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Para 7, Section 2, to be sent to H. Comm. Pakistan, for pers. info.

Naval Intelligence Division
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S E C T I O N I.

R.A.N. AND OTHER COMMONWEALTH NAVIES.

(Except where otherwise indicated, all the information contained in this Section is UNCLASSIFIED).

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(a) ROYAL AUSTRALIAN NAVY.

1. H.M.A.S. QUADRANT to Pay Off.

QUADRANT transferred to the administrative control of F.O.I.C.E., E.A. on 20th May and will pay off into Class E.2 reserve. Her last cruises prior to paying-off were to Port Kembla and Newcastle to be present at Anzac Day celebrations and to Melbourne in May for Coral Sea Week commemoration.

Since commissioning on 18th July, 1953 (the first of the "Q" Class destroyers to be converted to fast A/S frigate), QUADRANT has visited New Zealand twice and the Far East Station three times, escorted the Royal Yachts GOTHIC (Feb.'54) and BRITANNIA (Nov.'56), and participated in exercises JASEX II, CHANGE HORSES, ANZEX and ALBATROSS. She also spent four months as Fisheries Patrol Vessel based on Darwin.

2. H.M. Submarine AUROCHS.

The R.N. Submarine AUROCHS arrived at Sydney from Singapore on 25th May to replace TACTICIAN as one of the three units of the Fourth Submarine Squadron based on Balmoral.

Prior to her arrival at Sydney, AUROCHS served on the Far East Station for 14 months and, after refitting at Singapore, participated in the recent SEATO exercises.

3. H.M.A.S. COOTAMUNDRA.

COOTAMUNDRA has relieved FREMANTLE as Fisheries

Patrol Vessel in Northern Australian waters. COOTAMUNDRA arrived at Darwin on 27th May for a three-months tour of duty, which will be her second such tour in recent years. She is currently engaged on surveillance of the Japanese pearling fleet.

4. H.M.A.S. SPRIGHTLY - Coastwatching Cruise.

On 18th April, SPRIGHTLY with Staff Officer (Coastwatching) Lieut.-Cdr. T. O'Byrne, R.A.N.V.R., embarked, sailed from Manus for Rabaul and, after making various calls, proceeded to the Shortland Islands. Continuing in a southeasterly direction, SPRIGHTLY called at Vella Lavella, New Georgia and the Russell Group lying just north west of Guadalcanal. At Bute'te Island (Russell Group) the ship's company enjoyed good recreational swimming and fishing parties in the picturesque Pepesala Bay. Ysabel Island was raised next on the other side of the famous "Slot" but it was a brief stay only, due to unfavourable weather, and there were a few anxious moments before the open sea was reached again. On the following day, SPRIGHTLY anchored at Honiara, where she remained for three days before proceeding north along the coast of Guadalcanal to Tetere. A special visit was made here to the Leprosarium, where the staff consisted of two sisters and an 83-year old priest.

On leaving Guadalcanal SPRIGHTLY made a brief visit to Mandliana Island before again setting course for Rabaul, where she secured alongside on 5th May. On 7th May SPRIGHTLY slipped and proceeded to Lombrum, arriving on the following day.

5. Naval Assistance in Repairing S.S. "ROSCOMMON".

The Royal Australian Navy was called upon on 26th April to assist in the repair of the Avenue Shipping Company's

motor vessel "ROSCOMMON", (6,032 tons gross), which arrived at Fremantle on 24th April with a three feet split in the hull beneath double bottom tanks - the result of severe weather experienced in the passage from the Eastern States. The R.A.N. diving party came to the assistance of the Fremantle Harbour Trust divers and, using a Cox bolt gun, successfully bolted a 4 ft. 5 ins. by 3 ft. 8 ins. plate over the split. This is the first time a Cox gun has been used on a merchant vessel in Fremantle.

"ROSCOMMON" was able to proceed from Fremantle on 27th April.

* * * * *

(b) ROYAL NAVY.

6. Guided Missiles for R.N. Aircraft.

The air-to-air guided missile "Firestreak" is to be fitted to the de Havilland Sea Vixen (DH 110) all-weather fighter, now in production for the Royal Navy.

The weapon has six main components - the guidance, control and fusing systems, power supply, propulsion motor and warhead. They are housed within an aerodynamic body tube fitted with four small wings and four control tubes. The parent aircraft carries "Firestreak" on a launching shoe attached to the aircraft wing. Weapons may be fired singly or in pairs. It is claimed that the weapon's infra-red detection system is immune from jamming which should enable it to be effective against conventional radar weapons.

7. Hydrofoil Design for New Patrol Boat.

An unusual type of fast patrol boat, incorporating "ladder-type" hydrofoils is being constructed at the Saunders-Roe Yard at Beaumaris, Anglesey. It will be shipped to the Naval research establishment of the Canadian Defence

Research Board.

With two Rolls-Royce Griffon marine engines, the vessel will have a high speed, and her three "surface-piercing" hydrofoils will give unusual stability in rough seas. The forward hydrofoils are mounted in small sponsons on each side of the hull, and the third behind the transom; each hydrofoil unit contains several V-shaped blades (of which the angle of incidence increases from lower to upper blades) mounted between two side strips. As speed increases, the upper blades leave the water, stability being achieved by variation of lift with change of draught. The hull leaves the water at around 20 knots.

A smaller version of the craft - which is 59 feet long and has a weight of $17\frac{1}{2}$ tons - has been on trial for some time in Canada. The hydrofoil system is claimed to give large hull clearance at speed, and good structural properties for scaling to large craft. The surface-piercing system is inherently stable and in its simplest form avoids the complications of incidence control on some other hydrofoil systems.

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(c) ROYAL NEW ZEALAND NAVY.

8. H.M.N.Z.S. ROYALIST.

The R.N.Z.N. cruiser ROYALIST arrived at Sydney from Auckland on 24th May, en route to Malayan waters to serve with the Commonwealth Strategic Reserve.

ROYALIST is at present engaged in working-up exercises in the Jervis Bay area with units of the Australian Fleet. These exercises will continue until shortly before she sails for Singapore on 3rd July.

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S E C T I O N I I .NAVAL AND OTHER ARMED FORCES INTELLIGENCE
INCLUDING TECHNICAL INTELLIGENCE.U . S . S . R .1. Transfer of Naval Units from the Baltic to Northern
Fleet Area. (Secret).

During April three RIGA-Class escorts, two "W"-Class submarines and five depot ships, and an icebreaker left the Baltic and proceeded northward along the Norwegian coast.

Although such movements could be part of the normal reinforcement of the Northern Fleet which occurs at this time of the year, it is possible that these vessels are actually intended for the Pacific Fleet and will make the west-east passage by the Northern Sea Route as soon as ice conditions permit.

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J A P A N .2. Guided Missile Tests Fail. (Unclassified).

Test launchings of two experimental Japanese-made guided missiles for the Self-Defence Forces have ended in failure. The first missile, made by the Defence Board at a cost of ¥1,400,000, rose only 50 metres; faulty fuel was blamed. Further firings have been suspended pending study of defects.

It has been the opinion of Western observers that Japanese guided missile development is many years behind that of the West.

3. Destroyer Construction. (Unclassified).

The Chief of the Japanese Defence Board has stated that the two 2,500-ton U.S.-financed destroyers likely to be built in Japanese Yards will have a speed of 32 knots and a cruising range of 6,000 miles at 18 knots. Their armament will consist of 3 x 5" guns, 2 twin 3" and rocket-launchers.

4. Draft Defence Plan, 1958-1960. (Unclassified).

The Defence Agency has prepared a draft plan for defence build-up during the period 1958-1960. In addition to an Army of 180,000 men and an Air Force of 1,300 aircraft, it is planned to have a 124,000-ton Naval Force. If approved, this will mean a reversion to the original 1960 target which was reduced last year to 110,000 tons. Present tonnage is approximately 80,000, with a planned increase during 1957 of over 5,000 tons.

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COMMUNIST CHINA.

5. Radar Equipment in RIGA-Class Escort Destroyers. (Secret).

The following is an assessment, from photographs, of the radar arrays in two of the RIGA-Class escort destroyers in the Chinese Communist Navy :-

RIGA No. 2.

Air Warning	-	'Seanet' Type.
Navigational	-	'Neptun'
Main Armament	-	'Sunvisor'
IFF	-	'Ski-Pole' can be seen; other arrays indistinct.

RIGA No.1.

Air Warning	-	?
Surface Warning	-	'Ballend' type.
Main Armament	-	'Sunvisor'
IFF	-	'Yardrake' & 'Ski-Pole'.

6. Recent Naval Developments. (Secret)

Escort Destroyers. - The first two locally-constructed RIGA-Class escort destroyers are now in commission. The third of this class has been launched, while a fourth is now nearing completion. Recent reports suggest that a fifth RIGA may be under construction.

Patrol Escorts. - HUI AN (ex UKURU Class) has now been commissioned after an extensive and lengthy refit. This probably concludes the C.C.N. major refit programme for "vintage" escort vessels.

Coastal Escorts and Fleet Minesweepers. - It is now thought that the KRONSTADT and T-43 class vessels built at Shanghai may be assembled at Kiangnan Shipyard and then moved to Kioussin Yard for fitting-out. Two locally constructed T-43's are understood to be in commission, while the number of locally-constructed KRONSTADT's is now believed to total some twelve vessels.

Submarines. - Possibly two new-construction "W"-Class submarines are now working-up. On 2nd April, an apparently new submarine was sighted near the entrance to the Yangtse proceeding under her own power. Doubt has been cast on the suitability of Shanghai as a trials base owing to the inadequate depth requirements. It is therefore possible that submarines are moved elsewhere immediately on completion. Tsingtao or Port Arthur might be alternative bases, though Tinghai (in the Chusan Area) is a possibility and is nearer to the building yards.

Motor Torpedo Boats. - Increasing numbers of "P-6" Class M.T.B's have been reported at Shanghai.

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A F G H A N I S T A N .

7. Soviet Military Influence. (Secret).

In continuance of the Soviet penetration of Afghanistan, Major-General V. K. Gvozd has been appointed Soviet Military Attache at Kabul. This appointment, which is on the same level as those to London and Washington, is rather high-powered for so small a country.

At the same time, additional Soviet tanks are reported to have reached Afghanistan, where there are now believed to be some 50 or 60. A tank school for Afghan officers has been established at Herat in Western Afghanistan.

These moves, coupled with previously reported Air Force aid, will undoubtedly increase Pakistani apprehensions regarding the threat from the north.

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I N D O N E S I A .

8. Soviet Equipment for Indonesia. (Confidential).

There have been many reports that the Indonesian Army will purchase jeeps from the U.S.S.R. out of the recent Aid Agreement.

The Soviet 5,000-ton cargo ship "TASHKENT" called at Singapore on 6th May, bound for Djakarta en route for

Vladivostok. She had a cargo of 920 tons of motor vehicles for Djakarta.

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A R G E N T I N A .

9. Possible Purchase of Carrier From U.K. (Confidential)

The Argentine Republic is considering the purchase of an aircraft-carrier from the United Kingdom. Ships under review are INDEFATIGABLE and MAGNIFICENT, both of which would require extensive refits.

Following closely upon Brazil's acquisition of the former H.M.S. VENGEANCE (renamed MINAS GERAES), the Argentinian move is in accord with the traditional naval rivalry of the three principal South American powers, and it may well be that Chile will follow suit. A special consideration in the case of Argentina, however, is the value to the Navy of a mobile air base in times of political crisis.

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EXTERNAL POLITICAL, POLITICO-MILITARY AND ECONOMIC
INTELLIGENCE.U. S. S. R.1. The Soviet Merchant Fleet. (Restricted)

In the past the Soviet merchant fleet was characterized by the large number of old and even over age ships of low speed and endurance which somehow managed to conduct the overseas trade of the country.

A feature of the U.S.S.R.'s post-war emergence as a giant power has been the production of a modern navy and the beginning of a modern merchant fleet.

In order to be able to construct a navy as quickly as possible the Soviet concentrated on naval construction inside the U.S.S.R., whilst placing large orders for merchant ship construction with Bloc and Western countries.

With the main phase of large-ship naval construction now apparently more or less complete, and while there is an apparent lull before turning over to guided-missile-ship construction, various naval slipways in the U.S.S.R. are now being used for merchant-ship construction to supplement the considerable orders still outstanding in Western European yards.

The result is that the Soviet merchant fleet now comprises ^{about} 700 ships (over 1,000 tons) totalling some 2 $\frac{1}{4}$ million tons. (By comparison the U.K. has some 2,700 ships totalling 18 $\frac{1}{2}$ million tons).

The Russians have to date concentrated to a noticeable extent on 8,000-ton tankers of the "Leningrad" Class and over 30 have been built and put into service since 1951. Large tankers of 20,000 tons and upwards are now being built.

These tankers have been used mainly for carrying oil from the Black Sea for Bloc requirements, particularly to the Far East, but it is of interest to note that since the Suez crisis Soviet freighters and tankers have been offered for charter in the world market. Soviet tankers have even carried oil from the Caribbean to Britain.

While this new trend may be due to the U.S.S.R. having for the time being, merchant ships in excess of its trade requirements, the propaganda value of showing the flag throughout the ports of the world, particularly in such susceptible countries as India, Burma and Indonesia, must not be overlooked.

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J A P A N .

2. Soviet/Japanese Agreement on Fishing in N.W. Pacific. (Confidential).

A communique issued by the Soviet-Japanese Commission on Fishing in the North-West Pacific shows that the Soviet negotiators have succeeded in imposing extensive restrictions on Japanese fishing in waters adjacent to Soviet territory in the Far East. The principal restrictions are the following :

- (a) Fishing is prohibited in all waters within 40 nautical miles of the coastline north of latitude 48° N., i.e., the major part of Soviet Far-Eastern territories, and 20 nautical miles from the coastline south of latitude 48° N.
- (b) Salmon fishing is to be discontinued completely from 20th July in a large area of the ocean to the east of Kamchatka.

- (c) The Japanese are permitted to send only two base-ships with attendant fishing fleets into the Sea of Okhotsk in 1957, and their catch is to be restricted to 13,000 metric tons (out of a total of 120,000 metric tons permitted in the whole North-West Pacific area).

All these restrictions have been imposed, with Japanese agreement, for allegedly scientific reasons connected with the preservation of fish resources. They are, however, entirely consistent with the familiar Soviet policy of restricting access by foreign vessels to sea areas adjacent to Soviet territory.

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COMMUNIST CHINA.

3. Communist China's Second Five-Year Plan. (Confidential)

Communist China's Second Five-Year Plan, covering the period 1958-62, is in general outline similar to its predecessor. However, heavy industrial development receives even greater priority than under the First Five-Year Plan, and it is clearly intended that it should continue to subordinate improvements in living standards to the requirements of the investment programme.

Total net value of output is to rise by 50% over the period, this increase being similar to that obtained under the First Five-Year Plan.

value

In gross/terms, industrial output is to rise by 100% and agricultural output by 35%, compared with the respective target's of 90% and 22% which were set for the First Five-Year Plan. A somewhat greater emphasis is to be placed on agriculture than in the past, but this is not to be at the expense of industrial development.

By 1962 the Chinese plan to be producing at the rate of roughly one-half to two-thirds of the present-day industrial production of the United Kingdom. Electricity output per annum is to be of the order of 42-billion kWh, ingot steel production to be approximately 11-million tons, and motor vehicles, tractors and small ships are to be produced in considerable numbers.

4. Shipbuilding. (Confidential).

It has been reported that China's sea and river merchant fleet is to be increased by 108 vessels, totalling some 110,000 tons, this year. These vessels are said to include freighters, cargo/passenger vessels, tankers (oil barges), tugs and lighters.

The majority of the sea-going vessels to be built this year are designed to carry mineral ores, coal, charcoal and bulk cargo. These vessels will be equipped with a new type of coal-fired steam turbine which is claimed to use 20% to 30% less fuel and is designed to suit the prevailing fuel supply in China.

Included among the river craft to be built this year is claimed to be a number of 500 h.p. tugs with improved engines and streamlined hulls. The haulage capacity of these tugs is represented as being 1,000 tons greater than similar vessels now in service in China.

5. Improved Ship Repair Facilities at Canton.

(Confidential).

Recent Chinese Communist press reports stated that a repair and fitting-out wharf capable of accommodating ships up to 5,000 tons had been completed at Kuangnan dockyard in Canton and that associated facilities would be completed this year.

The construction of this wharf follows the completion of two dry docks variously reported suitable for ships of 1,000-5,000 tons. Several workshops and accommodation buildings are still under construction. When completed the dockyard should be able to carry out repair and maintenance on all Chinese Communist merchant ships based in South China. Several small vessels have been built recently at this dockyard, the largest being a 200 h.p. tug and 500-ton oil barge.

6. Relaxation of Security Regulations at Ports.

(Confidential)

Peking Radio announced recently that security regulations at Chinese ports would be amended from 13th March. This has been followed by a number of reports from ships' masters that there is a marked slackening in the previously rigorous security measures.

Examples of relaxations are as follows :-

- | | | | |
|----------|---|---|--|
| Chefoe | - | - | Cameras were allowed ashore. |
| Whampoa | - | - | Crew were allowed to go anywhere. |
| Taku Bar | - | - | Crew were allowed leave, and travel to Tientsin and Peking was unrestricted. |
|
 | | | |
| Foochow | - | - | The W/T office, binoculars and sextants were not locked up although they could only be used with Chinese permission. |

One notable exception to this "new look" was at the newly developed port of Tsamkong, where a ship was temporarily detained because the echo-sounder was used for entering harbour.

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NORTH VIETNAM.7. Shipbuilding, Haiphong. (Confidential).

The Haiphong Co Khi Cong Ty launched the first two steel lighters built solely by Vietnamese on 18th March. The vessels are about 98 feet in length and have a cargo capacity of about 100 tons.

A few days later another shipyard, employing Polish advisers and technicians, launched three more steel lighters. These are believed to be the first of 20 to be built; they are said to have a cargo capacity of about 125 tons each.

While this report is not of any great significance in the shipbuilding world, it does show that the Sino-Soviet Bloc is continuing its interest in building up North Vietnam to stand on its own feet.

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I N D O N E S I A .8. Visit of Soviet President. (Secret).

The Russians appear to have attempted to extract the maximum propaganda value from the visit of President Voroshilov to Indonesia. Five Soviet merchant vessels were present in Djakarta and a Soviet national football team was also in the capital. The Indonesian Army has been trying to prevent the Communists from obtaining too much kudos from the Russians' visit.

9. Port Improvements at Belawan (Sumatra). (Restricted)

Work on the deepening of the harbour at Belawan, port of Medan and the largest port in Sumatra, has been

resumed with the arrival of the suction dredger "SUMATRA II". It is reported that a second dredger will be provided in the near future.

Silting is a major problem at Belawan and, although a major dredging effort was made between 1952 and 1954, the port had again silted up so badly by February, 1956, that vessels could not get alongside at low water and those already alongside tended to "slither" down the slope and finish as much as 20 feet from the wharf.

10. Rebels' Conditions for CO-operation with Djakarta.

(Secret)

Lieut.-Colonel Hussein, rebel commander in Central Sumatra, has laid down eleven conditions for future co-operation with Djakarta. These include the immediate abolition of "centralism", the recognition of the Central-Sumatran governing council, the return of former Vice-President Hatta to a position of joint leadership with President Sukarno, the organizing of Sukarno's proposed National Advisory Council into a Senate representing the Provinces, and severe restrictions in the authority of Major-General Nasution (Army Chief of Staff).

Nasution has been clever in his dealings with both the politicians and the army commander in the present crisis, but this is the second time in recent weeks that a rebel has spoken out against his authority; the first being Lieut.-Colonel Barlian in South Sumatra on the occasion when the Djakarta Command reinforced an abortive counter-coup in Palembang.

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SECTION IV.AUSTRALIA STATION MISCELLANEOUS INFORMATION.

(Except where otherwise indicated, the information contained in this Section is UNCLASSIFIED).

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FREMANTLE HARBOUR - IMPROVEMENTS.

Work on the new passenger terminal at "F" and "G" Sheds, Victoria Quay, is expected to commence within the next three months. The building will be constructed of steel and concrete and will house all Customs, baggage, immigration, banking, and general passenger facilities, including a restaurant on the upper floor. The lower floor will be used for general cargo. The wharf apron fronting the terminal will be widened by 20 feet.

This is one of the improvements accomplished under the Tydeman Plan of 1948 and on which over £3 million has been spent since 1950. Other major items are :-

- (i) The equipping of seven North Wharf berths with roads, railways, and transit sheds.
- (ii) Construction of the new No.10 berth North Wharf (now almost completed).
- (iii) Modernisation of the power supply system.
- (iv) Construction of the new Cantonment Hill signal station.
- (v) Installation of R/T Communication and surface radar.
- (vi) Full mechanisation of cargo handling equipment.

The next improvement which will be undertaken is the provision of berths for small craft at the Eastern end of the Harbour. These will be sited in the area between the new No.10 berth and the railway bridge and parallel to the railway. Sheet piling will protect the railway and will prevent silting at No.10 berth. The small craft berth will be built in front of the sheet piling for the whole of its 670 feet length. Depth alongside will be 16 feet at low water.

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2. NEW FREMANTLE PILOT VESSEL.

The Fremantle Harbour Trust will shortly begin construction of a new Pilot Vessel to replace the 54 year-old "LADY FORREST". Her particulars are :-

Length 62 ft. 7 ins.,
Beam, 14 ft. 10 ins., and
Draught, 3 ft. 8 ins.

Except for a curved stem and a canoe stern the design will be very similar to that of "LADY FORREST". The vessel will be fitted with a tripod mast, radio telephone, searchlight, and loud hailer. A streamlined wheelhouse will be abaft the main cabin.

Power will be a 250 H.P. Rolls Royce Marine engine, giving an estimated speed of 11 knots.

3. ACTIVITIES OF FOREIGN FISHING VESSELS OFF NORTH-WEST COAST OF W.A.

An unusually large number of foreign fishing vessels has reported at North-West Coast of W.A. ports in recent weeks. The first of these was the Japanese lugger "SHINEI MARU", which arrived at Broome on 1st March to land a skin

diver who had been mauled by a shark when the vessel was thochus fishing off Timor. Next to arrive at Broome were "KOTOSHORO MARU" (142 tons) and "NICHI MEI MARU" (105 tons). These vessels were fishing about 100 miles off the W.A. coast. "NICHI MEI MARU" broke down and was towed into Broome by the other vessel. "KOTOSHORO MARU" departed for Shimizu on 14th April and "NICHI MEI MARU" returned to the fishing grounds on 18th April.

The latest report received concerned eight Indonesian sailing craft - described as praus - which arrived off Cape Leveque on 22nd April. They were reported to have been blown off course when fishing (which is nothing unusual). A later sighting reported by the Master of the "RIVER MITTA" en route to Yampi Sound indicated five praus anchored off the North end of Adele Island. They were probably some of the vessels previously reported from Cape Leveque.

4. PORT KEMBLA - HARBOUR IMPROVEMENTS.

The New South Wales Minister for Public Works recently approved a tender for £915,559 for the dredging of the inner harbour at Port Kembla by the Gahagan Dredging Corporation of New York, which expects to start work about the end of this year.

The contract will be in two stages. The first stage will be for the dredging of 2.5 million cubic yards and the building of training walls at the harbour entrance. The dredging will provide for the excavation of an approach channel, a swinging basin and the first two berths on Australian Iron and Steel Ltd.'s frontage. This stage of the work has to be completed by March 1960.

The second stage of the contract provides for the removal of another 1.7 million cubic yards of material. The removal of the total of 4.2 million cubic yards of

material will give a depth of 32 ft. at low water.

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5. HARBOUR IMPROVEMENTS AT PORT PIRIE.

Proposals for extensive improvements to the harbour and wharves at Port Pirie are being investigated by the S.A. Public Works Standing Committee.

The proposals include reconstruction of Barrier and Queen's Wharves, creation of a swinging basin 900 feet in diameter, and deepening of the harbour and the channel.

The Committee has, so far, recommended the widening of the swinging basin and deepening of the channel, but the Government has been unable to authorise funds for this work in the current financial year. However, it has approved of urgent repairs to Queen's Wharf to enable its use by tankers.

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6. LEIGH CREEK COALFIELD.

Plans are being made to increase the production of coal at Leigh Creek to $1\frac{1}{2}$ million tons per year. At present, about 500,000 tons are produced annually. The goal of $1\frac{1}{2}$ million tons yearly is planned to be reached by 1963, when the second Port Augusta Power station is expected to be operating. The increased production will be essential in order to maintain the two power stations which are both designed to burn Leigh Creek coal.

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7. OUTPUT OF AUSTRALIAN OIL REFINERIES. (Restricted)

Australian refineries produced enough diesel and fuel oil in 1956 to supply local needs and export considerable quantities.

About 30 per cent of diesel oil and about 40 per cent of fuel oil was sent abroad as cargo exports or in ships' bunkers.

During 1956, the oil industry in Australia processed more than 7,750,000 tons of crude oil at refineries in Western Australia, Victoria and New South Wales. Production included 2,407 million tons of motor spirit, 1.6 million tons of diesel oil and 2.54 million tons of fuel oil.

This means that local refineries are now supplying about 80% of the Australian demand for petroleum products, compared with less than 20% in 1953.

Motor spirit consumption in 1956 was 941 million gallons, an increase of 7 $\frac{1}{2}$ % compared with 1955.

Automotive diesel fuel consumption rose 15% to 530,000 tons, reflecting the greater numbers of diesel locomotives, tractors and road vehicles.

Aviation turbine fuel used was 21 million gallons - four times the 1954 consumption, indicating the big increase in jet and turbo-propeller aircraft.

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NORTHERN TERRITORY.8. Silver-lead deposit, Borroloola Area.

A significant deposit of silver-lead has been found about 30 miles from Borroloola. Apparently the existence of this deposit has been known of for a number of years, but the major lode had not been discovered. If this deposit is worked, it could mean the opening of Vanderlin Island as a deep-sea port, as Borroloola is 60 miles upstream on the McArthur River.

9. Rice Project. (Restricted).

The project of Territory Rice Ltd., at Humpty Doo has now reached the farm stage as formational work has been completed. The developmental manager has now been replaced by a Californian rice grower, who arrived in Darwin late in April to take charge of the farm project at Humpty Doo.

Last month's report on the financial position of this Company has been followed by a number of press statements regarding the financial backing and at present a number of American and Australian interests and representatives are conferring in Darwin.

Interest in this project is very much alive, as, if it is successful, the Northern Territory will have a stabilising agricultural industry and will not have to depend entirely on the uncertain mining industry and her strategic position for survival. It is an opinion of some Darwin business men that a member (or members) of this Company have more interests in large pastoral holdings in the Northern Territory and that in the event of the collapse of the project they will have access to a well developed and fertile area, ideal for fattening stock close to an export outlet.

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MERCHANT SHIPPING INFORMATION.10. New Vessels for Iron Ore Trade.

The Australian Shipbuilding Board has ordered two bulk-carrying ships of 14,000 tons each from Broken Hill Pty. Ltd's. shipyard at Whyalla (South Australia). The ships will be used mainly for carrying ironstone for steel-making plants at Newcastle and Port Kembla. They will help to meet the increasing demands of the steel industry in the carriage of basic materials.

11. Western Australian State Shipping Service - Purchase of "DELAMERE".

The Western Australian Government has purchased from the Commonwealth Government the vessel "DELAMERE" (2,345 tons gross), which was built at Whyalla in 1946. The purchase price was £151,000.

The sum of £200,000 will be spent in converting "DELAMERE" from coal to oil, in converting her auxiliary machinery from steam to electricity and in modernising crew accommodation.

12. Swedish Motor Vessel "COOLGARDIE" for Australian Trade.

The Transatlantic S.S. Co. (registered in Sweden) has added the new motor vessel "COOLGARDIE" to its fleet engaged in trade between Sweden, Continental ports and Australia.

"COOLGARDIE" is of 3,334 tons gross and she is especially intended to carry fruit, her insulated capacity being 194,800 cubic feet.

13. Sale of Vessels to John Manners & Co. Hong Kong.

Three more Australian merchant vessels have been sold to John Manners & Co. Hong Kong. They are the Burns, Philp vessels "MANGOLA" (3,352 tons gross, built in 1920), and "MULLAMA" (689 tons gross, built in 1937) and the Australian Shipping Commission's vessel "TYALLA" (7,437 tons gross, built in 1945).

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S E C T I O N V.S P E C I A L A R T I C L E S .

(The Director of Naval Intelligence is not necessarily in agreement with the views expressed in Section V. of A.S.I.S.)

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1. SINO-SOVIET BLOC STEPS-UP ECONOMIC PENETRATION. (Secret)

The Sino-Soviet bloc, especially the U.S.S.R., is now capable of exporting a wide variety of capital goods from its growing current production. These commodities include trucks, tractors, agricultural and mining machinery, construction equipment and entire manufacturing facilities. Considerable expansion of exports of these goods is now possible without endangering their own economic programmes. The bloc's expanding economy can also absorb profitably increased imports of food and raw materials.

Many of the European satellites' economies have reached or surpassed their pre-World War II capabilities to trade and are now attempting to renew old trading relationships with the Middle East and Africa. In South East Asia the growing economic power of Communist China far surpasses that of most of its neighbours, who have not yet begun the process of industrialization. However, China's export capability is largely confined to agricultural products, raw materials, and a very small amount of equipment.

Nature of Economic Offensive.

The bloc programme in underdeveloped areas has

largely taken the form of expanded trade. Outright aid has been limited to a few small grants of little consequence. Some other gifts have been made, but on a reciprocal basis requiring some return gift for the bloc. Trade and technical assistance agreements, the primary form of Soviet economic penetration, have been made on a liberal basis. Barter deals have been arranged where balance of payment difficulties existed. Low interest credits have been extended for long terms to finance industrial development and technical assistance in the "have not" countries.

Trade and Payments Agreements.

The total number of trade and payments agreements in force with free-world countries rose from 93 to 175 between 1953 and 1955. During the first eight months of 1956 the total rose to over 200. In general, the new agreements call for the export of industrial equipment and manufactured products in exchange for raw materials and foodstuffs.

Credit Programme Expand.

Prior to 1955 bloc credits to non-bloc areas were almost negligible. Total long-term credits extended to underdeveloped countries from 1954 to the end of 1955 amounted to about 580 million dollars. By August 1956, this amount had roughly doubled, increasing to about 1.2 billion dollars. The U.S.S.R. accounted for almost half of this total and the European satellites, the remainder. By October, 1956, Communist China had agreed to extend outright grants of economic assistance valued at about 35 million dollars to Cambodia and Nepal, over the next 2 or 3 years.

More than 90% of the bloc credits extended in the past 3 years have been granted to four countries - Egypt,

Yugoslavia, Afghanistan, and India. About half of the total credits extended by the U.S.S.R. have gone to Yugoslavia, but India and Afghanistan have received the lion's share of the remaining 50%. The European satellites have extended most of the credits to the Middle East and Latin America. About one-fourth of total bloc credits of 1.2 billion dollars have been earmarked for the purchase of arms, and almost one-third for the development of manufacturing and mineral resources.

Soviet Technicians Follow Bloc Exports.

Bloc technicians are active in 14 underdeveloped countries. While the exact number of personnel sent to these areas is difficult to ascertain, the programme has reached significant proportions in several countries, especially Afghanistan, Syria, Egypt and India. Over 400 Soviet technicians are estimated to be in Afghanistan alone. These Red ambassadors of technology have included scientific and professional advisers, as well as construction technicians. Although most of the specialists have come from the U.S.S.R. and Czechoslovakia, every member country of the bloc, with the exception of Albania, has been represented.

Plans are under way to establish Soviet-sponsored technical institutes and scientific research facilities in Burma, Egypt, India, and Yugoslavia. Scientific and technical training within the bloc has been offered to foreign nationals from the countries that the Communist are wooing. The number of such students remained low in 1954 and 1955. However, in the first part of 1956, over 400 persons were reported to have gone to Russia for training from India alone.

Trade Fair.

The Soviets exhibited in 22 underdeveloped countries by medium of participation in international trade fairs during 1956, and permanent show-rooms have been opened by the bloc countries in Egypt, India, Indonesia, and Lebanon.

At first the Red trade offensive was directed primarily towards South and South East Asia and selected countries of the Middle East. More recently it was extended to Latin America, Africa, Yugoslavia, Turkey, and Pakistan. So far, South Asia and the Far East have received the most attention, accounting for the greatest share of bloc trade with underdeveloped areas. The Middle East, Africa, and Latin America rank next in order. The uncommitted countries of India, Burma, Afghanistan, and Egypt have received the most individual attention.

Total bloc trade with the Middle East and Africa increased by 94% from 1953 to 1955, totalling over 500 million dollars - about one-third of the trade with underdeveloped areas. The bulk of goods went to Egypt, Turkey, and Iran, while economic activity in Africa remained limited. When the figures for 1956 are in, a further substantial increase is expected.

European Satellite Trade Increases in the Orient.

Although trade with South Asia and the Far East has not increased percentage-wise as greatly as in other areas, it amounted to more than 600 million dollars in 1955. Communist China still accounts for about 80% of bloc trade in the Orient but European satellite shipments have almost doubled since 1953.

India, with the most advanced industry in this area, is in need of capital goods to meet the construction

goals of its Five-Year Plan. Credit agreements with the Sino-Soviets covering both equipment and technical aid total about 125 million dollars, and a one-million-ton-capacity steel plant equal to one-fourth of India's new steel making capacity will be built by the U.S.S.R.

Afghanistan has accepted over 150 million dollars in bloc credits. More than half of her total trade may have been with the Communists in 1955, compared with one-third in previous years. However, the bloc's share of Ceylon's trade fell slightly between 1954 and 1955.

Burma now has trade agreements with all of the major members of the bloc. Indonesia signed its first trade agreement with the U.S.S.R. in August 1956. Malaya and Thailand's trade with the Communists appears to have been on the upswing during 1956.

Argentina Biggest Buyer in Latin America.

South American trade with the Reds reached about 340 million dollars in 1955. This, however, was only about one-fourth of total bloc trade with less-developed countries during that year. Most of the increase in this area was with Argentina, Brazil, Chile, and Uruguay, but only Argentina carried on more than five per cent of its trade with Communist countries. Available information indicates that Red trade with Latin America continued to increase during 1956.

Sino-Soviets can Expand Trade in the Future.

The presently projected trade, credits, grants, and technical aid that the bloc is offering to non-Communist countries falls well below their capabilities. Substantial expansion is possible without endangering their development programme or requiring any serious alterations of internal economic priorities.

West Still Has Bulk of Trade.

The over-all magnitude of the Sino-Soviet bloc economic programme for underdeveloped areas is still moderate in size but is definitely growing.

In spite of the probable increase of the bloc's share in the total trade in the underdeveloped areas, the Communist policy of self-sufficiency, their own development requirements, and the trade patterns of the have-not countries will prevent the Reds from approaching the level of free world trade in the near future. However, Sino-Soviet capability concentrated in strategic areas could seriously compete with Western economic influence. Moreover, since Communist objectives are political and military, economic measures do not necessarily have to match or exceed those of the West to achieve success. A moderate but well-publicized Sino-Soviet economic programme, combined with favourable political overtures and added to the Red background of military threat, could significantly decrease Western influence. Where economic penetration falls short of pulling the underdeveloped country wholly into the Communist camp they would, in some cases, be satisfied if orientation toward the West changed to obvious neutrality.

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2. JAPANESE SHIP-BUILDING INDUSTRY. (Restricted).

In 1956 Japan doubled her output of ships for the previous year and displaced Great Britain as the world's leading ship-builder. Statistics of launchings in the two countries during that year are shown in the following table:-

	<u>No. of Vessels.</u>	<u>Gross Tonnage.</u>	<u>Percentage of World Tonnage.</u>
Great Britain	275	1,383,387	20.73%
Japan	325	1,746,429	26.17%

In comparison, Japan was producing only 8% of the world's new shipping tonnage early in 1954. Her rapid rise to the premier ship-building position is the result of an intensive programme of expansion, modernisation and rationalisation of ship-building facilities which commenced in 1950. With liberal financial assistance from the Government and substantial private foreign investment, particularly from the U.S.A., the ship-building industry invested heavily in capacious slipways, suitable for the construction of large tankers, and advanced equipment for welding and prefabrication. Some £30 million stg. has been expended on these and other ship-building facilities since 1950, and further heavy expenditure is to be incurred in 1957.

By 1954 the work of rehabilitation had advanced sufficiently to enable the industry to take advantage of the world-wide shipping boom which commenced in that year. Japan possessed the most modern ship-building equipment in the world; she had no backlog of orders and was thus able to quote for early delivery; and she was prepared to accept less favourable prices and terms of payment than most of her competitors.

Because of rising costs, however, especially for steel the Japanese ship-building industry has lost most of the price advantage which it formerly had over its competitors.

Because of rising costs, however, especially for

steel the Japanese ship-building industry has lost most of the price advantage which it formerly had over its competitors. Nevertheless, the industry's competitive position remains strong; indeed, the fact that it has been able to pass on the increased costs, and at the same time to negotiate terms of payment comparable with those enjoyed by its European competitors, is evidence of the high reputation for efficiency which it has built up. The average ship-building period is the shortest in the world, and delivery times are still considerably in advance of those quoted by British and West German firms.

Three factors threatening the continued rapid development of the industry are :-

- (a) The low technological standards of Japanese sub-contracting plants, on which the shipyards and their associated engine-building plants depend for their supplies of minor components;
- (b) A temporary scarcity of experienced workers, especially welders;
- (c) Irregularity in supplies of rolled steel. These deficiencies, however, are being overcome with characteristic vigour. Steps are being taken to advance technical standards in the machine and instrument-building industries; welders are being trained and automatic welding equipment developed; and it seems probable that within two years the steel shortage will have been overcome by installation of additional plant at the principal Japanese steel works.

The Japanese ship-building industry is overwhelmingly dependent on orders from abroad - particularly from Liberia, Panama and the United States; no more than 20% of current orders are from domestic shipping firms. The

industry is thus an extremely important source of foreign exchange earnings, especially dollar earnings; indeed it is not improbable that ships will replace cotton textiles as Japan's leading export commodity in 1957. Nevertheless, such an extreme dependence on the export market has undesirable features in an industry which is a precarious one.

On balance, however, Japan seems to have cause to regard her future in the ship-building field with equanimity. The industry is uniquely equipped for the construction of tankers, the demand for which seems certain to continue. Order books are full for at least two years and probably longer, and if the Japanese ship-building industries should have an assured market for several years to come.

(J.I.B. Melbourne).

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3. THE KURDISTAN PROBLEM. (Unclassified).

The name "Kurdistan", meaning "country of the Kurds", is used to designate a large area of south-eastern Turkey, north-western Iran, northern Iraq, and northern Syria, in which the Kurds are the preponderant element of the population. The boundaries of "Kurdistan" cannot be defined on historical grounds, because the area has never been a political entity. The Kurds are worthy of notice chiefly because they constitute a potential threat to the internal stability of Iran, Iraq, and, to a lesser extent, Syria, and because they present an opportunity for Soviet subversive activity.

It is estimated that there are approximately 3,500,000 Kurds in the area indicated above - 1,500,000 in Turkey, 1,000,000 in Iraq, 800,000 in Iran, and

approximately 200,000 in Syria. In addition, 20,000 to 50,000 Kurds are believed to live in Soviet territory adjacent to Turkey and Iran.

The Kurds speak a language closely related to Persian, with a number of dialects. Almost all are Sunni Moslems (see Footnote). The women have a distinct costume of their own, while that of the men tends to follow, in most cases, that of the area where they live.

The Kurds are a semi-nomadic pastoral people, whose seasonal moves between summer pastures on the higher mountain slopes and winter quarters in the valleys have brought them into conflict with four national Governments - those of Turkey, Iran, Syria, and Iraq. Their position astride the various national boundaries has given them an opportunity to participate in smuggling, especially of arms and ammunition. Their social organisation has not progressed beyond the level of tribal grouping, however, and inter-tribal intrigue and jealousies make it difficult for two or more tribes to unite on a common course.

The Kurds have a strong martial tradition, and they are renowned as fierce and predatory tribesmen. Kurdish belligerency is most evident among the purely nomadic tribes. Although their armament is limited to individual weapons and a few machine-guns, these tribesmen are effective guerrilla fighters in their own mountain areas and frequently have defeated more heavily equipped Government forces by their superior knowledge of the terrain.

Turkey, however, decisively suppressed a Kurdish rebellion in 1938; since then, she has taken positive and moderately successful measures to better the living conditions of the remaining Kurds and has achieved, to some degree, her aim of assimilating them into the Turkish population. In

Iraq, the Kurds remain hostile to the Government, despite their representation in the Iraqi Parliament and some efforts to improve their situation. Hostility is reflected in the frequent imposition of martial law in Kurdish districts. In Syria, Kurdish opposition to the Central Government is only slightly less than in Iraq. In Iran, certain tribes of Kurds also look upon the Government as only an instrument for collecting taxes and as a power which seeks to disarm and suppress them. They are represented in the Iranian Parliament almost exclusively by their absentee landlords, who have shown little interest in bettering the conditions of the Kurds.

Efforts to encourage a genuine Kurdish nationalism, distinct from the common tribal resentment of outside authority, have been made ever since the mid-19th Century. Various scattered Kurdish nationalist organisations have made some disjointed attempts to establish Kurdish-language newspapers and magazines, but these have been of limited appeal as there is no usable Kurdish alphabet. All publications have to be printed either in Arabic or Roman characters, and the great mass of the Kurds are illiterate. Kurdish nationalists have made numerous appeals to international bodies for outside support, but the U.S.S.R. alone has taken an active interest in the Kurds.

Soviet efforts to win the Kurds began during World War II and show every indication of continuing. The U.S.S.R. supported Barzani Kurdish tribal leader Mulla Mustapha and his group, who escaped from Iraq to Iran in 1945. There, he joined forces with other Kurdish rebels to form an independent Kurdish Republic during the Soviet occupation of northern Iran. After the U.S.S.R. withdrew its troops, the republic collapsed, and Mulla Mustapha, with his followers, escaped across the Soviet border and is living today in the U.S.S.R.

Since then, the Soviets have been exploiting the possibility of supplying arms, despatching agents, and spreading propaganda among the dissident elements of the Kurdish tribes. There are indications that certain arms shipments have passed through northern Iran and Iraq en route to Syria from the U.S.S.R. The Iraqi and Iranian security forces reportedly are co-operating to limit this smuggling activity.

A recent report that the Soviets had equipped Mulla Mustapha and approximately 400 men with distinctive uniforms aroused fears that this group might have been assigned some special mission in the area. The recurrence of rumours of Soviet-sponsored subversion, however, frequently coincides with the seasonal migrations of the Kurdish tribesmen.

Unless a strong outside Power indicates its intention to sponsor the creation of a Kurdish State, traditional Kurdish disunity will persist. In the meantime, however, individual Kurdish groups offer the U.S.S.R. a convenient medium for limited subversive action in Syria, Iran, and Iraq.

Footnote: The Sunnites hold that when the Koran does not give clear guidance, the tradition known as Hadith, and which is the content of the ideas of the early followers of Mohammed, should be followed.

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SECRET

Transit List

This document is to be treated as "SECRET." It is to be passed by hand from Officer to Officer and finally returned to the Commanding Officer.

Name of Officer to be passed to	Initials of Officer read by, and date passed on