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10 May 1958

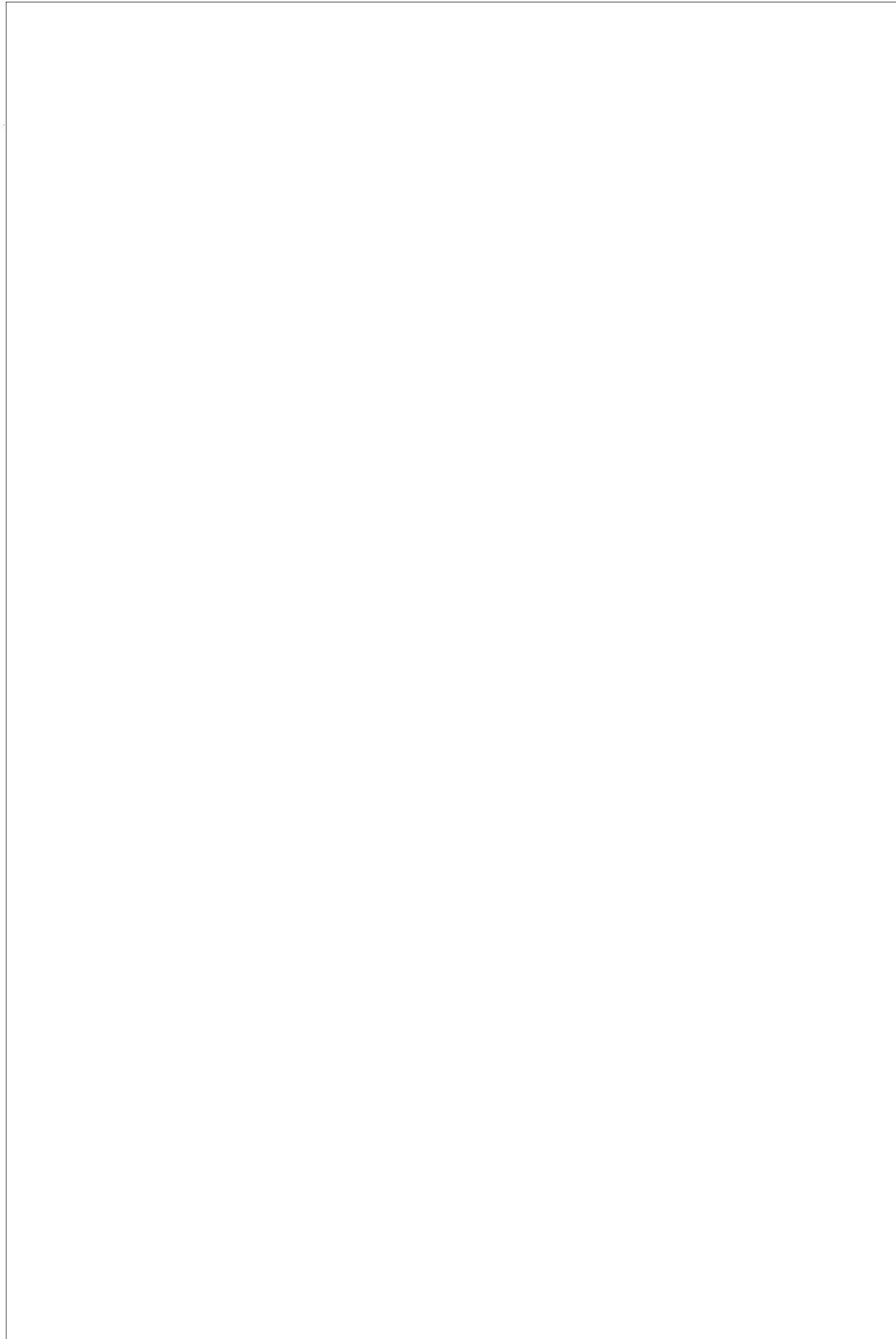
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CENTRAL INTELLIGENCE BULLETIN



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I. THE COMMUNIST BLOC

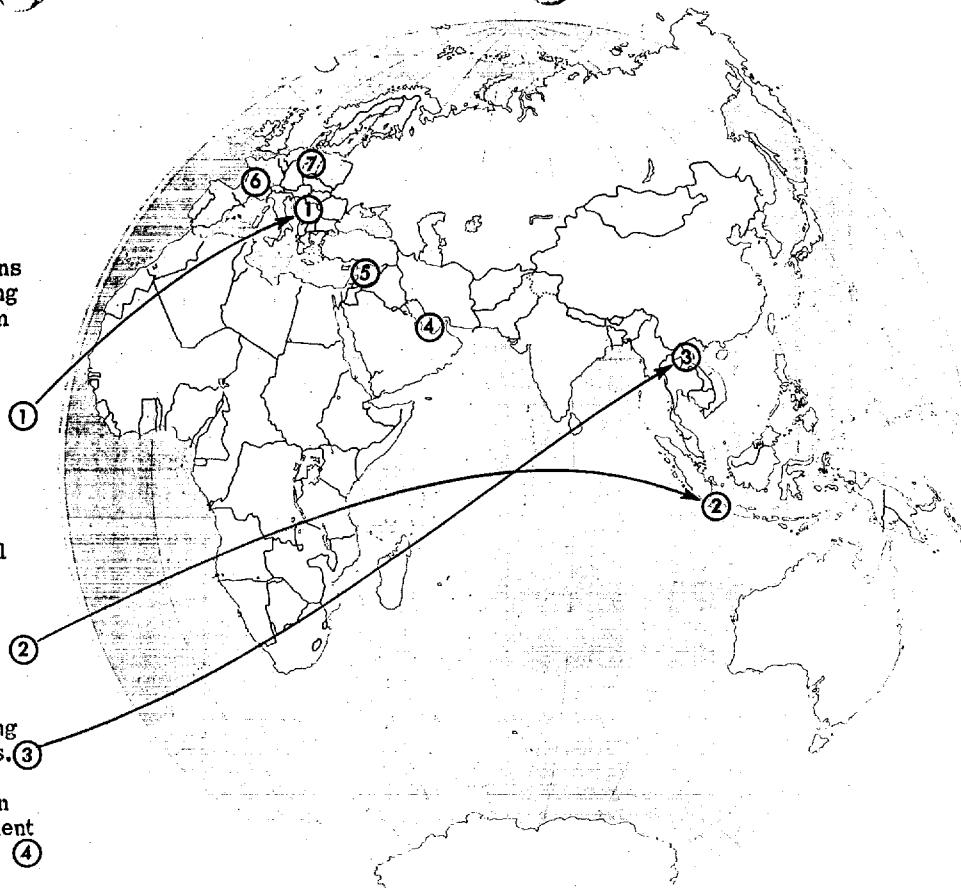
Dispute with Yugoslavia may be leading to major political crisis in the Communist world. Khrushchev has abandoned conciliatory policy toward Yugoslavia. Peiping maintains silence on party congress after strong attack on Tito. Belgrade stands firm in rejecting criticism. Poland's Gomulka prevails on Bulgarians to avoid Yugoslav issue in joint communique.

II. ASIA-AFRICA

Soviet IL-14's crossing Communist China en route to Indonesia. Central government military units alerted for further operations, probably in East Indonesia.

Laos - Preliminary returns show Communists and allies running strong in 14 of 21 additional assembly seats. (3)

Major oil strike in middle of Persian Gulf may further complicate settlement of Buraimi dispute. (4)



(5) Syria - Press attacks on Syrian Socialist leader Hawrani have backing of Egyptian elements in UAR.

III. THE WEST

(6) French government crisis takes turn for worse amid economic slippage and renewed talk of De Gaulle.

(7) West German officials find no effective ways of retaliating against East German tax on Berlin barge traffic.

(8) Communist student groups in Ecuador, Colombia, and Venezuela preparing demonstrations against Vice President Nixon; governments taking extra precautions.

CENTRAL INTELLIGENCE BULLETIN

10 May 1958

DAILY BRIEFSJRA/B**I. THE COMMUNIST BLOC**

Bloc-Yugoslav dispute: Repercussions of the deepening Soviet-Yugoslav dispute are apparent in many bloc capitals, and may be leading to a major political crisis in the Communist world.

In Moscow, Khrushchev has abandoned the conciliatory policy toward Yugoslavia which he instituted over Molotov's opposition in 1955. Whether he did so under pressure from hard-line elements in the central committee is not clear, but this raises again the question of the degree of political stability in the Soviet hierarchy. (Page 1)

In Peiping, a party congress has been in session since 5 May, following the attack the Chinese Communists made on Tito, which was in considerably harsher terms than any the Russians had used up to that time. At least one of the major speeches was addressed to the Yugoslav problem, but the Communists have not yet published the texts.

In Belgrade, the Yugoslavs have replied to the Chinese attack in terms which indicate that they view their ideological differences with the Soviet bloc as akin to the situation in 1948 and that they have no intention of backing down. These differences may lead to a serious deterioration of governmental relations. (Page 3)

In Sofia, a joint Polish-Bulgarian communiqué, issued on the occasion of Gomulka's visit, reflects the latter's views far more than it does normal Bulgarian thinking. Gomulka sees himself as a secondary target of the Soviet and Chinese attacks, but so far he is holding firm. The communiqué reaffirmed Gomulka's position on the freedom

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of Communist states to manage their own internal affairs and did not mention Yugoslavia. Gomulka is now in Budapest and will visit Bucharest before returning to Poland.

(Page 4)

II. ASIA-AFRICA

Indonesia: [redacted]

[redacted] six IL-14 transport aircraft are transiting Communist China, probably in connection with the expected delivery of such aircraft to Indonesia. The first IL-14 arrival at Medan is expected on 12 May. Meanwhile, new government operations in the near future against dissident forces in East Indonesia are indicated by Djakarta messages urgently alerting certain "quick-action" and engineering troops in Sumatra and West Java for operational duty elsewhere.

(Page 5) (Map)

Laotian election returns: Incomplete returns from the 4 May Laotian elections for 21 additional assemblymen indicate the Communists are winning 7 seats and are running strong for 3 more. An associated leftist party apparently is ahead in 4 other contests. The current trend in most provinces is for increasing leftist successes as the remote areas report. Conservative strength has been dissipated by a split vote. The maintenance of Communist unity shown in these elections will place the new government under heavy pressure for closer relations with the bloc.

(Page 7)

Persian Gulf oil: A British- and French-owned company has apparently made a major oil strike near the center of the widest part of the Persian Gulf. The crude is reported to be of high quality and the well is said to have been tested at about 10,000 barrels a day--large even by Middle East standards. If the offshore discovery should be exploited, it would for the first time promise oil revenues to the British-protected sheik of Abu Dhabi, who granted the offshore concession.

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A growing stake in the area may therefore stiffen the attitude of the British and the sheik, who has an interest in control of the Buraimi Oasis, toward settlement of area boundary problems. including the dispute over Buraimi with Saudi Arabia. [redacted] (Page 8)
 (Map)

No

Syria: The Egyptian leadership of the UAR apparently approves the press attacks being made on Syrian Socialist leader Hawrani, a UAR vice president. The principal civilian Egyptian representative in Damascus has criticized Hawrani for trying to maintain the organization of his party--the ASRP--despite the agreement to dissolve all parties, and for offending the Syrian landowners, whom the Egyptians apparently see as at least temporary allies against the extreme leftists. The fact that Egyptians are supporting the attacks makes Hawrani's future political standing in the UAR appear shaky.

III. THE WEST

No

France: The government crisis, comparatively calm during its first 24 days, appears to have taken a turn for the worse with the failure of Pleven to form a government. Popular Republican Pierre Pflimlin, the current premier-candidate, can probably count on Socialist support, but he must face resentment of the Independents for blocking the earlier candidacy of his more rightist party colleague Georges Bidault, as well as the reluctance of the traditionally anti-clerical Radicals to participate in any government led by the Popular Republicans. Meanwhile, the economic situation is gradually worsening, and talk of De Gaulle is again being heard. [redacted] (Page 9)

yes

Berlin: West German officials have been reviewing possible countermeasures against the new East German taxes on barge shipping to West Berlin, but they have not yet found any effective way to retaliate. They have requested the

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three Western powers to consider a protest to Moscow. Bonn estimates that the tax would add about \$6,700,000 to Berlin shipping costs. Bonn is presently subsidizing truck shipping to Berlin as a result of a similar tax measure by the East Germans in 1955. [redacted] (Page 10)

No

*South American demonstrations: Communist student groups in Ecuador, Colombia, and Venezuela are preparing leaflets for use in anti-Nixon demonstrations during the vice president's visits to their capitals. The three governments will probably take extraordinary precautions against outbreaks like that of 8 May in Lima. University students throughout Latin America are recognized by their compatriots as more susceptible to Communist influence than any other group and are not representative of public opinion generally. [redacted] (Page 11)

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I. THE COMMUNIST BLOC

Khrushchev Writes Off Tito

Khrushchev's long attempt since 1955 to woo Tito back into the Soviet bloc has been formally written off, and this policy, with which Khrushchev personally has been most closely identified, has been reversed.

Pravda's violent 8 May attack on the Yugoslavs strongly suggests that the 6-7 May plenum of the Soviet party central committee approved a final ideological break with Tito. The editorial departs from the recent Soviet practice of denouncing "revisionism" without explicitly naming Yugoslavia, and in line with the Chinese People's Daily and Czech articles reprinted in Pravda earlier this week, castigates Yugoslav policy as a divisive influence in the "socialist camp."

Opposition to Khrushchev's policy by other members of the party presidium has undoubtedly been present since 1955, although it has not been possible to pinpoint the opposition since the ouster of Molotov last summer. This opposition, plus the implications of the Yugoslav "revisionist" party program as a disruptive force in the Soviet bloc, apparently forced Khrushchev to reverse his conciliatory policy toward Belgrade. In typical fashion, however, he very likely took the initiative in the vigorous campaign against the Yugoslavs. The American Embassy in Moscow reports that a Yugoslav diplomat there said his embassy now considers Khrushchev to be in the forefront of the renewed anti-Belgrade fight.

Embassy Moscow also views this failure of another of Khrushchev's pet policies as one explanation of recent Soviet press attacks on the "antiparty group." In charges against this group last summer, Molotov was accused of opposing attempts to improve relations with Yugoslavia. Writing off Tito might be interpreted as a vindication of Molotov's position, and Khrushchev may be countering this by emphasizing the "antiparty group's" opposition to his popular economic and political measures inside the USSR.

After its meeting on 6-7 May, the central committee announced that the Soviet economy is in a position to satisfy demands for clothes, footwear, and other consumer goods

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in the next five to six years without damaging the traditional priorities of heavy industry and defense. In this connection, it stressed the accelerated development of the chemical industry.

The decision appears to reaffirm guide lines already established for some consumer goods under the Seven-Year Plan (1959-1965), which is scheduled to be ready in draft by 30 June. The decree indicates that synthetic and plastic materials will be used to an increasing extent in order to re-establish the rates of growth for the specified consumer goods which were set out in the abandoned Sixth Five-Year Plan (1956-1960). These rates generally have not been met. While the decision does not greatly increase targets, it nevertheless contains the strongest statement in favor of more rapid growth of consumer goods production since Malenkov's premiership. The decision complicates the problem of assigning priorities. Additional allocation of resources to light industry, housing, and agriculture may be made at the expense of conventional armaments production and investment in the machine building industries.

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Bloc-Yugoslav Relations Continue to Worsen

Ideological differences between Moscow and Belgrade are apparently now as great as in 1948, when Stalin ejected Yugoslavia from the bloc. Both Moscow and Belgrade expect this dispute to be reflected in state relations, but each still appears reluctant to take the first step toward expanding the dispute from the ideological to the state level.

Belgrade's weekly theoretical journal Komunist on 9 May interpreted the Peiping article of 5 May, which branded the Yugoslavs as "out-and-out revisionists" and "anti-Marxists," as an equivalent of the 1948 resolution which expelled Yugoslavia from the Cominform. The Peiping article, according to Komunist, was far more than criticism of a program; it was a "political document" which, if accepted in the international workers' movement, would have "very far-reaching consequences." Belgrade termed "the absence of logic and principle" in the Peiping attack a "harsh rupture of comradely discussion between two Communist parties."

The Yugoslavs accused the Chinese of interfering in Yugoslav internal affairs, but made it clear that abandoning their ideological principles was too high a price to pay for cooperation with the bloc. They pointed out that while 12 of the 17 men who signed the 1948 Cominform resolution have since suffered an "inglorious" fate, Yugoslavia has remained Socialist and is stronger and more united.

An 8 May editorial in Pravda condemned the Yugoslav refusal to compromise and threatened to withhold further bloc credits. Belgrade now is far less dependent on the bloc than in 1948 and better able to withstand this type of pressure.

Although Voroshilov's scheduled visit to Belgrade in mid-May appears less likely, a Yugoslav naval visit to Soviet Black Sea ports from 10 to 15 May is still proceeding as planned. [redacted]

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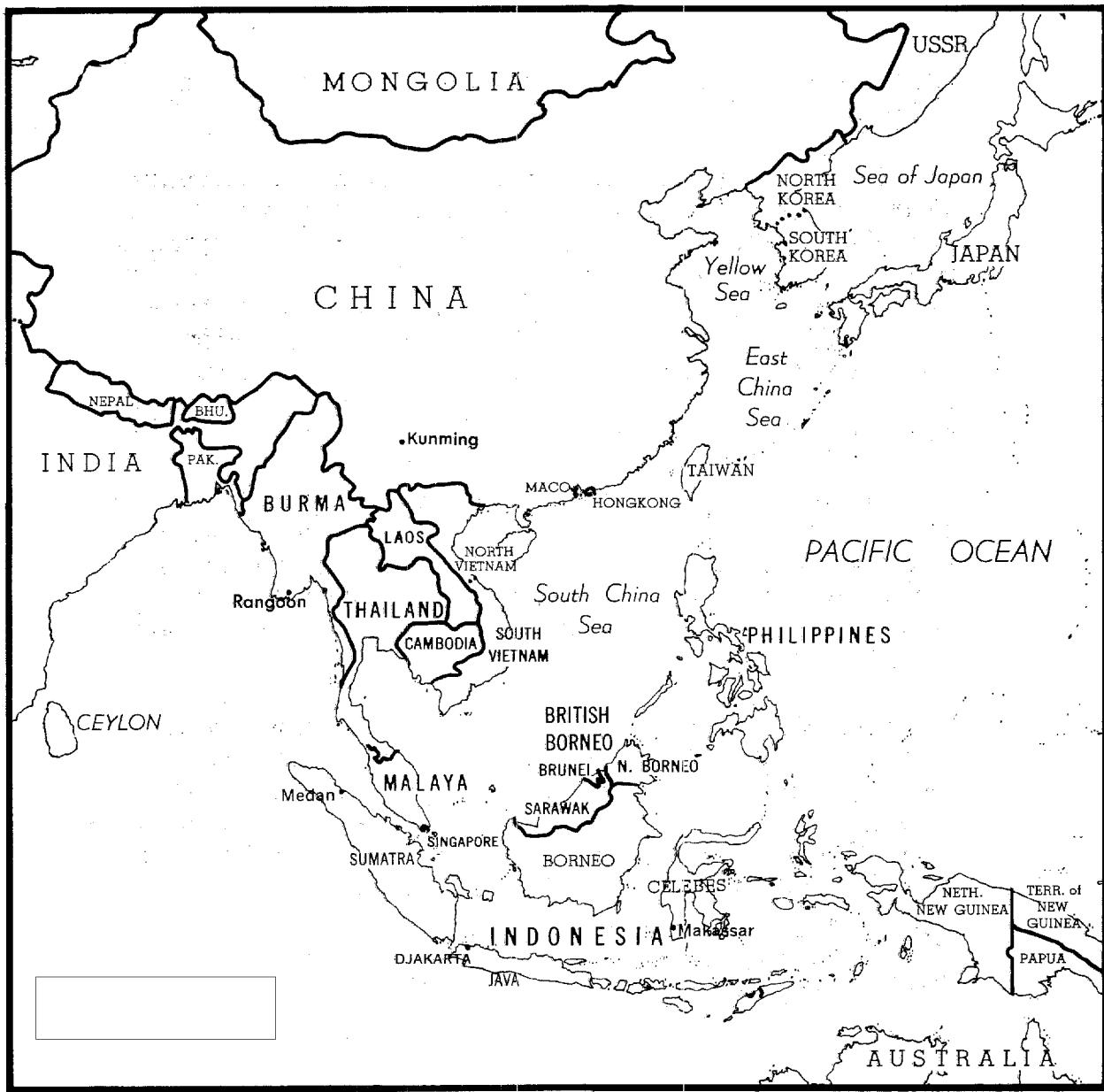
Gomulka Maintains Neutral Position on Soviet-Yugoslav Dispute

The communique issued at the completion of Gomulka's visit to Sofia indicates that Gomulka is holding firm to his attitude on relations among the various Communist parties and to his position of neutrality in the Yugoslav-Soviet ideological dispute. He was able to include his usual stand concerning sovereignty and noninterference in internal affairs, there was no condemnation of Yugoslavia, and he succeeded in balancing a criticism of revisionism with an even longer one against dogmatism.

Ultimately, however, Gomulka will probably be forced to take a stand on the Yugoslav issue. He will probably then seek a compromise which will preserve Poland's internal independence by condemning Yugoslavia on specific points which do not significantly endanger his own fundamental policies.

Gomulka is now in Budapest, where he may hope to find more support for individual party autonomy. Since Kadar's policies are much closer to Gomulka's than those of Bulgarian First Secretary Zhivkov, the final communique in Budapest will probably reflect greater unity of purpose than the Sofia declaration.

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II. ASIA-AFRICA

Situation in Indonesia

A special flight of five IL-14 transport aircraft from Peiping to Kunming was scheduled for 10 May,

[redacted] These aircraft are probably the first of the 11 IL-14's Indonesia purchased from Czechoslovakia, the delivery of which was initially scheduled for April. From Kunming the aircraft will be ferried to Rangoon and then to Medan, where Stanvac has been asked to refuel them on 12 May.

[redacted] [redacted] a central government build-up for early military operations against dissident strong points in North Celebes. In an 8 May message to Col. Jani, the operational commander in Central Sumatra, Army Chief of Staff Nasution ordered "quick-action" troops--probably elements of the commando corps--to be transported immediately by air if they were ready. They were to receive a new mission. Jani's reply indicated that the combat-experienced 431st Infantry Battalion would also be withdrawn for a new assignment as soon as transport was available. On the same day, engineer troops assigned to the South Celebes command who had been on leave in West Java were ordered to return to Makassar immediately for operational duties.

Lt. Col. Lahade, a dissident leader, has been conducting a political and propaganda campaign among civilian and military leaders in South Celebes in an effort to bring them over to the dissident cause,

[redacted] He has engaged in these activities with the alleged tacit approval of Lt. Col. Mattalatta, the commander in South Celebes with whom Lahade has been in regular contact. Lahade believes Mattalatta, as well as others in his command, is sympathetic to the revolutionary government.

SARBUPRI, the Communist-dominated estate workers' union, has declared its readiness to take over American and

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Chinese Nationalist estates if the government gives its approval. The statement also called on the United Nations and Afro-Asian trade unions to condemn "intervention" in Indonesian affairs.

Meanwhile, Indian Prime Minister Nehru and the Indian press have expressed concern over "foreign adventurers" in Indonesia. In a New Delhi speech on 6 May, Nehru said that interference by outsiders must cease so that Indonesians may work out their own problems. On 7 May the Times of India carried a report that Djakarta had confronted the American ambassador with documentary proof of "overt American help" to the dissidents.

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Laotian Elections

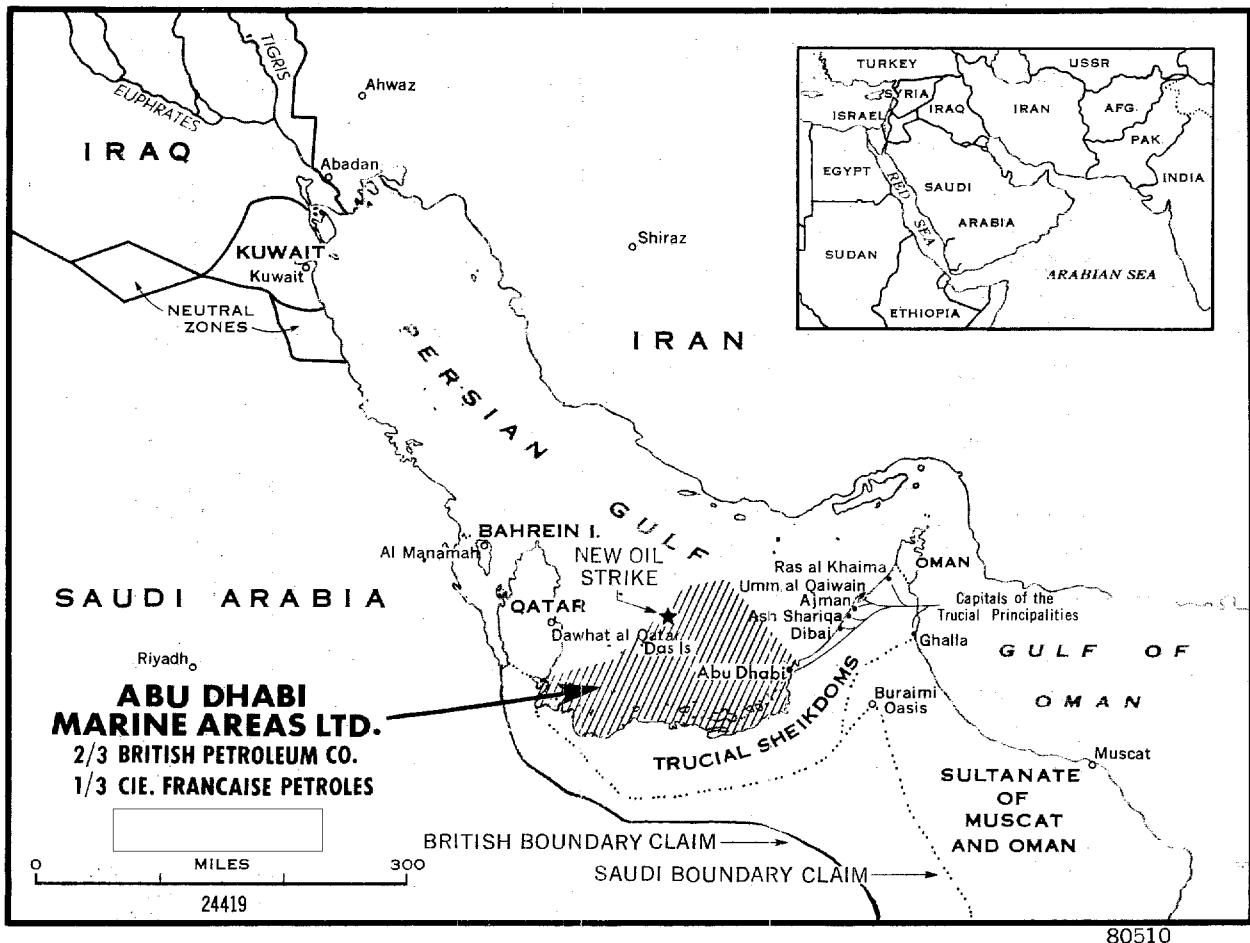
Incomplete returns from the 4 May supplementary elections for 21 Laotian National Assembly seats indicate that the Communist Neo Lao Hak Zat (NLHZ) and its associated leftist party, the Santhiphab, are making a strong showing at the conservatives' expense. The NLHZ appears to have captured at least seven seats and the Santhiphab four. In-fighting and disunity among the conservatives appear to have limited them to between six and eight seats, with the remainder going to unaffiliated candidates. This Communist success may be augmented as the votes from outlying districts are counted, since there appears to be a strong leftist trend in both rural and urban areas which are slow in reporting.

The new government to be installed soon at the next session of the National Assembly will continue to be conservative-controlled. However, it will undoubtedly be under heavy pressure to continue its present Communist cabinet ministers in office and to further extend Communist participation. In addition, the government will be under strong influence to accede to Communist demands for establishing diplomatic and economic relations with the bloc.

The election results thus far received point up the danger to the conservatives of their present disunity and the necessity for them to develop party organization prior to the 1959 general elections when all 59 seats will be at stake. Examination of the election returns to date shows that in a number of districts leftists succeeded where the conservative vote was split among several candidates, and in the one area where a conservative ran without a divided vote he has taken a three-to-one majority over his Communist opponent. The conservatives ran about 72 candidates in all.

During the election campaign, Premier Souvanna Phouma failed to recognize fully the danger of a divided conservative vote, and this attitude was fostered by the French ambassador. In addition, he personally supported the election of several Communists and urged the continuation of Communist leader Prince Souphanouvong in the cabinet.

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Persian Gulf Oil

One of the biggest gambles in Persian Gulf offshore oil development apparently has paid off. The Abu Dhabi Marine Areas, Ltd., owned entirely by British and French interests, reportedly has a major strike about 20 miles northeast of Das Island. The crude oil is reported to be of a very high quality, and the well is said to have been tested at about 10,000 barrels a day--large even by Middle East standards. This discovery, in a previously unproved area of the gulf, will increase interest in the remaining unassigned offshore areas, which belong to Iran.

The concession in the area of the discovery well was granted by the British-protected sheik of Abu Dhabi, who rules the largest of seven Trucial States. This discovery for the first time promises oil revenues to the sheik and presumably will increase his determination to remain independent of Saudi control. The appearance of oil revenues would probably speed development of British plans to federate the Trucial States, since the sheik has promised to give 4.5 percent of any oil royalties to the Council of Trucial Sheiks.

The growing stakes in the area may therefore stiffen the attitude of the British and the sheik, who has an interest in control of the Buraimi Oasis, toward settlement of area boundary problems.

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III. THE WEST

French Cabinet Crisis Expected to Intensify as Result of Pleven's Failure

The French government crisis, comparatively calm in its first 24 days, is now expected to "heat up" as a result of Democratic Resistance Union leader Pleven's failure to line up enough support for investiture after three successive attempts. Not only rightist and leftist parties but even the center groups are unable to agree on acceptable appointees to key cabinet posts, particularly the Ministry for National Defense, which affects Algerian policy.

Meanwhile, the French economic situation is gradually worsening as rising living costs spur labor unrest and the foreign exchange balance dwindles again. Renewed calls for De Gaulle were reported from the crowd which watched the parade of French troops in the V-E Day celebration in Paris on 8 May.

The current premier-candidate, Popular Republican party (MRP) leader Pierre Pflimlin, will probably run afoul of the Independents' resentment over his blocking the earlier candidacy of his more rightist colleague, Georges Bidault. The traditionally anticlerical Radicals may have qualms over supporting a candidate from the proclerical MRP. Pflimlin, however, can count on Socialist support for his investiture even though the Socialists still refuse participation.

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**Bonn's Search for Countermeasures Against Increased Toll
On Shipping to West Berlin**

Bonn officials informed American representatives on 6 May that they were considering setting up study groups to review possible countermeasures against the new East German tax on barge traffic to West Berlin. They added that under similar circumstances in the past they had not been able to find any effective countermeasures, and asked that the three Western powers make a protest to Moscow.

All but the largest East German vessel can bypass West Berlin. Reprisals against East German traffic using present routes to Hamburg would encourage further diversions of trade to East German ports. Bonn officials feel that stoppage of exports to East Germany, particularly steel, would have only a limited effect and would have "undesirable" repercussions on West German industry.

Bonn may decide to subsidize German barge shippers, as it did the truckers after the East Germans laid a heavy tax on truck traffic to West Berlin in 1955. The new 71-cent tax brings the total tax per ton to \$1.05, calculated on a vessel's carrying capacity. Thus, a 900-ton barge would pay over \$940 for a maximum load and \$730 for a return journey with no cargo. West German officials estimate that the total increase in barge shipping costs would amount to \$6,700,000, based on an estimated carrying capacity of about 5,000,000 tons annually.

The East German regime says the tax increase is needed to offset flood damage it claims would be caused by the new dam Bonn plans to build on the lower Elbe. West German officials have said the dam will not be completed until 1961 and that Bonn is prepared to provide reasonable compensation for damages.

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Communist Student Groups Plan Anti-Nixon Demonstrations

Communist student groups are preparing to demonstrate against Vice President Nixon during his 48-hour visits to Ecuador, Colombia, and Venezuela which end on 15 May. Communist influence with student groups is particularly effective in Ecuador and Venezuela, while chronic violence in Colombia increases the possibility of outbreaks there. In all three countries, Communists are preparing leaflets urging anti-Nixon demonstrations.

Venezuelan Communists are emphasizing that Venezuelan youths should not let the Uruguayans--who staged hostile but nonviolent demonstrations during the Nixon visit in late April--outdo them in making protests. The violent outbreak in Peru on 8 May, however, may operate against Communist plans, since the governments of the three countries still to be visited will probably seek to demonstrate orderly rule. In Quito, the two major newspapers voluntarily suppressed news of the Lima incident lest publication encourage Ecuadorian leftists.

While the demonstrations appear to have been organized and led by Communists, the success of these efforts was facilitated by the economic difficulties between the US and Latin American countries. [redacted]

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