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20 August 1958

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CENTRAL

INTELLIGENCE

BULLETIN

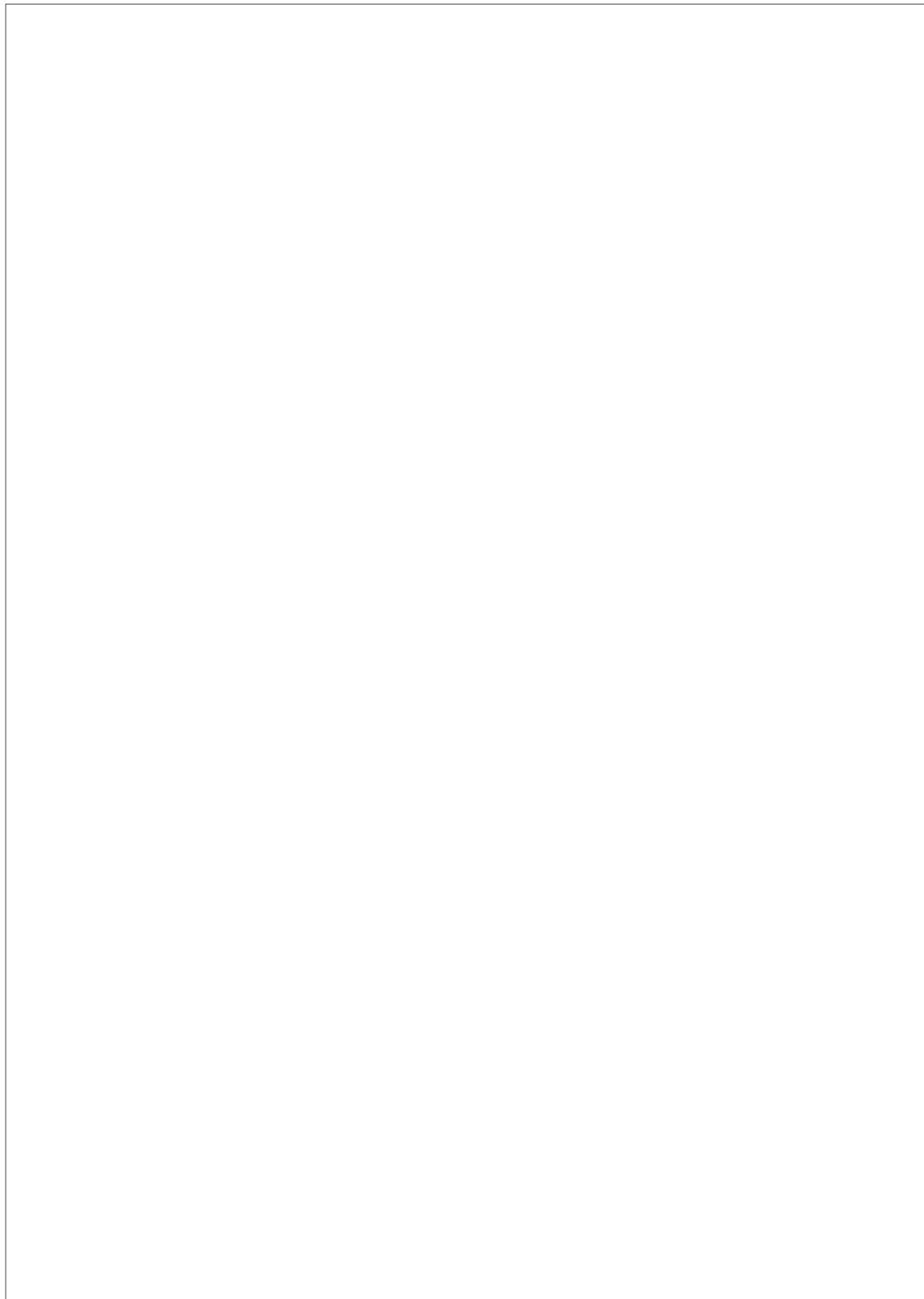


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20 AUGUST 1958

I. THE COMMUNIST BLOC

Cairo announces 25 Soviet ships carrying industrial equipment due to arrive soon.

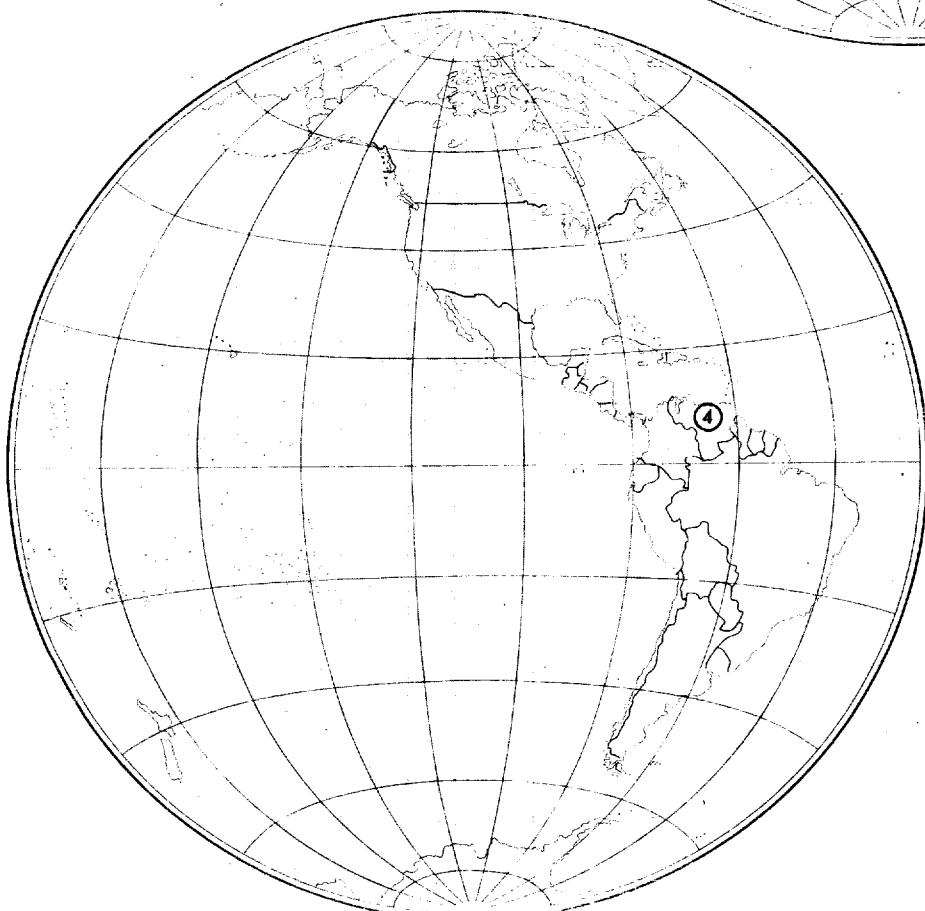
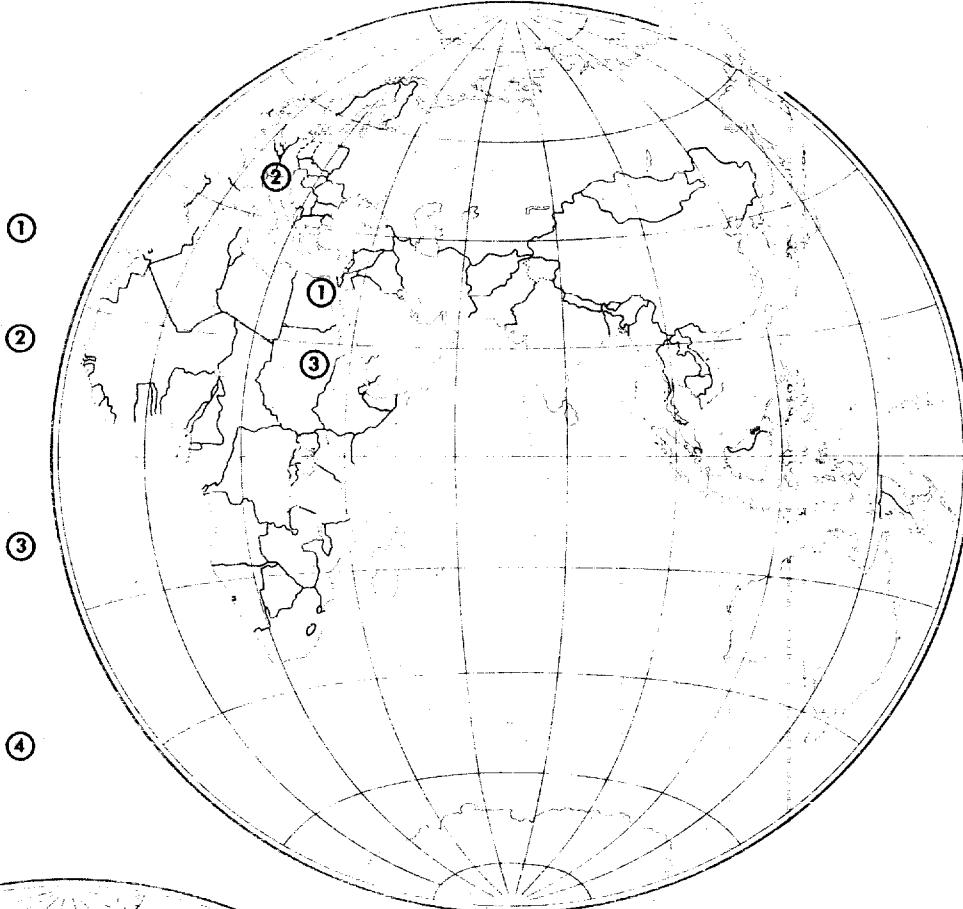
Signing of formal agreement on test detection will probably set off new Soviet propaganda campaign for West to halt tests.

II. ASIA-AFRICA

Sudan - Popular trend toward closer alignment with radical Arab nationalism increases pressure on Khalil government to accommodate.

III. THE WEST

Venezuela under pressure from labor elements to modify present 50-50 profit-sharing formula in petroleum industry.

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CENTRAL INTELLIGENCE BULLETIN

20 August 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

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USSR-Egypt: Twenty-five Soviet ships are scheduled to deliver "full equipment for many factories" at Alexandria in the near future. This equipment is for industrial enterprises contracted for under the \$175,000,000 Soviet-Egyptian Economic and Technical Cooperation Agreement concluded early this year. Public announcement of large-scale deliveries under this Soviet-Egyptian bilateral agreement may be designed to offset the impact of recent American proposals for Middle East economic development.

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Geneva technical talks: The Soviet and Western delegations to the Geneva conference on detecting nuclear tests have now reached agreement on the major points in dispute. A formal agreement will probably be signed by Thursday, and referred to the respective governments for approval. The signing will probably be the signal for a renewed Soviet diplomatic and propaganda campaign for the United States and Britain to stop tests.

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II. ASIA-AFRICA

[Redacted]

Sudan: The present popular trend in the Sudan is toward the adoption of a foreign policy more closely aligned with Arab neutralism. Pro-Western Prime Minister Khalil is under pressure from within his own party to broaden the cabinet and to increase pro-Egyptian representation.

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III. THE WEST

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Venezuela: There are strong pressures for basic changes in Venezuela's petroleum policy. Resolutions passed at the recent convention of the Federation of Venezuelan Petroleum Workers, in which the Communists are particularly active, call for revision of the 50-50 profit split between the government and the foreign oil companies. However, the governing junta has announced that it will honor existing agreements with the companies during its tenure, scheduled to end next April.

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I. THE COMMUNIST BLOC

Large-Scale Soviet Deliveries to Egypt

A fleet of 25 Soviet ships is due to deliver "full equipment for many factories" to the port of Alexandria shortly, according to a bloc press report. The shipment is described as "one of the greatest operations in the history of the port," and wharves at the harbor are being cleared to receive the cargoes.

The equipment is to be used in establishing industrial enterprises contracted for under the Soviet-Egyptian Economic and Technical Cooperation Agreement which was signed in Moscow on 29 January 1958. Moscow and Cairo now have concluded contracts for most of the 65 projects to be carried out by the Soviet Union under its \$175,000,000 credit to Egypt. The Soviet program involves primarily assistance in developing Egyptian metallurgical, mining, and petroleum industries, but it also provides for enterprises in the chemical, food, and textile fields.

Widespread publicity for these deliveries may be designed to offset the impact of President Eisenhower's proposals for Middle East regional economic development set forth at the special session of the UN General Assembly. Moscow has followed the line of Gromyko's remarks that the proposals "require careful and suitable consideration," but must not be allowed to "divert" attention from the immediate issue of Western troop withdrawals from Lebanon and Jordan.

Cairo announced last month that about 150 Soviet experts will be employed on projects under the Soviet aid program; 70 of them were expected to arrive in July. These specialists are in addition to the more than 300 bloc technicians now engaged in Egypt on economic projects outside the aid agreement. Facilities to train Egyptian personnel are already being established by the USSR. in accordance with the January aid agreement.

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Geneva Technical Talks Nearing Completion

The Soviet and Western delegations to the Geneva conference on detecting nuclear tests have reached agreement on the two major issues--the number of the control posts needed and the necessity to supplement this system with mobile inspection teams. A formal agreement will probably be signed by Thursday in Geneva, and the recommendations forwarded to the respective governments.

Although the Soviet delegation originally suggested 100 to 110 control posts, it now has agreed to the Western recommendation of 160 to 170 posts throughout the world in addition to a few ships. These posts would include 6 in Europe, 37 in Asia, 24 in North America, 7 in Australia, 16 each in South America and Africa, 4 in Antarctica, and 60 on islands; there has been no breakdown by individual countries.

The Soviet delegation, after much negotiation, further agreed to go along with the US recommendation that mobile inspection teams be used at the discretion of the international control authority to determine whether an unidentified disturbance detected by control posts was a nuclear explosion. This compromise, however, does not include the wording of the original Western proposal which described how extensively the teams would have to be used. Presumably the USSR will continue to try to minimize the need for mobile inspection. The Soviet delegation withdrew its demand that the conference settle certain political questions that the West insisted must be settled by the governments--such as the nationality of persons manning individual posts.

Moscow will probably move quickly to accept the Geneva conference recommendations, anticipating that this will give it a tactical advantage in its campaign to halt nuclear tests. The USSR probably believes that it can gain strong public support for its claim that the success of the Geneva conference binds the Western powers to stop tests despite Washington's prior disclaimers of such a commitment.

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II. ASIA-AFRICA

Sudanese Political Situation

Prime Minister Khalil has given in to the urgings of members of his own Umma party and approved the undertaking of negotiations with the opposition National Unionist party (NUP) for the formation of a new "national" government.

While the negotiations will not be successful, he agreed to the attempt in order to avoid a split within the Umma. Agreement on a new government may be difficult because of numerous conflicting interests and personalities, but the pressure for such a change seems to be growing.

Umma party president Saddiq al-Mahdi is playing a leading role in the negotiations, apparently in the hope that grateful NUP members will give the Sudanese presidency to his father, Sayyid Abd al-Rahman al-Mahdi, under the constitution now being drafted. A replacement of the present generally ineffective pro-Western coalition of the Umma and the People's Democratic party would probably result in government policies more in line with the desires of Sudan's large pro-Egyptian element.

Khalil's control of Sudanese politics has been progressively weakening over the past few months. He had difficulty in securing parliamentary approval of the US aid program, was compelled to drop his opposition to parliamentary denunciation of US intervention in Lebanon, and barely avoided a vote of censure during the closing sessions last month. He is previously reported to have said that the only alternative to forming a new coalition was intervention by the army at his request to rid Sudan of pro-Egyptian agitation. The Sudanese Army's loyalty to the present government is doubtful, however, and Khalil may be overrating his potential for staging a military coup.

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III. THE WEST

Pressure Mounting for Revision of Venezuelan Petroleum Policy

Political pressure is mounting in Venezuela, the world's leading exporter and second-ranking producer of oil, for revision of the prevailing 50-50 profit split between the government and the foreign oil companies. The Communist-penned Federation of Oil Workers, one of the country's most powerful labor organizations, passed resolutions at its August convention calling for a minimum 75-percent government share in profits, general revision of the 1956-57 oil concessions for which recipient companies paid about \$700,000,000 in royalties, and the establishment of a competing national oil industry. The major parties and the press have almost unanimously endorsed changes in oil policy similar to those suggested by the federation.

The caretaker governing junta has announced that it will honor existing oil agreements during its tenure, scheduled to end next April. Nevertheless, nationalistic public opinion, Venezuelan resentment of US oil import restrictions, and the debts resulting from the financial obligations inherited from the deposed Perez regime may force the interim administration to lay the groundwork for negotiating changes in the oil contracts. The influence of Middle East developments on future Venezuelan policy is suggested by the caretaker government's acceptance of an invitation to attend the Arab League Petroleum Conference in Cairo in November.

Private foreign investment in the Venezuelan petroleum industry, prior to payments for the new concessions in 1956-57, was an estimated \$3.3 billion.

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