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GEHEIM

REVIEW: SINO-SOVIET BLOC ACTIVITIES IN SOUTH ASIA

General Bloc Policy: The Sino-Soviet bloc continues to give South Asia, especially India, high priority in its long-range plans for the expansion of Communist influence in Asia. Moscow continues its efforts to reduce Western political and economic influence and eventually to deny the area to the West by encouraging neutralism.

Both Moscow and Peiping, however, have unofficially shown dissatisfaction with Indian Prime Minister Nehru and New Delhi's international posture in the past six months. In December, Pavel Yudin, a top Soviet theorist and ambassador to China, criticized Nehru's attitude toward Communism and compared China's "marvelous successes" with India's relatively slow pace of internal development. Yudin asserted that under Congress party leadership, India had failed to realize its full economic potential.

Peiping's coolness has been most noticeable in regard to the problem of the Sino-Indian border, where, aware of Indian sensitivity, Peiping has pursued a policy of polite harassment. China blocked a projected visit to Tibet by Nehru and hindered his visit to the principality of Bhutan, which Chinese maps continue to carry as Chinese territory. In December, Peiping guardedly expressed a willingness to consider "a new way of drawing the boundary of China." India's subsequent refusal to negotiate has resulted in a similarly hard position by the Chinese, who continue to publish maps showing as Chinese many areas claimed by India, despite a recent protest from the Indian Foreign Ministry.

Diplomatic Activity: India has diplomatic and consular ties with all bloc countries except North Korea and East Germany. East German Premier Grotewohl made an unofficial visit to India in January in an unsuccessful quest for recognition. Several bloc ambassadors resident in New Delhi are accredited to Ceylon, but the USSR, Communist China, and Czechoslovakia maintain embassies in Colombo. Pakistan has diplomatic relations with the USSR, Communist China, and Czechoslovakia and formal trade ties with Poland and Hungary. The USSR and Communist China continue to handle their relations with Nepal through missions in New Delhi. In Afghanistan, missions are maintained by the USSR, Communist China, Poland, Czechoslovakia, and Hungary.

Economic Activity: In terms of India's total trade, that with the bloc probably did not increase significantly in 1958 and will probably continue at no more than 5 percent, including goods imported for the Bhilai steelworks. During 1958, however, India looked to the bloc for new markets because of the critical Indian foreign-exchange shortage and increased competition in Southeast Asian markets for some of India's chief exports, especially textiles. Trade agreements signed in 1958 with the USSR and East Germany for the first time provided for payment of trade balances in Indian goods rather than sterling. The new five-year trade agreement with the USSR signed in November stipulated that India's repayment of Soviet credits could now be made exclusively in Indian goods.

In the field of economic assistance, the bloc has extended India at least \$304,000,000 in credit, of which as estimated \$120,000,000 had been utilized by the end of 1958. Two agreements--one concluded in January--establish bloc influence in the public sector of India's petroleum industry. Remaining bloc credits are earmarked for important projects such as a heavy machine building complex, and coal and power development. The political implications of bloc credits to India have become more apparent as the Indian Communist press has increasingly emphasized the importance of such credits for developing the public as opposed to the private sector of the economy. India is considering several additional bloc aid offers made in 1958 by the USSR, East Germany, and Poland.

In Nepal the USSR is pressing for acceptance of its December offer of a \$7,000,000 credit which spelled out an agreement in principle made during King Mahendra's visit to the USSR in June 1958. A Soviet economic delegation arrived in Katmandu in mid-February to open talks on the offer, which encompasses a variety of projects desired by the Nepalese Government for roads, agriculture, mineral exploration, and civil air. Nepal has received \$12,600,000 in economic aid from Communist China, and has drawn about \$4,200,000 of this in Indian rupees to use for budgetary support.

Ceylon's trade with the bloc, almost entirely with Communist China, declined for the second consecutive year, to about \$43,000,000--or less than 8 percent of total trade--for the first ten months of 1958 compared with \$49,000,000 for the same period in 1957 and \$54,000,000 in 1956. The decrease in 1958 resulted from Ceylon's failure to meet its rubber export commitments to Communist China, chiefly because of loading delays.

During 1958 Ceylon lagged in utilizing Sino-Soviet economic development loans despite continuing initiatives from Moscow and Peiping, largely because of Ceylonese inexperience in economic planning and the government's preoccupation with domestic troubles. The bloc has extended a total of about \$60,000,000 in credits and grants. Slightly more than one fourth of this amount had been obligated for specific uses by the end of 1958. Ceylon approved a plan to use a little over \$3,000,000 of the Chinese credit to construct a textile weaving plant, and contracts have been signed for two of the 16 projects proposed for Soviet aid--a small steel mill and a sugar cane cultivation project.

Some increase in Pakistan's trade with the bloc was noted by the end of 1958 as a result of a growing number of barter transactions. Pakistan entered into barter arrangements with Czechoslovakia, Communist China, and Poland in an attempt to overcome its foreign-exchange difficulties and find markets for raw cotton and jute. Pakistan's total volume of trade with the bloc in 1957 was \$30,000,000, or 4 percent of total foreign commerce. Since June 1958, Pakistan has arranged to exchange for cotton or jute 150,000 tons of Chinese coal, 100,000 tons of Chinese rice, and 50,000 tons of Polish coal.

Afghanistan's bloc trade accounted for approximately 40 percent of Kabul's total foreign trade by mid-1958. Trade with the USSR, its principal bloc trading partner, appears to have registered a substantial increase during the latter half of 1958. Afghanistan now imports about 75 percent of its gasoline and kerosene from the USSR and will

soon be importing all of its aviation gasoline.

Afghanistan continues to be one of the priority targets for bloc economic aid efforts in South Asia. In 1958 several Soviet projects were completed, and Afghanistan concluded contracts for several new ones. An agreement for aerial mapping of northern Afghanistan was concluded in July, and the USSR continues petroleum and mineral explorations in that area.

Of a total of \$159,000,000 in major bloc credits extended to Afghanistan to date, approximately \$127,000,000 had been obligated by the end of December including \$38,000,000 drawn for economic development and \$32,000,000 for arms purchases. Soviet military equipment, including aircraft, tanks, and small arms, was delivered during 1958 under agreements concluded with the USSR and Czechoslovakia. Afghanistan has received bloc arms actually worth about \$75,000,000 under the two agreements, which totaled about \$32,000,000.

Cultural and Propaganda Activity: The USSR, which carries on the bulk of this activity in South Asia, has intensified its native-language activity since the last report. Weekly output of USSR radiobroadcasts in Bengali, Tamil, Urdu, Pushtu, Hindi, and English has been increased by 10.5 hours to a total of 70 hours a week. There is still no indication when Peiping will implement its announced plans for a Hindi program. The Soviet Foreign Languages Publishing House added works in Pushtu and Tamil to its lists in 1958, and published grammars and dictionaries in Hindi, Urdu, and Bengali.

The number of bilateral friendship societies of South Asia has remained stable. There are eight such societies in India with numerous branches. The Indian Government has cautiously expressed displeasure over their activities. In Ceylon, Communist efforts have still not succeeded in expanding the number of outlets of the three bloc friendship societies, while Pakistan's societies continue to remain relatively inactive. In Nepal, there are friendship societies for the USSR, North Korea, and Communist China.

Communist propaganda materials, both imported and domestically produced, are widely available at low prices in India and Ceylon. The USSR and Communist China continue to use the tactic of paying non-Communist newspapers in India and Ceylon to print bloc propaganda, but this practice has been discouraged by the new Pakistani Government.

Subversive Activities: The Communist party of India (CPI) has a membership of around 230,000--the fourth largest outside the bloc--as compared with 125,000 in early 1957. This rapid growth appears to be the result of lower membership requirements and the "peaceful parliamentary" approach to power which the party has generally espoused since the Soviet 20th party congress in 1956. The party emerged from the 1957 general elections as the largest opposition party in the national parliament (29 of 494 elected seats) and in the state assemblies of Andhra and West Bengal and captured the government of Kerala State. The party is already preparing the ground for a powerful bid in the 1962 national elections to win majorities in Andhra and West Bengal.

The position of the Kerala Communist regime has grown more difficult since July, due to attacks on students and labor groups and the failure of the state to improve food production and attract capital investment. Strikes and civil disturbances there have damaged Communist prestige on the national level.

In Pakistan the Communists continue to be numerically weak, numbering about 3,500 of whom less than 1,000 are in West Pakistan. Since the army coup in October, repressive governmental policies have sharply reduced their already limited effectiveness.

Of Ceylon's three Marxist parties, the most influential--the Trotskyite Ceylon Social Equality party (LSSP)--is the principal opposition party, with 14 out of 99 seats. The Moscow-oriented Ceylon Communist party (CCP), with an estimated membership of 4,000, now has the least political influence. The third party, a splinter dissident Communist group which has displayed a strong tendency toward "revisionist Communism" similar to that of Yugoslavia, is in the government coalition and has two ministers in the cabinet. In addition, a newly created Singhalese nationalist party has adopted a political stance on a number of issues closely parallel to that of the CCP. Although there is intense dissension and competition among the four, based on personalities and doctrinal differences, each party has an importance disproportionate to its size. The LSSP, which controls over half the island's urban labor force, is capable of calling strikes that can paralyze the economy, and it constitutes a major threat. The LSSP is extending its political appeal on an island-wide basis and especially among the peasants, from whom it has previously had little response.

In Afghanistan there are no organized political parties, although there are some pro-Communists in the bureaucracy and the intelligentsia. In Nepal the Communist party membership is about 3,000. The party has probably made some headway among students and peasants since the four-year ban on the party was lifted in 1956. If it follows out its present plans to contest 70 of the 190 parliamentary seats in the country's first general elections in February 1959, its political foothold may be somewhat increased.

Reaction to Bloc Activities: The Indian, Ceylonese, and Afghan governments remain confident that they can cope with the risks inherent in their bloc contacts while balancing their neutralist foreign policies between East and West. Pakistani and Nepalese leaders are more cautious about expanding relations with the bloc, the former because of its strong pro-Western orientation and the latter because of the country's exposed position between China and India. All South Asian countries regard increased trade with the bloc as desirable, but the Afghan Government, which already has an extensive economic relationship with the bloc, would probably like to reduce the rate of expansion in view of its present large trade commitment. All countries of the area except Pakistan are receiving bloc economic aid.

Chinese maneuvering on the border problem, together with recent attacks by Chinese writers, have probably raised suspicions considerably among politically aware Indians, who are already very conscious of the fact that they are in an economic development race with China.

South Asia's governmental relations with the bloc have not yet been appreciably affected by the recent unofficial attacks on India by Soviet and Chinese spokesmen, nor have these attacks yet impeded the further development of economic ties. Prime Minister Nehru, as is his custom, refused to engage in polemical debate after being attacked by Soviet theorist Yudin. During the reporting period, however, a series of events within the bloc, including further attacks

against Yugoslavia, the Pasternak case, and the Chinese development of communes, have generally created an adverse impression on the South Asian intelligentsia.

Communist parties are increasingly viewed by the masses as the parties which most consistently concern themselves with local problems, but politically sophisticated South Asians see them as parties closely linked to the bloc. In India, government and Congress party leaders are becoming increasingly concerned with the Communists' political challenge for national leadership. Government efforts to curb Communist infiltration of important career positions in the civil and military services have generally been successful throughout South Asia. Among the Indian people, however, there appears to be an increasing tendency for persons dissatisfied with the Congress party to turn to the Communists.

The Outlook: South Asian neutralism provides a continuing basis for bloc claims that the area's views are identical with the bloc's on many major international issues. For the near future at least, the bloc will probably continue its "peaceful penetration" tactics in South Asia, and Moscow will continue to expand its economic trade and aid efforts. Bloc initiatives might be modified should further clashes of interest develop between India and the bloc, particularly Communist China. In other South Asian countries, economic problems and the necessity of economic plan cutbacks have considerably enhanced the possibility of increased local Communist and bloc influence. Moscow's willingness to liberalize terms for trade and aid will probably affect the extent to which the area's countries increase economic relationships with the bloc.

Nepal is likely to enter into some form of economic aid agreement with the bloc during 1959. The Afghan Government's commitment to a relatively rapid economic development in which bloc aid plays a large share makes it especially vulnerable to any future bloc economic pressures. Fear of a more hostile Pakistan and tensions arising from Baghdad Pact developments are factors that may increase Afghanistan's sense of vulnerability.

In most South Asian countries, the maintenance of internal political stability is a matter of increasing importance. Further claims by local Communists in India will be governed by the outcome of the Congress party's efforts to revitalize itself and the success achieved by the Congress government in meeting India's five-year-plan goals. The growing influence of Communists in Indian labor unions provides a strong potential for future economic disruption and renders government control of the Communist threat more difficult. The Kerala "experiment," both as to the Communists' performance and the central government's handling of the problem, will continue to be an important determinant of further Communist successes.