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11 July 1958

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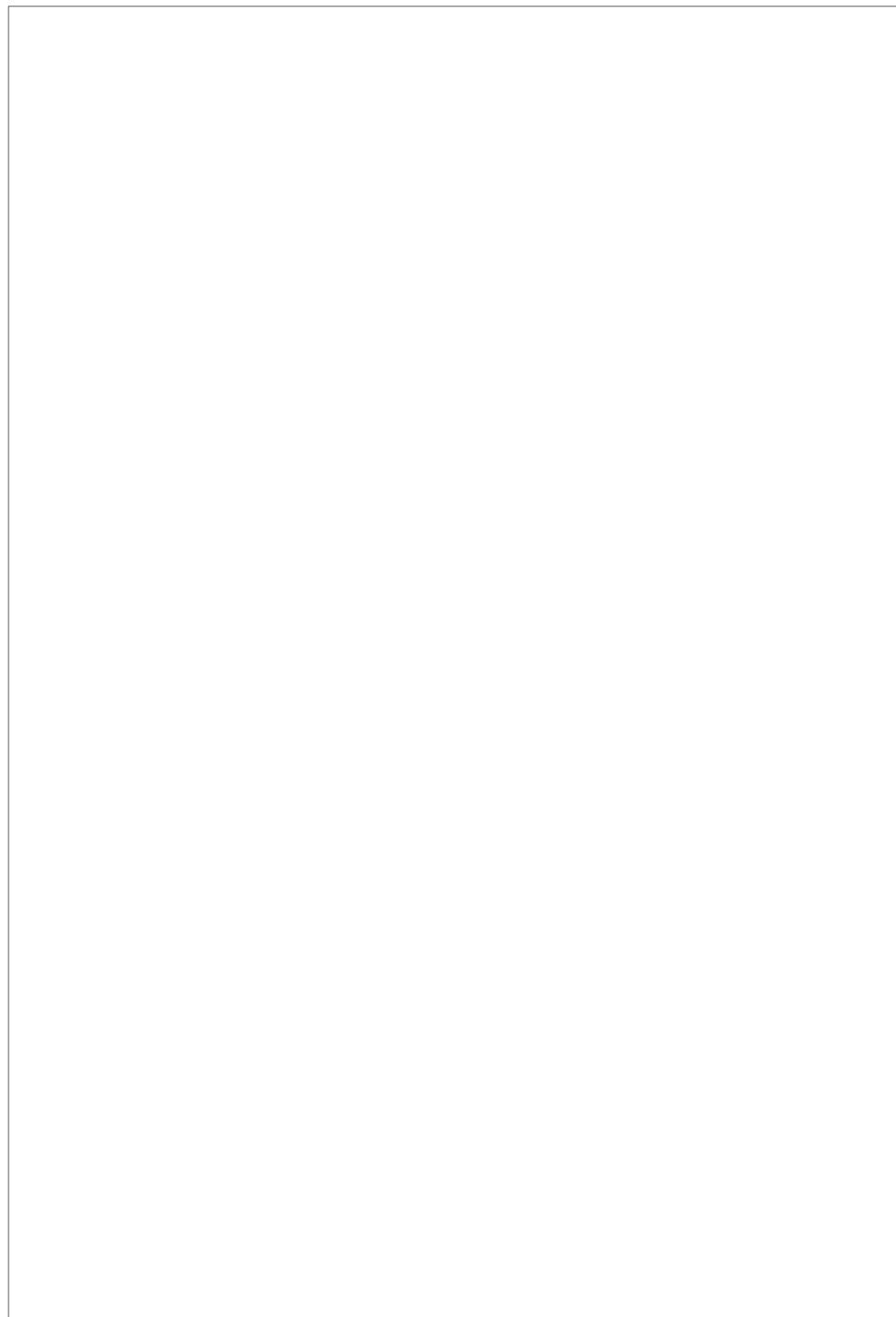
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CENTRAL INTELLIGENCE BULLETIN



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11 JULY 1958

I. THE COMMUNIST BLOC

USSR - Tyura Tam 10 July countdown was apparently test of ICBM which failed after its launching.

Soviet Army officers said to criticize Khrushchev's handling of Tito problem.

Hungary - Retrials of revolutionaries suggest Kadar's position is increasingly shaky.

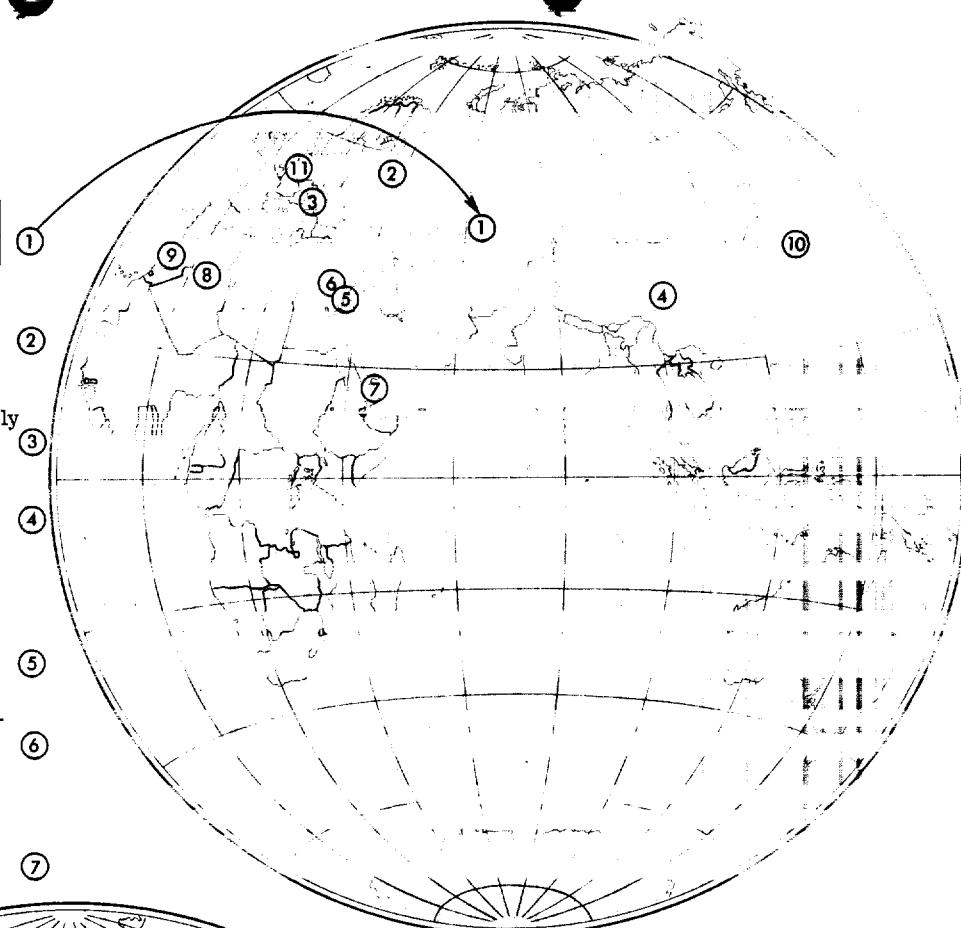
Peiping expedites exploitation of central Szechwan oil deposits.

II. ASIA-AFRICA

UN truce official reports significant Israeli military build-up in Syrian border area.

Lebanese Christians fear rebel movement may become religious struggle.

London withdraws recognition from Sultan who conspired with Yemenis to disrupt plans for federation of Aden Protectorate states.



⑧ Algerian rebel leaders issue instructions for boycott of French-sponsored elections.

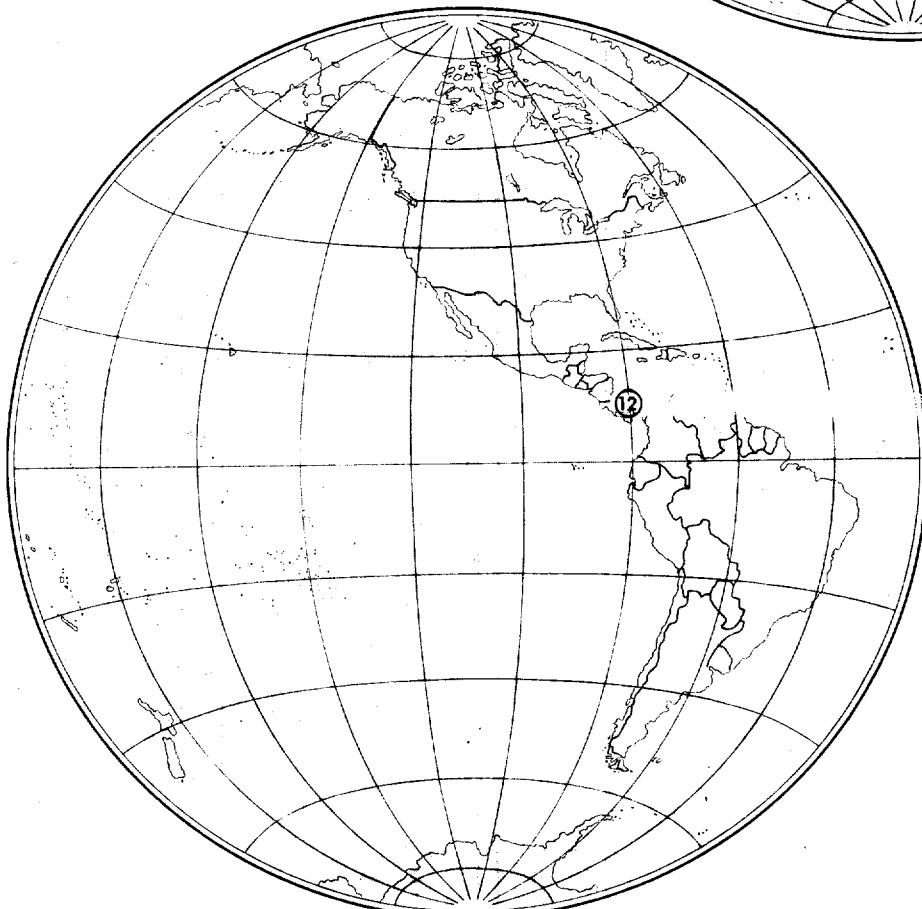
⑨ Moroccans may press US for agreement in principle to evacuate air bases.

⑩ Japan considering possible need for secret diplomatic talks with Chinese Communists.

III. THE WEST

⑪ Adenauer plans to push West German nuclear rearmament, reject any security plan which would weaken Germany.

⑫ Anti-American demonstrations probable during Dr. Eisenhower's Central American tour.



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CENTRAL INTELLIGENCE BULLETIN

11 July 1958

DAILY BRIEF

SRAB

I. THE COMMUNIST BLOC

~~USSR - Tyura Tam: Statement by the Guided Missile Intelligence Committee--The countdown operation on the Tyura Tam Guided Missile Test Range on 10 July was apparently the second attempt to launch the same vehicle which was involved in the activity on 8-9 July. Analysis of available evidence now indicates that this was probably a test ICBM which failed sometime after launch (approximately 0340 EDT) and did not reach the impact area.~~

~~USSR: Various Soviet field-grade army officers are said to be stating openly that Molotov was right on the Yugoslav question and that Khrushchev, because he humbled himself before Tito, had damaged the international authority of the USSR. These officers also blame Khrushchev for the increase in revisionism in the satellites, pointing out that his censure of Stalin and continuing dissension in the party presidium have undermined Soviet authority. The political atmosphere in Moscow has been described by the Yugoslav ambassador as one in which Khrushchev has gained in power but lost in authority.~~ (Page 1)

~~Hungary: A crisis may be developing in the Hungarian Communist party affecting the already shaky position of Kadar, whose usefulness to Moscow has suffered as a result of Nagy's execution. The sudden, substantial increase of retrials of "counterrevolutionaries" since the Nagy execution, despite Kadar's assurances that these trials were at an end, suggests~~

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that he may be under extreme pressure from the Stalinist wing of the party. Kadar, the only satellite party first secretary attending the party congress in East Berlin, may be there to confer on this situation with Khrushchev. [redacted]

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Communist China: Peiping is moving urgently to exploit the newly discovered oil deposits in central Szechwan Province. Successful development of this source could enable China to reach the goal of 5-6,000,000 tons of crude petroleum annually by 1962 which was set by the original Second Five-Year Plan. [redacted] (Page 3) (Map)

II. ASIA-AFRICA

Israel-UAR: A United Nations truce official stationed in the Israeli-Syrian border area has stated that there is an Israeli military build-up in that area which is the greatest in the experience of the UN truce team. This report is unconfirmed, but any such increased Israeli military activity near the Syrian border might be related to recent incidents there. No increase in Israeli activity has been reported from other areas. [redacted]

*Lebanon: Christian elements may be becoming more fearful that the rebel movement is acquiring Moslem religious overtones which could threaten the Christian position in Lebanon. Followers of the anti-Chamoun Maronite patriarch are reported asking for arms from rebel sources and from the UAR as tokens of rebel sincerity in denying any aim to establish Moslem domination. [redacted] (Page 4)

Watch Committee conclusion--Middle East: No political or military solution to the Lebanese crisis is in sight. There are indications that covert intervention by the UAR has diminished somewhat. Rebel military activity has been opposed by stronger army actions than previously. However,

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the rebels remain capable of challenging governmental authority in many areas. If current political efforts fail to achieve an acceptable solution and fighting intensifies, Chamoun will probably call for more extensive UN assistance or may request intervention by Western or friendly neighboring governments under provisions of Article 51 of the UN Charter.

There is no evidence of Soviet bloc, UAR, or Israeli intention to intervene with regular military forces.

Elsewhere in the Middle East a deliberate initiation of hostilities is unlikely; however, serious incidents may occur.

***Aden-Yemen:** Britain's withdrawal of recognition from the Aden Protectorate Sultan of Lahej on 10 July for maintaining illegal political contacts with the Imam of Yemen manifests London's determination to proceed with plans to form a federation among the key states of the Western Aden Protectorate despite Yemen's hostility to the scheme. Yemeni-British talks which opened in Diredawa, Ethiopia on 10 July are unlikely to alter Yemen's campaign of subversion and harassment of Britain's position in Aden. (Page 6)

Algeria: Rebel leaders are attempting to ensure a "complete boycott" by Algerian Moslems of any French-sponsored elections. In addition, rebel fighters have been instructed to "sabotage by all possible means" the French plan to send Moslem veterans to France to parade on 14 July.

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Morocco: The Moroccan Government may soon officially press the United States for a declaration that the US is willing in principle to evacuate the American air bases in Morocco.

anti-Americanism is rising in Morocco, and that such a declaration would facilitate the negotiations begun in May 1957 for a base agreement. Morocco probably desires such a declaration as a means of

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increasing pressure on France for evacuation of its forces. [redacted] (Page 8)

Japan - Communist China: The Japanese Government has notified its ambassadors in various capitals that the necessity might arise in the future for negotiations between Communist China and Japan, through emissaries already abroad, in a place and manner that will not be detected by "press reporters and the like." [redacted]

[redacted] Japanese officials in Tokyo and elsewhere believe more positive action must be substituted for the present Japanese "wait-and-see" policy in settling such matters as the trade impasse with Peiping. [redacted]

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III. THE WEST

West Germany: Encouraged by his success in the North Rhine - Westphalian election, Adenauer intends to take a "positive position" on summit policy, re-emphasizing Bonn's prerequisites of free elections and freedom of alliances for German reunification. Adenauer will seek to equip German forces with nuclear weapons and will reject any European security schemes which would place Germany in a weaker military posture than other nations. However, he will continue to give priority to disarmament and will take a "soft" position regarding a limited East-West agreement--for example, on such questions as the separation of the nuclear test issue from general disarmament. [redacted] (Page 10)

Central America: Dr. Milton Eisenhower will probably encounter manifestations of anti-US feeling during his three-week trip to Central America which begins on 12 July in Panama. In each country, the domestic situation is such that embarrassing incidents beyond the control of the government could occur. Major demonstrations could occur in Panama and Guatemala. [redacted] *CF*

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I. THE COMMUNIST BLOC

Soviet Army Officers Criticize Khrushchev's Policies

Various Soviet field grade army officers are saying openly that Molotov was right on the Yugoslav question, [redacted]

[redacted] They say that Khrushchev, by humbling himself before Tito, damaged the international authority of the USSR. The officers also complain that, in order to restore friendship between the two countries, the USSR made up the losses suffered by Yugoslavia through the rupture of the trade agreements in 1949, canceled Yugoslavia's debts, and extended credits, all at the expense of the Soviet people.

The officers blame Khrushchev for the intensification of revisionism in a number of Communist parties. They believe that the authority achieved by the Soviet party during World War II was undermined by Khrushchev's censure of Stalin. They also feel that the system of collective leadership extolled by Khrushchev did not prove sound and led to dissension in the party presidium, which contributed to undermining the international authority of the Soviet Communist party.

There is no reliable gauge of the extent to which this criticism is capable of affecting Khrushchev's political position. His attacks on the opposition policies of the "antiparty group" and his general defense of his methods of leadership in a recent Sofia speech suggest, however, that he is aware of and sensitive to disagreements with his policies at various levels. [redacted]

[redacted]

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Hungarian Leadership Crisis Possible

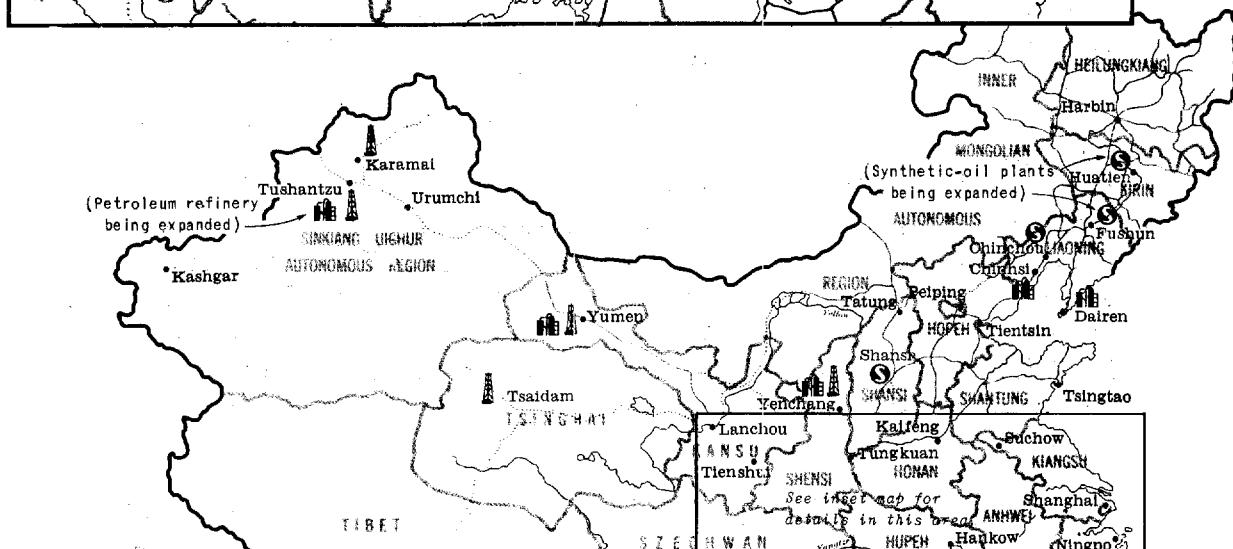
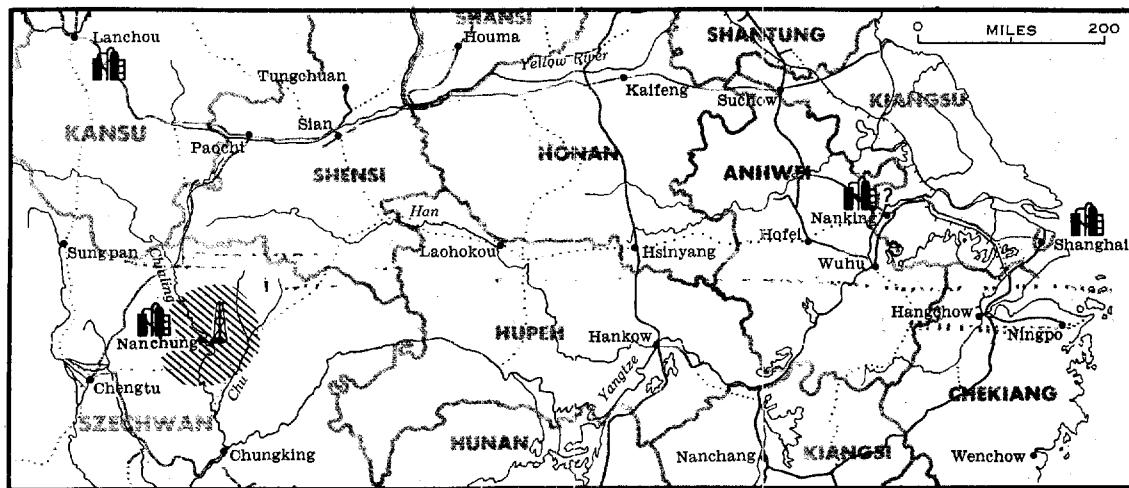
Events in Hungary since the 16 June announcement of the execution of Imre Nagy stand in sharp contrast to party First Secretary Janos Kadar's statements expounding his moderate policies. This suggests that a crisis may be developing in the faction-torn Hungarian party.

Despite Kadar's recent assurance that the Nagy trial and execution closed the book on the 1956 revolt, ~~the American Legation in Budapest reports a sudden, "substantial increase of at least 105"~~ in the number of retrials of "counterrevolutionaries" to be held between 7 and 16 July. One of those scheduled for retrial this month is Gyula Obersovszky, a young intellectual whose sentence was commuted from death to life imprisonment last summer in response to stern Western reaction.

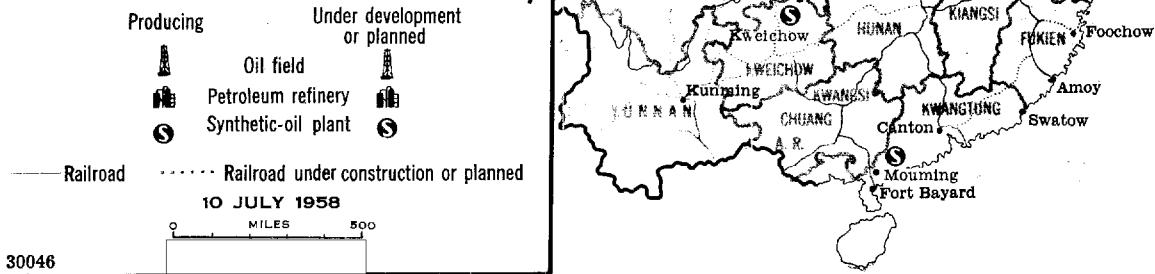
Several of the remaining members of Nagy's group including Mrs. Julia Rajk, widow of Hungary's executed and then rehabilitated "Titoist," may also have been tried, although a Hungarian government spokesman has denied that she was executed. If Mrs. Rajk has actually been tried, Kadar, who has already been compromised by his association with Nagy, may be in trouble. He was released from prison and readmitted into the party leadership in connection with her husband's rehabilitation, and participated with her in the 1956 ceremony in Budapest in honor of Rajk.

Kadar is the only satellite party leader attending the East German party congress and may be there to confer with Khrushchev about the situation in the Hungarian party. Since Kadar and Khrushchev met in April and May, only a matter of great importance for Hungary would seem to demand a meeting at this time. 1-6

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Chinese Communist Petroleum Industry



Peiping Exploiting New Szechwan Oil Field

The Chinese Communists are moving swiftly to exploit the newly discovered oil deposits in central Szechwan Province, and apparently believe the new field could go a long way toward solving China's petroleum supply problem. Success in developing a major source of supply in Szechwan--which is better situated with respect to transportation, important consuming areas, and existing refining facilities than other oil fields now under development--could enable China to reach its goal of 5-6,000,000 tons of crude petroleum annually by 1962. Production of crude in 1957 was roughly 1,500,000 tons.

Prospecting in central Szechwan has been greatly accelerated since the discovery in March of oil deposits in the Nanchung area. Some 120 wells are to be drilled this year, and workers have been transferred to Szechwan from other oil fields. Work has begun on a 300,000-ton refinery at Nanchung, and three small refineries are due to begin production next month. [redacted]

[redacted] Peiping is pushing a program of improving rail, highway, water, and air connections between the Szechwan field and the rest of China. A highway network is being constructed to facilitate movement of equipment and materials to the field. Efforts are being made to improve the navigability of rivers connecting the area with the Yangtze River. Air service between Chengtu and a recently completed field at Nanchung began in early July. Construction is being pushed on rail lines which will eventually connect the central Szechwan field both with Chengtu and Chungking and with the main rail net farther east. [redacted]

[redacted]

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II. ASIA-AFRICA

Lebanese Situation

The anti-Chamoun Maronite patriarch, disturbed by a growing Christian-Moslem split within the opposition, has appealed to Syrian strong-man Sarraj and UAR Vice President and Minister of War Marshal Amir for arms, according to a usually reliable source. While professing alarm that arming only the Moslem opposition will increase the dangers of sectarian strife, the patriarch is probably motivated by the fear that his Maronite supporters will gravitate toward the Chamoun government unless they receive arms as do Chamoun supporters and as do Moslem rebels.

[redacted] "large forces of Syrians" are reported to have been infiltrating recently from Homs in Syria into the Tripoli area and [redacted] aircraft making possible nocturnal drops of arms to rebel forces.

[redacted] the opposition is still smuggling arms and supplies from Syria over little-used roads and mule tracks fanning out from Homs. Syrian paratroopers are being encouraged to volunteer for service in Lebanon to lead an attack on Beirut airport within a few days. [redacted]

Pressures for a political compromise are still building up. Leading Moslem and Christian business leaders, who are losing money because of the disturbed conditions, have threatened to close their places of business if a new president is not elected by Parliament at its scheduled meeting on 24 July. This threat to turn large numbers of employees into the street may forestall any attempts to postpone the election. Reports of meetings between Druze leader Kamal Jumblatt and a

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leader of progovernment irregulars indicate that attempts are being made to reach an agreement on a compromise presidential candidate.

Rumors that President Chamoun is contemplating a military-political agreement with the Arab Union are said to have disturbed UAR leaders, and the Cairo press and radio have been ordered to attack the plan.

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Aden-Yemen Developments

[redacted] despite counsels of prudence by Nasir and even by some Yemeni officials, the Imam of Yemen is likely to persist in efforts to disrupt the British-sponsored project for federation of the key states in the Western Aden Protectorate. Eventual absorption of Aden Protectorate and Colony has become a personal objective of the Imam, who has directed an increasingly active campaign of subversion and intimidation in both the protectorate and colony.

Since the defection to Yemen of nearly half the army of the Sultanate of Lahej in late June, [redacted]

[redacted] tribesmen from other protectorate states which are to join the federation have arrived in Yemen and additional defections are expected. [redacted] the troops from Lahej may be used to form the nucleus of a "Liberation Army" to be used against the protectorate. [redacted]

[redacted] possibility of establishing a single command for directing activities in the protectorates.

The Imam's efforts to use the disaffected Sultan of Lahej, ruler of the protectorate's largest state, to disrupt Britain's federation plan resulted on 10 July in London's withdrawal of recognition from the sultan, for maintaining foreign political contacts in violation of treaties between him and the British government. [redacted]

The sultan will presumably take refuge in Egypt or in Yemen. Withdrawal of recognition from the sultan may require Britain to extend its military commitments in the sultanate to ensure adherence of its strategic territory, which links Aden Colony with interior states, to the federation. London hopes to reach agreement on federation with other key protectorate rulers now in Britain, by the end of July.

Yemeni-British talks, which commenced in Diredawa, Ethiopia on 10 July, are unlikely to alter Yemeni hostility, particularly following the action against the sultan. New clashes, meanwhile, have broken out in the remote Beihan State, where a British jet fighter was destroyed by Yemeni antiaircraft fire on 8 July. [redacted]

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Algerian Rebels Attempting to Ensure Moslem Boycott of French-Sponsored Elections

Leaders of the Algerian National Liberation Front (FLN) are attempting to ensure a "complete boycott" of the forthcoming French constitutional referendum and other Paris-sponsored electoral tests. They fear adverse effects on the FLN's domestic and international position should significant numbers of Algerian Moslems participate in such balloting. Their effort, [redacted] is under the direct supervision of Lakhdar Ben Tobbal, who is charged with direction of the FLN's "Department of the Interior and of Organization."

Addressing himself last month to Algerian rebel chiefs in Tunisia and Morocco as well as to others inside Algeria, Ben Tobbal called for immediate formulation of action plans, close cooperation, and mobilization of "all our means of organization and propaganda." Specifically, he stressed the need for strengthening and expanding propaganda cells and for establishing "intimate contact" with the Algerian people in order to inform them of France's "campaign of deception" and the FLN's "strong position in every domain."

Meanwhile, [redacted] rebel field units in western Algeria have been called upon to prepare at least two more immediate actions. One is to "sabotage by all possible means," including "threats of death," France's plan to send Algerian Moslem veterans of the French Army to participate in the Bastille Day parade in Paris on 14 July. The other is to "make ready" for the week of 7-14 August a coordinated resumption of organized terrorist actions "in the principal centers." Other recent directives of this nature, however, were not carried out to any significant extent. [redacted]

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Morocco May Press for American Declaration on
Evacuation of Bases

The Moroccan Government may soon officially ask the United States to declare its willingness in principle to evacuate American air bases in Morocco before proceeding further with base negotiations, which commenced in May 1957. Morocco is pressing for a similar declaration from the French Government before proceeding with the negotiations on withdrawal of French ground forces and the continued French use of air and naval training facilities in Morocco.

Istiqlal leader Allal el-Fassi, who demands the evacuation of all foreign troops, and at least two Moroccan officials believe that such a declaration by the United States might facilitate agreement and forestall the possibility of the United States being asked to evacuate. The Moroccan minister of defense is reported considering refusing entry to American military personnel--a measure occasionally used against French military personnel--unless a base agreement is soon reached with the United States.

The current anti-Americanism in Morocco, which is being encouraged by the Istiqlal party press, may stem from an effort by left-wing party elements to induce the government to demand an American statement on evacuation. The popular outcry following a routine change in command at the American air base at Nouasseur caused the Foreign Ministry to insist that Rabat should have been consulted in advance and, in effect, to reject explanations made by the American Embassy.

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Japan Preparing for Possible Diplomatic Negotiations With Communist China

Japanese

Foreign Minister Fujiyama is making plans for secret diplomatic negotiations with Communist China "should the necessity arise in the future." [redacted]

[redacted]
[redacted]
junior Japanese diplomats, during discussions with Chinese officials through an intermediary in Hong Kong, had proposed such ambassadorial talks. The Chinese had made it clear, however, that such talks must consider major matters only, especially a final Japanese rejection of the "two Chinas" policy.

Peiping's pressure on the Kishi government, including a call to Chinese merchants in Southeast Asia to boycott Japanese goods, apparently is having an effect. Finance Minister Sato, who is Prime Minister Kishi's brother, indicated on 9 July that efforts would be made through private circles to break the trade impasse between the countries, but he added that the government may consider sending a special envoy to Peiping in order to promote economic relations. [redacted]

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III. THE WEST

Adenauer's Future Policies

Chancellor Adenauer feels that his 6 July election victory in North Rhine - Westphalia enables his government to take a strong stand on major policy questions, according to West Germany's ambassador to NATO, Herbert Blankenhorn. He intends to continue equipping German forces with nuclear weapons, but rejects European security proposals now being evolved in NATO as "meaningless and unrealistic, and unacceptable at any price," because they discriminate against Germany by subjecting it to arms limitations not applicable to Europe as a whole.

With respect to disarmament, Adenauer will take a "soft" position on concluding a limited East-West agreement, possibly supporting a broad plan to prevent surprise attacks. Adenauer regards this subject as coming under the heading of disarmament rather than European security. He also does not object to the Soviet proposal to separate a nuclear test agreement from the general disarmament package.

According to Blankenhorn, Defense Minister Strauss' visit to Paris on 9 July to discuss joint armament plans was helpful, but Adenauer is reluctant to go to Paris to meet De Gaulle now. Strauss has denied reports in the German press that De Gaulle offered him participation in the French nuclear weapons program. Blankenhorn also stated that Bonn desires to help De Gaulle in "every way," but is still apprehensive about certain fascist elements in France which are supporting him.

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Anti-US Demonstrations Probable During Dr. Eisenhower's
Central American Trip

Dr. Milton Eisenhower will probably encounter some manifestations of anti-US feeling during his three-week trip which begins in Panama on 12 July and continues through the five Central American republics. In each country, the domestic situation is such that embarrassing incidents could occur. Major demonstrations are possible in Panama and Guatemala. The Communists in Costa Rica, El Salvador, and Guatemala are capable of fomenting disturbances.

In Panama, the national guard had difficulty suppressing serious riots last May, and political tension is again building up. President de la Guardia's opponents are playing up the canal issue in an attempt to undermine him, and further outbreaks could occur at any time. The US is being accused of complicity in the deaths of the nine Panamanians killed during the May riots because the national guard was supplied with antiriot equipment from the Canal Zone.

In Costa Rica, El Salvador, and Nicaragua political conditions are relatively stable, but the small well-disciplined Communist parties in the first two have been reported planning demonstrations during the visit, and the embassy in Costa Rica doubts police ability to control any sizable disturbances. In Nicaragua, the opposition accuses the US of supporting the late dictator Somoza and his sons who now run the country. In Honduras, negotiations are going badly between the United Fruit Company and unions on a new labor contract to replace the one expiring 15 July. A strike is a distinct possibility and, in view of the generally adverse Honduran feeling toward the American company, might result in anti-US incidents at about the time of the Eisenhower visit.

In Guatemala, where Communists continue to exploit strong anti-US sentiments among student, labor, and other groups, an American labor observer warns that the Communists "are laying for Dr. Eisenhower." Security forces are probably incapable of controlling a sudden outbreak. [redacted]

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