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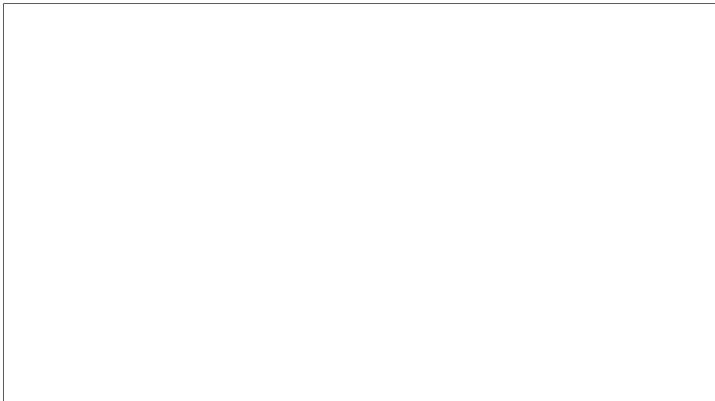
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**1. BONN DEFENSE MINISTER FAVORS WEST GERMAN
NUCLEAR WEAPONS CAPABILITY**

Comment on:

West German Defense Minister Strauss told a small group of Christian Democratic politicians on 6 November that Germany must eventually obtain possession of "push-button" weapons and nuclear warheads so that the US could not "back out" of a local conflict and Germany could exercise a more decisive influence on future Western policy, according to a fairly reliable source. Strauss stressed that Europe must acquire its own atomic capability by 1961, because by that time the US would have lost interest in overseas bases as a result of the perfection of the ICBM.

He also stated that a NATO stockpile under American control would be inadequate, and that Germany's only way out of its "dilemma" is to acquire its own capability for atomic weapons and delivery systems. According to Strauss, the French are willing to cooperate in "co-production" and the British might be brought in at a later stage. Strauss expects these matters to "come out" at the December NATO meeting.

State Secretary for Foreign Affairs Walter Hallstein told American officials in Bonn on 16 November that one of the agenda items for the NATO meeting might be Franco-German development of a 1,200-mile ballistic missile. The present Franco-German weapons program, according to an earlier statement of Strauss, is limited to small missiles, tanks, and interceptor aircraft.

2. USSR RESUMES GOLD SALES IN WESTERN EUROPE

Comment on:

The USSR has again been selling gold on European markets during recent weeks, according to financial circles in London. Soviet gold bars worth \$7,000,000 were delivered to London by ship on 18 November.

The USSR has sold more than \$180,000,000 worth of gold during the first nine months of this year, already exceeding the total sale in any recent year. Sales totaling \$150,000,000 in both 1953 and 1956 were motivated by foreign exchange requirements for loans to the satellites and, to a lesser extent, by Soviet foreign trade needs.

Since the fall of 1956, the USSR has agreed to provide more than \$225,000,000 in foreign exchange loans to the satellites.

3. NOVOTNY ELECTED CZECHOSLOVAK PRESIDENT

Comment on:

The election of Czechoslovak Party First Secretary Antonin Novotny as President of Czechoslovakia concentrates more political power in the hands of a Czechoslovak leader than at any time since the death of former President Gottwald in 1953. This combination of offices will give him the dominant voice in both state and party affairs and is a departure from the principle of collective leadership which the satellites have followed in the post-Stalin era.

This concentration of power in Novotny's hands at the expense of his alleged rival, Premier Siroky, is probably aimed at ensuring the continued stability of the leadership. Siroky, in nominating Novotny for the presidency before a special session of the National Assembly in Prague, claimed that the election of the party first secretary to this post would establish "the supreme role of the party in the nation's life."

During his tour of Czechoslovakia in July, Khrushchev publicly displayed his strong preference for Novotny over other members of the Czech party and government and is probably convinced that Novotny is the strongest and most loyal Communist in Czechoslovakia. The new Czech President will probably continue the regime's orthodox policies.

4. EAST GERMAN - SOVIET TALKS ON VISA AUTHORITY

Comment on:

East Germany began talks with Soviet Deputy Foreign Minister Zorin in East Berlin on 18 November concerning transfer of authority for issuing visas for

travel in the German Democratic Republic (GDR), according to a report received by the United States mission in Berlin. East Germany hopes the USSR will limit its visa issuance authority to American, French, and British diplomats crossing East Germany and Allied military personnel traveling between West Germany and Berlin. In all other cases Allied nationals, including diplomats and military personnel wishing to travel within East Germany, would have to apply to the GDR for a visa. Western retaliation against East German travelers in the West would be met by a ban on all transit traffic between the Federal Republic and West Berlin except that of diplomats and military personnel.

A treaty outlining visa sovereignty would formalize provisions enumerated in the letters exchanged by the Soviet and East German foreign ministers on 20 September 1955. This would affect the small number of American officials who travel in East Germany and would establish an important principle upon which GDR sovereignty could be more firmly based. Extension of East German visa requirements to the American military mission in Potsdam would indicate the Kremlin's preparedness to risk the loss of its own military mission in West Germany.

5. TENSIONS INCREASE IN AUSTRIAN COALITION

Comment on:

Differences between the two government parties in Austria--the conservative People's party and the Socialists--have become "more acrimonious than at any time since the May 1956 elections" and a period of serious government indecision is in prospect, the US embassy in Vienna reports. Neither party, however, is likely to force new elections.

Personality conflicts and domestic issues are at the root of the current difficulties. Chancellor Raab, partially incapacitated since last August when he suffered a slight stroke, is reported "explosively angry" with Socialist Vice Chancellor Pitterman. Differences over administration of the national radio and revision of the income-tax law are the major sore spots, although corruption charges involving high People's party officials have added to the bitterness.

Pitterman's obstinacy on these issues also reflects preparation for a new basic policy declaration at the 21 November Socialist congress. The new party position is expected to be moderate and "non-Marxian," and will be more palatable to Austrian left-wingers if Pitterman has just demonstrated that he can "stand up to" the conservative People's party.

6. BRITISH-LED DRIVE AGAINST OMANI REBELS STALLED

Comment on:

16 Sept

The failure of the Sultan of Muscat's British-led punitive expedition against the mountain refuge of the Omani rebels on 15 November has administered a setback to the Sultan's prestige in the interior, and will make more difficult the elimination of the Saudi-backed rebels. After the small Muscati force was pinned down on a mountainside by rifle and machine gun fire, RAF support with machine gun and cannon fire was ineffective, and the Muscati force, demoralized by cold weather and lack of food, withdrew next day.

[redacted] king
The British-led operation has, however, reopened the main supply route from the coast to interior Oman, which also serves British oil prospecting operations there.

[redacted] the Saudis are training a new group of Omani rebels are refuted by reconnaissance of suspect areas in Saudi Arabia [redacted]

[redacted] the Saudis are continuing to provide financial support to Talib's rebel group in Oman.

[redacted] the Saudis are probably running arms and ammunition by vehicle across the Empty Quarter into areas disputed with the Sultan of Muscat and the British.

[redacted] the Saudis regard the Imamate of Oman "as an independent state."

7. THE SUDAN'S LATEST PRICE CUTS UNLIKELY TO MOVE COTTON SURPLUS

Comment on:

[Redacted]

The decision by the Sudanese government on 17 November to cut in half the export duty on cotton and to reduce further the prices of higher grades of cotton is unlikely to result in the sale of the bulk of the Sudan's cotton surplus.

The Sudan has on hand the equivalent of 430,000 US bales of unsold long-staple cotton. Khartoum's failure to market the bulk of its cotton crop--the mainstay of the country's economy--is largely the result of the government's belief that because the Soviet bloc purchased large amounts of Egyptian cotton, the free world would be willing to pay premium prices for Sudanese cotton. However, there is a world surplus of long-staple cotton.

Reduction of the export duty lowers the average spot price--including tax--of the Sudan's long-staple cotton from 68.29 US cents per pound to about 64.00 US cents. The spot price of comparable Egyptian cotton--the Sudan's chief competitor--was 63.08 US cents per pound on 13 November. While these prices appear close, transportation costs from Port Sudan to European markets add substantially to the price of Sudanese cotton compared with Egyptian shipments from Alexandria. In addition, Cairo has been giving most Western buyers discounts amounting to a minimum of 5 percent. Although a British Foreign Office official expressed the belief that this latest move would bring British buyers back into the Sudanese market, judging by three previous reductions the Sudan's newest price cut is not likely to be sufficient to attract buyers for the bulk of the surplus.

[Redacted]

**8. THAI MILITARY GROUP MAY BE READYING DRIVE
AGAINST PRO-COMMUNISTS AND PHIBUN SUPPORTERS**

Comment on:

There are growing signs that Marshal Sarit and the ruling Thai military group may be preparing for a roundup of both pro-Communist elements and suspected adherents of ousted Premier Phibun and Police Director General Phao. Recent efforts by the government to moderate the extreme leftist tone of much of the Bangkok press through selective censorship have failed, and the ruling clique may now feel more drastic steps are necessary.

A military spokesman stated on the 19th that the armed forces, under semialert since 14 November, had been put in a "state of preparedness" as a "routine" measure designed to cope with any possible Communist subversion or attempted comeback by the Phibun-Phao group.

[redacted] the alert to the impending purge of 150 army officers suspected of supporting Phibun or Phao. In addition, the Bangkok press has been full of statements by Thailand's military leaders alleging an increase in Communist activities and plotting by followers of Phibun and Phao.

With elections for the National Assembly less than a month away, Sarit may also be motivated by a desire to crack down on pro-Communist elements so as to minimize the prospects for leftist gains. He might even use such a drive as a pretext for postponing the elections.

9. JAPAN ASKS US FOR AIR-TO-AIR GUIDED MISSILES

Comment on:

Japan's growing skepticism as to the adequacy of its defense establishment in the face of rapid guided-missile developments has resulted in an Air Self-Defense Force request that the United States make available air-to-air guided missiles for Japanese F-86F aircraft. Prime Minister Kishi is anxious to obtain an agreement for the purchase of air-to-air missiles by the time the regular Diet session begins early in December.

The request marks a crucial turn in Japanese defense planning and exposes the Kishi government to considerable political risk because of widespread pacifist sentiment in Japan. The Japanese have informed American officials that while the government is willing to acquire non-nuclear guided missiles, it cannot in the face of possible impending elections initiate a controversy over the security legislation which is ordinarily required before the United States will provide modern weapons and information.

Defense officials have intimated that, while they favor purchasing American missiles in order to maintain over-all defense cooperation with the United States, further refusal to release them on security grounds may force Japan to turn to the British for the Fire Streak, which is being considered, or to other sources which may be developed by a Japanese technical research mission now in Europe.

**10. JAPANESE ATOMIC BOMB VICTIM OFFERED
TREATMENT BY USSR**

Comment on:

The USSR may be planning to exploit Japanese sensitivity over nuclear warfare and sympathy for the still numerous victims of World War II atomic bombings by contrasting its "humanitarian attitude and peaceful pose" with "Western indifference." The Soviet embassy in Tokyo has notified the Japan Council of A-Bomb Victims that the USSR will provide medical treatment for a victim of the atomic bombing of Nagasaki.

The fact that the functions of the American Atomic Bomb Casualty Commission in Japan, a private organization which is a field agency of the US National Academy of Sciences, do not include medical treatment but are limited to conducting research on atomic bomb victims has aroused considerable bitterness in Japan. Lack of American medical aid has enhanced the ability of neutralist and anti-American groups to exploit the atom hysteria of the Japanese people.

The only official American offer of medical aid was made in the case of Japanese fishermen who were "dusted" by radioactive fallout during American atomic tests at Bikini in 1954. This offer was refused partly because of emotional tensions generated by the incident and partly because of Japan's conviction that medically it was better able to handle the situation because of its previous experience. Several unofficial offers of aid also have been refused on similar grounds, although the Japanese accepted the plastic surgery program for the "Hiroshima maidens."

11. POLITICAL-MILITARY CRISIS DEVELOPING IN HONDURAS

Comment on:

A new crisis of serious proportions is developing in Honduras just as the country seemed about to return for the first time in three years to constitutional government. Colonel Oswaldo Lopez, the ambitious and venal defense minister who became a member of the governing military junta on 17 November, is making an all-out bid for a constitutional provision that would give the armed forces dominant power. By qualifiedly "accepting" the constituent assembly's election on 15 November of the popular Liberal leader--Dr. Ramon Villeda Morales--as constitutional President, Lopez obviously hopes to put the Liberal-dominated assembly in his debt. If the Liberals block the constitutional provisions proposed by Lopez, he may align himself with Villeda's uncompromising opponents in the minority Nationalist and Reformist parties, which apparently prefer continued army rule to Villeda's inauguration.

Villeda said [redacted] that he will fight Lopez' maneuvers, if necessary by a national plebiscite seeking approval of his election as President and determining the public's attitude toward the constitutional status of the armed forces. Without support from the armed forces, Villeda could not take office in December or January as planned. [redacted]