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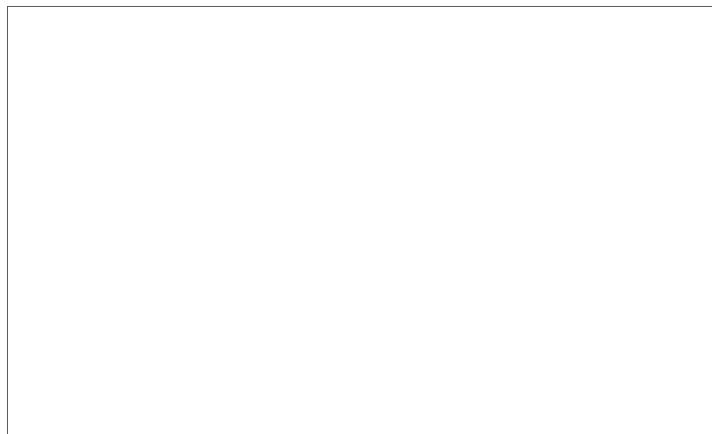
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**1. SOVIET OFFICIALS IN LONDON COMMENT ON PRESIDIUM
PURGE AND DISARMAMENT**

Comment on:

Two members of the Soviet disarmament delegation in London, Usachev and Shakhov, told US officials on 4 July that the Soviet delegation had long known that changes in the Soviet leadership were in the making, but had not known when they would take place. The realignment had strengthened the leadership, and the displaced leaders would probably "take their pensions and write books."

The delegates called it a move toward relaxing tensions. The presidium, they said, is now composed of persons known for friendlier views toward the US, a good omen for disarmament.

Apart from these remarks, there has been no indication since the purge that the Soviet position on disarmament has been affected. The Soviet statement to the subcommittee on 8 July and an increasing volume of Soviet propaganda suggest that the USSR is standing firm on the proposals it has already placed before the subcommittee.

Apparently in an attempt to sow discord among the Western delegations, the two Soviet officials said, the French appeared to be the main obstacle to disarmament and claimed that divergencies exist in US-French views on the linking of a test moratorium and a cut-off of production. They depreciated the French intention to make a bomb, commenting that France did not have the means and was prevented by its membership in EURATOM. Shakhov said the reason the US had suggested 1959 as a cut-off date for nuclear weapons production was to help the British, who did not have enough and who could agree to an early cut-off only if they received such weapons from the US. The Soviet officials said both France and the UK were third-rate powers and that what mattered was an agreement between the US and the USSR. Shakhov wondered

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why the US did not tell its allies what they should do on disarmament as he said the USSR told Gomulka and Mao Tse-tung.

Shakhov reaffirmed the USSR's position that it could agree to a cessation of production if tied to a prohibition on use. This requirement subsequently was included in a Moscow broadcast summary of Zorin's speech before the subcommittee on 8 July.

On the prohibition of the use of nuclear weapons, Shakhov stated emphatically that the USSR would use nuclear weapons against the US if it attacked the USSR and vice versa, but stressed at the same time that this should not prevent these powers from assuming a solemn obligation not to use nuclear weapons. As an example, he said that if Turkey should attack the USSR, nuclear weapons would be unnecessary, adding contemptuously that "it would take two Kazakh divisions to wipe Turkey off the map."

Usachev minimized American "clean bomb talk," saying the only really dirty bomb was the "US tripledecker" and that Soviet weapons had been consistently cleaner. He said "clean" versus "dirty" was mainly a question of the height of the explosion. Usachev conceded in the first such statement by a Soviet official that it was possible to conduct tests without detection but said such tests would have no military significance.
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2. WESTERN DELEGATES' REACTION TO SOVIET DISARMAMENT STATEMENT OF 8 JULY

Reference:



British, French, and Canadian delegates on the UN Disarmament Subcommittee agree that Soviet Delegate Zorin's 8 July speech was disappointing and negative. British Foreign Secretary Lloyd felt that the speech was designed for propaganda purposes and gave no indication of a real desire to reach an agreement. He predicted that there would be a strong Soviet drive to separate the suspension of tests from other provisions, including the cut-off in production of nuclear weapons deemed necessary by the West for a first-step partial agreement.

French Delegate Jules Moch interpreted Zorin's speech to mean that there was little prospect for an agreement on terms acceptable to the West. The Canadian delegate associated himself with Lloyd's and Moch's views.

Zorin has requested an early bilateral session with the American delegates to explain the Soviet position.

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3. AMBASSADOR BOHLEN COMMENTS ON SOVIET PURGE

Reference:

Ambassador Bohlen, in a preliminary comment from Manila on the recent Moscow purges, expresses his belief that the role of Zhukov must have been an important if not vital factor in Khrushchev's victory. Bohlen considers it very unlikely that Zhukov, who represents the feeling of the army, would be prepared to support a return to Stalinist one-man rule with the inevitable emergence of the secret police as a controlling factor.

Bohlen thinks, in view of Soviet insistence on Molotov's opposition role in foreign policy, that some important decision in the foreign policy field may have served to unite the opposition. He considers that "it is at least conceivable" that disarmament and particularly inspection may have been instrumental. He makes it clear that he does not mean to imply that internal problems were not key factors.

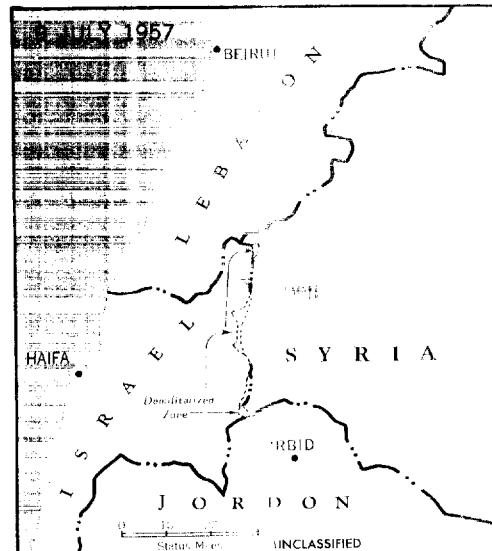
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4. ISRAELI-SYRIAN BORDER INCIDENT

Comment on:

Preliminary reports indicate that the outbreak of fighting on the Israeli-Syrian border near Gonen north of Lake Huleh on 9 July was the most serious incident of this kind since the Suez-Sinai hostilities last fall. Mortars as well as small arms were used, the Israelis suffered casualties, and attempts by UN truce observation teams to halt the firing appear to have succeeded only with considerable difficulty.

This latest incident followed one the previous day, in which the Israelis claim the Syrians sought to kidnap a party investigating a still earlier incident. Israeli casualties have in the past been viewed by Tel Aviv as a cause for future retaliation unless avenged on the spot. Israel's apparent reluctance to have a full-scale UN discussion on the basic causes of the continuing tension along its border with Syria, however, may act as a brake on further deliberate action at this time.



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5. KING SAUD TAKES STRONG LINE ON AQABA ISSUE

[redacted] King Saud reportedly stated in a 4 July speech to about 1,000 Moslem dignitaries in Mecca on pilgrimage that if all his peaceful efforts to restore the Gulf of Aqaba to "the same status as before Israeli aggression" should fail, he would "call on the Moslem and Arab worlds... to act with me in repelling this danger which is threatening the Kaaba of the Moslems and the mosque and grave of our Prophet!"

[redacted] [redacted] **Saud** insists that because Israel had no navy in the gulf before it attacked Egypt last fall, the Israeli navy should now be expelled and the gulf remain a closed Arab waterway. [redacted] the Aqaba problem was important enough to bring Egyptian War Minister Amer to visit Saud from 4 to 6 July and that his visit was "along the line of clearing the atmosphere to the advantage of Arab collaboration."

Comment

Saud is now pressing the Aqaba issue hard in both his private and public diplomacy.

A Saudi minister of state said on 7 July that the UNEF should be withdrawn from the Aqaba gulf area if it continued merely to provide an "umbrella" for Israeli shipping there.

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6. KATAY DESIGNATED TO MAKE SECOND BID FOR LAOTIAN PREMIERSHIP

Comment on:

Nationalist Party chief Katay has been designated to make a second bid to form a government in Laos' six-week-old cabinet crisis. Katay was defeated by only one vote on his first bid, but the small Democratic Party which opposed him is now reportedly split. He will probably make a bid for the support of the unaffiliated deputies by offering to retain the finance minister, whom he had previously sought to relegate to a minor cabinet post. Katay is also expected to moderate his tough policy toward the Pathet Lao--at least in public--in order to offset apprehension that his investiture means a rupture in Pathet negotiations and the continued division of the country.

Outgoing Prime Minister Souvanna Phouma controls a wing of the Nationalist Party and may wish to succeed himself. Should he join with elements of the Democratic and National Union Parties, he could probably prevent Katay's investiture.

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7. POSSIBLE COUP IN PANAMA

[Redacted] First Vice President Temistocles Diaz of Panama is planning a coup for 14 July to oust President Ernesto de la Guardia,

Diaz believes the National Guard will tacitly support a public demonstration against the administration, and De la Guardia will be forced to resign. Diaz would then legally become president. He feels he must act quickly to fend off a possible coup by Arnulfo Arias, popular nationalistic former president.

De la Guardia, who knows of Diaz' plan, does not trust National Guard Commandant Vallarino and has reportedly organized his own armed combat squads.

Comment	Diaz probably cannot oust the President. Success of his plan would require Vallarino's refusal to help De la Guardia overcome his opposition. Nevertheless, Diaz, in financial straits, angry at the administration coalition which ignored him, and overestimating the political strength of the opposition coalition he has formed, may be desperate enough to gamble that Vallarino, because of family ties, will help him take advantage of De la Guardia's present weakness. In office less than a year, the administration is plagued by unemployment, economic difficulties, popular resentment over the delay in implementing 1955 treaty provisions concerning the Panama Canal, and charges of corruption and Communist influence.
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