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CENTRAL INTELLIGENCE BULLETIN



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2 JANUARY 1959

I. THE COMMUNIST BLOC

Evidence indicates Khrushchev's opponents will be expelled from party, but not executed or jailed.

Soviet commandant in Berlin hints East Germans now responsible for US military personnel detained in East Berlin.

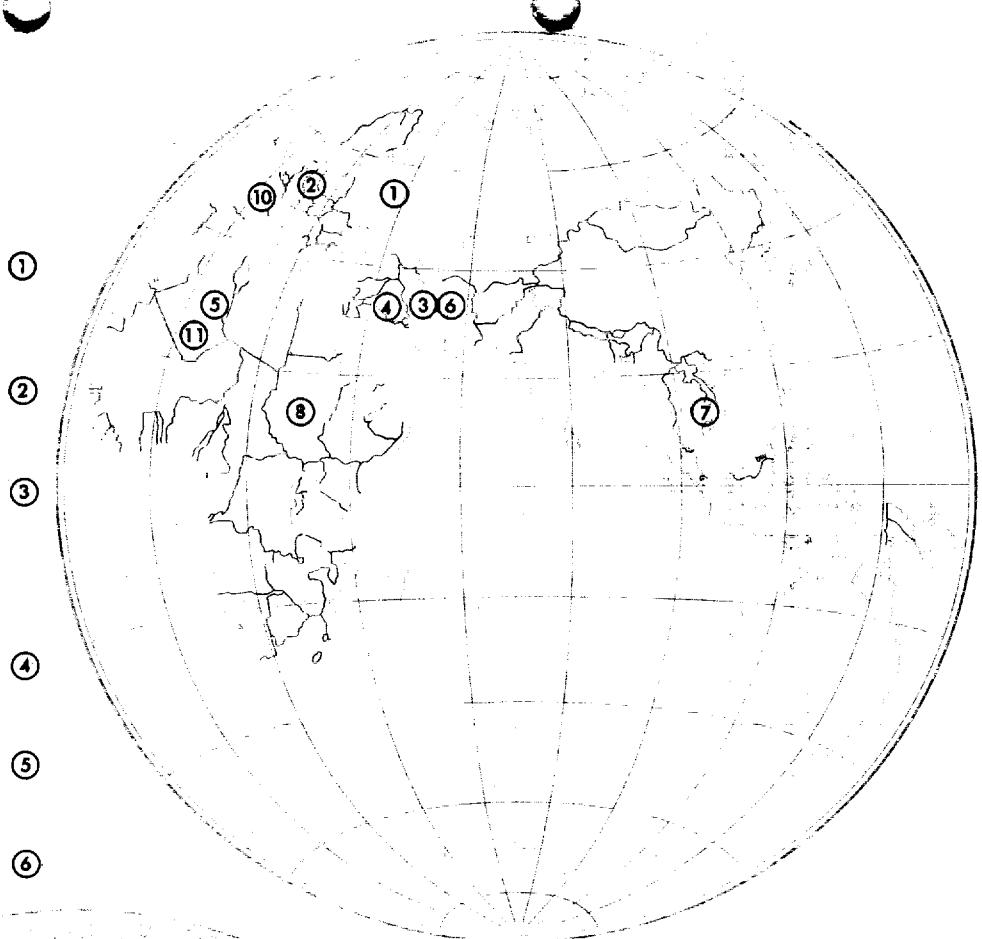
Strong Soviet note calls for talks with Iran before Tehran signs defense agreement with US.

II. ASIA-AFRICA

Violent clashes increasing between pro-UAR and pro-Communist elements in Iraq.

Algerian rebels ordered to attack French oil pipeline from Sahara to coast.

Shah of Iran considering purchase of 25-percent interest in oil consortium.



⑦ South Vietnam and Thailand engaged in plotting against Sihanouk regime in Cambodia.

⑧ Sudan faces economic crisis next March failing large external aid or cotton sales.

III. THE WEST

⑨ Cuban rebels acting to take over country following collapse of Batista regime.

⑩ France--Regardless of political attacks, new austerity program offers best chance since 1945 to stabilize economy.

⑪ Final preparations for French nuclear weapons test may be under way.

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CENTRAL INTELLIGENCE BULLETIN

2 January 1959

DAILY BRIEF

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SI
I. THE COMMUNIST BLOC

No

USSR: Evidence indicates that Khrushchev's defeated opponents--Malenkov, Molotov, Kaganovich, Shepilov, and Bulganin--are slated for expulsion from the party, but not for imprisonment or execution. Khrushchev's attack at the December plenum of the party central committee appeared to foreshadow some further move against them. The 21st party congress later this month would provide a convenient forum before which to make the announcement.]

No

Berlin Situation: In a communication of 27 December, the Soviet commandant in Berlin indicated that the East Germans now are responsible for cases of US military personnel detained in East Berlin. This is a hint that the USSR already may have relinquished to the East Germans an element of its quadripartite responsibilities in the city. (Page 1)

HO

USSR-Iran: Moscow's latest note to Iran, delivered on 29 December, calls for a series of Soviet-Iranian talks to settle outstanding issues before Tehran undertakes the "hostile" step of signing the proposed Iranian-American defense agreement. The Soviet campaign to pressure Iran into dropping its military ties with the West emphasizes Soviet charges that an Iranian-American "alliance" would threaten the security of the USSR and the Arab world.] (Page 2)

II. ASIA-AFRICA

No

Iraq: Clashes between pro-UAR and pro-Communist elements are becoming increasingly violent. More serious outbreaks seem likely, since both groups apparently feel they

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cannot yield to threats of force. A breakdown of public order on a large scale might encourage army leaders to attempt to remove Prime Minister Qasim; limit his authority; or order him to crack down on pro-Communists.

(Page 3)

HQ
Algeria: The Algerian rebels may soon attempt to sabotage the 420 - mile 24 - inch oil pipeline France is constructing from the Hassi Messaoud field in the Sahara to the Algerian coastal city of Bougie. [redacted]
the rebels' defense ministry in Tunis [redacted]

[redacted] to make "the greatest possible effort" to prevent construction of the pipeline and to launch "vigorous actions against all enemy facilities."

(Map) (Page 5)

HQ
Iran: The Shah of Iran is considering a plan to purchase a 25-percent interest in the consortium of Western oil companies which operates the country's petroleum industry. He prefers this to a change in the 50/50 profit-sharing formula. Apparently seeking US Government support for his plan, the Shah noted that increased oil revenues would decrease Iran's need for American assistance.

[redacted] (Page 6)

South Vietnam-Thailand-Cambodia: Plotting by South Vietnam to overthrow the Sihanouk government in Cambodia

HQ
Vietnamese agents in Cambodia recently exfiltrated former Premier Sam Sary to head a resistance front against Sihanouk based in Thailand. Thai leaders, including Marshal Sarit, have indicated willingness to lend clandestine military support. This plotting apparently is not yet connected with recently reported plans by Dap Chhoun, Cambodian warlord, to overthrow Sihanouk.

Sihanouk is already alert to growing domestic and external intrigues against his rule. He may denounce these intrigues as Western inspired and turn to the Communist bloc for support. [redacted] (Page 7)

61C
Sudan: The prospects are for an economic crisis sometime in March when the Sudan's free currency reserves will have been exhausted. Severe economic dislocations apparently

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can be avoided only if substantial balance-of-payments aid or large cotton purchases come from outside sources before mid-March. [] (Page 8)

III. THE WEST

NO

*The Situation in Cuba (0130 EST, 2 January): The Fidel Castro rebels moved swiftly to consolidate their control of the country after the sudden collapse of the Batista government on 1 January. Santiago, second largest city, fell and the rebels claimed control over the capital of Camaguey Province as well as the important seaport of Cienfuegos. A pro-rebel army officer, Colonel Ramon Barquin, is in control of the armed forces. Fidel Castro's hand-picked choice for the presidency, Manuel Urrutia, is expected in Havana at any moment. The Communists can be expected to exploit the fast-moving situation--perhaps by supporting a general strike--in an effort to gain political freedom and even legality for the party, which was outlawed in 1953 by Batista.

[] (Page 9)

OK

France: The bold austerity program offers the best prospect since 1945 for stabilizing the French economy, but will nevertheless encounter some political hazards. Socialist opposition to it gives the Communist party new leverage in its constant appeal for working-class "unity of action." Some prominent leaders of the powerful Union for the New Republic, the largest party in the Assembly, have previously opposed austerity measures in the hope of broadening the new party's appeal to labor. They will probably welcome any opportunity to seek relaxation of the program.

[] (Page 11)

OK

*France--Nuclear Weapons: [The reported 29 December departure from France of a group of 100 to 120 persons, including "the commander of the French atomic test site," suggests that final preparations for a French nuclear weapons test may be under way. The group was said to be bound for "a town southeast of Colomb-Bechar," presumably Reggane]

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Oasis in the Sahara which was previously reported to be the site of an installation preparing for tests of French nuclear weapons. It is estimated that the French now have enough fissionable material to explode a nuclear device, and several recent reports have indicated that the government was awaiting the "psychological moment" to do so.)

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I. THE COMMUNIST BLOC

Berlin Situation

The Soviet commandant in Berlin notified the US commandant on 27 December that East German police are holding in custody an American soldier who had been found in East Berlin the preceding night. The Soviet note added that "German" authorities had said they would release this man to an American representative.

The US Mission in Berlin points out that this is the first time Soviet authorities have stated that it is necessary to deal with the Germans for the release of Allied military personnel taken into custody in East Berlin. This in effect turns over to East Germany jurisdiction which has been a Soviet responsibility under quadripartite agreements. The same responsibilities do not apply to similar cases in East Germany outside the city itself. American officials note, moreover, that this is the first time a question of military personnel has formed the subject of a communication from the Soviet commandant, such matters having previously been handled on the provost-marshall level.

Moscow also appears to be making preparations to withdraw its headquarters from the Karlshorst compound in East Berlin to some locale outside the city. The number of Soviet personnel at Karlshorst already has been diminished by the withdrawal of Soviet advisers from the East German Army and certain ministries. The post exchange at Karlshorst will be closed down on 1 February 1959,

[redacted] and a Soviet administrative team which has closed down other compounds is being assigned to close out the Karlshorst installation. Outside Berlin, construction of administrative buildings is being rushed in one area, possibly for use of Soviet officials being transferred from Berlin. [redacted]

[large redacted area]

[large redacted area]

Soviet Warning to Iran

[Moscow's efforts to forestall the conclusion of an Iranian-American defense agreement have resulted in a noticeable cooling of Soviet-Iranian relations. The Shah of Iran said that Soviet Ambassador Pegov told him on 26 November that if Iran continued to follow its present policies, Moscow would be forced to regard it as an enemy. The latest Soviet note, delivered on 29 December, called for a series of talks on outstanding issues and deplored growing tension between Moscow and Tehran. It alleged that conclusion of the bilateral agreement would result in the basing of US troops in Iran and the stationing of the US Navy in the Persian Gulf--actions which could only lead to further deterioration of relations. Previous Soviet notes on 27 November and 31 October had warned Tehran of the dangers Iran would face in placing its territory at the disposal of an "aggressor group" and had stated that Moscow "will not remain indifferent" to this added threat to its southern frontiers.]

[By holding up work on border river surveys and normal purchases of Iranian rice, Moscow has hinted at further economic pressure if relations continue to deteriorate, while at the same time promising economic advantages if Iran adopts a "friendly" course.]

[Soviet Deputy Foreign Minister V. S. Semenov on 15 December rejected an Iranian protest against remarks in the 27 November Soviet note and chided the Iranian ambassador on "secret clauses" in the projected agreement. Semenov asked the Iranian ambassador to inform the Shah that the Soviet Government considered conclusion of this agreement a "hostile" act directed against the USSR which Moscow could neither ignore nor tolerate.]

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II. ASIA-AFRICA

The Situation in Iraq

Open clashes between Communist sympathizers and pro-UAR elements are increasing and spreading throughout Iraq. Centered in Baghdad, these clashes may be the prelude to more violent outbreaks as the opposing factions gather their forces. Apparently determined to demonstrate that Communist violence does not intimidate them, UAR supporters have reversed their previous policy of lying low and now are trying to make a show of strength. Communist gangs are roaming Baghdad streets at night looking for anti-Communists, while Baathists have been reported assassinating Communist partisans. Although the army has quelled disturbances in such provincial towns as Ramadi, Falluja, and Kirkuk, a further deterioration of public order might encourage army leaders to attempt to remove Prime Minister Qasim or limit his authority if they cannot force him to reverse those of his present policies which aid the Communists.

The funeral of a member of the Communist-infiltrated Popular Resistance Organization (PRO) was used by Communist sympathizers as the excuse for large-scale demonstrations demanding expansion and arming of the PRO to "protect the people" against the "fanatic enemies of the Republic."

[redacted] the demonstrators chanted slogans in support of Qasim and shouted for [redacted] the heads of supporters of the former royal regime.

The war of words between Baghdad and Cairo has reached new heights, with the Baghdad press "demanding" the naming of "those responsible for inspiring Nasir's attack on the Syrian Communists." Cairo radio has broadcast the resolution

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of the Kuwait Arab Literary Conference which condemned
the Iraqi representatives for their charges that the con-
ference was not a free forum. [redacted]

[redacted]

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Algerian Rebels Ordered to Sabotage Partially Completed
Pipeline From Saharan Oilfield

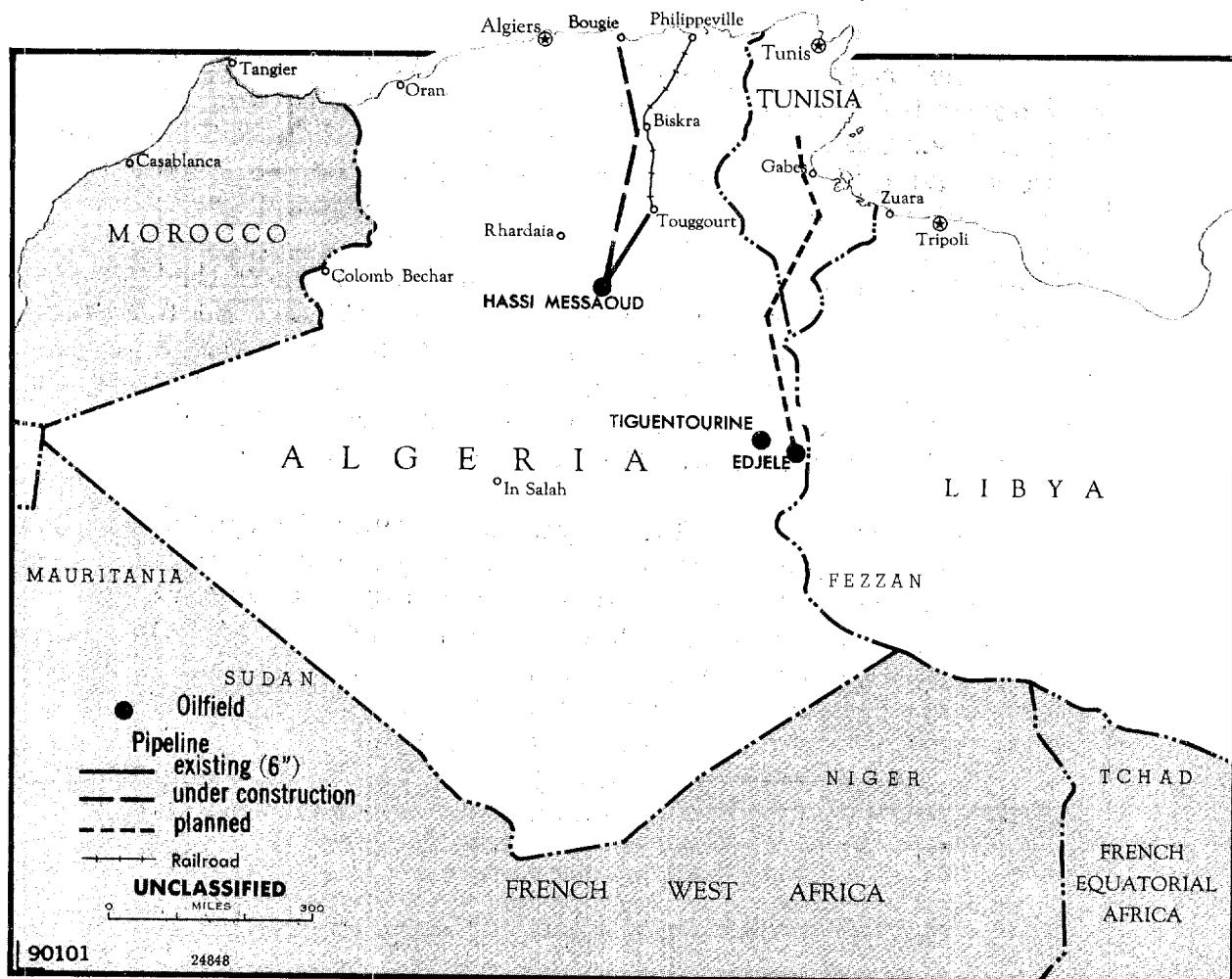
The defense ministry of the Algerian rebels' provisional government ordered the rebel command for eastern Algeria [redacted] to launch "vigorous" sabotage operations against the 24-inch pipeline which France is building from the Hassi Messaoud oil field in the Sahara to the Mediterranean.

The order, which urged "the greatest possible effort" be made to forestall French use of the pipeline, was evoked [redacted] [redacted] informing the ministry that the French were laying pipe at a more rapid rate than had been expected and had installed about 36 miles as of mid-December. An earlier report indicated the French are working around the clock in an effort to extend the line its full 420 miles to the Algerian coastal city of Bougie by October 1959. As the route followed necessarily traverses extensive tracts of rebel-infested territory, the rebels may have greater success in implementing this instruction than they have had previously when ordered to take general action against other targets.

No attacks on the Bougie pipeline construction project, which began about three months ago, are known to have occurred as yet. The rebels have reportedly caused occasional brief interruptions in the flow of Hassi Messaoud oil along the temporary combination six-inch pipeline and rail route activated last January, largely for psychological purposes. Despite these interruptions, however, some 1,617,000 barrels of oil had been shipped from Algeria by September, and year-end figures will probably come close to the 2,450,000-barrel target set for 1958.

France hopes to ship Hassi Messaoud oil at the rate of 85,000 barrels a day immediately upon completion of the Bougie pipeline, increasing this to 240,000 b/d by 1961 [redacted] together with equal shipments from another remote Saharan field by a pipeline across Tunisia on which construction is scheduled to start in 1959, would provide the French community with virtually all its estimated crude requirements by 1962. (However, Tunisian President Bourguiba several months ago was reported to have assured the rebels that no Saharan oil will flow through Tunisia until Algeria becomes independent.) (TOP SECRET EIDER NOFORN)

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Shah of Iran Considering New Oil Policy

[The Shah is considering a plan whereby Iran would purchase a 25-percent interest in the consortium of Western oil companies which operates most of the country's petroleum industry. The consortium, which took over the operation of the Iranian oil industry in 1954 as part of a general settlement following the nationalization of the Anglo-Iranian Oil Company, currently operates under a 50/50 profit-splitting agreement which is scheduled to remain in force until 1994.]

[This new plan, if implemented, technically would not breach the traditional 50/50 formula but would, in effect, give Iran about 62.5 percent of the profits of the consortium's operations. Such a device was used in three concessions recently awarded to American, Canadian, and Italian companies. Since Iran does not have sufficient funds to make the suggested purchase, the Shah probably envisages a loan from the consortium.]

[Apparently seeking US Government support for his plan, the Shah noted that an increase in oil revenues would cause a proportionate decrease in Iran's needs for American economic aid. The Iranian budget for the year beginning 21 March 1959 currently is estimated by Tehran to have a deficit of about \$100,000,000 for which substantial American aid may be requested in addition to the "normal aid program."]

[Unlike the recent agreement in Venezuela, the Iranian-consortium concession agreement apparently prevents a unilateral change in the profit-sharing formula. Despite this legal block, the Shah may decide to press for increased oil revenues by other methods if his suggested purchase plan is proposed and rejected.]

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South Vietnam's Intrigues Against Sihanouk Regime

[South Vietnam is actively plotting to engineer the removal of Crown Prince Sihanouk from power in Cambodia in the conviction that his close relationship with the Communist bloc menaces Vietnamese national existence.]

[one of Cambodia's top political figures, Sam Sary, was smuggled out of the country on 21 December for grooming in Saigon as head of a resistance front against Sihanouk to be based in Thailand. Sam Sary's flight was arranged by South Vietnam's envoy in Phnom Penh, Ngo Trong Hieu. Vietnamese agents in Bangkok are coordinating these plans with Thai military leaders, including Marshal Sarit, who have promised clandestine military support.]

[Vietnam's plotting, at least at this stage, seems to be apart from coup plans against Sihanouk being hatched by Dap Chhuon, Cambodian military leader who is alarmed at growing Communist influence in Cambodia. Chhuon, however, contemplates support from both South Vietnam and Thailand to facilitate a takeover.]

[There is serious danger that Sihanouk, who is already alert to growing domestic and external intrigues against him, will denounce this plotting as Western inspired and turn to the Communist bloc for support. South Vietnam's representative in Cambodia informed Saigon that the situation in Phnom Penh "is dangerous...with the authorities watching for the slightest chance to place us under arrest."]

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Sudan Faces Economic Crisis

Both the Sudanese Government and the American Embassy expect a severe economic crisis in the Sudan sometime in March when its free currency reserves will have been exhausted. The deteriorating economic situation, in large part a result of the government's unrealistic cotton marketing policy, now has reached a point where Khartoum cannot solve the problem without assistance. In this atmosphere of economic crisis, the Sudanese Supreme Council apparently is moving into a decisive phase of its foreign relations. The Sudan's longer-term policy may be decisively influenced by whether increased economic aid comes from Western or Sino-Soviet bloc sources.

Thus far the Sudan has not concluded large barter deals with the Sino-Soviet bloc, but the present 230,000-bale surplus of long-staple cotton and the prospect of an additional 620,000 bales from the near-record crop now being harvested probably will make Khartoum receptive to a Soviet offer of a large barter deal. A high-level economic delegation expected to arrive in the near future may bring an offer of substantial assistance not only for the immediate crisis but for long-term development projects as well.

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III. THE WEST

The Situation in Cuba (0130 EST, 2 January)

Following the sudden collapse of the Batista regime in Cuba on 1 January, the Castro rebel movement moved quickly to seize control of the country. Fidel Castro declared he would not accept an army-backed provisional government and threatened to call a general strike unless Manuel Urrutia, his personal choice for president who is en route to Havana, is given power. A walkout has paralyzed air service to and from Havana, and there are indications a general strike might be spreading in the western provinces.

Col. Ramon Barquin, a former military attaché in Washington who had been in prison since leading an unsuccessful military coup against Batista in 1956, announced that he has assumed control of the armed forces in Havana.

Rebel units have stepped up their efforts to seize key cities in the three eastern provinces. On 1 January they captured Santiago, Cuba's second largest city and capital of Oriente Province, and claimed control over the capital of Camaguey Province and the important seaport of Cienfuegos in Las Villas Province. Rebel columns were also reported to be marching toward Havana, where Castro sympathizers were attempting to restore order as rioters roamed the streets looting and burning.

Several Cuban embassies abroad have jumped on the Castro bandwagon. The chiefs of mission in Bonn, Paris, and Rio de Janeiro announced support for a rebel government, and exiles took control of the embassies in Washington, Mexico City, and Montevideo.

The outlawed Popular Socialist (Communist) party (PSP) may now increase its efforts to ally itself with the rebel cause.

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in an attempt to gain political advantages or recognition under a new government. On 2 January the Communist chief announced support of the rebel movement and called for a "united front." Although the PSP has been rebuffed in numerous previous attempts, it has given strong propaganda to the rebellion and has offered to cooperate in any general strike.

Communist sympathizers are believed to have penetrated the rebel movement on a low level, and the anti-American sentiments held by some rebels--particularly within the group commanded by Raul Castro--could well be exploited to the Communists' advantage. [redacted]

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New French Austerity Program Faces Political Complications

The broad new economic program announced by Premier de Gaulle and Finance Minister Pinay on 28 December offers the best prospect since 1945 for a stabilized French economy. For the time being, at least, France probably has the capability to support both a stabilization program and the current drain of resources in Algeria.

The austerity program is already under attack by the official Socialist party newspaper as well as by the Communist party. This situation gives the Communists their best opportunity since De Gaulle came to power to seek working-class "unity of action." Socialist leader Guy Mollet now may find his self-assigned role of leader of the "loyal opposition" to the new government complicated by Communist success in seeking "unity from below." Although the Popular Republican party is expected to support the austerity program, MRP leader Pierre Pflimlin is reported particularly apprehensive over its impact on peasants and labor. Both of the major non-Communist labor unions--the Socialist-oriented Force Ouvriere and the MRP-oriented Christian Workers' Confederation--had repudiated austerity programs in advance although they do not intend to attempt protest strikes.

While a spokesman for the "Gaullist" Union for the New Republic (UNR), which is by far the largest group in the Assembly, has announced full support for the new program, some UNR leaders have previously opposed austerity measures. Michelet, Debre, and Frey, for example, hope to win broad labor support partly through a policy of economic expansion. Such men will probably seize any opportunity to seek relaxation of those portions of the new program which appear objectionable to labor.

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