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CONTENTS

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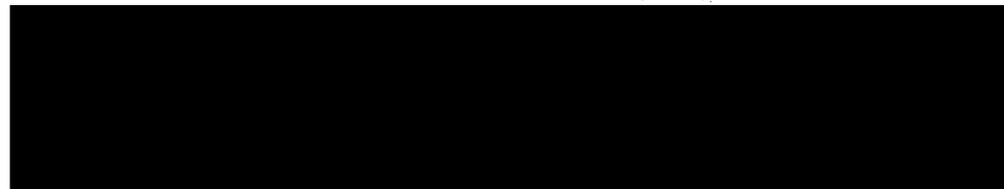
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2. **SOVIET HIERARCHY MAY UNDERGO FURTHER CHANGES**
(Secret Nofofn) (page 4).

OK

3. **SOVIET BLOC EXPECTED TO MAKE LOW BID ON SAUDI RAILWAY CONTRACT** (Secret) (page 5).

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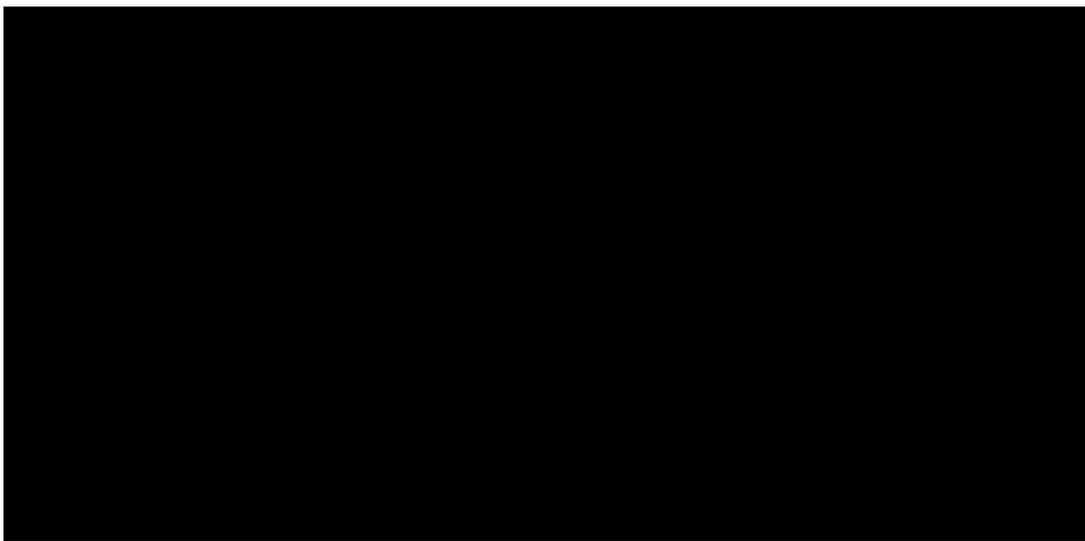
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OK

6. **SOUTH KOREAN OPPOSITION PARTY LEADER RESIGNS**
(Confidential) (page 8).

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OK

12. **AUSTRIAN CHANCELLOR AND VICE CHANCELLOR SCHEDULE MOSCOW VISIT** (Secret) (page 14).

OK

13. **PREMIER BULGANIN RENEWS BID FOR SUMMIT TALKS**
(Confidential) (page 15).

ANNEX--Conclusions of the Watch Report of the Intelligence Advisory Committee (Top Secret)
 (page 16).

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25X1C

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Approved For Release 2001/11/07 : CIA-RDP79T00975A003500320001-7

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2. SOVIET HIERARCHY MAY UNDERGO FURTHER CHANGES

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[REDACTED] A [REDACTED] diplomat recently stated that Kliment Voroshilov, chairman of the Presidium of the USSR Supreme Soviet, will retire after the March Supreme Soviet elections. He also said that Premier Bulganin may receive a new job.

It has been frequently reported that Voroshilov, who will be 77 next month, is becoming increasingly senile. The election of a new Supreme Soviet Presidium after the general elections would provide an opportunity for him to retire with honor.

25X1X

[REDACTED] did not specify what new job would go to Bulganin, who apparently was in political trouble last summer for failure to support Khrushchev against the Malenkov-Molotov group. Bulganin has weathered that crisis and in recent weeks has regained his former prominence. If he succeeds Voroshilov as titular president of the USSR, he will have been "kicked upstairs" to an honorific post of little political significance.

25X1X

[REDACTED] considers Deputy Premier Mikoyan and Party Secretary Suslov the most important men in the Soviet Union after Khrushchev, an estimate consistent with other evidence concerning their relative standing. He also singled out Frol Kozlov, former Leningrad party boss who was named premier of the Russian republic last month, as a "man to watch." (NOFORN)

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**3. SOVIET BLOC EXPECTED TO MAKE LOW BID
ON SAUDI RAILWAY CONTRACT**

25X1A



The Soviet bloc will probably underbid Western commercial interests on proposed reconstruction of the Hejaz railway. Although King Saud is not likely to approve awarding the contract to a Communist country, the problem of rejecting a low bid from the bloc would impose new strains on his relations with the West.

The Syrian chairman of the international Hejaz Railway Commission said on 5 January that he expected the Soviet bloc would offer any terms necessary to gain the contract for the railway, bids for which are due by 15 April. No bids have been received.

The Hejaz railway, built in 1908 and destroyed in World War I, has primarily a political and religious significance. Its restoration has been a pet scheme of the King. A Polish survey bid which was 35 percent lower than the next lowest bid by an American company was accepted by the commission in December 1955, but the Poles were denied entrance into Saudi Arabia by Saud. The survey was completed in Saudi Arabia during 1957 by an American firm. The Saudi foreign exchange shortage, however, would now create added pressure to accept a low bid with easy financing. (SECRET)

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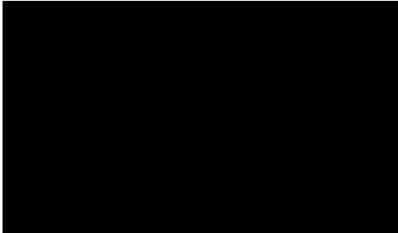
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6. SOUTH KOREAN OPPOSITION PARTY LEADER RESIGNS

25X1A



Cho Pyong-ok's resignation as titular head of the opposition Democratic party in South Korea may seriously jeopardize Democratic chances in the

National Assembly elections this spring and could permanently split the party.

Cho ostensibly resigned to appease newspaper critics who have been indignant over his support of an assembly election law containing severe press restrictions. Actually, supporters of Vice President Chang Myon, who dislike and distrust Cho and resent his pre-eminence within the party, have sought for months to weaken his influence. The election law controversy presented the Chang group with a convenient device to force him from his post while simultaneously placating the press, an important source of Democratic election support.

Although factionalism has rent the Democratic party since its organization in 1955, the party's bitter anti-Rhee policies have gained increasing public support. This is the most serious split to date and may greatly impede progress toward establishment of a two-party system in South Korea.

CONFIDENTIAL

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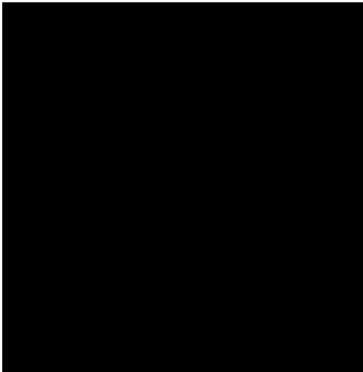
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**12. AUSTRIAN CHANCELLOR AND VICE CHANCELLOR
SCHEDULE MOSCOW VISIT**

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The Austrian Government has announced that the chancellor and vice chancellor plan to visit Moscow after the Easter holidays to discuss a reduction in Austrian reparations payments. The Soviet Union has been asked to set a date.

This decision has been the subject of months of intragovernment controversy. Chancellor Raab wanted to make the trip last year, but was delayed by illness, doubts over timing, and strenuous Socialist objections to his making the trip alone. Since Raab will be accompanied by Socialist Vice Chancellor Pitterman as well as State Secretary Kreisky, Socialist fears that Raab might be outmaneuvered will be moderated. The Socialists will also be able to claim partial credit for any concessions gained.

With the exception of oil shipments, Austria's reparations bill (\$150,000,000 in goods and 10,000,000 tons of oil) has not proved particularly burdensome. The Austrians are not likely to make major political concessions in return for any reduction, but they might be willing to improve relations with the Kadar regime in Hungary, and to be more tolerant toward international Communist meetings in Vienna. Some Austrian officials have long believed that Moscow will not ask for specific concessions but will be content to establish another instance of Soviet "generosity." (SECRET)

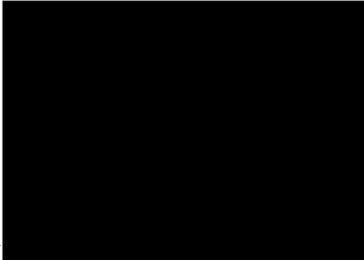
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13. PREMIER BULGANIN RENEWS BID FOR SUMMIT TALKS

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The principal purpose of Premier Bulganin's letters of 9 January to the heads of government of 19 states, including all NATO members, is to maintain the momentum of the Soviet campaign for a new summit conference. The messages apparently were timed to offset major Western policy statements in speeches by President Eisenhower and Prime Minister Macmillan and in the forthcoming replies of NATO governments to Bulganin's letters last month.

The new round of letters goes beyond the December messages by issuing a definite call for a conference in the next two or three months of the heads of government of the NATO and Warsaw Pact countries, together with "certain countries not belonging to these groups of powers." Bulganin asserted, however, that the USSR would not object to a more restricted number of participants, and proposed that the conference be held in Geneva.

The Soviet premier reiterated the earlier rejection by Khrushchev and Gromyko of the NATO proposal for a foreign ministers' conference on disarmament. He insisted that "it is a matter of prime importance" that the heads of government must participate in the proposed talks, and suggested that a foreign ministers' meeting would only "create additional obstacles to agreement" in view of the "prejudices which certain possible participants... would bring to the negotiations."

The agenda proposed by Bulganin for a summit conference would include the USSR's measures for easing international tension set forth in his December letters. These include a suspension of nuclear tests, a ban on the use of nuclear weapons, a non-aggression pact between NATO and Warsaw Pact powers, the creation of a nuclear-free zone in Central Europe, and a renunciation of the use of force and interference in the Middle East.

Bulganin's letter to President Eisenhower repeated in more explicit terms his previous overture for bilateral talks. He stated that the USSR "does not reject the idea of disarmament negotiations between individual states--for instance, between the Soviet Union and the United States." (CONFIDENTIAL)

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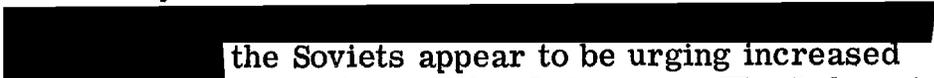
ANNEX

Watch Report 388, 9 January 1958
of the
Intelligence Advisory Committee

WAC 75 No. 8-014

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the orbit in the immediate future.
- C. 1. A deliberate initiation of hostilities in the Middle East is unlikely in the immediate future. However, tensions in the Middle East continue to create possibilities for serious incidents.
2. There is no evidence of Sino-Soviet intention to become militarily involved in the Indonesian situation. However,  the Soviets appear to be urging increased bloc military and other aid for Indonesia. The Indonesian Communists are exploiting political instability and economic deterioration. Developing conditions continue to provide opportunities for an expansion of Sino-Soviet bloc influence in Indonesia and for a Communist take-over of government on Java.

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