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29 May 1958

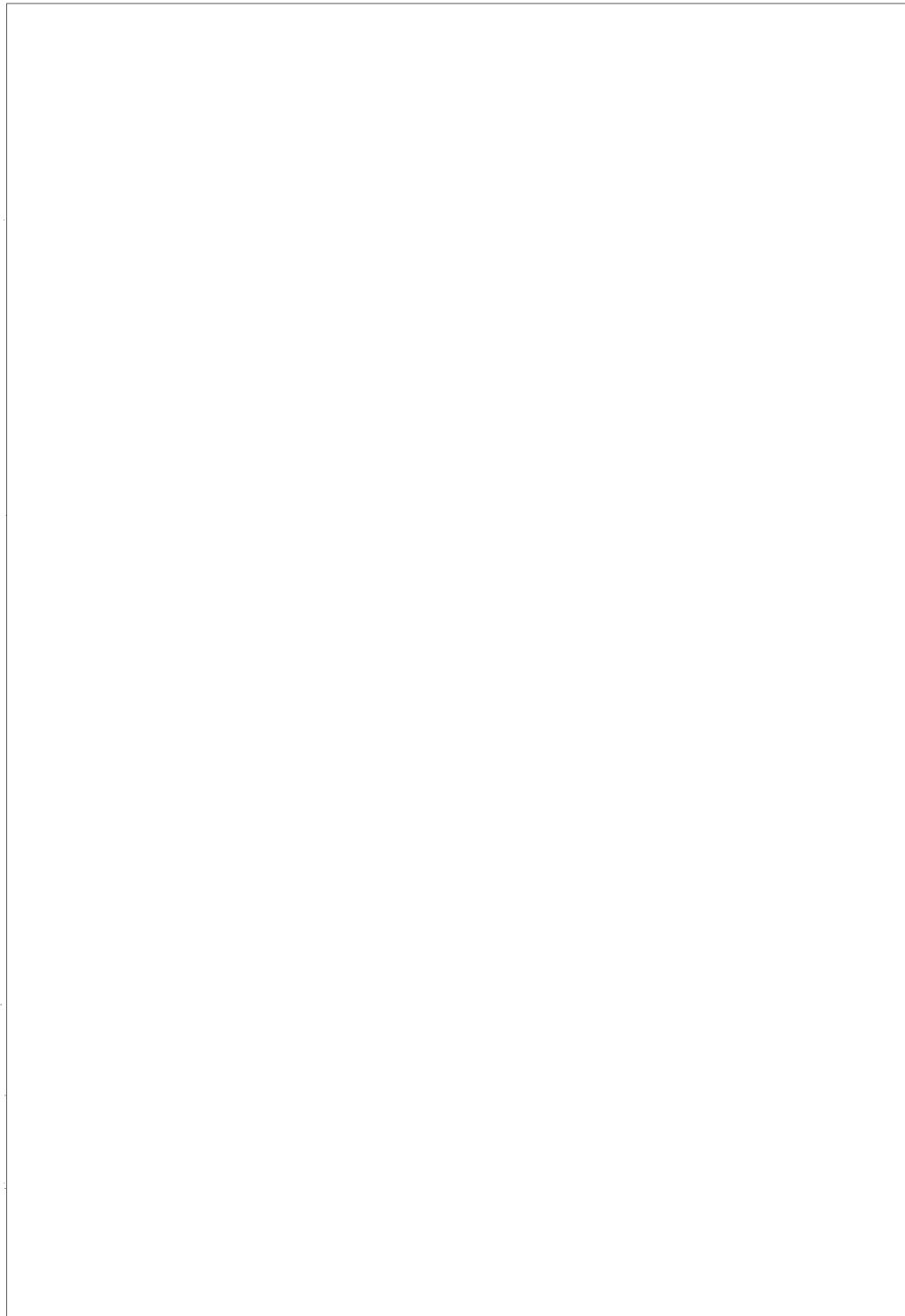
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# CENTRAL INTELLIGENCE BULLETIN



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29 MAY 1958

**I. THE COMMUNIST BLOC**

USSR cancels credits to Yugoslavia worth about \$278,000,000.

Peiping makes strongest attack on Belgrade in the current dispute.

**II. ASIA-AFRICA**

Lebanon - Efforts to reach political compromise fail. Army commander continues hesitant to commit forces against rebels, who, with UAR support, control much of rural area and parts of some cities.

Taiwan - Chiang Kai-shek's son states Indonesian dissident leader has asked for Chinese Nationalist air support; Taiwan has not reached a decision.

Greek prime minister warns he may be forced to take tougher line on Cyprus to forestall Communist exploitation.

Secret Turkish-Soviet talks reportedly concerned large Soviet aid offer if Turkey turned down US bases.

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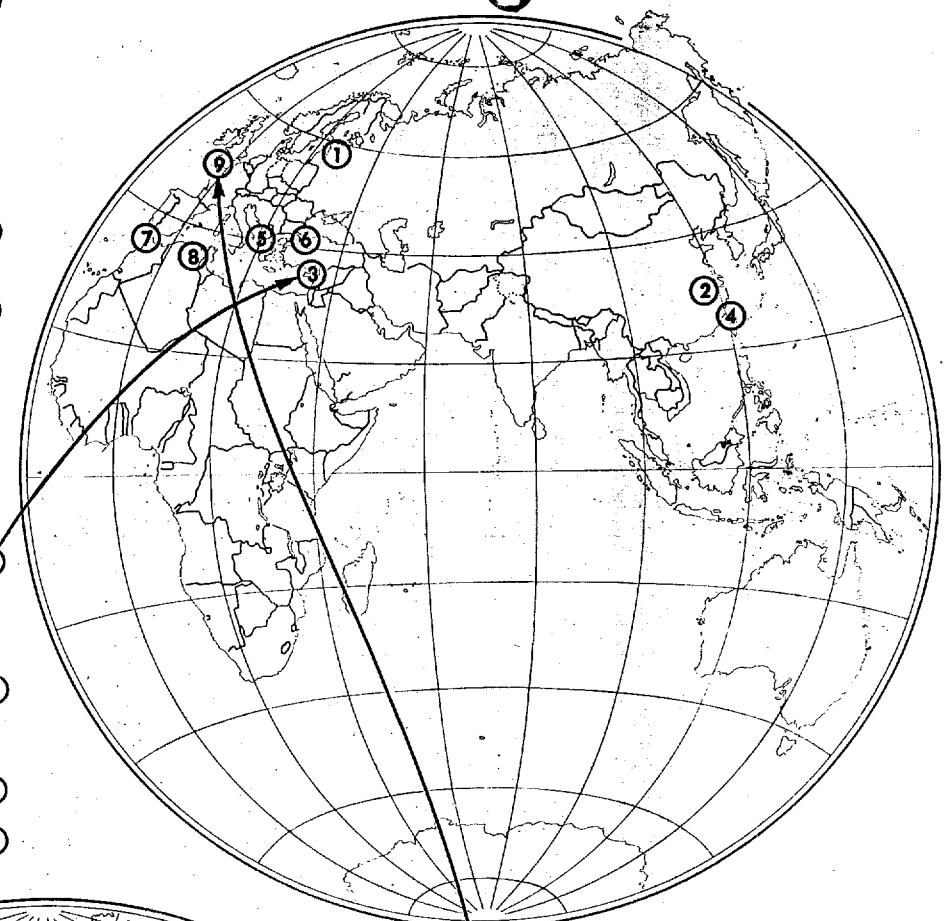
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(7) Morocco accedes to Soviet request to open permanent commercial mission in Casablanca.

(8) Tension between Tunisians and French rises, with Tunis willing to avoid showdown in the United Nations for the time being.

**III. THE WEST**

(9) France - Socialist party refusal to acquiesce in De Gaulle's investiture accentuates threat of military coup and civil disorder.

(10) Venezuela - Military dissatisfaction with junta president's inaction against leftists increasing.

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## CENTRAL INTELLIGENCE BULLETIN

29 May 1958

## DAILY BRIEF

*SHRB**yes*

## I. THE COMMUNIST BLOC

Soviet-Yugoslav dispute: The USSR's suspension for five years of two large economic development credits to Yugoslavia--worth about \$278,000,000--marks a new stage in the deteriorating bloc-Belgrade relations. Moscow is evidently willing to risk the unfavorable effects its action might have in India and other uncommitted states through making it apparent that the Soviet economic aid was not without "strings."

(Page 1)

*yes*

Communist China: A resolution passed by the Chinese Communist party congress is the strongest attack by Peiping against Belgrade in the current dispute. Peiping repeats its earlier attacks and now charges that Belgrade played a "provocateur and interventionist" role in Hungary. Peiping's castigation could serve to keep the Yugoslav dispute alive and may discourage any sentiment in the bloc which favors soft-pedaling the issue.

(Page 2)

## II. ASIA-AFRICA

*no*

Lebanon: Government efforts to reach a political settlement with the opposition have failed. Government leaders are showing increasing pessimism over the capability of the security forces, numbering some 13,000 to 14,000, to maintain control in the face of opposition

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from an estimated 6,000 to 7,000 armed rebels who remain entrenched in some urban quarters and who control much of the countryside. Extensive UAR support to the rebels continues and may be intensified. Army commander General Shihab continues hesitant to commit the army in an all-out drive against the rebels. [redacted] (Page 3) (Map)

*No*

Taiwan: Generalissimo Chiang Kai-shek's son, Chiang Ching-kuo, stated recently that Col. Warouw, acting premier of the Indonesian dissident movement, had arrived in Taipei and had requested Chinese Nationalist air support for the dissidents. Chiang stated that the Chinese Nationalists had not reached a decision to give aid to the dissidents. [redacted]

*No*

Greece: Prime Minister Karamanlis has warned the American ambassador that if the British proposals on Cyprus, which are expected in the near future, are unsatisfactory, the government will be forced to take a harder line on Cyprus to prevent the Communists from exploiting this issue. Karamanlis probably wants to line up more American support on the Cyprus issue, but in any case he has to face a more vocal and determined opposition. [redacted] (Page 5)

*No*

Turkey-USSR: [redacted]

[redacted] Discussions covering Turkey's major financial problems are scheduled for early June between Ankara officials and representatives of the International Monetary Fund and the Organization for European Economic Cooperation. [redacted]  
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**Morocco-USSR:** The Moroccan Government approved on 22 May a Soviet request to establish a permanent commercial mission in Casablanca. On 20 April, a trade agreement between Morocco and the USSR was concluded calling for an exchange of goods valued at \$14,200,000, more than double the amount provided for in the 1957 agreement. In the past Morocco has been cool to Soviet approaches, but this new development opens the way for the Soviet Union to press for expanded relations.

(Page 7)

*no*  
**Tunisia:** New roadblocks are being erected, and French forces may no longer leave their bases even in civilian clothes. A mob tore down the flag at the French gendarmerie headquarters in Tunis on 26 May, but was prevented by Tunisian police from entering the building. The Tunisian delegation at the United Nations is expected to ask soon for a Security Council meeting on Tunisia's complaints against France. For the time being, Tunis is still trying to avoid a showdown in order not to embarrass the United States and Britain.

### III. THE WEST

*no*  
**\*France:** Socialist opposition to De Gaulle, despite a "strong and pathetic plea" by party leader Mollet to Socialist deputies to reconsider, was apparently the basis of Coty's decision to ask the presidents of the two parliamentary houses to work out with De Gaulle the conditions under which the government would be formed. Continued Socialist opposition and maneuvering will encourage the Communists in their last-ditch efforts to fashion a popular front government, and could set off the threatened military coup to install De Gaulle and result in serious

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civil disorders. [redacted] the general wants to maintain legal procedures, but extralegal methods have not been ruled out. [redacted] (Page 8)

*yes*

Venezuela: New tensions may be aroused by the Venezuelan junta's new cabinet appointments, and the chances of an attempted take-over by Defense Minister Castro and general staff chief Perez Morales could be increased. The officer corps has for some time been concerned by junta President Larrazabal's passivity in the face of a rapid rise in leftist influence. [redacted] (Page 10)

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DAILY BRIEF

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## I. THE COMMUNIST BLOC

### Moscow Suspends Economic Credits to Belgrade

The USSR advised Yugoslavia on 27 May of its intention to suspend for five years the two big development loans it had extended Belgrade two years ago. This move marks a new stage in the deterioration of interstate relations which has followed the bloc-Belgrade ideological rupture. Since the Soviet credits are to be used chiefly to provide equipment for industrial construction now in the planning stage, their cancellation will not cause an economic crisis in Yugoslavia.

Approximately \$278,000,000 in credits are involved, including the joint East German - Soviet \$175,000,000 credit for the construction of an aluminum plant. The Yugoslav announcement of the Soviet decision did not mention, however, a \$54,000,000 commodity credit extended during February 1956, of which about \$28,000,000 remains to be drawn. The USSR noted, in suspending the credits, that the possibility existed "for some compensation on the basis of current goods exchanges." As yet, there has been no mention that Czechoslovakia and Poland intend to follow Moscow's lead and cancel approximately \$90,000,000 in credits they have extended to Yugoslavia.

The hint of a possibility of some compensatory arrangement suggests that no immediate complete economic boycott--such as ensued after the 1948 break--is contemplated.

The Soviet decision, which was probably discussed at the recent CEMA meeting in Moscow, suggests that the USSR does not contemplate any resolution of the current dispute in the foreseeable future. Moscow apparently is willing to risk any unfavorable effects its obviously political action may have in India and other uncommitted states where the USSR has been careful to avoid attaching political strings to its aid.

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### Peiping Renews Attack on Belgrade

The 23 May resolution of the Chinese Communist party congress exceeds in harshness Peiping's 5 May blast against Belgrade, and charges the Yugoslav leaders played a "provocateur and interventionist" role in Hungary.

In language resembling the 1948 Cominform resolution which expelled Yugoslavia, Peiping declares that the Yugoslav leaders have "alienated themselves" from the international Communist movement. The resolution pointedly distinguishes between Yugoslav leaders and the populace.

The resolution reflects the tone of the entire proceedings of the Chinese party congress, which reaffirmed hard lines in domestic and foreign policy. Mao Tse-tung and his most influential lieutenants in the past year have increasingly stood for ideological orthodoxy, tighter organizational controls, and greater pressures on the populace for rapid economic development. The Chinese resolution charges that the Yugoslav program "betrays" Marxism and that the Yugoslavs have "completely forsaken" the concept of Communist party power monopoly.

In order to counter any speculation that the Chinese are supporting Stalinist opponents of Khrushchev, Peiping for the second time in a week makes a special point of its support for Khrushchev personally. The resolution endorses the measures taken since 1954 toward Yugoslavia by the Soviet central committee, "headed by Comrade N. S. Khrushchev."

Yugoslavia's Borba regards the Chinese resolution as the death knell for the pleas for "well-meaning criticism" which have been voiced by some East European spokesmen. The paper comments that the old methods of the Cominform have again been put into practice. [redacted]

[redacted]

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## II. ASIA-AFRICA

### Lebanese Situation

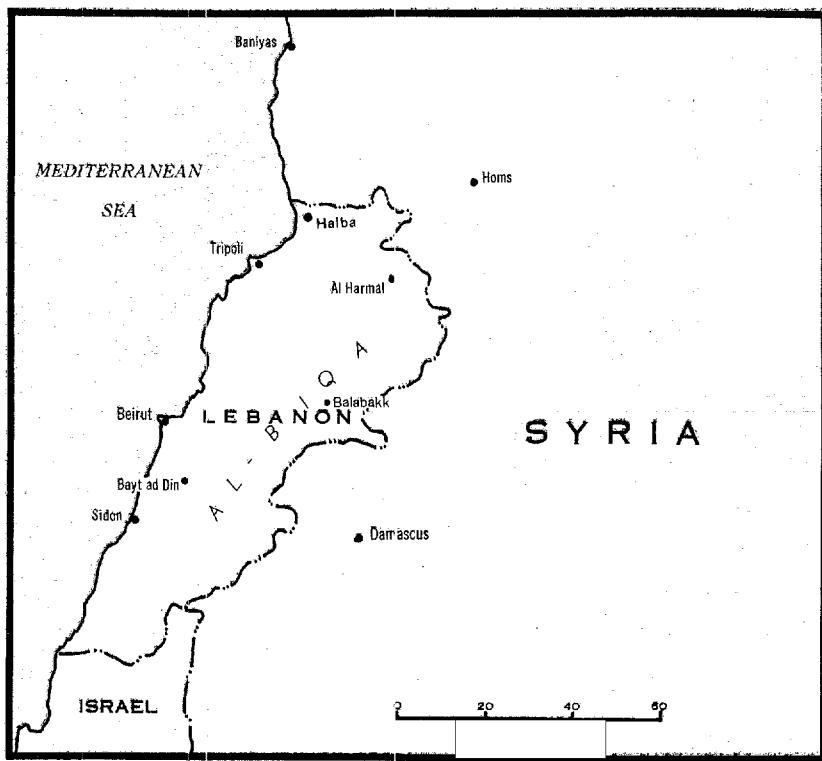
Efforts for a negotiated settlement between the Lebanese Government and opposition leaders have broken down completely. Prime Minister Sulh's statement on the presidential second-term issue has been rejected outright by extremist leaders who demand Chamoun's resignation. Government leaders are increasingly pessimistic that security forces can cope with the rebels, who now control most of the countryside.

Prime Minister Sulh declared on 26 May that if General Shihab failed to take effective action against the rebels, Sulh saw no alternative but to bring in foreign troops if Lebanon were to be saved. President Chamoun also stated on 27 May that the situation had become more critical and that General Shihab questions his own ability to deal with the increasingly difficult situation. He said that the general did not, as he had on previous occasions, object when Chamoun suggested that foreign intervention might be the only solution.

Shihab is reported to have told Foreign Minister Malik on 26 May that "it was not his policy to engage the opposition forces directly," and that he expected more terrorist bombings in Beirut, since "neither Beirut nor the other large cities were presently priority targets for the army." Claiming that the rebels now numbered between 6,000 and 7,000 men, Shihab declared that if the army were attacked on all fronts, he would have to give up two thirds of the country and retire to the main cities. Shihab concluded by stating that Nasirism was a tremendous movement with which Lebanon would have to accommodate itself gracefully. The general believed, however, that foreign intervention was inevitable since the West would not let the UAR take over the country.

Buttressing the gloomy predictions of government leaders is the severe deterioration of the military situation. The

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army has withdrawn from Balabakk and left it to the opposition. Renewed fighting is going on in Tripoli, and, in the rest of the north, government forces hold only two small towns. The areas of greatest military danger are the Biqa Valley and the region around Bayt ad-Din. A force of rebels reported to total 3,000, including Syrians and Egyptians, is concentrating in the Biqa Valley and is equipped with light arms, mortars, and transportation. In the Bayt ad-Din region, Druze opposition leader Jumblatt's force of 600 men is stated to have received 500-600 reinforcements from Syria, as well as an estimated 20 howitzers with ammunition, and antitank grenades, [redacted] Lebanese forces to combat these two threats are stated to number less than 600 men.

[redacted] Iraqi reinforcements in Lebanese uniforms arrived in northern Lebanon on 26 May. [redacted] authorities in Damascus to "remove the Arabic markings" from antitank grenade launchers being sent to antigovernment forces in Lebanon.

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Greek Premier Warns Against Unacceptable  
Cyprus Proposals

Premier Karamanlis told the American ambassador to Greece on 26 May that a solution to the Cyprus problem is now urgent. The premier attributed sizable Communist gains in the recent Greek national elections, along with the decline of his own pro-Western party, to the resentment felt by the Greek people toward Britain, Turkey, and the United States for their attitudes on Cyprus.

Karamanlis warned that to prevent further exploitation of this bitterness he would be forced to adopt a more unyielding attitude toward the Cyprus problem unless the forthcoming British proposals are acceptable. He denied that the Greek Government has any contact with, or influence over, the Greek Cypriot underground organization EOKA, but predicted that "great violence" would follow announcement of any unacceptable British plan. This in turn, he warned, could lead to communal clashes on the island and a possible rupture in Greek-Turkish relations. Karamanlis concluded with an urgent plea that the United States use its influence to convince Britain and Turkey that they must act to bring about an acceptable solution.

Domestic problems were probably as much responsible as foreign issues for the recent display of leftist strength in Greece. The proven vote-getting power of the Communists is now large enough, however, to influence the conduct of Greek foreign policy for the indefinite future. If Britain's new plan for Cyprus is unacceptable to Archbishop Makarios and the Greek Cypriots, Karamanlis will be forced to take a firm stand favoring Cypriot self-determination or risk further left-wing gains in Greek municipal elections next October. [redacted]

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Turkey May Be Considering Soviet Economic Aid

Top Turkish leaders held [redacted] discussions with Soviet Ambassador Ryzhov [redacted]

[redacted] discussed a proposed Soviet loan to Turkey of \$300,000,000 in gold in installments, a type of loan the USSR has never granted a country outside the bloc. Ryzhov allegedly tried to tie such aid to an agreement not to permit rocket bases in Turkey, but Foreign Minister Zorlu is said to have refused to discuss this issue "at this time."

Despite Turkish denials that anything of major significance was discussed, American representatives in Ankara are watching the situation closely, and believe the presence in Ankara of the Turkish ambassador to Moscow may be significant.

While such reports may be designed to worry American officials studying the question of aid to Turkey, it is possible that the Turks may feel forced to seek Soviet aid to solve their critical financial problems, which include servicing a foreign debt estimated to be as high as \$1.5 billion. President Bayar is reported to have told Ryzhov in early April that Turkey might respond favorably to Soviet aid offers.

Turkey is seeking multilateral help through the facilities of the International Monetary Fund and the Organization for European Economic Cooperation. Officials from these organizations are scheduled to make a survey of Turkey's economic troubles in early June. Meanwhile the Turks are seeking immediate interim economic assistance from the United States and West Germany. [redacted]

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## Moroccan Government Approves Establishment of Soviet Commercial Mission

The Moroccan Government is reported to have approved unanimously on 22 May a Soviet request for permission to establish a permanent commercial mission in Casablanca. The conclusion in Moscow on 20 April of a new trade agreement with the USSR, providing for an exchange of goods valued at \$14,200,000 and the establishment of clearing accounts in Rabat and Moscow, in Moroccan eyes, has invalidated the standing argument that a trade mission was not needed because trade was inconsequential. Under the 1957 agreement, Moroccan trade with the USSR expanded rapidly. During the first nine months of 1957, trade was valued at \$3,672,000, in contrast to \$204,000 during the same period of 1956. Despite this expansion, Soviet trade amounted to only slightly more than one percent of Morocco's total trade.

While Morocco has been cool to Soviet approaches, and Premier Balafrej and the King personally oppose closer relations, the government since March has been seriously considering an exchange of diplomatic representatives with the USSR. Establishment of a commercial mission now provides a new contact and opportunity for the USSR to press for expanded relations.

The reporting officer expects the unanimous decision of 22 May to be used to exert pressure on the United States for increased aid on more favorable terms.

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### III. THE WEST

#### French Crisis

Further efforts by President Coty to give maximum legality to General de Gaulle's assumption of power have delayed the expected direct presidential request that the general form a new government. Coty's designation of the presidents of the two houses of Parliament late 28 May to negotiate with De Gaulle has brought heavy pressure to bear on the recalcitrant Socialist party--the main stumbling block to a legal investiture.

There are indications that the pro-De Gaulle forces may have underestimated the depth of Socialist opposition to any form of De Gaulle regime and the willingness of at least a segment of the party to make good the threat, privately advanced by several leaders, to "go underground" regardless of how De Gaulle takes power. According to the press, even a "pathetic plea" by Socialist leader Mollet to Socialist deputies on 28 May failed to sway a majority of them.

Continued Socialist opposition, by encouraging the Communists and probably other anti-Gaullist elements, enhances the possibility of momentary military intervention which had seemed slightly less imminent following De Gaulle's 27 May announcement that he was preparing to form a government and his request for the maintenance of public order. The prospects for a violent leftist opposition movement also are increased by prolonged resistance of "republican" elements in the Assembly.

The Swiss Government is so concerned over what it considers the "strong possibility" of civil war in France that, [redacted] it has

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directed troops in western Switzerland to be ready to man border controls and to guard against extension of the conflict to Swiss soil. In the event of war, Bern expects large numbers of refugees from the extreme left or right, and will grant asylum.

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### Venezuelan Junta Appoints New Cabinet

New tensions may be created in Venezuela by the governing junta's new cabinet appointments. Finance Minister Mayobre, a banker and former governor of the International Monetary Fund, is reported to have been at one time closely connected with Communist party affairs; he was exiled by the Perez Jimenez dictatorship in 1952. Foreign Minister de Sola, formerly minister of justice, was active in the overthrow of the Perez regime and is said to be popular with Caracas' leftist-inclined, anti-militarist students. Education Minister Rafael Pizani, exiled by the Perez Jimenez regime, was the leading proponent under conservative President Medina in 1943 of the provision for a 50-50 return to the government on petroleum revenues. Agriculture Minister Hernandez, an agronomist, and Justice Minister Aguilar, who was secretary of the Caracas bar association in 1954, appear to have been inactive politically.

The new appointments may precipitate an attempt at a take-over by Defense Minister Castro and general staff chief Perez Morales. The officer corps has for some time been concerned over junta President Larrazabal's passivity in the face of the rapid rise of leftist influence.

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