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1 December 1958

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CENTRAL INTELLIGENCE BULLETIN

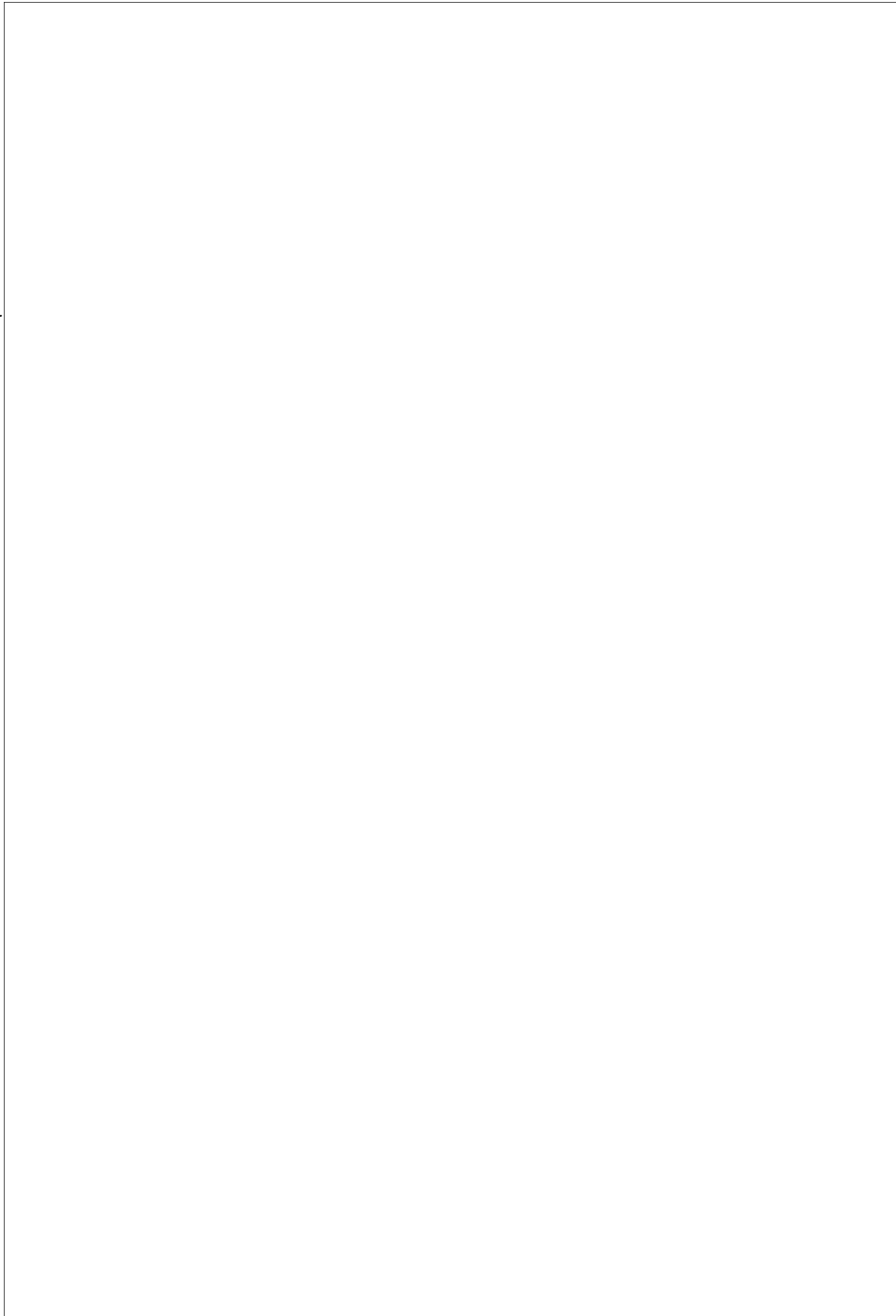


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1 DECEMBER 1958

I. THE COMMUNIST BLOC

USSR maintains pressure against Finnish Government, whose fall is considered only a matter of timing.

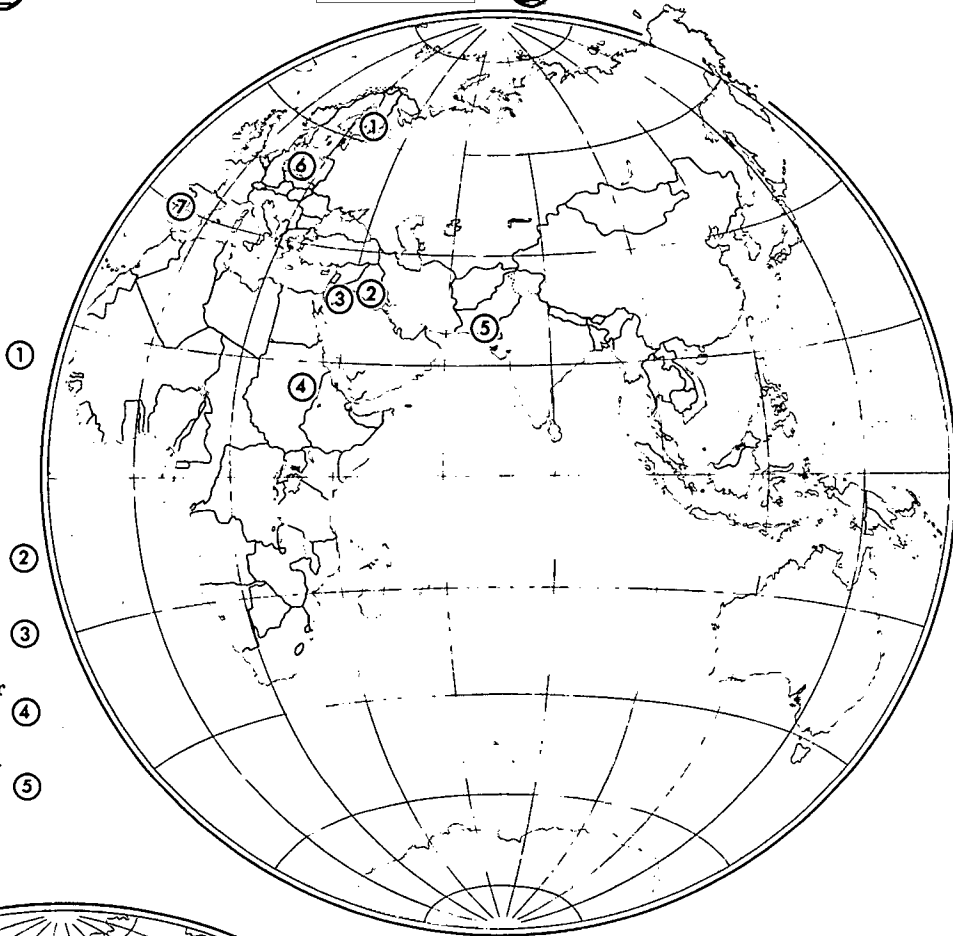
II. ASIA-AFRICA

Iraq - Pro-UAR elements continue plotting against Qasim, possibly with some Iraqi military involvement.

Jordan to reduce security measures on 1 December.

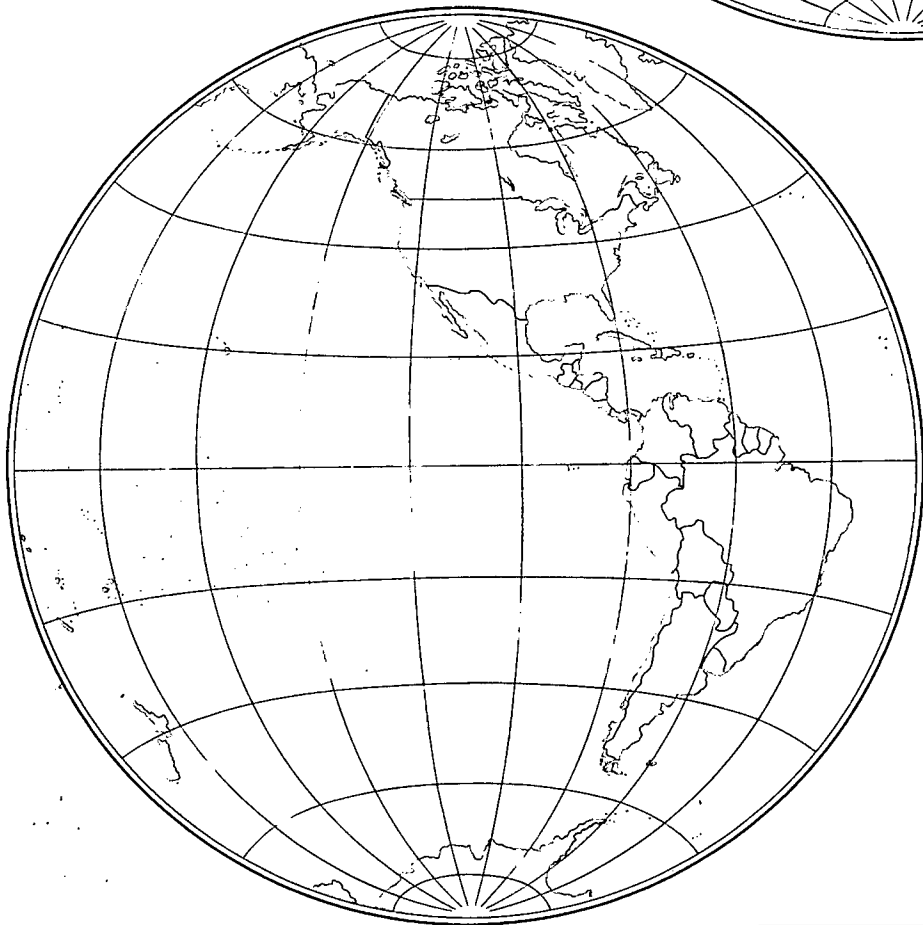
Sudan may push policy of cotton-barter deals with bloc countries.

Pakistan - Ayub regime meets opposition on economic policies.



III. THE WEST

- ⑥ Reactions to Berlin situation.
- ⑦ Portugal - Salazar government replaces interior minister as unrest continues.



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CENTRAL INTELLIGENCE BULLETIN

1 December 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

USSR-Finland: Moscow is continuing its pressure tactics against the shaky Fagerholm coalition in Helsinki. The government will probably fall as soon as a successor can be agreed upon. In addition to its earlier cancellation of orders with three important Finnish suppliers, the Soviet Union, according to the Finnish press, has refused requests for deliveries of additional crude oil. In Parliament, the Communist-front SKDL is seeking to force a showdown and has formally queried the government on unemployment and Soviet trade issues.

II. ASIA-AFRICA

Iraq: UAR-supported anti-Qasim conspirators plan to meet two key figures, presumably military men, during the week beginning 1 December "to reach final agreement."

the exact date for Qasim's overthrow had not yet been set; an officer was scheduled to return to Cairo on 30 November with a current report on the conspiracy. Although some military leaders are believed to be involved in plotting against Qasim, the extent of military opposition to the Iraqi regime remains undetermined. Should the army fail to support the conspirators, who are reported to have penetrated Qasim's entourage, they might attempt assassination.

On 28 November a Defense Ministry official in London said Britain was making contingency plans to evacuate British nationals from Iraq on 10 December.

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Jordan: The government's decision to lift martial law on 1 December is a calculated risk aimed at decreasing the unpopularity of the Rifai regime by removing the most onerous security measures. In place of martial law, which has been in effect since April 1957, so-called "defense regulations" will probably be invoked giving the government the power to restrict criticism and dissident activity. The government probably also hopes to build up the police forces and permit most army units to return to training.

OK
Sudan: In an effort to solve its cotton marketing problems, the new government may push a policy of barter sales to bloc countries. The Bulgarian press reports that a barter agreement with the Sudan has been signed in Sofia. The government apparently will seek increased American economic aid and assistance by the United States in selling its near-record cotton crop.

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OK
Pakistan: President Ayub's regime, which is now trying to carry out its announced policies on such matters as land reform and price control, is meeting organized opposition from landowners and planning officials. Should this opposition force Ayub to water down his planned reforms, the military regime would be criticized for yielding to vested interests, and the government's prestige would suffer.

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III. THE WEST

Berlin situation: Chancellor Adenauer is in no hurry to meet with the heads of the three Western governments on the Berlin situation lest it give Khrushchev an opportunity to boast at the Soviet party congress in January that he had forced such a meeting on the West. An atmosphere of pessimism is reported in Bonn parliamentary circles, with some opposition leaders calling for a conciliatory line. East German leader Ulbricht's statement opposing any broadening of negotiations on Berlin is designed to undercut any Western counterproposal which would link the Berlin question with the broader issue of German reunification. Adenauer says that French Premier de Gaulle agreed

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DAILY BRIEF

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with him that Berlin must continue to be garrisoned by Allied troops; otherwise the USSR would be given a "fatal advantage over the West." [redacted] (Page 6)

Portugal: The Salazar government has appointed a tough army colonel to replace the present interior minister, who is blamed for not stopping public disorders. Although the stability of the regime is not threatened, this is the second cabinet shift in the past four months in an attempt to tighten Salazar's control. There have been repeated demonstrations on behalf of defeated presidential candidate General Humberto Delgado since the June elections. Should the government arrest Delgado, further outbreaks would probably occur. with Communists trying to take a leading part. [redacted]

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II. ASIA-AFRICA

Iraqi Conspiracy

The Egyptian-supported conspirators seeking to overthrow Premier Qasim plan to meet two key figures, presumably military men, in Baghdad during the week beginning 1 December "to reach final agreement," [redacted]

[redacted] the plotters had not yet set the date for their bid to overthrow Qasim, and that an Egyptian officer would reach Cairo on 30 November with the latest information on the situation. [redacted]

[redacted] the conspirators feel they must move earlier than previously planned. [redacted]

[redacted] "the various dates" would be determined in a meeting on 9 December.

Success of the anti-Qasim conspiracy, in which former Premier Rashid Ali al-Gaylani is playing a prominent role, would require approval of the army leaders, several of whom apparently are already associated with the plot. The recent organization of Iraqi political parties into a National Front may reflect an attempt by Qasim and his supporters to convince the military chiefs that political stability can be attained.

[redacted] reports indicate that division commanders and other influential senior officers, alarmed at the deteriorating political situation and particularly at increasing Communist activity, have been pressing Qasim to restore order and curb the Communists. Qasim thus risks replacement by the army if he loses support of the key senior officers.

If the Rashid Ali conspirators fail to win army support, they may attempt to assassinate Qasim. [redacted]

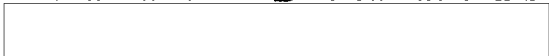
[redacted] they have several supporters in his entourage.

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A senior British Defense Ministry official advised US military authorities in London on 28 November that contingency plans were being prepared for evacuation of British nationals from Iraq on 10 December.



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Sudan Seeks Increased US Assistance

The new Sudanese foreign minister, Ahmad Khayr, has requested US assistance in marketing the near-record Sudanese cotton crop and has broadly hinted at a request for substantial economic aid. Despite various supports such as \$30,600,000 in US aid, a loan of \$39,000,000 from the International Bank, and an International Monetary Fund drawing of \$5,000,000, the country's economy remains dangerously weak, due chiefly to poor cotton sales. Another contributing factor has been the recent Egyptian economic boycott. Prices are continuing to rise and an active black market is developing despite government countermeasures.

Foreign Minister Khayr, though admitting that barter arrangements provide no solution to the Sudan's cotton marketing problems, has stated that the regime is under increasing pressure to barter cotton with the Soviet bloc. On 28 November Khartoum signed a pact with Bulgaria for the exchange of cotton and manufactured goods. The government of former Prime Minister Khalil had concluded barter deals with Hungary and Communist China.

Despite a number of sizable price reductions throughout the year, Sudanese cotton sales remain disappointingly low. The immediate weakness in the market is attributed to disorganization brought on by Soviet-Egyptian price machinations, which have resulted in mills maintaining very low stocks in anticipation of further price declines. The major long-term factors for Sudanese long-staple cottons are the competition from synthetics, and technical innovations which allow the use of short-staple American varieties.

This crisis, which began in 1956, is likely to continue for several years, since the regime's plans over the next few years call for substantial additions to long-staple cotton acreage.

[Redacted]

[Redacted]

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Pakistani Regime Faces Opposition to Its Economic Reform Policies

The new military regime in Pakistan, now beginning to attack its long-range problems, seems to be facing the first organized opposition to its announced policies of economic reform. This opposition may result in watered-down economic programs which will satisfy nobody and cause the regime to lose prestige. Should the government fail to demonstrate that it can "clean up the mess" caused by the country's discredited politicians, it would probably be faced with increasing popular unrest.

On the question of land reform, a matter of highest priority, landowners reportedly are exerting considerable pressure on the government. Plans to prevent fragmentation of landholdings are being labeled "un-Islamic" because they contravene Islamic laws of inheritance. Owners are also making efforts to obtain the highest possible compensation for their land. At the moment it appears that the Land Reforms Commission, now preparing recommendations, will propose reforms less radical than those advocated by the press and the public, and that the position of big landowners will not be materially damaged. The commission is not considering measures for a much-needed reform of the land tax.

The Planning Commission has stated that the regime's price-control proposals could be disastrous, since they might destroy the incentive of producers and discourage new investment, thus leading to lower government revenues. The commission has also declared that an indiscriminate reduction of prices, which would encourage consumption and discourage production, is the surest way to economic collapse. Finance Minister Mohammad Shoaib and the governor of the state bank emphasized on 28 November that industrial production must be expanded to increase exports.

Prospects of land reform and lower prices have proved attractive to the Pakistani public. Should the army now appear to

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give in to the large landowners and industrialists and modify previously announced policies, the people would be disillusioned. In fact, the army's recent announcement of its withdrawal from daily administrative affairs has already led to some criticism that it has prematurely returned the reins of government to the discredited politicians.

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III. THE WEST

Berlin Situation

Chancellor Adenauer told Ambassador Bruce on 28 November that he had reached no decision on the necessity of a conference on Berlin between the heads of the four Western governments. Adenauer said he felt such a conference should await the outcome of the Soviet party congress in Moscow in January, thus depriving Khrushchev of the opportunity to boast that he had compelled the Western powers to confer. In the meantime the matter could be discussed by the Western foreign ministers in Paris during the December NATO meeting.

The embassy in Bonn reports an atmosphere of pessimism among West German parliamentarians. Chancellor Adenauer's Christian Democrats are more or less agreed on the need for a "hard" line on Berlin, including economic sanctions and a break in diplomatic relations if necessary. The opposition Social Democrats tend to feel that concessions are necessary in the matter of showing transit papers to GDR officials, if access to Berlin is to be maintained. The position of the Free Democratic Party (FDP), however, is "dangerously soft." The FDP believes there should be four-power negotiations on a peace treaty now, because talks only about Berlin would settle nothing.

East German party boss Ulbricht, commenting on 29 November on Moscow's proposal for converting West Berlin into a demilitarized "free city," strongly rejected any suggestion that East-West discussions of this subject be broadened to include the issue of German reunification. Ulbricht stated that since the Soviet note deals only with the problem of West Berlin, "negotiations must concentrate upon those questions for which constructive proposals have been made by the Soviet Union."

Working-level officials of the French Foreign Ministry remain firm, suggesting as an appropriate Western counterproposal the inclusion of East Berlin in the "free city," with free

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elections in all Berlin under UN supervision. British opposition leader Hugh Gaitskell has suggested to the US Embassy in London an "imaginative" response calculated to embarrass the USSR--a proposal for a referendum to ascertain the views of the West Berlin populace. Labor MP Denis Healey will question the government on 31 November in the House of Commons on the extent it will be willing to deal with the East Germans on access to Berlin.

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 The Deputy Under Secretary for Administration
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