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CD/ED

12 April 1958

Copy No. 140

# CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 37  
NO CHANGE IN CLASS. X  
IF DECLASSIFIED  
CLASS. CHANGED TO: TS S  
NEXT REVIEW DATE: 2816  
AUTH: H-70  
DATE: 3/25/80 REVIEWER: [Redacted]

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12 APRIL 1958

## I. THE COMMUNIST BLOC

Possible Soviet missile-launching submarine sighted.

Soviet submarines engaged in extensive North Atlantic exercise.

Moscow orders Soviet research ship to maintain scheduled course near sector closed for US nuclear tests.

Soviet party journal calls on satellites to intensify pace of collectivization.

## II. ASIA-AFRICA

Indonesia - Djakarta forces' invasion of Tapanuli district may be part of assault on Padang and Bukittinggi.

Saudi Arabia may be forced to seek substantial foreign loan to stabilize currency.

⑦ Cairo considering purchase of Soviet civil jet airliners.

⑧ Ceylon - Linguistic controversy may cause new political unrest, civil disorder.

⑨ Rabat, Madrid encounter difficulties in transfer of southern protectorate area to Moroccan control.

## III. THE WEST

⑩ Austria considers joining Common Market group if European Free Trade Area does not materialize.

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## CENTRAL INTELLIGENCE BULLETIN

12 April 1958

## DAILY BRIEF

## I. THE COMMUNIST BLOC

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(Page 1)

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(Page 3) (Map)

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peasant opposition is necessary and inevitable. If Moscow presses the satellites to take this course, it would be a reversal of previous Soviet policy that each satellite should decide its own speed of socialization and would seem to indicate Moscow's dissatisfaction with the rate of satellite collectivization.

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## II. ASIA-AFRICA

*no*

Indonesia: The invasion of Tapanuli district in North Sumatra by central government forces may be part of a concerted effort to capture the dissident strongholds of Padang and Bukittinggi. Government military headquarters in Medan has also launched operations intended to "wipe out enemy concentrations" to the north. Although moving on the offensive, Medan appears to be concerned over reports that the dissidents, supported by underground forces, are planning a new attack in the Medan area. These actions coincide with a new call by President Sukarno for the early military defeat of the dissident movement.

(Page 5) (Map)

*no*

Saudi Arabian finances: Saudi Arabia will probably shortly try to borrow a substantial amount of money in order to start a currency stabilization program. The "austerity" budget was instituted too late for savings this fiscal year, and the country's entire financial system is in a generally chaotic state. Saudi Arabia hopes for a balanced budget next year, but even so there are not sufficient resources in hand to meet the critical financial problems. As much as \$10,000,000 may be required to stabilize the riyal.

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*no*

UAR - Soviet jet airliners: The United Arab Republic apparently is considering the possibility of purchasing Soviet TU-104 jet aircraft for use by the UAR civil airline, MISRAIR. Although civil air officials in Cairo deny

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knowledge of any such action. [redacted]

[redacted] The Egyptian press has carried rumors about the conclusion of a "deal." [redacted]

*yes*  
Ceylon: Widespread political unrest, and possibly violence, may develop in Ceylon as a result of Prime Minister Bandaranaike's abrogation on 9 April of an agreement with leaders of the Tamils, the island's minority population of Indian origin. This agreement had provided for "reasonable" use of Tamil as a national language. The prime minister's move was apparently forced by spokesmen of Ceylon's Singhalese-speaking majority population, who were protesting Tamil agitation. Singhalese is officially Ceylon's national language. [redacted]  
(Page 7)

*no*  
Morocco - Spain: Difficulties have apparently developed in carrying out the agreement to transfer to Morocco on 10 April control of the Southern Morocco area which Spain has governed as a protectorate since 1912. Moroccan Foreign Minister Balafrej publicly warned Spain on 11 April that Morocco would retaliate if Spanish authorities "did not remove obstacles hindering Moroccan forces" from assuming control of the Tarfaia area. Apparently Spanish authorities have refused permission for the Moroccan Army to use a portion of the main road which traverses the Saguia el Hamra Province of Spanish Sahara between Morocco and the coastal population centers. [redacted]  
(Page 8) (Map)

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### III. THE WEST

*yes*

Austria: The Austrian Government is considering joining the six-nation European Common Market because of the need for closer economic ties with Western Europe and Vienna's discouragement over prospects for the projected free trade area. Such a move would require "stretching" the Austrian neutrality law and might antagonize the USSR. The Austrians have already indicated concern over the reaction of the USSR, which has repeatedly attacked the Common Market as an instrument of Western imperialism.

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### IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Special National Intelligence Estimate No. 30-1-58.  
Implications of Recent Governmental Changes in Saudi Arabia. 8 April 1958.

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## I. THE COMMUNIST BLOC

### Possible Soviet Missile-Launching Submarine Sighted

A very reliable observer sighted a large submarine, apparently fitted to launch guided missiles, in the Kola Gulf area of the Murman Peninsula of the USSR on 14 March. This submarine, possibly a Z-class unit, had a large tank on the deck aft of the conning tower, which had been heightened, possibly to house electronics equipment. No launching ramp was reported, although it is possible that the ramp was stowed either in the hangar with the missile or retracted into the main deck.

This is considered the most reliable sighted report yet received on a possible missile-launching submarine. The USSR has 18 Z-class units, 11 of which are in the Northern Fleet and 4 in the Pacific. The Z-class is the largest postwar submarine known to have been built in the USSR and is suited for conversion to a missile-launching role. A photograph taken in August in the naval dockyard at Murmansk showed a Z-class unit with a modification to the top of its conning tower, but no tank was mounted on deck.

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### Soviet Naval Activity

The return to Petropavlovsk on 5 April of two submarines, one of which has apparently been on a long-range patrol [redacted]

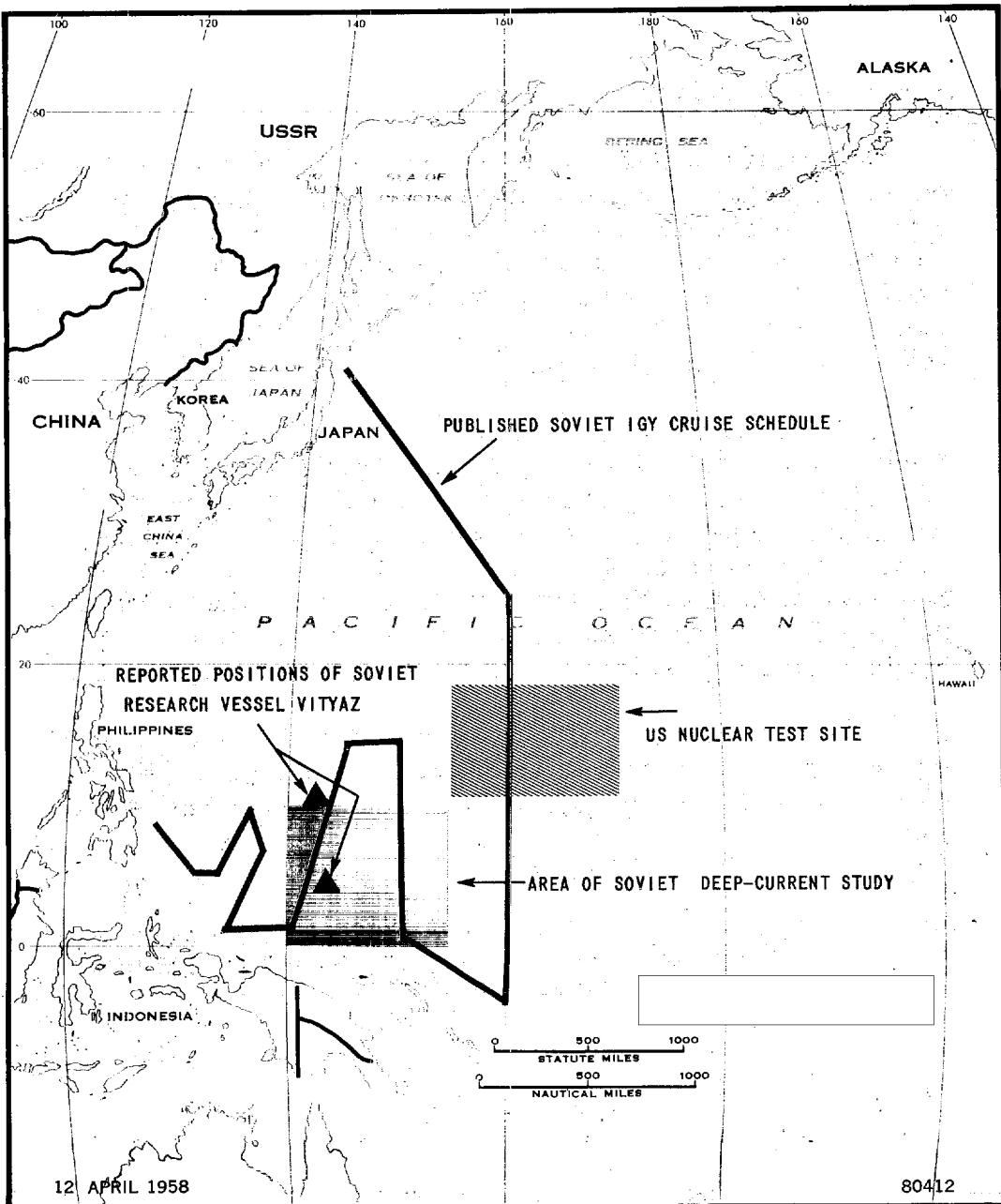
[redacted] Soviet units on patrol, possibly as far as the US west coast, have returned to home waters. Moreover, large naval exercises which began in the Sea of Japan on 31 March tapered off on 6 and 7 April.

[redacted] a large-scale naval exercise with air and submarine force participation may now be under way.

[redacted] submarines are on patrol or exercising in the North Atlantic, possibly as far west as Newfoundland.

The early starting date and the size of these exercises imply that the Soviet Navy will probably attempt larger and more frequent fleet operations this year. [redacted]

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Soviet Research Vessel Directed to Continue Operations  
Near US Nuclear Test Site

The captain of the Soviet research vessel Vityaz, which has been operating in the Pacific Ocean on a scheduled cruise for the International Geophysical Year, expressed doubts concerning planned operations in an area close to the sector set aside for US nuclear tests during April 1958 [redacted]

[redacted] He also altered course from the approved track, but this action was questioned by Moscow and the Vityaz was subsequently ordered to adhere to the prescribed plans.

Should the Vityaz continue to operate according to its announced plans, it may be in a position to collect valuable data on US tests. The Vityaz has conducted radioactive studies at sea on previous cruises and may be equipped to gather similar data on this voyage. [redacted]

[redacted]

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~~CONFIDENTIAL~~Soviet Journal Calls for Stepped-up Satellite Collectivization

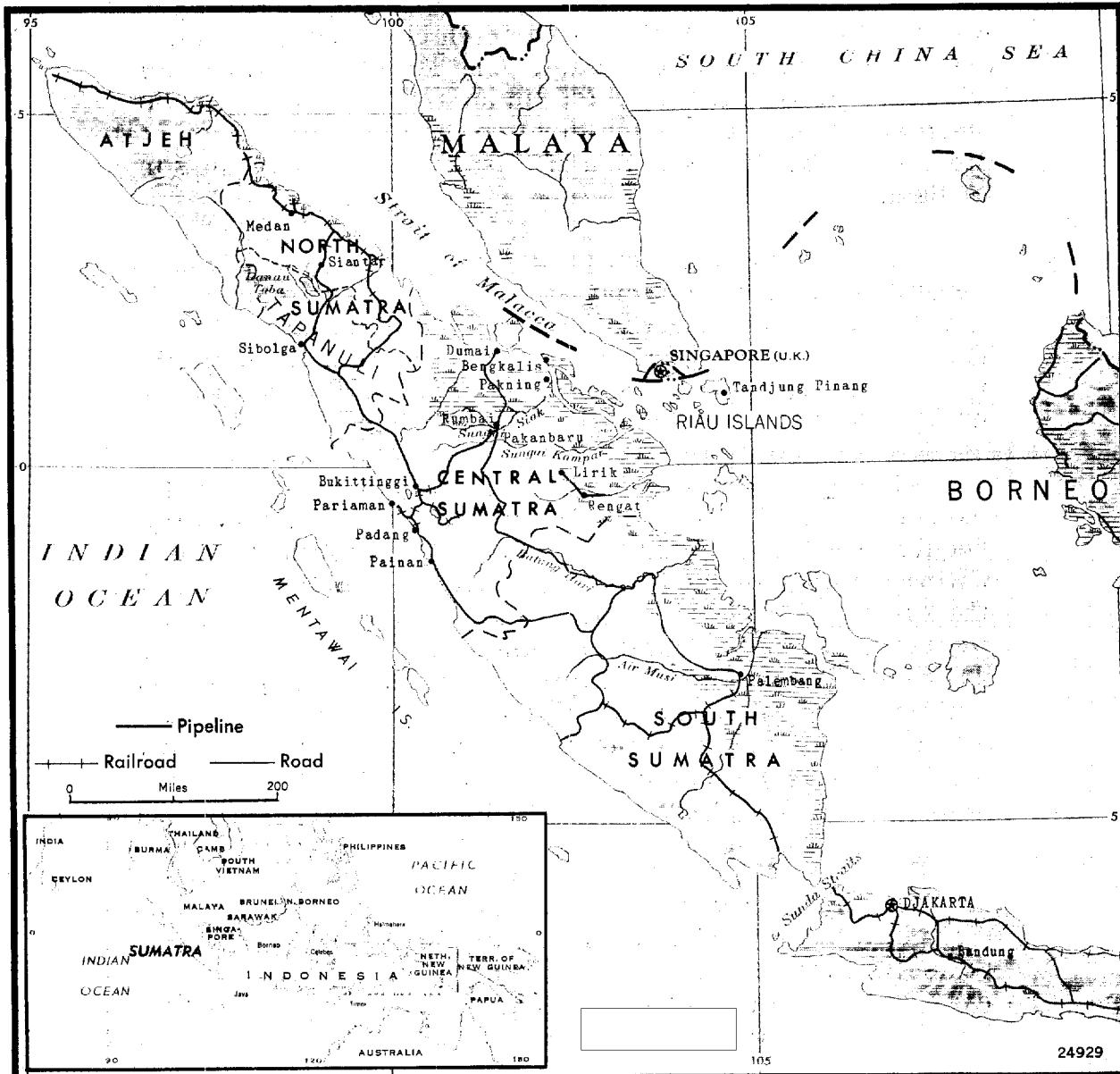
The USSR may be reversing its policy of permitting each satellite to determine the speed at which it carries out its internal socialization program. The latest issue of the Soviet party journal Kommunist, in an article discussing the inevitability of total agricultural collectivization in the satellites, calls for acceleration of this process in at least some of them.

Publication of the article in Kommunist gives it considerable authority and may signify increased Soviet readiness to intervene directly in satellite affairs. Fear that Khrushchev's MTS reorganization plan might induce relaxation of the collectivization effort in the satellites may have brought out the hard Soviet line at this time.

Although the article admits that collectivization must be carried through gradually, it points out that such a policy requires the "inevitable" liquidation of peasant opposition. Citing both Soviet and Chinese experience as "useful models," the author singles out Bulgaria and Czechoslovakia "in particular," and Rumania and Albania secondarily, as countries where conditions are now favorable for eradicating the remaining peasant opposition. Bulgaria and Czechoslovakia are already highly collectivized and have been pushing the forcible liquidation of such opposition as remains. This article serves to reaffirm them in this policy.

Omission of any reference to East Germany, Poland, and Hungary is probably in recognition of the peculiar conditions in those countries which militate against increasing collectivization at this time. It is probably intended, however, as a strong hint to these regimes not to overlook the fact that they must eventually collectivize.

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**II. ASIA-AFRICA****Indonesian Situation**

The movement of government troops into the strategic area of Tapanuli, which lies immediately north of the dissident centers of Padang and Bukittinggi, apparently is coordinated with the continuing westward drive of Djakarta troops through Central Sumatra. The two drives probably are intended to meet the scheduled deadline for the final assault in mid-April on the strongholds of the revolutionary government.

The Tapanuli commander has been permitting dissident forces free access into his territory and has refused orders from Djakarta to disarm them. The government has refrained from entering Tapanuli heretofore, apparently fearing such action would widen the area of revolt. As yet, however, the Tapanuli commander has made no military move against government troops.

Prime Minister Djuanda told the American ambassador on 9 April that when Padang and Bukittinggi were occupied, Djakarta would declare the revolt over and the revolutionary government dissolved. He said this should happen very soon, probably by 15 April. President Sukarno also reiterated Djakarta's determination for a quick military defeat of the Central Sumatran regime in a speech on 8 April in Central Java.

Both Djakarta and the dissidents are reported renewing pressure on the commander in South Sumatra, Lt. Col. Baflian, to abandon his neutral position. So far, however, no significant change in his attitude is apparent.

Djuanda undercut earlier statements by Foreign Minister Subandrio when he told the American ambassador there was little likelihood of any positive immediate anti-Communist action unless the Communists gave the army an excuse to crack down on them. The prime minister thought overt militant action by the Communists was an extremely remote possibility.

The government has relieved the Indonesian ambassador in Rome because of his sympathetic attitude toward the dissidents. Apparently, however, he has taken sizable embassy funds with him. (TOP)

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### Saudi Arabia's Financial Condition

Since early 1956 Saudi Arabia's financial condition has steadily deteriorated despite oil revenues exceeding \$300, - 000, 000 annually. Royal spending has exceeded this level and the country has built up a substantial domestic and foreign debt. On recommendations of experts from the International Monetary Fund, King Saud earlier this year decreed an "austerity budget" for the Saudi year beginning August 1957, designed to cut expenditures sharply in order to realize a \$30, 000, 000 surplus and reduce the country's debt. Since this budget was not decreed until several months after the year had begun, it was destined for failure, as many government departments had already spent more than their total allocations under the new budget.

A good deal more than an austerity budget will be required to bring order to the Saudi financial system. As a major step, Fund officials have advocated a currency stabilization fund designed to restore the riyal to its official parity of 3. 75 to the dollar. The market rate is now fluctuating at about 5 riyals to the dollar. Fund officials estimate that about \$100, 000, 000 might be required to guarantee the success of any plan to overhaul the Saudi financial system.

Without an almost complete change in the system, however, it is doubtful if any scheme would work. Saudi Arabia uses an archaic bimetallic system which has never worked in any country and merely allows for substantial fortunes to be made from gold and silver smuggling operations.

One factor which has contributed to the present crisis has been substantial Saudi aid to Egypt and Syria, amounting to almost \$50, 000, 000 in 1956 alone. Saudi Arabia has extended Egypt additional aid this year by accepting over-valued Egyptian pounds for Saudi oil for which the government paid ARAMCO in dollars.

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Renewed Communal Violence in Ceylon Possible

Prime Minister Bandaranaike of Ceylon is again under severe pressure from rival Singhalese- and Tamil-speaking elements over the status of the Tamil language.

Singhalese has been the official national language since July 1956. In mid-1957, Ceylon's 2,000,000 minority population of Indian origin threatened widespread revolt if their native language, Tamil, were not also granted official status. Agreement in July between Bandaranaike and Tamil leaders for the limited use of Tamil brought temporary peace. Bandaranaike, however, failed to implement the agreement and the Tamils renewed their agitation on 1 April 1958.

During a tense session of Parliament on 8 April, a majority of Bandaranaike's coalition firmly opposed the agreements, and some 25 coalition members reportedly threatened to bring down the government. The next day Bandaranaike, under Singhalese pressure, announced that his pact with the Tamils could not be implemented.

The Tamils on 11 April opened a civil disobedience campaign. Leaders of the Tamil Federal party said that the formation of a united front of all Tamil-speaking people, which would include most of Ceylon's plantation workers, would be suggested at the party's annual convention scheduled for 2 May.

This communal issue is one on which tempers can run high, and the possibility of serious trouble exists. Bandaranaike, however, has successfully maintained peace on previous occasions and may be able to reach some compromise again.

[Redacted]

[Redacted]

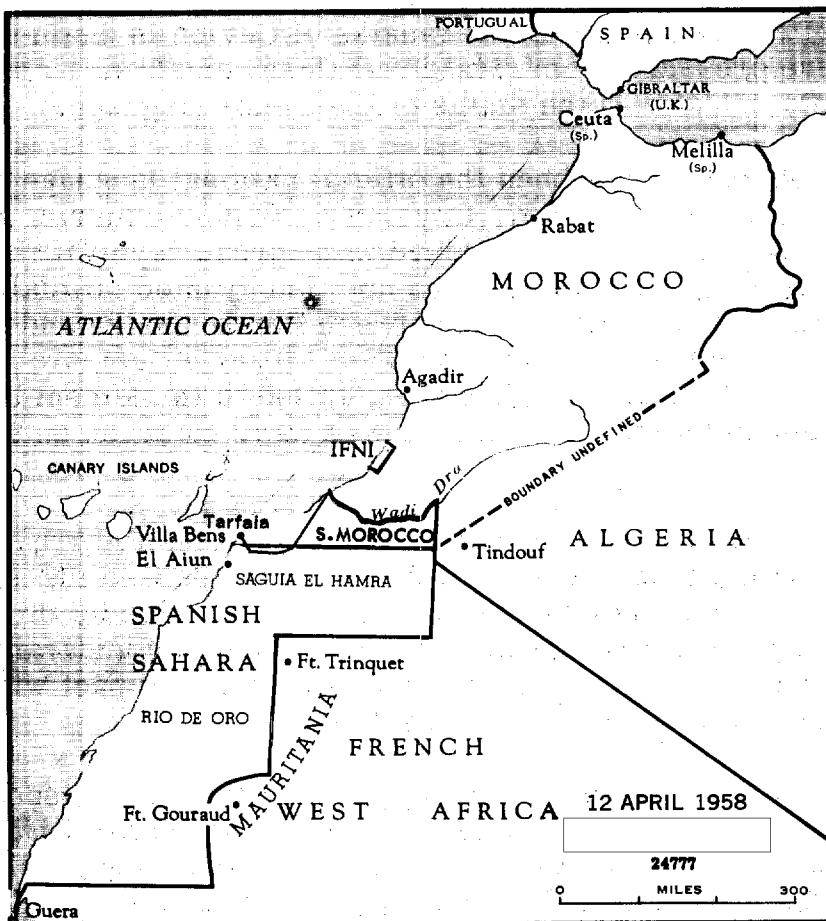
[Redacted]

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### Moroccan-Spanish Difficulties Develop in Southern Morocco

Difficulties appear to have developed in implementing the scheduled 10 April transfer to Morocco of control over the protectorate of Southern Morocco, a 25,000-square-mile strip of territory which Spain has governed as part of Spanish Sahara. After some months of bargaining and under threat of a forcible take-over by the Moroccan Army, Spain finally agreed to this transfer during a secret meeting on 1 April between Foreign Minister Castiella and Moroccan Foreign Minister Balafrej. Except for the temporary retention of some Spanish troops in the area, Morocco apparently agreed to none of the concessions demanded by Spain, particularly a guarantee of the area's southern boundary.

Balafrej publicly warned Spain on 11 April that Morocco would retaliate if Spanish authorities "did not remove obstacles hindering Moroccan forces" from assuming control over the coastal area of Tarfaia. Evidently Spanish authorities have refused the Moroccan Army permission to use a portion of the main route between Morocco and the Atlantic coast where the capital city and other principal population centers are located. Because of the terrain, this road cuts into the Saguia el Hamra Province of Spanish Sahara, which Morocco also covets. [redacted]

[redacted]

[redacted]

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### III. THE WEST

#### Austria May Seek Direct Accession to European Common Market

Discouraged by the prospects for the European free trade area, Vienna is actively considering the possibility of Austrian accession in some form to the European Common Market (EEC). The government has for some time recognized that the Austrian economy would be in serious straits if European economic integration should hinder Austrian access to markets in the EEC countries. In the cabinet's discussion of the Common Market on 9 April it was suggested that in view of Austria's neutrality law and long-standing Soviet objections to the EEC, Austria on joining might make "appropriate" reservations.

Vienna is perhaps being misled by the relatively mild response of Soviet Ambassador Lapin to an initial approach made by Chancellor Raab last month. Lapin is said to have been "negative, but not too much so." He warned Raab, however, that "those people (presumably the Common Market members) would have him by the throat." Moscow has in general viewed the six-nation community as an instrument of imperialism dominated by Bonn.

Raab may hesitate to make any further approach to the USSR until after his visit to Moscow in July, when he hopes to negotiate a reduction in Austria's reparations deliveries. A formal approach to the EEC for bilateral negotiations will also depend on whether the prospects for a free trade area improve during the negotiations scheduled for later this month and early May.

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