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25 July 1958

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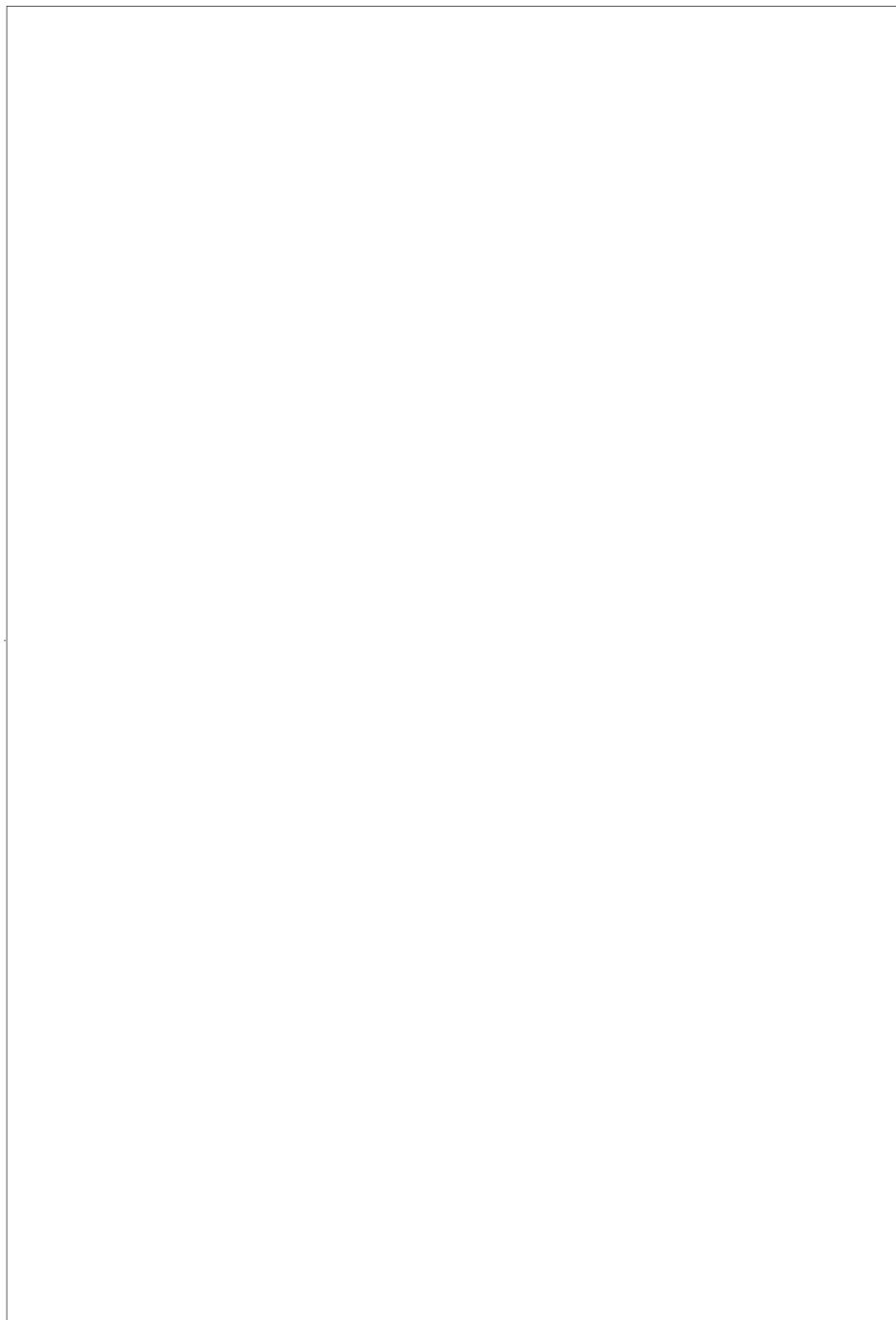
INTELLIGENCE

BULLETIN



DOCUMENT NO. 32
NO CHANGE IN CLASS.
DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 7-2
DATE 3/25/18 REVIEWER:

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* 25 JULY 1958

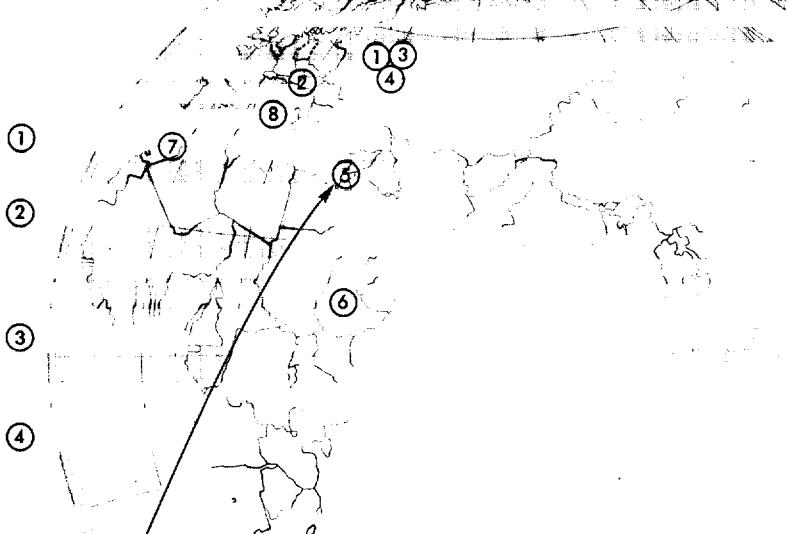
I. THE COMMUNIST BLOC

Ambassador Thompson believes Khrushchev's behavior at 22 July reception intended as gesture to reduce tension.

USSR reduces Austrian reparations burden.

Increase in Soviet industrial production during first half of 1958 maintains recent rate of growth, according to Soviet report.

Bloc propaganda volume on Middle East larger than on any other international issue in last five years.

**II. ASIA-AFRICA**

Middle East - Ability of Lebanese Parliament to agree on successor to Chamoun is questionable.

Iraqi military leaders collaborating with UAR on defense matters. Saudi Arabia recognizes new Iraqi Government.

(5)



(6) Emperor Haile Selassie proposes union of Ethiopia, the Sudan, and Somalia to counter UAR penetration of Africa.

(7) Moroccan labor union refuses to handle supplies for US base; workers at base may strike.

III. THE WEST

(8) Italian Communist party reportedly ordered to sabotage aircraft flying to Middle East; US Air Force alerted.

(9) Guatemala - Reports of plotting to oust President Ydígoras, who is not concerned enough to take necessary preventive action.

(10) Venezuela - Increasing signs that anti-American feeling is being exploited.

(11) Cuban rebels preparing for action on or about 26 July.

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CENTRAL INTELLIGENCE BULLETIN

25 July 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

*USSR: Ambassador Thompson believes that Khrushchev spent an hour and a half conversing with him at a Polish reception on 22 July as a gesture to lower tensions and to counter a mild form of war hysteria indicated by the Soviet public's scare buying. (Page 1)

No *USSR - Austria: The Soviet-Austrian joint communique of 24 July announces a 50-percent reduction in Austrian oil reparations and promises increased trade, steps intended by Moscow to impress the uncommitted countries with the continuing Soviet interest in the welfare of smaller neutral nations. While Chancellor Raab agreed to membership in the bloc-dominated Danube Commission, a move long opposed by the West, the Soviet leaders apparently did not press for political concessions on larger East-West issues.

OK Soviet economy: The Soviet plan fulfillment report for the first six months of 1958 states that industrial output increased 10.5 percent over the first half of 1957, thus maintaining the rate of growth achieved during the past two years and reportedly scheduled for the forthcoming Seven-Year Plan (1959-65). The plan for this year, as for last, calls for an increase of only 7 percent, and Khrushchev's reorganization of industry is again praised for making the overfulfillment possible. (Page 2)

Bloc propaganda on Middle East: The Sino-Soviet bloc's determination to extract the maximum political capital from

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the Anglo-American intervention is evident in the extremely heavy volume of propaganda on the present Middle East crisis. The volume is greater than for any international issue since the time of Stalin's death, and has been topped only by comment devoted to the 20th party congress. Moscow radio's commentaries last week were more than double the volume devoted to the Suez crisis of 1956. Peiping has devoted an even higher percentage of its output to the Middle East than has Moscow.

II. ASIA-AFRICA

*Middle East developments: Lebanese opposition leaders are threatening to boycott the legislative session called for 31 July to elect a new president if their choice is not accepted beforehand. If progovernment deputies attempt to elect a pro-Western president in the absence of opposition deputies, they face the threat of assassination. Although some Lebanese rebel groups continue to receive arms aid from Syria, Cairo, probably to avoid giving a pretext for further Western military moves, has directed that no UAR military forces from Syria are to cross any frontier without instructions. Iraqi defense preparations include a plan to deny Western tankers access to Iran's principal oil terminal by mining the Shatt al Arab.

The Iraqi radio on 24 July announced that Saudi Arabia had recognized the Iraqi Republic.

(Page 3) (Map)

OK

Ethiopia: Emperor Haile Selassie is reported by the American ambassador to be in a virtual panic because of the threat of UAR penetration of Africa via the Sudan. The emperor proposes that the United States provide financial and military support for a "close association," under Ethiopian leadership, of Ethiopia, the Sudan and Somalia.

(Page 8)

^N^d Morocco: The extremist national Moroccan Labor Union is reported to have decided to stage a strike and possibly even to attempt sabotage at American-operated bases in Morocco,

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DAILY BRIEF

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and to refuse to work ships carrying US materiel in all ports including Port Lyautey. Possibly in compliance with this order, port workers at Safi refused on 23 July to unload a Dutch freighter carrying supplies for the American base at Ben Guerir and the ship has proceeded to Port Lyautey.

III. THE WEST

Italy: The Italian Communist party

No received orders from the Kremlin to activate its military sabotage cells. The principal objective is sabotage of POL installations and military aircraft flying from Italy to the Middle East. The Capodichino airport at Naples, is a primary target. US forces headquarters in Italy has ordered the exercise of particular vigilance.

OK Guatemala: President Ydigoras' weakening political position is encouraging plots by several groups to oust him. Ydigoras is aware of plotting against him, but does not appear sufficiently concerned to take the necessary preventive action.

(Page 9)

OK Venezuela: There are increasing signs that anti-American feeling is being exploited. A key non-Communist political leader attempted in a speech on 23 July to capitalize on a widespread popular feeling that the United States is backing the military opposition to the Larrazabal regime.

(Page 10)

OK Cuba: There are numerous reports of imminent rebel action in eastern Cuba, possibly on or near the 26 July anniversary date of the Castro movement.

(Page 11) (Map)

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DAILY BRIEF

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I. THE COMMUNIST BLOC

Khrushchev Seeking to Lower Soviet-American Tensions

Ambassador Thompson believes that the hour-and-a-half conversation which he had at the Polish reception on 22 July with Khrushchev and Mikoyan was a deliberate attempt by Khrushchev to lower tensions resulting from the current international situation and such incidents as the stoning of the American Embassy. He believes that Khrushchev is concerned over the development of a mild form of war hysteria in the USSR, evident in the buying up by the public of reserve supplies, and may make further gestures to lower tensions.

Despite its length, the conversation was largely devoted to trivial subjects. Khrushchev, however, invited Thompson to accompany him on vacation in mid-August and emphasized the sincerity of his offer. He also complained to Thompson that the United States had not undertaken negotiations on a civil air agreement and suggested that these start immediately. Mikoyan, not entirely sober, praised Thompson's skill at a time when Soviet-American relations "probably had never been worse." The ambassador described the entire performance as an "eerie" one. [redacted]

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Soviet Report on 1958 Midyear Economic Achievements

According to a TASS summary of the Soviet mid-1958 plan fulfillment report, industrial production increased 10.5 percent in comparison with production during the first six months of 1957. This compares with reported percentage rates of growth for 1956 and 1957 of 10.5 and 10.0 respectively. The goal set for this year, as for last, was just over 7 percent. Khrushchev's reorganization of industry is again given credit for making this achievement possible.

A reported 28-percent increase in capital investment in ferrous metallurgy indicates some success toward correcting capacity shortages in that industry. A reported increase of 23 percent in capital investment in light and food industries attests to Khrushchev's interest in improved consumption standards. The 27-percent increase reported in capital investment in the chemical industry is well below the rate planned, but is not necessarily indicative of what may be accomplished in the course of the full year.

Despite the reduction generally from 8 to 7 hours in the working day in ferrous metallurgy, labor productivity per working day in that industry increased by over 2 percent, the increase in labor productivity for industry as a whole being 6 percent.

Satisfactory achievement was reported in the sale of tractors and other machinery by the MTS to the collective farms, with 65 percent of the collective farms reported owning their own machinery by 1 July.

Reported increases for individual branches of production were: ferrous and nonferrous metallurgy, 9 percent; fuel and power engineering industry, 10 percent; machine building and metal processing, 14 percent; the chemical and rubber industry, 13 percent; building materials industry, 26 percent.

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II. ASIA-AFRICA

Middle East Developments

Lebanon: The postponement of the parliamentary session to elect the next Lebanese president was apparently approved by both opposition and progovernment leaders. All factions now are maneuvering to obtain support for their candidates, and ability to agree on a choice remains very much in question.

In case there is no agreement, the opposition might be willing to see the situation drift until 23 September, when, according to some interpretations of the constitution, Chamoun would legally be out of office. Should Chamoun attempt to extend his tenure in the absence of new elections, [] an army move to oust the President or violence on a greater scale than before. [] progovernment deputies who attempted to convene the legislature and elect a pro-Chamoun president in the absence of opposition deputies would face assassination. Top opposition leader Saeb Salem, commenting on plans to convene the legislature on 31 July, declared on 24 July that the opposition would "not consider a candidate nominated by the foreigner in the hope that he will achieve through him what he cannot achieve through others."

Lebanese government leaders have requested American financial aid to offset the loss of revenue resulting from the current crisis. The government expects to be able to meet its payroll on 1 August but does not expect to be able to meet payments due in September.

Reports of arms aid from Syria for some Lebanese rebel groups continue to be received. The opposition also is apparently striving to enlist the support of the predominantly Moslem population of the Biqa Valley to oppose any American military move inland. A rumor has been spread in Beirut by

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the opposition that the American forces have remained quiet since the landings out of fear of a Soviet reaction. A desire by Cairo to avoid giving a pretext for further Western military moves

instructing that "no First Army forces are to cross any frontier without instructions. . . ."

The Lebanese Foreign Ministry informed UAR Ambassador Ghaleb on 23 July that he had three days to leave Lebanon.

Jordan: As a result of recent arrests of suspect army officers, security personnel, and government officials, Jordanian leaders seem less depressed over the immediate security problem than before; however, the long-term outlook for King Husayn's government remains bleak and it probably cannot survive without the presence of foreign troops. Authorities in the West Jordanian opposition center of Nablus have been given increased authority to arrest subversives whenever the security situation warrants. The tight restrictions on movement and the severe shortage of gasoline have undoubtedly hindered opposition efforts to meet and to maintain contacts. With the general population under strict control, the most serious security threat is assassination of the King. Because of this danger, few army officers are now permitted access to him.

Iraq: Military leaders of the new Iraqi Government are moving rapidly to collaborate with the UAR on defense measures.

a special military committee had been formed in Baghdad for the coordination of Iraq's defense. Two UAR officers from the Syrian region were to be attached to the committee. A similar committee was to be set up in Syria to take part in discussions with Baghdad.

the Iraqi command queried Damascus on the possibility of sowing naval mines in the Shatt al Arab (see map on facing page), and asked that a mine expert be sent to study the problem. Mining of the Shatt al Arab, the estuary formed by the confluence of the Tigris and Euphrates Rivers, would prevent tankers from offloading the output of Iran's Abadan refinery and the bulk of Iran's oil production.

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[redacted] the UAR on 20 July requested the Baghdad government to send all available Baghdad Pact documents to Cairo, presumably to be exploited for propaganda against the pact's member states and the West. Egyptian officials in Cairo now claim to have access to certain Baghdad Pact files.

UAR: [redacted] a former military aide to President Nasir has stated that Nasir is negotiating with the leaders of the new Iraqi Government for a federation of Iraq with the UAR.

out

[redacted] plans were to be made to plant naval mines in front of Ras Abu Bakr, a cape about 100 miles south of Suez. Sections of pontoon bridges are in position along the canal north of Ismailia and at the south end of Little Bitter Lake.]

[redacted] 10 UAR Air Force IL-14 transports are being re-marked with identification of the Egyptian civil airline. It is possible that these aircraft are to be employed to transport troops from Egypt to Syria and Iraq.

[redacted] Egyptian ships are moving arms and ammunition to the Syrian port of Latakia. Meanwhile [redacted]

out

[redacted] the "Soviets have asked to send the 39 experts as quickly as possible because of the present circumstances."

[redacted] Egypt has increased its force at Aswan in southern Egypt from one to three battalions in order to put pressure on the Sudan.

out

[redacted] Israel: [redacted] the number of fedayeen infiltrating Israel from Gaza had recently increased.

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[redacted] a continuing small-scale registration and call-up of military personnel, which does not appear to exceed the normal level for the current phase of the summer training cycle.

[redacted] Israeli concern that a "Big Four" meeting on Near Eastern problems might take up the question of Israel's borders, [redacted]

ink [redacted] Israel had assurances that France would seek to prevent an unfavorable resolution on Israel.

Sudan: Prime Minister Khalil obtained a tactical victory with the adjournment of the Sudanese legislature as scheduled on 24 July, without disruption of the present government coalition. Antigovernment groups had attempted to extend the parliamentary session in the hope of being able to undermine Khalil's parliamentary support and overthrow him.

bwt [redacted] The scope of Egyptian psychological pressure on the Sudan was indicated by [redacted] instructing the ambassador in Washington to circulate comment on the United States' "policy of instigating the nations of the Middle East, one after another, to pick a quarrel with us /Egypt/ in order to harm our reputation." By way of implementing this line, the ambassador was directed to inquire whether the Sudan's turn had come, and "insinuate" that American aid to the Sudan was contingent on its violating of the Nile waters agreement.

Saudi Arabia: King Saud has informed Ambassador Heath that Nasir has made gestures seeking reconciliation and promising to meet any conditions which the King considers necessary for restoration of Saudi-Egyptian friendship. Although Saud expressed conviction that Nasir could not be trusted, he indicated that the Saudi Government would be compelled to make apparent peace with Nasir.

Iraqi Premier Qasim on 24 July announced that the Saudi Government had recognized the Iraqi Republic, according to Baghdad radio.

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King Saud is fearful that Egypt may reoccupy former military positions on the Gulf of Aqaba, from which it could threaten Saudi Arabia.

Kuwait: The Assistant State Secretary of Kuwait expressed belief to the American consul on 22 July that Kuwait could and would eventually join in a federation with the UAR, and professed belief that such a move would not sever Kuwait's special treaty relations with Britain. Strong security patrols continue in Kuwait, and efforts have been made to place loyal Kuwaiti officers in command of all units of the security force. However, the loyalty of many officers remains in question.

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Ethiopia Seeks US Support to Block UAR Penetration

Emperor Haile Selassie is seeking US military and financial support, through Ethiopia as an "intermediary," for a close association of Ethiopia, the Sudan, and Somalia to block UAR penetration of Africa via the Sudan and Red Sea. He wants specifically arms for Ethiopian territorial forces, financial aid to purchase Swedish Vampire jets, funds to improve rail and air communications with the Sudan, and prompt delivery of a 20-kw. short-wave transmitter promised at the time of the Richards mission.

Ambassador Bliss in Addis Ababa comments that the Ethiopians are in "genuine panic" over events in the Middle East, although overjoyed at the news of US intervention in Lebanon and the assurance of protection of small states. On 19 July the Emperor, fearing to attract UAR attention by the movement of Ethiopian officials, suggested that the American ambassador should proceed to Washington promptly to explain the Ethiopian situation to officials here.

Ethiopian officials, who are extremely concerned over the danger of a growth of UAR influence in the Sudan, have stated recently that Ethiopia would shed blood to defend the Sudan. The Emperor and Sudanese Prime Minister Khalil have a secret mutual defense treaty dating from early 1957 directed against Egyptian intervention. [redacted]

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III. THE WEST

Plots Against Guatemalan Government May Culminate
In Late July

Several politico-military factions in Guatemala are exploiting mounting dissatisfaction with President Ydigoras' failure to act on a number of pressing problems, and are believed to be plotting his overthrow. Ydigoras is aware of plotting against him, and has considered the declaration of a state of siege to facilitate the deportation of a number of his enemies, as well as a few Communists. He apparently hopes, however, that overt counteraction can be deferred until after Dr. Milton Eisenhower's visit, scheduled for 30 July to 1 August. This may be too late.

One group of plotters plans to act before the end of July, [redacted] This group is reportedly headed by Defense Minister Gonzalez Sigui, who may be working with Colonel Paz Tejada, a leftist with strong support among pro-Communists. Although Gonzalez Sigui has a conservative background, he may be so impressed with recent leftist political gains that he considers collaboration with a leading leftist necessary for the success of any coup attempt.

Another plot is believed to be developing in an extreme rightist faction of veterans of the late President Castillo Armas' "Liberation Army." This group, which is deeply embittered at Ydigoras' failure to act energetically against the Communists,

[redacted] to be planning a coup for late July or early August. Agents of Dominican dictator Trujillo are active in Guatemala and may be supporting this group. [redacted]

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The Venezuelan Situation

Tension continues between the civilian-backed governing junta and top military leaders and may lead to increased feeling against the United States.

[redacted] the general feeling among the local populace is that the United States is backing the military opposition to the junta. [redacted] a speech of 23 July by Jovito Villalba, chief of the leftist Republican Democratic Union, who observed that Venezuelans are not only against their local enemies but are also against foreign enemies who are attempting to make a colony of their country. The Communist leader Machado has called for the departure of foreign military missions, charging that they have been intervening in Venezuela.

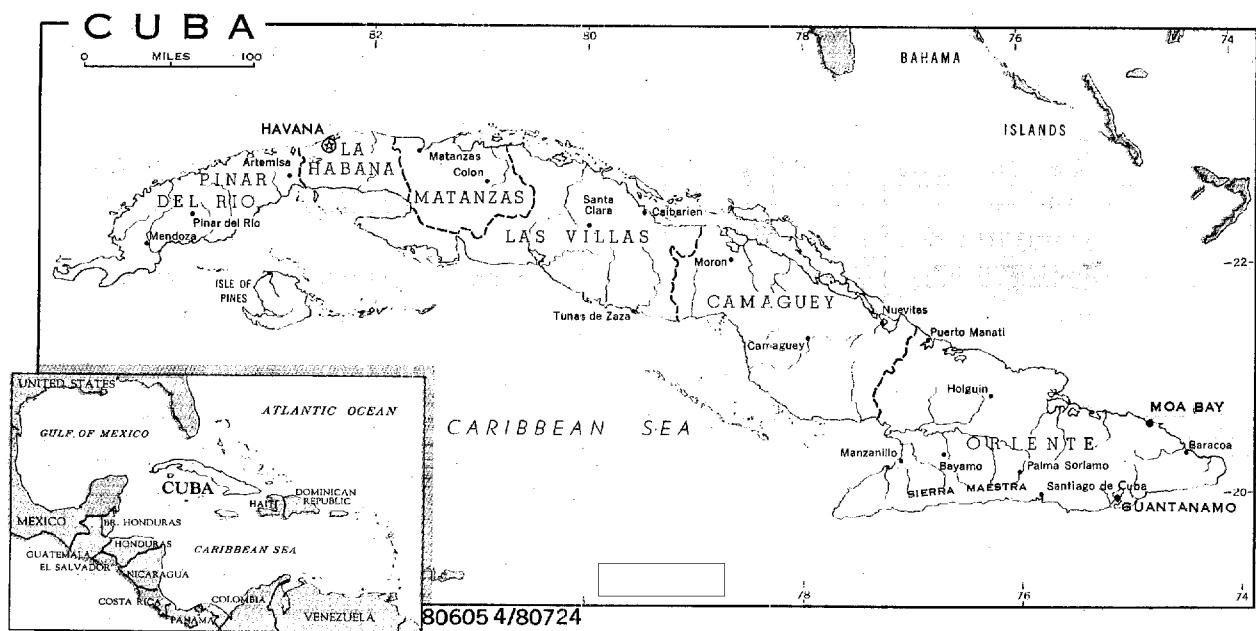
The general strike of 23 July was completely effective in Caracas and apparently in the interior. Ambassador Sparks comments that it ended in a general atmosphere of celebration and lionizing of President Larrazabal. Press reports indicate that on 24 July thousands of students, laborers, and other civilian groups were demanding the exile of leaders of the recently threatened military coup. Such pressure could cause a new coup attempt by the military.

[redacted]

[redacted]

[redacted]

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Cuban Rebels Reported Planning to Step Up Action

Reports that the Castro revolutionists may be planning another major move against the Batista government are increasing with the approach of the rebel movement's 26 July anniversary date. Skirmishing in Oriente Province has been resumed since the release of the last of the American captives on 18 July, and government troops are being deployed to zones of rebel concentration.

Rebel plans, [redacted]

[redacted] envisage an attack in the Moa Bay area, near the site of a large US nickel enterprise, and the establishment of a provisional government. [redacted]

[redacted] the rebels hoped to control all of Oriente Province by September and that their attacks would center on the Guantanamo area on the south coast. Although it is unlikely that the rebels could succeed in controlling the province or holding a city, they could disrupt the area enough to force postponement of the scheduled 3 November general elections or at least to prevent Oriente Province from participating in the elections.

Fidel Castro's apparent intention to adhere to the "Caracas Pact," a unity attempt now being formalized by representatives of several opposition groups, may indicate that he is making a serious bid for support among other anti-Batista elements. The rebels' position has improved considerably since their unsuccessful general strike attempt last April, but their chances of overthrowing the government remain small without support from the military, which is still believed largely loyal to Batista. [redacted]

[redacted]

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