnel; a crew of five and the driver.

COMMENT: This new rocket launcher is an improvement over the BM-14, being lighter and simpler. The tubes appear identical to those on the BM-14, and the elevating and traversing gear less complicated.

No increase in range, accuracy, or effectiveness is expected as the ammunition used presumably will be that of current 140mm rocket ammunition.

The use of a lighter launcher and transporter probably enables air portability of this equipment. (e.g. externally by HORSE helicopter and internally by HOUND helicopter and/or AN 12 CUB transport aircraft).

LATIN AMERICA

Cuban Economic Relations with the Soviet Bloc and the Implications of Prospective Developments. 1449

(RESTRICTED)

3. A representative of the Cuban government has been sent to Czechoslovakia to investigate the possibility of purchasing jet aircraft from the Bloc. Press reports also indicate that Cuba may seek a large-scale economic agreement with the USSR during Mikoyan's impending visit to Mexico. Cuban sources have mentioned a tentative value of \$200 million in referring to the proposed agreement.

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COMMENT: It is not possible to confirm the press reports on the basis of other evidence, but developments of this sort have appeared likely for some time.

The mission to Czechoslovakia is probably timed in an effort to influence United Kingdom deliberations on the sale of 15 Hawker Hunters to Cuba. However, Premier Castro is probably prepared to purchase arms from the Bloc if his demands for equipment, both as to type and quantity, cannot be filled in the West.

Cuba may also be anxious to obtain credit assistance from the Bloc, or to engage in a large-scale barter programme, in view of the particularly adverse balance-of-payments deficit which it anticipates this year. Lower sugar prices, a reduction in tourist income and losses in foreign capital investment have all contributed to a deterioration of Cuba's financial situation. Trade with the Bloc has been almost all one way in recent years, however, with the USSR expending \$15 to \$45 million annually in free currency for Cuban sugar. Unless credit were sought, Cuba would gain little by importing from the Bloc unless sales were expanded to an equivalent extent.

It is not clear whether the tentative figure of \$200 million mentioned by Cuban officials refers to a prospective economic and military aid agreement or to the value of a two-way trade pact which Cuba might seek.

Cuba's annual exports and imports are both in the order of \$800 million. About 70 percent of its trade is currently with the United States. Sugar accounts for 75-80 percent of the total exports. The only other important exports are tobacco (about \$50 million in 1958) and metal ores (about \$37 million in 1958), the chief types of ores being nickel, copper and manganese. Most of Cuba's mineral production is currently controlled by United States interests and all of the output is exported to the U.S. A substantial increase in the production of nickel and cobalt has been planned. U.S. owners have been reluctant to push forward with development plans, however, in fear that their holdings might be taken over. Cuba's main imports are foodstuffs (with rice purchases from the United States alone accounting for about \$40 million), capital goods, vehicles, petroleum, cotton and cotton textiles, and iron and steel.

The ability of the USSR to absorb substantially increased quantities of Cuban sugar is difficult to assess.

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The USSR now exports \$20-\$30 million worth of refined sugar annually to non-Bloc countries (mainly Finland, Iran, and Afghanistan). If exports of refined sugar were stepped up a fairly significant increase in imports of raw sugar from Cuba might be possible. However, it is most unlikely that the Bloc would agree to purchase more than a minor fraction (probably less than 15 percent) of Cuba's total production. In addition to sugar, the Bloc could absorb most or all of Cuba's current nickel, copper, and iron ore exports, as well as at least part of the several thousand tons of cobalt which Cuba could produce. The Bloc is unlikely to provide a market, at least during the next five years, for nickel significantly in excess of the current Cuban output of about 20,000 tons. The USSR might also be willing to purchase a significant amount of Cuba's tobacco.

The Soviet Union could readily replace U.S. and other suppliers for most of Cuba's imports and would welcome an opportunity to bring its trade with Cuba into closer balance. The USSR is actively looking for markets for most of the items which Cuba requires: surplus arms, industrial machinery, vehicles, petroleum, cotton and cotton textiles, lumber. Other items, such as steel, the Bloc could supply if requested. An opportunity to purchase a large volume of rice (preferably on a barter basis) from one underdeveloped country for resale in Cuba, at the sole expense of the United States, would be a particularly attractive prospect for Soviet trade planners.

In conclusion, the maximum proportion of Cuba's exports which the Bloc could effectively absorb over the next five years would not likely exceed 15 percent or something in the order of \$100 to \$150 million annually. The USSR could cover a much larger proportion of Cuba's import requirements, if credit were offered for this purpose. In order to divert a significant share of its mineral exports to the USSR, Cuba might have to nationalize mines currently under U.S. control. Any such move, or indeed any substantial closing of economic or military relations with the Bloc, might expose Cuba to countermeasures by the United States. Such measures could include an increase in U.S. import duties on Cuban sugar, or restrictions on the movement of American tourists to Cuba. Both of these measures could have profound effects upon the Cuban economy. The effects, however, might be felt by U.S. investors in the area as well as by Premier Castro. Although Castro could retaliate with further actions against U.S. holdings, his economic bargaining position over the long-term would not be as strong as that of the United States Government.

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SOVIET UNION

BISON Aircraft in the Soviet Far East 1417

1. BISON aircraft have been reported in the Soviet Far East on a number of occasions during the past four years. These reports are summarized below:

- (a) During the period May 1955 to late 1956, a lone swept-wing four engine aircraft flew over Khabarovsk on about ten occasions (C3)
- (b) In May 1956, three BISONs were reported leaving Komsomolsk (C3)
- (c) In March 1959, five BISONs were reported leaving Ukraine (B/C3)
- (d) On 1 Oct 59, two BISONs were photographed by a USAF F-100 pilot off the east coast of Japan (A).

COMMENT: The reports in 1955 and 1956 are believed to represent a temporary deployment of a few BISONs to the Far East for flight testing purposes. The reports in 1959, however, would indicate that approximately 20 BISONs are permanently located in the Far East, probably Ukraine (5107N 12833E).

Soviet Destroyer Demonstrates an Abeam Refuelling at Sea Capability 1418

2. A KOTLIN Class destroyer has been observed refuelling abeam of a Soviet tanker at an estimated speed of 10-12 knots.

COMMENT: Previously observed underway refuelling operations have used the astern method, with an occasional alongside fuelling with little or no forward movement. A previous abeam replenishment, noted in June

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1957, was apparently conducted at night with extensive illumination at a speed of 9.5 knots. The recent exercise indicates that the Soviet Navy is developing an abeam refuelling capability at a steaming speed approaching that used by Western Navies.

1960 Soviet Budget 1419

3. Some of the characteristics of the 1960 Soviet budget were released by USSR Deputy Finance Minister V. GARBUZOV on 27 Oct. 1959, and from these data a preliminary assessment may be made.

A moderate increase in revenues and expenditures is envisaged. Revenues, set at 772.1 billion rubles (723.4 in 1959), and expenditures, planned at 744.8 (707.6 in 1959), show increases roughly in line with growth in Gross National Product.

The vote for defence is set at 96.1 billion rubles and is identical with the vote in 1959. Soviet spokesmen emphasize the fact that the military vote as a proportion of total budget expenditures has fallen from 19.9 per cent in 1955 to 12.9 per cent in 1960. They do not reveal however that a large volume of defence expenditure appears in other votes. They may in fact be spending about 13 per cent of GNP on defence, as compared with less than 10 per cent in the USA.

The vote for science which last year amounted to 23.1 billion rubles is to increase by 15.4 per cent.

Investment is to increase by 11 per cent, as was the case in last year's plan, with continued emphasis on the chemical industry, engineering, metallurgy, and the oil and gas industry. However, the rates at which investment in these industries is to increase is below those of the 1959 plan.

The budget data which have been released thus far show no changes in policy; rather they are in line with the recent past and with the programme laid down in the Seven Year Plan.

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EUROPE

Tank Strength of Group of Soviet
Forces Germany

1414

4. Tank strength of Group of Soviet Forces Germany (GSFG) on
1 Jul 59 appeared as follows:

Type	Estimated Holdings (a) (c)	Estimated GSFG Establishment (b)	Estimated War Establishment
JS1	47		
JS2	217		
JS3	542		
T10	48	970	950
Unidentified Heavy	175		
Total Heavy Tanks	1029	970	950
T34/85	1282		
T54/100	3894	4926	5033
Total Medium Tanks	5176	4926	5033
Amphibious Tanks	657	530	635

Notes

- (a) Estimated holdings as of 1 Jan 53 to which imports since that date have been added and exports or local disposals subtracted.
- (b) Estimated GSFG establishment as at Nov 58.
- (c) 116 unidentified AFVs were imported into GSFG during first quarter of 59, 50 may be ZSU-57-2s, 61 tanks of a new heavy type and 5 unidentified. Pending further information these figures are not shown in holdings.

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COMMENT: The estimate of 48 T10s seems low. This tank has been definitely indentified in the heavy tank regiments of three tank divisions and possibly in a fourth. It seems clear however that no unit has yet been completely re-equipped.

Included in the figure of 175 unidentified heavy tanks shown under "Estimated Holdings" are 66 AFVs which appear to be of a new heavy type. This, when added to the 61 mentioned in note (c) means that 127 heavy tanks of an unknown new type may have been imported so far this year. These tanks are described as having seven road wheels and requiring a six-axled flat for rail transport.

Two possibilities are suggested. These new heavies are perhaps T10s and thus part of a programme to re-equip the heavy tank regiments. Alternatively they are, in fact, a new type which would explain why so few T10s have been sighted.

The replacement of the T34 by the T54, which began in Jan 55, is still not complete and at the present rate of import would take about four more years.

The estimated holding of 657 amphibious tanks appears to have been arrived at by crediting each tank and motorized rifle division with 25 PT-76s and each of the six army reconnaissance battalions with 5, and then adding a depot holding of approximately 20%. However it is noteworthy that only 66 PT-76s were definitely sighted being imported into GSGF.

The picture presented is one of a methodical replacement of obsolescent material, and apart from the suggestion of a new type of heavy tank there are no important changes.

Major Soviet Army Exercise in Hungary

16/5

5. Reports of Soviet military activity in a large area of Western Hungary north of Lake Balaton indicate that a major exercise was conducted by the Southern Group of Forces between 4 and 12 October. Elements of all three Soviet line divisions in Hungary were probably involved. Restrictions on the movement of Western diplomatic personnel near Lake Balaton and in the area south of Tass, on the Danube, were enforced by military traffic regulators of the Hungarian Army.

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COMMENT: Major exercise activity by the Southern Group of Forces in this area is considered normal during October and follows the pattern established during the last two years. Despite the use of Hungarian troops at check points the lack of significant Hungarian troop movements during the period suggests that Hungarian Army participation, if any, was on a minor scale. The exercise probably included a crossing of the Danube near Szalinvaros, about 50 miles south of Budapest, where a combined Soviet-Hungarian engineer bridging exercise was held on 27 August.

Manoeuvres by Group of Soviet 1420
Forces - Germany

6. During the period 2 - 4 October the 2nd Guards Tank Army conducted a large scale exercise in the Templin and Wittstock training areas involving at least two tank divisions. The activity began on 1 October with 25 Tank Division, representing the East Force, assembling near its home station in the Templin training area; and 9 or 12 Guards Tank Division representing the West Force assembling in the vicinity of Perleberg, west of the Wittstock training area.

On 2 October both forces, carried out a series of minor river-crossing exercises during the advance and used at least two routes each, in moving approximately 50 miles to the Wittstock training area. At 0900 hours on 3 October contact was made and a simulated battle took place in the Wittstock training area. 25 Tank Division, moving southwestwards on 3 and 4 October, then conducted a token crossing of the Havel River while the bulk of the division bivouacked near Havelberg. Meanwhile West Force returned to bivouac in its original assembly area. Both divisions returned to home stations by road and rail on 5 October.

It was noted that the Soviet authorities placed a large area in the central and south-eastern areas of East Germany out of bounds to Western Military Liaison Missions from 14 to 19 October. The restricted area included the whole of 3 Guards Mechanized Army Area and parts of the areas of 3 Shock and 1 Guards Tank Armies. The Frankfurt on Oder, Helmstedt and Leipzig autobahns within the area, however, remained open to Mission travel. Tracked and wheeled vehicles with exercise markings were observed within the central portion of the restricted area on 12 October evidently in preparation for a major exercise.

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COMMENT: The largest manoeuvres carried out in 1958 involved major elements of ten line divisions and occurred at the same time of year in an area approximately the size of the area now being restricted. The similarities of date and size of the restricted area suggest that large scale manoeuvres similar to those of last year have been carried out, probably as a climax to the 1959 training year.

Evidence indicated that the major exercise by 2nd Guards Tank Army reported above was the last for the season. It therefore is unlikely that formations of this Army were involved in any activity which may have taken place in the restricted area.

A noteworthy tactical feature of this exercise was the movement by both forces of at least fifty miles over minor water obstacles in a period of approximately twenty-four hours. Although the use of simulated atomic bursts during the exercise has not been reported, the extent of dispersion implied in the use of at least two axes, the apparent emphasis on night movement and the over-all rapidity of the operations all point to the probability of a nuclear setting for the exercise.

SOUTH ASIA

Afghanistan's Economy

1421

7. The economy of Afghanistan, despite substantial assistance from the USSR, the Soviet Bloc and the West, remains overwhelmingly agricultural in composition, and is barely above the subsistence level. An increasing amount of Afghani trade is orientated towards the USSR and this growing commercial dependence constitutes an increasing threat to the country's political freedom of action.

COMMENT: The Afghan economy is predominately agricultural and is diversified only to the extent of a few minor plants in the textile, cement and soap making industries. In consequence all durable consumer goods, motor vehicles, machinery and other attributes of the present day must be imported.

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The current Five Year Plan (1957-61) if fulfilled, would go some way towards alleviating the stresses in the economy and improving the living standard of the country. However, to date, most of the projects are progressing more slowly than might be hoped. In addition, a good deal of the equipment necessary for the implementation of the Plan must be imported, thus further increasing the calls upon foreign exchange.

Assistance has been forthcoming from the USSR and Soviet Bloc and from the USA to a somewhat lesser extent. Loans from the USSR to date have amounted to about 200 million, part of which is specifically earmarked for the modernization and re-equipment of the armed forces. Further assistance in the form of an outright grant of \$80 million from the USSR was also granted earlier this year.

The burden of this debt, which may amount to as much as \$10 million a year is a heavy one for such a weak economy. The realization of some of the planned improvements such as the local production of textiles and an improved export trade over better roads now under construction will help, but there is room for considerable doubt as to the Afghani ability to repay.

Moreover, since 1956 there has been an increasing orientation of trade towards the USSR, partly because of the preference of the Afghans for barter deals unpalatable to the West but acceptable in the Bloc. This reorientation of trade has now reached such a pitch that in the current year some 45 per cent of Afghanistan's foreign trade will be with the USSR and the Bloc. Even more significant is the composition of the import side of this trade which includes most capital goods, petroleum products and cotton textiles and all sugar requirements. Should the USSR decide to bring the Afghans to heel for any reason, she is clearly in a position to exercise considerable pressure.

SOUTH EAST ASIA

Amphibious Force Demonstration in Indonesia

1416

(UNCLASSIFIED)

8. An amphibious operation in which 20 ships took part was the highlight of a celebration marking the 14th anniversary of the Indonesian Armed Forces.

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Included in the task force which took part in the demonstration were two destroyers, seven A/S vessels, two submarines, five minesweepers, one landing ship tank and two troop carriers.

The most significant feature of the demonstration was the appearance of the two submarines and two heavy destroyers.

COMMENT: During the past year the Indonesian Navy has received a considerable number of new ships and equipment. Report indicate a reasonably capable amphibious force is being trained. The Navy's main difficulty seems to be in maintaining and repairing its ships. With the exception of a few competent men on dockyard administrative staffs, there is a widespread lack of ship repair knowledge which leads to many malpractices resulting in damage to machinery. One factor tending to offset these disadvantages is that many of the ships are new, and by the time really extensive repairs are needed, the dockyards may be in a better shape to handle them. There are government sponsored schemes for training Indonesian dockyard technicians abroad.

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SOVIET UNION

New Ahead-Throwing Weapons for
KRONSTADT Class Escorts

1403

1. Several KRONSTADT class escorts were observed in the Northern Fleet Area at Archangel, in June 1959, fitted with a rocket type ahead-throwing weapon similar to that fitted in S.O.1 class A/S (Anti-Submarine) escorts.

COMMENT: The rocket-launcher observed on the KRONSTADT replaces the "Mousetrap" ahead-throwing weapon previously mounted on this class of ship. Rocket launched A/S weapons are now fitted in RIGA class escorts, S.O.1 class escorts and KRONSTADT class escorts which indicates the growing awareness in the Soviet Navy of a need for improved anti-submarine weapons.

Possible New or Modified GAZ 63 Vehicle
Mounting Rocket Launcher Equipment

1413

2. In rehearsals for the annual 7 November parade a new light vehicle has been seen, possibly a modified GAZ 63, mounting what appears to be a rocket launching rack.

The hood and cab have been identified as being of GAZ design, and the single rear axle and tires that of the GAZ-63 specifically. The vehicle carried what appear to be seats for two personnel on each side, and blast plates on top of the cab roof. A canvas covered article over rear axle has the general configuration of the pedestal and launch rack (less tubes) of the BM 14, (a truck mounted 16 round multiple rocket launcher).

COMMENT: It is possible that this vehicle provides greater mobility and economy of operation than the standard BM 14, since it is light and carries a crew of four rather than six.

The appearance of this equipment is further evidence of the emphasis being placed on lightness and cross-country performance in the design of Soviet equipment, while retaining standardized components.

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Planned Increase in Output of Consumers'
Goods Announced by U.S.S.R.

(CONFIDENTIAL)

3. On 16 October, 1959 the Soviet Government made a decision which envisages a rapid increase in the production of "cultural and consumers' goods" during the next few years. The output of these goods is to increase, in value terms, by 42 per cent between 1958 and 1961.

COMMENT: The new programme is not the first to be adopted in an effort to raise living standards, and, like its predecessors, it arises logically out of the policy of "peaceful competition." Since 1954 a number of decisions have been adopted to raise the level and quality of agricultural production, and in 1956 a massive housing programme was begun.

During the six years which have elapsed since the announcement of Malenkov's consumers' goods programme the output of consumers' goods has been sacrificed in favour of heavy industry and a costly defence programme. The economic cost to the consumer over the past six years can be inferred from official figures released by the Soviet Government. Production of consumers' goods in 1958 was far below the 1955 planned output in a number of instances.

Output of Specified Commodities, U.S.S.R.
1955 Plan, 1958, and 1961 Plan

<u>Commodity</u>	<u>Malenkov</u> <u>Plan, 1955</u>	<u>Actual 1958</u>	<u>Plan 1961</u>
Refrigerators	n.a.	359,600	796,000
Washing and dishwashing machines	296,000 (a)	463,000	1,215,000
Vacuum Cleaners	483,000	246,000	510,000
Sewing Machines	2,615,000	2,685,600	3,470,000
T.V. Sets	760,000	979,000	1,928,000
Motor cycles and mopeds.	225,000 (b)	25,000	280,000
Children's bicycles	3,445,000	1,024,300	1,565,000
Electric irons	4,375,000	2,086,000	6,586,000

(a) Washing machines only hence not comparable.

(b) Motor cycles only hence not comparable.

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While the new programme to increase the output of consumers' goods is similar in some respects to the one associated with Malenkov (announced on 28 October, 1953 but reversed almost immediately by Khrushchev) there is one basic difference. The Malenkov policy envisaged a moderate decrease in the priority given to heavy industry, but the current decision does not alter this priority at all. The currently planned increase in the output of consumers' goods is expected to result from greater efficiency in the use of resources already at the disposal of enterprises manufacturing these goods. This expectation may not be realized.

MIDDLE EAST

UAR - Relations with East and West 1400

4. The United Arab Republic is moving towards the restoration of normal diplomatic relations with the United Kingdom, France and Australia, which were severed as a result of the Suez crisis in late 1956. The first major step to this end was the agreement, announced on October 19, on the re-establishment of relations with Australia. This came less than three months after the matter had been informally raised with the UAR authorities by the Canadian Ambassador at the request of the Australian Government (which did not however wish to appear to be taking the initiative). The Egyptian hesitation seems to have been due in part to sensitivity to Iraqi charges that the UAR was becoming tied to the Western "imperialists" and perhaps also to some suspicion that a bargaining lever was being abandoned. The Australians have expressed pleasure and gratitude at the successful conclusion of these difficult and delicate negotiations.

Restoration of relations with the United Kingdom appears also to have been decided in principle, although no final decision has yet been taken in Cairo on whether these relations should be consular or diplomatic in character. The question is complicated for the UAR leaders by their unwillingness to re-open regular relations with France until French negotiations with the Algerian rebel authorities are actually well under way. They have, however, decided to allow the French to open in Cairo a consular, economic and cultural mission.

Meanwhile, relations between the UAR and the communist powers are considerably cooler than they were a year or even six months ago. The UAR's resistance to communist influence in the Arab world has now begun to have

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some reflection in UAR policies vis-a-vis the West. They are seeking to re-establish the pre-Suez pattern of their trade; are withdrawing several hundred students from the USSR and Czechoslovakia and trying to expand training facilities in western countries instead; and are cautiously attempting to balance capital aid from east and west. Negotiations with the Soviet Union regarding construction of the Aswan high dam have continued during the past year to make slow progress, and construction is expected to commence shortly. British engineering consultants have been retained, however, and the possibility of Western participation in the later stages of the project apparently remains open. Negotiations are also going ahead for a substantial loan from the International Bank for improvement of the Suez canal. Relations with Communist China have recently become particularly strained, mainly as a result of UAR apprehensions about Chinese activities and influence in Iraq, Yemen and Algeria.

The Afro-Asian movement, for which Cairo has become in some respects a headquarters, is also causing concern to the UAR leaders. Soviet and Chinese influence over the various "African nationalist leaders" in Cairo appears to have been growing, and in the permanent secretariat of the movement (which is largely financed by the USSR and Communist China) there has been growing tension between the Soviet and Chinese on the one hand and the Egyptians and Indians on the other. The UAR government is reported to be using diplomatic pressure in certain African and Asian countries in an attempt to ensure that this organization, while maintaining its anti-colonialist position, will be more genuinely neutral and less responsive to Soviet and Chinese influence.

TOP SECRET

W A R N I N G

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the Annex is detached.

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23 October 1959

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SOVIET UNION

Soviet Aircraft - TU-124 1391

1. Reports indicate that the Soviet aircraft designer Andrei N. Tupolev has been designing a new aircraft designated the TU-124. Evidence suggests that the TU-124 is a new civil jet transport aircraft capable of carrying 40 passengers and of attaining a speed of 810 knots (Mach 1.4). The aircraft will be powered by two or possibly four turbojet engines and it is said to have a range of 1,600 nm and an all-up weight of approximately 70,000 pounds.

The possibility of such an aircraft being in existence was strengthened by information received from members of the Tupolev team who recently visited the US, and further information received from a crew member of the TU-104B which came to Ottawa this September.

COMMENT: It appears that the USSR is attempting to produce a supersonic transport and this programme is well within the present state of development in their aircraft industry. If the aircraft is capable of attaining Mach 1.4 it should cruise at approximately Mach 1.1. Such an aircraft flying in the near future would enable the USSR to have another "first" in the aeronautical field. A supersonic civil transport capable of speeds around Mach 1 to 1.5 has always been considered by the West to be impracticable as it would be uneconomic. The weight of the aircraft appears to be light if it is to carry 40 passengers and have the range suggested.

Arrangements for the UK/USSR aircraft industry exchange visits, whereby the Soviets were permitted to visit the Farnborough display this year, now includes permission for a United Kingdom delegation to visit the production line of the Tu-104 and Tu-124 at Factory 135, KHARKOV. This does not necessarily mean that the Tu-124 is also in production, since it is believed to be still in the prototype stage.

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Calibre of Heaviest Soviet Anti-aircraft Guns 1409

2. The Soviet Military Attache in Iran (an Artillery Officer) has stated that the largest anti-aircraft gun in current service with the Soviet Army is 130 millimeters in calibre.

COMMENT: This conversation confirms a number of recent reports which have referred to this gun as 130 millimeters. The original estimate of 122 millimeters calibre was based on photo scaling reports.

This weapon first appeared in the USSR 14 May 1955, and was considered to be a supplement to the 100 millimeter AA gun for the defence of strategic targets. It has a power-operated remote control system, power rammer, automatic fuze setter and is more complicated and sophisticated than earlier AA guns of Soviet design. It has an estimated capability of firing a 55 pound projectile to a maximum altitude of 50,000 feet at a rate of 12 rounds per minute.

EUROPE

Surface-to-Air Missile Site in
East Germany - Probably Operational 1411

3. There have been numerous reports of a new surface-to-air missile (SAM) site at GLAU situated in the FRANKFURT-BERLIN Air Corridor 20 miles from BERLIN.

On 8 Jul 59, photography showed a missile-like object in position at GLAU and again on 29 Jul 59 photographs revealed three missile-like objects in position in the emplacements. Although the site is not yet completed, the main equipment is in position.

COMMENT: The equipment transported into the area and the appearance of the missile-like objects observed at the GLAU site suggest a probable GUIDELINE surface-to-air missile installation. Evidence indicates the GUIDELINE is the newest Soviet surface-to-air missile. The GLAU site must be considered operational by this date although it would appear that minor construction work has yet to be completed.

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Soviet motivation for placing the new SAM site at GLAU, which is in the FRANKFURT/BERLIN air corridor, is obscure; however, psychological considerations may have some bearing. The Soviets may feel that a missile site near BERLIN which all can observe may enhance their bargaining power in regard to BERLIN and on the German problem as a whole.

Aside from the psychological aspects there seems to be little military logic to support a strong Soviet air defence of BERLIN. Certainly in the event of total war there are other targets within Russia which the Soviets will have a greater need to defend and yet many of these do not possess missile defences.

Therefore the possibility exists that the main purpose of this site may be the defence of some unknown target or troop training.

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ANNEX I
TO JIC SUMMARY NO. 341
dated 23 October 1959

Surface-to-Surface Missiles in East Germany 1411

1. A report which is supported by photography states that a military train was standing in the station of FRANKFURT-ODER, facing west, on 9 Sep 59. This train carried:

- (a) 8 trailer mounted sheeted objects.
- (b) 14 tracked light prime movers.
- (c) 17 3 axle light cargo vehicles (LCVs)
- (d) Soviet troops on eight "M" wagons.

COMMENT: A study of the photography suggests that the trailers are SHYSTER (300 mile ballistic missile) trailers.

The SHYSTER ballistic missile is a guided weapon with a range of 300 miles possibly having a maximum range of 7-800 miles. A firing battery may consist of four launchers.

The tracked light prime movers and the LCVs are the types of vehicles that might be expected to be associated with a SHYSTER unit. Since an "M" wagon may carry up to 40 soldiers, about 300 troops were probably carried.

There have been various reports of low reliability in recent months of surface-to-surface missiles in Eastern Germany, but this is the first reliable report. If SHYSTER is being introduced into GSFG it would explain recent sightings of many liquid oxygen wagons, mainly in areas North of Berlin.

The two GSFG artillery divisions, located at RATHENOW and at POTSDAM respectively would be the most likely recipients of such weapons.

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SOVIET UNION

BISON Production

1394

1. A report dated 30 September 1959 indicates that only two BISON fuselages were seen on the airfield of Factory 23, MOSCOW/FILI, on 28 September 1959.

COMMENT: A study of FILI observations shows that on 6 July 1959 five BISONs were seen on the field, with successive reductions reported on 18th, 25th and 3 August 1959 until only one complete BISON was seen on 9 August 1959. This one BISON and several partial sections were reported periodically until 15 September 1959 when the last completed BISON was reported as taking off, leaving only the uncompleted aircraft. Since Soviet security precautions were increased about FILI during this period of time, it is suggested that some change in FILI production is now taking place, a change that cannot be defined at the moment.

Since similar reductions in BISON sightings and increase security precautions have been reported during the past two years it is entirely possible that BISON production may not have completely ceased at FILI. However, under the present circumstances it is concluded that the BISON is phasing out of production, and with the delivery of the BISON on 15 September 1959, it is estimated that a total of 120-125 BISONs have been produced.

New Configuration Support Landing Craft

1401

2. On 1 September, a vessel was sighted that appeared to be a new type of motor gunboat or support landing craft. This vessel was observed alongside the south bank of the KRONVERKSKIY Canal in Leningrad. At the time of sighting, source was able to observe the boat at close range for a prolonged period. The vessel was described as being from 100' to 120' in length with an 18' to 20' beam.

The armament consisted of:

- (a) two 76mm guns fore and aft in armoured turrets similar to those on army tanks;

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- (b) One 37mm anti-aircraft gun with an open shield, mounted on the superstructure abaft the bridge;
- (c) two twin mounted machine guns (50 cal. or even 20mm) in armoured turrets on either side of the bridge;

The forepart of the bridge was heavily armoured. Armour plating could also be seen on the hull from the pendant numbers to the after gun turret.

COMMENT: This appears to be a new type of support landing craft. There are believed to be 30 support landing craft in the Baltic Fleet and 20 in the Black Sea Fleet. Support of land forces from the sea has always been one of the prime tasks of the Soviet Navy.

Differences in Soviet - US and
Chinese - US Relations.

1399

(RESTRICTED)

3. Prior to Khrushchev's arrival in Peking, the Chinese had adopted a technique of dealing with the hopeful aspects of his trip to the United States which consisted of qualifying their satisfaction with the communique and the signs of a detente by pointing out the continuing nature of United States policy. Chou En-lai on September 26 mentioned Khrushchev's talks with the United States and added that "the Imperialist camp headed by the United States still persists in the policy of aggression and war and refuses to give up the cold war". The People's Daily reviewed the Khrushchev-Eisenhower talks on September 28 and said: "In the course of the talks the United States President also expressed a wish for peace. This wish is contradictory to the actual policy followed by the United States Government up to this date... Impartial public opinion has further stressed that one should be judged not by words, but by deeds, and that the problem lies in whether the actual deeds of the United States in the future will be in keeping with this desire." ~~This theme~~ was repeated in the other Chinese comment on the talks.

Given the inflexibility of Chinese policy over the past year and a half, it was perhaps to be expected that they would not be completely happy with the results of the visit. There were, however, two general interpretations which the Chinese could give to it. The first of these is the line the Chinese adopted. The second would have been to claim that the United States has been forced into seeking an accommodation with the Soviet Union because of the growing superiority of the Socialist camp. This point was, in fact, mentioned by the People's Daily: "At the present time, when

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the East wind is growing stronger and stronger and the West wind is becoming weaker, schemes which run counter to the peace aspirations of the people of the whole world are doomed to failure". There are two possible reasons why the Chinese decided to use this alternative approach only as a minor theme. In the first place, the Chinese could hardly claim that the Americans have been forced into a position where they can no longer maintain an altitude of hostility to the Socialist camp at a time when the theme of Imperialism is being used to explain events in Tibet and Laos and the continuing situation in the Formosa Straits. The line that Imperialism is a paper tiger has not been popular in China since the failure of last year's Quemoy action. The only conclusion that could be drawn from this line of interpretation would be that the United States has been forced to come to terms with the Soviet Union, but not with China. In the second place, the Chinese may prefer to use the theme of the growing strength of the Socialist camp as a reason for not coming to terms with the United States. Since the adoption of the "hard line" in foreign policy, the idea of concessions is even more foreign to the Chinese than it ever was to the Russians. In its editorial on October 1, the People's Daily avoided almost all mention of foreign affairs, except to speak of the day when the "Socialist countries will completely prevail over the imperialist countries in material production and the international situation will be completely changed".

While Khrushchev was in Peking, Chinese comment on the subject of East-West relations was generally more restrained. There is, however, an interesting comparison between the speeches given by Chou and Khrushchev at a banquet on September 30. Chou passed over the visit to the United States in three congratulatory sentences, and spent most of his time -- as was to be expected -- on the internal achievements of the past ten years, mentioning the communes as "a new form of organization favourable to the development of the productive forces", and spoke of the development of a general line for socialist construction "suitable for conditions in China". In his reply Khrushchev spent a great deal of time praising the successes of the Chinese people without mentioning a specific instance of such successes. He explained this omission in the following way: "I could cite many instances of the outstanding successes of the Chinese people in all fields of Socialist construction but it is not for me, a guest come to People's China, but better for you, my friends, to talk of your successes because it was you who laboured for them". The Chinese may well have thought that a word about the communes or the Great Leap Forward would not have been out of place. There is another interesting passage where Khrushchev recalls the tenth anniversary of the October revolution, saying "it was much harder for us".

The foreign policy section of Khrushchev's speech is equally interesting. In it, Khrushchev made the following points:

- (a) the socialist camp will defeat the capitalist countries in peaceful competition;

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- (b) the forces of socialism are already so great that real possibilities for excluding war as a means of settling disputes are being created. Some Western leaders already have some understanding of this situation;
- (c) Eisenhower understands the need to relax international tension;
- (d) the leaders of many capitalist states are being forced more and more to take account of realities and to recast their international relations because in our century it is impossible to resolve questions of relations between the two systems otherwise than on the basis of peaceful co-existence;
- (e) efforts must be exerted for the success of the peaceful policy of the Socialist states;
- (f) the socialist countries now have the means to defend themselves from the attacks of the Imperialist aggressors, if these should attempt to force them to leave the socialist path. On the other hand, the fact that the socialist camp is strong does not mean that it must test the stability of the capitalist system by force. Marxism cannot condone predatory wars;
- (g) the question of when this or that country will take the path of socialism is to be decided by its own people.
- (h) it is not at all because capitalism is still strong that the Socialist countries speak out against war.

Between Khrushchev's speech on this occasion and his departure from Peking, the People's Daily reprinted an article by Chen Yi which had appeared in Izvestia. This article was undoubtedly written before Khrushchev had arrived in Peking so that it cannot be used to judge the effect of Khrushchev's statements on the Chinese. It may be significant, however, that the Chinese decided to republish and broadcast excerpts from an article which is so much at variance with Khrushchev's attitude. After saying that the fact that the United States has had to agree that international disputes should not be settled by force is "undoubtedly worth welcoming", Chen Yi goes on to say: "but up to the present the United States has not yet renounced its policy of aggression and war. It is still waging the cold war, rejecting disarmament

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and continuing to establish military bases all over the world...All this proves that the people throughout the world still have to struggle again and again against United States Imperialism in order to achieve the relaxation of international tension". If this attitude represented the line the Chinese leaders were then adopting in their conversations with Khrushchev, we may have our explanation for the fact that Khrushchev was no longer speaking for the Socialist camp as a whole in his remarks prior to his departure the next day: "That is why we Communists of the Soviet Union consider it our sacred duty...to liquidate the cold war".

Since Khrushchev's departure, the tone of the Peking press has apparently been truculent. On September 6, Chou En-lai is reported by AFP as having declared that "China must be accorded the right to take part in all important international decisions affecting its interests or the interests of peace".

The authors of this brief prefer not to read too much significance into reports of differences between the Soviet Union and China. They believe that the subjective desire for unity (based on a Chinese reading of the advantages they derive from the alliance) will overcome the divergences between China and the Soviet Union on relations with the West which have become apparent in the last 10 days. Nevertheless, the positive results of Khrushchev's trip to the United States have caught the Chinese badly out of line. As far as the Chinese are concerned, they continue to see (with reason) the United States as the principal barrier to the extension or even the maintenance of their influence in Asia, and would prefer to postpone a serious attempt at negotiation until the balance of forces in Asia has shifted in China's favour. At the same time, China's active hostility to the United States has been made possible by Soviet support. In these circumstances, the possibility that the Soviet Union is moving into a period of easier relations with the United States cannot be very welcome to the Chinese. As far as the more particular differences of approach between the Soviet Union and China are concerned, we might very tentatively, on the basis of the various statements by Khrushchev and the Chinese leaders, identify them as follows:

- (a) the Chinese see the United States as an immediate threat to the consolidation of their foreign and domestic position;
- (b) the Chinese do not agree that the "forces of socialism are already so great" in the area where they face the United States that disputes can necessarily be settled by negotiation to their advantage. They probably think that the growth of China's national power will enhance its negotiating position. Since the alliance with Russia effectively protects the Chinese from outside attack, they see no reason to liquidate the cold war now;

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- (c) the Chinese may think that negotiation with the West which involves concessions might be interpreted in China as a sign of weakness. (This could explain Khrushchev's emphasis on the denial of this point). At any rate, the Chinese see some internal advantage in the maintenance of tension. An article in the September 15 issue of Red Flag, for instance, touched on the useful internal effects of U.S. opposition: "Imperialism, by committing aggression against China, is an important teacher by negative example that helps raise the consciousness of the Chinese people".

EUROPE

Beginning of Autumn Manoeuvres by the Group of Soviet Forces, Germany

1408

4. A Divisional level opposed river-crossing exercise was conducted by 3 Shock Army on 18 and 19 September in the Letzlinger Heide and Elbe North training areas.

The assault crossing was preceded by simulated intense artillery concentrations, air strikes by FRESKO (MIG-17) fighters of 24 Air Army, and two simulated atomic strikes on an opposing force deployed in defensive positions on the east bank of the river.

The exercise probably terminated on 19 September with the consolidation of the bridgehead and the regrouping of the forces involved in preparation for their return to home stations. 94 Guards Motor Rifle Division returned to its home station of Schwerin on 20 September.

Exercise activity was renewed during the night of 21 September when 1 Motor Rifle Division of 20 Guards Mechanized Army moved south-east through the Letzlinger Heide training area, crossed the River Elbe from west to east and established a bridgehead on the east bank of the river. After consolidation this force continued its movement south-eastward towards the Altengrabow training area.

10 Guards Tank Division, acting as the opposing force, moved out from its assembly area south-west of Berlin, and engaged the attacking force. The counter-attack was supported by simulated artillery fire and by air strikes carried out by 15 FAGOT (MIG-15) fighters of 24 Air Army. This caused the attacking force to withdraw initially to its bridgehead and subsequently to a defensive line across the river in Letzlinger Heide.

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Preceded by simulated artillery fire, air strikes and atomic strikes on the west bank of the river, the counter-attack force carried out a hasty crossing of the Elbe between Kehnert and Sandfurth at 0900 hours on 23 September. After pausing briefly for reorganization it resumed its offensive and forced 1 Motor Rifle Division into the north-west part of the Letzlinger Heide training area where the exercise ended on 23 September. The formations involved in the exercise returned to their home stations by road and rail on 23 and 24 September.

COMMENT: These two major exercises clearly indicate the beginning of the autumn manoeuvre season for the Group of Soviet Forces, Germany. It also seems likely that exercises with a similar theme will be conducted in turn by other formations in the same area.

The exercise conducted by two line divisions of 20 Guards Mechanized Army was identical in every detail with the winter exercise carried out by the same two divisions in February and March 1958. A similar exercise was also carried out by 6 Guards Motor Rifle Division of 20 Guards Army between 21 and 22 June this year. Thus it is apparent the same pattern of training as in recent years has been maintained in 1959. At the same time it seems probable, on account of the number of major exercises which it has conducted during the last two years, that 20 Guards Mechanized Army has reached a particularly high standard of training in comparison with other Armies of the Group of Soviet Forces, Germany. As the formations of this Army are located in the vicinity of Berlin an acceleration of their training may have been planned in preparation for any eventuality connected with the Berlin situation which could have interrupted their training. Otherwise there is no obvious explanation at the moment for their apparent high standard of training unless their deployment within the zone is misleading and they are in fact intended as the spearhead of any future Soviet advance to the West with 3 Shock Army carrying out a cordon role.

From a tactical point of view the two recent exercises disclosed no new or significant developments in attack or defence. They followed the normal pattern employed by the Soviet Army in exercises of this type during the past two years, affording illustrations of the assault crossing of a river and the defence of a river line under nuclear conditions. Within this framework emphasis seems to have been placed on both deliberate and hasty crossings, rapid assembly and movement and co-operation between all arms. Extensive tactical air support was also a feature.

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MIDDLE EAST

Parachute Practice Jump for
UAR Navy Frogmen

(CONFIDENTIAL)

1402

5. On 19 August, 22 frogmen made a parachute jump from an IL-14 into the East Harbour, Alexandria. Twenty of the frogmen wore 2 piece skin-tight rubber suits over long underwear. The lower part of the suit completely encased the feet and came above the abdomen. The top part had a tight neck and wrist fitting, and came down over the lower part. A tight rubber tube was fitted where the two parts overlapped. The other two men wore coveralls. All carried standard type swim fins when they boarded the aircraft.

The drop was made from an altitude of about 1000 feet on a straight and level northeast heading directly into a wind of approximately 10 knots. The target centre was marked by a navy launch which gave smoke signals for wind indication. Drops were accurately spaced about the target centre. Jumpers were recovered from the water by small boats. The operation went smoothly and effectively.

COMMENT: Since the jumpers were transported by a Navy bus, Navy police were on the dock, and Naval officers, POs and men were completely in charge at the scene, it is inferred that these were Navy frogmen. However the officer who congratulated them was an Army officer, who is listed as head of Sea/Air Forces.

This report indicates that the Frogmen Unit of the UAR is one unit which shows signs of being a capable, well trained and effective unit.

These frogmen appear to be part of a Joint Sea/Air Command, ostensibly headed by an Army officer.

Iraqi Economic Situation 1395

6. Due primarily to political instability and inept government policies, the Iraqi economy at the present time is experiencing a commercial slowdown, rising prices and reduced production in both industry and agriculture. The government's financial situation is not clear but possibly there is a shortage of funds. However, oil production and revenues are up from last year and the Iraqi economy remains basically sound.

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In the commercial field, the uncertainty of the political future has resulted in hoarding and shortage of credit. This has been aggravated by official and unofficial actions against Western commercial interests. Labour is unruly and often unproductive due to extravagant government promises of economic benefits in the short term and also to the large number of public holidays.

Agricultural production has fallen sharply due partly to the second consecutive year of drought but also as a result of the mishandling of government agricultural reform measures. Although maximum land holdings have been laid down, the process of land confiscation and redistribution has been very slow. As a result, landlords holding property which they know will shortly be expropriated are not inclined to waste time and money on it. At the same time, their authority has been undermined and there is lack of organization in planting and irrigation. In consequence, this year's cereal crop is about half what it is in a good year, and import permits have had to be issued to date for 300,000 tons of wheat, a commodity in which Iraq is normally self-sufficient. At least 60,000 tons of this will come from the Soviet Union. Further, barley, which is normally a substantial foreign exchange earner, will not be available for export in any quantity.

The budget brought down in April anticipated a deficit of 817 million dinars out of an expenditure of 104 million dinars (Iraqi dinar = \$US 2.80). It is likely that revenues other than from oil will be down this year, while the non-oil trade deficit will be larger. Oil royalties, which amounted to US \$235 million in 1958, should be the highest in Iraq's history this year (about \$255 million), in spite of lower crude prices. Iraq's withdrawal from the sterling area has produced no significant repercussions on the financial situation and gold and foreign currency assets remain steady. Soviet development credits can do little more than make up for payments on Soviet arms. There is no recent evidence that the Iraqi government has been seeking increased royalties or a loan from the Iraqi Petroleum Company but if the government does face a serious shortage of funds either of these courses may be likely. Otherwise the outlay on development projects may have to be reduced, which might lead to further political unrest.

S/h Bell

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This issue of the Joint Intelligence
Summary contains the following parts:

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9 Oct 1959

SECRET

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9 Oct 59

JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

Khrushchev's Speech to the Soviet People
on his return from the U.S.A.

1398

(CONFIDENTIAL)

1. Mr. Khrushchev's speech at Luzhniki Sport Palace on September 28, reporting on his U.S. visit to the Soviet people must be regarded as one of the most remarkable statements ever made by a Soviet leader to his people, particularly when considered against the background of the biting and aggressive speeches Mr. Khrushchev was making only several months ago.

What is most impressive is the general tone of the speech. It is infused with reason, caution, optimism and counsel for patience. Equally impressive is the relative absence of attempts to score propaganda points, to claim the visit as a triumph for Khrushchev personally, or for Soviet communism.

A series of the major tenets of communist ideology and propaganda vis-à-vis United States capitalism were either directly negated by Mr Khrushchev or implicitly denied by his failure to refer to them. He made no reference even obliquely to:

- (1) The exploitation of workers in the United States;
- (2) The dependence of the U.S. economy on the armaments industry (and therefore the vested U.S. interest in the cold war);
- (3) U.S. aggressive designs on Soviet territory;
- (4) The inevitable triumph of communism over capitalism.

On the other hand, he made the following explicit statements which directly reverse the Party line formulation on these matters:

- (1) President Eisenhower has an earnest desire for peace;
- (2) President Eisenhower enjoys the absolute confidence of the majority of the people in the United States;
- (3) Disarmament is a serious and intricate matter, the achievement of which will require a tremendous effort by all countries concerned.

Of potentially more serious consequence to the structure of communist doctrine and dogma was the extraordinary emphasis which Mr. Khrushchev placed on

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the need for the application of "human reason" to dispose of the great peril of nuclear war facing mankind, together with many references to the need for truth, accuracy and objectivity in assessing and resolving outstanding differences and world problems. This must have come as a refreshing shock to most of his listeners who, for so long, have been subjected to the doctrinal view that reason, truth and objectivity are functions of a class position and outlook.

Mr. Khrushchev did refer critically to the security measures taken on his behalf during the first part of his visit and to the evidence he had found of a deliberate effort to control the enthusiasm with which the American people received him in the initial stages of his visit. However, the incidents he referred to seem to have been accurately reported and he qualified his remarks by stating that he was referring to them only in order to provide an objective report of his reception in the United States.

He also shied away from any real analysis of the reasons for the obvious reservations with which the United States continues to approach an accommodation with the Soviet Union. Instead, he described this hesitancy to "forces in the United States ... which want a continuation of the cold war and the armaments race. Whether these forces are big or small, influential or non-influential; whether the forces which are supporting the President - and he is supported by the absolute majority of the U.S. people - can win, are questions to which I would not hasten to give a final answer. Time is a great counsellor". By this simple explanation, however, Mr. Khrushchev had reduced the Soviet Union's external enemy from the capitalist world as a whole to a group of men of indeterminate influence who wish to see a continuation of the arms race.

It remains to be seen, of course, whether the relatively reasonable approach taken in this speech will have any permanent effect on the dogma and propaganda generated by the CPSU, and, whether it will be reflected in the Soviet Union's position in the immediate future on specific international issues. The way is open to Khrushchev at any time to accuse President Eisenhower or the United States Government of bad faith on any one of a number of issues and revert to an aggressive and antagonistic attitude. Indeed, Khrushchev has shown himself to be quite adept at reversing his Party line field in the past. Nevertheless, he has in this speech committed himself heavily to a reasonable attitude and has thereby added, for those who give credence to his word, to the impression he left in the United States of the sincerity with which he is seeking an accommodation.

EUROPE

GSEF Training Activity - to 25 Sep 59

1406

2. A divisional level opposed river-crossing exercise, controlled by

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3 Shock Army, was carried out by 94 Guards Motor Rifle Division at KEHNERT and SANDFURTH in the Elbe North Training Area from 17 to 19 September.

Two formations of 20 Guards Army, 1 Motor Rifle Division and 10 Guards Tank Division, assembled in Letzlinger Heide and Forst Lehnin respectively during the period 21-22 September.

A restriction was imposed on a large area in the North-Western sector of Eastern Germany for the period 21-26 September. There have been some indications of the movement of East German Army units in the area.

COMMENT: The initial deployment of the two line divisions of 20 Guards Army points to a two-sided exercise including a crossing of the River Elbe. A likely pattern would be an advance to contact by 10 Guards Tank Division from the Altengrabow Training Area, a defence of the river line by 1 Motor Rifle Division in the Elbe North Training Area, and a possible break-out by the tank division into Letzlinger Heide. A similar exercise by other divisions of 20 Guards Army was carried out in this area from 12-22 June this year.

The exercise by 94 Motor Rifle Division in the same area serves to indicate that a series of exercises with the same theme will probably be carried out in this area by various formations in turn: and on this basis it seems likely that the autumn manoeuvre season is now beginning.

The information regarding the restricted area is insufficient yet for any substantial comment particularly as the extent of the restriction is not known. It is interesting to note however, that 94 Motor Rifle Division is the only Soviet formation located in the North-Western quarter of the zone, and this formation presumably returned to barracks from its exercise on the day before the restriction was imposed. On the other hand the only major training area in the same quarter, except for the Wuestrow Anti-Aircraft Range, is Luebtheen which is one of the largest training areas used by the East German Army. A preliminary estimate thus provides the following alternatives for the type of activity which the restriction was intended to screen: either major East German Army training activity or the introduction of sensitive equipment into the area. In the latter case such equipment could be located at Wuestrow or handled by 94 Motor Rifle Division which probably has completed its collective training for the year.

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Unidentified Activity in East Germany 1407

3. The North-Western sector of Eastern Germany was declared a restricted area from midnight 20 September to midnight 26 September.

During 18/19 September several units, possibly including elements of 19 Guards Tank Division or 32 Motor Rifle Division took part in training activity in the Letzlinger Heide and Elbe North Training Areas which included East to West crossings of the River Elbe in the Kehnert-Sandfurth area. There was some indication that columns from the exercise moved northwards after the crossing in the direction of Perleberg and Ludwigslust. This movement may have been the reason for the area being declared restricted. Also, very heavy moves by elements of 1 Motor Rifle Division of 20 Guards Tank Army may have been a contributing factor. There were no indications of the movement of East German Army units.

COMMENT: The bounds of the restricted Area exclude the Luebtheen Training Area. It is therefore probable that no unusual East German Army activity took place during this period.

The home stations of the two principal divisions concerned are centred northwards in the restricted area. A move northwards after the exercise by either formation would therefore be normal and without undue significance. Furthermore it is doubtful whether a formation which had just completed what was clearly a relatively high-level exercise would be called on immediately to take part in special activity which the imposition of a restriction implies.

It therefore seems improbable that exercise activity by troops on the ground was the reason for the imposition of this Restriction. It seems more likely that the purpose was to screen the movement or use of sensitive equipment. In this event the fact that the Wustrow Anti-Aircraft Training Area is the only known operative major training area covered by the present Restriction may be significant. The introduction of Surface-to-Air missiles into Eastern Germany during the past few months may have caused a requirement for a substantial conversion and training programme for the anti-aircraft units of the Group of Soviet Forces, Germany. The most likely place for such training would be Wustrow, which provides facilities on a rotational basis for all anti-aircraft units in Eastern Germany.

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Finland's Purchase of Military
Equipment from the Soviet Union

1397

4. On August 31 the Finnish Ministry of Defence announced the purchase from the Soviet Union of twelve T-54 tanks, one IL-28U light medium jet bomber (which is to be used ostensibly as a target-towing craft) and a number of diesel motors for naval patrol craft. While the volume of this purchase is insignificant from a military point of view, the deal is interesting because it is the first occasion since before the Winter War that Finland has bought such equipment from the Soviet Union.

Our Legation in Helsinki has suggested that there were strategic, economic and military reasons for this revision of Finnish policy. National self-interest dictates that a visible effort must be made to maintain a balanced independent position between East and West, and since World War II Finland has purchased all its military supplies from the West, mainly from the United Kingdom, France and Sweden. It was obvious, therefore, that in this particular field the East-West balance was lacking.

Economically, the perennial problem for Finland in its bilateral trading with the Soviet Union is to balance imports with exports. Ordinary Soviet consumer goods find little favour with the average Finnish purchaser, and it seems logical to purchase arms with surplus roubles rather than with convertible Western currencies. Moreover, it is stated that the entire allotment came from the regular budget for the purchase of new material, and there is every reason to believe that the prices paid were well below the cost of equivalent equipment from Western countries.

Setting aside the stubborn prejudice against all things Russian in the Finnish armed forces, the purchase of this equipment appears sound from a military point of view as well. The T-54 tanks in particular are technically well suited to Finnish conditions.

Possibly related to this change of Finnish policy is the fact that General K.A. Heiskanen, Commander of the Defence Forces, together with four other high-ranking officers, accepted an invitation last May from Soviet Marshal Malinevsky to visit military schools and units in Moscow, Leningrad and Stalingrad. Early this month, it was announced that the Finnish General Staff is making preparations for a return visit in October of senior Soviet officers.

It is to be hoped that this new policy will not in the long run be detrimental to either the armed forces of Finland or Finnish national

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sovereignty. The Finns have shown themselves to be remarkably adept at maintaining their independence in the face of Soviet political and economic pressures, but it should not be taken for granted that the indefinite continuation of this independence is guaranteed. Finland's previous cabinet, for example, was forced by Soviet pressure to resign, and more recently the Soviet Union has vetoed Finnish participation in the Outer Seven free trade area. It remains to be seen whether the Soviet Union will use its position as a supplier of arms as a further means of interfering in Finland's domestic and foreign affairs.

TOP SECRET

ANNEX 1

TO JIC SUMMARY NO. 339
dated 9 Oct 59

SOVIET UNION

Khrushchev states USSR spends
\$25 billion on armaments

1393

1. Khrushchev, in his T.V. address just prior to leaving American soil said the USSR spends about \$25 billion on armaments.

COMMENT: Khrushchev, in making this statement, compared Soviet expenditures on defence with U.S. expenditures of \$40 billion. He evidently converted the published Soviet defence vote (96.1 billion roubles in 1959) at the official exchange rate (4 roubles to the dollar), which is a reasonable rate for this purpose.

It is possible to make such favourable comparisons with the U.S. because in Soviet budgetary practice, a number of expenditures considered to be matters of defence in the West are financed elsewhere in the Soviet budget. For instance, it is thought that most of the costs of military research and development is financed out of the vote for Soviet Cultural Measures. Similarly, investment in defence industries, which is paid for in the West out of the defence budget either as grants or in the cost of the hardware procured, is thought to be paid for in the Soviet Union out of the vote for Financing the National Economy. Other items of a defence nature financed elsewhere in the Soviet budget are expenditures on security troops, the atomic energy programme and stockpiling.

It is believed that the total value of the current Soviet military programme is only slightly below that of the U.S. However, this defence effort is paid for out of a Gross National Product which is less than half of that of the U.S. Therefore, the defence burden in the USSR is nearly double the burden in the USA.

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SOVIET UNION

CLEAT (TU-114) Production ~~13-11~~

1. Four CLEAT (TU-114) were seen at Vnukovo Civil Airfield, Moscow, immediately prior to the flight of one carrying Khrushchev to Washington on 15 September 1959. The one carrying Khrushchev was the same aircraft that flew to New York in July. The other three CLEAT had civil Air Fleet markings and registration numbers which are in the same series as that on a TU-114D in a Russian photograph. A member of the Russian crew of a TU-104B that also flew to Washington told the RCAF escort crew that they had three or four CLEATS, whereas an Aeroflot official at Vnukovo told the CLEAT escort crew that they had twelve CLEATS. It is not clear whether the numbers given represented CLEATS already in the hands of Aeroflot or the total number in existence.

COMMENT: Our estimates for the end of the second quarter of 1959 showed a cumulative total of 10-15 CLEATS, possibly including 2-3 TU-114d's, as having been produced by the end of June 1959. At that time Tupolev had stated that 12-15 TU-114 had been built.

It is difficult to estimate how many of these large transports are required by the Russians for civil purposes but it is possible that 15 TU-114 may be the present total requirement pending an appreciable expansion of their long distance international services.

USSR: Underway Trials of Nuclear Icebreaker "Lenin"

(CONFIDENTIAL)

2. The nuclear icebreaker "Lenin" left her berth at the Admiralty Yard, Leningrad, on 12 September 1959 for sea trials, many months behind schedule.

COMMENT: It is believed that trouble with her nuclear propulsion has delayed "Lenin". Her keel was laid on 25 August 1956, and she was launched on 5 December 1957. Since then she had been alongside her building yard. It was first announced that she would be operational in 1958, but it now appears that she will not be operational before the end of 1959.

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"Lenin" is intended for duty on the Northern Sea Route where the Russians hope that she will extend the season by approximately one month at each end of the season. She is expected to be based at Murmansk, and will probably work up in the Barents Sea and White Sea area before participating in the 1960 season on the Northern Sea Route.

Seven-Hour Work Day in USSR

(RESTRICTED)

3. On 19 September 1959 Tass reported that the 7-hour work day would be initiated by 1960 for all Soviet factory and office employees.

COMMENT: The USSR has been gradually introducing a shorter work day over the past two years. For example, it was announced nearly a year ago that the 7-hour day was to be introduced in defence industries. The decision to include all "workers and employees" by 1960 is a partial implementation of the Seven Year Plan which calls for the reduction of work day of all workers and employees to 7-hours by 1960 and for a gradual reduction of the work week to 35 and 30 hours starting in 1964. From that date, the 30-hour week is to apply to workers in underground mines and industries with hazardous working conditions. All others are to work a 35 hour week. The last two changes are to be implemented by 1966-1968.

In spite of an expected shortage of manpower for industry due to the deficiency in births during World War II, the Soviet Union has apparently found the necessary labour to overfulfill the requirements of the Plan, and the shortage so far has not materialized. There is known to be a redundancy of labour in agriculture and in certain industries which is being reduced and is expected to be further reduced in the course of the Seven Year Plan as a result of improved techniques. It is possible also that the educational reform of December 1958 which makes labour experience mandatory for students from 15 to 16 years of age and reductions in armed forces numbers have increased the number of workers available. An increase in productivity is resulting from improved techniques in industry and from higher incentives to workers. Progress in automation, which is expected to accelerate towards the end of the Seven Year Plan period, will create conditions which will ease the transition to the 30-35 hour work week.

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EUROPE

Climax of Summer Collective Training Phase in the Group of Soviet Forces, Germany

4. During the last two weeks of August the accent of training was upon regimental level combined-arms exercises. Observation of troop and equipment movement into major training areas suggests that the majority of divisions were rotating regimental groups through a standard exercise involving an approach march, an attack or defence of a river line and a minor river crossing problem.

COMMENT: The level and nature of these collective exercises indicate that the regimental phase of summer training has been largely completed. The standard exercise which seems to have been used was probably specifically designed to prepare regimental groups for forthcoming divisional exercises.

Divisional collective training normally takes place in September and it would appear river-crossing situations will once again figure prominently in autumn manoeuvres.

East German-Soviet Combined Ground Manoeuvre

5. Major elements of the East German 1 Motorized Rifle Division (Headquarters at Potsdam) participated in a combined manoeuvre with an unknown Soviet unit from 31 July to 3 August in the Gransee area north of Berlin, according to an East German Army defector. The exercise was preceded by an alert on 29 July, when East German troops moved to their assembly areas near Lehnin, southwest of Potsdam. On 31 July, elements of 1 Motorized Rifle Division moved by rail and road to the vicinity of Gransee, from whence they launched an attack against Soviet elements occupying a defensive position nearby. The Soviet force, reportedly, was pushed back eastward toward Vogelsang, where it established a bridge across a lake. During the next two days, each force conducted several attacks across the water obstacle using simulated chemical and atomic weapons.

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COMMENT: There is confirmation that a field manoeuvre took place although the extent of Soviet participation is not known. However combined East German-Soviet manoeuvres are not considered likely for the following reasons:

- (a) previous reports of joint Soviet Satellite troop manoeuvres have never been confirmed.
- (b) there is no evidence that the Warsaw Pact Unified Command concept has ever been tried in actual exercises. Control of the various CPX's held in the past is believed to have been established locally, having no apparent connection with the Warsaw Pact chain of command.
- (c) although the East German Army (EGA) may be more prepared for cooperation with the Soviet Army than any other Satellite army, it is not in training, equipment, organization, or discipline considered ready for general integration with the Group of Soviet Forces, Germany (GSFG). This does not imply that selected elements of the EGA are incapable of participating in prescribed manoeuvres with units of the GSFG.

SOUTHEAST ASIA

Indonesian Economic Situation

6. Faced with mounting inflation and a scarcity of essential goods, the Indonesian Government instituted monetary reforms which took effect August 25. Bank notes of 1,000 and 500 rupiahs were devalued to 100 and 50 rupiahs respectively, and 90 per cent of deposits in bank accounts exceeding 25,000 rupiahs (approximately \$555 at the new rate of exchange) were frozen. Import taxes on luxury goods have been increased, a complicated export certificate system introduced two years ago is abolished, and the exchange rate is now fixed at 45 rupiahs to the U.S. dollar, replacing the former rate of 11.4 to the dollar.

This is the second time Indonesia has devalued its currency - it cut bank note values 50 per cent in 1957 - and as a result of this

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currency reform it expects the withdrawal of 8.5 billion rupiahs from the 31 billion formerly in circulation and the withdrawal of 3.5 billion from the freezing of accounts. The measures will probably be effective in undercutting extensive black-market operations, but to reduce general prices other measures to increase production and end widespread shortages would have to be taken.

The reforms will protect low-income groups from the effects of devaluation, but they will seriously damage Indonesia's business and moneyed classes, with the Chinese probably the principal victims. The currency losses, combined with the freezing of bank accounts, will make the operation of much large private enterprise virtually impossible. Provision has been made, however, for exemptions from the freeze for certain categories of institutions - firms, banks, estate companies - and for purposes consistent with government financial and economic policy.

The new reforms are an attempt to bring financial stability to a deteriorating economy. Potentially Indonesia is a very rich country, but industry has been relatively little developed and the country is not self-sufficient in food. Conditions have discouraged foreign investments and this has resulted in an economy excessively dependent on the production and export of a few primary products, chiefly rubber, tin and copra. Heavy over-spending by successive governments has led to a chronic shortage of foreign exchange and serious internal inflation. During 1958, conditions worsened as a result of the outbreak of rebellions in Sumatra and the North Celebes, and the expulsion of nine-tenths of the remaining Dutch population which caused disorganization in finance, commerce and communications. Restriction of imports has met some success in rebuilding reserves, but at the same time has forced industry to operate at less than half capacity owing to shortages of imported raw materials and spare parts. Food production has increased but 700,000 tons of rice, costing about \$64 million in foreign exchange, will be required in 1959. Excessive budgetary deficits are financed almost entirely by borrowing from the Bank of Indonesia whose warnings have in the past been ignored.

5. According to Soekarno, the new measures are only the first steps in a programme of economic reforms in a country which was living beyond its means. Indeed, these measures will not by themselves bring economic revival and restore confidence, and more positive steps will be necessary to increase production and stimulate investment. The future will depend more on political than upon economic solutions, and until the problem of the lingering rebellion is solved, little general economic improvement can be expected.

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JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

Soviet Reactions to the Proposed
French Nuclear Tests

(CONFIDENTIAL)

1. Until recently prospects of French nuclear tests have aroused relatively few comments from Moscow. Generally speaking, Soviet editorialists have restricted themselves to revoicing African objections to the nuclear tests, as they are reported in the African newspapers.

The essence of these charges can be summarized under three headings. The first is the danger of the fall-out for the African populations surrounding the area used for testing purposes. The second African claim is that the French want to have their own bomb in order to frighten the Africans, the Algerians particularly, and to consolidate their imperialist strength. Lastly, the Africans see in the French possession of the atomic bomb a means of strengthening that country's position within NATO and thus, to be in a position to make a deal with her allies with respect to (and against) the national liberation movement of the African people.

These charges typified the Soviet attitude with respect to the French nuclear tests until recently. However, since the publication of an editorial in a British newspaper to the effect that German scientists were assisting the French in producing the atomic bomb, Soviet charges have increased significantly and have changed in tone. The following sentences outline in summarized form, the main Soviet charges:

- (a) Bonn and Paris denials that German scientists are helping the French cannot be taken seriously. Everyone knows that this reflects the reality.
- (b) German participation in the French atomic research is a concealed way, for Germany, of obtaining the experience she needs to produce her own bomb.
- (c) Germany being associated to a power who has the atomic bomb (France), Adenauer will be in a position to bang on the table, to speak louder and to obtain greater support for his revanchist aims.

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- (d) Paris and Bonn do not see favourably the coming visits which Eisenhower and Khrushchev are going to exchange. They feel that these visits will lower their political shares and for this reason the French are doing everything they can to implement their atomic tests.
- (e) The French project of having their bomb explode with the help of the Germans will render more difficult any departure from the rigid Dulles line regarding the Western relations with the Eastern countries and will not facilitate an agreement on the ban of nuclear tests. Now that the Geneva Conference has made some progress, Adenauer is proposing to reconsider the whole problem of disarmament; recent events show, however, that it is of re-armament that Adenauer is thinking of.
- (f) In a recent speech Mr. Khrushchev has declared that the USSR will not resume nuclear tests if the Western countries do not, meaning undoubtedly that the explosion of the French atomic bomb would be responsible for the break of the nuclear test ban.

These charges, as can be seen, are closely linked to the relations between the two blocs and tend to consider French projects as an obstacle to the reduction of tension between the East and West. Although ostensibly directed against France, it is worthwhile noting, that Germany is the country at which they are chiefly aimed.

Possible New Missile Site in
Moscow Air Defence Complex

1376

2. An anti-aircraft gun site at Orlovo Airfield, Moscow, is reliably reported to be in process of being converted to a surface-to-air missile site. Reconstruction work appears to be about 75 percent complete, and the site shows striking similarity to a Soviet anti-aircraft missile site recently identified at Glau, East Germany. The Orlovo Airfield site contains six

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probable launcher emplacements but differs from the Glau site in that its large revetted walls and blast wall are above ground rather than deeply dug in.

COMMENT: The Orlovo site is approximately 14 miles southwest of the centre of Moscow. It does not appear to be directly associated with the basic missile defence of Moscow, which is deployed in 2 concentric rings at 25 and 45 nautical miles from the centre of the city. Despite the existence of these two rings of missile sites, anti-aircraft gun defences totalling approximately 700 pieces have been retained in the Moscow defence system, inside the inner missile ring. The present report is the first indication that any of the gun sites are being re-equipped with missiles.

Soviet Navy Scrapping
Ex-German Cruiser

1379

3. The LEIPZIG Class light cruiser ADMIRAL MAKAROV (ex-German NUERMBERG) of the Soviet Baltic Fleet was recently observed moored near the breakwater in one of the Kronshtadt basins with all armament, including main battery (5.9" gun) turrets, and all of the superstructure except the funnel removed. The stripping of salvageable fittings suggested scrapping rather than preparations for conversion to other uses. This ship, which was allocated to the USSR in 1945, had been actively employed as a training ship until very recently.

COMMENT: ADMIRAL MAKAROV was in a structurally weakened condition when acquired, and her restoration to full operational effectiveness would have required extensive reconstruction. This dismantling operation apparently is following the pattern used in disposing of the battleship OKTYABRSKAYA REVOLUTSIYA in 1957. It is also possible, however that ADMIRAL MAKAROV will be expended as a target. It appears that the KIROV has replaced the ADMIRAL MAKAROV as the Baltic Fleet stationary training cruiser.

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Soviet Trawler Fouls Transatlantic Cable 1381 (CONFIDENTIAL)

4. According to cable company officials, the master of the Soviet ship KADIEVKA sent a message on 25 July stating that a ship had fouled a submarine cable off the Newfoundland Grand Banks and requesting assistance in clearing. Company records showed that it was an abandoned French cable, and permission to cut it was given.

COMMENT: The action by this ship contrasts with that taken in February 1959, when transatlantic cables in this area were cut five times and there was strong evidence that a Soviet trawler was responsible. This incident could indicate reluctance on the part of the Soviets to create situations which would again focus attention on Soviet activities in the North Atlantic. It may also indicate a reluctance on the part of the trawler captain to disobey possible Soviet instructions forbidding the cutting of cables without proper authority.

While KADIEVKA is known to be a cargo vessel, it may be presumed that she was acting as radio link for a smaller Russian trawler, which had fouled the cable.

Three Soviet Destroyers
Converted to Auxiliaries 1383

5. Three Soviet Pacific Fleet destroyers, one OTLICHNYY Class and two GORDYY Class, were sighted in early April in the Sea of Japan. The main batteries had been removed, and the ships carried auxiliary pendant numbers prefixed by the letters TSL.

COMMENT: The auxiliary pendant prefix TSL is believed to be the designation for Soviet target ships. This is the first evidence that the Soviets are relegating their obsolescent destroyers to a non-combatant role. It is another strong indication the Soviets are now engaged in a program of qualitative improvement of their fleet, retiring older combatant units from active status as newly completed ships fitted with modern weapons are commissioned.

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Transfer of F - Class Submarines 1386

6. On 3 September a submarine identified as an F class having the numbers "700" painted on the conning tower was seen leaving the Skagerrak. On 1 September this submarine had been seen moving northward in the Kattegat.

COMMENT: From the description given with the 1 September sighting this vessel was undoubtedly an F-class submarine. This is possibly the second of the nine F's launched to date to have left the Baltic. The first was not observed departing. However she was missed from her usual position in Leningrad at a time coincident with the disappearance of a submarine transporter-dock from the same area. Subsequent investigation has failed to show this F in Leningrad, and it may be assumed that she was transferred to the Northern Fleet via the Stalin canal.

It is considered that the current movement of number "700" will be a transfer to the Northern Fleet, bringing their complement of F - class submarines to two. Although the Northern Fleet is a far more logical deployment for F's than is the Baltic, it is noted that of the 18 Z class submarines launched, 2 were retained in the Baltic, presumably for training purposes.

DONBASS-class Merchant Ships 1374

7. Excellent photographs received lately of the DONBASS vessels considered in conjunction with communications evidence and their present location in Petropavlovsk, virtually confirms the earlier EIWG assessment of these ships as missile tracking vessels.

SOUTH EAST ASIA

"W" Class Submarines for Indonesia 1378

8. Two "W" Class submarines, pendant numbers 1 and 2, in company with a tanker, were sighted in the Tsushima Straits on 9 August 1959 proceeding in a south-westerly direction.

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COMMENT: It is believed that these two vessels have now arrived in Djakarta from the Soviet Pacific Fleet, thus completing the delivery of all the naval craft purchased under the arms agreement between Indonesia and Poland. This agreement provided for the sale of 4 Skoryy-class destroyers, two long-range submarines and 8 submarine chasers to Indonesia at a cost of approximately \$57 million.

DNI comments that there is no evidence to suggest that the Indonesian Naval Forces have sufficient trained personnel to operate submarines unassisted. It is believed that a large proportion of Soviet personnel will be retained for training and operational direction. This will provide the USSR with a submarine potential in the Indian Ocean which they have not hitherto possessed.

TOP SECRET

W A R N I N G

This issue of the Joint Intelligence
Summary contains the following parts:

Main Section - at SECRET level
Annex I - at TOP SECRET level
Annex II - at SECRET level but
CANADA-UK EYES ONLY

This cover sheet may be removed when
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SOVIET UNION

Soviet Aircraft COOKER / 366

1. According to Marshal RUDENKO the COOKER (Tu-110) development programme is to be stopped as the aircraft is proving too uneconomical to fly.

It has been estimated that COOKER would not progress beyond the prototype stage. It was noticeable that COOKER was not given a "FLEET NAME" in the same manner as CAT, COOT and CLEAT, in spite of the fact that COOKER was displayed with these aircraft. Also the further development of CAMEL (Tu-104) from the "A" to "B" version utilizing COOKER's fuselage suggested that COOKER was not progressing satisfactorily. The decision meant that the Soviets had to revert to a twin engine aircraft instead of carrying on with the four-engined COOKER. Such a decision can only affect the safety factor of the aircraft in flight adversely.

DONBASS-class Merchant Ships / 363

2. Extensive modifications have recently been completed in four DONBASS-class merchant vessels at Leningrad. The SIBIRY, SOUSYAN and the CHUKOTA received a "full" modification, whereas the fourth vessel, the SAKHALIN, has only received modification to give an early warning capability. These vessels are now in Northern Fleet waters.

The modifications have been more clearly defined in later photos and therefore alter to some extent the descriptions contained in Reference (a). Pending further photographic interpretation, a revised description of observed installations follows. (forward to aft)

- (a) A structure (possibly of cruiform plan) mounted on top of a hangar like deck house. The deck house appears to be about 11 ft. high and 20 ft. long.

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- (b) At a slightly higher level, a stabilized radar-equipped director incorporating a parabolic antenna nicknamed FIRE WHEEL. This is probably an S-Band fire-control radar and has not previously been seen mounted on a ship.
- (c) At a still higher level, aft of (2) above, is a large stabilized director surmounted by an antenna-like structure of unusual configuration. On the forward face of this director are what might be two hatch covers, and on the visible side of the director is a protuberance similar to the standard rangefinder housing.
- (d) The forward goal posts carry a Neptune navigational radar in addition to a VHF dipole (possibly an IFF transponder - HIGH POLE), and two trainable metric-type antennas, one at either extremity of the goal posts.
- (e) The after goal posts carry a BIG NET antenna, in addition to various communication dipoles etc. which do not appear clearly in the photograph.

COMMENT: The installations might have the following function:-

- (a) The structure and the deck house probably contain instrumentation.
- (b) This radar director provides either a tracking or a tracking-and-guidance facility, for missiles. The large size of the antenna (nine feet in diameter) compared with the smaller and more common X-band naval fire-control antennas, suggests an unusual requirement - probably for tracking at a greater range than normal.
- (c) The reason for stabilizing the upper director is not obvious. It may be that the antenna-like structure thereon requires stabilizing, although it's function is at present unknown. It is more probable that some precision tracking instrumentation (e.g. optical or infra-red trackers or cine-theodolites) are housed

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within the director and are exposed for action by lowering the front hatch covers and/or by using the normal rangefinder mounting. Such a facility would be particularly useful for reentry observations of ballistic missiles.

- (d) The two antennas on the forward goal posts are probably for the reception of telemetry signals, the use of two arrays allowing full 360° coverage in azimuth.
- (d) BIG NET is used for early warning and/or distant radar tracking in conjunction with, or as an alternative to, the precision tracking facilities.

CONCLUSIONS

The DONBASS class merchant vessel may:-

- (a) provide a monitoring platform for the extension of present missile test ranges. This is considered the most probable function of vessels;
- (b) provide a monitoring platform for the testing of naval-launched missiles;
- (c) be an experimental platform for naval-launched short or medium range missiles, although no launcher has yet been observed.

Soviet Seven Year Plan for Commercial Timber Production

1359

(RESTRICTED)

3. The goal for State production of commercial timber in 1965 is 275-280 million cubic metres, an increase of about 24 per cent over the 1958 production of 224 million cubic metres. Current Soviet production is almost equal to that of the U.S., while the planned increase 1958 to 1965 is about two-thirds of Canada's annual production in recent years. The 1965 Soviet goal is much more realistic than those of the Fifth and Sixth Five Year Plans, which were substantially underfulfilled, and will likely be met. The output of sawn lumber is scheduled to rise at a somewhat faster rate (37 per cent over the seven-year period). However, judging from past performance, some difficulty may be encountered in attaining this objective.

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It can be inferred that almost all of the increase in the output of forest products scheduled under the Seven-Year Plan is intended for home consumption. The projected rate of growth for all commercial timber is only about one-third the rate envisaged for total industrial output, and even the more ambitious rate of growth for sawn lumber is only about half the rate at which construction is to increase. Much higher growth rates have been set for the output of pulp and paper products, but even if the goals are fulfilled the USSR will still lag far behind the West in the consumption of these commodities in 1965. Pulp and paper products will undoubtedly remain in even tighter supply than sawn lumber.

Exports of forest products by the Soviet Union have risen substantially since 1953, but have still not regained the peak levels of the early 1930's or of the immediate prerevolutionary period. Since World War II, moreover, the USSR has developed a sizeable import of forest products, equivalent in value to about half of its current exports in this category. About half of the imports consist of pulp and paper products, in contrast to the exports which are almost wholly sawn lumber and other softwood timber. Sawn lumber exports have now reached a level equal to about 70-75 per cent of the peak sales during the 1930-1935 period, but crude timber is still being exported at only about one-third the rate of the early 1930's. Soviet sawn lumber exports are currently equivalent to about one-third those of Canada.

Domestic consumption appears readily capable of absorbing all or almost all, of the increased output of forest products envisaged under the Seven-Year Plan. However, if the current drive to expand trade relations with the West and to step up the import of capital equipment continues, the USSR will be forced to seek increased sales of traditional export products in order to earn foreign exchange. It is believed that the USSR will be prepared to make some sacrifice in the domestic consumption of timber in order to expand foreign sales. Although timber exports are not likely to have increased as rapidly by 1965 as the export of some other commodities, such as petroleum, by the end of the Seven-Year Plan they may have reached the level attained in the early 1930's.

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EUROPE

Surface-to-Air Missiles in East Germany 1368

4. A series of air photographs have been taken of two unusual AA sites in East Germany. One is located at GLAU, the other at JUTERBOG. The photo interpretation reports indicate that they are not conventional AA sites and have been built to house a surface-to-air missile unit. A third site may exist at HALLE but it has not yet been photographed.

COMMENT: The site at GLAU, which still appears to be under construction, consists of six launching systems, each in a circular emplacement with an opening of 35 ft. The six sites are elliptical in shape and have a radar surveillance system in the approximate centre. The launching emplacements appear identical, each measuring approximately 40 ft in diameter and surrounded by a revetment wall 5 ft high and an embankment up to 20 ft in height. A concrete circular pad 24 ft in diameter forms a base for the launcher. There is an unmade road which seems to circle the site, going from one emplacement to another and the photo shows lines which may be either rail tracks or simply ruts in the road way.

A new type radar with undetermined performance characteristics but probably combining an acquisition and control function is located at the centre of each site.

The launcher is of solid construction but could probably be moved if necessary, although no wheels or other method of transportation can be seen. Possible firing pads can be seen at the rear of three of the launchers, although they do not appear strong enough for this purpose.

The site at JUTERBOG is generally similar in layout to the one at GLAU. However the type or performance of the actual Surface Air Missile is not known.

Two AA Divisions are located near GLAU and it is possible that a completely new AA formation is also located at GLAU. An unconfirmed report indicated that a Soviet AA unit moved into the barracks and buildings 1 km West of Glau in March 1959.

However there are no known AA units at JUTERBOG which is approximately 40 miles SW of GLAU.

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GSFG Training to 14 August 1959 1370

5. During the week ending 14 August no major exercises have been reported, but the rotation of tank and artillery firing details has continued normally. Units from line divisions are making extensive use of the major training areas, and local areas have continued to be used for lower level training.

Engineer training in Elbe North and Elbe South training areas has continued, and there is some evidence that river crossing training has been carried out on the river Elbe near Wittenberge.

COMMENT: Training activity is normal for the time of the year. At this stage of the training cycle formations should be completing preparations for the second of their biennial efficiency inspections by teams from the Ministry of Defence. The extensive use of major training areas no doubt represents activity in this direction.

MIDDLE EAST

Syrian Agricultural Crisis 1352

(CONFIDENTIAL)

6. For the second successive year, as a result of severe droughts Syria is faced with a small cereal harvest and will have to import large quantities of wheat and barley this autumn. This is particularly serious since this country depends to a large extent upon cereal exports for the foreign exchange required to finance its ambitious development plans. An economic crisis might further bring about severe repercussions in Syria-Egyptian relations which have never been fully satisfactory since the establishment of the UAR.

Since 1952, the Syrian wheat crop had been averaging about 850,000 tons, and the barley crop about 450,000 tons. This left a surplus for export in most years, since Syrian internal consumption is about 750,000 tons and 150,000 tons respectively. A bumper year in 1957, when 1,350,000 tons of wheat and 720,000 tons of barley were harvested, helped to alleviate the situation in 1958 when the yield fell to 560,000 tons and 175,000 tons respectively. This year however, there is no carry-over and there are reports that the current crop is only about 400,000 tons of wheat (the official figure is 600,000 tons) and 100,000 tons of barley.

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Thus large-scale imports will be required in both commodities. It is too early as yet to make any significant estimate of the coming cotton crop, the other major foreign exchange earner, but it certainly will not be sufficiently large to make up for cereal export shortages.

Apart from the immediate results in foreign exchange shortages and a trade deficit even larger than last year's there are liable to be other factors involved producing wider repercussions. Agrarian reform has been running into difficulties, Syrian commercial interests are dissatisfied, and many of Syria's economic troubles are being locally blamed, rightly or wrongly, on Egyptian-dominated UAR policies, although these policies have not reflected themselves as yet in many concrete economic measures. In any event, it appears that the next few months are going to be increasingly difficult ones for Syria, economically and possibly also politically.

Israel and the Suez Canal 1357

(RESTRICTED)

7. The problem of the passage of Israeli trade through the Suez Canal is likely to continue for some months at least, despite reports of conditions under which Egypt would relax some of her restrictions.

The Egyptian obstruction of Israeli trade through the canal is only one aspect of the Arab boycott of Israel and of companies trading with Israel. Technically, as far as Egypt is concerned, the two countries are still at war.

From 1956 until recently the Egyptians, whether intentionally or not, have been allowing ships carrying Israeli cargo through the canal, while the Israelis have used chartered vessels for their trade with the east and have not forced the issue by sending through an Israeli ship. Until early in 1958, 27 ships carrying Israeli goods made the passage. Then in February and March 1959 two vessels were stopped and their cargo impounded, and on 21 May the Israeli-chartered Danish freighter Ing Toft was detained and later placed in custody when its captain refused to unload his cargo. In subsequent talks with U.N. Secretary-General Dag Hammarskjöld, President Nasser is reported to have stated that although it does not affect the UAR's policy of prohibiting overt use of the canal to Israel, that if Israeli trade was in effect to transit the canal:

- (a) Israeli exports through the canal should be f.o.b. cargoes, i.e. legally owned by a non-Israeli purchaser;

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- (b) Israeli imports going through the canal must be c.i.f. cargoes, i.e. legally owned by non-Israeli suppliers;
- (c) There must be an absence of publicity about the passage of goods to and from Israel through the canal.

The Israelis are critical of these proposals on the grounds that such trade arrangements would be difficult to make since shipping lines to the east do not call at Haifa owing to the Arab boycott, and since in the Israeli view Cairo could at any time cite supposed infringements of the publicity requirements as a pretext for arbitrarily detaining Israeli cargoes.

Despite such misgivings the Israelis are anxious to expand their present small trade to the south and east. In their position of local political and economic isolation, they are interested in finding new friends and trading partners in the Afro-Asian Bloc beyond Suez. In 1958, trade with this area including South Africa and Australia amounted to \$8.9 million worth of exports (6.5% of total value of exports) and \$15.7 million worth of imports (3.6% of total value of imports). All of this might have been economically shipped through the canal.

An alternate outlet for eastern trade is the rapidly-developing port of Eilat on the Gulf of Aqaba. It is estimated that during 1959 some 120,000 tons of dry goods will be handled by this port, but that current improvements to the installations will enable some 250,000 tons to be handled during 1960. (These figures are exclusive of oil, which by March 1961 should be passing through a 16" pipeline to the refineries at Haifa at a rate of 2.9 million tons a year with plans for an increase to 5.8 million tons.) However, Eilat requires overland movement of goods to the population centres in the north and is vulnerable, if UNEF were withdrawn, to obstruction of the Straits of Tiran by the Egyptians who thus could control both Israeli outlets to the east. A modus vivendi with Egypt over canal transit would not necessarily have any bearing on access to Eilat.

There is speculation that Israel might use Cyprus as a trans-shipment point for its eastern trade thus avoiding some of the cargo ownership and boycott difficulties and getting more carried by regular shipping lines to the east. There is no evidence that any action has been taken in this respect, however.

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In the short run, the coming election in Israel will tend to prevent an early Israeli acquiescence to Egyptian terms for fear that the government could be charged with showing weakness on the question of Israel's legal rights to free passages through the canal.

The Egyptians on their side are running into criticism from various sources, but their primary interest is in maintaining their Arab reputation as an enemy of Israel. Any Iraqi or Jordanian charges that Egypt was getting soft with Israel might cause the Egyptians to withdraw their terms. In addition, the Afro-Asian Bloc does not feel strongly about Israel's rights in the canal and any Western pressure on Egypt might be viewed as more evidence of imperialist interference. For this reason we doubt the truth of a report that the largely Western-financed World Bank is putting pressure on the Egyptians to change their policy on the canal before they will be granted a loan for its development. Whether or not the Bank attempts to apply pressure in this way, it is highly unlikely that Egypt will ease its present terms in view of its sensitiveness about conditional foreign aid and in view of the present state of intra-Arab rivalry.

It appears, therefore, that no solution to the problem will be found in the immediate future.

SOUTH ASIA

Sino-Indian Relations 1353

(CONFIDENTIAL)

8. The Indian Government's mounting irritation with the Communist Chinese was made publicly apparent for the first time on August 28 when Mr. Nehru reported some Chinese incursions into remote areas along the Indo-Tibetan border and promised that the army would defend the northern border. Nehru refused to accept these minor incidents as the precursor to anything more serious and cautioned against being alarmist. He said if it were merely a question of settling the undemarcated border by a mile or so India would be prepared to discuss it, but not if it came to large areas. He explained that the earlier intrusions had taken place in a virtually uninhabited area of Ladakh in Kashmir, and that two incidents in August had occurred a thousand miles to the east in the North-East Frontier Agency near Bhutan. In both the latter, some two or three hundred Chinese physically pushed back the small Indian pickets several miles, and in the August 25th incident shots were exchanged and the action apparently

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is still continuing. Responsibility for border protection has now been transferred from a para-military police force to the Indian defence department.

Previously the Indians had been annoyed by recent Chinese restrictions on activities of Indian traders in Tibet and by Chinese refusal to allow registration as Indian nationals of certain individuals who have lived in Tibet for some time but two came originally from Indian Ladakh. There have also been repeated complaints that China has failed to respond to Indian protests against maps circulated by the Chinese Government which incorporated in Tibet some Indian territory. The Indian press has also carried unconfirmed reports of Chinese subversive activities within and troop concentrations outside the princely states of Bhutan and Sikkim, as well as a promise by a Chinese official in Tibet to liberate these states which "form a united family with Tibet". Sikkim has always been closely controlled by New Delhi but traditionally the Bhutanese have opposed outside interference except insofar as treaty obligations provide for them to accept Indian guidance of their external affairs. In the face of the Chinese threat, however, the Bhutanese Prime Minister has appealed for Indian help and Mr. Nehru has promised to defend Bhutan and Sikkim. In practice this would be difficult because of the absence of roads and airfields in Bhutan.

The Canadian High Commissioner in New Delhi speculates that by airing his problems at this time Mr. Nehru may hope to bring public pressure on China to negotiate a firm border agreement. Mr. Nehru may be worried because the northern border agreement were signed between the U.K. and a semi-autonomous part of the old Chinese Empire, but were never sanctioned in Peking. In addition, the inhabitants of the disputed areas are largely of Mongolian race.

There seems no prospect of any radical shift in India's traditional policy of non-alignment, but it seems evident that the Indians have now come to a more realistic assessment of where the principal threat to their country lies.

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FAR EAST

Reduction of Chinese Production Targets 1361

9. The Chinese made public on August 26 a resolution approved by the Chinese Communist Party at the Eighth Plenary Session of the Eighth Central Committee held secretly at Lushan, Kiangsi Province, from August 2 to 16. After showing satisfaction over the progress made during 1958 and the first half of this year, the resolution announced unexpectedly new and lower targets for 1959 in grain, cotton, coal and steel production based on a reexamination of the actual output of last year.

It had been felt strongly by Western Intelligence Agencies that the 1958 figures for grain and cotton output were much inflated, as a study of the yield-raising means employed last year failed to justify the grain output of 375 million tons and the 3.35 million tons (later revised to 3.32) for cotton. Western estimates assessed a maximum production of 220 million tons for grain and 2.5 million tons for cotton. The revised figures just disclosed in the resolution came closer to this assessment than the claimed figures. Indeed, it is now revealed that grain production was 250 million tons while the cotton production was only 2.1 million tons. The resolution attributes the reduced figures to lack of experience in assessing and calculating the output of such an unprecedented bumper harvest, over assessment by the agricultural statistical organs, and finally the inadequacy of labour forces allocated for the bumper autumn harvest, with the result that reaping, threshing, and storing were all done in a somewhat hurried manner. Briefly, this means a low level of statistical ability and bad planning.

The new targets for 1959 are 275 million tons for grain and 2.31 million tons for cotton, an increase of 10 percent over the revised figure and far less than the 525 and 5 million tons contemplated. It is surprising that the resolution did not capitalize more on the natural calamities that plagued agriculture this year, since even though it is impossible to assess exactly the losses on this year's harvest, it is apparent that they are far from negligible.

The case for coal and steel is different. Unlike the grain and cotton figures that were discarded, it was the quality of the coal and steel production of last year that was questioned. While the actual output of 270 million tons of coal remains unchanged, the target for 1959 is reduced from 380 to 335 million tons, which might suggest that increasing difficulties are being encountered in the coal industry. In the case of steel the resolution admitted that production by local and primitive methods

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so much emphasized last year was a partial failure since the 3.08 million tons thus produced, out of a total steel production of 11.08 million tons, were only suitable for the low-grade requirements of rural areas. The resolution suggests that the production of steel by "backyard methods" this year be decided upon by the local authorities themselves and not be included in the state plan. 1958 steel output now is said to be 8 million tons while the target for 1959 is down from 18 to 12 million tons.

After the passage about these important plan reductions, the resolution becomes more optimistic when it states that after realising this year's plan for continued leap forward China will have fulfilled or nearly fulfilled, three years ahead of schedule, the targets envisaged in the second five-year plan for many products and will catch up with Britain in the output of major industrial products within 15 years.

It is not unusual for the Chinese to modify their economic plans to suit changing conditions, but the size of the present reductions underlines the ability of the Chinese communist to face unpleasant facts and take steps to rectify mistakes without risking the stability of the regime.

001359

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ANNEX I to
JIC SUMMARY NO. 336
dated 4 Sep 59

Order of Battle - Glau Missile Site 13 71

1. Intelligence has indicated that the Soviet Army artillery division manning the Glau site was probably the 2 AA Division. Information has now been received which confirms this identification.

COMMENT: 2 AA Division is under the direct control of Headquarters, Group of Soviet Forces, Germany. In common with other anti-aircraft divisions it formerly consisted of two heavy anti-aircraft regiments and two light anti-aircraft regiments, each regiment having four troops of six guns each.

In the Spring of this year the War Office suggested that anti-aircraft divisions were being re-organized as brigades each with twelve batteries of six guns. Although, in default of further information, their speculation has yet to mature, they have affirmed that a basic re-organization has been put into effect.

From available evidence the GLAU and JUTERBOG artillery units or sub-units appear to be organised as follows:-

Six launchers, wheel mounted.

Two radar equipments carried on trailers.

Nine vehicles (containing electrical generators, and possibly computers and maintenance equipment, may draw the trailers and launchers).

These holdings point to a typical six-piece organization which fits into the sub-unit pattern suggested by the War Office. It is however very doubtful whether the responsibility for seventy-two launchers would be vested in a brigade commander as the responsibility for the command and control of such equipments can hardly be equated on a one-for-one basis with normal anti-aircraft weapons.

It is therefore reasonable to suppose that half the holdings of normal weapons would provide an adequate number of launchers to give similar responsibility for command and control. On this basis a possible organization is a brigade of two batteries each containing three troops of six weapons.

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In relation to current information it is therefore possible that a battery has control of the launchers in the Glau - Juterbog - Malterhausen area with a troop responsible for each location.

Similarly it is also for consideration whether the second battery runs the launching sites which have been reported in the Halle region. Some support to this possibility is provided by the existence of an unidentified anti-aircraft artillery formation at Merseburg, nine miles South of Halle, which has yet to be given a definite sub-ordination.

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(CANADA-UK EYES ONLY)

ANNEX II to
JIC SUMMARY NO. 336
dated 4 Sep 59

GLAU Anti-Aircraft Site 1372

1. Further (CDN) interpretation of photographic cover of the GLAU JUTERBOG AA (SAM) Sites has revealed the layout of the perimeter fences and the barrack bloc into which an unidentified Soviet AA unit moved in March 59.

Two radars are also revealed, a "SPOON REST" type being located between the inner and outer fences, and another as yet unidentified type of radar in the center of the site. The unidentified radar has been nicknamed "FRUIT-SET" by the UK. (A technical brief on these radars is being prepared by EWIG and will be presented at a later date).

The vehicles clustered in the center of the site are most likely ZIS 151, and the presence of these vehicles indicates that a certain degree of mobility is intended for the organization, possibly similar to that of a heavy AA battery.

The launching pads are estimated to be 24 feet in diameter and the inside diameter of the pit 40 feet. The pit wall is 5 feet high.

So far there are no reports of any missiles at the GLAU site. It is therefore still open to conjecture exactly what type missile the AA unit is to be equipped with.

A US report (US-UK-CDN eyes only) states:

"Radars of the type used with Soviet mobile surface-to-air guided missiles were identified recently in aerial photography taken over Juterbog. The equipment observed included a SPOON REST radar and a large unidentified radar similar to one seen earlier at the Soviet surface-to-air missile site near Glau. Large camouflage nets, which had covered the Juterbog site during the period of its construction, have now been removed."

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"This recent photography corroborates earlier indications of a Soviet surface-to-air missile site at Juterbog. The radar installation indicates that this site will be of the same type as the one previously identified at Glau. Juterbog is located approximately 18 miles south of Glau, along the east side of the southern Allied Corridor."

The development of the GLAU and JUTERBOG sites appears to be progressing at a leisurely rate. The quality of the camouflage suggests that no serious attempt has been made to hide the installation.

It is possible that the AA units manning the sites are only at "training" or conversion stage and it may be some time before they reach an operational standard.

There has been no further information on the site at HALLE which is possibly the same as GLAU and there is slight evidence that there may be another site at MALTERHAUSEN NW of JUTERBOG.

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W A R N I N G

This issue of the Joint Intelligence

Summary contains the following parts:

Main Section - at SECRET level

Annex I - at TOP SECRET level
but CANADIAN EYES ONLY

This cover sheet may be removed when the
Annex is detached.

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21 Aug 59

JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

Soviet Harvest Outlook

1330

(CONFIDENTIAL)

1. Soviet statements concerning the current grain harvest indicate that an average crop is the best that can be expected. The harvesting began earlier than last year, reflecting the hot and relatively dry growing season, and yields evidently are lighter.

Spring sowing began earlier than usual due to the dry condition of the soil following below normal precipitation during the preceeding winter. Rainfall during April and May was light, but moisture conditions may have improved.

The paucity of information released officially thus far indicates that yields have been disappointing. Whereas in 1958 yields of 45 to 52 bushels per acre were claimed, this year yields of 37 to 45 bushels per acre is all that is being claimed. Last year statements were made to the effect that "there has never been a harvest to equal that of 1958"; this year, in contrast, it is claimed only that "it is a good harvest".

If favourable harvesting weather is experienced, the 1959 grain crop will likely amount to about 100 million tons, or somewhat equivalent to that of 1955. In 1956 and 1958, the harvest was the best in Soviet history, amounting by official claim, to 125 million tons and 140 million tons respectively.

If only 100 million tons or thereabouts are harvested, the Government's purchases may amount to little more than enough for internal use, or some 40 million tons. Whereas 73 per cent of the 57 million tons of grain delivered to the Government in 1958 was wheat, the proportion is likely to be smaller this year.

EUROPE

1331

Training in GSFG to 4 Aug 59

2. Training activity in the Group of Soviet Forces, Germany has remained generally at battalion level and, since the imposition of the Restricted Area from 21 to 25 July, no major exercises have been held.

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The activity in the Restricted Area, whilst being mainly of a command post exercise nature, included some units exercising on the ground. Headquarters, Group of Soviet Forces, Germany controlled the exercise and Headquarters, 24 Air Army was also probably involved. The exercise which followed a pattern similar to that of previous exercises does not appear to have extended North of the Helmstedt - Frankfurt am Oder autobahn.

COMMENT: Training remains at a level normal for the time of the year.

This item confirms previous conclusions that the recent restriction was basically the occasion of a command post exercise. The introduction of troops on the ground into the exercise however, indicates that this year's series of command post exercises is now being "married up" with actual field training. This probably represents an unusually careful preparation of all echelons of command for large-scale manoeuvres later in the year and may reflect Marshal Zakharov's known preoccupation with meticulous staff work and command procedures.

At the same time the preponderance of signal exercises which have been conducted this year points to a higher degree of communications readiness in the Group of Soviet Forces, Germany than has been the case at the same time in previous years.

Political Aspects of French Nuclear Tests 1332

(CONFIDENTIAL)

3. The French nuclear tests which are scheduled to take place in the Sahara probably early in 1960 may have important effects in a wide range of fields, including the defence policies not only of France but also of NATO and the Soviet bloc, the political development and alignment of the emerging African states and the progress or lack of progress towards disarmament. For France itself, however, it seems clear that the most important implications of the forthcoming tests are political.

France, and more specifically General de Gaulle, is determined to restore the French "grandeur" of the past. Without this grandeur, the General has said, France cannot be France. His whole thinking is predicated on the assumption that France has a mission at the very least to share in the direction of world affairs, and he sees his personal task to be to ensure that the world recognizes and accepts this French mission. Seen in this context, the French atomic bomb is not simply a means of improving France's defensive capacity: it is rather an integral part of France's determination to regain a place among the first-class powers. Indeed, it is a symbol of this rank, a symbol of membership in what has been called the "atomic club" which has been limited heretofore to the United States, the Soviet Union and the United Kingdom.

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A subsidiary but nevertheless concrete political aspect of the tests is the demonstration which the French hope they will afford of France's sovereignty in the Sahara. As the vast energy resources of the Sahara are beginning to be exploited, it is essential from the French point of view that it be made quite clear that this area is inalienably French territory. This does not mean simply that the Sahara is an extension of Algeria. It must be recognized as a separate territorial entity belonging to France.

That the French decision to conduct these nuclear tests, and, moreover, to conduct them in the Sahara, was not casually taken is indicated by the fact that at the meeting of the Executive Council of the French Community in Tananarive, Madagascar, General de Gaulle obtained the approval of the French Community as a whole for them. France was thus provided in advance with a very powerful counter-argument to the protests against the tests which have been lodged by other non-French African states such as Ghana, Morocco and Liberia. Moreover, in associating the members of the Community with France in the tests, the General has associated them also in the drive to regain French grandeur of which the tests are a symbol.

Recruitment of Officer Candidates
in the Polish Army

1333

(CONFIDENTIAL)

4. A comprehensive article in the Polish Army publication, *Zolnierz Wolnosci*, indicates that the Poles are having considerable difficulty in recruiting officer candidates.

The article discusses the extensive measures that have been taken during the past year to excite interest among youths in Party organizations, schools, Scouts Union, Aeroclubs and other youth organizations, as well as in military units. It portrays the establishment of recruitment supervising bodies throughout Military Districts and of similar coordinating units among the civilian elements of voivodships, and counties. On the whole, a quite massive attack on the problem appears to have been organized and the paper demands still more energetic action in the future.

Recruitment activity (or lack of it) by troop officers among the conscripts is singled out for particular criticism, and the problem of finding qualified personnel among the ranks is discussed.

COMMENT: Indifference, if not outright lack of interest, towards a military career seems to be the Pole's problem with the youth of the country. This in turn undoubtedly relates to the larger question of civilian as well as military morale. Both were believed to have been somewhat improved through concessions that followed the events of 1956. Also, the army has advanced in professionalism and

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the status of the officer corps, as well as its standard of living in the communist society, would appear to offer attractive career inducements.

Seen in this light, the magnitude of the recruitment problem, as revealed by the press article, is interesting and significant.

SCANDINAVIA

Finland to Purchase Token Quantities
of Soviet Military Equipment

1334

5. Current information indicates that during May 1959 Finland concluded negotiations to purchase a limited quantity of Soviet military equipment including 14 T-54 medium tanks, 1 Il-28 jet light bomber (BEAGLE), 1000 rounds of 105 mm ammunition, and 48 diesel engines. The engines are for installation in light naval craft, while the Il-28 is to be used for towing targets for Finland's jet fighter aircraft. The total cost of the military equipment being purchased is about \$2.5 million.

COMMENT: This is the first time that Finland is known to have purchased military equipment from the Soviet Union, although the USSR has offered Finland arms on several occasions in the past. Finland has for some time enjoyed a favourable balance in its trade with the USSR. Soviet pressure on Finland to increase its import of Soviet goods was greatly intensified during the autumn of 1958 and led to the fall of the Finnish Government at the end of the year. Two high ranking Finnish officers in charge of procurement for the Finnish Defence Forces participated in the Finnish-Soviet trade negotiations in Moscow during March 1959, leading to speculation that Finland might seek to correct its trade imbalance by importing defence items. The small purchases now being contracted for represent more of a token gesture than the initiation of a programme to re-equip the Finnish Defence Forces with Soviet-type military equipment.

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AFRICA

Rumours of Military Assistance Negotiations
Between Ethiopia and the Soviet Bloc

1335

6. It is reported that Emperor Haile Selassie of Ethiopia, in addition to receiving an economic development credit of \$100 million from the USSR, probably discussed the procurement of Bloc military equipment during his recent visits to the Soviet Union and Czechoslovakia.

COMMENT: In the past Ethiopia has received most of her military equipment under the US-Ethiopia Military Assistance Agreement of 1953. However, during the past year Ethiopian officials have expressed some dissatisfaction with the U.S. programme and have described the equipment being received as obsolescent as well as slow in delivery.

During 1958 the Soviet Union and Czechoslovakia offered to provide Ethiopia with jet fighter aircraft and technical assistance in training Ethiopian pilots. These offers were rejected. Acceptance of the Soviet economic credit indicates that Ethiopia is no longer as reluctant to become involved with the Bloc, and suggest that current or future offers of military assistance may receive more serious consideration than in the past.

SOUTH-EAST ASIA

Situation in LAOS

1336

7. On July 29 it was reported that fighting had broken out apparently on or about July 16 between the Communist-aligned Pathet-Lao and Laotian Government forces in the province of Sam Neua in north-eastern Laos. By July 31 the disturbances had spread to the provinces of Phong Saly on the Chinese border and Thakhek which adjoins the northern part of South Vietnam. While the rebel forces gained control of a number of outposts, the provincial capital of Sam Neua although threatened, apparently has remained in Government hands. According to reports the military situation has been quiet during the past few days. Because of the lack of detailed information, it has been difficult to assess the scope of the disturbances although the seriousness of the situation is obvious. It is not clear whether the purpose of the rebels is to attempt to obtain the re-activation of the International Commission, to force political concessions from the Government in order to assist the political position of the Neo Lao Haksat (the political party of

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the Pathet-Lao), to attempt to re-establish Pathet-Lao control over the northern provinces of Sam Neua and Phong Saly which until the political settlement in November, 1957, were under their control or to make a forcible protest about the Western orientation of the Phoui Sanikone Government as exemplified by the recent arrival in Laos of American instructors to assist in the training of the Laotian Army. As the outbreak of fighting appears to have predated the official announcement of the arrival of the American instructors it appears unlikely that this was the immediate cause (as Indian newspapers have claimed) although the fairly obvious pro-Western sympathy of the Phoui Government has probably been a factor.

On receiving reports of the outbreak of fighting, the Laotian Government placed Prince Souphannouvong and eight other Neo Lao Haksat leaders under arrest. The Government claims that North Vietnam is giving active assistance to the rebels and has cited three specific North Vietnamese battalions which it has alleged are in action with the Pathet-Lao, but it has offered little conclusive proof in support of these allegations. It has informed the Secretary-General of the United Nations of the situation but has not appealed for assistance. Apparently no decision has been taken by the Laotian Government on a definite course of action although it has given consideration to a possible request for action by the United Nations, by friendly powers (South Vietnam or Thailand), or by SEATO. The Government appears to be strongly opposed still to reconvening the International Commission although the Canadian Mission to the United Nations reports the Laotians there appear to be thinking that the Commission might in the end be the lesser of evils.

The Western powers generally have favoured some sort of appeal to the United Nations should international action appear necessary. Foreign Minister Lloyd, for the sake of flexibility, has not ruled out the possibility of reconvening of the Commission nor have the Americans dismissed the possibility of action by SEATO. In a letter to Prime Minister Diefenbaker, Prime Minister Nehru in not insisting that the Commission should be reconvened has given evidence of a more flexible attitude than heretofore. In his letter to Prime Minister Macmillan and Foreign Minister Lloyd and in discussions on the official level in New Delhi there has been even greater evidence that the Indians are recognizing the difficulties involved in reconvening the Commission in view of the opposition of the Laotian Government. On the official level, the Indians have suggested to the United Kingdom that some means other than one involving the Commission should be worked out in order to resolve the Laotian crisis. They have suggested that this might be done through the Co-Chairmen as they consider that any arrangement should be linked in some way with the Geneva Agreement.

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LATIN AMERICA

Conference of the American Foreign Ministers 337

8. A conference of Foreign Ministers of the American republics began in Santiago, Chile, on August 12 to examine the situation in the Caribbean region in an attempt to alleviate the tension which has prevailed in that area since early this year. The convening of this conference was a most unusual step. The American Foreign Ministers had met only four times since 1939 and always to consider questions of world-wide importance such as World War II, the Korean War, etc. That, for the first time, they had as their purpose to examine the situation in one particular region of this hemisphere is a clear indication of the importance they attach to current events in the Caribbean.

After much wrangling in the OAS Council in Washington, the agenda of the Conference was finally reduced to two items:

- (a) with an end to maintaining peace in America, consideration of the situation of international in the Caribbean region in its general and multiple aspects in the light of the principles and standards which govern the Inter-American system and the means of assuring the observation by the states of the principles of non-intervention and non-aggression;
- (b) effective exercise of representative democracy and respect for the rights of man.

The Cuban representative on the OAS Council had endeavoured to submit an agenda item linking political instability to the economic under-development of the area. After a heated debate of more than five hours, the Cuban item was rejected by a vote of eight in favour and four opposed with nine abstentions (11 affirmative votes are required for approval of any OAS resolution). For a time, there was some doubt whether the Cubans would send a delegation to the Santiago Conference but they were apparently convinced finally that their proposed resolution was covered adequately by the agreed agenda of the conference.

As many observers had feared, the conference does not appear to have got off to a very good start. On August 13, United States Secretary of State Herter made a rather strong speech before the meeting in which he proposed setting up a sort of temporary "fireman's" committee to study tensions and help answer crisis alarms in the Caribbean region. Herter urged an investigation of propaganda and proposed strengthening the Inter-American Peace Committee so that it could devote more time to examining Caribbean problems.

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Mr. Herter was followed by Raul Roa, the Cuban Foreign Minister, who rejected the idea that any committees should be named to investigate intervention in the area. He suggested that the meeting should take into account what he termed the real problem in Latin America - economic under-development. This session finally broke up in chaos after a heated exchange broke out between Mr. Roa and the Dominican Foreign Minister when Roa denounced the Dominican Republic in his speech.

COMMENT: The Caribbean region has been in a state of turmoil since Fidel Castro came to power in Cuba, on January 1 of this year. He has publicly threatened the dictatorial régimes of the Dominican Republic, Haiti and Nicaragua. Within three months, three countries: Panama, this one, strangely enough, a democracy, Nicaragua and the Dominican Republic, have been invaded by well-equipped but too few and ill-trained "democratic crusaders", mostly Cuban soldiers of fortune. In the first two cases, in the face of speedy and determined action by the Organization of American States, and meeting with no local support, the invaders meekly surrendered after a few skirmishes.

The third invasion, which took place in the Dominican Republic in mid-June, was put down by Government forces within a few days. The Dominican Government denounced the "international character" of this invasion and called upon the Organization of American States to condemn Cuba and Venezuela for the moral encouragement and military equipment given to the invaders. The Cuban and Venezuelan Governments replied that they considered this a purely Dominican affair, beyond the scope of the OAS, and that they would not let the OAS investigate their assumed participation in this invasion. Cuba and Venezuela alleged that, should they be condemned for having sought to overthrow the Dominican Government and having contravened the long-established American principle of non-aggression, then the OAS would be upholding the ruthless dictatorship established by Trujillo in the Dominican Republic, in itself a step which would be contrary to the democratic principles cherished by the Organization.

Under the terms of the Inter-American Treaty of Reciprocal Assistance, the signatories agree that an armed attack against an American state is an attack against all whether the attack comes from without the hemisphere or is an attack by one American state upon another. Because the member states were unable to agree whether the Dominican invasion was an internal affair or international in character, the usefulness of this treaty in dealing with the Dominican complaint was

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eliminated. The OAS Council therefore decided that only the Foreign Ministers could deal adequately with these delicate issues with any hope of stabilizing the Caribbean area.

Before the Conference actually got under way, a new incident took place in Cuba which resulted in a charge by the Cuban Government that the Dominican Republic had organized and supported an air-borne invasion against the Cuban city of Trinidad.

The crux of the dilemma confronting the Santiago Conference appears to be the following: All of the Latin American states are committed by treaty to preserving the principle and practice of non-intervention in each other's affairs. The principle was originally established to prevent the recurrence of the U.S. occupation of unstable American republics which took place on various occasions in the early part of this century. However, numerous Latin American states, and especially Cuba and Venezuela which have recently freed themselves from oppressive dictatorships, are now eager to help overthrow the remaining dictatorships. They appear willing to violate non-intervention in order to hasten the downfall of the weakening dictators. To justify this attitude, they are pressing at the conference for an emphasis on such questions as human rights and economic distress. The basis of their argument against those in favour of non-intervention is that peace and justice are not always compatible.

Our Chargé d'Affaires in Santiago reported on August 14 that a U.S. colleague attending the conference had said that the meeting was proceeding as the United States expected it would; there had been no surprises and the sharp exchange on the previous day between the representatives of Cuba and the Dominican Republic was merely a continuation of what has been happening for some time at OAS Council meetings.

Should the OAS Foreign Ministers' Conference fail in its endeavour, the issue (i.e. peace in the Caribbean) may be referred to the United Nations. The Latin Americans will no doubt try to avoid this at all costs since it would discredit the OAS as an effective regional agency.

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(CANADIAN EYES ONLY)
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ANNEX I
to JIC SUMMARY NO. 335
dated 21 Aug 59

Missile activity in East Germany 1338

1. Air photographs taken on 8 Jul 59 of the Zossen area (just south of Berlin) show four columns of moving vehicles including large missile-like objects. The method of carriage suggests mock-up missiles. The columns included crane and possibly generator trailers.

COMMENT: This is possibly either the deployment of, or some form of missile training by, a missile unit or perhaps a target for air reconnaissance.

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SOVIET UNION AND SATELLITES

Soviet Communist Party Plenum,
June 24-29, 1959

1321

CONFIDENTIAL

1. The Central Committee of the Soviet Communist Party met in Moscow from 24-29 June to discuss the country's economic progress in the light of certain goals mapped out at the 21st Congress. Satisfaction with the rise so far in industrial output is reflected in the published speeches, but concern for the future is also revealed. This concern revolves around such things as the evident reluctance on the part of enterprise management to install new machinery, research that is unrelated to current economic needs, the fact that new building is too slow and costly, and present methods of awarding incentives which encourage "localism" and therefore prejudice the interests of the State.

The shortcomings are to be treated through changes in the organization of economic endeavour; research must be brought closer to industry; existing plant is to be modernized to save new construction; incentives are to be applied so that there will be fewer resources needed for the national economy dissipated locally; and the party must supervise more closely the conduct of Regional Economic Councils, local authorities, enterprises and institutes.

Difficulties are being experienced over investment in the chemical industry and over progress in automation and labour productivity, two fields in which the 21st Party Congress aimed high. If the Seven-Year Plan is to be fulfilled progress in these sectors and indeed throughout the economy will have to be rapid. The general tenor of the debate at the Plenum suggests, however, that the Government feels competent to cope with whatever difficulties may be encountered.

MIDDLE EAST

Rumours of Iraq Acquiring Atomic
Weapons are False

1327

2. During the past two months at least two press reports from Iraq have suggested that the Iraqi Armed Forces have received, or may receive, atomic weapons from the USSR. On 25 June 1959 Colonel Mahwadi, President of the Iraqi Peoples Court, made the statement that the rearming of the Iraqi Army with the most modern weapons, including nuclear weapons, had been

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completed. On 21 July 1959 a Baghdad radio broadcast, reported in the New York Times, stated that during a press conference in Baghdad Soviet Deputy Premier Kuznetsov said that the Soviet government would consider supplying Iraq with atomic weapons should Iraq ask for them.

COMMENT: The Baghdad broadcast offered a distorted version of the statement made by Kuznetsov at a press conference on 21 July 1959 which was also attended by Western reporters. Kuznetsov gave a negative reply when asked if Iraq had been supplied with atomic weapons. He was then asked if the Soviet government would consider supplying Iraq with atomic weapons and answered diplomatically that the Soviet Union would consider such a request, if it was made.

ASTA

1325

Additional Soviet Aid for India

UNCLASSIFIED

3. The USSR has offered India an economic development credit of \$375 million for expenditure during India's Third Five-Year Plan which commences in 1961. Although further negotiations are scheduled in connection with the loan, the offer has been accepted in principle by the Indian government.

COMMENT: This is the largest single credit offered to date by the USSR to any underdeveloped state. Bloc credits accepted by India prior to the loan have totalled \$300-\$350 million, about \$40 million of which was extended by the East European Satellites and the remainder by the USSR.

FAR EAST

China: Locally-designed gunboat

1323

4. A new type of gunboat has been sighted in the Shanghai area, about 100 feet long, mounting 37 mm guns. It corresponds to no known Russian design, and is presumed to be designed and built in China.

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COMMENT: Apart from the Swatow class patrol vessels all the naval vessels built by the Chinese communists so far (W class submarines, Riga class escorts, Kronstadt class coastal escorts and T-43 class fleet minesweepers) have been Russian designs, and may have been assembled in part from Russian-built components. The appearance of this new class indicates that the Chinese shipbuilders can now undertake simple naval designs of their own.

CONFIDENTIAL
CANADIAN EYES ONLY

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W A R N I N G

This issue of the Joint Intelligence

Summary contains the following parts:

Main Section - at SECRET level

Annex I - at CONFIDENTIAL level
but CANADIAN EYES ONLY

This cover sheet may be removed when
the Annex is detached.

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31 July 1959

SECRET

COPY N° 68

ISSUE NO. 333

31 July 59

JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

Soviet Mid-Year Economic Report

CONFIDENTIAL

1. According to a report issued by the Central Statistical Board of the USSR Council of Ministers on the achievements during the first six months of 1959, it is evident that the national economy is going ahead at a rate higher than is required for fulfilment of the Seven-Year Plan.

The statistical report indicates that gross industrial production increased 12 per cent over the first six months of 1958. (The annual rate of increase required to fulfill the Seven-Year Goal for industrial production is 8.6 per cent). It states also that the plan was fulfilled by 105 per cent. (Contrary to the practice of recent years, the plan for 1959 has never been revealed: thus the fact that it was overfulfilled in the first six months provides no information as to the actual state of affairs in the economy).

Output data in hard figures for such basic commodities as pig iron, iron ore, crude and finished steel, coal, oil and gas show rates of increase higher than those required to meet the Seven-Year Plan goals. The output of electric power increased at a rate slightly below the Seven-Year Plan rate. It is too early to conclude that the latter is unrealistic since the switch in emphasis from hydro to thermal plants may have caused difficulties which will be overcome as time goes by. More serious is the omission of data on cement output, indicating that performance in this industry was disappointing.

Despite an anticipated shortage of manpower due to the effects of WWII on the birth rate, the necessary increment to the labour force has evidently been found. It is claimed that the number of workers and employees increased by 1.8 million over the first half of 1958, a rate of increase somewhat greater than that of last year. It is probable that the collective farm sector supplemented the number available through natural increase. Labour productivity increased by 8 per cent compared to 6 per cent in the first half of 1958. In spite of a change in the calculation of this statistic, satisfactory progress in automation and other labour-saving innovations is indicated.

It is claimed that capital investment increased by 10 per cent, which compares with performance in the recent past.

Consumers' welfare shows steady improvement; retail trade increased by 9 per cent and state housing by 13 per cent. The report on agricultural achievements which was more than satisfactory, reflects last year's excellent crops and tells nothing about present performance.

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Although the performance of the economy may have been disappointing with respect to certain sectors, such as in the chemical industry, and probably in the manufacture of electric generators and turbines, the estimate that the Seven-Year Plan goals are feasible, except perhaps for agriculture, is supported by the results claimed during the first half of this year.

Soviet Long Range Submarines 1288

2. Recent sighting reports indicate that the new Soviet "F" Class submarine is fitted with three screws.

In addition DNI Admiralty released an intelligence report on 1 July, 1959, that states "As a result of new evidence it is certain the "Z" Class submarine, of which there are 18, have three screws instead of the two which we previously considered they had".

COMMENT: This brings to three the number of post-war Soviet submarine classes known to be fitted with three screws. They are the "Q", "Z" and "F" Classes. The purpose of the centre line screw is not known, but it might be powered by a "creep" motor for slow, submerged, silent speeds. There has also been speculation that the centre screw has some unconventional propulsion, not nuclear but possibly H.T.P.

Increase in Soviet Fighter Strength in Southern USSR 1290

3. In May 59 more than fifty probable FAGOT/FRESCO were sighted at LUGOVOYE (4258N 7244E) in the TASHKENT Air Defence District.

COMMENT: Forty probable jet fighters were observed at LUGOVOYE in 1955 and this airfield was under development as late as 1957. It is therefore estimated that this is the home base of a new fighter division of two, possibly three, regiments. This increases the estimated total fighter regiments along the Soviet frontier between the CASPIAN Sea and LAKE BALKHASH from 16 to 18 or possibly 19, and considerably improves the air intercept capability in the TASHKENT - ALMA ATA industrial area.

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EUROPE

Lifting of Travel Restrictions
in Slovakia - Note Brief Para 9

1316

4. The restrictions upon Western travel into Slovakia were evidently terminated on or about 8 Jul. As of that date the US and Canadian Military Attachés, Prague, in order to check the extent of restriction, made five crossings of the Vah River at Zilina, Bytea, Ilava, Trencin and Hlohovec. They were undisturbed, found no evidence of significant military activity and no indications of the road or bridge deterioration claimed by the authorities to justify the ban on travel to the area.

COMMENT: A great deal of speculation has been generated by the restriction. Of particular interest is its blanket application to all Western diplomats as well as to their service attachés. The government of Czechoslovakia has at the same time been at great pains to deny the existence of any bans. While this tactic is not unheard of among the Communist states the scope of the present case is somewhat unusual.

The Canadian Military Attaché suggests that the following rumours and possibilities may include the reason for the restriction:

- a. Czechoslovak Army manoeuvre possibly with Soviet, Hungarian and Polish troops;
- b. Civilian uprisings;
- c. Sensitive construction and/or movement of sensitive equipment;
- d. Test case to restrict movement of Western diplomats;
- e. Ruse to worry and influence Western Powers.

He further reports that the general opinion in Prague elects C as perhaps the more likely factor. Pending access to further information it is not possible to determine the actual purpose of the Czech action.

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Restricted Area in Eastern Germany 1318

5. The United States' Mission was notified last week that a large area in the Central and South-Eastern portion of Eastern Germany would be temporarily closed to allied travel from 21 to 25 July. The restriction encompassed the 3 Guards Mechanized Army area and parts of the areas of 1 Guards Tank Army and 3 Shock Army.

COMMENT: The absence of any reports of related troop movements indicates that this restriction was the occasion of an inter-Army command post exercise, possibly controlled by Headquarters, Group of Soviet Forces Germany.

This is the fourth restriction similarly imposed this year and the three previous ones, according to available evidence, were also the occasions of command post exercises. It would therefore appear that the training of commanders, staff officers and headquarters' elements has been intensified this year. The significance of this trend probably lies in the known predilection of Marshal Zakharov for staff training; and the current emphasis on this type of training probably reflects the Commander's particular bent rather than a departure from the general training pattern.

GSFG Training to 13 Jul 59 1314

6. No major exercises have taken place and training appeared generally to be at unit level during the period under review.

The first instance this year of parachute training has been reported. This took place on an airfield near Halle where five men were seen to drop.

COMMENT: The tempo and level of training is normal for the time of the year.

The reported small-scale parachute training may represent refresher training carried out by parachutists serving with non-airborne formations of the Group of Soviet Forces, Germany where no airborne formations are known to exist in the current order of battle.

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Similar training activity has taken place in recent years but it is not clear whether formed bodies of parachute troops are maintained in line divisions to carry out small airborne operations in support of these divisions in war; or whether such training is carried out to maintain the efficiency of trained parachutists who happen to be serving in line divisions.

The Soviet Army conscript system and the reinforcement pattern of the Group of Soviet Forces, Germany militates against the haphazard existence there of trained parachutists in line divisions. On the other hand, although there is no substantive evidence of parachute sub-units being organic to non-airborne formations, they would be of great value in support of the type of operations envisaged for the Group of Soviet Forces, Germany. In particular they would be of great value in support of river-crossing operations and when used as coup de main parties to destroy missile sites and similar installations.

The possibility of Soviet line divisions having their own organic airborne support elements cannot therefore be ignored.

Quarterly Review of Training
in GSFG - 16 Mar - 15 Jun 59

1307

7. During the period under review three large areas of Eastern Germany were placed out of bounds to Allied Missions for periods of about a week each in March, April and June. In each case it appears that a CPX took place.

The only major field exercise reported was one carried out by 32 Motorized Rifle Division in late March. This took the form of an unopposed river-crossing of the river Elbe near to the division's home station.

In May a demonstration of river-crossing equipment and techniques was held in the Letzlinger Heide training area.

COMMENT: The pattern of training throughout has been very like that recorded for the same quarter of 1958, the only significant deviation being in the volume of CPX activity some of which probably had a political rather than a military motive.

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Appearance of 6-round Rocket
Launcher in GSFG

1310

8. A reliable source has reported the presence of at least one 280 mm rocket launcher (6-round) on a Ya AZ-214 chassis in Cottbus barracks.

COMMENT: This is the first reliable report of the presence of this equipment, which was first seen in the Moscow parade of November, 1957, in the Group of Soviet Forces, Germany.

The rocket is a free-flight, surface to surface weapon with an estimated maximum range of 25,000 yards and a total weight of approximately 1,000 lbs of which it is estimated that about 400 yards is the warhead.

Although there is no evidence that the warhead may be nuclear, the range, size and relative accuracy of the weapon give it a theoretical nuclear capability.

Czechoslovaks Bar Western Officials
Travel to Eastern Slovakia - Note Brief Para 4

1312
CONFIDENTIAL

9. Czechoslovak authorities have prevented travel by United States, British and Canadian officials to those areas of Slovakia east of the Vah River on at least three occasions since 24 June.

During an automobile camping trip on 23-24 June, the British and Canadian Air Attachés were turned back on five different occasions by civil police while attempting to cross the Vah between Cadca and Trencin in order to reach Zilina. The police stated that the roads were unsuitable for their automobile, but other traffic was allowed to proceed. On 27 June, the First Secretary of the British Embassy in Prague was successively turned back at the Vah at Bytca, in the north, Trencin, Piestahy, Hlohovec, Sered, and Sala, where he finally abandoned his efforts. Although the pretext most generally given was bad road or bridge conditions, on one occasion the First Secretary was told that only Soviet and Czech traffic was being allowed to pass, and civilian traffic was moving normally across the river. In both instances, surveillance was "fairly close" to "constant and heavy," and there were more police than usual in the villages in the area.

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On 27 June the United States First Secretary and his family attended a folk festival in Straznice and on 28 June attempted to cross the Vah at Nove Mesto for an excursion into Slovakia. They were stopped by security police who checked the car's license against a paper list, and, when it was determined that the car was American, were told the roads on the other side were hazardous. The United States First Secretary then drove along the west bank of the Vah to Trencin, where he was again stopped at the bridge, but he passed on because other traffic was doing so. One mile out of Trencin on the Zilina road, security police overtook the car and formed a roadblock, accusing the First Secretary of having shown "disrespect for authority" of the policeman on the Trencin bridge. When asked how the ordinary traveler could get to Zilina, the security men merely said the roads to Bratislava and Brno -- in the opposite direction -- were open.

The last Western traveler east of the Vah was the British Military Attaché, who returned from a trip to the eastern tip of Slovakia on 19 June. The United States Embassy in Prague speculates that the reason for the restrictions may be a military exercise in Slovakia, possibly in the Tatras east of Zilina. The Embassy notes that the service attachés were guests of the Czechoslovak Army at Olomouc on 29-30 June and that the Czechoslovak Chief of Staff and the Army had suddenly laid on a series of receptions for the service attachés which were highly unusual and could have been intended to immobilize them from observation trips at this time.

COMMENT: The most likely explanation for the travel restrictions is a military exercise in Slovakia, possibly a combined one. The fact that non-Western civilian traffic was allowed to proceed suggests that, although Western observers were not desired, the security requirements were not critical, such as they probably would have been were they prompted by civil disorder or disturbances. Moreover, the closing off of such a relatively large area indicates a Czechoslovak desire to deny even the simplest of long-range observation, thus raising the possibility that air and/or airborne exercises may have been in progress. A cabled report from the Canadian Legation, Prague indicates that the Canadian and US Military Attachés were permitted to cross the Vah on 9 Jul. No details of their trip are as yet available.

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SOUTH ASIA

U.S.S.R. Extends Large-scale
Grant Aid to Afghanistan

1282

10. The economic and technical assistance agreement concluded by the USSR and Afghanistan in late May 1959 is reported to have included an outright Soviet grant valued at \$80 million. The grant is to cover both the foreign exchange and local costs for the construction of a 470-mile road from the Soviet rail terminal of Kushka (on the Afghan-Soviet border) via Herat to Kandahar.

COMMENT: This is the first major grant which the USSR has extended to an underdeveloped country. It represents a significant departure from the twelve-year, 2.5 per cent interest credits which have become the standard form of Soviet economic aid to backward states. This gift follows closely on the heels of a \$7.5 million grant to Nepal and may reflect the first stage of a new, and decidedly more costly, trend in the USSR's aid programme. In its aid negotiations over the past two years the USSR has been subjected to increasing pressure from a number of underdeveloped countries, including Afghanistan, which have sought assistance in the form of outright grants in preference to loans. The Kandahar-Kushka road will facilitate both direct Soviet-Afghan foreign trade and Afghan trade with third countries employing the transit route via the USSR. The USSR may seek to justify the exceptional terms of the aid on the grounds that it has a direct financial interest in the road; other recipients of Soviet assistance, however, may display an increasing tendency to hold out for similar terms. If a trend towards grant aid does develop in the Soviet assistance programme, it will be in sharp contrast to the reverse trend which is emerging in United States economic assistance. Possibly influenced by the Soviet example, United States aid policy appears to be placing increasing emphasis on loans with liberal repayment terms in preference to aid on a gift basis.

The new \$80 million road grant to Afghanistan appears to be unrelated to the \$100 million development credit extended in 1956. Much of the latter loan still remains unutilized due to the difficulty which Afghanistan has encountered in financing local costs. It was previously assumed that the agreement of late May related to arrangements for further expenditures against this credit.

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In the late 1957 Afghanistan announced that it would henceforth accept new aid from either the West or the Bloc only if it were on a grant basis. Since that time the United States has extended an \$18 million grant for road construction and a \$12 million grant for civil air development. The USSR appears to have been forced to follow suit in order to maintain its foothold in Afghanistan.

A new arms agreement is also believed to have been concluded at the May 1959 meetings. Although the USSR reportedly refused to provide arms as a gift, unless Afghanistan entered into a defence pact with the Soviet Union, military equipment is to be sold to Afghanistan at very low prices.

AMERICA

Conference of American Foreign Ministers

1301

CONFIDENTIAL

11. A conference of the Foreign Ministers of the American Republics will be held in Santiago, Chile, in August, to examine the situation in the Caribbean region in an attempt to alleviate the tension which has prevailed in that area since early this year. This is a most unusual step. The American Foreign Ministers have met only four times since 1939, and always to consider questions of world-wide importance, such as World War II, the Korean War, etc. That, for the first time, they will have it as their purpose to examine the situation in one particular region of this hemisphere is a clear indication of the importance they attach to current events in the Caribbean.

The situation is indeed serious. Without being alarmist, it appears as a distinct possibility that, while the world's attention is focussed elsewhere, a local war might occur in this hemisphere.

The Caribbean region has been in a state of turmoil since Fidel Castro came to power in Cuba, on January 1 of this year. He has publicly threatened the dictatorial régimes of the Dominican Republic, Haiti and Nicaragua. Within three months, three countries: Panama, this one, strangely enough, a democracy, Nicaragua and the Dominican Republic, have been invaded by well-equipped but too few and ill-trained "democratic crusaders", mostly Cuban soldiers of fortune. In the first two cases, in the face of speedy and determined action by the Organization of American States, and meeting with no local support, the invaders meekly surrendered after a few skirmishes.

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The third invasion, which took place in the Dominican Republic in mid-June, was put down by Government forces within a few days. The Dominican Government denounced the "international character" of this invasion and called upon the Organization of American States to condemn Cuba and Venezuela for the moral encouragement and military equipment given to the invaders. The Cuban and Venezuelan Governments replied that they considered this a purely Dominican affair, beyond the scope of the OAS, and that they would not let the OAS investigate their assumed participation in this invasion. Cuba and Venezuela alleged that, should they be condemned for having sought to overthrow the Dominican Government and having contravened the long-established American principle of non-aggression, then the OAS would be upholding the ruthless dictatorship established by Trujillo in the Dominican Republic, in itself a step which would be contrary to the democratic principles cherished by the Organization.

The OAS Council decided that only the Foreign Ministers could deal adequately with these delicate issues with any hope of stabilizing the Caribbean area.

It would no doubt be the hope of the Foreign Ministers to seek a re-dedication of the Latin American nations to the basic principles of political and social democracy, and to seek at the same time to prevent countries such as Cuba and Venezuela from intervening, at least too openly, in the affairs of a government which they happen not to like. Presented in such terms, it is hard to imagine how the forthcoming Conference can succeed. Perhaps sixteen of the twenty Latin American Governments would be glad to see the end of the Trujillo dictatorship, which they consider a blot on Latin America's conscience. Few of them, however, would subscribe to the dangerous principle now advocated by Cuba and Venezuela that countries which judge the régime in any other country to be undemocratic may seek to overthrow it.

Should the OAS Foreign Ministers' Conference fail in its endeavour, the issue (i.e. peace in the Caribbean) may be referred to the United Nations. The Latin Americans will no doubt try to avoid this at all costs since it would discredit the OAS as an effective regional agency. The alternative might be war and chaos in the Caribbean.

CONFIDENTIAL
CANADIAN EYES ONLY

MIDDLE EAST

Israeli Use of Suez Canal - Inge Toft Case 1300

1. In an effort to work out a satisfactory solution to the "Inge Toft" case and more generally to the question of Israeli use of the Suez Canal, the U.N. Secretary-General visited Cairo at the beginning of July for conversations with the UAR authorities.

The Secretary-General had previously shown considerable interest in a possible legal approach to this issue (See Brief No. 2 of Joint Intelligence Summary Issue No. 329 dated 20 Jun 59, Annex I). However, it appears that, at the Cairo meetings, the UAR authorities were prepared to institute practical arrangements regarding Suez Canal transit of cargoes to and from Israel that would satisfy minimum Israeli requirements without jeopardizing the UAR's formal stand and Egyptian relations with other Arab states. According to public reports, which have been confirmed from reliable sources, the UAR would maintain its formal position against Canal passage of Israeli flag ships and Israeli chartered or controlled ships, at least those carrying "Israeli commodities", as well as the commodities themselves. In actual practice, however, FOB cargo from and CIF cargoes to Haifa would not be classified as "Israeli commodities"; nor would Israeli chartered or controlled ships under neutral flag be prevented from crossing the Canal, under conditions of secrecy, as long as they were not carrying "Israeli commodities". (So far as is known, the "Inge Toft" case itself was not regarded as likely to be settled within this formula.) In the UAR view, if the Israelis made no attempt at propaganda or publicity aimed at reviving the political issue, Israel would almost certainly find that "adequate methods of normal commercial trade with Asian and other countries" were open to her.

The U.N. Secretary-General and the U.K. authorities apparently believe that this arrangement offers hope of a solution to the Israeli shipping issue. Indeed, the Secretary-General reportedly holds that the arrangement entered into immediate effect during his stay in Cairo. The Israeli authorities, however, seem to have given it a cool reception. In the first place, the arrangement is far from meeting their maximum demands for full freedom of navigation through the Canal, although recent public statements have shown that Israel might be satisfied with a workable compromise. More important, perhaps, the Israeli authorities object to two features of the arrangement; (1) Secrecy: they doubt whether conditions of secrecy could in practice be observed, and point out that the UAR could at any time end the arrangement under pretext of undue publicity. Furthermore, in the absence of public knowledge of the arrangement, Israel's clients will be deterred from

.../2

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CONFIDENTIAL
CANADIAN EYES ONLY

trading with her. (On the other hand, the arrangement has now become public knowledge without, as far as we know, adverse UAR reaction).

(2) Israeli experts state that Israeli trade would be harmed by resort to CIF imports and FOB exports since it passes on to prospective clients both the risk of UAR interference with Canal passage and the difficulties raised by Arab black-listing of ships calling at Israeli ports. A final decision has not yet been taken by the Israeli Government.

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SOVIET UNION

KA-15 (HEN) Operates from Destroyer 1286

1. A photograph in a recent edition of the newspaper Soviet Fleet shows a HEN (KA-15) helicopter landing on the landing platform on the stern of an unidentified warship.

COMMENT: Although the warship involved is not identified in the newspaper, details of the stern and of the landing platform indicate that in all probability it is a KOTLIN Class destroyer. The harbor background indicates a good possibility that the photograph was taken during the summer of 1958 at the Soviet training base on Suursaari Island in the Gulf of Finland. The earliest reported operation of a helicopter with a KOTLIN occurred at this location in late July 1958. Modification of the KOTLIN's to carry helicopters has been evaluated as a probable Soviet effort to enhance the ASW capability of surface units.

Nerve Gas Antidote Training 1303
in the Soviet Army

(CONFIDENTIAL)

2. A recent Soviet military medical article states that First Aid training is to be increased in the Soviet Army and will include instruction in the use of the atropine syrette.

The Soviet atropine syrette described in the article appears to be similar to that currently in service in the Canadian Army.

COMMENT: This is the first open Soviet reference to the need for training in the use of the atropine syrette and the first indication that it will be a standard issue to individuals.

On this evidence it would appear that the Soviet Army lags behind Canada in anti-nerve gas training.

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SECRET

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Production of Bus Trailers at the
Aircraft Plant, Vodochody, Czechoslovakia

1278

3. Three sightings in May of the Rudy Letov II plant at Vodochody Czechoslovakia, have revealed as many as 45 bus trailers parked on the factory grounds at one time. This plant which was expected to begin FARMER (MIG-19) production in 1958, is continuing to produce some FAGOT/MIDGET (UMIG-15) aircraft as well.

COMMENT: When sightings of this field in 1958 indicated that production of FAGOT aircraft had declined, it was expected that this plant would be to produce FARMER aircraft. One FARMER, believed to be used for study purposes, was first noted on the field in March 1958. Early in 1959, the plant at Vysocany, which had been considered as supplying MIG components to Vodochody, was converted to the production of industrial electrical equipment. Sightings of this field reveal continued production of FAGOT/MIDGET aircraft. Their present rate of production is estimated to be 20 per month.

Since the middle of 1958 there have been reports that Czechoslovak industry was not to produce military aircraft but to concentrate on the production of light aircraft. It is still not yet certain whether the production of bus trailers is the implementation of this plan or a temporary measure until plans for retooling for the MIG 19 or other aircraft are completed. The Vodochody plant is part of the largest and most modern complex for aircraft production in Czechoslovakia.

EUROPE

GSFG Training to 22 Jun 59

1308

4. The bulk of the divisions in the Group of Soviet Forces, Germany remained at home stations carrying out low-level training at battalion and possibly regimental level.

During mid-June the amphibious tanks of two line divisions of 20 Guards Army moved for training to an unknown area. The grouping of these tanks was unusual and may indicate centralised control of amphibious tank training which hitherto has not been detected.

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COMMENT: Recent trends in Soviet river-crossing techniques have emphasized the need for hasty crossings rather than deliberate ones involving considerable planning and preparation. In these circumstances the delegation of amphibious training to regiments and battalions should normally be expected. The current report may therefore indicate that new techniques are being tested or practiced initially under some central control.

During the present training year there have been indications that the formations of 20 Guards Army have already reached a high standard of proficiency in combined-arms training. (The exercise reported in Brief No. 5 of Joint Intelligence Summary No. 331 dated 10 Jul 59, is an example). It may therefore be possible that this Army has been made responsible for testing new tactical concepts, including river-crossing techniques, during the summer training phase.

At the same time the fact that Berlin is situated in the 20 Guards Army area and the bulk of its formations are located near the city, may point to an acceleration in its training programme to leave this Army free for any action demanded by the political situation later in the summer.

Otherwise the tempo and level of training is generally normal for the time of the year.

AFRICA

The Significance of Recent Oil Finds in Libya

1276

5. Several very promising finds of oil in both northern and western Libya in recent weeks may indicate that a major field has been found in North Africa, perhaps extending right across Libya and far into Algeria. However, exploration is still in its early stages in Libya and only one definitely commercial find has been made, so that the extent and productive capacity of Libya is still only speculative.

Libyan oil exploration has been carried out extensively for approximately two years. Unlike that in Algeria, it has been done wholly by foreign private capital which has been granted attractive terms by the Petroleum Law of 1955.

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Oil finds have been made recently in four major area of Libya. Around Atshan in the south-west only 50 miles from the Algerian Edjele field, four finds have been made of both gas and oil. An oil discovery has been made at Bir Tlacin about 120 miles south-west of Tripoli by Shell and three more have been made at Bahi and Dahra, 340 miles south-east of Tripoli by Oasis Oil. These last two finds are located just 75-100 miles from the coast. None of these finds in itself is commercially exploitable as yet but all are very promising.

The most significant oil find to date has been at Zelten, 200 miles south of Benghazi and only 100 miles from the coast. This well was reported on 13 June as having attained production of 17,500 barrels a day. This compares favourably with the wells of the Persian Gulf area and makes it a commercial proposition. The company making the discovery, Esso Standard (Libya), Inc., is an exploration and producing affiliate of the Standard Oil Company (New Jersey). An important factor in this discovery is its relative nearness to the Mediterranean coast, particularly when compared with the Algerian fields, and a pipeline to the coast would be a relatively simple task.

Oil experts feel that it would be quite contrary to experience if, given the widely dispersed succession of discoveries, no further finds were made. It is however difficult as yet to estimate the final production from Libya. Nevertheless considering the high ratio of successful drillings, about 1 in 4, the similarity of the area with that of the Algerian Sahara, and the fact that oil exploration and development is being backed and undertaken by nearly all the important international oil companies, it is quite possible that within a few years Libyan production potential may overtake that of the Algerian Sahara.

In terms of absolute production this might mean between 25 and 50 million tons per year after the development period since these are the current estimates for the Algerian Sahara. Since Persian Gulf production amounted to approximately 215 million tons in 1958, a production of from 50 to 100 million tons from North Africa would be of very great strategic significance in the event of a partial or total unavailability of Persian Gulf crude. The mere possibility of large-scale production from this area will doubtless provide a bargaining point for both Western governments and oil companies when dealing with Middle Eastern governments.

The finds also have considerable economic significance to Libya which has been heavily dependent upon foreign aid for its viability. A more independent financial status might tend to make Libya's attitude towards the West more independent also. There is no evidence as yet of the UAR's reaction to these oil discoveries.

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(unless otherwise classified)

USSR Offers \$100 million Credit to Ethiopia 1280 (RESTRICTED)

6. On 12 July 1959 the USSR announced that it had agreed to grant Ethiopia a \$100 million credit for development of its industry and agriculture.

COMMENT: The USSR was expected to offer Haile Selassie economic assistance during his current visit to the USSR. There is as yet no firm indication that the offer has been accepted, but Soviet officials would be unlikely to publicize the offer if there were much chance of it being rejected. Ethiopia has previously refused a number of Bloc offers of economic and military assistance, but has accepted a \$2 million Czech credit for the construction of a hospital and carries on a fairly active trade with various members of the Bloc.

SOUTH ASIA

Kerala

1296

(CONFIDENTIAL)

7. The struggle to overthrow the local Communist State Government is intensifying in Kerala and this may have repercussions in many parts of India. Tension began to amount when a joint committee of Roman Catholics (who number some two million in the State) and high caste Nairs was formed to fight the Kerala Education Act whose general aim was to bring all schools in the State (70 per cent of which are privately owned) under a considerable measure of government control. In the meantime, a new and broader-based joint action committee was formed by the Congress Party, the Praja Socialists and the Muslim League. This committee announced on June 3 that it would launch an immediate, non-violent agitation in an attempt to oust the Communist Government and this gave rise to protest meetings and strikes, picketing of schools and government offices and obstruction of transport buses. This, in turn, led to clashes with police involving some fatalities and over 20,000 arrests. The most recent development has been the preparation of a "charge sheet" against the Communist Government which is being presented to the President of India. It claims to show that the State Government is subverting democratic institutions for party ends, that law and order are not being maintained, that there is Communist infiltration in the services, especially the police, and that the co-operatives are being used for the financial benefit of the Communist Party. The State Government's response to the agitation has been a mixture of threats and appeals to democratic fair-play. The Communists allege that the Congress Party is allying itself with

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and exploiting caste and communal feelings and, unable to regain power by the ballot box, is resorting to undemocratic means in a desperate attempt to unseat the Government.

At the present no compromise seems to be in sight because the Communists will not voluntarily give up office and the opposition seems determined to continue and, if possible, extend the agitation in hopes either of forcing the Government's resignation or creating conditions in which the Central Government will be forced to declare President's rule in Kerala and thus suspend the powers of the State Government.

With both sides dead-locked within the state, the opposing leaders have flown to New Delhi to plead their cases before the Central Government on the question of whether it should intervene. This poses a dilemma for the Congress Party which controls the centre and all other states. If Congress gives support to the idea that direct action campaigns can unseat legally constituted governments, they may well be setting a very bad precedent for similar action against Congress regimes elsewhere in future (the Communists have already threatened possible widespread demonstrations and other minority groups may make use of the precedent for their own ends as well). At the same time, there appears to be a growing recognition that if a Communist Government in Kerala is permitted to consolidate its position until the end of its term in 1961, it may never be dislodged.

SOUTHEAST ASIA

Political Situation in Indonesia

(CONFIDENTIAL)

8. President Sukarno returned to Indonesia on June 29th from a two month round the world tour and on July 5th announced by decree a series of far reaching constitutional changes aimed at instituting his concept of "guided democracy" through a return to the Constitution of 1945. In instituting the changes by decree, the President overrode a political stalemate which had arisen at the beginning of June when the Constituent Assembly failed to give the President's proposed constitutional changes the necessary two-thirds majority. Following the vote, unofficial political gatherings had been banned by Chief War Administrator, General Nasution, in order to avoid political unrest. The Cabinet made no move to resolve the political crisis nor to hasten the return of the President. However, the deteriorating political and economic situation did bring about a Conference of Regional War Administrators and Governors under General Nasution on June 29th with Prime Minister Djuanda and other Cabinet Ministers

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in attendance. The Conference decided that an economic and efficiency drive should be launched, and, in addition, discussed the role of the Army under the 1945 Constitution.

A few days after his return to Indonesia and following the consultations with Prime Minister Djuanda, Cabinet Ministers and other political figures as well as with the chiefs of staff, President Sukarno took over full executive power of the country by decree. Specifically he:

- (a) Abolished the provisional constitution in force since 1950 and dissolved the Constitution Assembly which has been trying to write a new Constitution.
- (b) Reinacted the Constitution of 1945.
- (c) Created a provisional "Peoples Consultative Council" (to include members of parliament and regional and functional representatives) and a Supreme Advisory Council.

The Djuanda Government which has been in power since April 1957 resigned on July the 6th and on the following day, without prior consultation with the leaders of the various political parties, Sukarno announced the composition of a "nucleus" cabinet. Headed by Sukarno as Premier and Commander-in-Chief, the Government includes Djuanda as First Minister and Minister of Finance, General Nasution as Minister of Defence, Dr. Subandrio to continue as Foreign Minister and Colonel Suprajogi, the former Minister of Economic Stabilization as Minister of Production Affairs. The President, who according to the 1945 Constitution would retain that office for five years, has announced that he will also retain the post of Prime Minister for the same length of time. He declared that the programme of the new cabinet would consist of:

- (1) Supplying the peoples' needs for food and clothing.
- (2) Insuring internal and external security.
- (3) Fighting against economic and political imperialism in the struggle for the return of West Irian.

Foreign Minister Subandrio later told reporters that Indonesia was not thinking of using force to solve the West Irian dispute but would try to build up its economic and political strength in order to face the Netherlands "at the same level".

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COMMENT: President Sukarno has denied that he has either the inclination or the intention of becoming a dictator and has claimed that while the 1945 Constitution has been reinacted by decree, he has the support of the majority of the Indonesian people. This claim does not appear to be entirely self-justification, for the opposition in the Constituent Assembly was not to the proposed constitutional changes, but was an attempt by the major Muslim parties to force a change from a secular to an Islamic State and the 1945 Constitution does guarantee democratic liberties. On the other hand that constitution largely dispenses with the need for the direct support of the political parties. In addition, it appears possible that the President will lay the blame on the political parties for the failure of the Constituent Assembly to approve the return to the 1945 Constitution by strictly constitutional means and that he, therefore, will be less inclined to take cognizance of their views in future. This might lose him some support from the parties who heretofore supported his proposal for "guided democracy" with some trepidation even after gaining some concessions in connection with the appointment of regional and functional representatives to the various consultative and legislative bodies in the new Government. As yet, the major political parties have not formally reiterated their support of the Constitutional changes. The leader of the rebels, however, has issued a communique denouncing the move as the establishment of a dictatorship.

Another point of interest in recent events in Indonesia is the increasing evidence of the growing influence of the Army. While Nasution's ban on political activities at the beginning of June was made with the agreement of the Cabinet and was in keeping with his position, the June 29th Conference of Regional War Administrators and Governors was concerned more with political than with military matters. Aside from the inclusion of Nasution in the Cabinet as Minister of Defence, the increasingly close co-operation between Sukarno and his chief of staff has been evident both in the promulgation and the announcement of the constitutional changes.

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Bloc Destroyers for Indonesia 1292

9. Two Soviet Skory Class destroyers (Nos. 148 and 193) left the Black Sea on 19 June and passed Aden, eastward bound, on 26 June.

COMMENT: On 13 March, 1958 the Indonesians signed an arms contract with Poland, which included an order for four destroyers. Under this contract, two destroyers from the Soviet Pacific Fleet were delivered to Indonesia early in February of this year. It is believed that Nos. 148 and 193 are the second two of this order. It is expected that they will arrive in Surabaya about 12 July, having refuelled en route.

CUBA

Cuban Agrarian Reform Law 1294

Background

10. Ever since the beginning of his rebellion, Fidel Castro has repeatedly stated that the most important item in his platform was a drastic reform in the rural landholding system in Cuba. Details of the plan were sketchy at first, but it was known that it would include land expropriation and the establishment of cooperative farms. On May 17, during a special ceremony in the mountains of Oriente Province, Castro finally promulgated his "Agrarian Reform Law". Reportedly, opposition to the law in Cabinet had been such that Castro had not put it to a vote. By proclaiming it in Oriente Province, where peasants had formed the backbone of his rebel force, Castro clearly hoped to start a wave of popular support for the law. Indeed an advance text was immediately published by the newspaper, inviting comments. However, opposition became so vocal as soon as the law was announced that Castro apparently felt that any delay to consider revision could make final promulgation impossible. A final and only slightly more moderate text was published in the official Gazette on June 4.

The Law

The following are the major provisions of this very complicated piece of legislation:

- (a) Anyone who owns over 1000 acres will stand to have property above this amount expropriated by the

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government. Some 6,600,000 acres of land will be expropriated in this way.

- (b) The expropriated land will be paid for with Agrarian Reform Bonds payable in 20 years and bearing $4\frac{1}{2}\%$ interest.
- (c) In most cases the evaluation will be based upon the declared value for taxation purposes in the year 1958. Since Cubans are allowed to determine their own taxation evaluation, such evaluations have always been much less than the actual value of the property.
- (d) No cane plantation (which may be up to 3300 acres) can be operated in Cuba by a company unless every stockholder is a Cuban citizen.
- (e) Stockholders of cane plantations may not hold stocks in any Cuban sugar mill.
- (f) All land expropriated under this law will be distributed free to agricultural workers on the basis of 66 acres per head of family, but every such beneficiary may purchase, by forced sale, up to an additional 99 acres of land subject to expropriation.
- (g) State-owned land will be distributed under the same conditions as above.
- (h) A new organization to be known as the National Institute for Agrarian Reform (INRA), with Fidel Castro as Director General and Dr. Antonio Nunez Fernandez as Executive Director, will administer the Reform programme. Nunez Fernandez is strongly leftist. Reports indicate that Castro, who is very busy elsewhere as Prime Minister, will let him implement all the drastic provisions of the law immediately, rather than step by step, as recommended by experts who support the reform in principle but fear the economic consequences of its abrupt application.

Probable Effects of the Law

- (a) Large Cuban shareholdings will be broken down and the owners will stand only a slim chance of cashing in the 20 year bonds they receive in payment.

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- (b) Large sugar mills will stand to lose their holdings of cane land.
- (c) Foreign stockholders in sugar plantations stand to lose their investment since sales of their shares at the present time would be extremely difficult.
- (d) The Cuban countryside will become an area of small farms in the hands of inefficient and ignorant farmers, too poor to invest in the required seeds, fertilizers and implements.

COMMENT: There is much reason for doubting that Cuba will succeed in enforcing a scheme imposed from above for collective farms where better prepared countries with more energetic populations, such as Mexico, Chile and Argentina, have failed.

The outcry against the agrarian reform is growing in volume and intensity. Cuban sugar mill owners have protested that the loss of their land will result in higher production costs because of inefficient methods on small plots of sugar land. The Cuban National Cattlemen's Association, The Coffee Growers' Association, The Tobacco Growers' Association and The Rice Growers' Association have all listed numerous reasons for their opposition to the law. The Pinar del Rio Property Owners' Association have threatened to protect their interests by force. Finally, the United States has expressed its serious concern about the method of payment planned for expropriated property. United States sugar interests own approximately 1,663,000 acres of land in Cuba representing hundreds of millions of dollars of investments. It is significant that in the United States, Cuba's largest sugar customer, the Department of Agriculture has announced, since the promulgation of the Agrarian Reform Law, that all restrictions on the growing of cane in the United States are being removed.

This storm of protest comes of course from those who can most afford to be vocal, that is the large landowners who stand most to lose. They are however a minority, albeit a most significant one. It is to be expected that the majority of the rural people - small owners, poor farmers, sharecroppers and field workers - will come up on the side of the land reform, since they almost all stand to win, at least initially.

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Intelligence Reports indicate the existence of increasing plans for action against the Castro government. The next few months will be crucial. Castro himself has stated that the battle over the agrarian reform was more important than all the battles fought in the Sierra Maestra. Indeed, Castro attaches such importance to the reform that, lately, there were rumours that he is willing to divest himself of all other powers, including the prime ministership, in order personally to direct the reform.

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SOVIET UNION

Relief of Soviet Naval Officers
in Albania-based Submarines

1258

1. At least five Naval Officers, identified by their distinctive headgear as belonging to the Soviet submarine service, were seen onboard a KOTLIN class destroyer which cleared the Bosphorous in March, on passage to Albania. The ranks of these officers were not identifiable.

COMMENT: The submarine officers may well be reliefs for some of the personnel aboard the four Soviet W Class submarines which have been stationed at Vlone, Albania, since August 1958. Rotation of personnel would indicate that the Soviets intend to maintain this force in the Mediterranean for a prolonged period.

Amendment to Brief No. 3 of Joint Intelligence
Summary Issue No. 320 dated 17 April 1959.
"Possible Submarine Missile Armament."

1259

2. Evidence has now become available which strongly indicates that the "cones" observed being lowered into and hoisted out of "F" class submarines in Leningrad, may be related to periscopes rather than to missiles.

COMMENT: This suggestion had been previously largely discounted due to the comparatively large size of the "cones". However, it was noted that over a period of time that:

- (a) the point of insertion of the "cones" into the conning tower appeared adjacent to or even coincided with the position of a periscope.
- (b) the position occupied by the "cones" was not the most likely for missiles or structures associated with missile armament.

During the current sightings it was observed that a periscope was hoisted out of "F" class #964 to be followed the next day by the removal of "cones".

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CLEAT (TU-114) Production 1260

3. It has been reported that at a news conference in New York on 1 July 1959, A.N. Tupolev, the designer of the TU-114 (CLEAT) stated that this 4-engined turbo-prop transport aircraft is in serial production in the USSR, with twelve to fifteen already built. He also stated that it would go into regular airline service within three months. Also there has been a recent U.S. report that 9 CLEATS were seen at Vnukovo airfield.

COMMENT: We have previously estimated that, during the past nine months, CLEAT may have been in limited production at Aircraft Factory No. 18, Kuibyshev, which is the only factory that has produced the somewhat similar BEAR bomber. There is no other evidence that as many as 12-15 CLEATS have yet been produced and these figures may be somewhat high. It is conceivable that Tupolev included the few TU-114's believed to be in existence.

The latest sighting of the factory was made by the U.S. Air Attache in May 1959 who reported 9 BEARS and 5 BADGERS on the factory airfield. The original report of this sighting has not yet been received and it is possible, although somewhat improbable, that some at least of the BEARS were actually CLEATS. The CLEAT which flew to New York is believed to be the same prototype aircraft which was seen in 1957. No other CLEAT had been seen prior to the U.S. sighting at Vnukovo which is still unconfirmed by other sources.

USSR - TU-104B Production 1261

4. A factory serial number 920702 observed on the TU-104B at the Paris Air Show on 16 June shows that the aircraft is in production at Factory No. 22, KAZAN, and that 32 to 37 had been produced by early June 1959 at the latest.

COMMENT: Aircraft Factory No. 22, KAZAN, is a former producer of the BADGER medium jet bomber and is the latest bomber factory known to have turned over to transport production. Production of the CAMEL (TU-104B) is estimated to have started replacing BADGER on the assembly line about a year ago.

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EUROPE

Exercise in GSFG - 22 Jun 59

1262

5. Major elements of at least one motorised rifle division of 20 Guards Tank Army took part in an opposed EAST to WEST crossing of the River ELBE near SANDFURTH in the ELBE NORTH Training Area on 22 June. 34 Gun Artillery Division was also reported to be involved in the exercise.

COMMENT: A two-sided exercise was held in the same area during late February and early March 1958. This also took the form of an opposed river-crossing and major elements of I Motorised Rifle Division and 10 Guards Tank Division, both of 20 Guards Tank Army, as well as 34 Gun Artillery Division took part.

The combined training of elements of 20 Guards Tank Army and 34 Gun Artillery Division has continued during the present training year. For example 10 Guards Tank Division and 34 Gun Artillery Division carried out combined-arms training near their home stations in late December and uncommonly large artillery details from these two divisions carried out firing practice in early January. Thus it seems clear that particular efforts have been made to enhance the proficiency of these formations, particularly in their combined training, at an early stage of the training year.

This is of particular significance as, if and when missiles are introduced into Group of Soviet Forces, Germany, 34 Gun Artillery Division will be one of the two formations most likely to receive them. In these circumstances it is possible that the recent exercise represented trials of nuclear tactics or preparations for a demonstration of nuclear tactics or a larger exercise of this nature later in the training year.

An alternative, or additional reason, may be that, as these formations are all located in the immediate vicinity of Berlin, their training is being accelerated to prepare them for any eventuality in that area later in the year.

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EUROPE

GSFG Training to 1 Jun 59 1239

1. The exercise in the restricted area imposed on the Southern part of Eastern Germany for the period 5 to 13 Jun ended 12 Jun.

Current indications show that it was a CPX controlled by Headquarters, Group of Soviet Forces, Germany.

COMMENT: The first large scale CPX of the 1958 training season took place from 30 Jun to 7 Jul. On the assumption that the recent exercise takes a similar place in this year's training pattern, it may be concluded that this year's training programme is apparently one month ahead of the 1958 programme; and the CPXs held during the previous restrictions imposed in March and April had little training significance but were primarily political moves.

There is no evidence to relate this relative increase in the tempo of training to the Berlin situation.

The Albanian Army 1240

2. The recent visit by Khrushchev to Albania has focussed a degree of Western attention on the country. A brief review of the Albanian Army may be useful in illustrating the present military posture of the nation.

The Albanian Army emerged from the Second World War essentially a guerilla-type force. Following the war some attempt was made, initially by Yugoslavia, later by the USSR, to expand and modernize the army along conventional Soviet lines. This trend was subsequently abandoned and the unwieldy organization and command structure, more appropriate to the larger Satellites, gave way to the present system more compatible with the manpower, economic and topographic situation in Albania. In effect, the army has reverted to one suited primarily to its original role as a quasi-guerilla force.

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Evidently, alone among the Satellites, it has retained the Corps structure, there being either one or two Corps headquarters.* The army is predominantly an infantry force with relatively little heavy artillery and armored equipment. The nation's limited communications network and its mountainous terrain restrict the use of heavy mechanized equipment in any case. The basic tactical line units of the army are the five infantry brigades which are deployed throughout the country. This type of unit, with three infantry battalions and a lightly equipped artillery regiment, is well adapted to the country's peculiar topographic and strategic requirements. In addition to the infantry brigades there is one tank regiment and there are several small support units. There is a separate command for coastal defence with numerous subordinate units of various types, including coast artillery battalions. The Air Defence Command, organized similarly to the Soviet PVO, coordinates air defence of the homeland by both air and ground elements. Total strength of the Armed Forces, including Security Troops, is in the vicinity of 36,000.

COMMENT: The Albanian Army is by far the smallest of all the Satellite Armies and is incapable of launching a successful attack against neighboring countries or of withstanding significant aggression. It is, however, organized and equipped with an eye to the realities of the national situation, and is probably capable of effective combat on a scale proportionate to its size, especially as a quasi-military force.

MIDDLE EAST

UARAF - Activity in Their Forward Area 1232

3. The United Arab Republic Air Force (UARAF) continues to rotate jet fighters from rear bases into their forward area. Effective 17 June, eight FRESCOs and nine FAGOTs were based at EL ARISH. Of these, four aircraft are held on strip alert between dawn and dusk and others are employed on frequent recce/patrol flights over the Sinai. Such a flight, made up of four FRESCOs, overflowed the Israeli border at a low altitude just south of RAFAH on 7 Jun. Two Israeli VAUTOURS intercepted the flight. After a short "dog fight" over both Israeli and Arab territory, the FRESCOs using afterburners, left the area pursued by the VAUTOURS. Two of the MIGs landed immediately at EL ARISH, the other two flew out over the Mediterranean before returning to base. No casualties were noted.

* Reports received in 1957 indicated the disbandment of the Army Corps of the North. More current information indicates the existence of a I and II Corps, located at Gjinocaster and Elbasan respectively.

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COMMENT: Previous briefs reported the build up of UARAF strength and increased activity in their forward area. The UARAF are now rotating a larger percentage of FRESCO's to EL ARISH; in this case the pilots using the afterburners were able to pull away easily from the VAULTOURS.

FAR EAST

(CONFIDENTIAL)

Floods in Kwangtung, China 1256

4. According to current but incomplete reports, about 1 million acres of early rice and some late rice, sugar cane, peanut and other industrial crops are under water after the heavy rains which caused the worst flood on record in Kwangtung Province.

COMMENT: About 17 per cent of the total early rice acreage in Kwangtung is affected by flood. Although this will undoubtedly mean some curtailment of food supplies this year, intensified efforts to achieve a good harvest of any undamaged early rice and salvage of some of the inundated crop will probably reduce the seriousness of these losses.

Unless more severe damage is done by flood to rice crops in the southern provinces and by drought or hail to wheat crops north of the Yellow River and in Shantung Province on the northeast coast, it is unlikely that the 1959 harvest throughout China will be substantially affected. Nonetheless, it is not impossible that an attempt will be made to attribute more than their share of the blame for failure to reach the 1959 grain production plan of 525 million tons to the present floods.

The Chinese Communists have recently shown some concern over the practice of reducing the sown acreage without first achieving a marked improvement in yields. It is apparent that the widely extolled high-yield methods introduced during 1958 have not lived up to expectations and may, in some cases, have even resulted in reduced yields as a result of indiscriminate application. A recent editorial in the Peking People's Daily said that China does not yet have the prerequisites for high-yield cultivation such as tractors, large amounts of chemical fertiliser, modern agricultural machinery and effective

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insecticides. This new attitude towards agricultural production may presage a downward revision of the 1959 target to a more realistic level which would still be sufficiently high to meet increased demands and show an improvement over 1958. The floods, rather than an admission of overoptimistic planning, may provide a useful scapegoat for such a revision.

Crisis in Japanese-South Korean Relations 1248

(CONFIDENTIAL)

5. On February 13, the Japanese government decided to permit the voluntary departure of the Korean residents in Japan for North Korea, and to seek the co-operation of the International Committee of the Red Cross to confirm the intention of such individuals to be repatriated. Early in April it was reported that the Japanese government had agreed to promote talks in Geneva between Japanese and North Korean Red Cross representatives on this matter. It was announced on June 10 in Geneva that, after two months of difficult negotiations, a tentative agreement had been reached between North Korea and Japan on a plan for voluntary repatriation of Korean residents in Japan to North Korea. Formal signing of the final accord is expected to be carried out in the very near future. Under the terms of this agreement, the Japanese Red Cross under the "guidance" of the International Red Cross (ICRC) will handle matters related to the repatriation and will deal with "changes of will" of the repatriates as they arise. It is estimated that, under this scheme, between 40,000 and 100,000 people out of 600,000 Korean residents in Japan will seek repatriation to North Korea.

Since the Japanese government's decision of last February, the Republic of South Korea has been reacting very strongly and relations between the two countries have been deteriorating. ROK's position is that the Japanese decision "is criminal and an infringement upon the sovereignty of the ROK" which they claim to be the only lawful government in the Korean peninsula. South Korea warned Japan on many occasions that it would use all possible means including force to prevent the "deportation" of Korean residents to communist Korea. This appears to be a propaganda threat more than anything else since the ROK forces are subject to U.S. logistical control.

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The announcement of the tentative Geneva agreement has led the ROK to the drastic retaliation of severing commercial relations with Japan. This appears to be a very odd retaliation measure because it is likely to affect South Korea far more seriously than Japan. Japan's market, in effect absorbed 75 per cent of South Korea's total exports (\$4,500,000 worth of goods) during the first four months of this year against 20 per cent (\$3,746,000) of Korean total imports coming from Japan. It is possible, moreover, that, if the repatriation issue is resolved to North Korea's satisfaction, Japanese trade with North Korea, which has been virtually suspended since May 1958, could be renewed and this could compensate for the loss of the South Korean market. These facts would seem to confirm our Embassy's impression that the ROK has resorted to the trade embargo on a temporary basis only "in an attempt to discourage the Japanese government from pursuing their repatriation idea and partly to worry the USA authorities into taking a more serious view of the repatriation issue".

The United States is concerned about the present crisis between two of its most important allies in the Far East. Apparently South Korea has appealed to the United States to use its good offices to solve the ~~dispute~~ but Japan is more reluctant in this connection. The Japanese point of view is that the Japan-North Korea repatriation plan, which is to be executed through the office of ICRC, is entirely separate from politics and is founded on a humanitarian view-point. The United States has adopted until now an attitude of non-involvement in the dispute. It is believed, nevertheless, that if the two countries concerned asked for United States mediation and if there were a good chance that such mediation would be successful, the U.S. would be prepared to offer its good offices. It is unlikely, however, that Japan could retreat from her present position, particularly because of anxiety to get rid of these potential repatriates, who are considered as a political, economic and social nuisance and whom the ROK is unwilling to admit to its overcrowded territory. The Korean's main hope is that, with the support of the UK and USA Red Cross, they might convince the ICRC not to endorse the North Korean-Japanese Agreement. It is not excluded, however, that Japan would proceed to the repatriations without having this approval.

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SOUTH AMERICA

(RESTRICTED)

Political Crisis in Argentina 1257

6. On June 22, faced with the possibility of a military coup, President Arturo Frondizi of Argentina accepted the resignation of all members of his Cabinet, except the three ministers of the armed services. For two days the country was in a state of extreme political crisis, with a strong possibility that if the President did not succeed in forming a new Cabinet, a military government might be established with or without Frondizi as Head of State. On June 24, Admiral Isaac Rojas, who was Vice-President of the Provisional Government which ruled Argentina between the overthrow of Peron in 1955 and the accession of Frondizi to the Presidency in 1958, demanded the resignation of Frondizi and declared that the Government was bankrupt and illegitimate. Later that day, however, the President announced the formation of a predominantly right-wing "Cabinet of Technicians" which seems to have saved the situation for the moment, although the atmosphere of rumours, plots and arrests which precipitated the crisis continues.

COMMENT: If the Government of Frondizi were to be overthrown by a military coup d'etat, the outcome would be a set-back for democracy in Argentina. Nevertheless, it must be admitted that the situation confronting Frondizi today is largely of his own making.

Dr. Arturo Frondizi has been President of Argentina a little more than a year. During his first months in office, he tried to weld together, through the granting of concessions whenever it was expedient, the variegated assemblage which voted him into the Presidency: Communists, Catholic Rightists and Peronists. The armed forces remained in the background and, whenever they got restless, they were placated by raises in pay and purchases of expensive military equipment.

In December 1958, realizing that the country was drifting into economic bedlam, Frondizi abandoned the platform which had won him the presidency, threw overboard the whole system of controls, subsidies, quotas, permits, nationalization, and nationalism to which he had committed himself as a result of pre-election deals, and launched a strenuous austerity programme. Foreign help was sought to overcome the fuel and electricity deficiency, long-standing disputes with foreign-owned enterprises were settled amicably and free exchange rates were introduced.

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Unfortunately, Frondizi failed fully to explain his new policies to the workers who were inevitably to suffer most from the austerity programme and were bound to oppose it. Instead he chose to rely on the armed forces to break the strikes and obstructionist moves encouraged, if not engineered, by the Communist and Peronist-dominated trade unions. The Armed Forces have therefore become, in effect, the supreme arbiter of political power in Argentina, but at the same time they have grown to dislike their anti-labour role.

Statements made during the month of May by men influential in military circles indicated that the armed forces were beginning to doubt President Frondizi's ability to carry out his austerity programme within the existing framework of government. Admiral Rojas, a key man in the overthrow of Peron, and Vice-President of the Provisional Government, criticized the danger to democratic institutions of the Government's failure to equalize the burden of sacrifices and maintain the purchasing value of currency. Rear-Admiral Arturo Rial, formerly the President of the Naval Club, and a man who wields great prestige, also claimed that the Argentine people now set little hope on the present system of government.

While much plotting existed in the armed forces at that time, intelligence reports indicated that there were no apparent overall objections or views among the various factions of plotters involved, nor any move afoot to consolidate them in preparation for unified action.

The manifestations of discontent among the Armed Forces seem to be aimed in two directions. The first is in protest against President Frondizi's use of the military since September, 1959, to carry out increasingly onerous and unpalatable police tasks. The second is within the three services themselves, where the younger, liberal elements, known as the "gorilas" are lined up against the nationalists and the secret officer society known as the "Green Dragon", whom they accuse of undue subservience to Dr. Frondizi. With the President relegated to the role of a figurehead and the real power firmly in the hands of the Armed Forces, the real danger for Argentina at this time appears to be in the possibility of an open clash between the two opposing factions in the armed forces, both of whom are well armed and dangerously restless.

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26 Jun 59

JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

Sightings of Bombers at Bases in European USSR 1228

1. A reliable source reports that the following sightings of bombers at bases in European USSR were made between 27 and 31 May 59:-

ANISOVO/GORODISHCHE	(5431N 3422E)	8 BADGERS
		32 BULLs
LIPETSK WEST	(5238N 3928E)	12 BADGERS
		1 BULL

COMMENT: Sixty BULLs and eight BADGERS were observed at ANISOVO/GORODISHCHE in Aug 58, and it was suggested at that time that one of the two 1st LRAA BULL Regts apparently located there was possibly re-equipping with BADGERS. The current sighting would indicate that the BADGER establishment at this base is probably being maintained at squadron size, and that the BULL aircraft are being phased out of service.

LIPETSK WEST is situated in the VORONEZH M.D. and is not a known LRA base. However, the current sighting may indicate that a new unit of at least squadron size has been formed there; and because of the location this unit could be subordinate to either the LRA Flying Schools or the Tactical Air Force.

New Construction Guided Missile Destroyer Sighted 1234

2. It has been confirmed by several independent sightings that a new construction Guided Missile Destroyer is being built in the Zhdanov shipyard, Leningrad. The new destroyer is reportedly fitted with Kildin-type missile stowage deckhouses forward and aft. The ship was observed to be smaller than the Kildin class Guided Missile destroyer but larger than the Riga class destroyer escort.

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COMMENT: It would appear that the Kildin class DDG was a modification of the Kotlin class DD. The new DDG is designed as such and it is expected that ships of this new class will be built in all four fleet areas. It is estimated that this new class of DDG could be built at the rate of about 12 per year.

EUROPE

Reorganization of the East German
Kampfgruppen NORTHAG

1238

3. NORTHAG reports that a reorganization of the Kampfgruppen (KG) appears to be planned and may have begun in some places. An instruction was issued in April by the Central Committee of the Social Unity Party (SED) of Germany which ordered, or speeded up, the formation of a "Heavy Motor Kampfgruppen Regiment" in each district.

According to this report, each regiment is to be subdivided into two battalions, each of which is to have three companies. The strength of each battalion is reported to be in the region of 300. It would appear that it is not the intention to incorporate all the existing companies into the new scheme.

The Kampfgruppen units at Schwerin have received six 45 mm anti-tank guns, and courses of instruction are being held for KG personnel by the Security Troops at Rostock and Schwerin.

Reports also suggest that a large scale exercise involving KG units from Schwerin, Rostock and Neubrandenburg is planned for next Autumn. EGA units may participate.

COMMENT: This report constitutes another indication of the emphasis which appears to have been placed on the role of the KG since January of this year.

The group, which is somewhat unique in nature among the Satellites, has been brought a considerable way since its establishment following the 1953 uprisings.

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Originally intended as an auxiliary arm of the Civil Police, charged with the control of factory workers, the KG has progressed from a loosely organized, lightly armed and poorly disciplined force, to one of acceptable reliability, organized, trained, and now equipped, for a para-military role.

The emphasis which has lately been placed upon heavy weapons equipment and training, and the reorganization to accommodate it, is probably the best single indicator of the group's metamorphosis.

This development is again in keeping with the East German Government's efforts to strengthen the military forces of the country, particularly the political-military arms which are under the direct control of the SED.

Current Status of GSFG Training ~~1235~~ 1235

4. Following the completion of the winter training phase, the line divisions of the Group of Soviet Forces, Germany were at home stations conducting low-level training, maintenance and interior economy. As the only exception to this pattern anti-aircraft units were striving in mid-May to complete their winter-phase firing practices on the Wustrow Ranges.

The interval between the winter and summer training phases was high-lighted by demonstrations and displays of equipment and operational techniques in the Letzlinger Heide Training Area during the first two weeks of May.

On 13 May missile mock-ups which have been appearing in Eastern Germany during the last few months were used in conjunction with ground-attack training. Eight or more Soviet jet fighters were observed at the start of training runs over a line of mock-ups at the Jaennersdorf aerial gunnery range. These mock-ups consisted of crude wooden dummies of Matador type missiles, trucks and tanks.

COMMENT: The pattern of training is essentially normal and the Berlin situation is having little or no observable effect on the training cycle of the

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Group of Soviet Forces, Germany. On current indications the pattern of field training during 1959 will probably conform to the 1958 pattern when companies, battalions and later regiments were rotated between training areas and home stations.

It is probably however that summer field training will include exercises involving both air and ground recognition and destruction of simulated enemy missile sites. The activity reported at the Jaennersdorf Range is an example of the type of training to be expected.

Dr. Adenauer's Decision to Remain Chancellor 1247

(CONFIDENTIAL)

5. In announcing his decision to withdraw his candidature for the presidency of Germany and to remain as Chancellor, Dr. Adenauer stated that his primary motivation was his belief that the international situation had worsened. However, a more accurate assesment would take into account Dr. Adenauer's belief that the most likely Christian Democrat (CDU) choice for Chancellor, Ludwig Erhard, Minister of Economics, might not continue the policies the Chancellor has advocated, coupled probably with Dr. Adenauer's growing realization that he would be unable from the presidency to exercise the degree of control he had expected. Since he announced his intention to become a candidate for the presidency, Chancellor Adenauer has been known to favour the appointment of Finance Minister Franz Etzel as his successor. In recent weeks it has become increasingly apparent that the CDU strongly supported Professor Erhard for the chancellorship.

Although Dr. Adenauer and Professor Erhard have now been publicly reconciled and an open split within the party's ranks has been avoided, the Chancellor's decision undoubtedly has shaken party solidarity and increased speculation that, at 83, he is beginning to lose his sure and confident grip on affairs. The Chancellor's sudden decision to stand for the presidency and his abrupt reversal suggest serious miscalculations of party sentiment. The net result would seem to be that Dr. Adenauer has emerged with his standing considerably weakened and his power vis-à-vis his party sharply circumscribed.

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MIDDLE EAST

UARAF EW Installation

1230

6. An Early Warning installation, tentatively identified as GAGE, has been located approximately two miles northwest of EL ARISH airfield. The mount on which the scanner is sited is about 60 feet high. RCAF communications are cut out momentarily with each rotation of the scanner by "burp" interference from the radar.

COMMENT: Mobile radars were previously sighted in the EL ARISH area, however, the above report is the first evidence of a permanent installation. The UARAF maintain between 12 and 16 FAGOT/FRESCO's at EL ARISH of which four are on strip alert from dawn to dusk. The aircraft scramble on a flare signal.

UAR Military Exercises

1227

7. The UAR have just completed exercises involving armoured, artillery, infantry and air force units. The exercises which commenced on 18 May were held just south of EL ARISH airbase and included only those forces normally based on the periphery of EL ARISH as local defence formations.

Seventeen, possibly 20, T43 type tanks were engaged in live firing southwest of the airport where a defence network had been established. The FAGOT/FRESCO's were observed in sections of four during the tank exercises but there is no evidence that the aircraft had been employed in simulated ground support; the MIGs remained at high altitudes except when "beating up" the aerodrome prior to landing.

COMMENT: An exodus of tanks, artillery and military vehicles from EL ARISH was noted during May. This movement was tentatively equated to a re-deployment but would now appear to have been related to the above exercise. The manoeuvres resulted in some measure of restriction on the normal use of the air facilities at EL ARISH due to scrambles and the "beating up". One MIG landed on fire and burned out on the runway. The pilot, however, escaped injury. The UARAF continue to maintain between 12 and 16 FAGOT/FRESCO's at EL ARISH of which four are on strip alert between dawn and dusk.

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FAR EAST

Food Shortages in China 1255

8. Food shortages which have affected parts of China with varying intensity since August 1958 seem to have become more severe during the last month, and the food situation is now tight in both city and country-side. The shortages appear to be especially serious in the large cities where some rations have been reduced and some evidence of malnutrition has been reported, while a growing black market in food is reported from Shanghai and retail prices of food are said to be rising in Peking. In the rural areas, complaints about the reduction of rations and the inadequacy of the meals provided in the communal mess halls still continue.

COMMENT: The food shortages are hard to reconcile with the very high claims for food production in 1958 (100 per cent over 1957). They occur at the traditional famine period in the Chinese year; this year there are some special factors affecting the situation. The reorganization of the country-side into communes last year came during the cultivation season. The steel campaign, which led to the withdrawal of labour from agricultural work at a crucial period, was responsible for a failure to harvest some of the crop. It is also possible that the intensive cultivation methods on a reduced sown acreage introduced last summer did lead to actual reductions in output. The transport system, overburdened by the demands of the "great leap forward", could not keep up with the distribution of food, leaving a sizeable part of the harvest lying in the fields and at depots. While these losses were aggravated by the inadequacy of grain storage facilities, the food shortages were intensified in certain areas by some hoarding by the communes in other areas.

Although some measures have been taken to remedy this situation, the prospects for an increase in the food rations in the immediate future are not good. Some concern has been expressed in China over a drop of some 20 per cent in the acreage sown to wheat and other winter food crop last autumn. Local cadres have been warned again against padding production forecasts "level by level" as they are passed upward to Peking. In order to stimulate the enthusiasm of the peasants, goals of 10 or 20 per cent below feasible levels are proposed and new incentive measures are defined, such as hog raising for profit. In order to correct the food problem the communes have been told that they must hand over a greater percentage of their produce this year.

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ANNEX 1
TO JIC SUMMARY NO. 329
dated 26 Jun 59

Storage of NATO Nuclear Weapons in France 1245

1. France's refusal to allow the storage of nuclear warheads on its soil for the armament of United States squadrons based in France, unless the French secured control over their use, should be viewed in the light of General de Gaulle's efforts to strengthen his country's voice in the shaping of Western policies through the establishment of a tripartite directorate. The French President apparently is dissatisfied with the lack of response on the part of the United Kingdom and the United States to his proposal and with the fact that France is not accorded treatment by the United States equal to that given the United Kingdom in respect of the exchange of nuclear information for military purposes.

The French stand constitutes a challenge to the accepted NATO doctrine with respect to the acquisition and control of nuclear weapons. The NATO position is based on a combination of the requirement of United States law that the custody of nuclear warheads must remain with the United States and the general military view that the Supreme Allied Commander in Europe (SACEUR) should have overall authority in matters relating to the use of nuclear weapons in Europe.

While it is not entirely certain that the French are striving for exclusive national control over nuclear weapons on their territory, General de Gaulle's decision suggests that he feels France should have a position not inferior to that of the United Kingdom, whose IRBM's and strategic bombing forces are not under NATO control. Moreover, in the French view, the degree of political control exercised by NATO over SACEUR is insufficient. In any event, control by SACEUR in their mind is synonymous with United States control.

General Norstad's announced intention to transfer United States squadrons from France to Germany indicates that the United States is not prepared to yield to French demands. The impasse thus created could have serious results for the Alliance in that France may tend to become increasingly isolated and greater reliance will have to be placed by NATO on West

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Germany. It is also possible that the current differences will tend to spur France to greater efforts in its campaign to develop its own nuclear armament, which could make it difficult to implement any agreement which might be reached with the Soviet Union on the suspension of nuclear tests. On the military side, the French decision will create difficulties in the carrying out of SACEUR's plans for the integration of European air defences.

The French attitude conflicts with Canadian views on the acquisition and control of nuclear weapons, as outlined by the Prime Minister on February 20 in his statement to the House of Commons. Recently, the Minister of National Defence explained to the House that the question of redeployment of the six Canadian squadrons stationed in France did not arise at the present time as the aircraft in use were not equipped to carry nuclear weapons.

On June 11, General Norstad advised the NATO Council that he had moved a number of United States aircraft forward to bases in Germany on a temporary basis. However, it is understood that his plans call for the redeployment to the United Kingdom of some of the United States aircraft now in France.

The "Inge Toft" case 1243

2. Since last month U.A.R. authorities have detained at Port Said the Danish ship "Inge Toft" which was chartered by an American Company controlled from Israel to carry Israeli cargoes. The "Inge Toft", whose voyage had been publicized in advance in the Israeli and international press as a "test case", had intended to transit the Suez Canal en route from Haifa to Hong Kong, Japan and the Philippines with a cargo of potash, cement, scrap brass and marble. The U.A.R. has based its right to stop the vessel, as in the 1951 and 1954 controversies at the U.N. regarding Israeli use of the Canal, on the state of war which still exists with Israel and on the Constantinople Convention of 1888 by which the U.A.R. can take whatever steps are necessary to protect the Suez Canal during time of war. It has also pointed out as justification that its own statement of March 1957 placed upon the U.A.R. the obligation to ensure freedom of navigation in the Canal. Owing to the continued state of war, the presence of enemy (i.e., Israeli) shipping in transit would expose the waterway to the threat of damage by sabotage. Thus from the point-of-view of self-defence and to ensure freedom of navigation the U.A.R. says it cannot accept enemy transit of the Suez. It was stated in addition that a prize court

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had decided to confiscate all Israeli cargoes for the benefit of the Palestinian refugees (reference to the refugees is a new element in the U.A.R. position). Although there have been rumours to the effect on several occasions there is no evidence yet that the "Inge Toft's" cargo has actually been unloaded.

From the time the detention began the Israelis have been trying to work up support for having the matter referred to the United Nations. They have considered that effective action by the Security Council would be inhibited by a Soviet veto and that a direct request by themselves for a special General Assembly session would not gain the necessary support from a majority of U.N. members. It had been the Israeli hope, however, that a majority of the Security Council members -- including Canada -- would exercise the right to call a special Assembly session. The Israelis have received, so far, little encouragement in their effort from the states contacted, and they have now agreed that priority should be given to the efforts being made by the U.N. Secretary-General to work out a satisfactory solution.

The U.N. Secretary-General's public line has been the necessity of shifting the "Inge Toft" case from the political to the legal plane, and although he apparently has as yet no firm plan in mind, his statements lead to the belief that he hopes to reach agreement on reference of the case to the International Court of Justice. Three ways in which judicial determination of the issues could be achieved by the Court might be through (1) reference by the parties directly concerned, (2) reference by other interested states, (3) reference by the Security Council for an advisory opinion. There has been no definite indication that either side would be prepared to accept reference of the case to the Court and its decision; the French have, however, been urging this on the Israelis, and the U.A.R. Foreign Minister indicated, in response to a Canadian enquiry, that the Court solution was among the possibilities being envisaged. The Secretary-General is expected to reach the Middle East toward the end of the month to have discussions with U.A.R. officials.

The attempted transit of the Canal by the "Inge Toft" and in particular the advance publicity given to it is believed in the U.A.R. to be something more than another Israeli attempt to circumvent restrictions on its use of the Canal through the employment of chartered vessels. U.A.R. officials have suggested that the Israelis are trying to check the current improvement in Nasser's relations with Western countries (a development which the Israeli Government is alleged to fear above almost all things), and in particular to prevent the planned World Bank loan to the U.A.R. for Suez Canal improvement. A debate on the issue in the U.N. might have such an effect and, in turn, enable the Communist states to exploit Arab isolation, which would affect the uneasy situations in Iraq, as well as Syria and Jordan. On the other hand, the U.A.R. Foreign Minister has privately indicated had the U.A.R. ignored the suspected provocation and permitted the "Inge Toft" to pass through the Canal, it would have lost the confidence of Arabs, particularly in Syria and Jordan, where anti-Israeli feeling is considered to be more intense than it is in Egypt.

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SOVIET UNION

Reason for Malinovsky Visit to Austria 1206

1. The current visit of Marshal Malinovsky, Soviet Minister of Defence, to Austria is primarily a courtesy call according to the Austrian Military Attache to Moscow. During the visit of the Austrian Minister of Defence to Moscow in 1958 he extended a "vague sort" of invitation to Malinovsky for a reciprocal visit to Vienna. To his surprise this was taken up recently and Malinovsky apparently asked for suggested dates following which the Austrians proposed some time in May. An alternative date of 10 to 17 June was finally agreed to as Malinovsky was busy during May, in that he accompanied Premier Khrushchev to Albania and Hungary. The Austrian MA also said that an invitation has been extended to the French Minister but that no acceptance has been forthcoming. As a result he feared that the Soviet visit would be misconstrued in its intentions.

COMMENT: Information available suggests that the Austrian MA is correct in his statements. The Soviets will undoubtedly take full propaganda advantage of the visit but no significant new military arrangements are anticipated.

Malinovsky's visits to Austria, Albania and Hungary within recent weeks suggest an enhanced status for both himself and his appointment and that he is a particularly important member of the ruling hierarchy at this time.

EUROPE

GSFG Training - to 1 Jun 59 1204

2. Training within the Group of Soviet Forces, Germany remained at a generally low level with small unit tactical training, tank firing and driver training taking place within most units. No major exercises have been reported but some units have moved into major training areas for their summer training.

Prominent among these have been strong artillery elements of all the divisions of 20 Guards Mechanized Army which were reported to have assembled in the Letzlinger Heide and Altengrabow training areas on 23 May.

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COMMENT: The pattern of training remains normal for the time of the year.

The assembly of artillery elements of 20 Guards Mechanized Army in training areas some distance from their home stations in the Berlin area is significant. This probably indicates an absence of immediate operational readiness around Berlin. Similarly the generally low level of training shows that this mood is reflected throughout the rest of the Group of Soviet Forces, Germany.

On the other hand, as the Letzlinger Heide and Altengrabow training areas are used for artillery and tank firing by units throughout the Group of Soviet Forces, Germany; the fact that formations in the Berlin area are being exercised there first may indicate that preparations are being made for any eventuality which might require a high state of readiness in Berlin in the not too distant future.

Use of Pipelines by GSFG 1194

3. In a recent exercise in GSFG, a pipeline was used in a river-crossing operation across the river Elbe. It was reported that the pipeline entered the water and was not supported by pontoons.

COMMENT: Whereas it is of interest to note that the Soviet Army in GSFG is now using a pipeline to move POL over a river obstacle, the fact that it was not supported by a pontoon is not remarkable. If the crossing is located in an area where the bridging can be shelled, it is a normal procedure to have the pipeline underwater. Further, it appears as though the Soviet Army is several years behind the West in the tactical use of pipelines. The Soviet Army, so far, has not yet duplicated operation PLUTO.

Redeployment of East German Army AA Units in the
Berlin Air Corridor BAOR and SACEUR 1193

4. According to current BAOR reports, it appears that the long rumoured move of the EGA 13th AA Regiment to Brandenburg may have been effected.

Sightings of fourteen 100mm AA guns in a Brandenburg kaserne in late May indicated the probable transfer of one battalion. More current evidence suggests the possibility that the entire regiment has now concentrated in the area.

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COMMENT: This move from Strausberg, approximately 20 miles East of Berlin to Brandenburg, which is about 40 miles west of Berlin and in the central air corridor, may or may not be connected with the Berlin situation. Fragmentary reports suggesting the redeployment have been circulating since last December. It is interesting that, although the Soviet 62 AA Division departed from the Brandenburg area in early 1958, no indications that it would be replaced by an EGA unit were picked up until after the Berlin crisis was stirred up by Khrushchev in November.

A further, and isolated, defector report has been received from SACEUR alleging that all AA units of the 8th Mtz Div, with live ammunition, will move to summer camp in the vicinity of Brandenburg for exercises. This report is discounted as unlikely.

Location of the 13th AA Regiment in the area can be justified as providing protection to the Brandenburg complex. Deployment of 8th Mtz Division units into the corridor would appear a more provocative action. Exercises with live ammunition would be pretty well out of the question, and there appears no real benefit in changing their normal training area from Luebthenn in North Germany, moving them the very considerable distance to Brandenburg.

Restricted Area in Eastern Germany 1192

5. A restriction on the movement of Western military missions covering the whole of the area south of the Helmstedt - Berlin - Frankfurt autobahn has been imposed for the period 5 to 13 June.

No complementary troop movements of any significance have been reported.

COMMENT: This is the third restriction to be imposed, this year; the other two occurring in March and April respectively. There has been no evidence to suggest that anything other than CPXs, with limited participation by troops on the ground, took place during the previous restrictions this year.

Restrictions of comparable size were also imposed last year: one covering late June and early July and the other occurring in early August. On both occasions CPXs took place.

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Thus, although the imposition of a restricted area of such size seems extravagant for a CPX, the practice is well established. This fact, coupled with the absence of significant troop movements and the general low level of training throughout the Group of Soviet Forces, Germany suggests that the current restriction is the occasion of another large scale CPX.

SOUTH ASIA

Ceylonese Cabinet Crisis

1219

CONFIDENTIAL

6. Ever since he took office as Prime Minister Mr. Bandaranaike has had considerable difficulty in controlling his Cabinet. Part of the trouble has been the inability of the Ceylonese to understand how a Cabinet should or can function as distinct from committees of government of the kind Ceylon had before independence. Most of the trouble has resulted from quarrelsome personalities holding different political, social and economic ideologies and whose primary bond has been Ceylonese provincialism, as distinct from Ceylonese (including the Tamils) nationalism.

In mid-May Cabinet affairs had reached a seeming impasse. Ten so-called (and by comparison only) right-wing Cabinet Ministers refused to attend Cabinet meetings with one of their colleagues, a firebrand radical, Mr. Philip Gunewardena, the enfant terrible of Mr. Banderanaike's odd assortment of colleagues. One Cabinet Minister had also by that time been "bottle bombed" on a public platform -- he believed at the instigation of Mr. Gunewardena.

The Prime Minister gave up his attempts to shake the adamancy of the right-wing Ministers. On the persuasion of the Governor-General Mr. Bandaranaike started to juggle portfolios to take away the important portfolio of Food and Agriculture from Mr. Gunewardena's responsibilities. Thereupon Mr. Gunewardena resigned. He was followed by his colleague, Mr. P.H. William de Silva, the Minister of Industries and Fisheries. The resignations of the Ministers naturally had repercussions in Parliament. There was some crossing of the floor of the House. The repercussions have not yet died down. However, Mr. Randaranaike is not calling Parliament until later when he hopes that stability will have returned and that he will once again be able to govern with a majority of supporters. At the moment he does not seem to have a majority in Parliament.

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Re-organized Cabinet appointments were announced this week. Only three members of the former Cabinet retained their portfolios.

One fact has been clear throughout the crisis. The Governor-General was anxious that Mr. Bandaranaike continue in office. This is because the likely alternative to Mr. Bandaranaike as the result of a general election would be the United National Party. Mr. Senanayake, its leader, has previously expressed disapproval of the Governor-General, and would probably attempt to have him replaced.

SOUTHEAST ASIA

Border Claims in India and Burma

1218

7. The question of border claims along the Southern frontier has been a continuing source of friction since about 1954 between China on the one hand and India and Burma on the other. In November 1958 the Deputy Minister for External Affairs, Mrs. Menon, made a statement in the Lok Sabha. This statement said that the Chinese Government, in its reply to a previous Indian protest over Chinese maps which drew the border in such a way as to include 30,000 sq. miles of territory claimed by India in China, had made the following points:

- (1) The maps in question had been drawn on the basis of maps published in China before the liberation.
- (2) The Chinese Government had not yet undertaken a survey of China's boundaries.
- (3) They had not had consultations with the countries concerned.
- (4) The Chinese Government would not make changes in the boundary on its own.

The sincerity of the Chinese Government's first point may be questioned because in fact the most important atlas published in China before the liberation reproduced China's boundaries in the manner agreed on by China and the then Government of India, and not in the manner of the maps referred to by Peking.

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In his speech to the last session of the National People's Congress on April 18, Chou En-lai said that, pending the settlement of the border disputes, the Chinese Government considered it to be in the interests of both parties to maintain the status quo.

Negotiations between China and Burma have been going on in a sporadic manner since 1954. Early this year the Burmese had agreed to permit overflying of the disputed area by Chinese photo reconnaissance aircraft. The new Burmese Ambassador to Communist China was reported to have received instructions to size up the current Chinese position on the boundary question to enable his government to decide if it would be worthwhile to re-open talks.

It is thought that the principal reason for the Chinese Government's uncooperative attitude is historical. In July 1957 Chou En-lai gave a report on "The Question of the Boundary Line Between China and Burma". In it Chou stated fairly clearly that the attitude of the Chinese Government was based on the appreciation that the various treaties and agreements demarcating the border between the Government of China and the colonial Governments in India and Burma were imposed on China in conditions of duress. Moreover, there was some evidence in the last part of Chou's speech on that occasion to suggest that there was an opinion in China that the borders of New China should be as extensive as those of the Empire. Chou pointed out that the treatment of historical data had become an important problem. "In the days when China was under feudal rulers its boundaries, like the boundaries of many other countries in the feudal era, were not too well defined. Throughout the ages the feudal dynasties in China maintained different relations varying in nature and degree with the nationalities living in the border areas. Therefore it is almost impossible to define the boundaries such as existed under China's feudal empires."

It is sometimes said that the reason for the Chinese unwillingness to agree to a settlement is the advantage to be drawn from keeping a constant pressure on the governments concerned (and especially that of Burma) in order to remind them perpetually that their interests would not be served by taking any step that might irritate China. This could be a secondary factor in China's attitude and the principal one is that the boundaries as claimed by the Burmese and Indian Governments do not do justice to China's own claims.

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Political Crisis in Indonesia 1217

8. A political crisis has arisen in Indonesia as a result of the recent refusal of the Indonesian Constituent Assembly to approve with the required two-thirds majority President Sukarno's request for a return to the 1945 constitution in order to institute his proposal for "guided democracy". President Sukarno presented the proposal to the Assembly in April shortly before his departure on a world tour. He requested that it should either be given approval or the Assembly itself should make concrete constitutional proposals.

In three separate votes taken in the Assembly the proposal received majority support but failed to gain the required two-thirds majority each time by just under fifty votes. Following the second vote Prime Minister Djuanda gave Assembly members what they interpreted as a warning of possible assumption of power by the military if the President's proposal was not accepted. The opposition nonetheless persisted.

Basically the dispute is not concerned with the actual institution of "guided democracy" but rather with whether Indonesia shall become a religious instead of a secular state. The two major Moslem parties have united in an insistence that the 1945 constitution include a requirement for Indonesian Moslems, who constitute the major part of the population, to follow Islamic law.

Many of the civil leaders of government are away on missions either in Indonesia or abroad and in their absence, as well as in the absence of President Sukarno, Chief of Staff General Nasution in his capacity as Central War Administrator issued a ban "on all political activities" effective June 3rd. An Indonesian official in Ottawa during a conversation on June 4 explained that this ban does not include such things as parliamentary activities but is aimed at unofficial political gatherings which possibly might lead to demonstrations or riots. He stated that the scope of the ban was consistent with the declaration of martial law which has been imposed on certain parts of the country since the outbreak of the rebellion last year.

The official stated that it was difficult at this time to see what course the Government would now follow. He appeared to consider that Moslem opposition would see no compromise on the issue and that a return to the 1945 constitution was impossible. It was difficult, therefore, to see how the "guided democracy" programme could be proceeded with. He suggested as three possible alternatives that:

- (a) the present cabinet of Prime Minister Djuanda would continue in power;

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- (b) the Djuanda cabinet would resign and a new one would take office;
- (c) a take-over by the military, according to the Pakistan pattern.

He would not speculate which of the three could be considered the most probable.

In a conversation on June 12th another Indonesian official suggested that the constitutional changes possibly might be pushed through the Constituent Assembly although he did not appear to think that this would be a desirable course to follow. He took a generally more optimistic view than his colleague suggesting that while the political situation was serious the Indonesians were basically a reasonable people and would eventually find a satisfactory solution. Other reports suggest that the chances of a military coup have receded considerably during the past few days.

President Sukarno, who is not due back in Indonesia from his world tour until late in June, has been advised by the Cabinet not to cut short his scheduled visits to Japan and Indochina. The Cabinet apparently considers that Sukarno's immediate return would only exacerbate a situation which would be better resolved when tempers have become calmer.

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ANNEX I
to JIC Summary No. 328
dated 19 June 1959

NOTE

Recipients of Joint Intelligence Summary Issue No. 327 dated 12 June 59 are advised that the brief in Annex I of that issue is withdrawn, and is to be removed and destroyed with due regard to security classification.

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W A R N I N G

This issue of the Joint Intelligence
Summary contains the following parts:

Main Section - at SECRET level
Annex I - at SECRET level but
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This cover sheet may be removed when
the Annex is detached:→

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12 June 1959

SECRET

COPY N° 98

ISSUE NO. 327

12 June 1959

JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

Soviet KOTLIN Destroyer with
Helicopter Deck Sighted in Pacific 1211

1. A KOTLIN Class destroyer with a helicopter deck fitted aft recently made its appearance as an operational unit of the Soviet Pacific Fleet. This unit, bearing pendant number 40, was observed while participating in exercises in the Sea of Japan in late March and early April. The installation on KOTLIN number 40 is similar to that on Baltic Fleet unit number 86.

COMMENT: The most logical application of these helicopter-carrying destroyers would be to enhance the anti-submarine capability of surface units. The appearance of such units in both the Pacific and the Baltic Fleets further supports the probability of Soviet interest in this new approach to the ASW problem and may well result in the early appearance of these units in all four fleet areas.

New So-1 Class Submarine Chaser
for Soviet Navy 1210

2. A new class of Soviet submarine chaser has been identified. Distinguishing characteristics of this new class include a high freeboard, square stern, POTHEAD radar on its single mast, and the absence of a funnel. Tentative analysis indicates that the new class submarine chaser is approximately 115 ft. in length, is equipped with two depth charge tracks and with two twin 25mm MG mounts fore and aft (the same as those fitted on "P-6" Class PT). The type of ASW ordnance fitted in addition to the depth charges has not yet been established, but it is possible that a new type of ASW rocket launcher is also installed. In addition to sightings at sea, two units fitting this description and most probably of the same class were recently reported in the Leningrad area.

COMMENT: The appearance of this new class, initially termed "SO-1", is significant in that (a) it is a firm indication of increased Soviet emphasis on anti-submarine warfare, and (b) it is the second class of ASW unit to recently appear in the Soviet Navy which appears to be primarily designed for coastal ASW employment. The first, the "MO-VI" Class PTC, a very fast submarine chaser based on the "P-6" Class PT hull, is apparently designed for expeditious deployment to datum in coastal waters. Construction of this class of SC would indicate the Soviets have a need for an inshore escort with good sea-keeping

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qualities, capable of sustained patrol and coastal convoy. In addition, this new class will considerably supplement the function of the existing fleet of "Kronshtadt" Class large submarine chasers (PC). (The construction of the "Kronshtadt" class is believed to have ended in 1957, with an estimated total of 200 units completed). The relatively sudden appearance of the new class of SC in numbers is a strong indication that the class has probably been in serial production since early in 1958, and perhaps much earlier. While the building yard has not as yet been identified, a logical candidate is the Zelenodolsk Yard (55-50N/48-30E), which was the building yard for the "Kronshtadt" Class PC.

EUROPE

GSFG Training - to 25 May 59 1199

3. The tempo of training in Group of Soviet Forces, Germany, has increased though no major exercises have been reported during the period under review.

COMMENT: The summer training phase should now be well under way and a progression in the tempo of training is to be expected at this time of the year.

The absence of major exercises or appropriate preparations indicates that no special Soviet military measures have been taken in aid of the political situation as it affects Germany.

Training in the East German Army 1198

4. NORTHAG reports that, despite previous rumours of a major exercise to be held in MD V in late May, East German Army (EGA) training appears to be continuing at normal level for the time of year.

COMMENT: Since the termination of the unusual March manoeuvres involving three divisions, training has reverted to that of regimental level conducted in local areas.

During March and April various rumours were afloat which indicated significant activities might be expected in May. One such story that became quite general alleged that all military leaves in

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the EGA would be cancelled as of 1 May to permit major field exercises. Another fragmentary rumour held that spring releases of conscripts would be suspended or cancelled. As late as the first week of May NORTHAG was picking up others alleging the mid-month manoeuvres.

In reality there is no evidence that leaves were cancelled, it is highly doubtful that they were. Spring releases were accomplished, taking place the first week of May. Presence of units in Kasernes and their participation in normal training activities belies the probability of any major EGA exercises within the near future.

All of this seems to indicate that there is no unusual pre-occupation concerning Berlin on the part of East German military authorities at present.

May Day Parade in Sofia, Bulgaria

1197

5. The march past of the annual May Day parade in Sofia this year consisted of about 500 internal security troops, 1260 factory home guards and a few army nurses with first aid equipment.

COMMENT: The absence of masses of weapons and equipment is in marked contrast with demonstrations in previous years and appears to be in line with this year's celebrations in Moscow and in a number of other East European satellite capitals. While it may be said that 1 May is truly the holiday of militant international labour, and the practice in the past of showing of military might on this day has not been in keeping with the original tradition of the labour movement, there may be another explanation for the change this year. It is possible that there was a desire in Moscow to demonstrate "peaceful" intentions throughout the Soviet bloc on the eve of the foreign ministers conference and thereby improve the prospects for Premier Khrushchev's attendance at a summit meeting of heads of state.

Yugoslavia and CEMA

1191

(CONFIDENTIAL)

6. The official spokesman of the Foreign Ministry, Drago Kune, announced in April that the Soviet Bloc Council for Mutual Economic Assistance (CEMA) had rejected Yugoslavia's application for observer status at CEMA meeting. This was seized upon by the Yugoslavia Press as an indication that Yugoslav-Bloc relations are even less cordial than in 1956 and 1957: CEMA invited Yugoslavia to attend its meetings in 1956 and 1957,

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but did not do so in 1958. The Yugoslavs claim that this action and other, such as cancelling investment credits and obstructing trade, have been taken in order to put greater economic pressure on Yugoslavia.

Since the spring of 1958 the USSR and at least some of the Satellites have used economic sanctions to embarrass Yugoslavia. Rejection of Yugoslavia's application for observer status in CEMA may be an aspect of these sanctions. However, it is possible that the application would have been rejected in any event as a result of the alteration in CEMA's character which took place in 1958.

Prior to that time its ineffectiveness was its chief characteristic, and hence attendance by Yugoslavia would not greatly matter one way or the other. However, in May 1958, at a secret meeting in Moscow of Eastern European and Soviet Communist leaders, CEMA was greatly strengthened with the result that it has functioned since that time with increased effectiveness. The inclusion of Yugoslavia, an acknowledged dissident, in an organization now falling closely under Party discipline would clearly be quite improbable.

Submarine for Yugoslav Navy 12/3

7. A submarine for the Yugoslav Navy was recently launched by the Hljanio shipbuilding yard in Pula.

COMMENT: This submarine has the same characteristics as the Sutjeska submarine which was launched in September 1958 by the same yard. Firm information is not yet available on this vessel. Her displacement appears to be 600 tons and her armament six 533mm torpedo tubes. No additional submarines of this class are reported to be under construction. The single efficient submarine presently available to the Yugoslav Navy is that displacing 700 tons and carrying the pendant number 802.

Albanian Degaussing Unit 12/2

8. A vessel, bearing pendant number 444, which has been operating in Albanian waters, is thought to be a degaussing vessel which the Soviets have turned over to the Albanian Navy.

Large rolls probably containing the cables necessary for degaussing operation were observed on the forward deck. The covered space aft is large enough to house a small workshop for cable vulcanizing, a room for magnetic markings calculation, as well as the crews quarters.

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From late June to late December 1958, the following naval units were degaussed at Porto Ragusa in Valona Bay:

1. KRONSTADT-Class Patrol Craft, numbers 323, 325, and 327.
2. T-301 Minesweepers, numbers 33 and 35.
3. A P-130 Tanker; and
4. KRISTALL Survey Ship.

COMMENT: It would seem strange that the Albanian Navy, which is so small and has so few logistics installations, would display an interest in degaussing. Therefore, it would seem that this special service has been set up to strengthen a forward naval base for larger Soviet naval units. This is a further indication that the Soviets intend to make use of Albanian Ports.

The Geneva Conference 1216

9. The first phase of the conference, which ended last week, went much as foreseen by the Western delegations. The opening tactics and procedural difficulties made over the seating of the German delegations, as well as over possible Polish and Czechoslovak representation, occasioned little surprise. The question of Polish and Czechoslovak representation may not arise again at the Foreign Ministers' Conference but is likely to do so in relation to an eventual Summit Meeting.

The consensus of the Western delegation is that Mr. Gromyko has been to date more reasonable in tone, if no less negative in substance, than they had expected. It has now become clear that no progress towards the reunification of Germany is likely to be made; this makes it improbable that any step forward can be taken with respect to European security. Nor does it seem that the proposals on inspection zones in Europe have much chance of being discussed at the Foreign Ministers' Conference. Mr. Herter, in conversation with Mr. Leger, emphatically insisted that there were two issues which, in his opinion, were not negotiable: there would be no peace treaty before reunification, and progress on security had to form part of a settlement.

Although the Western Peace Plan has been tabled as "indissoluble", the Western Powers agreed early in the Conference that in due course the problem of Berlin would probably have to be the subject of a separate agreement.

The Berlin question was discussed by the Foreign Ministers in the aircraft on their way back to Geneva from Washington, and also during the private meetings held since Friday, May 29. While both sides continue to pretend that the views they express on Berlin should be related to their

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broadier proposals on Germany and European security, specific aspects of the Berlin problem such as the basis for the presence of Western troops, their number, propaganda activities, guarantees on the access routes, etc., are slowly emerging for separate and more searching examination.

During these talks, Mr. Gromyko admitted that the occupation rights of the Western Powers in Berlin still existed. He contended, however, that they should be replaced by a new contractual agreement and that the Government of the USSR had no wish to change the social order of West Berlin. It was willing to give guarantees of access to Berlin on persons and goods and the DDR would give a similar guarantees, either as signatory of whatever agreement was reached, or by making a special declaration or declarations. It would also be possible for the United Nations to take part in such guarantees. Mr. Gromyko's willingness, however, is contingent on some alteration of the "occupation status" in Berlin. The Soviet Foreign Minister has indicated that this might take the form of symbolic Russian forces being stationed in West Berlin together with the Western troops.

There could also be some measure of agreement on parts of the Western Peace Plan which do not relate directly to the Berlin question. For example, the mixed German Committee proposed in the Western Peace Plan might be agreed upon or serve as a basis for further discussion at the Summit Meeting. Mr. Gromyko has said privately that he would like to discuss this proposal further.

Mr. Leger has suggested that there is also the possibility that general disarmament discussions will be re-launched within the context of the security council or some mutually satisfactory United Nations forum. The Secretary-General of the United Nations has told Canadian officials, that the inclusion of disarmament in the Western "package" had seemed to him somewhat unreal. He seemed puzzled by the notion that the disarmament aspect could be referred to the Security Council and thought it unlikely that progress could be made on disarmament in that organ or that the Russians would agree to a reference to the Security Council in view of their demands for parity of representation in the organ discussing disarmament. He added that it was difficult to say what aspect of disarmament could, in fact, be the subject of any substantive negotiations in the United Nations. He thought there would be good progress made on the suspension of nuclear tests, but this was quite rightly being negotiated between the Four Powers directly.

According to Mr. Herter the Soviet Union has deliberately brought discussions of nuclear tests under the umbrella of the Foreign Ministers' meeting with the thought of using whatever progress could be made in this issue as a lever to open the road to the Summit.

Undoubtedly the Soviet Union looks upon the Foreign Ministers' Conference as a springboard towards the Summit. However, the Western Powers,

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and particularly the United States, consider it useless to discuss the question of a Summit Meeting as long as sufficient, albeit limited, progress has not been achieved at the Foreign Ministers' meeting.

In speaking to the NATO Council, Mr. Spaak has expressed surprise at the weakness of the Soviet position on Berlin. Gromyko, he noted, has not contested Western juridical rights in Berlin, but is contesting the occupation status of their forces. He wants the West to renounce their acknowledged rights apparently without Soviet concession. Spaak thought the Soviet aims were still in doubt and wondered if what the USSR is really after is some sort of recognition of the G.D.R.

The decision to go to the summit has not been made and still depends on the ability of the Foreign Ministers to agree to a formula which would meet, or appear to meet, the conditions laid down by President Eisenhower concerning satisfactory progress. However, although the French have been silent on the point, there is a disposition in Western circles to accept a summit meeting as virtually assured. Gromyko has shown some awareness of the price the USSR must pay, at least in terms of a satisfactory communique, in order to achieve a summit meeting.

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ANNEX I
to JIC SUMMARY No. 327
dated 12 June 1959

Jamming US Radar Sites in Japan

1. On 6 Dec. '58 and 15 and 26/27 January of this year, three US FPS-3 L band radar sites in Japan experienced massive interference of an unusual type which was considered to be electronic jamming.

DISCUSSION: The interference in two cases took the form of random specks of light saturating the radar scopes of the stations in question. In the third incident, the jamming originated at the outer edge of the scope and spiralled gradually towards the centre. The latter incident continued for nearly three hours, and was followed by 30 minutes of jamming in which a 360 degree circle remained on the scope. Anti-jamming measures proved ineffective in all cases. The source of the jamming appeared to be surface vessels.

A few days after the second incident, a vessel, thought to be Soviet was photographed, fitted with what appeared to be an "antenna farm" conforming in outline to the ship's stern. The vessel was a cargo ship 450 feet long, with a beam of 55 feet. The structure at the stern appeared to consist of 36-38 stakes about fifteen feet high, with two square objects, one on either side, which were thought to be electronic radiating devices.

COMMENT: Reports of the incidents state that careful checks failed to reveal any malfunctioning of the radar equipment which would account for the interference. However, the possibility of interference from other radars in the area cannot be entirely ruled out, due to the following:-

- (a) The characteristics of the interference, as far as they were determined, were not unlike those that would be caused by another radar of the same type.
- (b) It is difficult to see what would be gained by jamming American radars in this fashion, and in the circumstances, why disclose ECM capability in this way? No Soviet or Chicom radars are known to operate anywhere near the frequencies of the affected radars and the possibility of Soviet ECM exercises against their own radars is considered very likely.

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- (c) Anomalous propagation conditions could account for the sporadic occurrence of the interference.
- (d) There is no firm intelligence to indicate that the alleged radiating devices ("antenna farm" and square objects) seen on the ships were in fact electronic in nature or in fact that the surface ships were the cause of the interference.
- (e) One other factor that has been mentioned is the possibility that an L band radar operating from a cargo vessel (possibly Soviet) was heard.

The possibility remains however, that the incidents could have been the results of unfriendly jamming. If so, the results show a capacity to jam American L band ground radars to a degree that reduces considerably their operational efficiency. Should further incidents occur, it is to be hoped that it may be possible to provide a more detailed analysis and thus resolve the cause of the interference.

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SOVIET UNION

Bomber Sightings in European USSR 1178

1. A reliable source reports sighting the following medium and heavy bombers at European USSR airfields on 30 Apr 59:-

(a) ORSHA/SOUTHWEST (5426 N 3018E)	50+	BADGERS
	2	BISONS
	3	BULLs
(b) BYKHOV (5331N 3013E)	40	BADGERS
	3	BULLs
(c) BOBRUJSK (5306N 2913E)	10+	BADGERS

COMMENT: These airfields lie within the 1st LRAA area, and each is considered to accommodate at least two complete BADGER Regts. BISON aircraft were last observed at all three bases between February and June 1956, but subsequent sightings, until now, have failed to reveal the presence of BISON type at any 1st LRAA base.

Change in Composition of
Draft Boards in the USSR 1180

(RESTRICTED)

2. A decree of the USSR Supreme Soviet Praesidium of 30 Apr 59 has increased the membership of draft boards at all administrative levels to include representatives of the Party, the Komsomol, Trade Unions and DOSAAF.

COMMENT: A universal conscription law was passed in 1939. Although amendments have been made from time to time, the law is basically unchanged. The addition of representatives of the Party, the Komsomol, Trade Unions and DOSAAF have given the draft boards a broader base of decision in the granting of deferred status to key personnel in essential occupations and to personnel who it is decided should finish their education. This amendment to the membership of the draft boards may well be one of the results of the Seven Year Plan announced at the 21st Congress.

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EUROPE

East German Army Discharges Completed 1181

(CONFIDENTIAL)

3. Spring discharges for East German Army (EGA) personnel commenced soon after May Day and were completed by 6 May.

COMMENT: Previous reports indicated that the normal spring discharge of eligible personnel of the EGA would be accomplished during early May. These recent reports confirm this action and indicate no change in current EGA enlistment policies. The usual periods for releasing personnel who have served the two year term of enlistment is in the spring and fall, corresponding in time to the semi-annual induction of recruits.

The routine discharge of personnel at this time indicates that the Berlin situation has not resulted in special measures to increase the size of the EGA; however, the estimated 20,000 to 25,000 trained personnel discharged could be recalled to duty on short notice.

GSFG Training to 15 May 1182

4. Summer field training for the Group of Soviet Forces, Germany began on or about 1 May with demonstrations and displays of equipment in the Letzlinger Heide training area.

Reports indicate that the demonstrations involved the use of a pipeline for POL support and placed the usual emphasis on river-crossing techniques including the deep-fording of tanks. The pipeline was laid across the Elbe in the Elbe North training area from a large dump on the East bank.

The demonstrations ended about 11-13 May when the troops taking part began to return to barracks and the pipeline was removed.

Limited rotation of firing details and unit training in home stations have also taken place during the period under review.

COMMENT: This year's activity follows a similar general pattern to that of last year when the summer training phase began during the first week of May with displays of weapons and equipment and demonstrations of their tactical handling.

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The use of a pipeline for the forward supply of POL across a water obstacle is however, an innovation not previously reported.

Recent trends in Soviet tactical doctrine indicate that river crossings are not now treated as set-piece operations requiring a pause for considerable preparation and regrouping, but as normal incidents in an advance which should not significantly retard its momentum. The provision of up-to-date amphibious and bridging equipment and intensive practice in river crossing have been directed towards achieving tactical efficiency on these lines. The reported innovation in the supply of POL would indicate that the Soviet Army is now concerning itself with the logistical problems involved in this river-crossing concept.

Khrushchev Threatens to Locate Missiles in Albania 1183

5. Khrushchev, in the first major speech of his Albanian visit, has raised the missile issue vis-à-vis Italy and Greece. Making reference to Italy's acceptance of American missile bases and to current Greek-US negotiations in this field, the Soviet leader said "...perhaps we shall have to reach agreement with the Government of Albania to put something here to counter them." Khrushchev pointed out that short-range rockets placed in Albania could blanket Greece. Leaving a door open, however, he is further quoted as saying; "where will our missile stations be located -- here on the territory of Albania -- or will the missiles come down upon the missile bases in Greece from Bulgaria or some other country? That we shall discuss and agree to among ourselves."

COMMENT: It is not surprising, that Khrushchev's first address dealt with this subject. The Soviets cannot help but be concerned over the establishment of an IREB ring around the Russian periphery. There has been considerable speculation that Khrushchev might use his Albanian visit, indeed have planned it, for the purpose of announcing or threatening missile installations in Albania. His object would be to attempt to dissuade Greece from concluding an agreement with the US and to press Italy to abandon her treaty, the Soviet alternative being a ban of missiles and nuclear weapons in the Balkan Peninsula.

It appears unlikely that the USSR will, in fact, base missiles in Albania. There is no tactical gain in so

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doing. While the 350nm SSM could, from Albania, be employed against most areas of Greece it would be ineffective against Italy. On the other hand, the 700nm or 1000nm SSM, if based in the southern Ukraine and Moldavia could cover both Italy and Greece. Stationing either of these in Albania would therefore be unnecessary and seem justified only in terms of psychological pressure. A gain in this field, however, would be largely offset by the difficulties of maintenance and re-supply.

It is probably for these reasons that Khrushchev carefully avoided committing himself on the issue but used the threat of it as a pressure tactic.

MIDDLE EAST

Resistance by Prime Minister Qasim to Demands of the Iraqi Communist Party

1184

6. Following the Mosul revolt, the Iraqi communists sought to exploit Prime Minister Qasim's increased dependence on their support by moving from a public position in which they had organized support for him to one in which they began to press a number of demands on the Government which, if met, would have bound Qasim irrevocably to the Communist Party. Towards the end of April, as part of this new policy, the Iraqi communists launched a major campaign for the official recognition of political parties (which in theory have been prescribed since the July 14 revolution) and for official representation of the Communist Party in the cabinet. Despite Qasim's public statement on April 30 that "parties are for the time being of no benefit to this country", these communist demands were strongly supported by Dr. Kubba, the Minister of Economy, and Major-General Shawwaf, the Minister of Health.

During May, Qasim's public opposition to the demands of the communists gradually became more outspoken. On May 14 he said: "I do not at the present time encourage party life and parties. When the time comes, I will personally call on the people to create parties." And on May 23 he went so far as to declare at a press conference that he considered "unintentional obstruction by any group of his plan to form parties only after the transitional period as unintentional action against the safety of the Republic."

The National Democratic Party paper had on May 8 supported the inclusion in the cabinet of communist representatives, although "not on a party

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basis but on a national basis." The NDP, however, did not follow up this line and, in fact, increasingly supported Qasim's resistance to the communists' demands. As part of this support, the NDP announced on May 19 that it had decided "to cease party activities during the present transitional stage in response to the wishes of the Prime Minister."

Following Qasim's increasingly firm resistance to their demands and the NDP decision to cease party activity (which they strongly denounced), the communists made it clear that while they had not given up their demands, they would not withdraw support from Qasim if he did not grant them immediately.

COMMENT: Qasim's decision to resist the Communist Party's demands was probably prompted by a realization on his part that he was coming to depend too exclusively on communist support; and that to maintain himself in power he must readjust his position to end his growing isolation from those elements who were becoming increasingly concerned at the extent to which the communists were consolidating their position in Iraq. It is significant that before taking up a public position on the question, Qasim should have sent a message to Nasser suggesting that if UAR attacks on him should cease he might be able to make more of a stand against communist pressure. Nasser's assurances that not only would the UAR not undermine his position but would, if necessary, do what it could to support him should he make a stand against the communists and require UAR help, should encourage Qasim in his resistance to communist demands. Nasser told the Canadian Ambassador in Cairo on May 11 that he had been favourably impressed by Qasim's resistance to recent communist demands for cabinet posts; and the further statements made by Qasim on this subject since then will no doubt also be favourably received in the UAR as an indication of Qasim's intentions. A decrease in tension between Iraq and the UAR, and perhaps even some rapprochement between the two countries may well emerge if Qasim makes a serious attempt to curb the influence of the communists.

However, to judge by his past record, it seems unlikely that Qasim's present resistance to communist demands is designed to do more than to maintain himself in power by trying to play one group against another. Moreover, in view of the absence of evidence that Qasim has any broadly based popular rapport of his own, it will be interesting to see whether he has the will or the capacity to reduce the communists'

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real sources of power, e.g. by disarming the Popular Resistance Forces and by removing communists from key positions in the army and administration. In this connection, the decision of the Communist Party not to press at this time its campaign for the licensing of parties and communist representation in the Cabinet does not necessarily indicate that the communists are not already capable of overthrowing Qasim and seizing power themselves should they consider it in their interests to do so. The decision of the Communist Party may well have been dictated not by a sense of weakness but rather by an awareness of the disadvantages for communist interests both in Iraq and in the underdeveloped world as a whole which would flow from a decision to overthrow Qasim to enforce their demands. Such an interpretation of communist policy would be consistent with the public position taken on May 12 by the leading communist paper in Iraq when it stated that it had always called for the creation of a "democratic bourgeois revolution" and had never aimed at nationalization, economic socialism or the creation of a socialist system. The paper explained that in the light of historical objectives, a gradual evolution to the "higher stages" was needed in Iraq. The kind of dilemma which may have led the communists to decide not to press their demands at this time is illustrated by the two apparently contradictory themes put out by the Iraqi communists in the early part of May: (a) that the Communist Party is the only true spokesman of the people and therefore ought to have a position in the Government commensurate with its importance, and (b) that propaganda about the extent of communist influence in the country is an imperialist trick.

SOUTHEAST ASIA

Singapore - Elections and a New Constitution // 85 (CONFIDENTIAL)

7. With the holding of elections on May 30th a new constitution providing for internal self-government came into effect in Singapore. Under this constitution Singapore attained self-government except in the fields of foreign affairs and defence which remain the responsibility of the United Kingdom and in internal security which will be the responsibility of a Singapore-United Kingdom-Malayan internal security committee on which the Malayan representative

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has the deciding vote. The United Kingdom retains the power to suspend the constitution in an emergency and the present United Kingdom Governor will retain his position for six months at which time a Malayan will be appointed as Head of State representing the Queen. The future prospects for the colony are somewhat uncertain, however, for the elections were won by the leftist People's Action Party which has an extremist wing of communist sympathizers.

Prior to the May 30th elections the Singapore constitution provided for a Legislative Council of 32 of which 25 were elected members. The Government with Lim Yew Hock, the head of the Labor Front Party, as Chief Minister, consisted of a coalition of labor and socialist parties. In opposition were the Liberal Socialists (conservative) and the People's Action Party. The latter had suffered a set-back in the fall of 1957 when several members of its executive were detained as communist subversives but nonetheless won the civic elections in December 1957. It was fully expected that with its wide appeal based on socialism and anti-colonialism and its strong backing from trade unions that it would win the recent elections. The Labor Front Party, on the other hand, failed to produce a policy with popular appeal and suffered increasingly from a split in its moderate backers. In an effort to overcome these dissensions and to avoid a split in the moderate vote Lim Yew Hock recently formed a new party, the Singapore People's Alliance. He was only partially successful, however, and successive attempts up to the eve of the elections to avoid splitting the vote, failed. An unknown quantity in the forecast results of the elections was provided however, by the fact that voting was compulsory and of the 600,000 registered voters only 150,000 had voted in the 1955 elections and 324,000 were voters enfranchised for the first time.

The PAP won an overwhelming victory, gaining 43 of the 51 seats in the new legislature. The Singapore People's Alliance won only 4, the combined United Malays National Organization and Malayan Chinese Association won 3 and there is one Independent. The previous Chief Minister, Lim Yew Hock, was elected but two of his cabinet ministers were defeated. As had been expected the split in the moderate vote cost the SPA a number of seats.

Apparently an immediate difficulty has arisen over the formation of the new government. The leader of the PAP, Lee Kuan Yew, reportedly has announced that the party will not form a government until the Governor of Singapore agrees to the release of party members still detained under the subversive activities law. It is expected, however, that a compromise formula will be found.

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In office the PAP may prove to be more moderate than many observers expect for the party is well aware of Singapore's dependence upon an entrepot economy and the consequent necessity for private capital and private enterprise. They realize in addition the necessity of the employment provided by the British bases. Their economic policy, therefore, probably will be cautious.

On the political side the PAP supports eventual union with Malaya and probably is aware of the reaction on the part of the Malayan Government should communist influence in the Singapore Government become widespread. Lee Kuan Yew, in commenting on his party's victory, has emphasized that it is non-communist. Prior to the elections the dominant and more numerous moderates of the party indicated their determination not to allow the extremist wing to gain control.

The danger remains, however, that the extreme left wing of the PAP will succeed in its attempts to gain control both of party and government. Even if this should not be the case there is the danger of a softer attitude on the part of the Government to communist subversion in Singapore. It will probably be several months before there is any clear indication of the direction in which the colony is moving.

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COPY N° 98

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29 May 1959

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SOVIET UNION

1169

Soviet Rocket Production

(CONFIDENTIAL)

1. Included in a speech by Khrushchev on 11 May 1959 in Kiev there were the following statements about rocket production: "The Soviet Union has good rockets and in the necessary quantity." ... "Yet we find we are not very much in need of them." ... "Perhaps before long we shall begin to reduce the production of rockets."

COMMENT: In attempting to assess the implications of these remarks it is worth noting the following:

(a) The vague nature of the statement.

There was no reference to the type, performance, or range of the rockets, nor was the ICBM specifically mentioned. Production of some short range rockets could have been in progress in the USSR for some years and it is quite likely that substantial numbers have been produced.

(b) It appears most unlikely that the statement was meant to include the ICBM. Referring to ICBM production Khrushchev publicly announced in his speech at the 21st Congress of the CPSU in January of this year that "series production of ICBMs has been organized". This followed an earlier announcement in November of last year that "the organization of production of ICBMs had been set up." It is hardly likely therefore that only four months later there would be another public statement hinting at a reduction in output.

(c) The timing of the speech in relation to the foreign ministers and possible summit conferences.

No firm conclusions on the state of production of any rockets can be inferred from these remarks. It is possible that they were deliberately couched in vague terms at this particular time to achieve political effect but without imparting any positive information.

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New Soviet Aircraft

2. A new Soviet aircraft has been sighted at LYUBERTSY. 1163

COMMENT: Analysis of photography reveals that the aircraft is a large helicopter utilizing similar principles to those of the Soviet helicopter "Omega" which was first seen in 1945. The helicopter has a fuselage similar to that of the Bristol Freighter as mentioned in our previous brief. It is a high wing monoplane with the mainplane attached in the mid-fuselage position and having engines suspended at each wing tip. Directly above each engine a rotor pylon has been mounted to permit the fitment of rotors which have four or five blades each. The engines are also fitted with forward-facing propellers. It is possible that this new helicopter is the prototype, a model of which was seen at M.L. Mil's OKB experimental factory.

There is insufficient evidence to indicate whether the aircraft is fitted with gas turbine or reciprocating engines.

EUROPE

Limited All-Weather Capability in the EGAF

3. A reliable observer sighted four possibly five FRESCO D at COTTBUS on 17 April 1959. 1164

COMMENT: The FRESCO D has a limited AW capability and although the EGAF is known to have other variants of FRESCO fighters, this is the first firm evidence of FRESCO D's in the EGAF.

The fighters at COTTBUS possibly serve as a nucleus of a complement of AW fighters made available to the East Germans for all-weather training.

Sitings of Soviet Troops in Baltic Military District

4. Western military attaches during a recent trip observed Soviet garrisons and training areas in the Baltic Military District (formerly 1167

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Estonia, Latvia and Lithuania). A regimental-size military area was observed south of the railroad at Vyru, and the presence of armoured troops in the railroad station suggests that the nearby unit probably is armoured. A training area, running adjacent to and north of the railroad west of Ropazi for an estimated 6 kilometres, contained 5 tanks, 75 armoured personnel carriers (BTR 152), and 60 assorted transport vehicles, an indication of the presence of a motorized rifle regiment.

COMMENT: These observations tend to confirm the presence of 4 Guards Tank Regiment of 2 Guards Tank Division at Vyru. It is not clear however whether the whole of 2 Division is in Baltic Military District or in the adjoining Leningrad Military District, as the district boundary is not known with any certainty.

The large number of vehicles in the Popazi training area indicates that the 43 Latvian Guards Rifle Division, which normally trains in this area, probably has been converted from a rifle to a motorized rifle division. This is further confirmation of the current reorganization of the Soviet ground forces which probably commenced in 1956. Approximately 20 of the 175 Soviet line divisions are now believed converted to the motorized rifle organization.

MIDDLE EAST

UARAF Aircraft Released by the Turkish Air Force

1165 (CONFIDENTIAL)

5. On 8 May 59, a UARAF Chipmunk trainer, which had landed at ADIYAMAN, was released by the Turkish Air Force into the custody of a UARAF instructor pilot and permitted to return to the Northern Region. The two student pilots returned to Syria by surface transport.

COMMENT: On 27 April 1959, a UARAF trainer with two student pilots crossed into Turkish air space when operating out of ALEPPO. Poor weather and fuel shortage were the explanations accepted for the faulty navigation and subsequent landing on Turkish soil. Turkish sources have confirmed that the aircraft was tracked by radar from the time it approached the Turkish border and that the Turkish Frontier Police took the aircraft into custody when it landed in a farmer's field.

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SOUTH ASIA

India - Two Years of Communist
Rule in Kerala

1166 (CONFIDENTIAL)

6. Kerala, the smallest but most densely populated State of the Indian Union, has had a communist government for two years. This was the outcome of elections in which the communists won some 2 million out of 5.8 million votes and 60 out of 127 seats in the State Assembly. With the support of 5 independent members they have been able, by pursuing fairly cautious and non-revolutionary policies, not only to remain in power but to become more firmly entrenched.

Until late in 1958 there was a distinct possibility that the Central Government might oust the communists and impose "President's rule" in Kerala on the ground that law and order had broken down. Fear of such Central intervention apparently caused the State Government to modify its tactics, and little has recently been heard of insecurity.

In land reform the Kerala Government has not gone much further than other State Governments in India, but it is moving ahead, more or less in line with the recommendations of the (Central) Planning Commission. In speeding up industrialization, it has not been more successful than its predecessors: invitations to private capital have been largely nullified by the State Government's active support of the workers in industrial disputes.

There is little evidence yet of direct interference with the civil service, although efforts are apparently being made with some success to win the allegiance of the lower-grade state employees. At the local level of administration, some interference by the party organizations is reported. Anti-corruption measures are well publicized, but the opposition parties claim that the graft now goes into the Communist Party treasury.

Control of education has been one of the chief sources of dispute. Kerala has both the highest proportion of literacy and the highest proportion of Christians in India. Seventy per cent of its schools are privately run, and the communist government seeks to bring all of them under State control. This prospect has aroused the high-cast Hindus and some Muslims as well as the Christians, and a decision by the episcopacy to close down all private schools as a protest has provoked the Government into threatening to use force against "religious frenzy and communal passion".

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The Congress Party in Kerala has suffered from factionalism and lack of leadership, but the Central leadership has recently been making some efforts to stimulate it into greater activity. It would seem that on balance the Communist Party in Kerala is probably stronger than it was when it took office. Much may depend, however, on the outcome of the dispute over education.

SOUTHEAST ASIA

1168

Laos

(RESTRICTED)

7. On March 21 and April 19, 1959, the Laotian Government issued Royal Decrees integrating into the Laotian Army the two Pathet-Lao battalions which, following military agreements between the Royal Laotian Government and the fighting units of the Pathet-Lao, signed in 1957, were to become part of the Laotian regular army. The two battalions numbering about 1500 men were stationed at Luang Prabang and Xien Khouang. The terms of this integration which had not been set out clearly in the military agreements of 1957 were not considered satisfactory by the ex-leader of the Pathet-Lao, Prince Souphanouvong, who ordered the two battalions to refuse integration.

The Laotian Government surrounded the camps with loyal troops and issued an ultimatum to the battalions to accept the terms of integration or be forcibly disarmed as mutineers. Meanwhile Prince Souphanouvong, Head of the Neo Lao Haksat Party and Chief of the former Pathet-Lao and some of his colleagues were put under police surveillance. On May 19 Prince Souphanouvong agreed to tell the ex Pathet-Lao battalions to obey army orders. The battalion in Luang Prabang surrendered; however, the battalion in Xien Khouang had fled before Prince Souphanouvong's order arrived. It is reported that this battalion has been located and that the Government is informing it of Prince Souphanouvong's change of attitude.

This mutiny is indicative of the troubled situation in Laos and had it not been quickly resolved might have made it more difficult to resist pressure from the Indians and the communist power to reconvene the Laotian Commission which was adjourned sine die last July. The British, French and American Governments had instructed their representatives in Vientiane to urge moderation upon the Laotian Government in this matter.

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ISSUE NO. 324

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SOVIET UNION

Soviet Population Census

(RESTRICTED)

1. The Central Statistical Board of the USSR has published a few preliminary details of the recent census. The figures, with comparisons, are summarized below:

	<u>15 Jan 59</u>	<u>Jan 39 (a)</u>	<u>Apr 56 (b)</u>
Population (million)	208.8	190.8 (c)	200.2
Males (million)	94 (45%)		
Females (million)	114.8 (55%)		
Urban (million)	99.8	60.4	87.0
Rural (million)	109.0	130.3	113.2
Birth Rate (per 1000)	25	31.7	
Death Rate (per 1000)	7.5	18.3 (1940)	
Natural Increase (per 1000)	17.5		

The released data show that:

- (a) The April 1956 estimate was surprisingly close to the mark but was somewhat high; the actual figure should have been about 199 million.
- (b) It is claimed that the ratio of males to females is about equal in the ages below 32, but that for the total population the ratio of males to females is only 45:55.
- (c) The military manpower available in the age group 32 to 45 may be slightly lower than has been estimated.

-
- (a) Figures actually cited or deduced from data given in the press release.
 - (b) Estimates given in the Soviet Handbook "National Economy of the USSR, 1956," published by the Central Statistical Administration in 1957.
 - (c) The census of 1939 reports a population of 170.5 million. The current figure for 1939 is based on present territory including the areas annexed since that date.

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- (d) There has been a significant shift of population from rural to urban areas. Urban population has increased from 32 per cent in 1939 to 48 per cent, while the number of towns and urban type localities increased by 1,857. There are now three cities with a population over one million - Moscow, Leningrad and Kiev; there are some 25 cities of about half a million, 123 cities with a population of 100,000 to 500,000 and 151 towns with a population of 50,000 to 100,000.
- (e) There has also been a shift of population to the east. While total population increased since 1939 by 9.5 per cent, the population of the Urals went up by 32 per cent, of West Siberia by 24 per cent, of East Siberia by 34 per cent, of the Far East by 70 per cent, and of Central Asia and Kazakhstan by 38 per cent.

It appears likely that the census results will be discussed at the forthcoming meeting of the Central Committee of the Communist Party to be held on June 24.

New Soviet Aircraft - TU-104B 1147

2. The TU-104B version of the CAMEL has now entered Aeroflot service on its external routes. Aircraft number 42401 has been used on the MOSCOW-AMSTERDAM service.

COMMENT: The TU-104B version has a fuselage approximately four feet longer than that of the TU-104A and the floor has been raised to increase the baggage and freight capacity. This makes the fuselage similar to that of COCKER. The chord of the flaps is also understood to have been increased. The enlarged fuselage allows for the seating of 100 passengers in the 104B as against 70 in the 104A version. The baggage and freight capacity has been increased from 5280 lbs in the 104A to 8800 lbs in the 104B. The performance of the aircraft is not expected to be affected very much by these modifications.

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Promotion of General of the Army M.V. Zakharov 1148

3. The Soviet news agency Tass reported 8 May 59 that the Commander of Group of Soviet Forces in Germany, General of the Army Matvei V Zakharov, has been promoted to Marshal of the Soviet Union.

COMMENT: Marshall Zakharov held the rank of General of the Army since 1945. From 1945 to 1949 he was Commander of Voroshilov Military Academy, from 1949-1953 he was a Deputy Chief of Staff of the Soviet Army and from 1953 until he received his present appointment in 1957 he was Commander of Leningrad Military District.

The importance attributed by the Soviet High Command to the position of Commander GSFG is evidenced by the outstanding Soviet Commanders who have held this appointment since 1945: Marshals Zhukov (1945-46), Sokolovskiy (1946-49), Chuikov (1949-53) and Grechko (1953-57).

Therefore, in view of Zakharov's long service as a General of the Army and the considerable importance that has always been attached to GSFG, this appears to be a normal promotion rather than an indication of any increased importance being attached to this Command since the present crisis developed.

EUROPE

Training in the East German Army 1149

4. Reports reaching NORTHAG and BAOR indicate that, following the major field exercises involving the East German 4th and 11th Motorized Rifle Divisions and the 7th Tank Division, training has reverted to the normal level for this time of year. Regimental exercises are now being held in local training areas.

COMMENT: The manoeuvres referred to were reported upon in early April. Due to the severe security restrictions

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imposed in the area detailed information concerning the nature of the exercises has not yet been obtained. The fact that manoeuvres of such magnitude were scheduled this early in the training year remains interesting and unexplained but is believed to indicate an acceleration of the training cycle.

The reported resumption of training on a local, regimental level, though returning training activities to normal, should leave the East German Army in a more advanced state of operational readiness than that normally to be expected at this season.

GSFG Training Activity - 17 April to 1 May. 1150

5. There have been no reports of tactical exercises during the period although some movement exercises and specialist training have taken place. In particular what appeared to be a cross-country driving and map reading test was observed in the Königsbruck training area on 16 April; and some engineer activity took place in the Elbe South training area on 22 and 23 April.

Otherwise activity has been restricted to local training areas and divisions have remained in their garrison towns.

COMMENT: Training has remained at a generally low level. This period of the training year is normally devoted to preparations for the summer training phase. The indications are that this pattern is being maintained this year.

It is probable that the activity reported from the training areas was connected with the spring inspection of unit training. The spring programme of inspections often runs into late April and no special significance is to be attached to this activity.

MIDDLE EAST

Arab Oil Congress 1157

(RESTRICTED)

6. An Arab Oil Congress sponsored by the Arab League was held in Cairo from 17 to 23 April to discuss technical and economic matters. Iraq did not attend because of its relations with the UAR, and Iran sent only observers.

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Western oil-men were well represented. A decision was taken that the conference should become an annual event.

Against a background of a world oil surplus and the desire of Arab states to themselves enter the oil business, four proposals were made which are of interest. No binding decisions were taken on any of them.

- (a) The first was put forward by an American advisor to the Saudi government, who argued that there could be circumstances in which a government could unilaterally break or amend a contract it had entered into. Although this referred to oil concession agreements which many Arab states, would like to amend in their favour, the paper received little support.
- (b) Sheikh Abdullah Tariki, also of Saudi Arabia, put forward a plan for an all-Arab pipeline from the Persian Gulf to the Mediterranean, costing about \$.5 billion, drawing upon almost all Middle East oil fields and being financed by banks in the oil-consuming countries.
- (c) M. Emile Bustani of Lebanon put forward a plan for an Arab Development Bank to which governments and oil companies in Arab producing countries should each contribute, as capital, 5 per cent of their oil revenues or profits. The Bank would lend its funds for development projects initially in the transit countries, giving them a real stake in the continuance of the flow of oil to the west.
- (d) A fourth subject, the sharing of profits from refining and marketing of Middle East oil, was not treated as a paper, but arose several times in the course of the discussions. The subject of nationalization was never raised; however, the need for improved participation by producing countries in all phases of the oil industry, for consultation between governments and oil companies on pricing, and for co-ordinating conservation, production, and export of the various countries was outlined in a statement at the final meeting.

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In summary, the Congress met in a spirit of surprising goodwill and understanding and should help to improve relations between the Arab states and the oil-producing companies in the future.

Possible Sale of UK Arms to Iraq 1152

7. The UK government has informed the Iraqi government that they are now prepared to authorize negotiations for the sale of military equipment to meet a request made by Premier Qassim early in 1959 for 48 Centurion medium tanks, 14 Canberra light bombers, a regiment of medium artillery and a regiment of heavy AA guns. According to the UK announcement, the necessary export licenses for the supply of aircraft would be issued if satisfactory financial terms could be made with the company (English Electric) involved in the sale. The first shipment of tanks and aircraft would not be ready for delivery until the autumn of 1960.

COMMENT: The equipment involved has an estimated value of \$25-\$30 million and will be sold on a normal commercial basis. It is believed that details are now under discussion in Baghdad between the UK Embassy and the Iraqi authorities.

The Iraqi 4th Armoured Division is equipped with British armour and artillery and has not been issued with any new Soviet equipment. Equipment holdings of the 3rd Armoured Regiment of this division reflect a shortage of at least 28 Centurion Tanks. Iraq presumably hopes to maintain the 4th Division as a Western equipped formation and to absorb weapons obtained under the Soviet arms agreement into the newly formed 5th and the yet to be formed 6th Divisions.

Situation in Jordan 1153

8. The replacement of Samir Rifai's government on May 6 by one headed by Hazzaa al-Majali does not seem likely to produce any immediate change in the situation in Jordan. The composition of the new government is generally similar to that of the old; two members have been actually carried over, and most of the others have served in previous cabinets of the same political hue. No elements more favourable to Arab nationalist trends have been added, and there have been no recent indications of informal contacts with opposition

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members similar to the confidential talks apparently conducted by King Hussein with such elements last autumn. The appointment of Majali himself, as a member of a prominent Bedouin family and a relation of the Jordanian Chief of Staff, is widely interpreted as implying a considerable strengthening of Bedouin and army influence, and the departure of Rifai is thought to mean greater effective power in the hands of Hussein, but the significance of these developments remains to be seen.

The new Prime Minister stated on May 10 that Jordan "does not intend to tie itself to any foreign political or military pact"; this was presumably in order to answer domestic and UAR criticism based on Majali's role as Prime Minister in 1955, when he headed a short-lived government which attempted unsuccessfully to bring Jordan into the Baghdad Pact. It has been speculated that Majali's opening statement to the press on May 7 holds out some slight prospect of improvement of relations with the UAR, and in this connection it is significant to note that Majali was one of the first Jordanians to suggest normalisation of relations with the revolutionary Iraqi régime in August, 1958, at a time when it and the UAR were still working closely together. However, the UAR press has already given Majali an unfavourable reception, and has featured hostile statements by exiled Jordanian political leaders. Moreover, King Hussein's own statements on his recent trip abroad displayed no inclination to compromise, and a relatively serious incident on April 23 on the Jordanian-Syrian frontier, for which each side has laid the blame squarely on the other, has renewed previous resentments. Further friction was undoubtedly caused by Jordan's failure to participate in the Beirut Arab League Political Committee meeting of April 2 - 7 on Iraq, and in the recent Arab Oil Conference. There has, however, been no evidence of further speculation in Jordanian government circles about adventures in Syria, similar to the talk which was being heard early in the year. There is evidence that the King is at present hoping to gather around him a group of states linked neither with the UAR nor Iraq, but however, unwilling other Arab states may be to take sides in the current Nasser-Qasim dispute, it is unlikely that they would wish to draw closer to Jordan in consequence.

No change is to be expected in Jordanian policies on the Palestine question, although the Jordanian press published on May 9 an unusually aggressive statement by an anonymous "highly placed person", presumably a member of the new government, to the effect that there would be no solution to the Palestine question other than by force of arms. Similarly there has been a reiteration that Jordan will not accept any version of the Johnston plan for Jordan water development. The statement about Palestine settlement by force of arms certainly does not represent an immediate intention on the part of the Jordanian Government, and is probably merely an attempt to curry favour with the important refugee element, which can be expected to be unfavourable to the new government.

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The assumption of office by the new government took place without visible excitement or disturbance in the country. The circumstances of the resignation of Rifai, which apparently resulted from accusations by Bedouin officers against the loyalty of Brigadier Sadiq Sheraa, Deputy Chief of Staff, indicate widening disagreement between the leading Bedouin Beni Sakhr tribe and other East Bank elements, and this split between the various elements which form the basis of the monarchy's strength has dangerous potentialities. There have been repeated reports over the last few months that Sheraa was in fact in contact with opposition elements, but Rifai is said to have given Sheraa the benefit of the doubt because of Sheraa's military efficiency and the personal ambitions of his accusers. Whatever the truth of the latest accusations, the army has continued to be restless, as is indicated by the arrests of officers which were made in March under Bedouin pressure, only a month after the government found it possible to release a number of civilian political detainees. Many leading political figures, of course, still remain in prison or forced residence.

COMMENT: The formation of a government in Jordan has brought about only a very minor change in the internal balance of forces in Jordan, and although political tensions are masked by the Government's restraints on Arab nationalist political activity, these tensions remain high. Probably the most important of the external factors which contribute to the maintenance of the status quo in Jordan is concern at the probable military reaction of Israel in the event of a move towards the UAR.

Soviet-UAR Relations 1154

9. The crisis in Soviet-UAR relations continues unabated. Soviet policy has followed the lines laid down by Khrushchev in his March 16 statement. Soviet economic aid to the UAR has been maintained, and considerable publicity was given by the USSR to the arrival in the UAR of shipments of materials delivered under the 700 million rouble credit. On the other hand, Soviet criticism of the UAR anti-communist campaign was renewed, and there was no indication of a change in the Soviet attitude towards Iraq and Arab communists. On the UAR side, the propaganda effort against communism, communist influence on the Qasim régime and, indirectly, the Soviet Union was intensified. The UAR also sought, at the beginning of

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April, to secure Arab League condemnation of communist encroachments in the Arab world. Statements by high placed officials suggested that the UAR might intervene if developments in Iraq threatened the security of the UAR. Although it was rumoured that Khrushchev, in a letter to President Nasser late in April, had sought to achieve a reconciliation, later statements by the President indicate continued UAR dissatisfaction with Soviet policy.

Soviet policy towards the Arab East, having proved remarkably successful in neutralizing Western influence in the area, now appears to be facing the problem of how best to assert Soviet influence in its place. In theory, the alternatives range from (a) accepting a position of relatively slight influence through the encouragement of a strong neutralist Middle East to (b) the establishment of absolute influence through actual domination of the Arab States. It seems that the Soviet Union would see disadvantage in either extreme. In present circumstances, a strong Middle East would involve a unified Arab East (probably under UAR leadership), which, because of many factors but particularly the West's requirements for Arab oil and transit routes, would have a constant tendency to co-operate with the West. At the other end of the scale, Soviet domination of the Arab East would, apart from physical difficulties, entail several other major disadvantages, including the destruction of the image of Soviet benevolence towards the under-developed uncommitted world, the prospect of considerable economic responsibilities towards a large and politically-turbulent population and a continuing risk of a neutralist or pro-Western reactionary trend.

It seems possible, therefore, that the Soviet Union would prefer to keep the Arab East divided and weak, whilst avoiding the obvious pitfalls of becoming too exclusively identified with any particular Arab government or of weakening any major Arab state to a point where, for economic reasons, it would be forced to cast in its lot with the West. The maintenance of Iraq as a nominally independent Arab state subject to effective but covert Soviet influence through apparently proletarian means and the continuation of Soviet economic assistance to the UAR would seem to meet the requirements of such a policy. The relatively mild Soviet response to the UAR's anti-communist campaign is consistent with the existence of such a Soviet intention, although it does not rule out the existence of other long-range intentions. Also, if the postulated policy of division proved ineffective, Soviet disengagement from inter-Arab politics would probably be only slightly more difficult than at the time of Syrian-Egyptian union.

On the assumption that the divisive policy accurately reflects Soviet objectives, then the main determinant of its success will be the extent to which Arab nationalism can be bent to Soviet ends. If the heretofore powerful

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Arab nationalist trend towards unity or solidarity could be halted by tacit agreement on the part of the UAR or thrown into confusion by a cross-current of "liberated" or "progressive" Arab nationalism exemplified by Iraq, the success of the policy would be clear. There is much uncertainty about whether the Iraqi communists would be capable of playing the delicate part that would thus devolve on them of improving upon the native brand of Arab nationalism without succumbing to the temptation to seize power overtly. There is, however, a good deal of evidence to suggest that the UAR leaders are not prepared to accept the role assigned to them, and that they do not intend to acquiesce in any redefinition of Arab nationalist objectives under pressure from present Iraqi leaders. They probably consider, accurately it would seem, that a Soviet policy of division would deny the UAR a position of exclusive leadership in the Arab East, strain Syria's allegiance to the UAR, and present President Nasser for the first time, with competition from the left wing of Arab nationalism. Such a threat would be more subtle than that presented by a clearly communist Iraq and would complicate attempts to establish a unified Arab nationalist front against the latter. The UAR cannot, therefore, accept lightly to be manoeuvred into such a position by the USSR and the communists.

Viewed in this light, UAR reactions to Soviet policy form a fairly coherent pattern. They appear to reflect an intention: (1) to impede communist progress in Iraq by denunciations of the communist danger, by veiled threats of intervention and by at least moral support for dissidents in Iraq; (2) not to close the door to a possible Soviet disengagement, as a necessary prerequisite to the continuation of the UAR's policy of "positive neutralism"; (3) to force the USSR to a choice between Arab nationalism and Arab communists, pressure being exercised through a damaging propaganda campaign against communism, through efforts to secure the support of other Arab states, and through a calculated measure of improvement in UAR relations with the West.

COMMENT: If the assumptions about Soviet and UAR policy set out above are correct, the Soviet-UAR crisis is likely to remain in the realm of verbal exchanges rather than active economic or similar pressures and reactions. The Soviet Union may thus hope to sit out the crisis until the UAR, through inability directly or indirectly to affect the course of events in Iraq, comes to accept a modus vivendi along the lines desired by the Soviet Union.

FAR EAST

Tibet: The Chinese Attitude Towards Sino-Indian Relations //55 (CONFIDENTIAL)

10. Throughout the recent crisis in Sino-Indian relations the Chinese

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authorities were continually faced with a dilemma which did not in fact admit of a solution. The first necessity was to put down the Tibetan revolt and re-establish Chinese control. At the same time it was desirable to limit, as much as possible, the bad effects of this action in India and Asia as a whole. Since the Chinese went beyond a mere suppression of the revolt and decided that previous concessions to Tibetan autonomy be revoked, the contradiction between internal necessity and minimal strain on Sino-Indian relations was, of course, heightened.

In dealing with the condemnation in India of the Chinese action, Peking showed a certain amount of indecision and passed through three fairly distinct periods in which its attitude towards India fluctuated. In the first period, from the date the news of the revolt reached the outside world in the latter part of March to the publication of the Dalai Lama's condemnation of the Chinese on April 18, the Chinese were careful not to implicate the Indian Government or Mr. Nehru, but questioned the propriety of discussion of the Tibetan question in another country, charged that the command centre of the revolt was in Kalimpong in Indian territory and stressed the importance of preserving Sino-Indian relations. There was a circumspection in the Chinese treatment of the Indian reaction which was soon dissipated after the distribution of the Dalai Lama's statement. This statement struck at the root of the Chinese fiction that the Dalai Lama was under duress. The fact that it was distributed by an officer of the Indian Ministry of External Affairs, seems to have given the Chinese particular annoyance. An attack was launched on India and even the Indian Government that was extremely violent, though the Chinese took care not to suggest that a definite break with India was likely. The third period was initiated on April 27 when Mr. Nehru refuted the Chinese charges in the Lower House and accused China of using cold-war tactics. Nehru's attack was taken seriously by the Chinese. The People's Daily took the trouble of replying to it in a long and important editorial on May 6, which was reasonable in tone but made clear that the preservation of Sino-Indian friendship depended on India accepting Chinese policy and actions in Tibet.

The following conclusions may be drawn from the Sino-Indian controversy over Tibet:

- (a) The Chinese put greater importance on the re-imposition of control over the Tibetans than on Indian sympathy for China.
- (b) Indian criticisms have not modified Chinese actions in Tibet, which will now lose even the small amount of autonomy it enjoyed before the revolt.

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- (c) There was no clear idea in the Chinese mind how to deal with the Indian reaction: the Chinese attitude fluctuated between attempts at reasoning to threats and attacks on India.
- (d) In spite of (a) and (b), the Chinese do put importance on Sino-Indian understanding: the attacks launched on India at the National People's Congress, though violent, were not of such magnitude or intensity as to imply a desire to break with India, nor were they made by leading Government personalities.
- (e) The charges of "Indian expansionism" and the earlier accusations that Kalimpong was the revolt's command centre were designed to establish a case for foreign complicity in the revolt. The purpose of the charges was, therefore, not so much to attack India in particular as to transfer responsibility for the revolt to a foreign country.
- (f) China has given evidence over the past year of decreasing concern for opinion in the uncommitted countries. The Chinese reaction to the Indian attitude towards Tibet is therefore not new, and does not presage a shift in policy away from cultivation of Indian friendship but merely confirms a trend towards a tougher attitude to the Asian countries in general.

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15 May 1959

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SOVIET UNION

Seventh "F" Class Submarine is Launched 11/4

1. The seventh "F" class submarine was launched at the Sudomekh Shipyard, Leningrad between the 27 March and 2 April, 1959.

COMMENT: It has been estimated that the construction rate of "F" class submarines is six per year from the Sudomekh Yard, Leningrad. This launching lends support to this estimate as it follows by about two months the launching of the sixth "F" class submarine. If the production pattern for these very large submarines follows that of the "Z" class, it is possible that the Sudomekh yard is the only yard involved in "F" class construction.

Ill-treatment of PW, and Misuse or Illegal
Wearing of the Red Cross or Red Crescent Emblems 1104

(UNCLASSIFIED)

2. A decree of the Supreme Soviet of the Soviet Union dated 14 February 1959 implemented a new code of military criminal law. In particular the following two articles are of interest:

"Article 32. Ill-treatment of prisoners of war

- (a) Ill-treatment of prisoners of war, taking place repeatedly, or accompanied by particular cruelty, or directed against the sick and wounded, or the negligent performance of duties towards the sick and wounded by persons entrusted with their medical treatment and care, in the absence of any indication of a more serious crime, is punishable by imprisonment for a term of one to three years.
- (b) Ill-treatment of prisoners of war, in the absence of the above-enumerated aggravating circumstances, shall be dealt with under the Disciplinary Code of the Armed Forces of the USSR.

Article 33. Illegal wearing or misuse of Red Cross or Red Crescent emblems

The wearing of Red Cross or Red Crescent emblems by unauthorized persons in the area of military operations, or the misuse in wartime of Red Cross and Red Crescent flags and emblems or of colours reserved for military medical transport,

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is punishable by imprisonment for a term of three months to one year."

COMMENT: If carried out in practice, and there is no reason to suppose it would not be, these two articles indicate a more "civilized" approach to PW and to the Geneva Convention.

The Soviet GCI Data Transmission
System in Air Defence

1117

3. VHF data transmission was initially intercepted in 1956. Since then similar transmissions have been detected in the Baltic, the Black and Caspian Sea areas, as well as in the Soviet peripheral land areas.

COMMENT: The VHF semi-automatic data transmission system, which can operate on any normal VHF air-to-ground and ground-to-ground voice channels in the frequency band 100 to 150 mc/s, was designed as a replacement for the manually operated equipment used for ground-to-air fighter control. The sources from which these transmissions have been emanating suggest that these semi-automatic facilities are now being phased into the sensitive and/or peripheral areas in the USSR. The system has the following advantages:

- (a) provides rapid means of transmitting tactical instructions;
- (b) increases GCI handling capacity by providing means of close controlling large numbers of aircraft on a single channel;
- (c) increases the accuracy of GCI control over a larger area;
- (d) enables the GCI controller to direct aircraft beyond the range of his local GCI radar by use of remote radar information transmitted by data links, and
- (e) obviates the need for bilingual controllers in inter Soviet/Satellite Air Defence operations.

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SATELLITES

New Polish Military Service Law 1110

4. On 30th January, 1959, the Polish Sejm (Parliament) approved a new law relating to national military service. The replacement of the existing law which in spite of amendment, did not meet fully the needs of the armed forces, has been expected for some time. The changes made by the new law conform to expectations, except that the oft-rumoured reduction in the period of basic military service in the Army from two years to eighteen months has not materialized.

The general obligations with regard to national military service remain essentially unchanged. From the age of 18 to 50 (60 to 65 in the case of officers) all Polish males are liable for service. The service itself consists of registration, a period of basic military service, reserve service and active service in the event of general mobilization. National military service by Polish women is also covered by the law but obligations are much more restricted than in the case of men.

A recent instruction under this law effective 21 April 1959 requires that in addition to the normal call-up of men aged 20, all others of up to the age of 50 who have not previously served in the forces or who have been deferred for any reason, must report to the conscription commissions between 4 May and 30 June 1959.

COMMENT: The call-up in Poland should provide a considerable increase in numbers over previous years, but it is doubtful if the older age groups will be required to serve the full period of two years.

Reports of the revision of mobilization procedures have also been received from one other satellite country, Czechoslovakia. On the surface it would appear that the revision of call-up procedures in both Poland and Czechoslovakia at this time can be related to the current tension over Berlin. No similar activity is apparent in the remainder of the satellite bloc, although it is believed that Soviet call-up and reserve training policies may also have been undergoing revision over the period of the last two years.

The changes in Polish and Czechoslovak mobilization procedures may have been accelerated by the crisis over Berlin and it is reported that the issue of new mobilization registration cards had caused excitement and a "war scare" in Poland among some members of the population. In the absence of other indicators, however, it is not considered that the procedural revision arise directly from the announced Soviet intentions regarding Berlin and East Germany.

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T-54 Tanks Observed in Prague 1112

5. The Canadian Military Attache in Czechoslovakia has reported that a total of 51 T-54 tanks were observed in Prague rehearsing for this annual May 9th Liberation Day Parade.

COMMENT: It is believed that during the past two years, small numbers of T-54 tanks had been issued for training and familiarization to the East European satellite armies but the basic armoured fighting vehicle in these armies has continued to be obsolescent T-34. Both Poland and Czechoslovakia are now believed to be producing T-54 tanks in series.

The Czech army has a high ratio of armoured units. Conversion to T-54's throughout the force would considerably increase its combat capability in conventional war and would also indicate that from a Soviet political viewpoint this satellite is regarded as having perhaps the most reliable armed forces. There is no evidence at this time that the Czech army is being rapidly re-equipped with T-54 tanks. Such a programme would be very costly and if implemented would likely extend over a considerable period. Based on a Soviet style establishment, the twelve Czech motorized rifle divisions with 227 tanks each and the two tank divisions with 366 tanks in each would have a total maximum complement of 3,456 excluding spares and replacements.

The showing of T-54 tanks in a public parade in Prague on the occasion of Liberation Day, May 9th and the lack of emphasis in military equipment in Moscow on May 1st may be interpreted as a desire to demonstrate peaceful Soviet intentions on the eve of the Geneva talks, while maintaining pressure on the West and to increase the prestige of Czechoslovakia as one of the important military powers interested in the discussions over Germany and Berlin.

Hungarian Army Training Improves 1108

(CONFIDENTIAL)

6. Indications of improvement in the status of Hungarian Army training were noted by the United States Army Attache during a field trip to south-central Hungary on 22 April. In Szabadszallas, approximately 40 miles south of Budapest, a combined infantry-artillery tactical exercise was observed. Details of this activity and its magnitude could not be determined, but the employment of combined arms was verified. One curious feature noted was the use of single 122-mm. howitzers in an apparent anti-tank role. Hungarian infantry troops were seen in an installation in Baja near the Yugoslav border.

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COMMENT: The exercise at Szabadzsallas is the first combined-arms training of Hungarian troops seen by a competent Western observer since the 1956 revolt. While the level of units involved is not clear, an artillery regiment is believed to be stationed in Szabadzsallas, and it is possible that infantry troops were brought in from nearby locations to train with elements of that regiment. The reported activity represents a definite advance, as compared to the last two years, in the state of training reached at this stage of the annual training cycle. Use of 122mm howitzers in an apparent anti-tank role probably is an instance of improvisation necessitated by a shortage of the proper kind of weapons in some Hungarian Army units.

This is the first post-revolt sighting of Hungarian infantry in Baja. The installation in which they were seen is large enough to accommodate a regiment, and this sighting may indicate the reconstitution of an additional rifle regiment.

WESTERN EUROPE

Political Tension in Portugal 1130

7. Reports from the Canadian Ambassador in Lisbon and from other sources tend to confirm press reports that the political situation in Portugal is deteriorating.

Until about two years ago there had been no serious overt opposition to the paternalistic authoritarian government which Prime Minister Antonio de Olivera Salazar has headed since 1932. However, there developed increasing discontent with government inefficiency and restrictions, privileges for the few, and difficult economic conditions. Popular dissatisfaction with the regime was clearly expressed in the general elections a year ago when General Delgade, opposition candidate to Salazar's handpicked Prime Minister, Rear Admiral Domaz, received a surprisingly heavy vote.

In recent despatches the Canadian Ambassador has reported that general unrest is increasing and that widespread criticism of the Salazar regime is now being voiced openly. Relations between the church and the state have become strained and the government appears to have lost the support of a large number of the clergy. In addition, opposition to the government has been growing among the armed forces and a general house-cleaning in the higher ranks of the army is expected in the near future.

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Although disturbed by the trend of events, the government has made no effort to better conditions and, on the contrary, has stepped up police action against its critics. Rumours -- some well-founded according to the Embassy -- of arbitrary arrests, imprisonment without trial and even of "liquidation of prisoners" are rife.

It became necessary for the Minister of the Interior to admit in a press interview on May 7 that in the first half of March 22 civilians and 9 military men had been arrested. According to the Minister the prisoners had been involved in a plot "against public order" conceived during the last electoral campaign. The government spokesman intimated that Delgado now self-exiled in Brazil was connected with the plot.

Prime Minister Salazar's personal prestige lessens daily. He has no real contacts with the people and his close advisers are reported to be concealing the real facts from him. The tightly controlled press gives no indication of the seriousness of the situation.

The Canadian Ambassador thinks it possible that serious disturbances might develop in the coming months and that a military coup in the near future is not to be excluded. (A report from another source is to the effect that General Franco expressed the opinion in a recent meeting of the Spanish Cabinet that a revolution in Portugal was not to be discounted).

EASTERN EUROPE

Greek-Turkish Relations: Reactivation of Balkan Alliance

1128 (CONFIDENTIAL)

8. One important result of the Cyprus settlement was that it brought to an end a long period of strained and often bitter relations between Greece and Turkey. Discussing this in a recent conversation with the Canadian Ambassador in Ankara, the Turkish Foreign Minister said that now that differences over Cyprus had been resolved, it would be in the interest of both Greece and Turkey to have a closer association in the future. Mr. Zorlu suggested that this might even lead eventually to a federation of the two countries. The Canadian Ambassador has commented that even if Mr. Zorlu was merely "flying a kite" his suggestion is symptomatic of the Turkish Government's desire to exploit the Cyprus agreement and to develop closer ties with Greece.

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Another and related result of the Cyprus agreement has been to create interest in a reactivation of the Balkan Alliance which was envisaged in the Ankara Agreement of February 1953 as an agency of political, economic and cultural cooperation between Greece, Turkey and Yugoslavia and was extended by the Bled Agreement of August 1954 (the Balkan Pact) into a full defensive alliance. The Balkan Alliance had been originally promoted by Yugoslavia after its break with the USSR in 1954 as a means of establishing better relations with and attracting military and economic aid from the Western Powers. However, Yugoslavia's careful policy of neutrality, adopted after the re-establishment of better relations with the USSR in 1955, was patently inconsistent with its membership in a defensive group. The Yugoslav attitude has, therefore, been that the Alliance is essentially a regional grouping, participation in which entails no compromise of its independence as a Communist state or no ultimate commitment in the struggle between the Soviet bloc and the Western Powers. For their part, Turkey and to a lesser extent Greece, originally welcomed the Alliance as an organization whose primary purpose would be to fill an important gap in the defence of south-east Europe and which would prove to be a highly useful adjunct to NATO.

These differing concepts of the nature of the Balkan Alliance meant that almost from the beginning it was subjected to severe strains. The sharp deterioration in Greek-Turkish relations over Cyprus still further inhibited the development of co-operation between the three countries. The result has been that although the formal structure of the Alliance has remained intact, it has never been really effective. The last ministerial meeting was held in March 1955 and since then there has been no progress or even discussion of questions of substance.

The settlement of the Cyprus dispute and the re-establishment of friendly relations between Greece and Turkey were related by the Western press (and by the Greek Prime Minister himself), to a revival of the Balkan Pact. A senior official in the Greek Foreign Ministry told the Canadian Embassy in Athens recently that the Greek Government expects there will now be a "modest but constructive" increase in activity under the clauses of the Pact providing for political consultation and cultural and economic co-operation; they do not, however, expect any reactivation of the military provisions. The Yugoslav attitude was indicated by President Tito himself in a statement following his meeting in Rhodes in March with the Greek Prime Minister. While denying Soviet allegations that the Yugoslavs intend to promote the revival of the military clauses of the Balkan Pact, Tito reaffirmed the interest of his Government in a revival of non-military co-operation between Greece, Turkey and Yugoslavia. Turkish authorities agree that no reactivation of the military side of the Pact is to be expected but are rather more dubious than the Greeks or the Yugoslavs about the feasibility or utility of doing much in the cultural or political fields.

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It would appear, therefore, that barring an unforeseen and direct military threat to Yugoslavia from the Soviet Union, there is little prospect that the military aspects of the Balkan Alliance will be revived. On the other hand, the practical advantages to be gained by the three members seem, on balance, important enough to keep the alliance alive. Western aid, on which all three members are heavily dependent, provides the real cement for this relationship although from the Western viewpoint, the Pact has very little real direct usefulness. However, it has perhaps some negative value as a continuing irritant to the USSR and as a link for Yugoslavia with the West.

AFRICA

Ghana - Formation of a Ghanian Air Force

1121

On 14 Jan 59, the Prime Minister of Ghana announced that an agreement had been signed under which the Indian Air Force (IAF) would assist in the formation of the Ghanian Air Force. As the initial measure two senior officers of the IAF would survey the situation in Ghana and issue recommendations concerning the technical feasibility and the financial aspects of the proposal.

On 16 Mar 59, the Israeli Government revealed that it had signed an agreement under which the Israeli Air Force would establish a flying school in Ghana and would assist in the development of a new Ghanian Air Force. Israeli personnel reportedly have been attached to the Ghana Government as advisors.

The UAR simultaneously issued a statement to the effect that Prime Minister Kame Knrumah had requested and had been promised UARAF assistance in the formation of a national air force.

COMMENT: Although the information is contradictory, it would appear that the Indian Government has taken positive action in respect to the alleged agreement with Ghana. Air Commodore Jaswant Singh, the Commanding Officer of the IAF training command, was appointed the Indian representative to Ghana. In addition, although the Ghana budget estimates for 1959-60 do not include any appropriation for military aviation, tentative arrangements have been completed under which India will supply HT-2 trainer aircraft.

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W A R N I N G

This issue of the Joint Intelligence

Summary contains the following parts:

Main Section - at SECRET level

Annex I - at CONFIDENTIAL level but
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the Annex is detached.

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8 May 1959

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SECRET

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SOVIET UNION

Soviet Quarterly Plan Results

1124

(CONFIDENTIAL)

1. The Soviet Central Statistical Administration claims that industrial production increased 11 per cent when compared with output in the first quarter of 1958, a rate of increase claimed also one year ago. Such a rate is considerably higher than that necessary to meet the Seven Year Plan goal, namely 8.6 per cent per annum. However, the rate of increase fell in 1958 in subsequent quarters, the year-end increase being no more than 10 per cent. If the rate falls in 1959, as it did in 1958, the increase will none the less be well above the Seven Year Plan goal.

Soviet Navy Chief Implies Rapid
Technical Progress in Navy

1116

2. In a feature article in the Soviet naval newspaper SOVIET FLEET on the occasion of Army-Navy Day (23 February), Soviet Navy Commander in Chief ADM. S.G. GORSHKOV devoted considerable attention to the increased technical needs of the Navy. After making the now standard claim that the Soviets have a first class Navy, capable of defending not only Soviet shores but of carrying out successful operations on the high seas and of delivering blows at objects situated on other continents, the Admiral made the following significant statements:

"Naval technology is also developing at an extremely fast rate. Now, when even greater use is being made of the newest technology in naval affairs, the naval officer, no matter what his specialty, and particularly the commander of a ship, must have a much deeper technical knowledge than before. It follows that naval schools must give to all of their graduates a basic engineering preparation ... and must increase the time devoted to practical work aboard ship."

"The appearance of new technology, naturally, has a direct influence on the development of the operating procedures and tactics of the fleet ... A thorough study of the influence of new technical means of military operations at sea -- this must be our answer to the remarkable technical achievements of our Soviet homeland."

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COMMENT: The Admiral's emphasis on the need for increased technical education in the naval schools and his reference to the rapid development of naval technology indicate that the introduction of unconventional weapons and/or propulsion is now underway.

Revised Estimate of Sino-Soviet Bloc Trade
with the Non-Bloc World in 1958 112 5

(UNCLASSIFIED)

3. In Joint Intelligence Summary Issue No. 318 dated 3 April 1959, item no. 1, it was estimated that Bloc trade with the rest of the world totalled about \$6.5 billion in 1958, an increase of only 4 per cent or roughly \$250 million over 1957. More recent figures, representing about 90 per cent of the projected trade volume for the year, indicate that trade increased more rapidly than anticipated towards the end of 1958. A revised estimate places the growth of Bloc trade with the Free World in the order of \$450-500 million in 1958. The 1958 increase is still considerably short of the annual leaps of \$700-\$1000 million registered during the several preceding years. However, world trade as a whole declined about 5 per cent last year.

Soviet trade with the non-Bloc world in 1958 did not alter significantly in value from that of 1957. Although unconfirmed preliminary reports from Moscow indicate a slight increase, projection of the trade returns of non-Bloc countries suggests that a slight decline is more likely to have been recorded. (In any case, due to differences in accounting procedures, official Soviet trade statistics never conform very precisely to those reported by its non-Bloc trading partners). The principal feature of the East-West trade pattern in 1958 was an estimated increase of almost \$350 million, or 30 per cent, in China's trade outside the Bloc. Imports (particularly from Western Europe) were stepped up much more rapidly than exports, as China sought to procure materials and equipment for its crash programme of economic development. The trade turnover of the East European Satellites with non-Bloc countries appears to have risen 6-7 per cent. In contrast to China, the Satellites were able to expand exports more rapidly than imports and thereby alleviate some of the severe foreign exchange difficulties which have beset them over the preceding several years.

EUROPE

Training Activity GSFG - to Mid-April 110 3

4. GSFG has been comparatively inactive with no major exercises reported during the previous week.

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(unless otherwise classified)

So far all reports concerning activity in the area restricted during the period 6 - 12 April suggest that no large-scale movement was involved; and it seems probable that the restriction was imposed for holding a CPX controlled by HQ GSFG.

COMMENT: No substantive information has yet been received of formations carrying out field exercises in the restricted area. In particular the mid-March evidence of large-scale movement towards this area has not been matched by subsequent evidence of return movement. On the other hand the imposition of a restriction on such a wide area as in this case would seem to be an extravagance for a CPX unless troops were involved on the ground.

There is thus no reason yet to modify previous conclusions that the general training activity in this area had a political motive; and essentially there have been no signs of any acceleration in the training cycle.

MIDDLE EAST

Israel - Air Order of Battle 1120

5. Eight Israeli Air Force Super Mysteres are scheduled to take part in a fly past commemorating Independence Day on 13 May 59.

COMMENT: Joint Intelligence Summary Issue No. 313 dated 13 February 1959, Item no. 7, reported the delivery of 29 possibly 32 Super Mysteres. The aircraft were purchased from the French Government under an agreement which included the training of Israeli air and ground crews at MONT DE MARSANT and TOURS.

The above report is the first evidence that the aircraft have been allocated to operational squadrons. The public exhibition of jet fighters superior in performance characteristics to those aircraft held by the UAR will undoubtedly result in renewed demands from CAIRO for FARMERS.

SOUTH ASIA

Nepal Accepts Soviet Aid 1123

(CONFIDENTIAL)

6. Nepal and the Soviet Union signed an economic agreement on 24 April 1959 under which Nepal will receive a grant of \$7.5 million worth of Soviet technical assistance and materials for a number of development projects.

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COMMENT: The only Bloc aid which Nepal had accepted prior to this agreement was a \$12.6 million grant from Communist China extended in early 1957. The Chinese gift, partly in sterling and partly in commodities, was to be made available over the period 1957-60. No Chinese technicians were to be dispatched to Nepal under the agreement.

The USSR has offered Nepal development credits on several occasions in the past, but all such overtures were rejected. Nepal has been reluctant to permit Soviet technicians to operate within her borders and has been more interested in grant assistance than in loans. India has also been active in persuading Nepal not to accept Bloc technicians. During his visit to the Soviet Union in June 1958, the King of Nepal indicated that he was prepared to accept Soviet aid if the terms proved satisfactory; arrangements were made for a Soviet delegation to visit Nepal for further discussions. The present agreement has been the outcome of these discussions. The USSR has been successful in gaining access into Nepal for Soviet technical personnel, but has been forced to meet Nepal's demand for a grant-in-aid rather than credit assistance.

The USSR has been extremely reluctant to provide grant aid to underdeveloped countries, realizing that its potential to give would be greatly reduced if a significant portion of its aid were disbursed in this manner. A number of countries, including Cambodia, Afghanistan, and Burma, as well as Nepal, have recently signified to the USSR a strong preference for grants rather than loans. To give in to one country is almost certain to invite similar requests from others. The USSR will probably encounter increasing difficulties with this problem during the next few years.

The King of Nepal has displayed considerable caution in his dealings with the USSR and has driven a hard bargain. The value of the Soviet aid, which presumably will be expended over a period of several years, is relatively small, even for a state such as Nepal. Nepal is also receiving economic assistance from the United States and India.

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(unless otherwise classified)

CUBA

Cuba - Air Force Reorganization

11/9

7. On 11 Mar 59 the Cuban Army Air Force was declared an autonomous service and it designated the Rebel Air Force of Cuba (Fuerza Aerea Rebelde de Cuba). The Air Force is now directly subordinate to the Joint General Staff.

COMMENT: Under General Batista the Cuban Air Force operated as an integral part of the Army; it was committed to the support of ground forces in an internal security role and to the air defence of Cuban territory. It was unable to fulfill either task effectively and was primarily used in an air transport and reconnaissance role. Prior to the collapse of the Batista régime, the Cuban Air Force was being slowly developed under a US "Reimbursible Assistance Program" with USAF instructors. Since the formation of the Castro Government, the Cubans have been searching for alternative sources of aircraft, instructors and technicians. The Air Force itself has been depleted of trained personnel through desertions and purges. Details regarding current AOB are not available. Prior to 1 Jan 59 it totalled 60 aircraft and included one squadron of Mustangs, one squadron of Mitchells/Invaders, one squadron of Catalinas and one Dakota Transport Squadron. The training establishment was made up of 20 miscellaneous piston trainers and eight T-33 jets. Plans called for the procurement of F-86 fighters during early 1959.

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(unless otherwise classified)

ANNEX I
TO JIC SUMMARY NO. 322
dated 8 May 59

NORTH AFRICA

Algeria

1127

General de Gaulle in an interview given to the Echo d'Oran recently made a statement which is the most straightforward description of his policy on Algeria which he has given since coming to power. The full text of the interview is not yet available in Ottawa but the following are the main points made by de Gaulle:

- (a) The offer of a "peace of brave men" remains open but any conversations must take place in Paris and not in neutral ground as demanded by the Algerian rebels.
- (b) The FLN represents an important force but in the eyes of de Gaulle "it does not represent Algeria nor even the Muslims of Algeria".
- (c) de Gaulle said that he had not used the word "integration" first of all because the extremists in Algeria want to impose it upon him. He said that since he had come to power he had assured equality before the law, created a single voting college, held elections which allowed Muslims to represent their sphere, opened the French public service as a whole to Muslims, and proceeded with the Constantine Plan. "Is that not true integration?" asked de Gaulle. "As to the political significance of the word, what does it mean that Algeria is French? Does it have any value to say so since that is a fact?"
- (d) de Gaulle did not say anything specific about the political future of Algeria.

COMMENT: This statement by de Gaulle confirms our assessment that, if the Algerian question comes up at the U.N. this fall, it appears to us that the French position will not be any weaker than it has been in the past and, indeed, that it may merit increased support and sympathy.

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Except for de Gaulle's offer of a cease-fire last year, no dramatic steps have been taken by the French to reach a settlement, and this may suggest that no progress is being made. de Gaulle assumed power largely as a result of the situation in Algeria and he set as his first task the solution of this problem; nearly a year has elapsed and no solution has been brought forward. However, we think it is clear that when all the circumstances surrounding the issue have been taken into account, some progress has been made, some hope is promised, and a number of questions have been resolved.

When he assumed power, de Gaulle found himself between diehard rebels who would accept nothing but complete independence and French ultras who would accept nothing but integration. Both groups early in 1958 were powerful enough to make any decision extremely hazardous. de Gaulle has restored the prestige of the government in Paris and has removed the more political army officers from Algeria. The ultras therefore probably are more isolated and therefore less dangerous than they were a year ago. At the same time, there is increasing evidence of discontent and discouragement within the ALN and of confusion and disagreement within the provisional government. General Challes' new tactics of mobile warfare not only have removed a number of politically-minded officers from settled areas and put them into the field but also appear to have made life very difficult for the rebels.

The FLN's flat refusal last fall to negotiate with de Gaulle, and their attempt, by the use of terrorism, to prevent Muslims from participating in the recent municipal elections, were blunders which discredited their strategy, and which cast further doubt on the FLN's right to speak for the majority of Algerian Muslims. de Gaulle, on the other hand, has consistently appeared to be trying to meet the legitimate aims of the Muslims. The offer to negotiate, the extension of the franchise, the Constantine Plan, the recognition of an "algerian personality", and the refusal to speak in terms of integration -- all these, it seems to us, must be acceptable by reasonable observers as signs of the President's good faith, particularly when the violent views of the ultras are taken into account.

Unfortunately, some of the FLN's supporters in the United Nations are not in a position to act as completely reasonable observers. Tunisia and Morocco appear to be committed to support of the complete independence of Algeria. (Early in April, for instance, Allal el Fassi condemned the "Cypriotisation" of Algeria reportedly favoured by de Gaulle), but their public positions presumably would change if the FLN decided to negotiate on terms short of complete independence. This latest attempt by de Gaulle to clarify his policy may not only reduce further the influence of the ultras, but also convince the rebels that little can be gained by postponing negotiations on a cease-fire.

SECRET

COPY N° 98

ISSUE NO. 321

30 April 1959

JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

USSR Banking Decree Tightens Financial Control 1096

1. The Presidium of the USSR Supreme Soviet issued a decree on 7 April 1959 on the reorganization of the system of long-term investment banks. The decree abolishes the Agricultural Bank, the Bank for Financing of Communal and Housing Construction and communal banks. Their functions are to be handed over to the State Bank of the USSR and the USSR Industrial Bank. The latter bank is to be called in future the All-Union Bank for Financing of Capital Investments.

COMMENT: From 1932 to 1957 banking in the USSR was carried out by an institution for short term loans (one year or less), the State Bank, and by four long-term investment banks. The latter were the Industrial Bank (serving industry and transport), the Trade Bank (serving domestic trade, agricultural procurement, and cooperatives), the Agricultural Bank (serving agriculture) and the Communal Bank (serving housing, municipal activities, and health and educational organizations). The State Bank at present is independent of the Ministry of Finance but the other banks have been subordinate to it. In 1957 the Trade Bank's functions were transferred to the Agricultural Bank and the Communal Bank, leaving three long-term investment banks. Now the functions of the Agricultural and Communal Banks are to be taken over by the State Bank and the Industrial Bank.

The Agricultural Bank would obviously become redundant as a consequence of the agricultural reorganization 1 July 1958 when the Machine Tractor Stations were abolished and the new agricultural procurement system was introduced.

Soviet writers on finance have indicated that tighter control over investment of non-centralized funds was needed. Too much of human and financial resources were being used in private and communal construction causing shortages in materials for industrial construction.

Under the new system, the State Bank, in its customary role of executor of the state budget will maintain tight control over all day-to-day economic activities, and the All Union Bank for Financing of Capital Investments will have centralized control over investment.

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Numerous Soviet statements since the reorganization of industrial management on 1 July 1957, have dealt with the problem of misallocation of investment resources. The problem was inherent in the so-called decentralization. GOSPLAN, which was responsible for planning, was enlarged and given control of execution of plans after the industrial reorganization. The current changes in banking provide parallel control on the financial side.

From the foregoing it is obvious that this reorganization has nothing to do with external trade, as has been suggested in the Western press.

Soviet Definition of Tactical and Strategic Missiles 1091 UNCLASSIFIED

2. A Soviet Ministry of Defence publication, entitled "The Latest in Military Technology" contains the following paragraph:

"One of the first to be armed with atomic warheads were guided field missiles designed to be fired from ground launching platforms at ground targets. Two groups of missiles in this category are now in the process of development. The first group is made up of operational-tactical missiles with maximum ranges of 1000 kilometers and designed to support the action of ground troops. These missiles are expected to supplement the action of long range artillery and of the tactical airforce. The second group of ground to ground missiles comprises guided strategic missiles designed to be fired at important industrial centres, army supply bases, major communication centres and other objectives located in the operational depth and in distant rear areas".

COMMENT: This is one of the few available indications of Soviet thinking concerning tactical and strategic missiles. Ministry of Defence publications in the past have been reliable indicators of Soviet military policy.

Additional Nuclear Test in Novaya Zemlya Area in October 1958 1088

3. A re-evaluation of electromagnetic signals recorded by the US-UK Atomic Energy Detection System during the Soviet nuclear test series in fall 1958 has revealed that an explosion of probable yield less than five kilotons occurred on 21 October at 1011Z at approximately 71°25'N 58°25'E. Radioactive debris collected at 10,000 feet was found to relate to this event and hence confirmed its nuclear nature.

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COMMENT: This brings to seventeen the number of confirmed nuclear tests in the Soviet Arctic in fall 1958. Of this number, thirteen occurred at the mid-island test sites and four just south of the island of Novaya Zemlya. It is interesting to note that this latest confirmed test indicates the existence of two test areas just south of the island. The following approximate locations can now be regarded as Soviet nuclear test areas in the Arctic: (1) 70N 55E, (2) 71N 58E, (3) 74N 55E, and (4) 74N 58E.

EUROPE

GSFG Manpower Estimate

1092

4. The estimated strength of Soviet army and air force personnel in GSFG as of 1 Jan 59 was about 384,000. 24 Air Army accounts for 29,000 of the total.

COMMENT: The total strength was worked out both on the estimated strength of the units held in the order of battle and by calculations based on the trooping programme. The latest calculation on the former gives a total of 378,635 and the latter 384,673. The figure of 384,00 is accepted as it is possible that there are a number of small units, in particular MT units, which have not been identified and included in the order of battle. It is of some interest that the GSFG trooping programme in '59 showed a net increase of 6,676 and this may account for the difference between the organizational and trooping estimates.

Training Activity in Germany

1098

5. An East German Army officer who defected on 15 March has reported on exercise activity in the Restricted Area previously reported in the South Eastern area of Eastern Germany.

He stated that an EGA exercise was scheduled to take place from 8 - 12 February in this area but it was postponed on account of the Leipzig Trade Fair until 18 - 24 March.

He also insisted that it was to be an exercise with troops and not a CPX. Previous reports of three divisions being involved were confirmed, as were detailed exercise markings.

As he defected on 15 March the informant did not take part in the exercise and the information was based on exercise planning which had taken place before this date.

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COMMENT: Although this information deals with EGA it serves to bear out general conclusions on the nature and course of training in this area which have been drawn from previous information on Group of Soviet Forces, Germany activity.

In mid-March troop movements pointed to a build-up for field training of an unprecedented intensity for this time of the year. No reports have however been received of the expected culmination of this activity in a large scale field exercise involving at least two armies. The best estimate for the moment is that a CPX involving three armies took place between 18-24 March and it was probably resumed, continuing until early April.

The significance of this item considered in conjunction with this summary of GSFG interest and activity in this area, lies in the strong influence of outside factors on training plans and the apparent opportunism which has shaped the final form of this exercise activity.

In the first place it is doubtful whether an exercise of any magnitude would be planned to coincide with the Leipzig Fair if such an exercise demanded a Restriction in the same general area. It is therefore reasonable to assume that an exercise initially planned for EGA alone was utilized to create a situation where larger elements of GSFG could be introduced. Although considerable troop movements took place there is no direct evidence of any advanced high-level training on the part of GSFG during this period. In view of the relative difficulty of mounting such training at this time of the year it is probable that the large scale preparations which have been reported were intended to simulate intense military activity at a time of political stress. The EGA exercise would thus provide a ready-made frame for such rapidly prepared activity.

At the same time a CPX is normal for this time of the year. The culmination of the earlier exercise activity in a CPX may therefore be either co-incidental or a relatively simple running together of two separate situations.

In any event there is no indication that GSFG field training is ahead of its normal programme to any significant degree. There is however an obvious detente in the recent training build-up which closely reflects the current hiatus in diplomatic circles.

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FAR EAST

Communist Chinese National People's Congress

1099

(CONFIDENTIAL)

6. The first session of the second National People's Congress opened in Peking on April 18. The NPC, which meets once a year, is described as the highest organ of state power in China but limits the bulk of its activities to approving reports on various aspects of the work of the Government. Its agenda is established by the Standing Committee of the NPC, whose Chairman is Liu Shao-chi, and one of whose Vice-Chairmen is the Dalai Lama. (The Standing Committee acts on behalf of the NPC between sessions and exercises supervisory functions over the State Council or Council of Ministers.) The agenda for the present session includes:

- a. A report on the work of the Government delivered by Prime Minister Chou En-lai.
- b. A report on the draft economic plan for 1959 by Li Fu-chun, (Chairman of the State Planning Commission).
- c. The report on the budget for 1959 and the final accounts for 1958 delivered by Li Hsien-nien (Minister of Finance).
- d. A report on the work of the Standing Committee of the NPC delivered by Peng Chen (Secretary-General of the Standing Committee).
- e. The election of candidates to high state posts.

Chou En-lai presented a report on the work of the Government which is typical of his speeches in that it said very little that is new or startling. Much of it summarized the reports delivered later on the 1959 Plan and the budget. He passed over virtually all the problems - such as those connected with transportation and the supply of food in the cities - which are known to exist. He said remarkably little about the communes beyond saying that their consolidation in recent months had proceeded successfully. Chou may have betrayed some Chinese sensitivity at Western criticism of the social implications of the "Great Leap Forward" when he devoted a lengthy paragraph to demonstrating how the lot of the Chinese worker had improved, in comparison to the "sorrow and suffering" of western workers. It would be difficult to guess from Chou's speech that the "Great Leap Forward" was passing through any difficulties, although he emphasized, when speaking of the tasks for 1959, the necessity of improving and extending the transport system and ensuring that commercial departments - charged with the distribution of industrial and agricultural output - be equal to their task in 1959. Recognizing that the technical and

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material foundation was still weak, Chou emphasized the importance of a correct allocation of resources. He pointed out that the interests of the parts must, therefore, give way to the interests of the whole, and that priority must be given to the completion of key projects. Referring to the movement to set up small enterprises employing indigenous methods, he merely said that this movement should "continue to be developed and steadily improved" and that such enterprises would still play an important part in this year's production. He avoided, however, any real critical analysis of the experiment. Chou repeated the high targets for the principal products in the 1959 plan:

steel:	18,000,000 tons
coal:	380,000,000 tons
grain:	525,000,000 tons
cotton:	5,000,000 tons

In the sections of his speech devoted to education and the political life of the state, Chou outlined a continuation of existing policies. On Tibet, he repeated that the Dalai Lama was under duress, and drew a distinction between the backward feudal rebels and the majority of the Tibetan people who want reform, and asked opinion outside China "to note this distinction between the overwhelming majority and the small handful" of rebels. He repeated the Chinese Government's support of friendship with India.

On foreign policy, Chou contrasted the strength of the socialist camp and the national independence movements throughout the world with the continuing decline of the West. Nasser was criticized in a guarded manner for his policy toward Iraq. When speaking of Berlin, Chou omitted the usual Chinese threats that the socialist camp would have to take matters into its own hands if negotiations failed. He attempted to refute, and so implied Chinese concern at, charges of Chinese expansionism and economic dumping in Southeast Asia.

In the past few days, the volume of references to Tibet by delegates to the NPC has grown, and increasingly belligerent references to India's role in the crisis have been made.

Chairman of the Chinese People's Republic

1100 (CONFIDENTIAL)

7. It has been announced that Liu Shao-chi has been elected Chairman of the Chinese People's Republic. The date of Liu's birth is variously given as 1905, 1900 or 1898. His early career was spent in the trade union movement and labour work. The importance of his position within the Party was confirmed in 1945 when he delivered the report on the new constitution of the Party. In the same year he acted as Chairman of the Party while Mao Tse-tung was in Chungking to take part in negotiations with the National Government.

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Prior to his present appointment, Liu has acted as Chairman of the Standing Committee of the National People's Congress and Vice-Chairman of the Central Committee of the Communist Party. Liu has generally been considered as ranking next to Mao himself in the Party hierarchy. He is often described as being more of a theoretician and less of a pragmatist than Chou En-lai.

The election of Liu suggests that the replacement of Mao Tse-tung may have more significance than had the position been given to someone like Chu Teh. Interest also centres around the role of Chou En-lai, who Liu immediately nominated to continue as Premier of the State Council. Recent speculation on the alignment of forces within the Central Committee held that Liu was one of the "utopians" who were in favour of the more unrestrained ideological interpretation of the communes experiment, while Chou was described as being the leader of the faction which proposed the adoption of the line set out in the December 10 Central Committee resolution on communes. Chou's present position appears to be firm, since he led the Chinese delegation to the Twenty-first Congress of the C.P.S.U. in Moscow, and there is no evidence of any kind that he may have lost influence recently. If there exist any difference of views between the two men, therefore, they cannot be said to threaten the unity of the Party.

Liu has always been thought of as a Party man. His elevation to the chairmanship may, therefore, be regarded as a further indication of the continuing extension of the Party's influence over the governmental apparatus.

Chu Teh, who was regarded as a possible replacement for Mao, was not renominated as Vice-Chairman of the Republic. Soong Ching-ling (Madam Sun Yat-sen) and Tung Pi-wu have been elected as Vice-Chairmen. The latter is now a member of the Political Bureau of the Central Committee, Secretary of the Central Control Commission, and President of the Supreme People's Court.

(NOTE: The handbook on People's China, published in Peking in April 1957, describes the functions of the Chairman of the Republic in the following way: "In the People's Republic of China the functions and powers of the head of state are not vested in a single person, but are jointly exercised by the Chairman of the Republic and the Standing Committee of the National People's Congress, the head of state being a collective entity. Neither the Standing Committee nor the Chairman of the People's Republic may have powers exceeding those of the National People's Congress.

In accordance with decisions of the National People's Congress or its Standing Committee, the Chairman of the Republic promulgates laws and decrees, appoints or removes leading members of the State Council, Vice-Chairmen and members of the Council of National Defence, receives foreign diplomatic representatives, appoints or recalls plenipotentiary representatives to foreign countries ratifies treaties concluded with foreign states, proclaims general amnesties and grants pardons, commands the armed forces of the country, etc.")

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W A R N I N G

This issue of the Joint Intelligence
Summary contains the following parts:

Main Section - at SECRET level

Annex I - at SECRET level but
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17 April 1959

SECRET

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ISSUE NO. 320

17 April 1959

JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

Changes in USSR Council of Ministers 1074

1. On 20 March 1959, A.N. Kosygin, Deputy Chairman of the Council of Ministers, USSR, was named Chairman of the USSR State Planning Commission (GOSPLAN) replacing I.I. Kuzmin who will head the State Scientific-Economic Council of the USSR Council of Ministers which was established on 28 February 1959. At the same time, Kuzmin was downgraded from Deputy Chairman of the Council of Ministers to the rank of Minister.

COMMENT: Kosygin, a graduate of a textile institute has for a long time been regarded as overall director of the government's programme in the light and food industries. He is thought to be a top-flight administrator rather than a Party functionary, although he holds alternate membership in the Party Praesidium. He has previously held planning posts and from February to December 1948 he held the post of Minister of Finance, USSR, replacing Zverev who became his Deputy. Kosygin's speech at the recent 21st Party Congress was much concerned with the relationship of costs to prices which under the present Soviet system has resulted in irrational use of resources and uneven plan fulfillment. There is no suggestion in his new appointment, however, that the Seven Year Plan will be revised or that light industry will receive any higher priority. Rather there now appears to be emerging a strong demand to rationalize the price system, to make effective use of resources and to obtain a quick return from capital investment.

Kuzmin, unlike Kosygin, has not held a position on the Party Praesidium. He has for a long time been associated with the ferrous metallurgical industry in various positions including that of Minister. He has worked as a designer and deputy chief engineer in a State Institute for designing metallurgical works. In 1943-46 he was in the United States as a member of the Heavy Industry Equipment Section of the Soviet Purchasing Commission and visited a number of steel plants where he observed American industrial processes. He has been described as a brilliant organizer and talented innovator well informed on the mineral raw material problems of the USSR.

In his new position, while not as important as that of Chairman of GOSPLAN, his activities may well have far-reaching effects on Soviet long-term development. The new Council may co-ordinate the scientific and economic research now being pursued by various organizations and focus their attention on practical problems as opposed to theoretical research; its relationship to the State Committee for Automation and Machine Building and to the State Scientific and Technological Committee is not yet known.

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Travel Restrictions in the USSR

1076
(CONFIDENTIAL)

2. Press reports in early April indicated that, on April 1, the Soviet Government had placed a ban on travel by all members of Western diplomatic missions to "virtually the whole of the USSR" with the exception of Leningrad. Similar later reports suggested that this "ban" was removed by April 8.

COMMENT: Reports from the Canadian Embassy in Moscow confirm that the Soviet Government had indeed temporarily expanded the already substantial area of the Soviet Union which is closed to travel by Western diplomats but not to the extent indicated in the press. These restrictions, which were not formally announced but inferred by members of Western missions on being refused permission to travel "for temporary reasons" or administratively frustrated, appear to have been applied with some discrimination against members of the United Kingdom Embassy.

On the basis of the rejection at the end of March of a number of applications for permission to visit various parts of the USSR, the United States Ambassador advised his Government on March 31 that the Soviet Government was putting all areas of the USSR out of bounds except Leningrad. On his recommendation, the United States Government applied similar restrictions on travel in the United States. Shortly afterwards, United States diplomats in the Soviet Union were granted permission to visit a number of points previously thought closed to travel. Members of the Canadian Embassy were given permission, on April 2, with certain qualifications, to travel to Murmansk and on April 5 to travel to L'vov, Kishinev and Odessa and on April 8 to Tashkent.

It would therefore seem that the restrictions suffered in general by members of Western missions in the USSR in early April do not appear to have differed materially from similar restrictions imposed at the same period of the year in 1957 and 1958.

It is possible that the Soviet security authorities were deterred from their intention to place most of the country out of bounds to Western diplomats by considerable adverse publicity abroad and American retaliation. On the other hand, there is as yet insufficient evidence to infer that widespread restrictions greater than those previously imposed were indeed ever contemplated.

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Possible Submarine Missile Armament

1076

3. At 1630, 19 March 1959, a cone-shaped object, 9 feet long and 3.5 in diameter at the base, was seen being lowered into the conning tower of the "F" class submarine No. 5 at a point midway between the snort intake mast and the "masthead" light. The cone was painted a bright orange, had protrusions at the base and was being handled by an estimated 1-2 ton rail-road crane. The operation took about twenty minutes. A second cone was inserted into the same or adjacent point approximately 10 minutes later. The cones were two out of possibly three that had been observed lying on the jetty on the previous day.

Observer Comments

The observers were of the opinion that the cones have a guided missile significance. However, they suggested that the cones were dummy due to the following reasons:

- (i) the bright orange color
- (ii) the fact that they had been left on the jetty overnight, on their sides and with no cover or apparent security precaution.
- (iii) they did not appear to be too heavy
- (iv) they were not handled with any special care.
- (v) "F" class No. 5 has not yet made its first run.

DNI Comments

The "F" class has been assessed as a large modern submarine with conventional propulsion and armament though specialized for SSK capability. A missile capability for this class has not been considered likely.

The "F" class, like the "Z" class, however, is of sufficient size that it could have been designed for or could be converted to accommodate a short range missile.

The significance of the sighting cannot be assessed at this time. However, it is noted particularly that,

- (i) the observers were reliable and were able to make their observations in an unhurried manner.

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- (ii) the report is the first of its type and describes a procedure that appears to have no ready explanation in known submarine routine.
- (iii) the manner and place of stowage of the possible missile is similar to that in the "80 series" "Z" class submarine which is considered to be possibly missile armed.

EUROPE

East Germany - BB-152 Aircraft

1077

4. The BB-152 turbojet transport aircraft crashed on 4 March 59 during its second test flight.

COMMENT: The East German turbojet aircraft BB-152 was the first medium transport to be produced in a satellite country from native design. This aircraft was first seen in May 1958 and made its first test flight on 4 Dec 58. The characteristics of the aircraft are considered to be:

Wing span	89 feet
Length	100 feet
Gross weight	100,000 pounds
Seating	40 - 60
Cruise speed	410 - 450 knots
Range	1500 - 1700 nautical miles
Power plants	Four Ol4 turbojets (6800-7000 lb SLST)
Crew	Four or Five

The Ol4 turbojet engines are also of native design and it is known that they have not yet completed the development stage.. The engines have been installed in a Soviet IL-28 (BEAGLE) to carry out the test flight programme. The prototype BB-152 was fitted with the Soviet AM9B engines to prevent the development flying programme from being held up.

It is known that approximately four aircraft are being built. The first has been allocated for destruction test, and the one which first flew on 4 Dec 58 crashed on 4 Mar 59. The cause of the crash has not yet been determined. Therefore two further prototypes are still

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left for the development programme. The crash of the prototype aircraft is the latest of several misfortunes which the East Germans have had to contend with in the development of this jet transport and its engines.

A second variant of the BB-152 is known to be scheduled. This aircraft will have a larger seating capacity (48 in the first class and 72 in the tourist layout) and will be fitted with a tri-cycle undercarriage instead of the bicycle type which was fitted to the original BB-152s.

The design group for the aircraft programme is headed by Professor Brunoff Baade. He was the chief designer for the Junkers aircraft firm in DEESSAU, Germany at the latter end of the Second World War. Since that date he has been actively engaged in the design of large aircraft in the Soviet Union and now back in East Germany. From past history BAADE appears to be a very capable designer and at the moment is creating a good capability for East Germany to enter into the aircraft design and production field, providing a market can be found for his products, and the bugs ironed out of his designs.

Strength of the East German Regime 1078

(CONFIDENTIAL)

5. A senior allied military observer who is particularly well acquainted with the situation in East Germany has given some interesting views on military developments and trends in that country.

According to this source, there is little possibility in the foreseeable future of a withdrawal of Soviet forces from East Germany. Should such an eventuality take place, however, it is unlikely that it would result in an uprising, at least for a time. The East German population entertains a passive outlook on political affairs. Although the vast majority do not favour the present regime, the people are prepared to co-operate with it to the extent of avoiding difficulties for themselves and their families. The memory of the June, 1953 uprising and the brutal crushing of the Hungarian revolt acts as a strong deterrent to any armed resistance to the regime. At the same time, the gradual improvement in the standard of living in the last two years has had the effect of increasing the peoples interest in avoiding any action which might damage these material gains.

Regarding conditions in the armed forces, source states that improvements in pay, privileges, housing and equipment has had the effect of increasing the desire to maintain the status quo. The East German authorities have by now released almost all of the old line Wehrmacht officers and

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consequently the officer corps is composed almost entirely of newcomers who have no links with the traditions of the former German Army and are devoted to the present regime. The veteran officers and NCOs who are now serving in the EGA have served only under first, the Nazi regime and now the Communist regime. The security systems, methods and ruthlessness of the two were very much alike. The old pre-Second World War Wehrmacht officers and NCOs who might have exerted a different influence have been removed almost entirely from the forces.

These factors, according to source, operate to encourage reliability on the part of the East German forces and the East German regime can rely on the forces for support in preventing the precipitation of an uprising which might disturb the status quo. In the event that the Soviet forces were withdrawn from the country and in the event a large scale uprising did occur, neither of which is foreseeable at this time, there is a point beyond which the regime could not depend upon the mass of the armed forces. In such circumstances, the East German Army would likely attempt to delay taking any decisive action until it became clear whether or not the Soviet forces would return and when the outcome was no longer in doubt, the army would go over to the winning side.

COMMENT: The distinction drawn in this report between ex-Wehrmacht officers with pre-Second World War service and ex-Wehrmacht officers who had experience only during the final years of the Nazi regime is an interesting one and suggests that the Communist regime may be phasing out only the first group because of political unreliability and is still retaining some officers with combat experience. Presumably this latter group is ideologically more amenable to the present regime and can therefore supply some of the needed command and staff element. This would mean the East German army may have somewhat better trained officers than was previously thought.

It is most difficult to predict how this army would react in a given situation. The reasons given for its reliability to the regime, however, and the conditions under which it may turn against the regime appear to be based on valid assumptions.

There are no indications at this time that the Soviet forces in Germany will be withdrawn, although it is probable that the reduction and withdrawal of at least some of the troops from East Germany is an event which Khrushchev desires if he can maintain the status quo and ensure the Communist government of East Germany has a very firm grip on East Germans.

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Adenauer's Decision to Stand for President - 1079 (CONFIDENTIAL)
a Preliminary Assessment

6. Chancellor Adenauer's decision to seek election to the presidency this summer came as a major surprise to the West. The election will take place on July 1 and, although the Christian Democrats may not have a clear majority in the special electoral assembly provided under the constitution, Adenauer's election appears certain. He will, however, continue as Chancellor until September 15, when President Heuss' term expires.

The main reasons for Adenauer's decision appear to be:

- (a) It will enable an orderly transition in government leadership to take place, which would not be possible if Adenauer remained as Chancellor until death or infirmity removed him from office. In this way neither Germany nor Germany's allies will be unsettled.
- (b) Although the constitutional powers of the President are very limited, Adenauer evidently intends to continue to play an active role in German politics. It has already been indicated that Adenauer as President plans to attend Cabinet meetings. With his tremendous prestige he may therefore hope to use the presidency to influence German policy without having to carry the heavy burdens of the chancellorship.
- (c) As a result of the recent NATO Council meeting in Washington, Adenauer may well now feel that the broad lines of his foreign policy will be reasonably secure during East-West negotiations, and that he accordingly can step up to the presidency without endangering this policy. It is also probable that he obtained assurances from the Christian Democrats that his policies would be maintained.
- (d) Adenauer had made a Christian Democrat victory in the presidential elections a matter of party prestige, and any Christian Democrat candidate, other than Adenauer or Erhard (the present Economics Minister and Vice-Chancellor), would probably have lost to the popular Socialist candidate Schmid.
- (e) Under the unwritten Christian Democrat rule, the nation's two top offices should be held by a Roman Catholic and a

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Protestant. Since most of the leading candidates for the Christian Democrat leadership are Protestants, Adenauer's assumption of the presidency as a Catholic was a natural and effective solution to an awkward party problem.

There has also been considerable speculation as to the relationship of Adenauer's decision to German rigidity on the Berlin and German questions and particularly to the United Kingdom position. There seems to be some basis for the newspaper reports that Adenauer has been seriously disturbed by Prime Minister Macmillan's proposals for a zone of limited armaments in Europe. In this dispute Adenauer has not received the unanimous support of the German press and there may be reservations about his present rigidity even within his own party. It is, however, difficult to believe that Adenauer's decision to move upstairs was taken because of failing party support for his policies.

MIDDLE EAST

The Iraqi Government and the Oil Industry Background Information

1080

(CONFIDENTIAL)

7. Iraq contains approximately 10 per cent of the proven oil reserves of the world - 3.3 billion metric tons. It produces about 4 per cent of world crude production - 22 million tons in 1957 and 36 million tons in 1958. Current plans call for production of 57 million tons a year by 1961. Almost all production is exported as crude via the Persian Gulf or through pipelines to the Mediterranean via Syria.

Oil Concessions

A concession covering the whole of Iraq, except for a small area recently relinquished by the Khanaqin Oil Company and the off-shore areas, is now held by the Iraq Petroleum Company Group. This concession was established by an agreement ratified in 1952. By this agreement which runs until about 2000 the Iraqi Government receives 50 per cent of the profits made by the IPC Group through its operations in Iraq. Two Iraqi directors must be appointed to the Oil Companies Board of Directors for each concessionaire company within the IPC Group. Since there are three of these, the Iraq Petroleum Company, the Mosul Petroleum Company, and the Basra Petroleum Company, this makes a total of six Iraqi directors.

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(unless otherwise classified)

The IPC Group

The IPC Group is owned by the following companies:

British Petroleum Co.	23 $\frac{3}{4}$ %
Royal Dutch Shell	23 $\frac{3}{4}$ %
Compagnie Francaise des Petroles	23 $\frac{3}{4}$ %
Near East Development Corp.	23 $\frac{3}{4}$ %
(Standard Oil New Jersey 50%; Socony Mobil 50%)	
Gulbenkian Foundation	5%

Assets of the IPC Group are hard to ascertain; in July 1958 the London Times stated that the latest balance-sheet figure showed assets of some \$335 million. Annual profits from Iraqi operations can be determined from royalty payments which in 1958 totalled \$235 million, giving net profits after royalty payments only of over \$50 million for each of the larger owning companies.

Importance of Oil to Iraq

Oil revenues account for about 30 per cent of the national income of Iraq and for almost all of its development budget which has been running at almost \$200 million annually in recent years. Iraqi financial reserves have been decreasing while development plans have become more ambitious, with the result that the government is very anxious for more oil revenues one way or another. The present IPC expansion programme will about double Iraqi revenues.

Importance of Iraqi Oil to Other Countries

The two countries most directly affected by Iraqi oil developments are France and the UK. Of these, the more vulnerable is France which in 1958 took 8.3 million tons of Iraqi crude, making it the largest market. In 1956, 36 per cent of France's total crude oil imports came from Iraq. However, the rapidly increasing Saharan production should soon decrease this dependence upon Iraqi oil. The French government, however, has a controlling interest in CFP (see above), and that company has recently tried to increase its share of IPC ownership to 25 per cent by offering to buy 1 $\frac{1}{4}$ per cent from Gulbenkian. At present Iraqi-French relations are very bad, Iraq having unilaterally severed economic relations with France in October 1958. The UK has the greatest share in IPC ownership through British government interests in BP and through part ownership of Royal Dutch Shell. However, Iraqi crude is far less important to the UK than Persian Gulf crude.

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Relations Between IPC and the Iraqi Government

The Iraqi attitude towards IPC is governed by two factors: nationalism and a desire for greater oil revenues. Since the 1958 revolution and even earlier, many statements, rumours, and negotiations have been forthcoming on the subject of future Iraqi-IPC relations. There is no firm evidence of likely developments, which may be along any of the following lines:

- (a) Maintenance of the present agreement
- (b) A new agreement with IPC giving the Iraqi government generally better terms and a greater share of the profits.
- (c) The relinquishing by IPC of part of its concession area.
- (d) Iraqi government independent participation in some aspects of the oil industry.
- (e) Nationalization.

NORTH AMERICA

Recent Developments in Cuba

8. During its first three months in office, the Revolutionary Government of Cuba, under Provisional President Dr. Manuel Urrutia, has had time to show to some extent what its political orientation will be. The most significant factor which has emerged to date is that Prime Minister Fidel Castro is in complete control of the Government.

As was expected, Dr. Jose Miro Cardona, who took office as Prime Minister on January 6, was unable to bring efficient government to Cuba since all his actions had to be approved by Fidel Castro who till then officially held a minor post only in the Cabinet. Miro Cardona resigned on February 13 on the grounds that he had completed his main task which was to draft a Fundamental Law intended to replace the 1950 Constitution until the next election. President Urrutia immediately named Fidel Castro as the new Prime Minister and Castro, after issuing a public statement expressing his reluctance to accept office and explaining that he was taking the position only for the good of the Revolution, was sworn in on February 16.

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As a matter of political courtesy, all members of the Cabinet offered their resignations but agreed to remain in office until Castro designated his own Cabinet. Contrary to expectations, Castro ratified all ministers, except the Minister of Justice, in their positions.

As Prime Minister, Castro has not put an end to his practice of making all sorts of political pronouncements on any subject at almost any time or place. "War crimes trials" have lowered Castro's prestige abroad and are reportedly now being criticized in Cuba, particularly following the retrial and sentencing to long prison terms under Castro's orders of several airforce personnel originally acquitted of genocide by a three-man tribunal. His decision announced on March 12 to extend the death penalty to personnel guilty of misusing public funds has caused further speculation that he is more interested in revenge than in justice.

Castro has also manifested an increasing tendency to blame the United States for Cuba's economic and political problems and to insist on a neutralist position in world affairs. He strongly repudiated a pro-U.S.A. speech made by Jose Figueres, the former President of Costa Rica, in Havana on 22 March in which Figueres advised the Cuban Government to follow a moderate approach to revolutionary reforms and to align itself with the West. A further and stronger attack against Figueres seems to indicate that Castro has dissociated himself from Figueres and President Betancourt of Venezuela in their three-pronged campaign against dictatorships in Latin America.

COMMENT: Our Ambassador in Havana has reported on rumours that former Prime Minister Cardona had attempted to submit his resignation as early as January 17. He reportedly had been perturbed by the fact that Castro, supposedly outside the Government, was dictating the path to be taken by the Revolutionary Government. Not even the smallest decision could be taken without reference to the former rebel chief and the people were not willing to abide by the decisions of the President and Council of Ministers.

One of the major effects of the new Fundamental Law adopted by Prime Minister Cardona before his resignation was the lowering of the age limit for the presidency from 35 to 30 which now makes Castro eligible to run for the presidency.

Castro's attitude towards the war trials (the number of executions is now close to 450) and his violent attempts to blame the United States and "moneyed interests" inside Cuba for all his troubles would indicate that he still has not come to grips with the practical problems involved in running the government of his country.

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Jose Figueres, Ex-President of Costa Rica, was reportedly impressed with the extent of communist influence in Cuba during his visit there in the week of 22 March. He returned convinced that the Communists are influential not only in the Cuban army and in organized labour but also in circles close to Fidel Castro. He now definitely regards Castro as an opponent of the leftist non-communist Latin American revolutionary movement represented by himself and Venezuelan President Betancourt, and expect serious political deterioration in Cuba.

It is reported that, in Oriente Province, where the Communists appear to assert their greatest influence, an anti-communist civic committee has been disbanded. Communists are prominent among the teachers being recruited for violently anti-U.S.A. political indoctrination schools in Oriente Province where anti-communists are being equated with counter-revolutionaries and are considered close to being traitors.

SECRET
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ANNEX I
To JIC SUMMARY NO. 320
dated 17 April 1959

Soviet-Iranian Negotiations 1082

1. The Soviet-Iranian negotiations in January and February 1959 for a non-aggression treaty appear to have resulted from the following trends:

(a) An increase in Soviet pressure on the Iranian regime:

The fairly constant, and at times studied, efforts of the Soviet Union since 1953 to maintain the appearance of "normal relations" with Iran, gave way at the end of July 1958 to an increasingly critical attitude towards the Shah's regime, the Shah personally, and in particular, the Iranian intention to conclude a bilateral defence agreement with the United States (forecast in the communique of the July meeting of the Baghdad Pact Council meeting in London). The impact of this pressure was probably greatly intensified by the Shah's concern about the implications of the Iraqi coup d'etat for his own regime.

(b) Growing Iranian dissatisfaction with the West:

Though the Shah could expect, under the proposed agreement with the United States, to obtain a reasonably clear-cut security guarantee against the Soviet Union, he was anxious to obtain further concessions from the United States:

- (i) a guarantee against aggression from other quarters (i.e., Iraq and Afghanistan, both of which were openly accepting closer relations with the USSR);
- (ii) assistance in substantially expanding the Iranian security forces; and,
- (iii) increased financial aid, including direct budgetary assistance.

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SECRET
CANADIAN EYES ONLY
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These Iranian demands, though similar to requests made in previous years, were advanced more emphatically as a result of several developments. The question of internal security after the Iraqi revolt was probably a major, though unacknowledged, factor in the Shah's thinking. Moreover, the virtual withdrawal of Iraq from the Baghdad Pact and its acquisition of substantial quantities of Soviet bloc arms faced Iran with not only the removal of a restraining Western influence on numerous unsettled issues with Iraq but also the need to adjust to a new local strategic situation. Finally, Iran was encouraged by its regional allies to press for broader security guarantees and for economic assistance on a scale that would adequately reflect Western appreciation of countries co-operating in Western defence arrangements, as compared with neighbouring neutralist countries like India (and even the UAR), which appeared to the regional members to be receiving (or likely to receive) an inordinate share of United States aid.

In the light of these trends, the probability is that the Iranians were responsible for the commencement of the negotiations, even though, as they point out, the Soviet Union had undeniably been proposing negotiations for some time. Iranian motives may well have been mixed. The major objective was, probably to induce greater Western concessions, but both the Shah and his advisers may have thought that there was some possibility of arresting Soviet pressure and some members of his government (e.g. Foreign Affairs Minister Hekmat, who is apparently an advocate of Iranian neutrality) may have thought that a genuine rapprochement was possible.

Neither the course of the negotiations nor the proposals of the parties are known in detail, but their demands seem initially to have embraced:

(a) Soviet Union:

- (i) rejection by Iran of the proposed United States agreement;
- (ii) prohibition of foreign bases and forces in Iran.

(b) Iran

- (i) cancellation of Articles 5 and 6 of the 1921 treaty by virtue of which the Soviet forces claimed the right to enter Iran in 1941;

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- (ii) a non-aggression treaty for a long term of years (including abstention from propaganda or subversive action) by way of supplementing the 1927 treaty of guarantee and neutrality; and,
- (iii) some form of Soviet acceptance of Iran's existing ties with the West, including its participation in the Baghdad Pact.

The negotiations broke down over the Iranian decision to go ahead with the proposed United States agreement. Agreement was apparently possible on all other major matters. It is true that the parties failed to agree on an apparently belated Iranian proposal to define the term "foreign bases and forces", but it is doubtful how seriously this issue contributed to the breakdown of the talks, since the Soviet authorities (and presumably the Iranians) had recently been told by Mr. Dulles that the United States had no plans to establish bases in Iran; and since, accordingly, the need for definition must have related solely to the presence in Iran of the United States military mission and non-Iranian Baghdad Pact personnel.

The Iranian position on the question of the United States agreement was probably made deliberately ambiguous in the first instance so as to provide some inducement to the Soviet Union to negotiate. Subsequent Soviet complaints about the Iranian attitude in the talks made much of the fact that Iran had intended throughout to sign the United States agreement but never officially alleged that Iran had specifically offered not to sign. On the other hand, apart from this issue, there would be very little point to the negotiations in the view of the Soviet Union, since it would have no interest in disturbing the legal position under the 1921 and 1927 treaties but only in forestalling an agreement which, however vague its terms, would imply a much more direct United States involvement in Iran than either the Baghdad Pact or the Eisenhower Doctrine. When Iranian intentions finally had been made clear (on February 6), the Soviet Union was in a good position to allege Iranian duplicity and indeed, since Mr. Khrushchev himself had reputedly been identified with the previous conciliatory policy towards Iran, had little choice but to resume attacks on the Shah's regime.

COMMENT: An immediate consequence of the abortive talks has been that any improvement in Soviet-Iranian relations seems increasingly remote. Although fear of an anti-Soviet reaction may dictate limits to further increased Soviet pressure, the negotiations can have done little to improve the weak internal position of the Iranian regime, especially in the light of the United States refusal to make the concessions sought by Iran; and have probably

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caused appreciable damage to Baghdad Pact solidarity. In the longer term, a more fundamental shortcoming of the negotiations may have been the failure fully to explore the possibility of new approach to the problem of Iran's security. The United States had proved receptive to the possibility, which the Shah, at one stage, apparently considered feasible, that Iran should conclude both a non-aggression treaty with the Soviet Union and the United States bilateral agreement. The Soviet Union for its part, was willing to contemplate both continued Iranian participation in the Baghdad Pact and the conclusion of a non-aggression treaty. There appears to have been little effort to see whether common ground could be found between these two positions.

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W A R N I N G

This issue of the Joint Intelligence
Summary contains the following parts:

Main Section - at SECRET level

Annex I - at SECRET level but
CANADIAN EYES ONLY

This cover sheet may be removed when
the Annex is detached.

ISSUE NO. 319

10 April 1959

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COPY N° 98

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10 April 1959

JOINT INTELLIGENCE SUMMARY

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SOVIET UNION

New Soviet Helicopter

983

1. In a recent article in "Trud" (Soviet newspaper) a visit to M.L. Mil's OKB experimental factory is described. The correspondent mentions in the article the progress made by M.L. Mil in his designs of the MI-1 (HARE), Mi-4 (HOUND and Mi-6 (HOOK) helicopters. There is also mention of a model helicopter which stood in the hall of the factory. This model is stated to represent a gigantic and powerful Soviet helicopter of the near future.

COMMENT: It is possible that the designer M.L. Mil is in the process of designing a new helicopter which will be more advanced than the HOOK. It must be emphasized that HOOK was a great achievement in the helicopter field and the Western world should not be surprised to see that the Soviets have an even more advanced helicopter flying in the near future.

New APC seen on Rehearsals for Moscow May Day Parade

1043

2. During preliminary rehearsals for the Moscow May Day Parade the Canadian Military Attache, Moscow observed 23 vehicles of type hitherto unidentified in Soviet forces.

Description of the vehicles is as follows:

Equipment resembles a BTR 40 (APC 4x4) with overhead cover on the chassis of the Soviet amphibious jeep.

Water propulsion appears to be effected by a single hydrojet or an armour covered screw.

Vehicle carries a crew of two and estimated payload is 9 personnel.

Estimated dimensions are:

Height from road to deck	4' 6"
Overall height	6'
Length	18'
Width	7'-8'

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COMMENT: Until now the Soviet Army has had three types of APC's; the BTR 152 (6x6), the BTR 40 (4x4) and the BTR 50p (tracked-amphibian). Recently the BTR 152 appeared to be replacing the BTR 40 in most formations as an APC and the BTR 40 has been seen performing specialist tasks; e.g. mounting AAHMG's etc.

Of these three APC's, none had overhead cover, and only the tracked BTR 50p was amphibious.

The appearance of this new vehicle in Moscow, if it is in fact a modified BTR 40, may further illustrate Soviet expediency in altering an obsolescent vehicle to attain characteristics hitherto lacking on wheeled APC's; i.e. overhead cover and water crossing capability.

EUROPE

GSFG Training Summary - Mar 59

1045

3. Training activity was reported from five armies and reached a general level of divisional training. There was also evidence of inter-Army co-operation particularly in the South-East where a restriction was imposed over a wide area from 16-24 Mar. Strong EGA activity was reported in this area during the same period.

No detailed reports have yet been received on these exercises except it seems likely that the two, or possibly three, army exercise in the South-East ended on 21 Mar.

COMMENT: The intensity and level of training is abnormal for this time of the year. This departure from the normal winter training-cycle may indicate:

- (a) Soviet efforts to gauge the current operational capability of GSFG in readiness for any eventuality, and
- (b) a show of force designed to influence Western political ideas during this period.

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In both cases the relevance of the March activity to the Berlin situation is paramount.

If the current pause for thought in diplomatic circles is reflected in a return to normal training activity during Apr and early May, we may infer that the Soviets are prepared to maintain the status quo until a pre-Summit meeting clarifies the issues involved.

Dummy Missiles in GSFG (US Types) 1047

4. Since Aug 58, there have been fifteen and possibly 16 dummy missile sightings in East Germany, one in Poland and one in Czechoslovakia. The most recent sighting of six dummy missiles in the Zossen/Wuensdorf training area have been identified as mock ups of the US Matador, Redstone and Corporal missiles.

COMMENT: Sightings of dummy missiles have been increasing in recent months. They are often so openly displayed in Soviet barracks that there may be a deliberate intention that Western missions should notice them. The function of these mock-ups is not known, but several reasons are suggested:

- (a) To influence in some way the political thought of East Germany;
- (b) A deception measure;
- (c) To accustom Western observers and civilian population to the sight of missiles with the intent of introducing real missiles in the future without causing undue alarm or notice;
- (d) A military training aid;
- (e) To stimulate civil defence measures.

Of the above possibilities, (d) is considered to be the most likely. Soviet tactical doctrine teaches deep armoured thrusts into enemy defences, and the appearance of US type missiles may indicate that Soviet tactical doctrine now emphasises the

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destruction of enemy missile launching sites as the prime tactical objective, rather than the seizure of tactical features of ground as for conventional war.

While the original dummy missiles sighted were very crudely constructed and openly displayed, the latest sightings of dummy missiles in the Zossen-Wuensdorf training area are well constructed, realistic models of US missiles, even down to such details as the printing of "US ARMY" normally found on the missiles, indicating greater emphasis on recognition training of US missiles by Soviet troops in East Germany. The elaborate use of camouflage and revetted positions shows considerable effort on the part of the Soviets to make this training realistic and as effective as possible. These dummy missiles are also the first to appear in a regular Soviet training area in which an exercise was currently taking place.

MIDDLE EAST

Soviet Economic Credit to Iraq

490

5. By an agreement concluded on 16 March 1959, the Soviet Union will grant Iraq a credit of \$137.5 million to finance Soviet participation, including survey work, materials and technical assistance, in various Iraqi development projects. The loan will be expended over 5-7 years, or at a rate of about \$25 million annually. The projects involved in the agreement consist of about half of the approximately fifty projects already slated under current Iraqi development plans. No radically new projects appear to have been proposed in connection with the Soviet credit.

The \$25 million yearly income from the Soviet development credit will no more than balance Iraq's payments to the Soviet Union on the recent \$167 million arms agreement. The latter agreement provided for a down payment of \$50 million, with the remainder to be repaid over a period of 5 years. Iraq's arms purchases in the past have been relatively minor and, without the new economic credit, repayment of the Soviet arms loan would have represented a heavy drain on Iraqi finances.

Any increase in Iraqi development expenditures, which in recent years have averaged almost \$200 million annually, will have to be financed

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directly or indirectly through other revenues, primarily oil revenues which account for about 30 per cent of the national income and almost all of the expenditures on development. In 1958 royalties from the Iraq Petroleum Company totalled \$235 million, a record figure. However, even before the recent arms deal Iraqi expenditures on development were exceeding current income. Any increase in development outlays will depend to a much greater extent on the substantial expansion of petroleum production already planned, and on higher Iraqi profits on whatever oil is produced, than on the Soviet economic credit.

SOUTH-EAST ASIA

Tibet

1067

6. The seventeen-point Sino-Tibetan agreement of 1951 guaranteed Tibet local autonomy with no changes to be made to the existing political system, while placing the management of external relations in the hands of the Chinese and giving them the right to station troops in Tibet. The number of Chinese troops has been variously estimated at 40,000 to 100,000 men. Recent figures of 300,000 troops are probably exaggerated, although press reports speak of large reinforcements moving into Tibet. The garrison of Lhasa was estimated at 20,000 troops before the revolt.

Two motor roads connect Lhasa with China. The first, from Sining (Tsinghai province) assures a twelve-day trip to Lhasa in favourable weather. The second, from Kangting (Tatsienlu) in Szechwan has been frequently cut by Khamba tribesmen rebel activity.

The Chinese Communist Party maintains a "work committee" in Tibet. In 1956 there was established the "Preparatory Committee for the Tibet autonomous region" under the Chairmanship of the Delai Lama with the Panchen Lama, the second figure in the Tibetan religious hierarchy, and the Commander of the Tibet military region, General Chang Kuo-hua, as first and second deputy chairmen. The intention was to prepare for the gradual transformation of the traditional system of local government into government by the Preparatory Committee. The Preparatory Committee made no progress in this direction and in April 1957, Peking announced that "democratic reforms" - which usually refer to land redistribution - would not be carried out in Tibet until 1962.

Resistance to the Chinese took on a serious character in 1956 with outbreaks by Tibetans in the Chamdo region and western Szechwan. Although

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these outbreaks did not affect Central Tibet and the Lhasa region, there were reports of the formation of a dissident underground party in Lhasa itself. These signs of discontent may have been an important factor in the Chinese decision not to proceed with their plans to bring Tibet fully under Chinese administration. This policy did not restore the situation and Khamba (an Eastern Tibetan tribe) rebel activity was reported in Central Tibet from the summer of 1958.

The present outbreak in Lhasa appears to have resulted from an order received by the Dalai Lama on March 10 to present himself at the Chinese Military Headquarters without his bodyguard. Crowds of people gathered round the Dalai Lama's Palace and induced him to refuse the request. Mass demonstrations took place and according to the New China News Agency an all-out attack was made on Chinese Army units in Lhasa on March 19. Again according to the N.C.N.A., armed resistance had ceased on March 22. On March 28 a State Council order was issued dissolving the Tibet Local Government ("which instigated the rebellion") and vesting the Preparatory Committee with its functions and powers. The Panchen Lama, who has always been under Chinese tutelage, was appointed Chairman of the Preparatory Committee during the time the Dalai Lama remained "under duress". Military control committees have been set up in all towns except Shigatse which is the seat of the Panchen Lama. Although the revolt continues, the Chinese are now firmly decided to apply a policy of military force to bring it under control.

The Indian Government recognized Chinese suzerainty in Tibet and has declared that the present revolt is an internal Chinese matter, while expressing sympathy for Tibetan autonomy. Mr. Nehru's public position has been dominated by the concern to say and do as little as possible that might exacerbate relations with the Chinese, while taking into account inflamed Indian opinion on the subject. The Chinese Embassy in New Delhi itself exacerbated Indian opinion, however, by stating that discussion of Tibet in India was "impolite and improper" and then reiterating the charge that Kalimpong was the centre of rebel planning after it had been specifically denied. The entry of the Dalai Lama into India on March 31, together with the decision to grant him asylum, may create further difficulties between India and China. Although the Chinese reaction to the Dalai Lama's successful escape is not yet known, Sino-Indian relations have been more strained by the Tibetan incident than by any other event since the Chinese first invaded Tibet in 1950. The press in other Asian countries has also been critical of Chinese actions.

The reaction of the Chinese Nationalists has been to promise Tibet autonomy in the event of a Nationalist return to the Mainland. Premier

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Chen Cheng claimed on March 26 that Taipei has been in continual contact with Tibetan anti-Communist organizations. An English language paper in Taipei has claimed that successful airdrops have been made to the insurgents. This claim does not appear credible, although the Communist Chinese have themselves charged that rebels have received supplies from Nationalist Planes.

The single most important result of the Tibetan revolt will probably be the lasting impression it will leave in Asia. Communist China's handling of the Indian reaction, however, demonstrates once more the degree to which the Chinese are increasingly willing to ignore Asian opinion.

NORTH AMERICA

US high-altitude nuclear explosions (Project Argus) 999

7. Three nuclear warheads of about 2 KT yield each were detonated by the US at the following times and altitudes:

27 August	0227:40Z	60 miles
30 August	0317:25Z	106 miles
6 September	2212:34Z	425 miles

The carrier rockets were launched at or near Gough Island in the South Atlantic (approximate position 40°S (i.e. south) 10°W). Press reports state that the warheads were carried aloft by three-stage rockets launched from the USS Norton Sound.

COMMENT: US defence officials have been non-committal so far on the effects and implications of these tests, but it is believed that they were, in part at least, an attempt to verify the Christofilos theory. This theory maintains that a portion of the electrons produced by a nuclear explosion within the earth's magnetic field will become entrapped in that field and will spiral around the magnetic lines of force from north to south (and back) with a net component of motion eastwards. Thus, in time, a sheath of electrons will envelop the earth, taking the shape of the earth's magnetic field. Christofilos calculated that this sheath would be complete in about one hour.

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Press reports indicate that a sheath of electrons about 100 miles thick did in fact envelop the earth within hours of the shots, arching north and south from within a few hundred miles of the earth to a height of 4,000 miles. The effect is believed to have persisted for about one month. Data on the effect were apparently obtained from Explorer 4, such that "the shape of a selected magnetic shell of the earth's magnetic field was plotted out for the first time by experimental means". Electron density data also provided new information on the density of the upper atmosphere. No official comment has yet been made on radio and radar interference effects. Artificial aurorae were observed at geomagnetically conjugate points of the magnetic arc in which the explosions occurred.

The US Secretary of Defence has commented that Project Argus (1) has potentially very substantial military applications for both offense and defence, (2) may increase our knowledge of the conditions and environments in which Nike-Zeus will have to operate, and (3) refine out knowledge of radio and radar (presumably, propagation aspects). It is not known yet whether any measurements were made of the neutron environments created in space by these explosions. Such measurements are believed to have been made in the case of the two megaton-range Johnston Island tests (1 August and 12 August at altitudes of about 50 and 25 miles respectively).

U.S. Argus explosions not detected by USSR / 00 /

8. It is now assumed that Soviet scientists did not detect the three high-altitude nuclear explosions carried out by the U.S. in the south Atlantic in August and September 1958 (see DSI Brief No. 301). In view of the official Soviet position on the banning of nuclear tests, it is inconceivable that they would have maintained silence if they had detected these tests.

Of the four "conventional" methods of detecting distant nuclear explosions, only the electromagnetic method could conceivably be applicable to such high-altitude bursts. It is now well-known that a nuclear explosion results in a sudden, strong pulse of electromagnetic radiation, probably extending through the entire radio and optical spectrum, with a duration of the order of tenths of a second. The U.S. claims to have detected the

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electromagnetic radiation from Soviet explosions at the Semipalatinsk site whose yields were well below five kilotons (e.g. Joe 44 on 4 January 1958). The Geneva Conference of Experts in summer 1958 agreed that the electromagnetic signal from a one kiloton explosion in the earth's atmosphere should be detectable at distances greater than 6,000 kilometres and that this method might be applicable to nuclear explosions occurring at altitudes up to about 1,000 kilometres. Although no specific data were presented, Soviet claims regarding the usefulness and efficiency of this method led western delegates to believe that Soviet scientists had achieved a higher degree of sophistication in this technique than the west. The apparent Soviet failure to detect any of the Argus tests implies that the Soviet claims at Geneva were based largely (or completely) on theoretical speculation. Thus further difficulties may now arise in the negotiation of a nuclear test ban at Geneva.

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ANNEX I
To JIC SUMMARY NO.319
dated 10 April 1959

Czech Gift of Arms to Guinea 994

1. On 21 March 1959 a consignment of arms arrived in the Republic of Guinea as a gift from Czechoslovakia. The shipment consisted of:

24 x 12.7 multiple barrelled AA guns.

8000 rifles

3000 x 7.65 revolvers

6 x 105mm A/tk guns

6 x 77mm A/tk guns

Ammunition for above weapons.

20 motorcycles

2 Armcd Cars

1200 cases of grenades.

The Guinea Minister of Defence Mfamara has stated that he neither has the wish nor the money to create an army and that these arms are for internal security only. The present force is about 2000 strong, and it is considered that these arms are in excess of current requirements.

On 20 March 1959 a Czech military delegation of one General, two officers and armament experts arrived in the country. The total number of people in the delegation is believed to be eighteen.

COMMENT: This is the first time that Soviet Bloc arms have been shipped to a (Black) African State. There is little doubt that with the increase of independence amongst colonial and ex-colonial territories of Africa that this will not only continue but increase.

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SOVIET UNION

The Sino-Soviet Bloc Economic Offensive in 1958:
A Preliminary Appraisal

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1. A projection of foreign trade returns, which have now been published for the first eight to ten months of the year, suggests that Bloc trade with the rest of the world may have totalled about \$6.5 billion in 1958, an increase of only 4 per cent or roughly \$250 million over 1957. Although this gain was achieved in the face of an estimated decline of 6 per cent in the foreign commerce of the non-Bloc world, the increase of about \$250 million fell far short of the annual leaps of \$700 - \$1,000 million registered during the several preceding years. Moreover, \$150-\$200 million of the estimated 1958 growth can be attributed to higher imports by the Bloc (principally by China) and only \$50-\$100 million to an increase in exports. For the first time since 1947, free world exports to the Bloc (valued f.o.b. - excluding freight charges) may in 1958 have approximated, or slightly exceeded, the outward flow of goods from the Bloc (valued c.i.f. - including freight charges -, but excluding the unrecorded arms exports).

Despite greater sales of some primary commodities, Soviet trade with the free world did not likely increase in 1958 and could have declined by as much as \$100 million or 5 per cent. The possible reduction in Soviet trade was probably offset by a corresponding growth in the trade of the East European Satellites. The salient feature of the East-West trade pattern in 1958 was an estimated increase of 20 per cent, or \$200-\$250 million, in China's trade outside the Bloc. Most of this growth can be attributed to expanded imports from Western Europe (particularly from West Germany and, to a much lesser extent, from the United Kingdom and others). Communist China, in its effort to expand imports in support of the "Great Leap Forward" programme of domestic development, in 1958 probably recorded its first unfavourable balance of trade with the non-Bloc world. China still accounts for only about 20 per cent of the Bloc's trade with the rest of the world, the East European Satellites contributing 50 per cent and the USSR 30 per cent. Only about 3 per cent of the total trade of free world countries is conducted with members of the Red Bloc.

The USSR, as well as China, had strong incentive to push sales at cut-rate prices during the past year. Soviet exports to the free world, particularly exports exclusive of those on long-term credit, probably suffered at least a moderate decline relative to imports. Soviet gold sales in 1958 totalled about \$210 million, down appreciably from the peak of at least \$260 million in 1957, but well above the maximum of \$150 million recorded in any other previous year. The decline in 1958, relative to 1957, probably reflects a reduction in Soviet free currency assistance to the

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Satellites rather than an improvement in the USSR's own balance of payments. China's exports through Hong Kong showed a fairly sharp growth, but elsewhere in South and Southeast Asia the much publicized Chinese export drive does not appear to have attained very significant proportions.

The most substantial increases in Bloc trade with developed countries were registered with West Germany (mainly by China) and with France (primarily by the USSR), while the greatest decline was undoubtedly recorded with Finland.

The share of underdeveloped states in the Bloc's trade with the outside world remained at 20-25 per cent in 1958. The trade exchange with South and Southeast Asia (excluding Hong Kong) and Africa (excluding Egypt and South Africa) probably increased only slightly. Moderate gains in some areas were offset by losses in others. In the Middle East, increased exports from the Bloc may have boosted the trade turnover with the UAR by an additional \$50 million (10-15 per cent), while in Latin America a substantial expansion of trade with Argentina and higher purchases from Uruguay probably resulted in a turnover with this region of \$250-\$275 million, an increase of about \$75 million over 1957, but still well below the 1955 peak of \$340 million.

Bloc aid commitments increased much more rapidly in 1958 than did the Bloc's trade with the underdeveloped areas. Over the four-year period 1955-58, the states of Asia, Africa and Latin America accepted Bloc offers of economic credit totalling about \$1.4 billion and of arms credit totalling at least \$800 million. The rising tempo of Bloc aid activities is reflected in the fact that roughly half of both the economic and military credit agreements referred to above were concluded during the past year.

Soviet Chemical Warfare Research is Confirmed

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2. Major General Yu. V. Drugov of the Soviet Army Military Medical Service has stated that "in response to State demands... considerable efforts were directed toward studies of military poisons". His statement appears in "On the 40th Anniversary of Soviet Toxicology", an exhaustive review of research in poisons and their antidotes conducted by the Soviet Academy of Sciences. Though most of the work mentioned can be related to public health, agriculture, or basic medical requirements, guarded statements on military-related research confirm the existence of a major CW-research program in the U.S.S.R.

Drugov stated that "special interest attaches to the so-called psychic poisons (mescaline, methedrine, lysergic acid derivatives)" that "poisons of animal origin are the subject of a separate and special study",

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and that the "Academy of Sciences has collected...the scattered data on poisonous plants..." He gave special mention to "a group of scientists concentrating their attention on poisonous organo-phosphorus compounds". In the latter instance, Drugov continued, "the significance of functional and auxiliary groups in the molecule...gave rise to deliberate searches... for modern military poisons".

COMMENT: Numerous statements by high-ranking Soviet officials indicate the intention of the U.S.S.R. to use chemical weapons in war. However, this is the first statement by a Soviet official to indicate the direction of the Soviet CW research and development program and, therefore, the types of chemical weapons which may be employed. The open literature has contained numerous references to Soviet research in the nerve gas-related field of organo-phosphorus chemistry. This research is concentrated largely in the Kazan S.S.R. under the control of the Soviet Academy, ostensibly for the purpose of developing improved insecticides. Drugov's is the first official admission that this research is also directed toward the development of military chemical warfare agents. However, intensive Soviet research long has been credited with the development of nerve gases of the G- and V- agent types.

Soviet military interest in "psychic poisons" (United States K-agents) and animal and plant poisons, long suspected from a review of open publications, is openly confirmed for the first time in Drugov's statements. Soviet CW research and development policy apparently is directed toward the exploitation of all possible avenues of toxic agent employment. Perhaps this is the significance of Drugov's statement that "many of our scientists...regard research on the action of poisons and on the development of antidotes to be their patriotic duty".

Travel Restrictions in the USSR

1027

3. During the past month the Soviet Government has placed restrictions on travel to the area between Stalingrad and Tashkent.

Late in Feb 59 the French MA and AA were refused permission to visit the area. This was followed by similar refusals extended to the Air Attaches of Canada, the United Kingdom and the United States Naval Attache.

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The last refusal apparently took place this week in response to a request by the Turkish MA to visit Tashkent. At the same time it was reported that the Afghan MA was permitted to visit that city.

COMMENT: The Soviet Government's propensity for imposing restrictions on travel without warning or apparent reason are well known, and represent one of the major obstacles to the activities of Military Attaches.

In the present instance there have been no discernable activities preceding the imposition of the ban which would indicate that any unusual developments were taking place in either the North Caucasus or Turkestan Military Districts.

However it is of interest that both these Military Districts were the locale of a high level training exercise during the summer of 1958 at which both Marshal Grechko, C in C Ground Forces, and Marshal Meretskov, appointment unknown, were present.

It is possible that the present ban may have been imposed to cover further exercises which could lead to an assumption that these exercises as well as those of last summer may be of an experimental nature involving new organizations and new tactics.

Moreover it should not be overlooked that the area encompassed by these two Military Districts may contain missile test ranges. Since troops may have been present during tests on these ranges it is conceivable that experimental exercises may be at least partially connected with missile testing.

The current Order of Battle of the two Military Districts involved in the latest ban are as follows:

(a) North Caucasus MD

HQ: Rostov
XIII Mountain Rifle Corps - Ordzhonikidze
23 Mountain Rifle Division - Ordzhonikidze
24 Mountain Rifle Division - Grozny

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Subordination unknown:-

9 Mountain Rifle Division - Krasnodar
19 Mountain Rifle Division - Ordzhonikidze
u/i Mechanized Division - Kamensk
u/i Mechanized Division - Pyatigorsk/Stavropol
u/i Mechanized Division - Novocherkassk/Rostov
u/i Artillery Division - Stalingrad.

(b) Turkestan MD

HQ: Tashkent
u/i Rifle Corps - Ashkabad
357 Rifle Division - Kushka
u/i Rifle Division - Ashkabad

Subordination unknown:-

u/i Gds Mechanized Division - Samarkand
5 Gds Mechanized Division - Mary
201 Rifle Division - Kulyab
360 Rifle Division - Termez
376 Rifle Division - Tashkent

Although it is generally accepted that Corps HQ have virtually disappeared in the Soviet Army, this level of Command is still retained for the more specialized forces such as Mountain and Airborne troops. Some or all of the Rifle Divisions shown above could be either Mountain Divisions or Motor Rifle Divisions.

The reasons for the Afghan MA being permitted to go to Tashkent are obscure but it is possible that they may have some bearing on the transit of arms and equipment which have been entering Afghanistan for some time from the USSR under a Soviet-Afghan aid agreement.

Possible Changes in the Soviet High Command 1021

4. Recent reports indicate that the following changes may have recently taken place in the Soviet High Command:

- (a) Marshal SU I.Kh. Bagramyan, Chief of Rear Services, Ministry of Defence (A2)

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- (b) Marshall SU I.S. Konev. New appointment unknown but reported to have been demoted from First Deputy Minister to Deputy Minister (F6)

COMMENT: Until recently Marshal Bagramyan was Commandant of the General Staff Academy, formerly known as the Voroshilov Military Academy. His new appointment is significant for two reasons:

- (a) His former post by its very nature kept him in close touch with and permitted him a voice in the development of the Soviet Army to meet strategic requirements of modern warfare.
- (b) This is the first time the post of Chief of Rear Services has been held by a Marshal. This gives a clear indication, particularly when considered in the context of para 2(a) above, of the priority and importance given to the problem of logistics under conditions of nuclear warfare. It has long been known that Soviet planners are aware of the deficiencies in this field and although much has been written on the subject, few developments have become observable which would indicate that any revolutionary steps have been taken to reorganize the logistical structure specially for nuclear warfare. This new appointment may result in some reorganization, neither the pattern nor the results of which will however, be discernible for some time.

No information is available on the future of Marshal Konev's present status. We continue to hold him as First Deputy to the Defence Minister as well as C in C Warsaw Pact Forces.

Russian Jamming of a Future Berlin Airlift 986

5. It has been reported that four or more powerful radar jamming stations have been installed on the periphery of Berlin. The purported reason for these stations is to jam control and GCA radars of Templehof, Gatow and Tegel airfields in the event of a future Allied airlift.

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COMMENT: The Soviet Bloc has the capability to install jamming equipment to jam radars on these airfields. Western radars for aircraft control operate in S, C and X bands, so spot frequency, wideband and possibly decoy jammers may be used. Directional antennas for the jammers can be employed against the radar sites, therefore jamming powers of the order of one kilowatt effective radiated power or more can be expected if jamming is employed.

Weather conditions in Berlin necessitate frequent use of radar ground controlled approach procedures and jamming would seriously hamper a continuous flow of cargo aircraft in and out of Berlin.

The following palliative counter-countermeasures to this threat are fairly readily available:-

- (a) fitting of all Allied cargo aircraft flying to Berlin with navigational radar and Mark X IFF;
- (b) increasing the radar echoing area of cargo aircraft by fitting radar reflectors on the fuselage;
- (c) installing additional GCA radars in Berlin to divert the Russian jamming effort;
- (d) training immediately all Berlin GCA operators to work through jamming, using synthetic jamming training equipment now in production.

It is more than doubtful however, whether any of the above would prove sufficiently effective against a concentrated short-range jamming attack.

Apart from radar jamming there is the possibility that the Russians may also try to jam the Allied ground-to-air voice communications in the Berlin air traffic control zone. It is considered that this type of jamming poses an even more serious threat. In bad visibility, which occurs frequently, the Berlin air traffic pattern is entirely dependent on efficient VH/F R/T circuits. Not only would jamming of these circuits disrupt the approach control and stacking of aircraft awaiting permission to land, but, by using deception techniques such as false messages,

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the complete GCA final approach procedure would be disorganized. The Russians are well aware of these methods so if disruption of the Allied airlift is intended they are more likely to devote the major effort to jamming ground-air communications. It is considered that communication jamming would render night landings most difficult and low visibility landings almost impossible.

Soviets Deploy Radar Picket Ships to All Fleet Areas 477

6. Sighting reports in all four Soviet Fleet areas confirm that the USSR recently put into commission a number of "T-43" Class fleet minesweepers converted to radar picket ships. Minesweeping gear has been removed from all of the converted units. The after twin 37mm mount has been moved aft to the quarterdeck and radar has been installed in its place. Older conversions are fitted with two KNIFEREST radars, whereas the newer modifications mount one extremely large parabolic radar.

COMMENT: These units have been reclassified "T-43" Class Patrol, Radar Picket (PFR). Twelve units have been identified in the Fleet to date, and it is probable that additional units are now in commission. This modification appears to be the beginning of a new program to increase the Soviets' early warning capabilities along maritime frontiers.

Possible New Appointment for General AI Serov 1039

7. The Canadian Military Attache, Moscow has suggested that Army Gen AI Serov may now be the coordinating head between the Main Intelligence Directorate (GRU) of the Soviet Army and the Committee of State Security (KGB).

COMMENT: Early in Dec 58 General Serov was replaced as head of the KGB by a Party official and since then there has been considerable speculation as to his future. To-date no official announcement has been made of a new appointment for him.

Simultaneously with this development, several indications of a possible reorganization of the Intelligence and Security structure have become apparent and of a greater effort being made in the field of positive intelligence and

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counterintelligence. Among the developments now under study are the following:-

- (a) an apparent reorganization of the Military Attache Staffs in Ottawa, Washington, London and the Scandinavian countries;
- (b) certain appointments including the Soviet delegation in Geneva and the Soviet Military Attache in Baghdad;
- (c) increased emphasis on Western intelligence activities allegedly directed against the USSR;
- (d) the reported arrest of alleged US agents on Soviet territory in the vicinity of the Turkish border;
- (e) the fluctuations in the fortunes of the Border Guards who may have recently returned to MVD subordination;
- (f) Serov's new appointment.

A number of possibilities has been raised as to Serov's new appointment including head of the GRU which is the equivalent to the Canadian DMI, of these the most logical is that suggested by the Canadian Military Attache. Such an appointment would give Serov a close hold on purely military intelligence, non-military intelligence and counterintelligence. It also explains why no official announcement has been made of his new post since, as coordinator, no announcement would be required.

EUROPE

Change in German Social Democrat's Foreign Policy

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8. Events of the past fortnight may shift the focus of foreign policy discussion within Germany away from the possibilities of a military detente and towards the prospects for a political solution to the problems of the divided country.

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Up to now, the belief has been common to both Government and Opposition parties in Germany that reunification would come as part of an agreement on disarmament and European security; the S.P.D., however, believed that this would have to come piecemeal, whereas the C.D.U. favoured waiting for a comprehensive settlement. On March 19 the S.P.D. issued a much-heralded plan for the restoration of German unity which is notable in that it virtually amounts to an acceptance of the Soviet-approved East German proposals for confederation of the two Germanys on the basis of parity and did not provide for a definite link between military disengagement and political steps towards reunification. At about the same time three S.P.D. leaders, Party Chairman Ollenhauer, and Vice-Chairman Erler and Schmid, held talks with Khrushchev in East Berlin and Moscow. The Soviet Premier told them with brutal candour that no one is now interested in reunification and that the USSR is indifferent as to whether or not the Federal Republic remained in NATO.

The part of the S.P.D. plan which deals with security arrangements contains many familiar S.P.D. ideas and amounts to an acceptance of the latest Rapacki proposals with the addition of the countries included in the Rapacki Zone. The political plan calls for three interim phases to precede the introduction of full reunification by means of free, all-German elections. During all three phases there is to be an all-Germany Council, established on the basis of parity between the two Germanys. (Presumably, representation by population would come in the fourth and final stage, but this is not specified in the plan). This interim all-Germany Council would have some legislative as well as advisory functions. In the second and third phases objections to Council proposals raised by either the Bonn or Pankow Governments could be over-ruled by a two-thirds vote in the all-Germany Council. (Since all the East German representatives would presumably be persona grata to Pankow, and one-third of the West German Bundestag is composed of socialists, the socialist-communist majority in the all-Germany body would amount to precisely the two-thirds necessary to over-rule Bonn or Pankow legislation, or to introduce new laws. Understandably, this possibility has been singled out for particular criticism by the non-socialist majority in the Federal Republic).

The S.P.D. plan specified that the necessary preliminary agreements should be reached between the four former occupying powers, or by the two Germanys acting under the direction of the four powers. (Khrushchev has already said he could not accept this feature of the plan since reunification was now a matter for the two Germanys). The S.P.D. plan also provides that "....it is indispensable that these agreements assure human rights and fundamental freedoms in both parts of Germany in the interim period before an all-German constitution goes into effect". These rights and freedoms are

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not spelled out, and this provision has attracted little attention. It is not even clear if it is intended to provide for free elections in the G.D.R. in the interim phases. If it does, it is most likely that the G.D.R. regime would reject the plan since free elections would probably mean its loss of power even in the preliminary phases. If the plan does not provide for free elections before reunification, then the provision for parity in all-German legislative and executive organs seems unwarranted and dangerous since it would give the Pankow authorities undue influence in matters affecting the whole of Germany.

The Government parties and the Liberals (F.D.P.) have also attacked the plan for its failure to link disengagement and political steps to reunification. Herr Erler has explained that there was no necessity to do so since political changes would automatically accompany the withdrawal of foreign troops. It is doubtful if the West German public will find this argument convincing. The plan is somewhat more radical than previous S.P.D. pronouncements had led us to expect and Herr Herbert Wehner, No. two man in the Party, is considered to be its principal architect. In view of Wehner's communist past, and his continued adherence to Marxist economic policies, his ardent advocacy of the S.P.D. plan is serving to strengthen the widespread suspicions of it in West Germany.

It is difficult to understand why Khrushchev did not give the S.P.D. more encouragement. Although probably insincere, the previous Soviet line - that membership in NATO is a principal, if not the major, barrier to reunification - had served to weaken German enthusiasm for the alliance. His expressed lack of interest in a possible German withdrawal from NATO, and his lack of sympathy for reunification, have struck at the roots of the foreign policy which the S.P.D. has been pursuing for some years.

Prior to putting forward its plan, the S.P.D. had been as strongly opposed as any West German political party to dealings with Pankow at any level which might imply de facto recognition. The S.P.D. had also opposed the proposal for parity on all-German bodies. Despite the cool public reception to the new S.P.D. plan, the fact is that this Party speaks for one-third of the West German electorate and the long-run effect of the publication of their new plan should be to increase prospects that the Pankow regime will achieve de facto recognition, and that eventually there will be a Bonn-Pankow confederation. Khrushchev's lack of interest in the S.P.D. proposals to reach reunification by neutralization of Germany should increase this prospect by emphasizing that progress is perhaps only possible now in the purely political field.

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Appraisal of Military Activity in
East European Satellites up to 14 March 59 1036

9. The following is intended to provide an appraisal of various factors and activities of current interest in connection with the ground forces of the satellite members of the Warsaw Pact.

A. East Germany

East German Army training activity appears normal for the season. No evidence is at hand to suggest acceleration of the training cycle. Some evidence does exist to indicate intensification of training for the Army Reserve, Kampfgruppen (Workers' Militia), Frontier Troops and possibly the Security Alert Police.

The disbandment of one rifle division and the apparent use of its personnel as reinforcements has somewhat increased operational capabilities for the EGA as a whole. Rumours persist as to the possible activation of a second AA division and there is evidence of the deployment of an AA regiment at Brandenburg in the central Berlin air corridor.

A reorganization of the Security Alert Police in the Berlin area has probably taken place. This move would transfer control of four battalions from the Ministry of the Interior to the Ministry of State Security, thus providing to the latter a total of nine battalions and permitting the organization of an SAP division in the area.

COMMENT: The pattern which has emerged in East Germany indicates a realistic assessment and adjustment to the realities of their endemic manpower shortage. As opposed to an accepted goal of 90,000 men in the EGA for peace establishment, its strength is currently estimated at 67,000. It appears unlikely that more manpower can be made available to the army at the expense of industry within the foreseeable future. A logical move therefore is to improve the potential of reservists through improved and intensified training. It appears that such a move is under way and, by recall of reservists with previous military experience, the EGA could be expanded to 90,000 within a few days. Collaterally, improvements in training and various reorganizational changes seem to have increased the effectiveness of the

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various para-military security forces. The overall effect of these various activities is a general "belt tightening" which should provide an improved integration of all ground forces and a moderate increase in their operational capabilities.

B. Czechoslovakia

Strong evidence is now appearing to indicate a 20,000 man reduction in the Czech Army during 1958. While probably necessitated by a manpower shortage, the effect of the reduction is considered minimized by two counter-balancing factors: (1) a reorganization and modernization programme which took place in the period 1956 through 1958, and (2) the availability of sizeable and well trained reserves.

During autumn 1958 the Czechs revamped and tightened up their mobilization machinery to the extent that reserves must be considered available for almost immediate mobilization.

Training activities are considered normal for this time of year. No information is at hand to indicate a particular stress on training for reserves or para-military security forces.

COMMENT: Like East Germany, Czechoslovakia suffers for inadequacy of manpower to meet industrial and agricultural as well as military needs. In the circumstances it is quite likely that the reduction announced by the Czechs in early 1958 was carried out.

Nevertheless, reorganization of the Czech Army and the ready availability of excellent reserves leaves the Czech ground forces in somewhat better operational condition than in previous years. The revision of mobilization procedures referred to appears to have been initiated in mid-1958 and is therefore not considered as connected with the Berlin situation.

C. Poland

Like Czechoslovakia, Poland has recently revamped and tightened procedures for mobilization of army reserves. Though a recent activity, this is considered an effort to tighten up previously inadequate machinery. While rumours persist of a partial call-up, possibly to test the new procedure, no substantiating information is at hand and these reports are not accepted at this time.

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Reports also have been received that Poland is recalling to active duty senior officers with Second World War experience. As the lack of well trained, experienced general officers has been a decided shortcoming for the last several years, these reports may possibly be true even though contrary to the usual primacy of the factor of political reliability.

Training for the period appears normal for both regular and security forces. No other evidence of particularly significant activities has been received.

COMMENT: During the last two years, the Polish Army has been in the process of a general and extensive reorganization in the course of which rather considerable reductions were effected in both the army and the security forces. As a result, it has probably become necessary to change mobilization plans to conform with the revised military organization.

D. Others

The remaining satellite armies are treated collectively inasmuch as, possibly through geographic remoteness, there is little evidence of currently significant activity.

Reports are at hand indicating a possible expansion of the Hungarian Army from four to six divisions. If in fact accomplished, these divisions would remain at approximately half strength and could in no sense be considered operationally ready. Virtually dissolved as a result of the 1956 rebellion, the Hungarian People's Army has been reconstituted at a very gradual pace and is considered one of the least effective of the Satellite armies.

There are indications of training manoeuvres being conducted in Bulgaria; nature and extent unknown. Not accepted for the present is a report from a combined headquarters which alleges some degree of mobilization activity in Bulgaria.

For Romania and Albania, nothing to report.

COMMENT: Other than expectable declarations of Warsaw Pact solidarity and support, there are no indications of physical reactions to the Berlin crisis.

Conclusions

Of the key satellite members of the Warsaw Pact (East Germany,

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Czechoslovakia, Poland), it can be said that none have reacted decisively to the developing threat of the Berlin situation. There has been a general tidying up in organization, training and mobilization procedures. As, in the main, the process pre-dates Khrushchev's November announcement, the activities involved cannot be attributed to the Berlin crisis though they may well have been accelerated by it. In general it is fair to state that the ground forces of these three countries are in better shape than in preceding years. This leaves them somewhat short of true operational readiness and, consistent with previous estimates, of doubtful use to the Soviet Union in the event of war. The same general comment applies to the remaining satellites.

Soviet Guided Missiles in GSFG

1041

10. A Soviet military train, evidently carrying surface to air missiles and associated equipment was observed 18 Mar 59 proceeding westward approximately 20 miles south of BERLIN. The train consisted of six to eight gondola cars each containing white canvas covered objects extending the length of the car, six to eight ZIS 151 tractors of the type associated with SA 2 (GUIDELINE) surface to air missiles, one S-90 tractor and five troop cars.

COMMENT: Since September 58, there have been seven (7) possible missile carrying trains and two possible missile road convoys observed in East Germany as follows:

Serial	Date	Location	Type	Type of Missile	Destination
1	Early Sep 58	30 m S of BERLIN	Road Convoy	20 SAM ?	Unknown
2	15 Sep 58	40 m SW of LEIPZIG	Road Convoy	20-25 SAM ?	Unknown
3	10 Oct 58	BEESKOW	Rail	SSM/SAM ?	ERFURT ?
4	12 Oct 58	KOENIGS-WUSTERHAUSEN	Rail	SSM/SAM ?	JUTERBOG ?
5	15 Oct 58	ZOSSEN/JUTERBOG	Rail	SSM/SAM ?	ERFURT ?
6	30 Jan 59	SE BERLIN	Rail	SSM/NW* ?	Ammo Depot
7	6 Feb 59	SE BERLIN	Rail	SSM/NW* ?	Ammo Depot
8	3 Mar 59	SE BERLIN	Rail	SSM/NW* ?	Unknown
9	18 Mar 59	SE BERLIN	Rail	SAM ?	Unknown

* Nuclear Warhead

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Comments on Possible SSM/NW Sightings

Serials 3, 5, 6, 7 and 8 refer. It should be noted that there is no positive evidence that any of these trains carried either missiles or nuclear warheads, i.e., no actual missiles were seen. The possibility that these trains actually carried missiles is suggested by the similarity of the trains, the types and dimensions of the cars, extreme security measures and the presence of radar. In each case, the dimensions of the cars were such that SCUD SM or the solid fuel 30 foot unguided rocket could have been carried. Until such time as further evidence or confirmation is received, the presence of guided missiles or guided missile units is NOT accepted in GSFG.

Comments on Possible Surface to Air Missile Sightings

Serials 1, 2, 3, 4, 5 and 9 refer. Whether these sightings have any connection with the current reorganization of GSFG AA divisions is not known, but is considered likely. The surface to air missile GUIDELINE can be adapted for field use by the provision of a mobile radar system, of which there is no evidence. It is not likely that these missiles will replace conventional AA artillery but rather supplement it, since guns at present in the Soviet army are generally more effective at lower altitudes, while the missile is effective at higher altitudes. It is also probable that the AA artillery units in GSFG have taken on a PVO role in addition to their normal field tactical role. The identification of a VNOS unit (early warning) subordinate to GSFG lends credence to this suggestion. A PVO system in East Germany would provide an extension in depth to the PVO system of the USSR. It is possible that these missiles are being brought into East Germany as a show of further preparedness in connection with the current Berlin situation, but it is more likely a reflection of normal and expected development of Soviet Bloc AA capabilities.

Recent GSFG Training Activity 1035

11. The GSFG has been holding large scale manoeuvres recently in a temporarily restricted area previously reported to be bounded by the general line Wittenberg, Juterbog, Cottbus, Dresden and Bitterfeld. This area is

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common to the areas of 3 Guards Mech Army and 1 Guards Tank Army and indications are that the Assembly Area was in the Juterbog area (about thirty miles South of Berlin).

Major elements of 1 Guards Tank Army and a tank division of 3 Guards Mech Army are reported to have detrained in the area of Juterbog on 17 Mar and a Motorized Rifle Division with exercise markings to have moved North East into the restricted area from Grimmera.

There are unconfirmed reports of EGA participation possibly as live "enemy".

COMMENT: An exercise on a two-army basis is an innovation for this time of the GSFG training year. It may indicate an acceleration of this year's programme aiming to exercise recently re-organized formations in readiness for further manoeuvres later in the year. Its relevance to the Berlin situation cannot however be ignored.

Although the most significant aggressive activity in aid of this situation would take place in 3 Shock Army area West of Berlin astride the main autobahn, the current exercise could represent a show of strength close enough to the vital area to give the necessary hint without being too brazenly militant.

The use of rail by tank divisions for a relatively short move may indicate that their movement training is not yet up to standard. This would bear out a conclusion that the intrinsic military aim of the exercise was to test and exercise formations in simple co-ordinated movement in preparation for more ambitious manoeuvres later.

On the evidence available no firm conclusions can be drawn of the size and level of EGA participation.

Indications of New East German AA Division 1033

12. The observation of five towed AA guns (probably 57mm) in conjunction with director and radar near Brandenburg, West of Berlin on 5 March, supports the previously reported probable activation of a new East German AA division with one of its regiments at Brandenburg.

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COMMENT: This is the first sighting of AA guns in Brandenburg since the withdrawal of the Soviet 62 AA Division in early 1958. The guns may belong to the cadre element of the East German 13 AA Regt which is believed to have arrived in Brandenburg in December from Strausberg.

If confirmed, the location of an additional AA regiment in the central air corridor will partly fill the gap created by the withdrawal of the Soviet AA division. The regiment would provide air defence for the Brandenburg industrial complex and at the same time, pose an additional threat to Allied aircraft in the corridor.

This information, together with reports of other changes in GSFG AA organization and the possible introduction of SAM in East Germany, may indicate a far reaching re-organization of AA defences taking place in East Germany at the time, and may be connected with the Berlin situation but more likely may reflect a normal development and progress in Soviet Bloc AA defences.

East German Kampfgruppen accelerates
Heavy Weapons Training and Reorganization

1031

13. According to a recent report, the East German Kampfgruppen (KG) Workers' Fighting Groups were ordered by the Socialist Unity (Communist) Party (SED) to begin training in the use of heavy weapons on 9 March and to complete this training by 14 March. The organization and training of the KG heavy weapons battalions reportedly must be completed by 21 March. In addition, rigid criteria were established for recruitment and continued membership in the KG, including the requirement that 70 percent must be SED members.

COMMENT: The latest report seems to indicate that the reliability of the KG has improved to the point where the Party is willing to allow them to proceed with the organization of heavy-weapons units and general training in the use of anti-tank guns, mortars and heavy machine guns. It is unlikely, however, that any appreciable degree of proficiency in the use of these weapons can be attained in the time indicated. Earlier reports indicated that the training of officers in the use of these weapons began in January, 1959.

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Since the KG are an arm of the SED and are subject to call only by the SED, emphasis on the completion of their reorganization and training may point to a desire on the part of the Party to have available, as the Berlin crisis dateline approaches, an effective and reliable force for its own use.

An armed workers' militia is maintained no doubt as a deterrent against would-be dissidents within the labour force and among the East German population. In an emergency, it might perhaps be called upon to assist the East German Army which has been under strength for some time. Its effectiveness in a conventional military role, however, must be given a very low rating at present.

Training, East German Army 1023

14. An Allied agency has reported that an exercise was held in the Torgau area, south of Berlin, during the period 18 to 20 Feb 59. A motor rifle regiment supported by tanks and artillery crossed the Elbe River by the main road bridge and occupied assembly areas on either side of the road.

It is also reported that the training year in 1 Motorized Rifle Division, located at Potsdam, south-west of Berlin, started on 5 Jan 59 and individual training was to continue into early February. Company level exercises were expected later in the same month and a regimental exercise is to take place before the end of March. It is said that emphasis in training is to be laid on day marches and the carrying out of practice alerts by day and night.

Reportedly there is some discontent in 1 Motorized Rifle Division because some of the men are uncertain if there is to be a release in the spring this year and few wish to serve beyond the normal period of engagement.

It is rumoured that all leave is to be stopped in the East German Army from 1 May 59 for combined exercises with the Group of Soviet Forces in East Germany. Another report suggests however, that there is to be a restriction only on leave to East Berlin.

COMMENT: Recent reports of training and movements of individual units of the East German Army are not considered unusual at this time of the year. The

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announcement of practice alerts however, may be of some significance in connection with the Berlin situation.

The rumours of the cancellation of leave and the extension of the normal period of service in the East German Army cannot be accepted without further substantiation.

Rumoured Mobilization in Poland 1018

15. Canadian Military Attache, Warsaw reports that rumours concerning a planned partial mobilization of Polish Army reservists have actively stirred attache circles in Warsaw lately.

Concurrently, the Attache has procured and forwarded a copy of a mobilization card issued reservists in late February which implements revised call up procedures. The card constitutes an identity document, includes information as to the individual's military specialty, provides authority in case of call up for priority travel by all means of land and river communications, and includes general instructions to the reservist. In these provisions, the document bears a marked resemblance to that issued Czechoslovakian reservists in recent months.

COMMENT: There are no current indications that a mobilization is intended within the near future. While the possibility of a partial call-up for the purpose of testing the new procedures cannot be entirely discounted, it is the common opinion of responsible Western intelligence personnel that the rumours stem from leaks concerning the above revisions. The revisions, in turn, are believed to be an effort to tighten up mobilization machinery which the Poles have publicly admitted to be in need of overhaul.

While it is believed that these actions have no direct bearing on the Berlin crisis, it is quite possible that the tension generated by the situation may well have been an incentive to the Poles to "do it now". It is of interest to note however, that similar revision has been under way in the USSR since 1957 and in Czechoslovakia since mid-1958.

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Soviet Missile Sites in
Hungary and the Satellites

1025

16. There have been several unverified reports of Soviet Missile Sites in Hungary and the Satellites. A search of the area north of Lake Balaton in West Central Hungary, particularly in the vicinity of Tapolca by the US Military Attache failed to reveal any evidence of any Soviet missile activity.

COMMENT: This is further confirmation of the absence of Soviet missile sites and missile activity in Hungary in particular and the Satellites in general. Notwithstanding, reports continue to arrive of Soviet missile sites in all the Satellites. One source from Hungary reported no less than thirty-five Soviet long range missile sites, each complete with ten figure grid coordinates. Thorough coverage by Western military attaches continues to refute all sites reported to-date.

Certain activities in the Satellites are however, not inconsistent with future missile locations, in particular, survey activity and the construction of logistical and communications facilities in likely missile launching areas. Providing sites are accurately surveyed prior to occupation, the Soviets would have little difficulty in establishing missiles of 700-1000 nautical miles in these areas. It is thought unlikely, however, that the Soviets will establish missile sites in any of the Satellites for the following reasons:

- (a) there may be no requirement for fixed missile sites in the Satellites for missiles of up to IRBM range. Accurate survey and logistical facilities are the main requirements;
- (b) continued unreliability of the Satellites and extreme Soviet concern with security, particularly in the missile field;
- (c) by not installing missiles or locating missile units outside the USSR, the Soviets will have another lever for demanding the withdrawal of nuclear equipped NATO forces from Europe.

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MIDDLE EAST

IRAQ

1061

17. The following conclusions may be drawn from the recent unsuccessful revolt led by Colonel Shawwaf in Mosul:

- a. By their skilful use of the mob demonstrations which they organized and the popular resistance forces which they in effect control, the communists played a significant part in crushing the revolt, preventing it from spreading and giving the impression of popular support for the regime. Their well organized and active intervention contrasted with the rather poor showing put on by anti-communist civilians who, apart from the Shammar tribesmen, do not appear to have been prepared to play an active role.
- b. The revolt demonstrated not only that the army cannot be relied on completely by Qasim, but also that it will not rise against the regime if the latter has the strong organized backing of civilian elements.
- c. Because the communists have demonstrated that they can provide that civilian backing, and because it is increasingly apparent that he is unlikely to get similar backing from any other party or group, Qasim is more dependent on communist support than ever before.
- d. The position of the communists in Iraq has been strengthened not only because of Qasim's increased dependence on them, but also because the revolt in Mosul weakened the pan-Arabist opponents of the communists and rendered them less able to make common cause with other non-communist elements in the population.
- e. The communists seem likely to use their position of greater strength, and Qasim's increased dependence on their support to maintain himself in power,

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further to consolidate their position. Examples of this are the repeated broadcasts over Baghdad radio of lists of demands which it is claimed "cannot wait" and which the Iraqi people are insisting the Government should meet without delay. These demands, which if granted would significantly increase communist influence, include the arming of the popular resistance forces; the purging of the army and civil service; the execution of old and new traitors now under sentence of death; and the entrusting of key governmental positions to persons of known loyalty to the regime. The broadcasting of these demands by Baghdad radio would seem to indicate that the communists are moving from a public position in which they concentrated on organizing support for Qasim, to one in which they are bringing strong pressure to bear on him to grant concessions which would irrevocably bind him to the Communist Party. It is significant that the communists are already in a position to use part of the machinery of government to exert this pressure on Qasim. There is, therefore, considerable doubt whether, if Qasim is not already a prisoner of the communists (and there are some indications which point in this direction), he will long be able to resist becoming one.

COMMENT: In the light of Colonel Shawwaf's unsuccessful revolt, it is difficult to foresee how the present trend towards communism in Iraq can be checked. In a series of speeches in Damascus during the past week, President Nasser has launched what amounts to an all out propaganda campaign against Qasim and the communists in Iraq; a campaign which has been fully reciprocated by Baghdad. Iraqi-UAR relations have in consequence now reached a degree of tension and hostility which even surpasses that existing at the time of the Nuri Said regime. While the effect of an all-out UAR propaganda campaign in stimulating opposition in Iraq to the Qasim regime should not be underestimated, there is no assurance that at this late stage it can by itself reverse the present trend in Iraq. While Nasser has been seriously

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concerned since early last fall at developments in Iraq, he was apparently reluctant to launch an open attack on the Iraqi communists until he could gauge the likely Soviet reaction and have some assurance that there had been sufficient improvement in his relations with the West, and sufficient Western awareness of the dangers of a communist takeover in Iraq, that the West would not take advantage of the deterioration in his relations with the USSR which might result from an open campaign against the Iraqi communists.

As enunciated by Khrushchev in his March 16 speech, present Soviet policy appears to have two objects: (a) to encourage the Iraqi communists and their collaborators by pointing out that the path towards national liberation being followed in Iraq is a better one than that followed in other Arab countries. Encouragement for the Iraqi communists is also provided by the large scale supply of Soviet arms to Iraq and the economic agreement signed in Moscow on March 16 under which the USSR extended to Iraq a credit of 550 million roubles (approximately \$140 million); and (b) while expressing disapproval of President Nasser's attacks on Arab communists, which the USSR regards as misguided, to indicate that Soviet-UAR relations remain as they have been and that the USSR proposes to honour its economic and technical assistance agreements. By pursuing these two policies simultaneously, the Soviet Union no doubt hopes to consolidate the position of the communists in Iraq while minimizing the damage which this consolidation will cause to its relations with the rest of the Afro-Asian world.

SOUTH-EAST ASIA

Constitutional and Political Changes in Indonesia / 063 CONFIDENTIAL

18. On February 20th President Sukarno announced an impending series of sweeping constitutional and political changes in order to institute "guided democracy", a form of government which he has been advocating since 1957. The present system of responsible government will be modified radically in favour of a presidential and congressional system which undoubtedly will be more authoritarian. A feature of the new system will be a multiplicity of consultative bodies, mainly appointive. To provide the constitutional framework for this change the President has announced that the present Constituent Assembly which has been working fitfully since

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1957 to draft a proper constitution for the Republic, will be asked to approve a reversion to the constitution promulgated by the Revolutionary Government in 1945. This is a rudimentary document which presumably will require amendment in order to encompass "guided democracy". New laws to simplify the party system and to provide for functional representation will be enacted by the present parliament. The new constitution probably will come into effect in August but new elections will not be held for at least a year.

Proposed Constitutional Framework

President Sukarno will become an executive president at the head of a cabinet appointed by, and directly responsible to, himself. He will also be advised by an appointive Supreme Advisory Council (Council of State*) representative of the regions and of the functional groups (labour, farmers, youths, journalists, women, national entrepreneurs and armed forces) which may be considered as roughly analogous to the National Security Council in the United States, and as bearing roughly the same relationship to Cabinet. At the legislative level there will be a parliament (Council of Representatives*) divided between functional and political representatives. It would appear that at least half the seats will be held by representatives of the functional groups and that of these, 35 will be reserved for appointed members of the Armed Services. The parliamentary role will be restricted to legislative and financial matters and the exercise of direct control over the executive branch of the government will be excluded. In addition to this "inner" parliament there will be a People's Congress consisting of parliament augmented by appointed representatives from the regions and from functional groups which will be required to meet at least once every five years, (presumably to elect the President and Vice-President) and which will be empowered to amend the constitution. Another integral part of this framework will be the National Planning Board of 71 appointed members which will be principally concerned with economic planning.

There are many aspects of the governmental framework (including the method of appointing the various consultative bodies) which probably will not be clear until the necessary laws have been approved by the present government. It appears, however, that aside from the 35 seats reserved for the Armed Services, parliament will remain elective. The functional seats will be contested by nominees of a National Front (which Sukarno will lead and which can be envisaged as analogous to a Presidential political party) and by those of the regular political parties. The political parties will also contest the political seats in parliament in the usual fashion.

(* the term used in the 1945 constitution)

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COMMENT: The impending changes are an attempt by President Sukarno to establish peculiarly Indonesian institutions in place of Western inspired models. While the institutional framework appears strange to Western eyes and the operation of government complicated, it is a system with which the Indonesians are familiar and to which they are inclined by their own background.

The underlying philosophy of the 1945 constitution is anti-liberal in the sense that it postulates appointed consultative rather than elective bodies. It appears that it was the Army, which supports Sukarno's dislike of partisan political parties, which insisted on the return to 1945. Nonetheless, it seems that within the framework of that constitution, the new political forms are a compromise between the President's desire to appoint all functional representatives and the desire of the parties to preserve a predominantly elective parliament. In the event, of course, certain restrictions (such as a limitation of the number and type of candidates nominated for the functional seats by the political parties) may be imposed.

It is not improbable that the trend of communist gains of the past five years will be reversed by the institution of "guided democracy". In the opinion of some observers, Sukarno will keep the National Front nominees for functional seats in parliament relatively clear of communist influence, and if they are as successful at the polls as one might expect, there will be no compulsion to include communists in the cabinet. The communist party may realize this possibility for it appears to dislike the impending changes even more than the moderate parties.

It will not be possible until after general elections are held to assess the feasibility of the scheme in performing its function of governing the country or to assess its effect in thwarting the growth of communist influence.

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W A R N I N G

This issue of the Joint Intelligence

Summary contains the following parts:

Main Section - at SECRET level

Annex I - at TOP SECRET level but
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JOINT INTELLIGENCE SUMMARY

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Issued weekly under the authority of
The Joint Intelligence Committee
National Defence Headquarters
Ottawa

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SOVIET UNION

1. Kildin Class Destroyers Probably Introduced into
Three Soviet Fleets, and Possibly a Fourth

973

On 22 October, 1958, two large identical naval vessels were observed against the horizon in the Barents Sea. The ships were destroyer type vessels, and were travelling at high speed. From the description it is apparent that these ships were probably the new Kildin Class which carry a surface to surface missile launcher aft.

COMMENT: This type of destroyer has now been apparently sighted in the Northern Fleet (above); in the Baltic Fleet (excellent photographic evidence); in the Black Sea Fleet (SACLANT has confirmed this from a photograph recently acquired); and possibly in the Pacific where a sighting of a new construction destroyer from Komsomolsk in the fall of 1957 showed characteristics of the new Kildin. Therefore, it would appear that the Kildin Class has possibly been introduced into the Pacific Fleet and probably into the Northern, Baltic, and Black Sea Fleets.

This presumes a building programme in each of the separate fleet areas, since it is extremely difficult to transfer large surface warships from fleet to fleet undetected. It is estimated that at least six of these vessels have been constructed. Probable shipyards involved would be Severodvinsk in the White Sea, Leningrad (Zhdnov Yard) in the Baltic, Nikolaev in the Black Sea, and Komsomolsk in the Pacific.

2. Three Areas of Nuclear Testing in
Soviet Arctic now Confirmed

998

Latest revised data of the Allied Atomic Energy Detection System on Soviet nuclear tests in the Novaya Zemlya area in fall 1958 (see table) have established the approximate locations of three distinct test sites in this area, viz. 70N55E, 74N55E, and 74N58E.

COMMENT: The first location has been used to date only for relatively low-yield explosions ranging from less than 5 kilotons to about 25 kilotons and hence may be a proving ground for demonstrating or testing operational nuclear weapons in a naval or naval air role. The second and third locations have been used primarily for high-yield explosions ranging from several hundred kilotons to just under 8 megatons. A few lower-yield explosions, ranging from 30 to 50 kilotons, have also occurred at the latter locations; these may represent a failure of a high-yield device, a check-out of a low-yield stockpiled weapon, or conceivably a test of the initiator core of a high-yield device.

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Soviet Arctic Nuclear Tests Fall 1958

<u>Date</u>	<u>Time</u>	<u>Yield(KT)</u>	<u>Location</u>
30 Sep	0750Z	1200	74N55E
30 Sep	0955Z	2100	73N55E
2 Oct	0801Z	350	74N55E
2 Oct	0910Z	50	74N58E
4 Oct	0602Z	5	70N55E
5 Oct	0639Z	25	70N55E
6 Oct	0632Z	2.5	70N55E
10 Oct	0750Z	200	74N54E
12 Oct	0754Z	2100	74N55E
15 Oct	0751Z	3000	74N55E
18 Oct	0951Z	7600	74N55E
19 Oct	0745Z	35	74N58E
20 Oct	0820Z	400	74N54E
22 Oct	0821Z	6100	74N54E
24 Oct	0803Z	2200	74N58E
25 Oct	0821Z	200	74N58E

3. New Soviet AA Rocket
Weapon May Appear

A report has been recieved that 25 new amphibious rocket launcher tanks, called "Vezdekhodi" were observed at the Ulanovsk Tank School. The rockets were fired vertically and are designed for anti-aircraft use.

COMMENT: The only amphibious rocket launcher known in DMI is the PT 76 amphibious tank carrying an Honest John type tactical rocket. (1 Rd RL Amph). Another report states that an amphibious rocket launcher called "Vezdekhodi" carrying 8 x 300 mm rockets was engaged in firing practise near Leningrad. This rocket launcher could be a new version of the M 31, an 8 round, 300 mm rocket launcher mounted on a truck chassis. In keeping with the current Soviet emphasis on cross country mobility, the Soviets may have developed a heavy rocket launcher mounted on the amphibious tank chassis. "Vezdekhod" literally means, "a vehicle that can go anywhere". Since there is a requirement for a tactical mobile AA rocket/missile system for use with field forces, this report may indicate a Soviet first attempt to fill this requirement. If so, we may expect to see this sort of weapon with Soviet forces in the near future.

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SATELLITES

4. Review of Group Soviet Forces Germany (GSFG)
Activities During 1958

1004

In the following paragraphs the activities that have taken place in GSFG during 1958 are summarized.

Order of Battle and Deployment

The following moves took place during the year:

63 AA Div (20 Gds Mech Army) moved from Eberswalde to Furstenwalde.

62 AA Div (3 Gds Mech Army) moved from Jutebog area to the USSR. This Army is now without an AA Div.

4 Gds AA Div (1 Gds Tank Army) may have moved from Dresden to Königsbrunn.

11 Gds Mot R Div moved to the USSR. This Div has recently been identified in the Voronezh MD in the USSR.

9 Mot R Div moved to the USSR. This Div has not yet been re-identified.

20 A Tk Bde (3 Shock Army) left Stendal early in 1958 and there has been no evidence of its continued existence in GSFG.

38 A Tk Bde and 308 Arty Bde (8 Gds Mech Army) moved from GSFG and have been dropped from GSFG Order of Battle.

3 and 4 Ind A Tk Bdes (GHQ Arty) were withdrawn in the spring of 1958.

Equipment

There have been no new items of major equipment reported in GSFG during the year except for the T-54 assault (scissor) bridging which is now believed to be with tank divisions.

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Arty Bdes are in process of re-equipment. In 34 Arty Div (GHQ Arty) the 122mm field guns have been replaced by the modern 130mm gun M46. Two brigades of this formation have been re-equipped. The third brigade still holds the 152mm gun/how M37 but it is believed that this weapon will soon be replaced by the 152mm gun/how D20.

Reinforcement

Troop rotation appears to have followed the normal pattern although it is estimated that the programme may have produced some net surplus of incoming over outgoing drafts. This may be explained possibly by the fact that establishments may have been calculated too low. On the other hand the surplus may be accounted for, at least partially, by the increase in the amount of MT now in GSFG. Surplus personnel could therefore be mainly administrative.

There have been reports that a proportion of the incoming drafts from the USSR have already completed a years training with field units and are therefore not new recruits. (See following paragraph)

Training

If the report referred to in para 6 above is valid, the result would be a higher degree of field efficiency in GSFG during the fall than normal. It is during this period that GSFG's general efficiency usually falls during the release of time expired men and the intake of new recruits.

There have been no particularly significant formation exercises and training in this respect very closely follows last year's pattern.

It is believed that the standard of training, both field and technical is higher than at any time since the war.

State of Readiness

Although the state of training is considered to be the highest achieved since the war there are a number of deficiencies still to be rectified.

The replacement programme in artillery and armour is drawing to a close and the end of 1959 should see GSFG fully equipped with a modern and efficient armoury of conventional weapons.

There has been a probable increase in 3rd line transport which probably reflects the rectification of a weakness in this field.

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There appears to be a considerable deficiency in infantry and the removal of two motorized rifle divisions has not improved the situation.

There is no evidence that missile units of any type are held on GSFG establishment.

COMMENT: None of the moves of troops mentioned have taken place since November, and the other activities follow the normal previously set by GSFG.

It would appear, from information available, that the Soviet ground forces in East Germany have not re-acted, so far, as though they intended to either attack the West or defend themselves from imminent attack. If it was decided to do so sufficient Soviet forces could deploy astride the routes to Berlin and could block any conventional force which the West could prudently spare from the NATO "shield" to force a passage to Berlin.

In this GSFG would likely be supported by East German Troops, and it is probable that the East German Troops would be in the forefront of the defences.

At the present time, as the GSFG is not on manoeuvre, Khrushchev could use such exercises, if he wished to order them, to lend weight to his determination during possible forthcoming negotiations.

It is probable that although there has been little visual activity during the past few weeks there has been some staff work carried on to prepare the GSFG for whatever role it would be expected to fill.

5. Significant Activity in East German Army
Since 27 Nov 58

1006

Specific activities within the East German Army (EGA) since 27 November, 1958, which can be considered significant in relation to the current political tension over Berlin have been few. Summarized below are a number of items which are considered worthy of review.

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Changes in Order of Battle

It has now been accepted that 6 Motorized Rifle Division at Prenzlau (about 60 miles NE of Berlin) was disbanded during November and its equipment and manpower may have been used;

- (a) to reinforce other divisions which are understrength;
or
- (b) partly to create a new training organization, probably of regimental strength, centred on Prenzlau; or
- (c) for both (a) and (b).

As a result of the change noted above, the EGA is now comprised of:

- 2 tank divisions;
- 4 motorized rifle divisions; and
- 1 anti-aircraft artillery division.

COMMENT: The above changes should result in a somewhat improved conventional operational capability for the army as a whole. The establishment of the new training organization would serve to relieve existing divisions of their basic training responsibilities and permit concentration on unit and formation training. The allocation of additional trained manpower to these divisions would alleviate existing deficiencies.

There have been persistent rumours that a second anti-aircraft division is in the process of activation. (At present 1 AA Division of the EGA has regiments located at Frankenberg and Wolfen, towns which are in the south near Leipzig, and a third regiment at Strausberg, east of Berlin). Indications are that a second AA division would be located at Brandenburg, Magdeburg and Zwickau. These locations are near the west air corridors to Berlin).

COMMENT: It is possible that personnel from the disbanded motorized rifle division may be used to build up this proposed AA formation. An additional AA division located as indicated above would significantly increase the air defence capabilities of the EGA, however, available evidence does not justify the acceptance of this division at present.

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Changes in Deployment

On 6 January 1959, USAEUR forwarded an unconfirmed report on the movement of the EGA 13 AA Regiment in late December from Strausberg, approximately 20 miles east of the centre of Berlin to Brandenburg, approximately 40 miles to the west of the centre of Berlin.

COMMENT: This move would increase the AA defences of the EGA in the western air corridors, and could be a significant re-deployment of the regiment.

On 31 October, 1958, 15 Tank Regiment (7 Tank Division) moved from Spremberg to Cottbus. During January, 1959, 5 artillery Regiment (MD V Troops) moved from Stallberg to Neubrandenburg and 5 AA Regiment (MD V Troops) moved from Ueckermuende to Stallberg.

COMMENT: These locations are all in the extreme North East corner of East Germany. The changes appear to be routine and local.

During February, 1959, 8 AA Regiment (8 Motorized Rifle Division) moved from Prora to Rostock.

COMMENT: This places the regiment a few miles nearer Berlin, however no significance can be attached to the move.

Changes in Equipment

During the earlier part of 1958 it was observed that the 110mm and 57mm AA weapons were replacing the 85mm and 37mm guns in EGA.

Tank units do not have their full complement of tanks and only about one quarter of medium tank holdings are T-54. The replacement of the remaining obsolete T-34/76 tanks by the obsolescent T-34/85 was completed during 1958.

The first tactical use of "Snorkel" equipped tanks by the EGA was observed in the course of joint Soviet/EGA manoeuvres 22-27 October, 1958, in the southern part of East Germany.

On 16-17 December, 1958, four EGA tanks ZSU-57-2 with twin barrel anti-aircraft guns were observed in joint exercise with Soviet troops near Halle, south-west of Berlin.

COMMENT: The EGA is being gradually equipped with more up-to-date equipment; the rate of improvement, however, is not considered unusual at this time.

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Training and Exercises

A small number of EGA paratroopers were observed in the course of training for the first time during October, 1958 in the Muehlberg/Elbe area. Training with "Snorkel" equipped tanks was also observed about this time.

The largest exercise ever undertaken by EGA ended in October, 1958. It involved two divisions plus elements of a third with some support and co-operation from GSFG. The standard of training reached is considered to be higher than at the end of the previous year.

The refresher training of reservists by the EGA first began in the fall of 1958 and courses of four to six weeks duration are under way at the present time.

COMMENT: Other types of training, including the training of certain university undergraduates as officers in the reserve continues to be normal.

The Friedrich Engels Military Academy was opened in Dresden on 5 January, 1959 and has been hailed as "the instrument of the masses in their struggle against militarism".

COMMENT: The graduates of this school will likely replace any ex-Wehrmacht officers remaining in the EGA as being politically more reliable to the regime.

State of Readiness of EGA

Owing to a shortage of manpower and the reliance on a voluntary system of recruitment, the regime has been unable to maintain its seven line divisions up to strength. The total force now numbers about 66,000 which figure represents a reduction from a peak of about 90,000 when the force was activated in 1956. The disbandment of one division recently and the distribution of its personnel and equipment among the remaining divisions was no doubt accomplished to improve the operational capability and battle readiness of the remaining divisions. Men with previous military training number about 40,000 and by the recall of these reservists, the EGA could be expanded to 90,000 in a few days.

COMMENT: Although not credited with sustained offensive capability, it is considered that in the defence, the EGA would be more effective. It could be committed in the latter role in its present state especially in combination with Soviet forces on whom it depends for

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logistic support. Owing to the present policy of replacing experienced ex-Wehrmacht officers with inexperienced but politically more reliable leaders, it is expected that the capability of the EGA will continue to decline. The assessment of troop morale ranges from fair to good.

Other Developments

Beginning about July, 1958, significant restrictions on the movement of Western Military Missions accredited to GSFG were imposed and the number of restrictive signs throughout East Germany has continued to increase. On 8 January, 1959, Soviet officials delivered to the US Military Mission a map showing additional restricted areas which will prohibit observation of virtually all major Soviet military installations and training areas in East Germany.

COMMENT: These developments have already imposed a severe limitation on the collection capabilities of Western Missions and will continue to limit new intelligence on Soviet and East German military activity in connection with the Berlin situation.

40 Soviet advisors to the EGA reportedly left Berlin in November, 1958 and only a skeleton force of Russian advisors now remains at the Defence Ministry and Ministry of Interior level.

Conclusion

The majority of observed activities within the EGA during the period under review are equivocal, and even if taken collectively do not represent a significant build-up of East German forces. Such changes as have occurred may be regarded as developments in training and organization which may be expected in any new army. The changes and improvements in the EGA, particularly the possible activation of additional AA home defence units in the western air corridors, may also be regarded as indications that the EGA is being prepared by the regime in an effort to assume a greater measure of sovereignty over its own territory within the near future.

6. Reported Modification of the East German Army Penal Code

1010 (CONFIDENTIAL)

A revised punishment code is reported to have been introduced into the East German Army during the summer of 1958. Though details are lacking it appears that the general intent of the revision is twofold:

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To ease the lot of the soldier through modification of summary punishment for minor offences.

To increase the severity of punishment for more serious crimes such as absence without leave, attempted defection, failure to report intended defection on the part of another.

It is reported, for example, that a soldier may no longer be punished at once for an offence. The offence must first be discussed with the offender by the officer trying the case, after which a period of twenty-four hours must elapse before punishment is given. A case is mentioned of a soldier receiving a sentence of eighteen months imprisonment for failing to report that a colleague intended to defect.

COMMENT: The reputed revisions can be accepted as probably true as they constitute logical, if partial, solutions to some of East Germany's basic military and manpower problems. Communist armies in general have been somewhat notorious for ruthless application of summary punishment. The EGA continues to depend upon a system of "voluntary" recruitment and abuses common under the old code have hardly served to encourage enlistments or to maintain morale. Defection, including desertion from the armed forces, continues to drain critically short manpower from the country. Thus the reported modification of the code would serve in the one case to improve the lot of the soldier, in the other, of discouraging defection.

It would appear that the move has met with some success as reports are at hand indicating that the innovations have been received with some satisfaction and have led to an improvement in EGA morale.

7. East German Security Forces

1009

There are about 60,000 full time members of the security forces organized into military type units whose primary missions are the maintenance of public order, anti-riot and frontier guard duty. The only recent change of note which may have occurred in the organization of these forces is the possible resubordination of four alert police battalions in the Berlin area from the Ministry of the Interior to the Ministry of State Security. This would increase the total number of police guard battalions in Berlin from five to nine, making it possible to form a new Berlin Guard Division. Such a reorganization would provide a better control over the security forces in Berlin.

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COMMENT: In addition to the regular security forces, there are in East Berlin alone some 80 combat groups (Kampfgruppen) of 100 men each of part time workers militia trained to deal with "terrorists and bandits". Workers militia are under the operational control of the regular police and receive their training after work and during week-ends. They are not trained for military operation and have been in existence for some years. Recently the Berlin groups have been organized into four regiments designated by the letters A, B, C, and D. The reasons behind this change in organization are not known.

8. Polish Army Recalling Officers With
Second World War Service

1012 (CONFIDENTIAL)

At a social event in Warsaw on 23 February, General Kuropieska, Commander of the Warsaw Military District divulged to the US Army Attache that the Polish Army is recalling to duty "many" general officers with pre-war and Second World War experience. He also confided that young Polish generals are lacking in ability and the "staff" finally recognized that military needs override political views. The recent replacement of the young general commanding the Warsaw Garrison by an older, much decorated veteran was pointed out as an example.

COMMENT: The lack of well-trained, experienced command and staff officers has been a shortcoming of the Polish Army for the last several years. As in all European satellite armies, political reliability has had precedence over military ability. As a result, in Poland, qualified senior officers had been placed on inactive status while young, unqualified, but politically reliable officers assumed top staff and command positions.

If General Kuropieska's statement can be accepted, (there is no substantiating information at hand), this action on the part of the Poles would reveal an interesting reversal of a trend common to the European satellite armies and reflects once more the unusual degree of latitude permitted Poland.

The reference to "many" experienced general officers by Kuropieska must be understood in a comparative sense since there is not a large number of such officers in the army. The fact that the possible changes involve senior officers is important, however,

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as some of these officers may be expected to act more in the national Polish interest than in the interest of Soviet Communism. Even if closely supervised by political "deputies", the influence of such senior officers might have significant effects on training, military doctrine and political attitude in the Polish Army.

MIDDLE EAST

9. Three W-Class Submarines Probably
Transferred to UAR Navy 975

Three W-class long range modern submarines which arrived in Alexandria from the Soviet Baltic Sea Fleet on 22 January hoisted UAR colours in ceremonies on 12 February.

COMMENT: It would appear that these three submarines have been transferred to the UAR Navy, and are not merely on a goodwill visit or pausing in the UAR enroute to some other destination. This brings the UAR submarine order of battle to eight W-class and one M-class. All are ex-Soviet Navy units.

AFRICA

10. Nyasaland Disturbances 1059

(CONFIDENTIAL)

For the past three weeks there have been serious African demonstrations in Nyasaland against this small British protectorate remaining in the Federation of Rhodesia and Nyasaland which was formed in 1953. The federal Government in Salisbury has rushed troops and planes to the aid of the provincial authorities. Although there has been no trouble in Southern Rhodesia, that province has proclaimed a state of emergency, ordered the detention of African National Congress leaders, and introduced a bill to ban the organization permanently. On March 3 the Governor of Nyasaland declared a state of emergency and deported Congress leaders. Violent rioting then broke out and over 40 Africans have since been killed.

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Unlike the Rhodesias, there are few white settlers and little capital invested in Nyasaland. Its main contribution to the Federation is as a reservoir of unskilled labour. The advocates of Federation claim that all regions benefit economically by it, but the Nyasaland African Congress believe they have more chance of obtaining African self-government under British rule than under the Federation which intends to press for independence at a constitutional conference scheduled for 1960. The Africans fear that the Federation would continue to be dominated as it is now by the white minority, particularly in Southern Rhodesia. At present the Nyasas constitute slightly over one-third of the population of the Federation but only 7,000 of them are eligible to vote and they are represented by only three members in the 53-seat federal assembly. Opposition to the Federation has become more intensified and unified since the return to his homeland last year of Dr. Hastings Banda, a physician educated in the West and a friend of Mkrumah. He aims at secession from the Federation and the eventual attainment of independence. He envisages control by the African majority but says that whites will be welcome to stay. In explaining the arrest of Banda, the British Colonial Secretary stated that he has undisclosed secret information that the Nyasa leaders plan a massacre of Europeans and moderate Africans. This statement has not convinced the opposition in the U.K. and will almost certainly not convince nationalists throughout Africa.

The Governor of Nyasaland has expressed doubts that the protectorate can be held by force indefinitely without some constitutional solution. Recently some white settlers have advocated splitting the Federation into a southern region where white interests are strong and a predominantly black area including Nyasaland. On the other hand, the federal Government is pledged to preserve the Federation and win independence in 1960 and the British Government will be loathe to abandon the Federation which makes economic sense and which many hope can serve as a "multi-racial" buffer between black Africa and the Union of South Africa. In the face of these various pressures and strong criticism from the opposition at home, the United Kingdom Government will probably send a bipartisan inquiry commission to the area in the near future.

SOUTH EAST ASIA

11. Visit of Indonesian Foreign Minister to Australia

1057

The visit of Dr. Subandrio, the Foreign Minister of Indonesia, to Australia from February 10th to 15th has aroused considerable interest and, in Australia, a considerable amount of controversy. Prior to the

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arrival of Dr. Subandrio the leading Australian newspapers took a hopeful view with some qualifications that Dr. Subandrio and Australian officials, through discussions on questions of trade, economic assistance and such broader problems as communism in Indonesia, would be able to clarify and improve relations between the two countries. There was no suggestion that the two countries would resolve their conflicting views on the dispute over West New Guinea. Some of the Indonesian press voiced doubts over the value of the visit in view of this major cause for disagreement.

The visit itself, however, appears to have passed off not only smoothly but successfully. Dr. Subandrio met the full Australian Cabinet and the principal leaders of the Opposition and had a number of talks not only with the Australian Foreign Minister, Mr. Casey, but also with Prime Minister Menzies. An important feature of the discussion was that for the first time Australia received through Dr. Subandrio a formal commitment from the Indonesian Government that force would not be used by Indonesia to settle the West New Guinea question. The Australians in turn clarified their position with regard to Indonesia and pointed out that Australia fully understood Indonesia's disinclination to become involved in SEATO. The question of communism in Indonesia was also discussed. Dr. Subandrio stated that in his view communism in Indonesia had "ceased to expand and possibly was on the decline" and that the real threat, as he saw it, was from Chinese communism. The danger arising from Chinese communism was the reason Indonesia was seeking arms supplies. Australian officials pointed out their concern about the communist threat and the fact that West New Guinea was a source from which communism could influence the remainder of that island. The conversations also covered trade matters and a good many other aspects of general relations between the two countries. They appear to have been held with a considerable degree of candour and confidence on both sides. The goodwill engendered by the visit is evident in the tone of the final communique. In referring to the West New Guinea issue the communique states:

"There was a full explanation of the considerations which have led each country to a different view over West New Guinea (West Irian), with Australia recognizing Netherlands sovereignty and recognizing the principle of self-determination. This difference remains, but the position was clarified by an explanation from Australian Ministers that it followed from their position of respect for agreements on the rights of sovereignty that if any agreement were reached between the Netherlands and Indonesia as parties principal, arrived at by peaceful processes and in accordance with internationally accepted principles, Australia would not oppose such an agreement."

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It was this statement, however, which gave rise to the controversy which has followed in the wake of the visit. The Opposition in the Australian Parliament, the Australian press, and certain groups (notably the Returned Soldiers League) have charged that the declaration, by stating that Australia would not oppose any settlement on West New Guinea reached by the Netherlands and Indonesia, has weakened the Australian position and will cause a softening in the Dutch attitude giving them "an all clear" to withdraw from New Guinea. It has been claimed, furthermore, that it will cause Australia to lose face in Asia because it failed to gain even minor concessions from Indonesia in exchange. The Dutch press too expressed misgivings that the Australian support of the Netherlands cause had shifted. The Netherlands Government, however, apparently has received what it considers to be satisfactory assurances from Canberra.

As a result of the public controversy Australian External Affairs Minister Casey has made two statements to the Australian Parliament stressing the fact that the Australian position has not changed. He has stated that Australia continues to recognize Netherlands sovereignty over West New Guinea and that it continues to support the principle of self-determination for the people of the area. In recognizing the rights of the Netherlands Government Australia also recognizes the right of that Government to reach an agreement with Indonesia on West New Guinea. Prime Minister Menzies has spoken to the House on similar lines and has pointed out that the phrase "would not oppose such an agreement" does not mean that Australia would encourage the negotiation of such an agreement.

COMMENT: While Dr. Subandrio's talks with Australian leaders appear to have made a considerable contribution to improving relations between the two Governments, the controversy which has followed the departure of the Indonesian party may well cloud the achievements of the visit. The strength of the opposition of the Australian public to Indonesian claims to West New Guinea has been well illustrated in both press and parliamentary comments and may well inhibit any inclination of the Government to attempt to find a satisfactory solution to the problem. In view of the Australian reaction, it is unlikely that the Indonesians will adopt a less categorical attitude.

The controversy, however, has introduced a new note into the whole West New Guinea dispute. The Australian Opposition leader, Dr. Evatt, has called for a three-way pact between

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Indonesia, the Netherlands, and Australia as the only way to protect the interests of the people of New Guinea. It seems unlikely that such an idea will gain much support at this time but possibly it could form the basis for some future discussions on the subject.

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ANNEX I
TO JIC SUM No. 317
dated 20 March 1959

1. Warsaw Pact Mobilization Potential /008

A recent War Office study places the mobilization potential of the Warsaw Pact Armies as follows:

Each Satellite has a reserve of men who have served in the armed forces in the last five years. No Satellite, however, has a stockpile of major arms and equipments other than those needed for the war reserves of existing formations. Under the present policy therefore, mobilization would be limited by the availability of equipment and would probably consist only of raising existing units from peace to war establishment, an average increase of about 30%.

If present policy is changed and the Soviet Government decides to increase the size of Satellite armies then it is estimated that by 1963 they could produce the following:-

	<u>Line Divisions</u>		
	Infantry/ Rifle	Motor Rifle/ Mechanized	Tank
Albania	3	-	-
Bulgaria	7	7	1
Czechoslovakia	1(AB)	18	4
East Germany	-	8	2
Hungary	-	4	-
Poland	-	13	5
Roumania	15	4	1
	<u>26</u>	<u>54</u>	<u>13</u>
		Total	<u>93*</u>

* DMI, Ottawa holds a current total of 60 line divisions at peace establishment.

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The War Office consider these potential figures to be the maximum number of divisions which each country could support under a peace economy, and presuppose:-

an immediate change of policy to allow for four years build up;

an unrestricted supply of arms and equipments from the Soviet Union or between Satellites;

an efficient mobilization scheme and possibly an increase in annual call-up;

of the divisions shown, some would be at cadre strength. Countries would require a thirty day mobilization period free from Allied interdiction to bring all divisions up to war strength.

COMMENT: There would appear to be no indications of an immediate change in Soviet policy permitting the build-up of Satellite armies to the figures mentioned. It is also doubtful if the Satellites themselves would wish to increase their conventional forces at this time, rather the contrary, for two reasons:

- (a) economic and
- (b) military.

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ISSUE NO. 316

5 March 1959

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SOVIET UNION AND SATELLITES

1. XXIst Congress of the Communist Party
of the Soviet Union

941

(CONFIDENTIAL)

Since 1950 the USSR has been unable to develop a realistic and effective Five-Year Plan. The XXIst "Extraordinary" Congress of the Communist Party of the Soviet Union, which met in Moscow January 27 - February 5, was convened a year ahead of schedule to discuss the latest proposals in the field of economic and social development as incorporated in the tentative Seven-Year Plan (1959-1965)

A preliminary assessment of the Congress indicates that it was used to demonstrate national support for the leadership and policies of Khrushchev. His marathon opening speech set the course of high policy for the next seven years, and most other speakers extolled the Khrushchev proposals and denounced right and left oppositionist tendencies.

Initially it appears that Soviet domestic policy is to continue along familiar and relatively austere lines. After many years of controversy over the direction and amount of investment, the regime has apparently reconciled itself to a reduced rate of growth. However, Khrushchev has gone to uncommon lengths to divert attention from this and to evaluate his goals in grandiose and unrealistic terms.

In the field of foreign affairs the Congress pointed up Soviet concentration of three major objectives: a German settlement, a ban on the testing of nuclear weapons and an end to the cold war. While no concrete concessions were offered, it looks as if Khrushchev is launching a vigorous appeal for a more forthcoming attitude on the part of the West towards the Soviet Union, and as if he intends to step up the pressure for a summit meeting or other form of conference to reach a detente with the West.

2. Soviet Anti-Submarine Exercise
in the Sea of Japan

961

Two Soviet MADGE seaplanes were recently observed conducting ASW exercises in the Sea of Japan with surface force of one CA and four DD's. During one exercise, the MADGES provided a screening line ahead of the ships. The search pattern consisted of two rectangular boxes on either bow of the formation. When one aircraft diverted to investigate a contact, the second

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aircraft moved over to fly a rectangle directly ahead of the formation. At MADGE's normal cruise speed of 155 knots, the rectangular pattern would have covered an area of 15.5 by 7.8 n.m. Search altitudes were not reported. At least two Soviet submarines, operating at periscope depth and snorkeling, acted as the opposing force.

On one occasion a MADGE sighted one of these submarines ahead and to starboard of the surface force on an opposite course. The MADGE flew up the submarine's course dropping two objects, apparently sonobuoys with green dye markers, ahead of the submarine and about 300 to 500 feet apart. The nearest DD turned towards the drop and ran down the indicated course, apparently attacking unsuccessfully, and passed astern of the SS which had remained on its original course.

On a second occasion, the other MADGE sighted a submarine at periscope depth, made an immediate pass over the submarine, did a 360° turn, dropping two apparent sonobuoys with green dye markers close together, then established a racetrack pattern up the submarine's predicted course.

COMMENT: While the few details observed indicate a rather elementary type of ASW training exercise, this report is one of several recently received which indicate an increasing Soviet awareness of the ASW problem. Other significant Soviet developments in the ASW field are: (a) the identification of a new probable mortar type of ASW weapon replacing previous ASW ordnance on the "Riga" class DE; (b) the large amount of sonar installed on the new "F" Class submarine now under serial production in Leningrad, which could give this submarine an SSK(killer type) capability; (c) the sighting of a "Kotlin" Class DD with a structure fitted onto the stern evaluated as a helicopter platform with probable ASW implication; and (d) a noted increase in the building rate of the new "MO-VI" Class very fast submarine chaser (PTC).

3. Recruitment and Present Status of Hungarian People's Army (HPA)

923

An article in the December issue of a Budapest picture magazine deals with the annual draft of 20 year old youths into the HPA. The draftees are shown being processed at the reception centre of Sztalinvaros for transfer to one of the corps or specialists schools in another part of the country. According to the report, an officer visits the home of each prospective recruit prior to his call up and a one year deferment may be granted where the call up of the youth would result in hardship to the family.

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COMMENT: Szatlinvaros is an industrial centre on the Danube, the scene of some of the heaviest fighting between workers and Soviet troops during the 1956 revolution.

The article idealizes the carefree life of the soldier and reveals that the regime is making great efforts to rebuild the army following the revolt of 1956. It is believed that the age class of 1938 which was called up last fall was larger than the class of 1936 which was released at the same time. The call up of the 1936 class had been delayed by the revolution and as a result had served only 18 months instead of the usual 24.

The total strength of the Hungarian Army is estimated to be 100,000 composed of a cadre of 25,000 to 30,000 plus about 35,000 conscripts in each of the two age classes of 1937 and 1938. This force is now organized in four reasonably well established motorized rifle divisions patterned on Soviet Ground Forces organizational concepts. The activation of two additional line divisions may now be in progress.

Training in the reconstituted Hungarian Army advanced from the most rudimentary basic type to battalion level by the end of the 1958 training year. Emphasis also has been placed on the re-establishment of the military school system; facilities now operating range from high-level command and general staff school to unit NCO schools. In addition, it is believed that a substantial number of officers are attending military schools in the Soviet Union.

The pattern of steady development of the Hungarian Army is expected to be continued. Continued improvement in training, however, will be the key to the development of a significant combat capability by this army. It is anticipated that the regimental level will be reached in combat training by the end of 1959. After that time, the Hungarian Army will once more be a factor to consider in any assessment of overall Soviet Bloc capabilities.

MIDDLE EAST

4. Political Situation in Iraq

943

(CONFIDENTIAL)

On February 7 six Ministers (including all the representatives of the Baath and Istiqlal parties) resigned from the Iraqi Cabinet because of their mounting dissatisfaction with Prime Minister Qasim's failure to

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curb the growing influence of the communists in the country and to end the economic estrangement between Iraq and the rest of the Arab world. The main significance of these resignations and of the Cabinet reshuffle which followed is that a clear break has now taken place between Qasim and the pan-Arabists, with a consequent narrowing of the Government's political base.

In the post-revolutionary cabinet formed by Qasim last July the army was given a dominant position, but civilian Ministers, drawn from the National Democratic, Baath and Istiqlal Parties, were also included. Assuming that Qasim is not himself a communist and does not want Iraq to go communist, one or more of the following considerations may explain his adoption of policies designed to secure the support of the Iraqi political parties and particularly of the Communist Party, and for failing to take action to offset the increasingly important role the communists have assumed in the administration:

- (a) Qasim may have wished to use the support of civilian political parties to free himself from exclusive reliance on army support.
- (b) He may have considered that because of the Iraqi army's lack of political and administrative experience (and possibly its reluctance to engage in repressive military rule), the machinery of government could be made to function only if the major political parties lent their active support to the Government's policies and assisted in implementing them. The communists' hold on the mobs and on the trade unions in the oil fields and ports made their co-operation particularly essential.
- (c) Qasim may have believed that if his regime were to consolidate its position and to carry out the political, economic and social reforms to which it had pledged itself, it was important to avoid taking decisions which might increase tensions within the country or which would provoke the active opposition of a major political party.

It follows that while Qasim would have preferred the united support of the four main political parties, if this proved impossible he would endeavour to obtain the support of the strongest party or combination of parties. There was in fact, in the period immediately after the revolution, a fair degree of unity between the parties, no doubt largely based on their opposition to the Nuri Said regime:

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Despite the pledge of unity contained in the "covenant" establishing a National Union Front signed on November 16, 1958 by the Communist National Democratic, Baath and Istiqlal Parties, the struggle for power among the political parties continued, centering on the two main issues over which the six Ministers finally resigned on February 7:

- (a) the nature of Iraq's relations with the United Arab Republic and,
- (b) the influence of the Communist Party within the administration.

On the first question the communists and the National Democrats opposed organic union with the UAR and favoured an independent Iraq, possibly within a loose Arab federation. On the other hand, the Baathists and other pan-Arabists advocated immediate union with the UAR. Colonel Aref did much to bring this split to a head by trying to force the pace on the issue. The arrest of Aref in November and of certain pan-Arabists after the discovery of the December plot, undoubtedly resulted in a setback for the Baathists within the regime, but enabled them to use Qasim's relatively greater need for their support further to penetrate key areas of the administration.

The second major cause of tension between the communists and the pan-Arabist political parties arose over the increasing concern felt by the latter at the attempt by the communists to secure for themselves a dominant position in Iraq. No reliable figures are available on the actual size of the Iraqi Communist Party, but the Party demonstrated remarkable resilience after the revolution and has shown considerable success in securing control of the means of influencing Iraqi public opinion. Among the advantages of the Communist Party over its rivals in Iraq is its relative strength and organized efficiency which contrasts with that of the other parties, of which only the Baath has a real party organization or any popular following. Moreover the nationalists are split into three different parties who have held differing views on such important questions as relations with the UAR and the threat posed by communism in Iraq.

Since the immediate challenges to Qasim and his policies came from the Baathists, and because of the relative strength and cohesion of the communists and their power seriously to obstruct governmental activities (e.g. by bringing out the mobs or organizing strikes or sabotage in the oil fields), Qasim may well have felt that the long term risks of a communist take-over were worth accepting in order to buy time to consolidate his domestic position. In the last analysis, the wisdom of this policy must

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depend on whether, when the time comes to put a stop to further communist inroads in the administration, Qasim will be able to muster sufficiently firm support from the army to enable him to do so.

In this connection it may be significant that Qasim has been taking a number of steps in the last few months to consolidate his support in the army. This includes the establishment and stationing near Baghdad of a new "fifth" division, whose commander was personally chosen by Qasim, as well as the replacement of a number of Divisional Commanders by Qasim appointees.

While these moves may have done something to consolidate the regime as a personal military dictatorship by ensuring that key commands are held by officers who are loyal to Qasim, his policies towards the communists and pan-Arabism have narrowed the political support of the Government to that of the communists and of those left-wingers who are at present prepared to work with them. This situation would seem to contain a number of dangers for Qasim's position not only in the country at large but also in the army itself. No reliable information is available on the extent to which the army as a whole will continue to support Qasim. There have been indications, however, that there has been considerable concern among some army elements at the increasing communist influence in Iraq and it is possible therefore that in the last analysis these elements will be prepared to continue to play a politically passive role only if Qasim puts some curb on communist activities and improves his relations with the pan-Arabists.

The estrangement of Iraq from the rest of the Arab world was one of the primary motives which led the army to carry out the revolution last July. Now that a clear break has occurred between Qasim and the Arab nationalists, both in and outside of Iraq, the estrangement has in effect reappeared. If the present revolutionary regime had some positive sense of purpose or of accomplishment, the renewed estrangement might be of less consequence. Now, however, it seems likely to have an erosive effect on army support for the regime. It might also engender a further closing of anti-communist ranks to the point where any possible distinction between the pan-Arabists and other non-communist nationalists in Iraq would disappear and hence even to the point of a concerted move to oust Qasim on the part of anti-communist elements in the army and religious and political organizations.

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SOUTH-EAST ASIA

5. Laos

(CONFIDENTIAL)

945
In a public statement, on February 11, 1959, the Prime Minister of Laos, Phoui Sananikone, redefined the attitude of his Government towards the Geneva Agreements. This statement has again drawn attention to the situation in that country.

North Vietnamese troops have been entrenched at the North Vietnam-Laos border since the middle of December 1958. Several solutions have been proposed to settle border problems between Laos and North Vietnam such as the return of the International Commission, direct talks between the two governments involved, United Nations mediation and appeal to the Security Council. The only action taken, to date, has been the despatch by the Laotian Government of a letter to the Secretary-General of the United Nations circulated to member states denouncing the North Vietnamese incursions into Laos.

In his statement of February 11 the Prime Minister said that the Cease-Fire Agreement for Laos had been fulfilled, that the International Commission should have no further concern with Laos and that Laos would only recognize arbitration originating from the United Nations. The North Vietnamese and the Communist Chinese immediately interpreted Phoui's statement as a repudiation of the Geneva Agreements; the statement was, in effect, couched in such terms as to create apprehensions concerning the attitude of the Laotian Government towards the Geneva Agreements. The British and French Ambassadors in Laos urged the Prime Minister to make a clarifying statement and in a communique of February 17 Phoui reiterated that Laos had no intention of permitting the introduction of foreign troops and saw no necessity for the establishment of new military bases, or for participating in a military alliance. However, he did not specifically deny that Laos had denounced the Geneva Agreements, or confirm the unilateral declarations of July 21, 1954, that Laos would act in general conformity with the military provisions of the Geneva Agreements. (This undertaking has been repeated in a letter to the International Commission on May 31, 1958.)

While the Canadian Government took the attitude, in connection with the adjournment of the International Commission for Laos last summer that the Cease-Fire Agreement for Laos had in fact been implemented and that the Commission should not be reconvened against the wishes of the Royal Laotian Government, considerable importance was attached at that time to the Laotian Government's unilateral undertaking mentioned above. The

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present somewhat ambiguous statements of the Royal Laotian Government are therefore potentially embarrassing if no further confirmation of Laos' attitude toward the Geneva Agreements is forthcoming.

On February 18, the Communist Chinese Government protested officially to the United Kingdom and the USSR, Co-Chairmen of the Geneva Conference, on what it called "the unilateral repudiation of the Geneva Agreements by the Kingdom of Laos".

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SOVIET UNION AND SATELLITES

1. Increase in Undisclosed Residual in the Vote for Financing the National Economy in the Soviet Budget for 1959 971 (CONFIDENTIAL)

The undisclosed residual in the vote for "Financing the National Economy", in the Soviet budget, suddenly increased in 1959 by 48 billion rubles over the 1958 planned budget. It has been suggested that the increase reflects a concealed defence expenditure. However, there is evidence to suggest that this is not so. Most if not all of this increase may be due to accounting changes resulting from abolishing both compulsory agricultural deliveries and the Machine Tractor Stations.

Soviet writers in the journal Finansy SSSR have disclosed that collective farm income is to increase in 1959 by more than 50 billion rubles, not because of increases in output, but purely on account of the reorganization of the Machine Tractor Stations and the abolishing of compulsory agricultural deliveries, and that the consequences of the latter changes will appear as supplementary expenditures in the budget. Since it is known that state expenditures for the procurement of agricultural products from the collective farms have traditionally been included within the residual portion of the vote for "Financing the National Economy", it is logical that higher state expenditures for this purpose would be reflected in an increase in this sector of the budget. Moreover, there have been no unusual changes of equivalent magnitude in other types of budgetary expenditures.

It is impossible on the basis of the data available to explain fully the precise nature and relative magnitude of the changes which will increase collective farm income by more than 50 billion rubles. However, the two major changes contributing to the increase in collective farm income will be (a) much higher prices received for the share of production formerly transferred to the state under the obligatory delivery system and (b) a new source of income from the sale of products previously delivered to the MTS in kind as payment for MTS services.

While it is believed that the revealed defence vote does not cover the full cost of the defence effort, and that certain defence expenditures or subsidies are concealed in other segments of the budget, it is highly unlikely that the sharp rise in undisclosed expenditures for "Financing the National Economy" in 1959 represents an increase in hidden outlays for defence.

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2. USSR: New Class of Tanker

969

(CONFIDENTIAL)

The tanker "Pekin" with a capacity of 25,000 tons was launched at the Baltic Yard, Leningrad on 4 Dec 58 and is now fitting out. She is the first of a series, and is powered by a 19,000 h.p. steam turbine giving her a speed of 18.5 Kts.

COMMENT: The USSR is now experiencing a shortage of tankers and the introduction of tankers of this capacity in the Black Sea, Far East service will relieve smaller tankers for more suitable service, such as the Black Sea Middle East trade where a serious shortage of tankers now exists.

The "Pekin" class is a great improvement over the "Leningrad" class. The Leningrads were of 10,000 tons capacity, with diesel engines giving a speed of about 13.5 Kts, and have not proved entirely satisfactory in service, although some 52 have been built since 1953 and five others are being fitted out.

3. Khrushchev Denies Manpower Shortage in USSR

923

In a conversation at the Embassy of Ceylon in Moscow on 4 February, Nikita Khrushchev denied that lack of manpower would interfere with the new Soviet Seven-Year plan. He stated that in Moscow alone there were several extra people for every job and he intended to clear out about a million of these and really put them to work in the Eastern Provinces. He also mentioned that the USSR planned to produce 350,000 combines (types unspecified) under the Seven-Year Plan and that these alone would release a million workers. He said that plans to import Chinese labourers were abandoned when it was found that they were not needed.

COMMENT: Khrushchev's remarks although a denial of manpower shortages actually tend to support the contention that the Soviet's are encountering some difficulty in the manpower field. The suggestion that Chinese labourers were considered as a solution is particularly indicative in this regard.

In addition to transferring superfluous workers and reducing the agricultural labour force through mechanization, the USSR is attempting to increase labour productivity in industry. It has also revised the educational system so that secondary school students will spend a large part of their time in industry and agriculture.

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Manpower problems in the USSR are partly the result of war losses and the low birthrate between 1941 and 1946. Because of this the number of young men available for either industry or induction into the armed forces will drop considerably after this year. The demands of the Seven-Year Plan are consequently in opposition to the maintenance of the present level of manpower in the armed forces.

It is estimated that although from 1959 through 1965 there will be a steady decrease in the mobilization potential, the USSR will give priority to, and have the capability of, meeting the requirements of the Armed Forces. However, Soviet leaders possibly believe that some reductions in the numerical strength of their Armed Forces would be desirable. Furthermore, they may believe that such a reduction can be made without prejudice to the security interests of the USSR. Whether Soviet forces are in fact reduced however, will depend to a great extent on the degree of danger and tension that the Soviet leaders feel in the international situation.

The Soviets in January announced the completion of their previously announced 300,000 man reduction of 1958. Although there is no definite evidence that 300,000 men have been demobilized from the forces, it is possible for such a reduction to have been made in the process of reorganization now in progress. There is firm evidence, however, that up to the end of 1958 at least two of the four ground force divisions withdrawn from Eastern Europe continued to exist.

It will be some time before sufficient evidence accrues for a definite comment to be made on the Soviet claim, but from a ground force aspect a reduction of about 150,000 has probably been effected in the process of reorganization during the year. This would reduce the Soviet ground forces from 2,700,000 to 2,550,000. This figure does not include Soviet Navy, Air Force and Security personnel which could possibly also have been reduced slightly as a result of streamlining and reorganization.

4. Current Appraisal of Rumanian Army 957

A joint conference held this month has reached general agreement on a current appreciation of Rumania's Armed Forces. Pertinent items of interest are: 1) Some reduction in Army and Frontier Troop strength 2) Possible reduction in the number of line divisions 3) A general denigration of the Army's value for war.

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COMMENT: Personnel strength reductions are not excessive and the new estimates are based primarily upon re-assessment of previous holdings. There are indications that two of the rifle divisions are being or have been merged. If true, Rumania will have a new total of twelve rifle divisions and one tank division. Further, the latter is considered a division in name only, not a true tactical formation.

While the Army remains large compared to other European Satellite Armies it is considered one of the least reliable and its value for war is restricted by poor morale and low standards of training and leadership. Professionalism is not a characteristic of the officer corps and esprit de corps among troops is virtually non-existent. No field headquarters exists above division level and there has been no realistic field training for at least the past two years. Accordingly, the Rumanian Army for the present is given little if any capability to conduct offensive operations and would have only a limited defensive capability.

5. Reorganization of Soviet Anti-Aircraft Divisions in Germany

949

A recent reorganization of Soviet anti-aircraft formations, which may still be underway, has changed all eight anti-aircraft divisions in the Group of Soviet Forces, Germany, into brigades.

Significant differences between the division and brigade are reduced headquarters and less guns. The divisions held 96 guns; the new brigades hold 72 guns each.

COMMENT: The possible streamlining of headquarters is not likely to compensate for the decrease in anti-aircraft fire power which has resulted. Thus, at present, it cannot be assumed that there is an improved capability.

These changes appear consistent with other trends previously noted in artillery formations in GSFG. At the Front level, for instance, the anti-tank artillery brigades have disappeared. At the same time the field artillery brigades in each army have been reorganized with a resultant reduction of administrative staff.

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There are at least two reasons for these artillery changes. Probably both of these are at least partly valid:

- (a) these changes are possibly the result of an economy move, which might possibly be related to manpower shortages;
- (b) these changes may all be the beginning of a transition from conventional artillery at Front and Army levels to the eventual introduction of missile units.

EUROPE

6. The New Italian Government

936

(CONFIDENTIAL)

On January 26 Premier Amintore Fanfani submitted to President Gronchi the resignation of his coalition government (a union of Christian Democrats and Social Democrats which had been formed after the general elections of May 1958).

After consulting a wide variety of Italian political leaders, President Gronchi, on February 6, asked Antonio Segni to form a new government. At first Segni was reported to have said that he did not exclude any potential combination of political forces, and to have attempted to form a new coalition. Unable, however, to establish a coalition which would command a clear majority in the Chamber of Deputies, he announced, on February 15, the formation of a "monoclore" Christian Democratic Government which it is understood will be able to rely on the active support of right-wing parties -- Monarchists and Liberals -- for a paper majority of 33 in the Chamber. He will seek the approval of the Chamber for his new government on February 24.

The stability of the new government will perhaps depend primarily, however, on Segni's ability to unify his own party. It will be recalled that the principal factor in the collapse of the previous government was not the defection of some of the Social Democrats, but rather the opposition to Amintore Fanfani of a substantial minority of Christian Democrats. Premier-designate Segni is seeking to avoid opposition from within by including in his Cabinet representatives of all factions of the Christian Democratic Party.

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Antonio Segni, who was born in Sardinia in 1891, is, like ex-Premier Fanfani, a member of the Christian Democratic Party. He has served in various governments as Parliamentary Under-Secretary of Agriculture from 1944-46, as Minister of Agriculture from 1946-51, as Minister of Public Instruction from 1951-53, and as Minister of Defence and Vice-President of the Council of Ministers in Signor Fanfani's Government since July 1958. From July 1955 until May 1957, Segni was Prime Minister of Italy, heading a middle-of-the-road coalition composed of Christian Democrats, Liberals, Republicans, and Social Democrats.

Although Segni is himself a moderate leftist, he will not be able to rely on the support of the socialist deputies in the Chamber, both the Nenni Socialists and the Social Democrats having indicated that they will oppose the new government. Since, therefore, his government must depend on the backing of rightist parties, it will probably bring about a return of Italy's political centre of gravity from centre-left to centre, and in domestic affairs it will have to proceed on a cautious empirical basis.

In foreign affairs, Segni's government will likely base its policy on full support of the Atlantic pact and all it implies. This is made virtually certain by Segni's choice of former Premier Giuseppe Pella as his Foreign Minister. Signor Pella was Foreign Minister in the Government of Adone Zoli from May 1957 to July 1958, during which time Italy's foreign policy was closely identified with that of the other NATO countries.

MEDITERRANEAN

7. Cyprus Conference

938

(CONFIDENTIAL)

The tripartite conference on the Cyprus problem opened in London on February 17, and on February 19 a series of agreements were initialled by the Prime Ministers of the United Kingdom, Greece and Turkey, and by representatives of the Greek and Turkish Cypriot communities.

The bases for discussion at the conference were the agreements concluded the previous week at Zurich by the Greek and Turkish Prime Ministers. The texts of these agreements approved by the conference, contain the following elements:

- (a) A republic of Cyprus will be established which will be allied to Greece and Turkey by a treaty binding the three countries to protect the independence and territorial integrity of the Republic. For this purpose Greece and

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Turkey will station armed forces on the island. The Republic will be guaranteed by another treaty, to which the United Kingdom will also be a party, against partition and union with any other state.

- (b) The Republic will have a Greek Cypriot President and a Turkish Cypriot Vice-President, both of whom will have the right of absolute veto over legislation on foreign affairs, defence and security, and a suspensory power over other legislation.
- (c) There will be a single house of representatives (with 70% of its members Greek Cypriots and 30% Turkish Cypriots), and a communal house for each community. The 70:30 balance between the two communities will be preserved in all public institutions, except in the armed forces where it will be 60:40.

The status of the United Kingdom vis-a-vis the new Republic was not clearly set forth in the Zurich agreements, but the London conference approved the retention by the United Kingdom of sovereignty over two areas in the island. The integrity of these areas and their free use and enjoyment, as well as the use of other necessary installations, by the United Kingdom will be guaranteed by the Greek, Turkish and Cypriot Governments.

Supplementary documents on points not specifically covered in the Zurich settlement were also approved by the conference. These provide for the safeguarding of United Kingdom defence requirements, the status of public service officers, the continuing machinery which will be required to prepare instruments necessary for the transfer of sovereignty to the new Republic (this transfer is to be completed within 12 months), and the terms for amnesty of those detained or imprisoned.

Among the most important questions still remaining to be settled is the possible future membership of Cyprus in NATO and the Commonwealth. Although the Zurich and London agreements do not mention it, the Greek and Turkish Foreign Ministers have informed the United Kingdom Government that their Governments intend to propose the Republic for membership in the NATO Alliance.

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Moreover, reports are that, although their interests are not clear, Greece and Turkey also initiated the idea of Cypriot membership in the Commonwealth. The United Kingdom position has been that this is a question to be decided by the people of Cyprus and the countries of the Commonwealth. In his statement in the House of Commons on February 19, Mr. Macmillan said that, should the Government of Cyprus declare in due course that they desire to remain associated with the Commonwealth, the United Kingdom Government, in consultation with the other members of the Commonwealth, would consider sympathetically how that desire could most appropriately be satisfied.

One possibility which is under consideration is that Cyprus might accept some form of association with the Commonwealth which would be short of full membership. A special committee has been set up in the United Kingdom to examine this possibility and as soon as it has developed the views of the United Kingdom Government, these will be communicated to other Commonwealth Governments for comment. Another possibility, which must not be overlooked of course, is that Cyprus may not desire Commonwealth membership or even association.

A significant feature of the London negotiations was the role which was assumed in them by Archbishop Makarios. The Archbishop led the Greek Cypriot delegation at the conference, and there is speculation that he may become the first president of the new Republic. Makarios, however, had serious reservations about the Zurich agreements, and at one time it was feared that these would wreck the conference, and the chances of a settlement. It appears that he refrained from formally presenting these reservations to the conference only because the other members of the Greek Cypriot delegation refused to support him. The extent to which he will work for the effective implementation of the agreements is yet to be seen.

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SOVIET UNION AND SATELLITES

1. Continuing Expansion of Soviet Facilities
for the Production of Fissile Materials 963

On 7 September 1958 the leader of the Soviet delegation to the Geneva Conference on the Peaceful Uses of Atomic Energy announced that a 100-megawatt nuclear power reactor had just come into full operation in the Soviet Union. He refused to divulge the location of this reactor but stated that it was the first stage of an eventual 600-megawatt nuclear power station.

COMMENT: There had been no prior mention of this station as part of the Soviet nuclear power program. From its announced characteristics and the secrecy regarding its location and construction, it has been concluded that the station will be a reactor complex built primarily for the production of plutonium. With proper optimization, each of the reactors could produce of the order of 150 kg per year. Plutonium from the first reactor could start being available by the end of 1959 but full production (900 kg per year) will probably not be attained until the end of 1962, about one year after the estimated completion date of the station.

There is fairly reliable evidence that facilities for the production of uranium -235 are also being expanded. This vigorous Soviet expansion of fissile material production facilities is difficult to reconcile with Khrushchev's recent statement that the Soviet Union will "soon" cease production of fissile materials for military purposes.

2. Soviet Helicopter Application in the
Minesweeping and Dipping Sonar Role 93-7 (CONFIDENTIAL)

Helicopter designer M. L. Mil stated in the February issue of Soviet Aviation: "The use of helicopters for fighting submarines by lowering hydro-sonic devices from helicopters to detect the presence of submarines and then dropping bombs on them is being considered. Helicopters have already been used in minesweeping and in raising radar antennae on ship decks, which greatly increase the radius of observation".

COMMENT: This does not make it clear whether the author is referring to Soviet or Free-World accomplishments. Nevertheless, it does represent the first known instance in Soviet writing of any mention of the possible use of dipping sonar or of helicopters in a minesweeping role.

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3. Missile Trailer Convoy in Moscow 947

At approximately 2000 hours, 30 Jan 59, a convoy of twenty missile trailers were observed on the Sadovaya Ring Road by USANA and USAMA. The convoy was followed as far as the vicinity of Tushino Airfield, where the observers were stopped by Militia. A large number of Militia were noted in this area on this occasion.

The trailers are thought to be the type that carried the missiles such as those used for the Moscow air defence rings. The trailers were canvas covered, and it was not possible to determine whether or not missiles were aboard. Although attempts were made on several succeeding days, no further sightings were made.

COMMENT: It is possible that these trailers, if empty, were proceeding to TUSHINO, Plant 82, which is known to be associated with the production of surface to air missiles, where such missiles would be picked up complete and delivered to various SAM sites of the Moscow complex. This is logical in view of the fact that in the past, very little activity has been noted on these sites, and very few, if any, missiles were actually located in position.

The last time that missiles or missile carriers were seen in Moscow was 21 Nov 58, under very similar circumstances.

4. New GCI Radars in East Germany 963

Heavy radar sites at MERSEBERG, RECHLIN LARZ, PUTNITZ, and ZERBST in East Germany have been re-equipped with new range/azimuth and height finder combinations, nick-named CROSS OUT and STONE CAKE, respectively. CROSS OUT has two horizontal reflectors of BIG MESH design, one above the other. The radar transmits on six S-Band frequencies between 2,710 and 3,120 mcs, giving a frequency spread of 410 mcs. Other signal parameters are not yet available.

STONE CAKE is a nodding height finder, similar to ROCK CAKE, but with a longer reflector and repositional feed. Tentative signal parameters, the same as ROCK CAKE but without strong side lobes are:

Frequency	2,600 - 2,630 mcs
PRF	410 - 430 cps
Pulse Width	2.5 - 2.8 microseconds
Node Rate	32 - 37 nods per minute

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COMMENT: The new combination is the logical conclusion to nearly two years continuous modification and improvement to EW/GCI radars. It will likely give accurate height information up to at least 60,000 feet and GCI control to ranges of 120 nm from radar at these altitudes. Coupled with the new 600 mcs WITCH FOUR IFF system and VHF INSERT data-link fighter control, CROSS OUT/STONE CAKE is a significant advance in the Soviet Air Defence system.

EUROPE

5. The Significance to France of Algerian Oil 967 (RESTRICTED)

There are at present two major producing oil fields in Algeria: the Hassi Messaoud with proven reserves of at least 300 million tons, and a production in 1958 of 440,000 tons, and the Edjele field with smaller proven reserves which is not yet in commercial production.

Pipelines are planned to link both fields with the Mediterranean by 1960 and production is expected to have reached 8-10 million tons in 1960 and about 26 million tons in 1962.

All products will be exported as crude except what is required for domestic consumption which will be processed in a small refinery near Algiers.

Initial expenditure and operating costs will be higher than those in the Middle East, although Algeria's proximity to Europe may partly offset this.

At present foreign participation amounts to only 24% but the probability of further large oil deposits and the new Saharan oil code based on the 50-50 profit-sharing principle will encourage the entry of larger US companies.

Algerian oil production up to 1962 will be mainly absorbed by France whose oil consumption in that year is estimated at 30 million tons. This should greatly benefit France's balance of payments, since her present expenditure on oil imports runs to some \$560 million annually.

The rest of Western Europe, however, will continue to depend on the Middle East for nearly three quarters of its oil supplies during the next five years. After 1965, discovery and rapid development of further large fields in Algeria might alter this pattern.

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SOUTH-EAST ASIA

6. Situation in the Federation of Malaya 933 (UNCLASSIFIED)

On February 9, the Prime Minister of the Federation of Malaya, Tunku Abdul Rahman Putra, announced to the United Malays' National Organization, his intention to resign as Prime Minister. The Tunku, who is 55 years old, played a very important part in Malaya in bringing about its independence and membership in the Commonwealth.

The Tunku heads the Alliance Party, a composite party of the United Malays National Organization, the Malayan Chinese Association, and the Malayan Indian Congress. The Alliance now holds 50 of the 52 elected seats in the legislative council of the Parliament of Malaya.

The publicly announced reason for the Tunku's retirement was that he was feeling tired and was not in the best of health. While there is no doubt that the Tunku is suffering some fatigue, it was, however, publicly stated that he would take an active part in organizing the Alliance Party for the first Federal and State elections to be held in Malaya since its independence. The Tunku's participation in the elections will undoubtedly be an important contribution to the Alliance Party in view of the Tunku's skill in bringing Malayan nationals of Chinese and Malay origin together in the Federation.

It is reported in the press that the Tunku is considering taking two months holiday, beginning sometime in February, before resigning. During this time the Deputy Prime Minister, Dato Abdul Razak will act as Prime Minister. It is also reported that when the Tunku tenders his resignation in April, Dato Abdul Razak will succeed him. Mr. Razak is 37 years old. He has for a long time assisted the Tunku in Malayan public affairs, and has been very close to him. Mr. Razak shares the Tunku's views about the conduct of domestic and foreign policy of the Federation of Malaya.

There has been some public speculation that after the elections the Tunku will again accept the office of Prime Minister.

The political situation in Malaya is considered to be stable at the present time. However, its stability depends to a large extent on the harmony between the Malays and the Chinese. The predominance of the Alliance Party depends upon the continuation of good relations between the two racial groups.

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FAR EAST

7. The Crisis in Japan-Korea Relations

934

(CONFIDENTIAL)

For years Japan and the Republic of Korea have been trying without success to negotiate their differences. These include the Rhee Line (a unilateral decision of the ROK to extend some sixty miles from the Korean shore the area in which the ROK claims exclusive fishing rights), the question of fisheries conservation in the Japanese Sea, the status of Koreans resident in Japan, the status of Japanese commercial vessels registered at Pusan at the end of the war and the status of the Island of Takejima. Although a Korean diplomatic mission has been established in Tokyo, Japan still has no diplomatic representation in Seoul and Japanese are barred from entry into South Korea.

The emotional anti-Japanese attitude of President Rhee has been an important divisive influence. Another has been the estimated 600,000 Korean residents in Japan who generally are disliked, a depressed class and a political, economic and social nuisance to the Japanese Government. A good percentage of this group has long had Communist leanings and has sought to go to North Korea. Recently the Japanese Government, for domestic political reasons, decided to take advantage of the willingness of the North Korean régime to receive such people, and to request the International Red Cross to screen Korean residents to determine their choice of homeland, and to supervise the resulting repatriation to North Korea.

The Japanese have contended that their decision to repatriate was taken solely on humanitarian grounds and had no bearing on the current Japan-ROK negotiations to establish normal relations. The South Koreans, who claim that the decision to repatriate is an act of supporting the ROK's enemy and an affront to ROK sovereignty in Korea, have reacted sharply and intemperately. They have broken off their general negotiations with the Japanese, threatened to take every possible emergency measure to block the repatriation plan, recalled their Minister from Tokyo and have begun to whip up anti-Japanese feeling at home. The Japanese Government has given no indication that it is considering a retreat from its decision in the face of ROK hostility.

It is regrettable that the relations between these two anti-Communist countries so closely allied with the United States should have taken a turn for the worse. Probably the situation will become most critical when and if the Koreans actually depart from Japan for North Korea. This should not be for some little time.

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ANNEX I
TO JIC SUMMARY No. 314
dated 20 February 1959

1. UAR Special Forces 95-9

The Egyptian Navy has special forces for underwater and surface employment, though at present the main emphasis is directed on the development of the underwater unit.

The underwater unit is the most developed, due to the recruiting of expert long distance swimmers and the enthusiasm and organizational ability of one of its officers, Lieut-Commander FAZI. The unit is divided into an offensive and a defensive group.

Offensive Group: The offensive group has a Swimmer's Section and a Chariot Section as follows:-

a) Swimmer's Section

- i) Consists of about 80 frogmen trained in long distance swimming carrying a limited charge to be placed on the hull of a vessel.
- ii) All personnel are trained in parachute jumping.
- iii) Further training is carried out by covering part of the distance to the target by canoe.
- iv) Two types of charges are used, one of 2 Kg and one of 4 - 5 Kg; both are fitted with fuses imported from the Soviet Bloc. The charges are reputed to be sufficient for sinking small craft and causing serious damage to vessels of up to destroyer size.
- v) From an operational point of view the Swimmer's Section is considered to be an efficient force.

b) Chariot (Self-propelled torpedoes) Section

- i) The Section consists of 15 officers, equipped with 6 chariots; details are as follows:

Construction material	- Synthetic resin
Propulsion	- Electric Motors

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Speed	-	4 Kts
Endurance	-	4 hours
Maximum depth	-	Not yet known
Crew	-	2

- ii) The warheads are filled in Egypt; their weight has not yet been ascertained but is believed to be 350 - 370 Kg of "tritolo" or "tritolite".
- iii) The chariots are not yet operational, but at least two were due to be ready by the end of December 1958.
- iv) It is also believed that one of the Egyptian submarines will be fitted with deck cylinders to carry this type of craft.

Defensive Group

- a) No detailed information is available on the organization of this unit.
- b) The immersion equipment, which is the same as for the offensive section is largely of Czech origin, though some Western equipment is also used. The following are principal items of Czech equipment on issue:-

Respirator: Small, easy to fit and to repair, the lung bag is emptied at each respiration. Technically the equipment is good but it does not allow heavy work. Trimming at the various depths is laborious and difficult.

Gauges: DREGER type, small, inaccurate and hardly visible.

Clothing: Dunlop type, made of excellent rubber.

Surface

The Egyptian Navy has two types of surface craft for special operations; there are in all 10 fast MTB type boats. They are deemed to be almost completely inefficient, not only from an operational point of view, but their seaworthiness is also doubtful. The engines of these small craft are particularly delicate and require constant maintenance and special care, which the Egyptians are unable to do. The craft are left in the open

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in the RAS EL TIN area in a state of near abandonment. Only two of the craft could be considered operational.

Morale

The morale is decidedly high. Personnel are selected with care and treated with every consideration (medals, easy promotion, high pay etc).

- COMMENT:
- a) At present the Egyptian Navy has some 80 men available for special naval warfare. Considering that they are well trained and easy to transport either by submarine or by air, the unit within the limited potentialities of its offensive equipment should not be disregarded.
 - b) The present offensive possibilities of the Chariot Unit are negligible. Even with trained personnel and efficient chariots, its use will be restricted by the limited endurance of the craft. This assessment will have to be re-considered when Egyptian submarines have been re-fitted to carry the craft.
 - c) The surface unit, by the limited performance of the craft and the present Egyptian disinterested attitude cannot be treated seriously.

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SOVIET UNION AND SATELLITES

1. Value of Soviet Bloc Military Assistance
to Underdeveloped Countries 927

Since 1955 the Soviet Bloc has extended about \$1 billion worth of arms credits to underdeveloped countries. In 1958 alone, the value of new military loans totalled \$400-\$500 million. About three quarters of the arms credits extended to date appear to have been expended.

The USSR has sponsored about one-half of the arms credits to underdeveloped countries, with Czechoslovakia and Poland accounting for the remainder. Part of the equipment delivered under the Polish and Czech credits, has been of Soviet manufacture. However, it is not known whether the USSR helps finance arms deals negotiated by other members of the Bloc. The Bloc's military loans normally call for down payments ranging from 10 to 33 per cent with the balance payable in five to ten annual instalments at two per cent interest.

The United Arab Republic (UAR) has received about sixty per cent of the Bloc's arms loans, with Iraq, Yemen, Afghanistan, and Indonesia accounting for the remainder. Bloc military aid was first accepted by Egypt in 1955; by Syria, Afghanistan and Yemen in 1956; and by Indonesia and Iraq in 1958. (A \$7 million contract for military transport vehicles was signed by Indonesia in 1957 but large-scale military aid was not accepted until 1958).

The estimated value of arms loans, broken down by recipient countries is tabulated below:

Egypt	-	\$400 million
Syria	-	\$200 million
Yemen	-	\$ 25 million
Iraq	-	\$170 million
Afghanistan	-	\$ 80 million
Indonesia	-	\$180 million

The above estimates are believed to approximate the true value of arms loans with a range of possible error of plus or minus about 15 per cent. Where contract data are believed incomplete, estimates have been made of the value of equipment noted delivered, employing whenever possible unit prices quoted by the Bloc in other agreements. Virtually nothing is known about Yemeni contracts, and no loans have been reported to Afghanistan since 1956 when credits of \$32 million were extended by the USSR and Czechoslovakia. It is possible that Afghanistan is receiving arms at prices

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substantially less than those charged other recipients. A more likely explanation, however, is that an additional loan was secretly negotiated in 1957 without our knowledge. Contract data for Egypt since the Suez hostilities are also very incomplete.

2. USSR - CAMP (AN-8) at Aircraft 900
Factory No. 84, Tashkent

A photograph, not yet received, has been taken of CAMP seen taxiing at Tashkent. The aircraft appears to be identical with the assault transport version (i.e., with a rear gun turret) seen in 1956, and is not the civil version of the AN-8 a model of which was exhibited at Brussels in 1958. No large side loading doors are visible in the photograph which suggests that rear loading doors, as described by the Russians for CAMP, are fitted. There is a possibility that the aircraft photographed is the original one seen in 1956 since all facilities for photography seem to have been allowed.

COMMENT: This is the first evidence of probable new production at Aircraft Factory No.84. It was known that preparations were being made in late 1957 and early 1958 for the production of a new turbo-prop transport aircraft in succession to GRATE. It was not determined however, whether this would be CAMP as seen in 1956, a civil version, of a version with four engines.

Further sightings are necessary before the type of production is confirmed at Tashkent.

3. New Class of Soviet Minesweeper 892-

A minesweeper bearing Pendant No. 992 was first sighted in the Kronshtadt area in July 1958, and has since been sighted several times in the Leningrad area. In view of the differences between this mine-sweeper and the T.43 class, it is concluded that Pendant No. 992 is the first of a new class. This class has been provisionally named the T.58 class.

COMMENT: It is estimated that four of this class have been constructed at UST IZ HORA in 1958, and that yearly construction thereafter will be:

KAMYSH BURUN	-	6
UST IZHORA	-	9
KHABAROVSK	-	5

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4. Soviet MTB's Turned Over to Poland

On 11 October, 1958, 18 motor torpedo boats were observed in Gdynia Harbour. Two of the vessels allegedly flew the Polish ensign and 16 the Soviet ensign; no tactical numbers were observed.

On 18 October 1958, 18 motor torpedo boats flying the Polish ensign were observed in the same position. Tactical numbers KT-73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, and 86 were identified.

COMMENT: The boats with tactical numbers 81 through 86 have been known for sometime and have previously been confirmed. Boats with tactical numbers 73 through 80, which are reported for the first time, fit exactly into the gap between boats No. 72 (which has also been known for sometime) and KT-82. It is not known why boats 81 through 86 apparently flew Soviet colours on 11 October.

On the Fifteenth Anniversary of the Foundation of the People's Army in October 1958, another eight motor torpedo boats were apparently turned over to Poland by the Soviet.

5. Cut-Back in Soviet Service Attache
Establishments in Scandinavia

890

(CONFIDENTIAL)

According to a recent press report the number of Soviet service attaches at diplomatic missions in Norway, Sweden and Denmark has recently been sharply reduced. At Copenhagen, the "military post" is reported to have been closed down early in January; at Stockholm the Naval Attache and his assistant are reported to have departed and their duties taken over by the Military Attache; and at Oslo the Naval Attache and his assistant are reported to have left and are not likely to be replaced.

COMMENT: The last item has been confirmed by an announcement of late December 1958 by the Norwegian Foreign Office according to which the Soviet Embassy has reported that its Naval Attache, Assistant Naval Attache and one employee would leave shortly without being replaced and that the Office of the Naval Attache would consist henceforth of one officer and one employee.

In early 1958, the latest date for which complete figures are available, Soviet Service representation in these countries amounted to:

(i) Denmark:-	Naval	-	2 officers
	Military	-	3 officers

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(unless otherwise classified)

(ii) Norway:-	Naval	-	4 officers
	Military	-	2 officers
(iii) Sweden:-	Naval	-	3 officers
	Military	-	3 officers

These officers have attached considerable importance to the collection of information bearing on the strength and capabilities of the armed forces of NATO members in Scandinavia. Since 1950 the Soviet Government has been obliged to recall the following staff for having obtained, or having attempted to obtain, information of this kind by improper means:

- (i) its Military, Naval and Assistant Naval Attaches from Denmark in 1957;
- (ii) an employee from the Soviet Military Attaches office from Sweden in 1951; and
- (iii) its Naval and Assistant Naval Attaches from Norway in 1950 and 1951.

It is conceivable that this unusually high casualty rate may have influenced the Soviet Government in reaching a decision to reduce its Service Attache establishment in Scandinavia. It is not possible at this time to determine whether or not this move has been made out of considerations for economy. There is, however, in recent slight evidence of changes in Soviet Service Attache establishments at three other missions outside of Scandinavia, some reason to believe that this development, which appears to reflect a change in intelligence collection methods, has more than a regional application and may be a reaction to the high rate at which members of Soviet Attache staffs have been declared persona non grata in the past year. This reaction, coming more or less at the same time as the announcement of the replacement by SHELEPIN of General SEROV as Head of the Committee of State Security, may possibly be a sign of a renewed attempt to coordinate more closely the two intelligence sources, the Chief Intelligence Directorate of the Armed Services and the Committee of State Security.

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(unless otherwise classified)

6. Hungary to "limit activities"
of US Legation

922

As a result of events following the Hungarian uprising of 1956, including US participation in UN action and the Mindszenty affair, there has been diplomatic tension between Hungary and the US. In a recent press release Hungary has threatened "to take necessary measures to limit the activities (of the US) which constitute a danger to the State and social order" of Hungary.

COMMENT: The Hungarians have given no specific indication of what "necessary measures" are to be taken to limit US activities in Hungary. However, in their rejected note of 28 January the Hungarians asserted that, although the US had imposed a passport and visa ban on travel to Hungary and was blocking the remittance of United States Treasury checks to persons living in Hungary, Hungary was obstructing "not the legitimate operations of US diplomatic officers, but merely their espionage activities".

By Communist definition almost all diplomatic activity within a Communist country not specifically with the regime or its offices can be considered espionage. Hence, it can be presumed that the Hungarian regime will attempt to isolate more completely the US Legation from contact with the Hungarian population and to limit as far as possible free observation of the country and its conditions. The US service attaches stationed in Budapest probably will be those most severely affected by the threatened Hungarian measures.

MIDDLE EAST

7. Israel - Procurement of Super Mysteres

925

The Israeli Air Force (IAF) purchased some 29, possibly 32, Super Mystere jet aircraft from France during December 1958.

Some 26 Super Mysteres were subsequently noted in delivery flights over Italy and Greece en route to Israel during January 1959.

COMMENT: The reported purchase and delivery follows the regular Israeli pattern. The Israelis purchase French aircraft, then train air and ground crews in France, accept delivery, place Israeli markings on the aircraft, and stage the aircraft through Italy, Greece, and Cyprus in delivery flights to Israel.

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(unless otherwise classified)

The current IAF jet fighter strength is estimated to total 28 Ouragans, 65 Mysteres, 25 Vautours, and 30 Meteors in addition to the above delivery.

SOUTHEAST ASIA

8. Indonesia and West New Guinea

893

A number of fairly strong statements by prominent Indonesians during the past few months referring to Indonesia's determination to "liberate" West New Guinea have aroused speculation that a military attack may be made on the territory. However, Western governments have been assured by members of the Indonesian Government that Indonesia will not be the first to use military force to settle the dispute. The Dutch and, to a slightly lesser extent, the Australians have remained apprehensive. The United Kingdom and the United States have required assurances from the Indonesians that the military equipment now being supplied will not be used for such purposes.

There is apparently renewed concern in the United Kingdom, as the result of the recent visit to London of the Netherlands Foreign Minister, Mr. Luns. While the foreign office does not think a full-scale attack likely, they apparently consider that there is some risk of small-scale landings. The foreign office has given no indication of the reasons for the revision of their assessment of Indonesian intentions although they have stated that the Dutch have had indications that the Indonesians are "up to something". Both the Netherlands and the United Kingdom have agreed that the "indications" are inconclusive.

The Indonesian Embassy in London has denied categorically press reports of an imminent Indonesian attack on West New Guinea. United States State Department officials have informed us that while they have not received a fresh intelligence assessment of Indonesian intentions they think that a military venture in connection with West New Guinea is unlikely in the near future.

COMMENT: Until we receive some indication of the factors which have influenced Dutch and United Kingdom opinion it is not possible to make an accurate assessment of the situation. It should be noted, however, that the Dutch have consistently taken an extremely pessimistic view of Indonesian intentions and that the British, while admitting a slight modification of their previous assessment, have been careful to point out that they and the Dutch agree that the "indications" are inconclusive.

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(unless otherwise classified)

FAR EAST

9. Sino-Soviet Trade Negotiations 90/

(RESTRICTED)

Sino-Soviet negotiations for the 1959 trade protocol began early in November 1958 and may still be in progress. No announcement has yet been made on the projected level of trade for 1959. The first indication that the negotiations involved longer-term planning was the announcement on 7 February 1959 that the USSR would deliver an additional 78 industrial enterprises valued at \$1,250 million to China before 1967.

The prolonged duration of the negotiations had led to speculation that difficulties had arisen in connection with the level of trade and goods to be exchanged in 1959. The new long-term agreement on Soviet deliveries of industrial plants, including technical assistance in construction and assembly, is by no means spectacular and does not alter the above hypothesis. Over the past two years China has developed a large favourable balance in its trade with the USSR in a strenuous effort to pay off the debt of an estimated \$1,300 million accumulated during the 1950-56 period. Chinese trade goals for 1958 envisaged an export of goods to the USSR valued at about \$900 million against an import of only about \$600 million. In its attempt to expand exports to the USSR in 1959, China is undoubtedly attempting to dispose of a sizeable portion of its bumper agricultural output of 1958. The USSR also enjoyed an above-average grain harvest in 1958 and is unlikely to require additional food products for domestic consumption. Following so closely on the tin episode of 1958, the USSR is not apt to relish the role of middleman in the sale of other Chinese products on the world market. Large Soviet sales of rice in 1959 could have particularly disturbing repercussions on Soviet political relations with underdeveloped countries.

The agreement to provide 78 industrial plants before 1967 supplements existing agreements under which the USSR was to deliver 211 enterprises during the period 1953-60. These plants are being paid for by Chinese exports of equivalent value on current account. They are not a form of assistance in the sense of a grant-in-aid or long-term credit. It is assumed that most of the plants covered by the new agreement will be delivered after 1960. If so, planned deliveries for 1961-67 are in the order of \$180 million per year. Soviet exports of complete industrial plants to China in 1956 and 1957 were valued at \$217 million and \$209 million respectively. The value of all non-military machinery and equipment exports (including complete industrial enterprises) to China totalled \$305 million in 1956 and \$270 million in 1957. The new agreement indicates continued, but by no means increased, Soviet cooperation in meeting China's import demands and is further evidence of China's determination to finance her development without resort to renewed credit assistance from the USSR.

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(unless otherwise classified)

ANNEX I

TO JIC SUMMARY No. 313
dated 13 February 1959

1. Reduction in Republic of
Korea Army (ROKA)

9 20

A report from Eighth US Army in Korea shows that a reduction of 28,000 men in the ROKA establishment was made in Dec 58. This has been brought about by de-activating the 20th and 22nd ROK Divisions.

COMMENT: The US has been trying to get ROK to reduce her army, for economical reasons, since 1957. In Aug 58, there were indications that a cut of 53,000 personnel would take place. President Rhee was against this. He would not consent to a reduction in personnel unless he obtained newer equipment from the US including aircraft for an additional fighter wing. Under no circumstances was he willing to reduce the number of divisions. The US would not agree to provide the new equipment unless the reduction was carried out. It now appears that President Rhee has had to give in to the American proposals in order to safeguard the efficiency of his armed forces. Further proof of this is the fact that although the establishment has been reduced by 28,000, the number of personnel has been cut by 53,000 since Aug 58.

A great deal of secrecy surrounds this latest development. South Korean newspaper reporters were told of the impending move in mid-December but were also informed that they were not to publish the facts. There are several reasons seen for the secrecy. First, it may be an attempt to save President Rhee's face since he has been so stubborn in his resistance up to now. Secondly, it may be felt that morale would be undermined by the news. South Koreans seem to believe that there is a certain kind of magic in the number 20 (the number of divisions in the ROKA). Finally, the United States may not wish to strengthen the ever-present fears of the South Koreans that they may be "sold down the river".

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TOP SECRET
CANADIAN EYES ONLY

W A R N I N G

This issue of the Joint Intelligence

Summary contains the following parts:

Main Section - at SECRET level

Annex I - at TOP SECRET level but
CANADIAN EYES ONLY

This cover sheet may be removed when
the Annex is detached.

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SECRET

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5 February 1959

JOINT INTELLIGENCE SUMMARY

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Issued weekly under the authority of
The Joint Intelligence Committee
National Defence Headquarters
Ottawa

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SOVIET UNION

1. Soviet Underwater Research 902

A TASS announcement on 23rd December 1958 indicated that the Soviet submarine allocated for fishery research has been named "SEVERYANKA". An article in the 25th December 1958 issue of the Soviet daily newspaper IZVESTIYA confirmed this name, and the accompanying photograph permitted identification of this submarine as W-class.

COMMENT: Meaning "NORTHERNER", the name "SEVERYANKA" is consistent with the TASS announcement that the vessel has been operating in the BARENTS SEA. Although obviously retouched, the photograph is undoubtedly of a W-class submarine. It is possible, however, that the photograph is spurious, conceived to illustrate the accompanying article for journalistic reasons.

2. New Position for Serov Rumoured 910

Army General I.A. SEROV, who was released from his position as Chairman of the Committee of State Security (KGB) on 8 Dec 58, is taking the job of Chief of the Special Weapons Section of the Ministry of Defence, according to unconfirmed rumours reported by Western officials in Moscow. SEROV recently attended several receptions in Moscow. When questioned on one of these occasions regarding his future assignment, he remarked only that he was staying on in Moscow. A western attache in Moscow comments that SEROV's past military experience as an artillery officer lends credence to the possibility of an assignment in the special weapons or missile fields.

COMMENT: It is doubtful that SEROV's limited background in artillery qualifies him to head the special weapons or missile branch of the Soviet Army, in view of the already high number of extremely well qualified artillery officers who are known to be connected with guided missiles. SEROV enlisted in the Red Army in the 1920's and served as a troop commander, a battery commander and finally as Chief of Staff of an artillery regiment before entering the Frunze Academy in 1935. Since then, all his service has been in connection with the state security apparatus. Since it is believed that the KGB has been responsible for the security of both atomic weapons and guided missiles, it is more likely that SEROV, with his extensive experience in security, might be given the responsibility for these programmes. It is possible that the KGB, under the new Chairman SHELEPIN, might retain control over political and ideological matters and leave the security considerations of atomic weapons and guided missiles to the Army.

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3. Nomenclature of Soviet Schools 917

While on a visit to the Artillery School at Leningrad, French sources learned from Soviet officers, who volunteered the information, that there was a new nomenclature for Soviet infantry schools. These schools are now called "Obshchevoiskovoye Voennoye Uchilishche", literally, "All Arms Military Schools". The reason given was that the infantry alone in the Soviet Army has ceased to exist, as it is now always integrated with mechanized formations.

COMMENT: The changing of the titles of some infantry schools to the new all arms nomenclature has already been confirmed from Soviet press sources, and is in keeping with the current re-organizational trends in the Soviet Army. Since 1955, the trend has been to integrate infantry and armour more closely, with the present result of mechanized divisions and motor rifle divisions, each having organic armour. However, to say that the infantry alone has ceased to exist in the Soviet Army is an oversimplification of the problem. Since both infantry and armour have essential roles complimentary to each other, basic infantry training must still be taught separately, as must basic armour tactics. Only after the fundamentals of each arm have been mastered may the integrated training of mechanized formations be taught.

4. Soviet Air Expeditions in the Arctic 904

(CONFIDENTIAL)

A high-latitude air expedition will fly this spring to the central Arctic to do research on the polar basin and relieve the personnel of the drifting scientific stations North Pole Six and North Pole Seven. The expedition will also conduct oceanographic research and observations of the ice shield.

Historians and geographers will go to Ahmatov Bay - Northland Island. They will explore the coast where remnants of equipment belonging to the expedition of Vladimir Rusanov, a Russian polar explorer, have been found. This expedition, supposed to have tragically perished, sailed in 1912 on the ship Hercules.

Three hydrological vessels of the Arctic Institute will work in the Kara Sea, the East Siberian Sea, the Chukotsky Sea, the Laptevka Sea, and the Bering Sea.

COMMENT: For more than 10 years the Arctic Institute has undertaken an air expedition to the Arctic in the spring of every year. These expeditions, apart from resupplying drift stations, do greater or less amounts of oceanographic research.

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The mention of a new shift for North Pole-7 is surprising since the station is now approaching Greenland and it was assumed that it would be evacuated soon. The Russians now expect NP-7 to follow the path taken by NP-2 and the American drift station T-3. It is expected to move south-westward from its mid-January position of 86°18' N 62°33' W and drift along the western boundary of the Canadian Archipelago.

NP-6 will move into the Greenland Sea, and the Soviets are considering continued occupation. In view of the military connection of NP-6 the possibility of a Soviet military installation in the Greenland Sea is of interest.

EUROPE

5. East German Army Division Possibly Disbanded

913

Recent activities indicate that the East German Army's 6th Motorized Rifle Division, with headquarters at Prenzlau (about 60 miles northeast of Berlin), may have been disbanded. In late November 1958, a relatively large number of train movements southward from the 6th Division area were observed. Several of these reportedly were headed for various locations in the south within the areas of other East German divisions. Reported destinations were Halle, where the 11th Motorized Rifle Division is located; Erfurt, site of the 4th Motorized Rifle Division; and Cottbus, where there is a regiment of the 7th Tank Division (headquarters at Dresden). Meanwhile, installations previously occupied by units of the 6th Motorized Rifle Division in Torgelow and Pinnow were reported to have been vacated and subsequently occupied by the possibly newly activated 3rd and 5th Training Regiments.

Other reports indicate that reserve training has been discontinued in the training regiment of the 1st Motorized Rifle Division and will be discontinued in the 4th Motorized Rifle Division's Training regiment early in 1959. The training regiment of the 1st Division, according to these reports, already has received up to 250 additional permanent personnel and is shortly to become a regular regiment.

COMMENT: The disbandment of the 6th Motorized Rifle Division and the use of its personnel as reinforcements for other units is the most logical explanation for these activities. During the periods of rail movements there were no reported East German Army manoeuvres or other types of activity requiring rail transport of the magnitude indicated. Moreover, movements were to such widely scattered areas that they could not have represented a simple

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relocation of the division. Concurrent, but as yet unconfirmed, reports of the strengthening of other divisions and the activation of training regiments also support the breaking up of the 6th Division. This is the most opportune time for such a development, since it follows completion of the 1958 training cycle and precedes the 1959 training year.

The ultimate effect of this action, if confirmed, will be a significant increase in the operational capability of the remaining East German Army divisions. Each rifle division would have three effective fighting regiments instead of two regular and one training regiment and the administrative burden of conducting reserve training courses in regular divisions would be eliminated. In addition, a balance of forces in the two military districts into which East Germany is divided, would be established, since each district would have one tank and two motorized rifle divisions in addition to service and support troops.

6. Restriction of Allied Military Missions in East Germany 9/2

A review of British Military Liaison Mission (Brixmis) reports since July 1958 reveals a developing pattern of significant restrictions to the movement of Western Military Missions accredited to the Group of Soviet Forces, Germany.

COMMENT: Certain areas in East Germany have been permanently or semi-permanently off limits to Allied Missions and the number of restrictive signs recorded at the end of June 1958 was in the vicinity of 500. In mid-July 1958 a rash of new signs appeared almost simultaneously throughout the Soviet Zone, many in places which had been free of any restrictions since 1948. Between 18 and 31 July an approximate total of 90 new signs were recorded. By the end of August, Brixmis reported at least 500 new signs and this total was further increased during the Fall months.

Though Western Missions challenged the validity of the signs (and, by mutual agreement, disregarded them for several months) official notice was served by Soviet Authorities in October that the signs were valid and must be honoured by British, French and American Missions. On 8 January Soviet officials delivered to the US Military Mission a map showing additional restricted areas which will prohibit observation of virtually all major Soviet military installations and training areas in East Germany.

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While no information is at hand to verify that similar notice was served upon Brixmis it must be assumed that it has been or will be in the near future. The US is of the opinion that the restrictions are in apparent retaliation for recent Western curtailment of Soviet Missions in West Germany, Brixmis, on the other hand, has stated that the siting of the new signs leaves no room for doubt that they are the cumulative result of reports on the movement of Allied Missions over a long period.

Whatever the cause, the net result is to severely limit the collection capabilities of the Western Missions and a consequent diminution of acquired intelligence on Soviet and East German military developments in connection with the Berlin situation.

7. Political Situation in Italy 8 8 5

(CONFIDENTIAL)

On January 26, Premier Amintore Fanfani submitted the resignation of his government to President Gronchi. This government was a coalition formed after the general election of May, 1958 by Fanfani's Christian Democratic Party (CD) and the Social Democratic Party (PSDI).

The government's position had been weak from the beginning. Having the nominal support of only 295 of the 596 members of the Chamber of Deputies (273 CD and 22 PSDI), it had to rely on the abstention of the six Republican deputies to secure a majority. Furthermore, Fanfani could not count with any degree of certainty upon even his own party and, on three occasions before the Christmas recess, was defeated in the Chamber in secret votes on minor issues, almost certainly because of defections within the ranks of the Christian Democrats. He was able, however, to survive an open vote of confidence, and on January 22 to obtain a majority of one (279 to 278) in a secret vote on a motion approving the government's conduct in a banking scandal. On the same day, the Minister of Public Works was persuaded to withdraw the resignation he had submitted on January 21. The government thus appeared to be consolidating its position, but when Signor Vigorelli, the Minister of Labour also tendered his resignation, and refused to withdraw it, Fanfani apparently decided to give up the unequal struggle and he resigned.

It seems clear that Vigorelli's resignation was a direct result of the Italian Socialist Party (PSI) Congress, which on January 18 formally severed that party's direct political ties with the Communists. In approving a resolution which declared the independence of the PSI from the Italian Communist Party (PCI), (though providing for continued collaboration in trade unions, co-operatives and municipal councils) the Congress gave a solid vote of support to Pietro Nenni, the PSI Secretary. The Nenni faction of the party (known as the "autonomists"), which had previously been in a minority

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in the party's Central Committee, secured fifty-eight percent of the eighty-one seats on the Committee and all fifteen seats on its Executive Committee.

Under Nenni's leadership the Congress - while upholding his principle of Socialist autonomy from the Communists - also rejected the idea of co-operation with the coalition government or with either the Christian Democrats or the Social Democrats. Instead the Congress called for Socialist reunification through the re-admission to the PSI of the Social Democrats. Nenni's apparent goal is to improve the strenght of the PSI at the next election, which is not scheduled until 1963, at the expense of all other parties, and to establish perhaps the only alternative to a government dominated by the Christian Democrats.

Although the PSDI Executive Committee and their leader Saragat rejected the Socialists' invitation, some Social Democrats are expected to accept it. Vigorelli has, in fact, taken the lead by resigning from the government. As noted above, it was this action, and the reasons behind it, which directly precipitated the resignation of Fanfani and the government as a whole.

It is still too early to predict the outcome of the present political crisis in Italy. Socialist opposition to the government and to the Christian Democrats in particular may facilitate the restoration of CD unity, but that party does not have sufficient strength in the Chamber to enable it to form a secure one-party government. The Social Democrats and Republicans may, of course, decide to co-operate with the CD more effectively than in the past; however, the attitudes of these parties have not yet been clearly formulated.

An important consideration, in the present state of political flux, must be the possible effect of the decisions taken by the PSI Congress at the forthcoming Congress of the Italian General Confederation of Labour. There have been some indications that the Nenni victory at the PSI Congress might well lead to a trade union schism in the CGIL, separating socialists from communists, and should this occur the Communist Party might either gain or lose heavily. If, however, the reports that the PSI has been receiving regular financial aid from Soviet bloc sources are true, Nenni will certainly hesitate before promoting such a schism. Moreover, he must also take into account the recent re-enunciation of the Vatican's belief in the incompatibility of Socialism and Christianity, which may have been an attempt to buttress the position of the Christian Democrats by creating divisions within the Socialist ranks.

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For the moment, Fanfani has been asked to continue in office in a caretaker capacity, and President Gronchi is attempting to find a basis for the formation of a new government. The latest press reports suggest that it is likely that either a new centre-left cabinet similar to that which has just resigned will be formed, or that a new general election will be called.

AFRICA

8. Political Developments
in the Belgian Congo

891

(CONFIDENTIAL)

On January 4 the Belgian Congo experienced its first serious anti-white riots when the police attempted to break up a Leopoldville meeting sponsored by an African group known as ABAKO which advocates an independent state for the tribes of the lower Congo.

The background of the trouble seemed to be:

- (1) an air of tension had developed in anticipation of the Belgian Government's new policy toward the Congo to be announced January 13;
- (2) recent developments in Guinea and Ghana, U.A.R. and Communist propaganda, and attendance by Congolese at the recent Accra Conference, had fostered a growing awareness of the Colony's political backwardness; and
- (3) there has been heavy unemployment in normally prosperous Leopoldville.

The Belgian Government has arrested the ABAKO leaders but is relying mainly on its new Congo policy of January 13 to remedy the situation. This policy pledges to raise the standard of living, abolish racial discrimination, and provide for a gradual transition to democratic self-government beginning with the election in 1959 of town and rural councillors on the basis of universal suffrage. Eventually the Congo will be given the right to choose independence but Belgium has made it clear that it hopes some "bond of association" will be maintained.

The principal weaknesses of the new plan seem to be:

- (1) it does not initiate a plan to restore full employment;

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- (2) it is open to criticism from Congolese nationalists because of the absence of a definite timetable for the gaining of independence; and
- (3) because it was made public only after the riots, it may be interpreted as concessions to violence.

This new policy is the first comprehensive scheme for the political development of the Colony and it represents the first major alteration in the old Belgian policy which has been characterized as "economic and social advancement first, and unspecified political advance later". The new policy has been well received in Belgium but a few days ago further disorders broke out in Leopoldville and Matadi which point to continuing discontent among at least some of the Congolese. It will be significant if the disturbances spread into the vast interior, for the Congo has little ethnic or geographic unity and hitherto has exhibited little common political nationalism.

FAR EAST

9. Communist China Slows Commune Drive

899

(CONFIDENTIAL)

A resolution of the Chinese communist party published in Peking on the 18th of December, after the party's central committee meeting last November 28th - December 10th, calls a temporary halt to plans to set up large-scale communes in the cities and announces a consolidation period from December to April for the commune system. The 10,000 word document says that the slowdown has been ordered because of the complexities of the sweeping social changes involved. However, the resolution does not manifest any modification of Peking's aim to go ahead with the commune system, but it does, by implication, rule out temporarily some of the more radical measures.

After six months of extensive reforms during which 99 per cent of the peasant households were organized into 26,000 communes, it seems likely that the disruption of a long-established way of life and the demands made upon the labour force have caused widespread dissatisfaction. As yet there is no sign of serious popular unrest, but people have complained about having to surrender most of their possessions to the commune and there has been grumbling about the system of payments in kind and about the scarcity of consumer goods. The tremendous efforts required during the "great leap forward" year, especially in the last quarter, when everything was done to meet high targets, have left the people exhausted after working days of 12 hours and more which were not lightened by the very little privacy afforded

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by the "live, work, learn, have meals and amusements together" in the communes' canteens and dormitories. The peasants resent the excessive dislocation of their families when members are sent to work far apart and many parents object to the herding of their children into boarding schools.

In brief, it appears that the communalization has been too brutal and forceful. However, momentarily satisfied of having achieved the essential of their new system, more than 500 million peasants being integrated into the revolutionary communes and this formidable labour force having demonstrated its capability, the Chinese Communists have decided to slow down the pace of communalization, thus, following a usual practice of moving ahead rapidly in a new development and then pausing to resolve problems and consolidate gains.

The resolution also announced that the introduction of the communes in the large cities, where problems are more complex than those in rural areas, was to be postponed for an indefinite period and directed that possessions such as houses, bedding, furniture, clothing, bank deposits and funds remitted from abroad or within China are to remain as private property for the time being. The resolution indicated that the intention was not to disrupt the family - but the boarding system seems to be spreading despite parental misgivings - and it prescribed an income system of commune members of part wages, part food and other necessities, while an eight-hour work-day was fixed as normal; in any case, eight hours' sleep and four hours for meals and "recreation" must be guaranteed. Thus a softening of the more extreme features of the commune system seems to be designed to correct the disrupting effects of the impetuosity of the first six months and to advance more cautiously towards the ultimate communist goal of "to each according to his need" by retaining a remuneration based largely on wages rather than adopting outright the system of "free supply".

It is probable that transport difficulties, the poor quality of some products and the unfavourable reaction of the USSR and Satellites has had something to do with the change of pace in the commune movement. The creation of as many new centres of both production and consumption as are represented by the total number of communes, implying constant inter-exchange and transport to greater centres of processing, has put a tremendous stress on the inadequate railways and the truck park. Delays were inevitable and on many occasions harvested crops were left rotting while awaiting shipment. Difficulties in transportation resulted in serious food shortages in urban areas that were matched by similar shortages of consumer goods in the country side - where demand for such things have increased - where bulk buying in place of individual purchases made shortages more pronounced. In the much publicised field of iron and steel, much waste resulted from the tens of thousands of primitive smelters scattered all over the country that were too often badly located and built and poorly processed by millions of untrained and hurried workers. Finally, the unfavourable Soviet reaction

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to the Chinese communes, especially to the theoretical implications of communalization and its effects on Eastern Europe, and a very bad Western and Yugoslav press which was threatening to undermine Communist China's relations with uncommitted countries cannot have been without effect on the dropping by the Chinese of their recent claim of advancing rapidly toward communism. They merely repeat now what they were saying before the establishment of the communes, that they are still building socialism. They even add that communism is not so near nor so easily attained and deny that communalization is to be equated with the change from socialism to communism, while stressing the impossibility of achieving true communism without first attaining a high degree of electrification, industrialization and mechanized agriculture. However, the resolution explicitly states that communes are the best form for the transition to communism in China - a geographical limitation not spelled out in previous directives.

10. Political Situation in South Korea 887 (CONFIDENTIAL)

For some time now the popularity of the governing Liberal Party in Korea and perhaps to a lesser extent that of President Rhee has been declining. On the other hand the Democratic Party, another right wing organization which is the only important opposition, has been steadily attracting public support. Not surprisingly, this has been disquieting to the Liberals who have shown a marked readiness lately to ride roughshod over their opponents in contravention of democratic procedures. The Liberals seem determined to adjust the rules of the political game with a view to their retention of power in the Presidential and Assembly elections scheduled for 1960. On Christmas Eve, while the Democrats were forcibly detained outside the Chamber, the Liberals pushed through the National Assembly a national security law which could be used with equal facility against Communist spies or against members of the Opposition and press who might criticize the Government, the 1959 budget and other controversial legislation. The result has been a political crisis of considerable magnitude which must give comfort to the Communist side of the Korean Armistice.

Although the atmosphere in South Korea remains tense, there have been no important public demonstrations in the face of a show of police strength almost continuous since the Christmas crisis. Outdoor public meetings have been banned indefinitely and all political parties and social organizations have been required to register with the Office of Public Information before undertaking any political activity. Dr. Rhee has refused to discuss the situation with Vice-President Chang, a member of the Democratic Party. Reports from Seoul indicate that the President, who will be eighty-four this year, is ready and willing to run again for office in 1960.

The United States has been concerned about recent developments and on January 14 the State Department announced that the United States Ambassador to South Korea had been summoned home for consultation.

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NORTH AMERICA

11. Proposed use of Radioactive Position
Markers on Ocean Bottoms

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(CONFIDENTIAL)

An article in the Toronto Financial Post of 29th March 1958, quoting unnamed sources "in the US", claims that radioactive position markers have been discovered on the ocean bottom off the Canadian and U.S. coasts. The article speculates that these markers may have been surveyed into position by Soviet oceanographic vessels and states that "some NATO defence men" believe that they may be intended for use by missile-carrying Soviet submarines as very accurate underwater position fixes. A subsequent article in the London Sunday Express of 18 Jan 1959, written by its "Toronto reporter", repeats that radioactive markers have been found off the west coast of Canada and are causing grave concern to Canadian and U.S. naval authorities.

COMMENT: Canadian defence authorities have no knowledge of the discovery of any so called "radioactive markers" off the coasts of Canada and consider such an application of radioactive materials to be a highly impractical venture. Because of the high attenuation in water of all forms of radiation, including penetrating gamma rays, it is doubtful whether a usable radiation source could ever be fabricated which would be detectable to a distance of more than 15 or 20 feet. It has been calculated (see appendix) that a very large radiation source, such as 10,000 curies of cobalt - 60, would produce a dose rate of about one micro-raentgen (10^{-6} r) per hour at a distance of about 13.5 feet in water, far less radiation than is registered naturally at the earth's surface.

It is noteworthy that the so called "Swimming pool" nuclear reactors depend entirely on tens of feet of water for shielding purposes.

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LATIN AMERICA

12. Recent Developments in Cuba 884

Since the flight of former President Fulgencio Batista of Cuba to the Dominican Republic on January 1, the forces of Fidel Castro have assumed complete political control of the island republic. Provisional President Dr. Manuel Urrutia was installed in Havana on January 5 and announced that his government would rule Cuba by decree and according to the Constitution of 1940, until free elections are held within 18-24 months. Fidel Castro arrived in the capital on January 8 following a triumphal journey from the temporary capital of Santiago de Cuba, begun on January 4.

On January 6, our Embassy in Havana received a note from the Cuban Ministry of State providing a list of the new Cuban Cabinet and advising that the revolutionary government had complete control of the Republic and that all international obligations and treaties in force would be respected. The Canadian Government recognized the government of Dr. Manuel Urrutia in a reply to this note on January 8. The members of the new Cabinet are as follows:

Prime Minister - Dr. Jose' Miro Cardona
Minister of State - Dr. Roberto Agramonte Pichardo
Minister of Justice - Dr. Angel Fernandez
Minister of the Treasury - Dr. Raul Chibas
Minister of Labour - Dr. Manuel Fernandez
Minister of Health - Dr. Julio Martinez Paez
Minister of Public Works - Engineer Manuel Ray
Minister of Recovery of Misappropriated
Property - Dr. Faustino Perez
Minister of Education - Dr. Armando Hart
Minister of Commerce - Dr. Raul Cepero Bonilla
Minister of Agriculture - Dr. Humberto Sori Marin
Minister of the Presidency - Dr. Luis Buch

Early changes are expected in this list.

To date, we have received no detailed information on the individual members of the Cabinet. The new Prime Minister is Dean of the Havana Bar Association and the Minister of Public Works is said to be the former boss of the Havana rebel underground.

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Some dissension among the various rebel groups became evident on January 7 when the so-called "13th of March Revolutionary Directorate", the survivors of the students' attack against Batista's presidential palace on March 13, 1957, who had created a second front in Las Villas Province, issued a statement demanding participation in Castro's provisional government for all revolutionary organizations and a part in drawing up the Government's programme and setting the date and form of the general elections. The Directorate began stockpiling arms for itself but finally turned these over to the Government on January 10 in the wake of severe criticism by Fidel Castro.

As soon as the revolutionary groups had established control throughout the Republic, a series of military trials and summary executions of former Batista officials were begun which have reportedly reached over 240 in number to date. These actions have provoked severe criticism by government officials and the press in such countries as Argentina, Mexico and the United States, where Senator Wayne Morse was particularly outspoken on the subject.

The new Cuban Government claims that Batista and his officials were responsible for the death of 20,000 people by murder and torture. They are indignant that so much criticism has been levelled at them so quickly by sources who, they claim, ignored the alleged atrocities of Batista. Castro has therefore invited 350 newmen from the United States and Latin America, critics in the U.S. Congress and U.N. observers to attend the public trials at Havana of 650 men held on charges of murder and other crimes on behalf of the Batista dictatorship.

On January 21 Castro addressed a wildly cheering outdoor rally of close to one million people called in Havana to demonstrate solidarity for the revolutionary government and to ask for public backing for the trials and executions. Highlights of his one hour and twenty-five minute speech were as follows:

- (1) Cuba would ask for a revision and nullification of onerous concessions granted to foreign enterprises by Batista.
- (2) He decried "the wicked campaign of villification" launched against the Cuban people from abroad.
- (3) The Government should ask the United States to return Cuban war criminals.
- (4) Cuba would seek extradition of Batista, "the Hitler of Cuba", from the Dominican Republic.

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- (5) He compared the trials in Cuba to those in Nuremberg after the Second World War and asked for their approval by the throng before him.

Castro was followed by Urrutia who said he would seek changes in laws on international asylum "so that dictators and collaborators" could not take asylum in foreign embassies.

The show-case trial of an army major was begun the following evening in the Havana Sports Palace before an audience of 15,000 persons and a three-man military tribunal which sentenced the defendant to death on five counts of murder, homicide, robbery, looting and damage after more than four hours of deliberation.

COMMENT: It is important to note that Fidel Castro is not a member of the present government. His title is that of government delegate to the Cuban Armed forces. However, it is he who has so far made all the important public statements of policy. His manner of dealing with the Revolutionary Directorate and his reaction to the foreign press indicate that he is extremely sensitive to any criticism at home or abroad. It would seem that after a two-year battle against great odds, he now must learn to adjust to a civilian society and accept the frustrations of a non-military government. He has evidently been shocked at the sudden criticisms which followed the first flush of his victory and has sought some justification for his actions in comparing them to the war crimes trials at Nuremberg and by making somewhat gratuitous attacks against his foreign critics.

It is still too early to estimate how much say the revolutionary groups other than the 26th of July Movement will have in running the affairs of the country, although the incident with the Revolutionary Directorate outlined above may be an indication. Ex-President Carlos Prío Socarras, whose millions may have been an important factor in Castro's success, has now returned to Havana. His political party has been dissolved and he is reported to have said that he is not interested in any public office. It might be expected, however, that he will wish to exert some influence in the future re-organization of the Republic.

Although the new Cuban Government will probably permit the Communists considerable freedom, they will likely be excluded from most offices of the new Government. Nearly all officials of the Government of provisional President Urrutia are reportedly anti-Communists, but seem unaware of the extent of the Communist threat. Fidel Castro and other leaders of the politically dominant 26th of July Movement have declared that the Communist Popular Socialist

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Party will be permitted to operate as a local political party since freedom of political action is guaranteed by the Constitution. The PSP, whose membership was last reported as 8,000 to 12,000 has already gained a recognized minority voice in organized labour since Batista's fall, although there are some indications that labour groups loyal to Fidel Castro may actively oppose it in labour. On January 10, the Communists in Havana held their first public rally since 1953. Their daily newspaper "Hoy" has resumed publication and the party has opened offices in Havana and Santiago.

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ANNEX I
TO JIC SUM No. 312
dated 5 February 1959

1. The 1959 Soviet Budget 897

The data released by Finance Minister Zverev concerning the budget for 1959 are more scanty than usual. The votes for major categories have been released and form a basis for some general observations.

The budget as a whole shows an increase which is larger by several percentage points than former ones, but it is thought that this is due largely to accounting changes. The budget is consistent with the goals of the new Seven Year Plan. The main votes are shown in the table which follows:

Planned Budgetary Expenditures, U.S.S.R.

1958 and 1959 and Comparisons
(Billions of Rubles)

	<u>1958</u>	<u>1959</u>	<u>Difference</u> <u>in Per Cent</u>	
Total Expenditures	627.7	726.4	+	15.7
Financing the National Economy	257.2	308.7	+	20.0
Social-Cultural Measures	212.8	232.0	+	9.0
Administration	11.9	11.5	-	3.5
Defence	96.3	96.1	-	0.2
Residual	60.3	58.9	-	2.4

The budget allocates to defence a sum of 96.1 billion rubles, which is a slight reduction from the figure of 96.3 billion rubles allocated in 1958's budget. It is believed that this vote covers such defence costs as pay and subsistence of personnel, and maintenance and operational costs of installations, equipment and units. It was believed until recently that this vote also covered the costs of procurement of military end items and of military construction. However, in view of estimates of costs for personnel and for operation and maintenance, which have been placed at more than two-thirds of the budget allocation, and in view of the mounting unit costs of military equipment, it is hardly conceivable that the defence allocation still covers both military construction and procurement. How much of these two items is financed in some

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other way is not known. In addition to the latter two items there are others which are believed to be financed outside of the defence allocation in the budget. These are military research and development (probably financed out of the vote for Social and Cultural Measures), Security Troops, Atomic Energy and Guided Missiles. The cost of these items is not known.

The category "Financing the National Economy" shows a sharp increase, but it is suspected that much of this increase is due to bookkeeping changes. For example, it is possible that figures formerly given for enterprises on a net basis are given now on a gross basis, thereby increasing both revenues and expenditures. It is logical to expect such a change since the budget has become an even more important instrument in controlling economic activity than it was before the economic reorganization of July 1957.

The vote for Social-Cultural Measures, which includes education, shows a normal increase. The appropriation for scientific research institutes has been increased from 23.9 billion to 27.3 billion rubles. The vote for administration, the remaining large category in the budget, shows a slight decrease over 1958.

Investment is to increase by 11 per cent, a rate of increase somewhat higher than the rate characteristic of the past 3 years: it is planned at 224.2 billion rubles (203 billion rubles in 1958). While an increase in investment was expected, some of it appears to arise from bookkeeping changes rather than from increases in available funds.

The data available indicate continued emphasis on heavy industry. Capital investment in certain industries is to increase markedly, especially in ferrous metallurgy, the chemical industry, in the petroleum and natural gas industry and in engineering. Investment in housing is to increase 14 per cent over last year, thus continuing the emphasis on housing.

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SOVIET UNION AND SATELLITES

1. Possible Move of East German AA
Regiment into Berlin Air Corridor

DMI's 3 of 16 Jan 59

A recent unconfirmed report received by USAREUR states that the East German 13th Antiaircraft Artillery Regiment moved in late December from Strausberg, approximately 20 miles East of Berlin, to Brandenburg, approximately 40 miles west of the centre of Berlin.

COMMENT: The relocation of this unit, if confirmed, would increase the anti-air defences in the Western air corridors into the city. Such a shift would be in line with recent Soviet threats regarding Western access to Berlin. The move may also be a part of the general relocation of East German military units into installations formerly occupied by Soviet troops in order to achieve a more strategic disposition of forces and, at the same time, to benefit from better quarters and facilities.

The 13th AAA Regiment is subordinate to the only home defence AAA unit in East Germany -- the 1st AAA Division at Frankenberg, in the extreme south. The other two regiments of this division, at Frenkenberg and Wolfen, north of Leipzig, are not now located in Western air corridors.

2. Labour Unrest in Czechoslovakia

XA's 8/59 of 19 Jan 59

Reports have been received from Czechoslovakia of unrest among the working class, and even isolated instances of violent clashes between workers and security authorities. Some reports, which sound authentic, indicate that members of the People's Militia, a para-military workers' organization, have refused to fire on their co-workers.

The cause of this unrest among the working class is the Czechoslovak Government's plan to rationalize the wage structure. It was announced at the XI Party Congress in June, 1958, that the reorganization should be completed within two years. A Central Committee meeting in mid-November adopted a programme which was to be submitted to Party organs for discussion. The new arrangements were to go into effect in January, 1959. Although details of the reorganization are not known, it can be assumed that the government's object is to reduce labour costs, which are greatly

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inflated by widespread practices such as setting low norms, working unnecessary over-time, planning work schedules to produce bonuses, arranging to have workers claim medical insurance to release their wages for over-time pay to other workers, etc. All of these practices are tacitly accepted by most managers, and regarded by the workers as a just means of securing a living wage.

It is not surprising therefore that a government decision to rationalize (i.e., to reduce) wages should arouse working class opposition. Working people are by nature not easily cowed. Czechoslovakia last experienced serious labour unrest in 1953, when workers struck and rioted in Pilsen and Ostrava in protest against the reduction in their real wages caused by the abolition of subsidized rationed food. Since then the Czechoslovak government has striven with fair success to keep their working people tolerably satisfied by increasing their standard of living, which by 1954 had reached a point higher than before the war. The recent unrest is in fact the most severe since 1953.

The Czechoslovak Government cannot have been unaware of the dangers of their announced plan to reorganize the wage structure. However, the step is probably necessary if the Second Five Year Plan targets are to be met by 1960. Whether, in the face of this resistance, the Czechoslovak leaders will persist or give way, is not yet known. If past performance is a guide, they will make concessions.

Of interest is a report from the Canadian Embassy in Prague confirming circulating rumours that mobilization orders have recently been issued. It cannot yet be fully assessed whether the sending of mobilization orders to army reservists is related to the recent outbreak of labour unrest. One possible explanation of the mobilization orders is that the government, anticipating trouble, is preparing to call up reservists to replace regular security forces which latter could then be used to deal with labour disturbances. There is evidence suggesting, however, that the mobilization orders have been issued only in connection with a revision of procedure, and that they have no other significance.

Diplomatic sources have also reported that as yet there have been no signs of sympathetic unrest among other significant segments of the population such as the journalists or the students. Nor has there been any noticeable increase in the activities of the security forces, apart from the mailing of the mobilization order. Thus, while the situation should be closely watched, the Czechoslovak Government still retains full control of the situation.

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XA's 9/59 of 19 Jan 59

3. Western Reaction to Soviet draft Peace Treaty

(CONFIDENTIAL)

The reaction in major Western capitals to the Soviet Notes of January 10 and accompanying draft Peace Treaty has been generally unfavourable. It is argued that a settlement along the lines proposed by the Russians would leave Germany still divided and yet would separate West Germany from NATO, would prevent the West German army from having nuclear weapons and would reduce the West German military organization to little more than a police force.

West German Attitude - Adenauer was reported on January 12 to have described the Soviet draft Treaty as "brutal", and he advocated its outright rejection. He urged that the Western Powers remain firm on their insistence that a Peace Treaty can be concluded only by an all-German government formed on the basis of free-elections.

A senior official of the German foreign office has informed our embassy in Bonn that an effort is being made to work out possibilities of what the West might offer the USSR at a four Power conference. He personally felt reasonably certain that there would be a conference in the near future of the USA, UK, France and the USSR. (The Social Democrats in Germany have charged Adenauer with inflexibility in his approach and, while agreeing that the draft treaty could not be accepted as it stands, they have said that it should be closely examined as part of the search for a constructive basis of discussion with the USSR).

USA Attitude - In his press conference of January 13, Mr. Dulles quoted Adenauer as saying that the USSR had adopted a "brutal" approach and he added his own opinion that it was a "stupid" effort because it would not work. Despite this harsh language, Mr. Dulles adopted a somewhat less provocative attitude toward Soviet intentions when he said that it was unreasonable to expect that the Soviet Union would give up positions which it had if by so doing it thought it might be giving a strategic advantage to those it regarded as potential enemies. He added that if there was going to be reunification it would need to take into account such facts of life. He emphasized the dangers he saw in trying to isolate and neutralize the German people in the center of Europe. On the issue of reunification, Mr. Dulles has aroused interest and speculation in other countries by his remark that, although the agreed formula for reunification was by free elections it was not the only method by which reunification could be accomplished. He refused to comment on other possible methods he might have in mind.

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On January 14 President Eisenhower supported Mr. Dulles' comments by stating that the West must be ready to make material moves to assure the Soviet Union that it has nothing to fear from a reunited Germany. He denounced the Soviet proposals as an exercise in futility.

United Kingdom Views - In a NATO Council meeting on January 12, the UK representative assessed the Soviet proposals as somewhat harsher than ones they had advanced in 1952 for a German peace treaty. He argued that no significant offer to negotiate was involved and that the Notes seemed primarily designed to influence public opinion. He thought the USSR was probing Western willingness to modify the terms of discussion as presented in the replies of the Western powers to the Soviet proposals on Berlin, and he expressed the view that the firm attitude of the West in replying to these November 27 Notes had had some effect.

French Attitude - In the NATO Council meeting on January 12 the French representative shared the general opinion that the terms of the Soviet proposals for a German peace treaty seemed to be firmer than similar proposals in the past. He thought the basic Soviet intention was to detach the Federal Republic from the West.

SCANDINAVIA

4. POLITICAL DEVELOPMENTS IN FINLAND *NA 11/59 J* (CONFIDENTIAL) *19 Jan 59*

On January 13, a new coalition government, the second since the general elections in July 1958, was formed in Finland.

Following is a review of the political situation in Finland as well as the economic and political pressures to which the country is being subjected by the USSR.

Background

The multiplicity of political parties and the inability of any one to gain an absolute majority in the Diet has resulted in governmental insecurity to the extent that between the two general elections in 1954 and 1958, there were eight changes of government. In the July 1958 election, the Democratic League (Communists) emerged as the largest single party with 50 out of the 200 seats in the Diet. The Agrarians (centre) won 48 seats; the Social Democrats (left) 38; Conservatives (right) 29; Swedish People's Party (centre) 14; Independent Social Democrats (Skogists) (left) 13; and Finnish People's Party (right) 8. After the election, a

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period of difficult negotiations ensued, during which attempts were made to form a coalition government which it was hoped could submerge party differences. A five-party coalition government headed by Prime Minister K.A. Fagerholm of the Social Democrats was finally formed at the end of August. It included representatives of right-wing and left-of-centre parties, but excluded the Communists. The two major parties in the coalition were the Social Democrats and the Agrarians which agreed to compromise on certain fundamental economic issues in the hope that the coalition could achieve a degree of economic stability in Finland by the introduction of measures to combat declining productivity and rising unemployment. The other major party in the coalition, the Conservatives, introduced a strong right-wing element into an essentially left-of-centre government.

Governmental instability in Finland in the post-election period was therefore in part due to the difficulties of reconciling the widely divergent points of view in the multi-party Cabinet, the situation being aggravated by the split in the ranks of the Social Democratic Party which led ten members of the party to join the Skogists (Simonites) on the opposite side of the house.

Soviet Pressure

However, the most important factor in the collapse of the August coalition was perhaps the unfavourable Soviet reaction to the exclusion of the Finnish Communist party from the government. There had been earlier indications of Soviet displeasure concerning certain Finnish newspaper articles, books and public speeches and of concern in Moscow over Finland's growing intimacy with Western countries and particularly with West Germany, whose trade with Finland has been increasing. Now, however, Soviet disapproval manifested itself through economic and other pressures which had an immediate effect on Finland's economy and the morale of the broadly based coalition. First, came a delay in signing an agreement which had been reached over fishing rights in the Gulf of Finland; then negotiations on the re-opening of the Saimaa Canal were suspended in Moscow (more damaging psychologically than economically since there are indications that the development of alternative arrangements have deprived the canal of much of its former importance); next came the precipitate withdrawal and reassignment of the Soviet Ambassador; more important for Finland, the negotiations for a promised rouble loan and the annual trade talks were indefinitely delayed by the Soviet Union; finally, late in November, the Soviet Union placed an embargo on further shipments of Finnish goods for the remainder of the year.

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In this environment, political differences could not remain submerged, and the Agrarians, dissatisfied with the government's handling of relations with the USSR and fearing further Soviet interference, on December 4 withdrew from the coalition. Prime Minister Fagerholm immediately handed in the resignations of the entire government although agreeing to continue in office at the head of a caretaker government until a satisfactory solution could be worked out.

In the post-war period, the guiding principle of Finnish foreign policy has been "the Paasikivi line" which the former President defined in this way: "Our foreign policy can henceforth (1944) never run counter to the Soviet Union and our eastern neighbour must be convinced of our determination to prove this". The Agrarians have presented themselves as the heir to this principle, maintaining that it was the vital element in Finnish foreign policy. The right-wing parties and the majority wing of the Social Democrats recognized the immutability of Finland's foreign policy as it concerned the Soviet Union, but sought to follow a slightly more independent course than the Agrarians. They felt that Finland's economic and internal affairs should be conducted entirely independently, as long as foreign policy was maintained strictly in accordance with treaty obligations and without damaging or threatening the strategic interests on the Soviet Union. It would seem, therefore, that while most Finns did not believe their foreign policy was in any way opposed to the Soviet Union, Moscow did not share this view.

Prior to the Christmas recess the Finnish Diet could find no workable solution to the political crisis. It was apparent that the major obstacle to the formation of a new government would be the question of setting up a viable cabinet enjoying broad support and able to deal with the USSR, without including the Communist party. With the possible exception of the opposition Social Democrats (Skogists) and certain elements within the Agrarian party, the non-communist parties would not agree to the inclusion of the Communists in a coalition.

In response to an appeal from the parliamentary leaders of those of the non-communist parties, the Finnish Diet reconvened on January 8 to deal with the problem of forming a government. On January 13, after intensive negotiations, the Agrarian party under Prime Minister Sukselainen, formed a minority government joined only by Mr. Ralf Torngren of the Swedish Party which authorized him to participate as a "technical-expert". He will be Foreign Minister with Foreign Trade a separate portfolio under the charge of Ahti Karjalainen.

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The success of the Agrarian Government will depend on its ability to re-establish normal political relations and fruitful economic relations with the Soviet Union. The Government's permanence will depend at home on its ability to avoid controversial domestic issues which would bring together a majority against it. Its area of manoeuvre is therefore strictly limited and there would appear to be no justification to expect important policy initiatives.

The alternative of new general elections would not, in the judgment of observers, offer much hope for an improved composition of the Diet. An uncertain time is therefore in prospect under the conflicting influence of the need to maintain satisfactory economic and political relations with the Soviet Union, and the desire to strengthen Finland's independent position to permit elaboration of its economic and political exchanges with the west.

MIDDLE EAST

5. PRESIDENT NASSER'S ATTACK ON COMMUNISM X A 7/59 *19 Jan 59* (CONFIDENTIAL)

In his speech on December 23 at Port Said, President Nasser covered a number of topics. Attention has focussed on the passages in which he attacked Syrian reactionaries and communists for their opposition to the UAR and to Arab unity in general, and declared that he would fight against these enemies of Arab nationalism. In the greater part of the speech, however, he developed the theme of Arab unity as an instrument of power essential to the survival of Arab nationalism and then spoke of economic and social objectives. Imperialism was as usual vigorously denounced, partly no doubt in order to balance the attack on Syrian communism. Mention of the USSR was perfunctory, but it was not blamed for the behaviour of Arab communists, nor was any indication given that its official relations with the UAR would be adversely affected. President Nasser may have hoped, however, that his public denunciation of Syrian communists would lead Moscow to give counsels of moderation to Communist parties in Syria and other Arab countries.

The President's speech seems to have been prompted by the need to deal with local opposition in Syria to Cairo's policies. Business and landed interests view with concern the proposed economic unification of the two regions of the UAR. They are also dissatisfied with the recently decreed

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agrarian reform and express disappointment over the slow implementation and the modest scale of economic development plans for Syria. The Syrian Communist Party for its part has maintained its opposition to organic unity within the UAR. The Party refused to dissolve itself after the establishment of the UAR. After the Iraqi revolution the Party proposed a federal association of Iraq with Syria and Egypt in which Syrian ties with the UAR would be loosened (except in the defence and foreign policy fields) and which would accordingly have a certain appeal both to business classes and to those Syrians finding fresh attraction in the idea of union with the new republican Iraq. Apparently the public advocacy of this line by party leader Baghdash, in a Beirut communist paper, impelled the UAR authorities to react openly and vigorously to the communist challenge. It would seem that President Nasser who had found it possible in the past to keep Egyptian communists well in hand without undue publicity, felt the need to justify, in terms of Arab nationalism, a stronger line in Syria. Obviously the Syrian Communist Party, supported by an aggressive party in Iraq, had come to represent a more formidable challenge to Cairo.

While much of the social and economic content of the December 23 speech is along familiar lines it strikes a new note when it declares that the future Arab society should be in accordance with "our conditions of religion" and should seek, not to reduce the people to servitude, but to "help the people to become landowners in a cooperative state". These remarks seem intended to reject communism as a possible ideology for Arab nationalists, as well as to reject collectivism as an answer to agrarian feudalism. The President asserted his intention to tolerate "no deviation towards right or left" in internal matters, which amounts to a doctrine of "domestic non-alignment". The President then denounced the factions which threatened the integrity of the UAR. On the one hand, groupings against the union had appeared amongst reactionaries, in alliance with imperialism and Zionism. On the other hand, the Communist Party in Syria was working against Arab nationalism and unity, and sought to break up the UAR. Party members were branded as "opportunists", apparently because they manoeuvred for power at a time when Arabs should remain united in their struggle against "Zionism and imperialism".

The absence of any direct reference to the present Iraqi situation, in a speech obviously relevant for Iraq, is consistent with the caution shown in this respect in the President's speeches in the last few months. His statements on Iraq have been limited to expressions of friendship for the Republic and denunciations of "imperialist" attempts to sow dissension between that country and the UAR. He has made it clear that he was not advocating a single leadership for the Arabs, that unity could not be imposed

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by force, and that Arab solidarity was more important than organic unity. He disclaimed any right to speak for Iraq or to dictate its policies and stressed the relative unimportance of Arab leaders as opposed to the masses which were the torch-bearers of Arab nationalism. This cautious line seemed calculated to placate the Iraqi leaders without bolstering their position. However, while President Nasser is in a position to disclaim any intention of alluding to Iraq in his December 23 speech, one of the objects of the speech was probably to exert some indirect pressure on the Iraqi authorities on two crucial issues. First, by extolling the concept of Arab unity as opposed to particularism, the President may have hoped to strengthen the position of pro-UAR elements in Iraq. Secondly, the attack on communist "opportunism" was no doubt meant as a hint and as an example to the Iraqi regime which, Cairo probably believes, does not recognize the real threat of a communist bid for power in Iraq.

The reaction of the Egyptian and Syrian press to the speech provided indirect evidence of the UAR authorities' concern over Iraq. This came out, in somewhat indirect form, in attacks against an "imperialist" plan in which Zionists and communists throughout the Middle East were alleged to be taking part. The Moscow press and radio did not report the President's reference to Syrian communists, and limited itself to an attack against the editor of a moderate Egyptian paper (closely identified with the UAR Government), whose anti-communist line was reviled as imperialist-inspired. The French and Italian communist party organs gave mildly-worded support to the Syrian communists. On the other hand, the Soviet Ambassador in Cairo was quoted by an Egyptian left-wing magazine as declaring that the UAR's handling of its communists was purely a UAR domestic problem. In addition, the Soviet-UAR agreement on the Aswan High Dam was signed in Cairo four days after President Nasser's speech. In Iraq, where the communists are gaining increasing control over the means of influencing public opinion, the speech was given a somewhat sharper reception. The press tended to give only limited coverage to the President's criticism of Syrian communists and many papers came out more or less openly in defence of the line adopted by the latter.

President Nasser's speech has been promptly translated into action, with the arrest of a few hundred communists in both regions of the UAR and the closing of some communist printing houses. A three-man committee has been despatched to Syria with the avowed task of speeding up development plans. However, the fact that the UAR Minister of the Interior is a member suggests that the committee will deal as much with security problems as with economic ones.

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SOUTH EAST ASIA

6. NORTH VIETNAM-LAOS BORDER INCIDENTS

XA's 10/29 of 19 Jan 69

Following a series of border incidents between North Vietnam and Laos, it is reported that the North Vietnamese Army, at the beginning of December, penetrated into Laos at three different places:

in the northern province of Xieng Khouang;

in the district near the Vietnamese frontier of Vinh, and

towards the town of Tchepone, near the Demarcation Line between North and South Vietnam.

The size of the invading forces is unknown although it is believed that the units near Tchepone are one-company strong. The first two units have been withdrawn, but the company installed now has rejected all offers of discussions from the Laotian regional authorities.

The North Vietnamese Prime Minister, Pham Van Dong, sent two messages to the Laotian Prime Minister, Phoui Sananikone, accusing the Laotians of repeated incursions into Vietnamese territory, of violating Vietnamese air space seven times since October 13, 1958 and of carrying out intelligence activities in North Vietnam. In a third message, dated January 5, the North Vietnamese Prime Minister suggested a meeting of delegations from the two countries to discuss all pending problems.

In two vigorous messages Phoui Sananikone denied Pham Van Dong's charges and on January 8 sent a dossier on the subject to the United Nations Secretary-General, which places the blame on the North Vietnamese, counters their accusations, and asks the Secretary-General to take unofficial action to obtain withdrawal of North Vietnamese Troops from Laotian territory.

The situation at the border is complicated by the fact that there have been insistent rumours of an Army coup in Vientiane, directed mainly against the Neo Lao Hae Xat, the Communist-influenced party. The inference is that the North Vietnamese have stirred up trouble in Laos to prevent such an Army coup, to weaken the present Government, to support the Neo Lao Hae Xat, and to create, near the South Vietnamese frontier, a pocket through which agents and arms smuggling could enter South Vietnam and Cambodia.

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On January 13, the Phoui Government obtained special powers for one year from The National Assembly to implement a programme of political and economic reforms.

COMMENT: Although neither North Vietnam nor Laos has requested a return of the International Commission to deal with these border disputes, the question has however been raised in a different context. The Polish Government and the leader of the Neo Lao Hax Xat, Prince Souphanouvong, have requested a meeting of the Laos Commission to deal with specific internal problems, but not with border disputes. The Polish proposals do not warrant a reconvening of the Commission. Prince Souphanouvong's charges however, are more serious. They include measures taken by the Laotian Government against members of the Neo Lao Hax Xat, violation of the Agreement between the Government and the Pathet Lao concerning political and military integration, and the introduction into Laos of American arms and personnel.

The course of action suggested by Prime Minister Phoui Sananikone, i.e., an appeal to the United Nations, is the best one in the circumstances and the one which might yield the most positive results. Meanwhile, the constitutional action taken by the Phoui Government and approved by the National Assembly is generally interpreted as being conducive to a strengthening of the Royal Laotian Government in its dealings with internal and external opposition.

AFRICA

7. Belgian Congo-Airlift

DAI's 10-59 of 12 Jan 59

The Royal Belgian Air Force requisitioned an undetermined number of Sabena DC 7s on 11 Jan 59 to airlift Belgian para-commandos to LEOPOLDVILLE on 11/12 Jan 59. The action was taken in response to an urgent appeal from the Governor General of the Belgian Congo because of possible unfavourable reaction to the scheduled 13 Jan 59 announcement regarding a new programme for the Congo.

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Three hundred para-commandos were airlifted to LEOPOLDVILLE on 11 Jan 59; an additional 250, returning to Belgium, were intercepted at LISBONNE and returned by air to KAMINA. This increased the total of para-commandos in the area to 850.

COMMENT: On 10 Jan 59, a reliable source reported that the recent uprising in the Belgian Congo had been minimized in the press and that although the demonstration was spontaneous, the natives had reacted to propaganda from CAIRO and Ghana. Native troops in the area were suspect and reinforcements from Belgium would be required. As the transport capabilities of the RBAF were inadequate to airlift the extra troops, action was being taken to requisition Sabena aircraft. The RBAF would provide logistic support for the forces in the area.

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EUROPE

1. East Germans Expand Reserve Training *DMI 27* (CONFIDENTIAL)
9 Jan 59

An intensified reserve training program consisting of seven courses each of six weeks duration will begin in East Germany in January and February, 1959. The total number of trainees this year, all of whom have had prior service in the Army or in militarized security forces, reportedly will be about 20,000.

COMMENT: Service in the regular army of East Germany, which is estimated to comprise 67,000 men, is on a voluntary basis. Men who have been released from this force following a term of service now number about 175,000 and constitute the ground reserves of the country. It is believed that these reserves are subject to compulsory periodic recall despite the fact that the original service was voluntary. In addition, students in state colleges and universities also receive part time military training and certain graduates are commissioned in the reserves. Participation in reserve training by students is compulsory in that non-participants lose their right to continue their studies.

In the event of mobilization and providing there was no interference from nuclear attack, existing regular army units, many of which are now below authorized establishment, could be rapidly brought up to strength. Within six months following mobilization, the East German ground forces could be expanded to about 350,000 men including security forces and provided the USSR supplied the necessary logistical support, these forces could be organized in 14 line divisions.

As preparations for training of reserves commenced in 1957 and were first implemented in 1958, it is unlikely that the 1959 East German reserve training program is directly related to the current Berlin situation.

2. East German Police Suppress
Youth Riots

973 (CONFIDENTIAL)

According to a Reuters dispatch of 22 December, 1958, East German authorities employed a hundred policemen to break up youth riots which took place in the Hallmarket, the largest city square in Halle, near

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Leipzig, on 16 December. As reported in the Halle newspaper, "Freiheit", the riots began with an attack on an East German Army corporal, increased when an army patrol arrived to restore order, and were finally quelled when an emergency police squad cleared the square. 15 youths were detained and later released and others are reportedly still detained. The Communist newspaper blamed the incident on Western "hooligan" influence stemming from West Berlin.

COMMENT: Following the demonstrations which took place in the university centres of Halle, Leipzig, Dresden and Jena during the 1956 October - November events in Poland and Hungary, there have been sporadic incidents of youth unrest. More recently, the existence of organized student resistance was confirmed by Politburo member Albert Norden who admitted during the recent elections that a number of Jena University students had been tried and sentenced for traitorous activities.

During 1957, the East German Communist papers reported that members of the Armed Workers Militia supported by the Armoured Police had been engaged in "civil war games, street fighting exercises and the destruction of terrorist bases". This activity appeared to be on a rather large scale in a number of provincial centres and seemed to be aimed at discouraging any violent outbursts of anti-communist feelings.

The recent Halle riots, although apparently unorganized, indicate continued anti-government sentiment among East German youth, probably heightened by tension over the Berlin situation.

MIDDLE EAST

3. Israel - Procurement of Fouga Magister Jet Aircraft

874

The French Government has released five twin engine CM 170 Fouga Magister jet trainers to the Israeli Air Force. The aircraft were delivered crated and are currently being assembled at the Bedek Aircraft Plant located at Lydda Airport. The Bedek plant was modified to assemble the initial five aircraft and is being further altered to permit the local construction of component Fouga parts under licence in the future.

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The Israeli Air Force intends to use the Fouga Magister both as a trainer and as an operational aircraft. In a trainer role it will enable the IAF to eliminate training on conventional piston aircraft; in an operational role it appears that the Israelis intend to use the aircraft with air to air and air to ground missiles.

The French Air Force is co-operating fully in the conversion of the plant and in the training of Israeli personnel.

COMMENT: Fouga Magister CM 170 has been adopted by the French Air Force to replace conventional trainers in its "all jet training programme". The aircraft normally carries two 7.5 mm guns and four 110 bombs or four rockets. In addition the aircraft may be equipped with one missile under each wing. The French have used both air to air and air to ground SS power unit missiles equipped with soft, armour piercing, or shrapnel for operations, and smoke charge and dummy warhead for training.

The Fouga Magister is also produced in a single seater version, with similar armament, as a light tactical support plane. The evidence suggests the delivery of the "operational" version.

The performance characteristics of the trainer version indicate the maximum speed at 23,000 feet as approximately 380 knots, and the service ceiling as 40,000 feet. The aircraft is powered by two Turbomeca Marbore II turbo-jet engines developing 880 lb s.t. each.

NORTH AFRICA

4. Political Situation in Morocco

872- (CONFIDENTIAL)

The government of Moulay Abdullah Ibrahim, which was invested on December 24, more than a month after the resignation of Bouabid produced a cabinet crisis, is facing an armed revolt in the Riff. The trouble, which is centered in Alhucemas (about 100 miles south-east of Tetuan in what was formerly Spanish Morocco) broke out shortly after the new government was formed and attempts by government troops to restore order have not so far been successful. There are indications that the disturbances may spread along the coast.

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COMMENT: The current hostilities are simply an intensified form of the discontent which has existed for some time among the mountain tribes, which have traditionally resisted the authority of Rabat. The Berber tribes in the Riff and the Atlas have not recognized the authority of the caids named by the government, they have resisted the payment of taxes, and they have preferred their own tribal law in preference to the modern form of justice which the central government has tried to introduce.

The government invested on December 24 -- the fourth since independence -- probably was the straw that broke the camel's back. After two unsuccessful attempts to develop a government which, while nationalist, would not be extremely left wing, King Mohammed turned to Ibrahim, a friend of Ben Barka and an active member of the left wing of the Istiqlal. The political complexion of Mr. Ibrahim apparently was more to Balafrej's liking than had been that of the first two politicians tried by the King, and this fact presumably made it possible for Mr. Ibrahim to form a government. Thus Morocco continued its trend to the left.

Tribal discontent probably could have been calmed by the formation of a government balanced between the Istiqlal party on the one hand and a reasonable representation of the staunch supporters of King Mohamed and spokesmen for the mountain tribes on the other. However, the King produced a cabinet, the control and main portfolios of which were delivered not only to members of the Istiqlal but to the leaders of the left wing of the party. The left wing of the party, of course, represents the restless urban masses, and not the mountain tribes. The tribes are not fond of the Istiqlal party in any form but government control by that wing of the party which derives its support from the cities will undoubtedly increase discontent in the north.

It is difficult at this stage to assess the seriousness of the situation. However, it is significant that an appeal to the northern tribes by King Mohammed did not restore order. Officially the Moroccan government has voiced optimism about the situation, but it seems certain that the discontent existing in the Riff will not be resolved very quickly. The poverty and underdevelopment of the area, the sense of isolation and lack of authority felt by the tribes, and the desire to be administered by their own leaders, are all factors which will promote unsettled conditions. The Riff tribes have gone so far as to ask Spain for help in supporting the King against extremists in the Istiqlal party. The Spaniards have indicated that

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they do not intend to intervene, but the request indicates the seriousness with which the tribes view the situation.

Although the new government will be forced to devote much of its energy to internal problems, it would not be surprising if it renewed pressure for the elimination of foreign bases from Morocco.

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SOVIET UNION

1. Current Estimates of Tank
Production in USSR

71380 of 19 Dec 58

It was agreed that production of the T-10 heavy tank, first seen in the 7 Nov 57 parade in Moscow, probably began in 1951, at a single factory and is continuing. Present production is no less than 200, the British estimate, but the American estimate is considerably more. There is no direct indication of production, but requirements are estimated at about 2,600, which will be achieved in 1960 according to the British estimate, (which allowed for higher production in the earlier years) and may already have been achieved according to the American estimates.

There was closer agreement on the T-54 medium tank, which is believed to be under production at three factories. Cumulative production at the end of 1957 was estimated to be 30,500 or 35,400. These estimates are tied to some marking relating to 1954 and 1955 production at two of the three plants.

It is thought that a new type of medium tank may go into production in 1958.

2. Soviet Troop Rotation
in East Germany

DMI 87 of 22 Dec 58

The annual rotation programme for Soviet troops in East Germany this year began during the last week in September which was six weeks earlier than in previous years. During October and November trooping continued normally and by 15 December, the number of full incoming troop trains observed was 84 while the outgoing trains numbered 82. A year ago, trooping extended from 28 October to 29 December and involved about 140,000 troops in 117 full incoming and 134 outgoing trains.

With the exception of the movement of some AA details to Wustrow on the Baltic coast, and the movement of a few range firing details, recent activity in GSFG has been confined to individual training in garrison locations. Although weather conditions have hindered observations, this pattern of normal training activity has been confirmed by rail movements.

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COMMENT: The estimated strength of Soviet ground forces in East Germany is 328,000. The annual turnover of 140,000 therefore represents about 40% of this force. During the period of exchange, operational capability is reduced. As the rotation nears completion however, GSFG will be in a better position than at any time during the past two months to provide military support for political objectives in the Berlin crisis.

In the turnover, however, the GSFG has lost about 40% of men who have had probably over two years of training as part of larger formations and at this time of the year the force has a maximum number of relatively untrained troops.

The general pattern of recent movements and the current state of training in GSFG is not therefore indicative of preparations for impending aggressive military operations in the East German zone.

3. Appointment of New Head of
Soviet Committee of State Security

XA 2/59 of Jan 59

Alexander Nikolayevich Shelepin, former senior official of the Komsomol organization has been appointed Chairman of the Committee for State Security (KGB) to replace Army-Gen. I.A. Serov who was relieved of his duties early in December to take up another appointment.

COMMENT: As in the case of Dudorov who was appointed Minister of Internal Affairs (MVD) in 1956 to replace Kruglov, Shelepin is strictly a Party functionary and has no known police or military background. First Secretary of the All-Union Komsomol Central Committee since November 1952, he has been a leading figure in the communist youth movement since April 1944. Last June he was reported to have been posted to the Department of Party Organs of the Central Committee of the Communist Party of the Soviet Union.

In the past, the removal of the head of the KGB, which is responsible for the suppression of counter-revolutionary trends at home and the conduct of intelligence and counter-intelligence operations abroad, has usually meant a change in Soviet internal security policy. However, the most recent announcements of further liberalization of the criminal code, seems to confirm a trend, evident

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since 1955, towards the placing of the security services firmly under Party control while emphasizing at the same time the adherence of the Soviet police to the principles of "socialist legality". It seems highly probable that the principal motive underlying this latest move was then, as General Serov himself pointed out in December 1957, the need to "remind the Soviet people that the security organs continued to serve the will of the party... and must place the interests of the Communist Party above everything else."

While all the reasons for this change must remain the subject of speculation, it seems not unlikely that Khrushchev's policies, which have excited a conservative reaction in some areas of the Party, Government and of Soviet society, may have led to the crystallization of some conservatism in the KGB; it is difficult to imagine that this organization, which is the epitome of the conservative outlook in all of the communist states, has not found it hard to adjust to the new dispensation. When read against the general domestic political background, such a change has basic importance, and had to be announced before the XXI Congress, so that the new line in this respect may be promulgated on that occasion.

The appointment of Shelepin does not give any indication of Gen. Serov's future. An interesting aspect of this development is that Shelepin himself was relieved of his post of First Secretary of the Central Committee of the Komsomol organization in connection with his "transfer to other work" as far back as April of this year. The official announcement of Serov's transfer was made on 8 December 1958. It may be assumed that during the intervening period between these two events, Shelepin was engaged in understudying Serov in preparation for his eventual assumption of the chairmanship of the KGB. This would hardly seem to indicate that Serov was in disgrace or was already destined for demotion. Moreover at the recent session of the Supreme Soviet, Serov appeared in full military uniform, a rare phenomenon.

While the foregoing do not themselves show that Serov is about to be promoted, they do nevertheless provide reasonable grounds for speculation that this may be the case. To date no announcement has been made concerning Serov's new appointment.

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4. Appointment of Soviet MA to Baghdad DMI 89 of 18 Dec 58

Colonel Mikhail Ivanovich Stolnik has been appointed Soviet Military Attache to the Iraqi Government.

COMMENT: Colonel Stolnik who is about 40 is the first Soviet Military Attache to be appointed to Iraq. He was identified in Baghdad in November 1958.

He saw service in World War II. In 1944 as an infantry company commander he entered the Frunze Military Academy whence he graduated in 1947. He continued his service in the infantry as a battalion commander up to 1952 when he was appointed Assistant Military Attache in London. He held this appointment until the end of 1957.

He is believed to be a trained intelligence officer. He has a good command of English language.

5. Polish Production of Soviet T-54 Tanks. ~~DMI~~ JIB 1 of 5 Jan 59

With the beginning of serial production of the T-54 tank late April 1958, at the Mechanical Plant, Labedy, Poland became the second European satellite to produce a medium tank of modern Soviet design.

COMMENT: This plant which produced T-34-85 medium tanks at the estimated rate of thirty per month until early 1957, had received two T-54 tanks in 1956 for dismantling and study. During 1957, parts for prototypes were produced and late in the year retooling began. As a result of poor workmanship and shortage of materials, it is not expected that full-scale serial production of 25 to 30 tanks per month will be achieved until the spring of 1959. The armament and plating are of Polish manufacture. The engines for the first T-54's were of Soviet make but a recent report states that they are also now made in Poland. In view of Polish "revisionist" tendencies after the 1956 disturbance, it is interesting that this country is being permitted, along with Czechoslovakia, to produce a medium tank of modern Soviet design.

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6. T.D. Lysenko Restored DS1 292 729 Rec 58 (UNCLASSIFIED)

T.D. Lysenko, Stalin's favourite and one time virtual dictator of Soviet genetics and agricultural sciences appears to have won most of the ground he lost in the year which followed his patron's death. It was earlier reported that Lysenko had been awarded a Stalin prize. On December 14 Pravda carried an article extolling Lysenko and his followers while it made the most violent attack on his opponents. The attack is directed against a group of senior geneticists of international repute whose work has been appearing in the pages of the Academy of Sciences "Botanical Journal". The Pravda criticism of orthodox biologists is couched in the most vituperative terms normally reserved for capitalists or "anti-party elements".

On the day following the appearance of the Pravda article Khrushchev made his report on Agriculture to the Central Committee of the CPSU. In it he strongly supported Lysenko and condemned his adversaries.

COMMENT: The items cited above confirm earlier suspicions that the party has resumed firm control of at least some areas of science. The Pravda article also implicates the Academy of Sciences by its sponsorship of the Botanical Journal. The President of the Academy Nesmeyanov appears to have supported or at least willingly tolerated Lysenko's opponents. Current rumours that Nesmeyanov a scientist of the highest repute may be replaced by Topchiev, who reached his present position as secretary mainly on political grounds, may thus be well founded.

AFRICA

7. All-African People's Conference, ACCRA XA 1/59 5 Jan 59 (CONFIDENTIAL)

The All-African People's Conference was held in Accra, Ghana, from December 5 to 12. Unlike the Conference of Independent African States held in Accra in April 1958, this latest conference was held at the non-governmental level and was attended by some 200 representatives of African political parties and nationalist movements in independent and dependent African areas. The Convention People's Party, the governing party of Ghana led by Nkrumah, acted as host, and George Padmore, theorist of pan-Africanism and Nkrumah's "Adviser on African Affairs" was one of the principal organizers of the Conference. Members of the National Council

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of Nigeria and the Camerouns, the governing party of Eastern Nigeria led by Dr. Azikiwe, also played a leading role in preparatory work for the Conference. Chief Awolowo, Premier of Western Nigeria, led representatives of Nigeria's Action Group, who played a moderating role. There was a large attendance by representatives of Black African movements in British dependent territories. Tom Mboya, leader of the African elected members in the Kenya Legislative Council, was elected chairman of the Conference. Leaders of the African Congresses in Rhodesia and Nyasaland also attended. The African National Congress of South Africa, and Belgian and Portuguese African movements were represented. Leaders of French territories neighbouring Ghana took a very reserved attitude to the Conference and few attended. Observers from Algeria, Morocco, Tunisia and Egypt, and Russian and Chinese members of the African-Asian Solidarity Committee were also present.

The main purpose of the Conference was "to formulate concrete plans to work out the Ghandian tactics and strategy of the African non-violent revolution in relation to colonialism and imperialism, racialism and discriminatory laws and practice, tribalism and religious separatism and the position of chieftancy under (a) colonial rule and (b) a free democratic society".

In a keynote speech, Nkrumah called for total liberation of Africa by non-violent means. He also stressed the hope that a union of African states could be evolved. He carefully pointed out in his speech that "colonialism and imperialism may come to bring pressure yet in a different guise - not necessarily from Europe".

The Conference ended on an upsurge of African nationalism and a large measure of unity in seeking the broad objective of a free Africa in pursuit of which dependent territories were to be strongly supported by the independent African states. In the resolution adopted, strong support was given to the pursuit of peaceful means of attaining political ends, but as a concession to the Algerian nationalists, the possible need to use violence to combat force was recognized. Strong attacks were made on racialism in South Africa and Rhodesia; a proposal was made that African states should impose economic sanctions against South Africa. The idea of regional association, especially in West Africa, was stimulated, but there was reluctance to accept Guinea and Ghana as the nucleus of a West African union. A decision was taken to create a Permanent Secretariat in Accra to follow up resolutions. The Secretariat will seek funds to assist African nationalist movements in dependent territories. Assistance will be initially concentrated in the Federation of Rhodesia and Nyasaland where the prospect of independent status before the granting

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of universal suffrage to Africans gives a sense of urgency to the development of African political strength there. East Africa will have second priority; French territories seemed to have escaped attention.

COMMENT: The proceedings at the Conference suggested that Nkrumah will have difficulty in establishing himself as leader of an all-African movement for independence and unity against the opposition of Liberian, Nigerian and French West African leaders.

An initial assessment of the Conference suggests that its principal result will be to promote African nationalism in British East and Central Africa. Dr. Hastings Banda, leader of the African Congress in Nyasaland, returned from the Conference to Salisbury to denounce the Central African Federation in extreme terms; this has led to his being banned from entering Northern or Southern Rhodesia. Mboya and his followers are already boycotting the Kenya Legislature and they now may take further steps to press for constitutional changes there.

Although some semblance of unity between Black Africa and Arab Africa was maintained at the Conference, the interests of Black Africa remained dominant at the Conference. The tense and persistent efforts by Communist and Arab members of the African-Asian Solidarity Committee to influence proceedings were resisted by Mboya, the Nigerians, and even the left-wing Padmore. The Egyptians were said to be unhappy at the outcome of the Conference. The proceedings at the Conference suggest that Black African leaders are anxious to retain full control of their independence movement and do not want the help of Communists or of the African-Asian Solidarity Committee.

While the Conference suggests that Communist influence is weak in Black Africa, the impetus given to African nationalism may create instability which would open the way for later Communist penetration.

LATIN AMERICA

8. Collapse of Batista Regime in Cuba

X H 3/59 7 5 Jan 59

The Cuban Government headed by Fulgencio Batista since 1952, collapsed on January 1 in the face of successful military operations by the revolutionary "26th of July Movement" of Fidel Castro, and increased

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defections from the armed forces to the rebel side. Batista fled to the Dominican Republic with part of his family. Other members of the family and about 400 high military and government officials and wealthy supporters of the regime also left Cuba, many of them going to the United States. To run the Government, Batista named Dr. Carlos Piedra of the Cuban Supreme Court as Provisional President, but he was unable to form an effective government. Fidel Castro ordered a general strike to forestall this attempt by Batista to retain indirect control of the Government and proclaimed his own nominee, Judge Manuel Urrutia, as Provisional President. Urrutia was sworn in on January 4. Castro and Urrutia began a triumphal journey from the rebel headquarters in the recently-proclaimed temporary capital of Santiago de Cuba to Havana where rebel troops and sympathizers appeared to be gaining control.

COMMENT: On December 2, 1956 Fidel Castro with 82 men landed in Cuba's Oriente province following an exile in the United States and Mexico where he had gone after the failure of his raid against an army barracks in Santiago de Cuba on July 26, 1953. From a headquarters in the Sierra Maestra his guerrilla fighters, gradually growing in numbers, and generally short of arms, waged a hit-and-run war against Government forces. Concentrating on communications centres, supply depots and, recently, the sugar industry of eastern Cuba, the Castro insurgents gradually succeeded in causing serious and growing economic paralysis throughout the country. The Batista Government attempted a final all-out offensive last month to crush the rebels, but its failure brought the Government's downfall.

Fidel Castro, who is too young yet to be President of Cuba himself, has never been too clear as to his objectives once the overthrow of Batista had been achieved. He has said that he aimed to "bring democracy to Cuba". Some of his pronouncements have had a Socialist tinge although he has insisted he is neither a Socialist nor a Communist. During his journey to Havana, Castro spoke of measures to improve the lot of the Cuban peasant and eradicate corrupt practices in government throughout the country. He also spoke of himself as taking on the specific task of reconstructing the army.

During the past two weeks the Soviet Union has taken increasing interest in the campaign, crediting the Cuban Popular Socialist Party (Communist) with a big role in the rebellion. It has used the rebels' success to discredit the United States as a supporter of the former corrupt regime. Communist sympathizers are believed to have penetrated the rebel movement on a low level. Some of the rebels have anti-American sentiments and this might be exploited to the Communists' advantage, although some of the actions of the Castro forces in Havana have been directed against the Communists.