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20 January 1958

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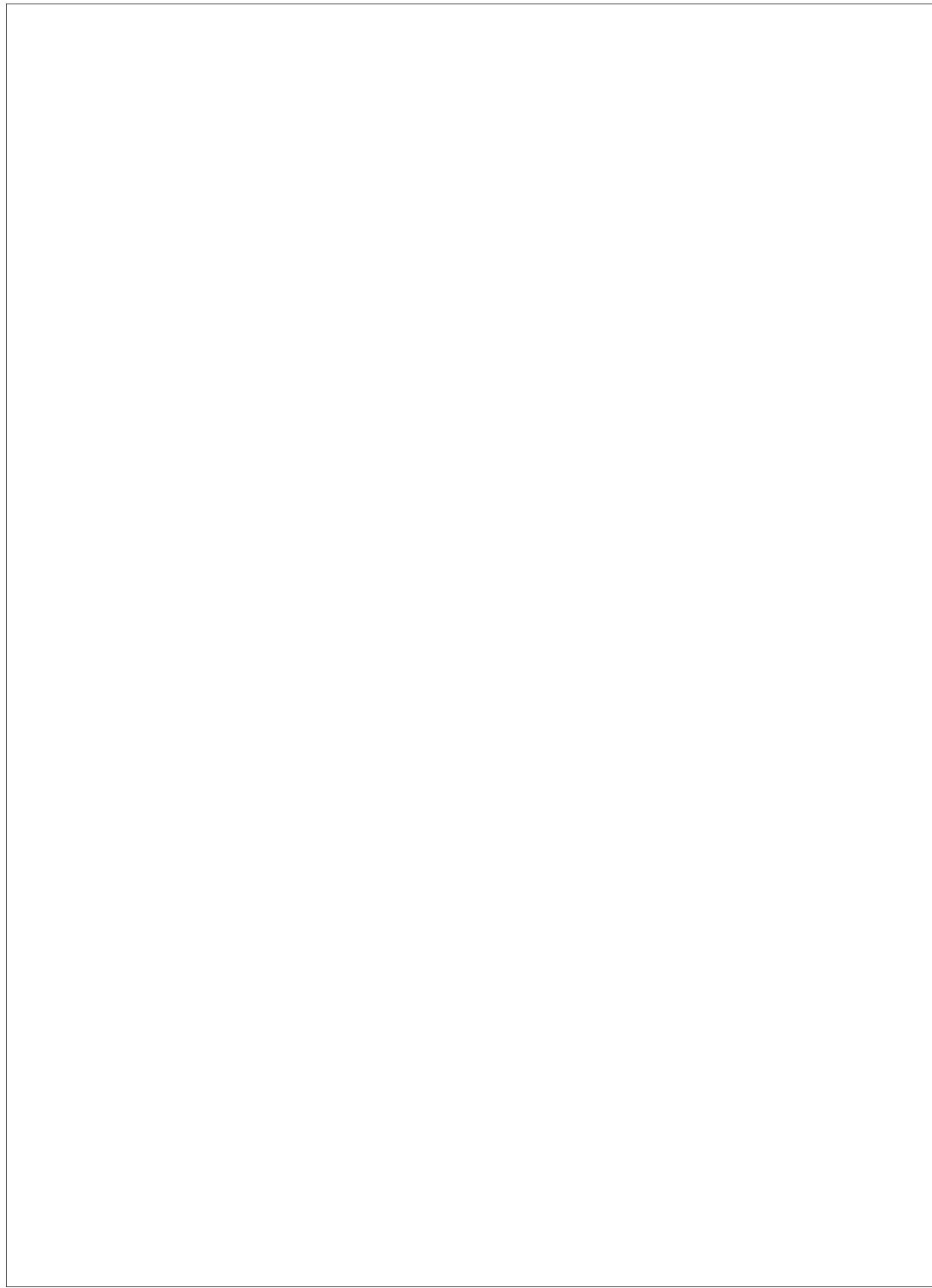
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CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 16
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NEXT REVIEW DATE: 2016
AUTH: HR 70-2
DATE: 1-4-80 REVIEWER:

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Zhukov may receive new appointment soon.

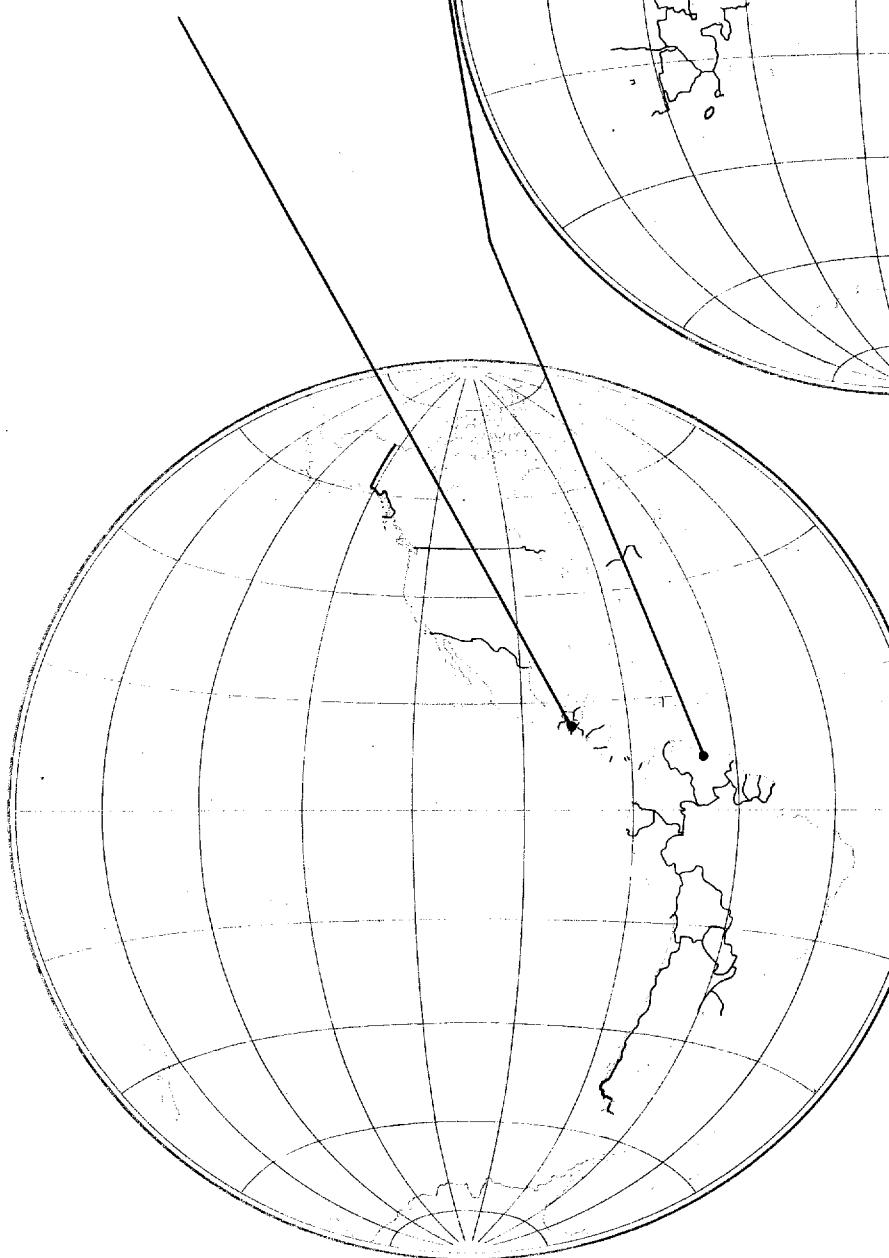
USSR maneuvers against Baghdad Pact meeting.

French intercept Yugoslav freighter with arms for North Africa.

Declaration of Sumatran independence postponed.

Venezuelan President moves to strengthen control.

Guatemalan election results expected this afternoon.

**OTHER ITEMS**

Nasir wary of Egyptian-Syrian union.

Finland to join Western economic groups.

Moscow-Bonn trade talks to be resumed 30 January.

French army tense over Tunisian incidents.

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DAILY BRIEF

I. THE COMMUNIST BLOC

Yugoslavia's carefully balanced position between East and West in its foreign relations may be jeopardized by the French interception off Oran of a Yugoslav freighter carrying 150 tons of arms which the French fear are destined for North African rebels. While France has not reacted strongly to previous shipments, in the light of present French sensitivity over North Africa this incident will tend to confirm recent French suspicions that Tito is swinging too far away from the West.

The Soviet Union is encouraging Syria and Egypt to redouble their efforts against the Baghdad Pact meeting scheduled to begin in Ankara on 27 January. The USSR urges that pressure be put on Iran and that Lebanon and another Arab state, presumably Jordan, be warned to stay away from the meeting.

Marshal Zhukov has not been publicly identified since his removal from high party and government posts in late October. Soviet officials have stated that he would receive a new military appointment upon completion of 90 days' leave of absence which is probably about to expire.

II. ASIA-AFRICA

Dissident regional leaders in Indonesia apparently have decided to postpone the declaration of an independent Sumatran state but to continue to demand the formation of a new anti-Communist cabinet in Djakarta. The decision probably

resulted from the influence of moderate elements in Sumatra, the advice of anti-Communist forces in Djakarta, and the central government's threats of economic and military counteraction. Meanwhile the 18 January Sukarno-Tito joint communique in Belgrade announcing agreement on arms purchases and increased economic relations will give the Djakarta government increased encouragement and prestige.

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Egyptian President Nasir appears basically wary of proposals for Syrian-Egyptian union, and seems to be setting difficult conditions in order to dampen Syrian enthusiasm for the project. Pressures for union continue to mount, however, and there almost certainly will be additional public announcements that plans for union are being developed.

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III. THE WEST

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Finland plans to join the European Payments Union within the next few days, and the Organization for European Economic Cooperation later this year. President Kekkonen believes Finland's only alternative to such ties is to become an economic satellite of the Soviet bloc, because of Finland's increasing internal economic difficulties and the growing drift of its foreign trade toward the bloc.

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West German-Soviet trade and repatriation talks will be resumed on 30 January, and are expected to last for two or three months. Bonn now has reason to believe that the USSR will shortly release some 75 German missile experts held in Sukhumi. These Germans probably have not had access to current Soviet missile development.

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French military reaction in Algiers to the recent Tunisian border incidents is such that civilian officials fear that even a minor incident could start the French Army across

the frontier "with or without orders from Paris." Premier Gaillard faces a foreign policy debate in the National Assembly beginning 21 January. He is under heavy pressure from rightist deputies to break relations with Tunisia, although the Foreign Ministry is playing down this possibility. Tunisian President Bourguiba's 18 January speech to the constituent assembly was restrained in tone.

The circulation of antigovernment manifestos signed by prominent Venezuelans and a rumored oil workers' strike suggest mounting pressure on President Perez, with civilian groups probably attempting to coordinate their efforts with dissident military groups. Perez, in another effort to bolster his authority, has dismissed the new chief of the national security police and has apparently considered recalling the previous chief, Pedro Estrada, to Caracas.

Firm indications of the outcome of the Guatemalan elections will probably not be available before the afternoon of 20 January. Meanwhile, there have been no reports of violence.

I. THE COMMUNIST BLOC

No back-up material.

II. ASIA-AFRICA

Syrian-Egyptian Union

There are conflicting reports of Nasir's immediate reaction to proposals for Syrian-Egyptian union. [redacted]

Nasir [redacted] told the Syrian military delegation he opposed union as not being in the interest of Syria, Egypt, or himself. Nasir allegedly denounced the political activity of the Syrian Army, Syrian Chief of Staff Bizri's "flirtation" with the Communists, and Syria's continuing open hostility toward the United States.

In apparent contradiction, the Egyptian chargé in Damascus said Nasir has agreed to union provided that the Syrian Army abstains from politics and Syria's political parties dissolve. The chargé said "all Syrians who matter" had accepted these terms.

Both reports indicate, however, that Nasir is basically wary, particularly of army factionalism and Communist influence in Syria. He is using his strong bargaining position both to check the Syrian haste for union and to bid for more control over the Syrian situation. Even if Syrian leaders should give lip service to his terms, they probably would not be able or willing to carry them out. The pressures Syrian politicians have generated nevertheless seem strong enough to bring about further public announcements that plans for union are being developed. [redacted]

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III. THE WEST

Finland Ready to Join EPU and OEEC

Finland intends to join the European Payments Union "in the next few days," and to assign a permanent observer to the Organization for European Economic Cooperation to test Soviet reactions preparatory to joining later this year, according to a source close to President Kekkonen. The Finns can be expected to assure the USSR that these moves are taken on purely economic grounds and will not alter their policy of neutrality between East and West.

The President believes Finland's only alternative to ties with these organizations is to become an economic satellite of the USSR; and, in the country's increasingly difficult economic situation, all political parties but the Communists concur in this view. During the first nine months of 1957 approximately 30 percent of Finland's total trade was with the bloc, compared to approximately 25 percent for a similar period in 1956.

In order to arrest the country's foreign exchange drain and growing unemployment, Finland devalued its currency by about 40 percent in September in the hope of stimulating production and exports, particularly in the important wood-working industries. Although inflationary pressures have eased, there is mounting criticism of the budgetary and monetary policies of the caretaker government which many critics charge threaten the country with a serious recession.

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