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24 October 1958

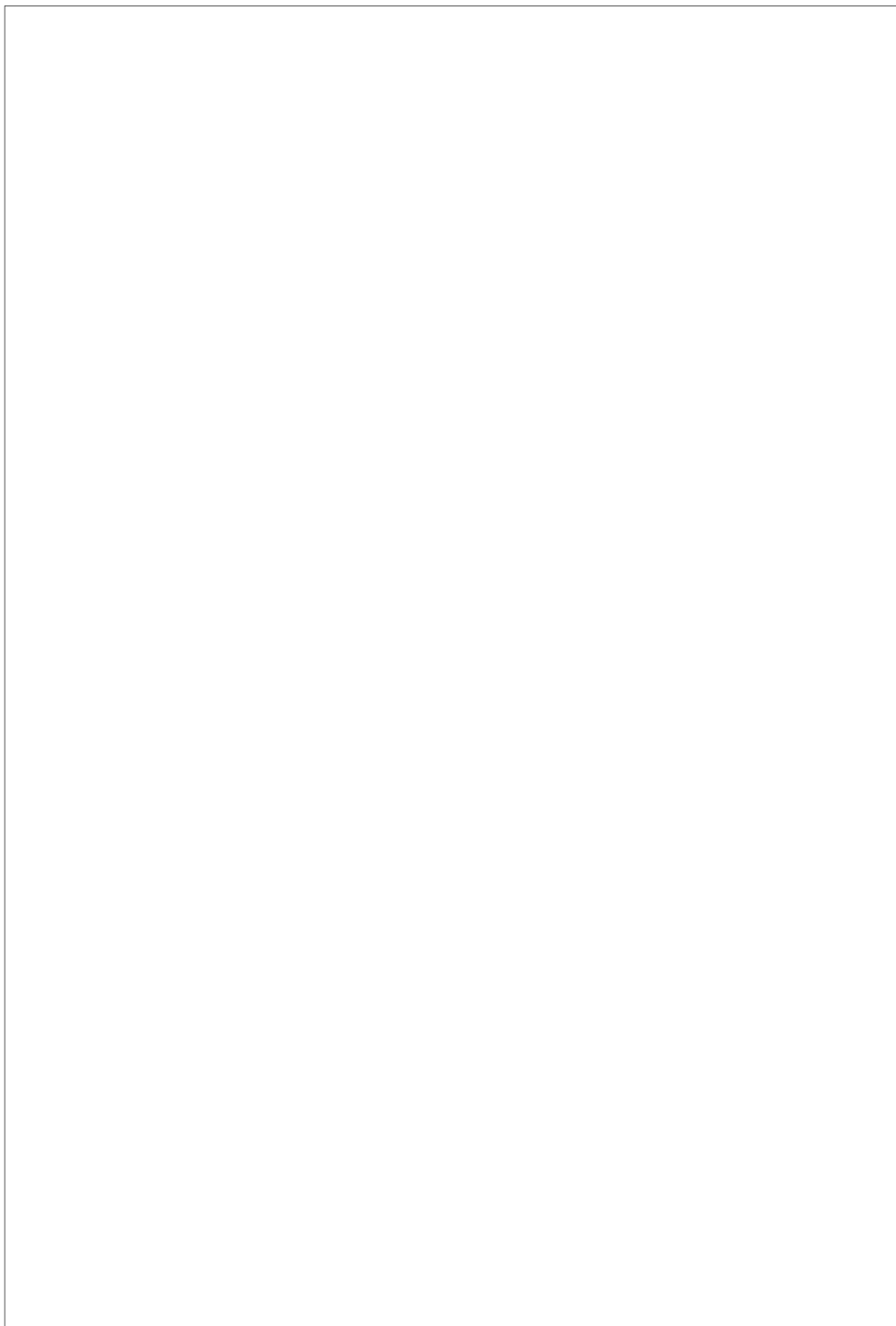
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CENTRAL INTELLIGENCE BULLETIN



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24 OCTOBER 1958

I. THE COMMUNIST BLOC

Khrushchev extends \$100,000,000 to UAR for construction of first section of Aswan Dam.

Moscow ends system of military advisers in European satellite forces.

USSR - Important changes in collective farm system may be made soon.

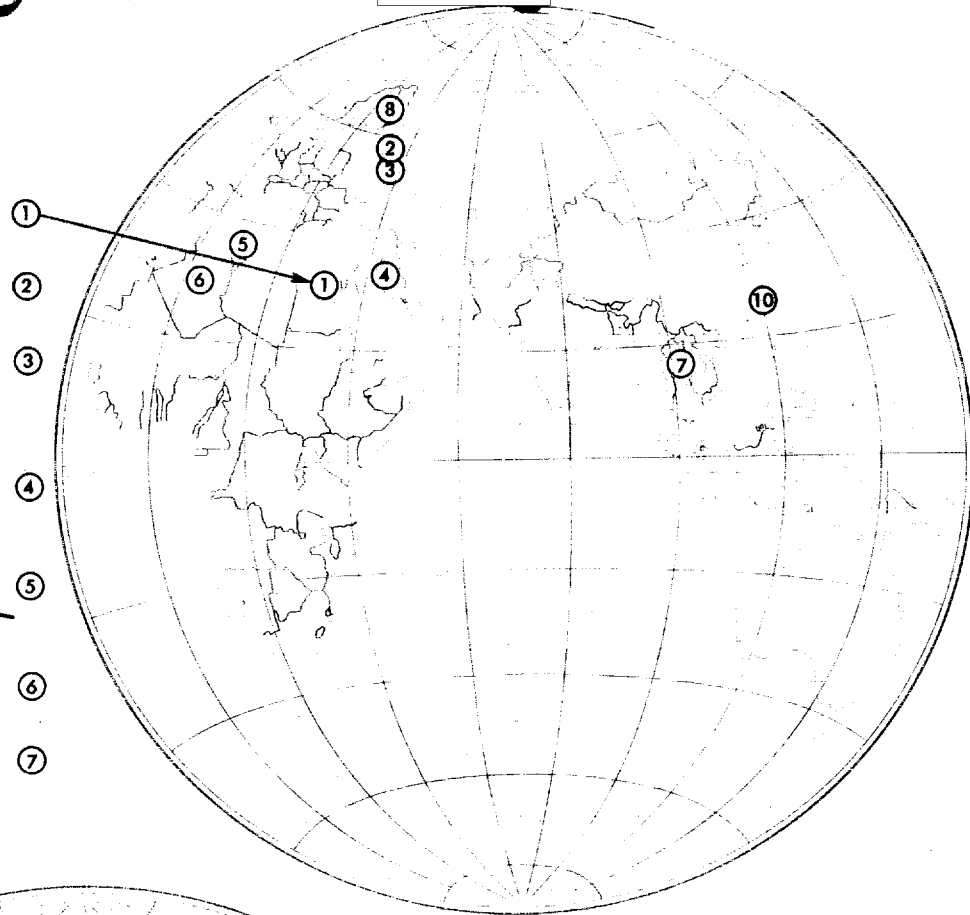
II. ASIA-AFRICA

Iraq - More military officers may enter Qasim's cabinet.

Iraq and Sudan offer to mediate Bourguiba-Nasir dispute.

Algerian rebel troops demoralized and mutinous; independent guerrilla operations may ensue.

Thailand - Sarit intends to rule as long as health permits.



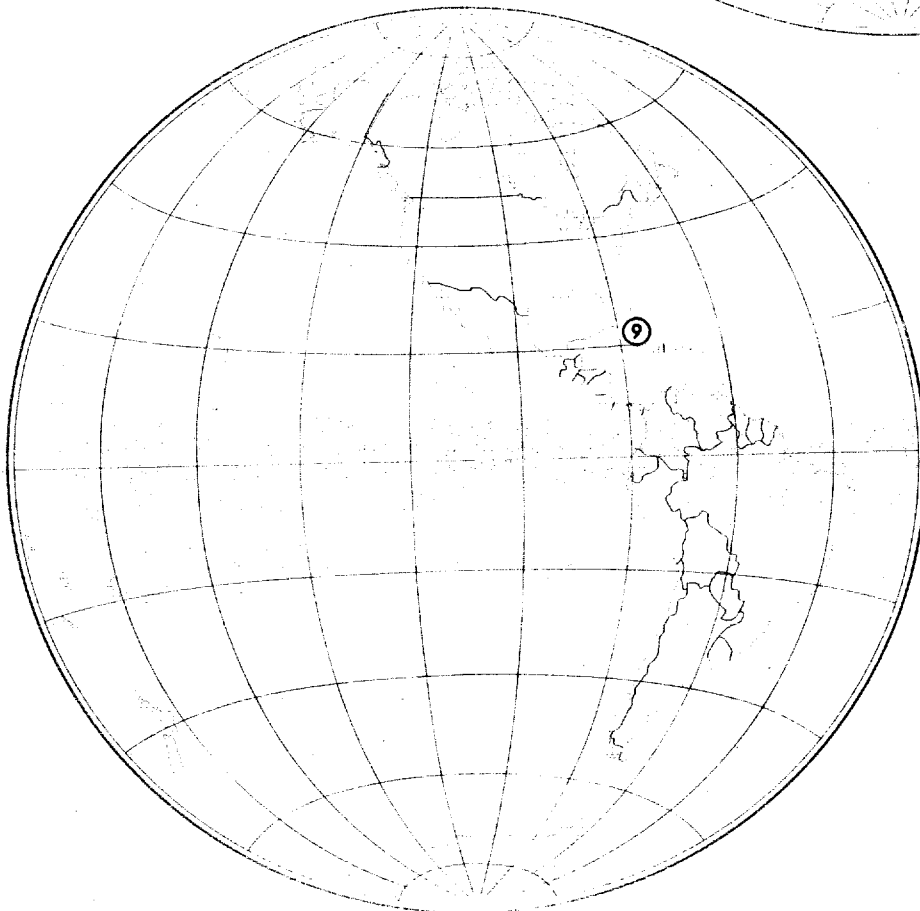
III. THE WEST

⑧ Finland - Soviet pressure could cause government to fall by December.

⑨ Cuba - Rebel activities jeopardize safety of US installations and citizens.

LATE ITEM

⑩ Taiwan Strait - Communist firing resumed on 24 October; Peiping comments on Dulles-Chiang communiqué.



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CENTRAL INTELLIGENCE BULLETIN

24 October 1958

DAILY BRIEF

SIRAB

I. THE COMMUNIST BLOC

USSR-UAR: Khrushchev has announced that the USSR will grant the UAR a loan of \$100,000,000 (computed at the official rate of four rubles to one dollar) to aid in building a high dam. The loan, made at the UAR's request, is for the first section of the \$500,000,000 Aswan dam which Cairo recently stated it would soon begin to construct with its own funds. In 1956, Moscow was reluctant to become involved in this costly long-run project, which it apparently considered at that time to be ill-conceived. Now, however, Moscow may hope that this dramatic move will increase the UAR's dependence on the USSR and at the same time alleviate reported differences.

USSR-Satellites: The USSR has decided to dissolve its system of military advisers in the satellites,

These advisers, stationed at all levels from the ministries of defense down to divisional level or lower, were responsible for training and assuring ultimate Soviet control of the satellite armed forces. The USSR now may feel that the East European armed forces have made sufficient progress in military training not to require close supervision. In Moscow's view, control can probably be exercised through the Warsaw Pact mechanism and by other means. (Page 1)

USSR: Important changes in the collective farm system may soon be made, perhaps at the 21st party congress in January or at a Collective Farmers' Congress scheduled for early 1959. One change would be a wider adoption of

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guaranteed monthly cash wages. This would greatly facilitate the calculation of profit and loss, improve morale, and constitute another step in reducing the difference between state and collective farms. [redacted] (Page 2)

II. ASIA-AFRICA

Iraq: Cabinet changes introducing additional military officers into the government may occur soon. While such officers would probably be more conservative than some of the present civilian ministers, they would not be likely to favor a pro-Western policy. Moreover, it is doubtful they are sufficiently experienced to cope with the chaotic administrative situation prevailing within the Baghdad regime.

[redacted] (Page 3)

Tunisia-UAR: The Iraqi and Sudanese foreign ministers have offered to mediate the split between Tunisia and the UAR. They proposed to Tunisian diplomats in the US that diplomatic relations be restored and that this be followed by the UAR's expulsion of Tunisian President Bourguiba's exiled opponent, Salah ben Youssef. Bourguiba, however, would probably insist at least that Ben Youssef be expelled prior to the resumption of diplomatic relations. [redacted] an intensification of UAR propaganda attacks and plotting against Bourguiba. [redacted] (Page 4)

Algeria: Some extremist Algerian rebel troops are reported demoralized and in a state of virtual mutiny against the top rebel command. These troops are frustrated by military failures and dissatisfied over the softer line recently adopted by rebel political leaders in negotiations with France. Unless checked by rebel chiefs, such tendencies could lead to the formation of independent groups which would conduct guerrilla operations in Algeria and possibly Tunisia. [redacted] (Page 5)

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DAILY BRIEF

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Thailand: Marshal Sarit is said to be planning for his "revolutionary council" to rule through an interim cabinet for at least one year while a new constitution is being written. **OK** If his uncertain health permits, Sarit intends to remain head of the council indefinitely. [] (Page 6)

III. THE WEST

Finland: [] official doubts that the two-month-old Fagerholm coalition government can survive beyond December because of Soviet political and economic pressure. [] Moscow has not replied to a Finnish request that trade talks--originally expected early this month--now start on 27 October. []

Cuba: Rebel activities are interfering with the operation of US enterprises in Oriente Province, and the evacuation of some US citizens is being arranged. Two US employees of the Texas Company's refinery near Santiago were kidnaped by rebels on 20 October and held for three days. Both rebel and government forces are hampering movement in and out of the region around the US Government - owned Nicaro nickel installation in northern Oriente. [] (Page 7)
(Map)

IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Implications of an Increase in US-Soviet Trade. SNIE
100-8-58. 7 October 1958 []

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CORRECTION: In the Central Intelligence Bulletin of 23 October, the following sentence should have been included in the USIB Watch Committee's conclusion concerning the Taiwan Strait situation:

"The Chinese Communists retain the capabilities to launch major attacks against the offshore islands with little or no warning as well as to launch air attacks on Taiwan and on the Penghus (Pescadores).

LATE ITEM

***Taiwan Strait situation:** Communist artillery resumed firing against the Chinmens at 1100 hours (Taipei time) on 24 October, according to an announcement by the Chinese Nationalist Defense Ministry. The Communists had stopped firing at 1200 hours (Taipei time) on 23 October.

On 23 October Peiping, in its first commentary on the joint communiqué issued after talks between Secretary Dulles and Chiang Kai-shek, accused the US of 'playing with its aggressive plot of 'two Chinas'' and of continued 'aggression against China.'

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DAILY BRIEF

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I. THE COMMUNIST BLOC

Soviet Military Advisers to Be Withdrawn From Satellites

The Soviet Ministry of Defense recently ordered the dissolution of Soviet military advisory groups in all the "People's Democracies," [redacted]

[redacted] The order stated that these are independent countries whose armed forces now are staffed by reliable [redacted] Preparations are being made for the departure of Soviet advisers from East Germany, [redacted]

[redacted]

Soviet military advisers in the satellites were assigned to posts giving them control at all levels from the various national defense ministries down to divisional level or lower. Accurate figures on the number of advisers are not available, but there are believed to be several hundred in each country.

A Soviet declaration of 30 October 1956 implied that maintenance of large advisory staffs in the satellites was no longer necessary, but the Hungarian revolt probably postponed the decision to abolish the system.

The satellite armies have achieved an acceptably high degree of training in recent years, and the Warsaw Pact provides the USSR with an effective and more subtle instrument of control. The pact commander, Soviet Marshal Konev, has direct authority over his deputy commanders, who are the respective satellite defense ministers.

The Soviet decision to end the advisory system probably also reflects greater Kremlin confidence in the ability of some of the satellite regimes to deal with their internal problems. It will also remove a major source of anti-Soviet feeling among personnel of the satellite armed forces.

[redacted]

[redacted]

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USSR Airing Proposed Changes in Collective Farms

Khrushchev, Agricultural Minister Matskevich, and lesser figures have indicated in recent statements that important changes in the collective farm system may be made soon, probably in early 1959 at the 21st party congress or the third All-Union Collective Farmers' Congress.

Payment of guaranteed monthly cash wages has already been introduced experimentally on several collective farms, with favorable effects on output and worker morale. If adopted, this new method of payment would be a further step toward converting collective farms from cooperative membership groups to ordinary Soviet business enterprises operating, like the state farms, on a profit-and-loss basis. Recent decrees reorganizing machine tractor stations and establishing a single-price system for state procurement of agricultural products were major steps in this direction.

Modeling collective farms more closely after industrial enterprises would make it possible to calculate agricultural production costs on a nationwide basis for the first time in Soviet history. It would also provide the state with additional means to exert pressure on the collective farms to cut costs and increase output. The system might thus facilitate the transfer of labor from agriculture to industry.

Other possible developments in the near future include a rapid increase in purchases of individual livestock holdings by the collective farms, and the establishment of a collective farms union whereby economically stronger farms would help the weaker.

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II. ASIA-AFRICA

Iraqi Cabinet Shifts May Occur Soon

Reports persist that another Iraqi cabinet shake-up is imminent. []

[] all cabinet ministers, with the exception of the relatively moderate and experienced ministers of finance and foreign affairs, will be replaced by military personnel. The new ministers probably would be more conservative than some of the present civilian ones, but they would not be likely to favor a pro-Western policy. Prime Minister Qasim is to remain at the head of the government.

The changes, [] are to be made to reward officers who supported the revolution and to ensure the line of succession in case of Qasim's "early demise." The actual force behind such a change, however, would probably be a group of senior army officers which appears to be pressing Qasim to take a tougher line against leftist elements.

The scheduled departure from Baghdad on 25 October of four members of the government--Minister of State Rikabi, Minister of Communications Baba Ali, Minister of Justice Mustafa Ali, and State Council member [] Naqshabandi--ostensibly on a junket to celebrate the inaugural flight of Iraqi Airways jet-prop service to Morocco--could be the occasion for a cabinet shift. []

[] Rikabi, who was removed from his post as minister of development at the same time pro-UAR Colonel Arif was ousted as deputy premier, has asked for a secret conference with UAR minister Salah Bitar, a fellow Baathi, during an hour's stopover in Cairo. Baba Ali has told American officials that he intends to go from Morocco to Europe for rest and medical treatment. []

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Iraq and Sudan Offer to Mediate Tunisian-UAR Crisis

The Iraqi and Sudanese foreign ministers have offered to mediate the quarrel between Tunisia and the United Arab Republic, [redacted]

[redacted] After discussions with Tunisian diplomats in the United States, both ministers seemed impressed with the seriousness of the "Ben Youssef matter, the scope of which was unknown to them." [redacted] the Iraqi minister had found UAR Foreign Minister Fawzi disposed toward an amicable settlement.

The Iraqi and Sudanese officials propose to obtain a promise from the UAR that it will expel Salah ben Youssef, the exiled Tunisian accused of plotting to overthrow President Bourguiba. Tunisia would then restore diplomatic relations with the UAR and reassume its seat in the Arab League. Since Ben Youssef would not actually be forced to leave Cairo for two or three weeks after diplomatic relations were resumed, this proposal would probably be unacceptable to the Tunisian President. Bourguiba has long insisted that the physical expulsion of Ben Youssef must precede any improvement in Tunisia's relations with Cairo.

Tunisian editorial comment continues to be violently anti-UAR, and reports from Cairo indicate that the UAR is stepping up its propaganda barrage against Bourguiba.

[redacted] claims that anti-Bourguiba propaganda prepared by the UAR will be smuggled into Tunisia by Algerian rebel nationalists. [redacted]

[redacted] the Saudi Arabian Government has agreed to place at the disposal of the UAR its embassy facilities in Tunis so that Tunisian dissidents may be recruited for an anti-Bourguiba movement. [redacted]

[redacted]

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Morale of Some Algerian Rebel Troops May Be Deteriorating

"Virtual mutiny" recently broke out among some of the troops of the rebel Algerian National Liberation Front (FLN) operating in the Algerian-Tunisian border area, [REDACTED]

[REDACTED] other rebel elements inside Algeria are "going their own way" and are giving only nominal recognition to the top rebel command.

These developments were attributed to a strong impact made on the rebels by the increasing effectiveness of France's Morice Line--an electrified barrier which parallels much of the Algerian-Tunisian border, by De Gaulle's recent moves, and by the more receptive public attitude of rebel spokesmen toward cease-fire negotiations.

Should such a deterioration of troop morale not be met with prompt and effective action by the FLN command, it could lead to the formation of independent die-hard groups which would conduct guerrilla operations in Algeria and possibly Tunisia. This could also complicate any cease-fire negotiations with the French. In case rebel military discipline should collapse completely, some rebel elements might even act, perhaps in collusion with Cairo, to liquidate the Bourguiba government. [REDACTED]

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Situation in Thailand

Marshal Sarit, in his role as leader of the newly established "revolutionary council," has met no discernible opposition, either from within the ruling military group or from the general populace, to the series of drastic moves he has taken this week. Providing his uncertain health withstands the strain, Sarit plans to remain indefinitely as head of the council.

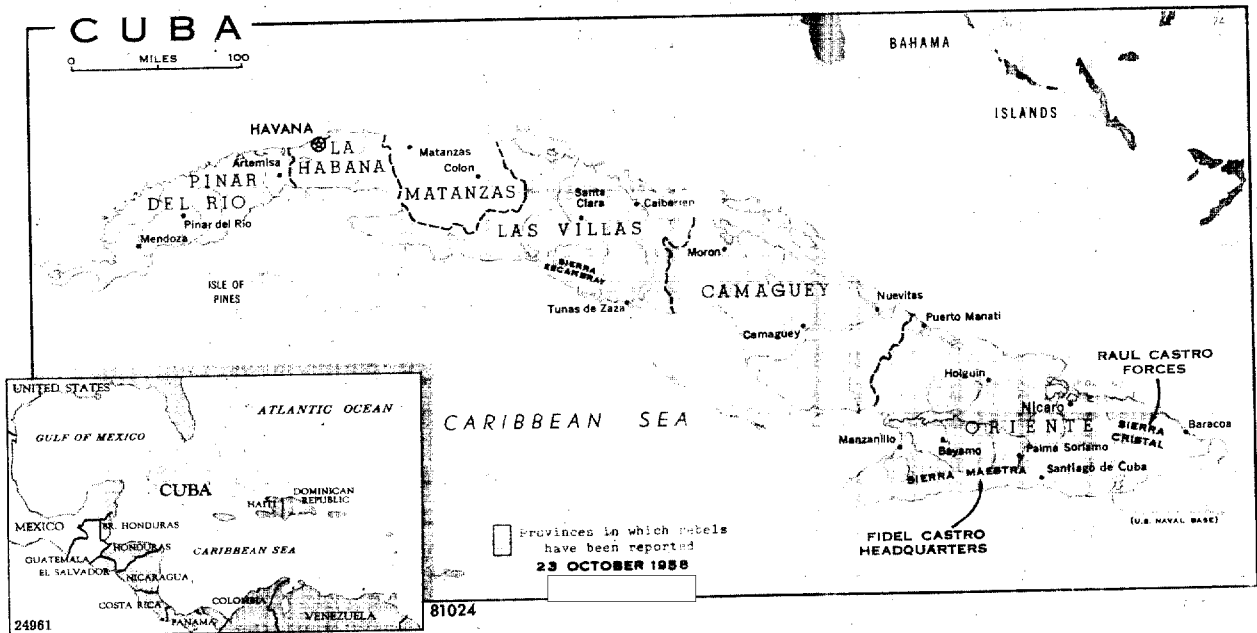
In an interview with Defense Secretary McElroy on 22 October, Sarit stated that an interim cabinet would be formed in about one month, to serve under the council's direction until promulgation of a new constitution in from six months to a year. [redacted] however, Sarit believes the interim cabinet will last for at least a year.

With regard to the new constitution, Sarit favors a bicameral legislature with the upper, and probably dominant, house appointive and the lower house elective. If the legislature were to defeat any proposed law, the prime minister, with the King's concurrence, would be given the power to promulgate it by decree.

A roundup of suspected Thai and Chinese Communists has been expanded to include the leader and the secretary general of the extreme leftist opposition Socialist United Front in the recently dissolved National Assembly. Two of the five Thai expatriates who returned last summer after many years in Communist China have also been arrested, and the police are searching for the other three. Fifteen Thai and Chinese language daily and weekly newspapers have reportedly been closed. All had in varying degrees been noted for their advocacy of Communist objectives in Thailand and their virulent anti-Americanism. [redacted]

[redacted]

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III. THE WEST

Cuban Rebel Activities Threaten US Companies

Efforts by Cuban rebel leader Fidel Castro to disrupt the scheduled 3 November general elections are interfering with US enterprises operating in rebel-dominated Oriente Province. Arrangements are being made for the evacuation by the US Navy of some American citizens in the area. Any attempt by the Cuban Army to dislodge rebel elements near the US Government - owned Nicaro nickel installation in northern Oriente would probably lead to a major skirmish.

In southern Oriente, rebels have harassed the Texas Company's refinery outside Santiago. Two US employees, who were kidnaped along with seven Cubans on 20 October, were released on 23 October. Sabotage at the refinery and rebel-enforced blockades of the company's seven-mile highway to Santiago have seriously curtailed Texaco's operations in the area.

While rebel activities in Oriente do present a real threat to US interests there, the rebels are not believed to be directing a harassment campaign specifically against US companies. Cuban concerns have undergone similar and often worse experiences, and the rebels have threatened British interests in retaliation for a British sale of jet aircraft to Batista.

There are indications that the rebels will attempt to call a general strike on 27 October.

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The Secretary of State

The Under Secretary of State

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The Deputy Under Secretary for Political Affairs

The Deputy Under Secretary for Administration

The Counselor

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The Director of Intelligence and Research

The Department of Defense

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Chief of Naval Operations, United States Navy

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Director for Intelligence, The Joint Staff

Assistant Chief of Staff for Intelligence, Department of the Army

Director of Naval Intelligence, Department of the Navy

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