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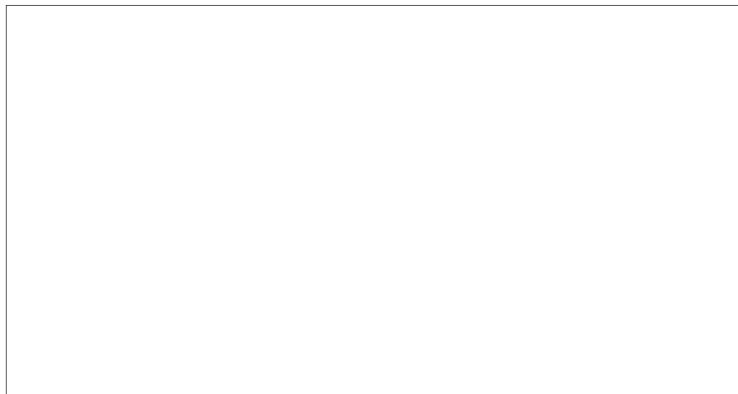
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**1. AFRO-ASIAN BOYCOTT OF DUTCH SHIPPING EXPECTED
IN SUPPORT OF INDONESIA**

Comment on:

[redacted] dockworkers' unions in Afro-Asian countries have started a boycott of Dutch shipping. [redacted] it will be accelerated by a resolution introduced at the Afro-Asian conference in Cairo calling for a boycott of all Dutch shipping carrying goods for use against Indonesia. During the Indonesian revolution against the Dutch in 1948, a general boycott by maritime services in Southeast Asia and the Middle East crippled Dutch commerce in the area.

The Burmese government, at the request of the Indonesian embassy in Rangoon, has already directed the labor minister to prevent Burmese seamen from working on Dutch ships, [redacted]. President Sukarno may be expected to press for this form of support during his forthcoming tour of several neighboring Asian countries and Egypt. One report states that Sukarno will ask President Nasir to close the Suez Canal to Dutch ships.

In Indonesia, the government has been forced to discharge the Dutch pilots and officers of the Indonesian national shipping company because seamen's and dock workers' unions refused to work for Dutch officers. The Dutch naval attaché has information that the company is hiring East Germans and Poles as replacements.

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2. MILITARY REVOLT IN VENEZUELA

Comment on:

A reported 50 percent or more of the Venezuelan air force launched a revolt with possible army support on 1 January which will seriously undermine the prestige and probably threaten the stability of President Perez' authoritarian regime. The government claims the movement is being brought under control rapidly and has arrested several high-ranking officers, reportedly including the army commander and his chief of staff.

the revolt is headed by the air force chief of staff, and the rebels have complete command of all armed forces at the principal air base of Maracay--about 50 air miles from Caracas and a major troop concentration area. Rebel planes have made passes over the capital without dropping bombs.

The backing of a part of the army, Venezuela's key armed forces component, appears essential to Perez' ouster. If the highly trained and well-organized 6,000-man national guard, which constitutes about 40 percent of 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. Venezuela has one of the best air forces in Latin America, with 2,000 personnel and 173 planes, 35 percent of which are jets.

Perez must retain control of the armed forces in order to perpetuate his tenure. Even if the present revolt is brought under control and confined largely to the air force, it will necessitate a major shake-up in military commands and widespread reprisals which in turn would lead to intensified military plotting. The disorganized and largely suppressed political, labor, and general public opposition to the regime probably has the indirect support of the relatively weak Catholic hierarchy but could only become an effective force against Perez under the leadership of the armed forces.

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3. PATHET LAO ASSIGNING TOP OFFICERS TO SUBVERSIVE OPERATIONS

Comment on:

The Communist-directed Pathet Lao has ordered that members chosen for integration into the civil administration must be competent enough to preclude their subsequent dismissal on grounds of inefficiency,

Officials thus integrated are to foster the propaganda campaigns of the Pathets' legally recognized political party, the Laotian Patriotic Front. The best Pathet members, however, are to be reserved for work within the front's mass organizations.

Western observers who visited the former Pathet Lao-held provinces of Sam Neua and Phong Saly during December were impressed by the discipline and alertness of the Pathet troops and officials. The first objective of those integrated into the army and administration will be to work for a good showing in the supplementary elections scheduled for May for 20 new seats in the national assembly. The assembly now has 39 seats.

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4. BRITISH PLANS TO STRENGTHEN SULTAN OF MUSCAT

Comment on:

[Redacted]

Britain's Parliamentary Under Secretary for War Julian Amery arrives in Muscat on 2 January to discuss with the Sultan British economic aid and military assistance, primarily the assignment of British personnel and gifts of equipment. The inability of the Sultan's British-led forces to eliminate the Saudi-supported Omani rebels in an abortive campaign last fall has emphasized the need for such action.

Because of adverse political repercussions, London is extremely reluctant to commit British troop units against the rebels again. It will probably therefore offer a training mission and additional armored cars and small arms to supplement the few advisory officers and five armored cars now stationed in Muscat. Britain apparently has already begun recruiting for the Sultan's forces among Bedouin tribes in Iraq, and may suggest closer ties between the Sultan's forces and the more effective British-officered Trucial Oman Scouts.

Economic aid now appears necessary because no significant income from American and British oil operations in the Sultan's territories is imminent. London believes the Sultan must provide useful services--such as medical care--to develop the loyalty of the tribesmen.

The Sultan's military weakness and Britain's unwillingness to repeat its direct intervention have probably encouraged increased Saudi and Yemeni assistance to the Omani separatist movement. [Redacted])

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~~SECRET~~**5. NEW PROPOSALS FOR A CYPRUS SETTLEMENT****Comment on:**

Greek Foreign Minister Averoff has information that Governor Foot's proposals to the British Government for settlement of the Cyprus issue will in-

clude provisions for three five-year parliaments during a transition period leading to full self-determination. During the first five years, the British would retain jurisdiction over internal security, foreign policy and customs. Jurisdiction during the second period would be divided between the Cypriots and the British, while full jurisdiction would pass to the Cypriots during the last period.

Averoff states that both his government and Archbishop Makarios are prepared to accept such proposals. Makarios will insist, however, that he be permitted to return to Cyprus immediately. There have been indications that neither Athens nor the Cypriot leaders would insist on immediate self-determination for Cyprus but would accept a long transition period if eventual self-determination is not precluded.

Turkish leaders insist that partition of Cyprus is the greatest concession they are prepared to make. The recent arrival in Ankara of Turkish Cypriot leader Fazil Kuchuk, at the request of Turkish officials, probably indicates intensive examination of the Cyprus issue and may be a prelude to new Turkish demarches in London to prevent acceptance of Foot's proposals. [redacted]

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6. LIBYAN OIL DISCOVERY CALLED PROMISING

Comment on:

The oil strike recently made by Standard Oil of New Jersey (ESSO) in the Fezzan Province of Libya has not yet been proven sufficient for commercial production, but the prospects are "highly promising," according to the company's general manager in Libya.

The strike was made near the Libyan-Algerian border in the vicinity of the French discovery in Algeria near Edjele, approximately 500 miles south of Tripoli. Nearly all favorable areas of Libya are under concession for exploration, but the ESSO strike is the first good oil show obtained. Details of the depth of the strike (2,110 feet) and the petroleum layer (40 feet) are similar to French findings at Edjele.

A major oil discovery in Libya, west of the Suez Canal, would improve the West's bargaining position with major transit and producing countries in the Middle East, but the present pace of petroleum development is such that it would probably be several years before a Libyan field could have a significant impact.

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**7. EAST GERMAN PARTY SHAKE-UP DEMONSTRATES
ULBRICHT'S SUPREMACY**

Comment on:

[redacted] Extensive changes of personnel in the secretariat of the East German Socialist Unity (Communist) party (SED), [redacted]

[redacted] indicate that First Secretary Ulbricht is strengthening his control of this body by appointing to it only persons who are in full agreement with the intensification of his hard-line policies.

One secretary was recently removed because he failed to carry out a rigid policy in the education field, and another committed suicide earlier this month after disagreement with Ulbricht on economic issues. Kurt Hager, who is responsible for science and higher education, will also be removed, [redacted] and Albert Norden, the party's propaganda chief, will be moved to a "higher position."

[redacted] the composition of the new secretariat would be announced at the SED's 35th central committee plenum, which will take place in January. The appointment of secretaries loyal to Ulbricht would be another sign that he has won the lengthy controversy with various high-level party leaders who have favored a more realistic economic policy in East Germany. Ulbricht's complete dominance in East Germany is further indicated by the endorsement given him and his policies by top Soviet leaders. [redacted]

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