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17 October 1959

Copy No. C 65

CENTRAL INTELLIGENCE BULLETIN



DOCUMENT NO. 41
NO CHANGE IN CLASS.
DECLASSIFIED
CLASS. CHANGED TO: TS SAC
NEXT REVIEW DATE: 2010
AUTH: HP 702
DATE: 4-18-80 REVIEWER:

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Approved for Release: 2020/02/21 C03029884



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17 OCTOBER 1959

I. THE COMMUNIST BLOC

Soviet decree calling for increase in consumer goods will not affect investment or military programs.

Khrushchev says any Berlin solution acceptable, except for absorption of West Berlin by West Germany.

II. ASIA-AFRICA

Iraq--Military Governor Abdi indicates UAR to be blamed for attempt against Qasim.

Prince Faysal says Saudi Arabia will not compromise in dispute with ARAMCO.

Yemeni Imam's brother en route to Moscow; may be receptive to Soviet aid offer.

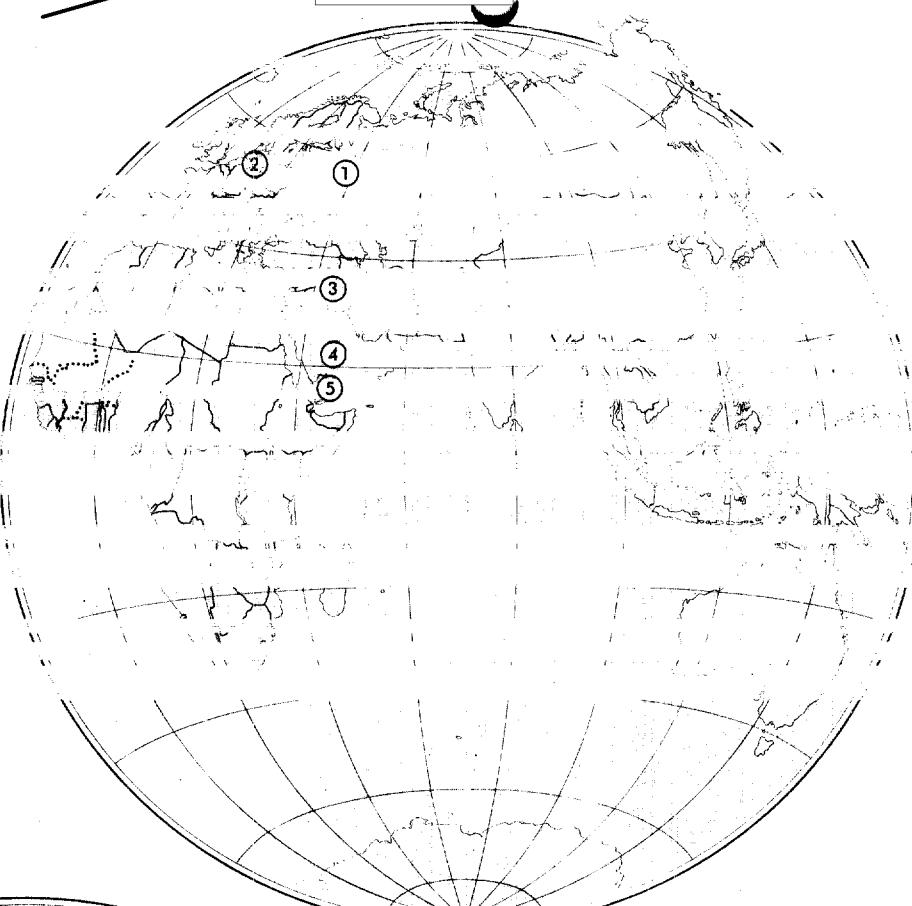
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CENTRAL INTELLIGENCE BULLETIN

17 October 1959

DAILY BRIEF

SIRAB

I. THE COMMUNIST BLOC

USSR: The Soviet Government's decree of 15 October calling for a 42-percent increase over 1958 in production of consumer durable goods by the end of 1961 will not affect Soviet investment or military programs under the Seven-Year Plan (1959-1965). The Seven-Year Plan appears to be off to a good start. For the first nine months of this first year industrial output is claimed to be 12 percent over the corresponding period last year, while the plan called for a 7.7-percent rise. Without interfering with the planned goals, the leaders can devote any part of the overfulfillment to satisfying the popular desire for a faster rise in the standard of living.

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Khrushchev: In an interview in Moscow on 13 October with Austrian President Schaerf, Khrushchev stated with regard to Berlin that absorption of West Berlin by West Germany is the only solution unacceptable to the USSR--any other could be worked out. He complained that Austria's failure to establish relations with East Germany does not correspond to its neutral status. Khrushchev referred to his discussions with President Eisenhower concerning the danger of "saturation" in military expenditures, but he warned that the West should not count on the burden of military expenditures as being too great for the Soviet Union to bear.

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II. ASIA-AFRICA

Iraq: A 15 October press interview granted by Military Governor Abdi appears to indicate that the Iraqi line regarding the assassination attempt on Qasim will be to charge the UAR with complicity. Reporting on the progress of investigations into the incident, Abdi alluded to UAR infiltrators sent into Iraq

across the Syrian border, and added, in what is believed to be an unfounded allegation, that the UAR had moved a brigade close to the Iraqi border ten days prior to the assassination attempt. Communists and nationalists accuse each other of involvement in the attempt against Qasim. There are conflicting reports of the political alignment of the dead assailant found at the scene. Some allege he was a Communist: others say he was a Baathist.

N **Saudi Arabia:** Crown Prince Faysal told the American ambassador on 14 October that the Saudi Government would not make concessions to reach a compromise settlement of its disputes with the Arabian American Oil Company. Faysal stressed that present conditions differ considerably from what they were when the company obtained its concession in 1933. He said it would be better for the company to give the government much more than 50 percent of the profits--he appears to be thinking of from 75-80 percent--than to "lose the whole operation."

OK **Yemen-USSR:** Prince Abd al-Rahman, Yemeni Foreign Ministry director general and younger brother of the Imam, has left Yemen for an extended tour which will include Moscow. Although some Yemeni officials have said the Imam intends to curtail bloc activities in Yemen, the government's need of financial assistance may make it receptive to a Soviet offer of additional economic aid.

delete last sentence of p 2 Abd al-Rahman was in Cairo on 12 October and informed the Imam that the Soviet chargé there had suggested that if the Imam wishes to keep the services of Soviet experts now in Yemen, whose term of service ends next month, a new aid program should be formulated. (Page 3)

I. THE COMMUNIST BLOC

New Soviet Consumer Goods Decree

The Soviet Government issued a decree on 15 October calling for a 42-percent increase in output of consumer durable goods by the end of 1961 over output in 1958. The decree gives scheduled output increases for 1960 and 1961 for refrigerators, sewing machines, vacuum cleaners, television and radio sets, motorcycles, and a host of similar products. Automobiles are not included.

The new decree, which apparently programs increases for most products only slightly above the high rates projected in the Seven-Year Plan (1959-65), covers only about 5 percent of Soviet industrial production and will not affect Soviet investment or military programs under the plan. The Seven-Year Plan has started off well. During the first nine months of this first year, industrial output was reported as 12 percent over the corresponding period last year, while the annual plan called for only a 7.7-percent increase. As long as industrial production keeps ahead of the 8.6-percent average annual increase required to meet the 1965 goal, the leaders can devote any part of the overfulfillment toward satisfying the population's desires for a faster rise in the standard of living.

The decree is one of a series, such as those on children's clothing and furniture, introduced during the past two years to provide benefits to the consumer at relatively small cost to the state. [redacted]

[redacted]

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Khrushchev Comments to Austrian President on East-West Issues

Khrushchev told Austrian President Schaerf in Moscow on 13 October that any solution of the "West Berlin issue" could be worked out except absorption of Berlin by West Germany. Turning to the disarmament question, Khrushchev referred to his discussions with President Eisenhower of the "saturation" situation in military expenditures, but warned that the West should not count on the burden of military expenditures being too great for the Soviet Union to bear. New arms, he stated, are becoming cheaper, although conventional forces continue to be very costly.

In response to Khrushchev's complaint that Austria's failure to establish relations with East Germany does not correspond to its neutral status, Schaerf said the relationship with West Germany was of great importance to Austria, and that this would suffer if Austria established ties with East Germany. Khrushchev, when asked at a news conference on 15 October whether any distinction could be made between military and political neutrality, replied, "Neutrality is neutrality, in all walks of life."

Throughout Schaerf's visit in the USSR the themes of peace and Austro-Soviet friendship were stressed. Apparently the Austrians failed to gain Soviet agreement to a further alleviation of their oil reparations obligations, but Moscow has reiterated its promise to consider including reparations goods in normal trade exchanges when reparations deliveries end in 1961.

The joint communique issued on 15 October at the close of the visit announced that Soviet President Voroshilov will pay a return visit to Austria, but no date was specified. Khrushchev told his press conference that last year he had accepted Chancellor Raab's invitation to visit Austria himself and will do so "as soon as I am able." [redacted]

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II. ASIA-AFRICA

Yemeni Official's Visit to Moscow May Bring New Soviet Aid Offer

Prince Abd al-Rahman, director general of Yemen's Foreign Ministry and younger brother of the Imam, has left the country on an extensive tour which will include attendance at the celebrations of the Soviet October revolution in Moscow as the Imam's representative. Abd al-Rahman will probably receive the same red-carpet treatment which apparently influenced Crown Prince Badr's attitude toward the USSR during his own visit to Moscow in 1956.

Yemen is in serious need of financial assistance, and the USSR may use the occasion of Abd al-Rahman's visit to make an offer of additional economic aid, despite the general lack of co-operation from local officials Moscow has faced in carrying out its present projects in Yemen. Since 1955 the Communist bloc has extended to Yemen about \$30,000,000 in military aid and more than \$40,000,000 in economic assistance. Moscow now may agree to increase its aid to projects under way to include local costs--heretofore paid by the Yemeni Government.

[] if the Imam wants to retain the services of the Soviet military mission in Yemen, which is scheduled to end its activities next month, a new military aid program should be formulated.

Although there have been numerous reports that the Imam plans to curtail the activities of the Communist bloc in Yemen, his government's financial difficulties are likely to make him receptive to any new Soviet offer. Abd al-Rahman asked for American assistance several days prior to his departure, and later reportedly expressed his "bitterness" over American "reluctance" to make gestures similar to those being made by the Soviet bloc.

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