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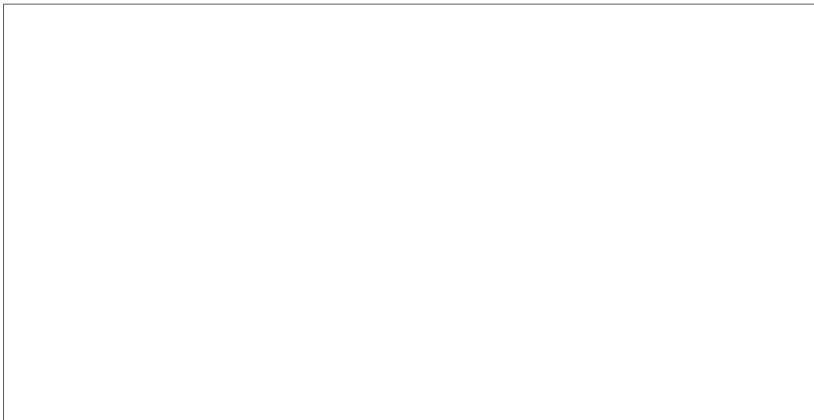
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1. GROWING BRITISH PUBLIC DEMANDS FOR EAST-WEST TALKS

Comment on:

Prime Minister Macmillan is faced with a growing public clamor for early high-level East-West talks as he prepares his reply to Bulganin's note of 10 December.

Macmillan evidently believes that such talks are necessary to maintain public backing for present Western policies. Public disappointment over the lack of contact with Soviet leaders and absence of Western flexibility on the German reunification and security issues probably contribute to the uneasiness in Britain over accepting missile bases.

In recent weeks, almost all influential British newspapers have called for new talks with the Soviet Union. An opinion poll taken by the British Gallup organization just before the NATO conference showed 85 percent favoring a Western initiative for talks. The American Embassy in London notes the similarity of the growing political and public pressures to those which led to the Berlin and Geneva meetings of 1954 and 1955.

Macmillan evidently plans to draft the general line of his reply to Bulganin before leaving on his five-week Commonwealth tour which begins on 7 January. The note itself will be transmitted somewhat later, after discussion in the North Atlantic Council.

2. ABSENCE OF SOVIET PARTY LEADERS ARISTOV AND KUUSINEN

Comment on:

The absence of Soviet party presidium and secretariat members Averky Aristov and Otto Kuusinen from recent official functions may indicate that they are no longer members of the ruling group.

Aristov has not been publicly identified since 8 November and Kuusinen not since 3 December. Apparently neither participated in the 15-16 December central committee plenum, and both failed to appear at the 19-21 December Supreme Soviet session and the New Year's eve celebration in the Kremlin.

Barring the possibility of illness--particularly in the case of the 76-year-old Kuusinen--these unusual absences are difficult to explain except in terms of a loss of political stature. It is possible that the two men were removed from their top party posts at the December plenum when Mukhittdinov, Kirichenko, and Ignatov were named to the secretariat, and the decision presumably was taken to remove Belyayev from the central secretariat and relegate him to a provincial post in central Asia.

While these changes apparently do not impair the status of Khrushchev, they indicate continuing instability within the Soviet leadership.

3. ROKOSOVSKY RECALLED TO SOVIET MINISTRY OF DEFENSE

Comment on:

[Redacted]

Soviet Marshal Konstantin Rokossovsky has been reappointed a USSR deputy minister of defense and relieved as commander of the Transcaucasian Military District, according to a TASS announcement of 2 January. He was assigned to the Transcausus on 23 October, at the height of the Turkish-Syrian crisis, and immediately prior to the removal of Georgy Zhukov as USSR defense minister.

The TASS announcement of Rokossovsky's return to Moscow provides the first Soviet confirmation that Rokossovsky had been relieved as a deputy defense minister last October. The timing of his transfer, and the unusual circumstances surrounding his assignment away from the Soviet capital suggest that he was sent into a critical area in order to threaten the Turks and simultaneously to remove a possible supporter of Zhukov from the scene. On 12 November, after the Turkish-Syrian crisis had died down, he was elected a member of the bureau of the Georgian party central committee, an indication that his transfer into the area was intended to be permanent.

If Rokossovsky's transfer to Tbilisi were tied to the Zhukov ouster, his recall to Moscow now would suggest that the regime experienced less difficulty in removing Zhukov than anticipated, and has therefore restored Rokossovsky to a post commensurate to his prestige.

[Redacted]

4. AFGHANISTAN NOTIFIES USSR OF INTENTION TO CUT BACK ECONOMIC DEVELOPMENT

Comment on:

[Redacted]

The Afghan Government has informed the Soviet Embassy as it did the American Embassy, that economic difficulties have forced it to seek grant aid, to the exclusion of loans, and to have even local currency costs of future development projects met through foreign aid. King Zahir and Foreign Minister Naim told Soviet Ambassador Degtyar in late December that Afghanistan did not expect to draw further on the line of credit extended under the \$100,000,000 loan agreement except as needed to complete projects already agreed upon, according to the Afghan minister of commerce and the president of Bank Melli.

A majority of Soviet projects have apparently been carried only through the preliminary survey stage, and only a few construction contracts are known to have been let. It is not clear what projects, other than those under construction, may be considered as "already agreed upon."

The USSR would be unwilling to see its aid program modified without additional negotiations. Moscow now may seek to increase its influence in Afghanistan by providing economic experts to help Afghanistan solve its inflationary problems.

~~SECRET~~

**5. JAPANESE FEAR THEY MAY LOSE KUWAIT OIL
AGREEMENT TO AMERICAN INTERESTS**

Comment on:

Japanese negotiators who have arrived in Kuwait to conclude an agreement for offshore oil rights in the neutral zone of the Persian Gulf fear that they may lose out to the independent American Hunt interests, in association with Standard Oil of Indiana.

The ruler of Kuwait,

[redacted] rejected an offer from a member of the Shell group. He also cautioned his finance director against dealing with inexperienced firms--presumably meaning the Japanese--and instructed him to give full consideration to the American proposals scheduled to be presented on 1 January.

The Japanese are seeking an agreement similar to the one they recently signed with Saudi Arabia, which shares control of the neutral zone with Kuwait. The major feature of this agreement is Saudi participation in profits from all phases of the integrated operation, including crude production, refining, transportation, and retail marketing in all areas. Saudi Arabia is guaranteed a minimum of 56 percent of net profits. American oil experts believe this agreement is too complicated to permit a workable operation.

While onshore production in the neutral zone is low by Middle Eastern standards, the discovery of two major offshore fields in Saudi Arabia just south of the neutral zone enhances the interest in the offshore concession.

6. NEW THAI CABINET

Comment on:

The new Thai cabinet, under Lt. Gen. Thanom, reflects the continuing dominance of the military in Thai politics. With a few minor exceptions, its membership is virtually the same as the outgoing provisional government of Pote Sarasin.

Premier Thanom will serve concurrently as defense minister. The appointment of the ambitious General Prapat as deputy premier in addition to his continuing as minister of interior creates a potential rival for Thanom. With armed forces commander Sarit out of action for an indefinite period because of illness, political stability in Thailand will depend primarily on the ability of Thanom and Prapat to work together.

As a sop to disappointed civilian politicians in the governing National Socialist party, five elected national assemblymen were named ministers without portfolio. In addition, Unionist party chief Sukit Nimanhemin, an intellectual with moderate socialist inclinations, has been retained as minister of economic affairs. Of the other civilian members, the most noteworthy is Prince Wan, who will continue as Thailand's foreign minister and will also serve as a deputy premier.

The predominately military composition of the new government will open the Sarit group to charges that the 16 September overthrow of the Phibun government changed nothing in Thailand. There will, however, probably be a "honeymoon" period during which public criticism will be restrained.

7. LAOTIAN CHIEF OF STAFF SATISFIED WITH PROGRESS OF PATHET LAO INTEGRATION

Reference:

[redacted] Laotian Army Chief of Staff Colonel Ouane is generally satisfied with the progress achieved in demobilizing Pathet Lao troops in the two provinces [redacted] formerly held by the Pathets, [redacted]

[redacted] However, in Sam Neua Province, a unit of 650 of the Pathets' best trained and fully armed troops was refusing integration as of 30 December, and Ouane has warned that these men will be hunted down as bandits if not demobilized by the 18 January deadline.

Ouane said that areas evacuated by Pathet Lao troops are under observation by army personnel in civilian clothes, who report that the population is in dire need of medicine and in some instances food.

Ouane said that his troops are ready to enter the two provinces after 18 January as scheduled under the settlement accords negotiated last November between the government and Pathet Lao. He expects the movement to be completed by 2 February, at which time he will presumably have sealed off the access points along the North Vietnamese border through which Viet Minh supplies have flowed to the Pathet Lao. [redacted]

**CORRECTION TO ITEM 2, CURRENT INTELLIGENCE
BULLETIN DATED 2 JANUARY 1958**

The second sentence of the second paragraph should read: "If the highly trained and well-organized 6,000-man national guard, which is separate from and about 40 percent as large as the army, should defect in support of the air force and win active civilian backing, these elements with or without a modicum of army assistance might be capable of overthrowing Perez."

ANNEX

Watch Report 387, 2 January 1958
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the orbit in the immediate future.
- C.
 - 1. A deliberate initiation of hostilities in the Middle East is unlikely in the immediate future. However, tensions in the Middle East continue to create possibilities for serious incidents.
 - 2. There is no evidence of Sino-Soviet intention to become militarily involved in the Indonesian situation. However, the Communists are exploiting political instability and economic deterioration; developing conditions continue to provide opportunities for an expansion of Sino-Soviet bloc influence in Indonesia and for a Communist take-over of government on Java.