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CENTRAL INTELLIGENCE BULLETIN

INTELLIGENCE

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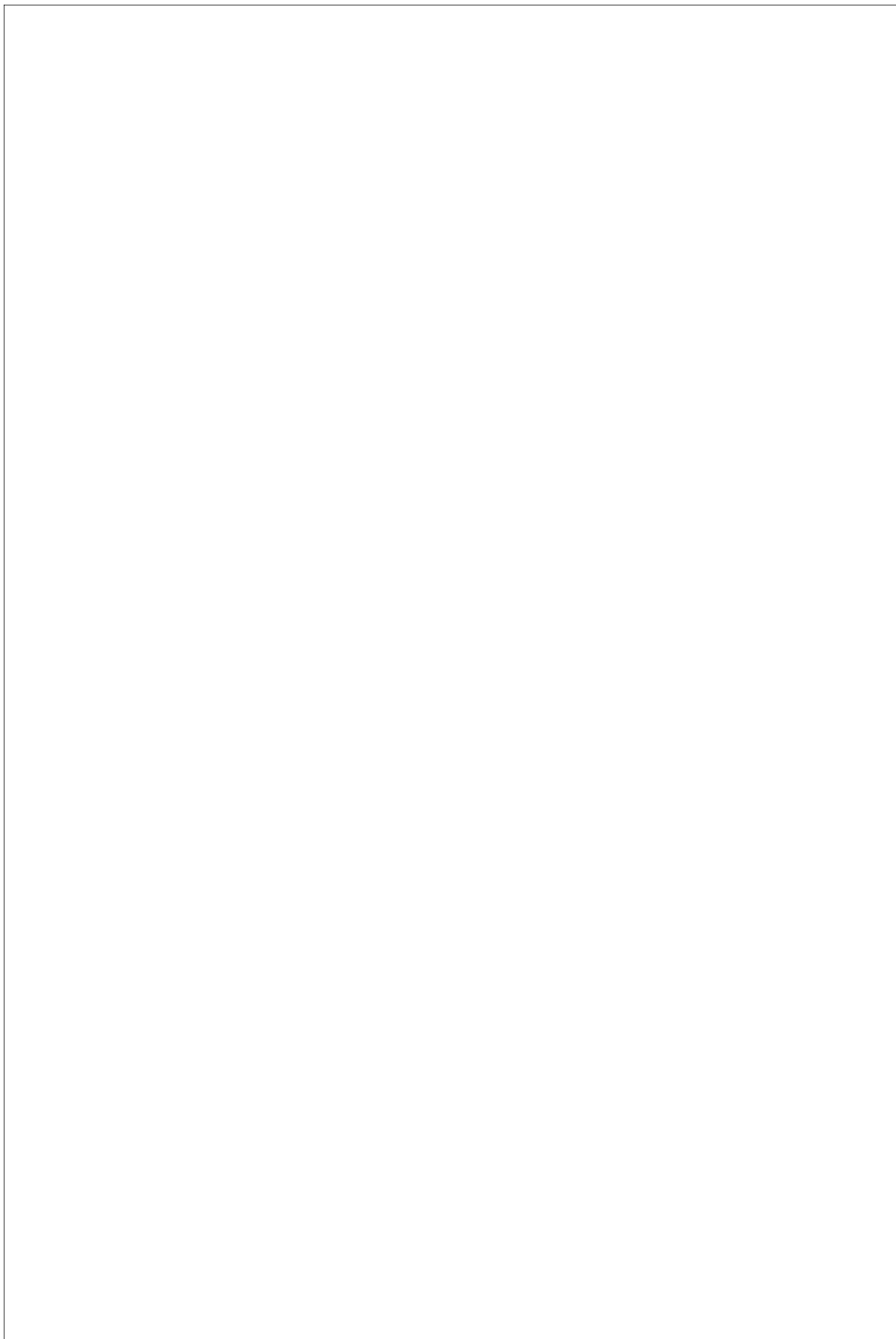


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5 DECEMBER 1958

I. THE COMMUNIST BLOC

Preliminary GMC statement on launching from Tyura Tam on 4 December.

Khrushchev takes categorical stand that he will carry out Soviet plan for Berlin despite Western opposition.

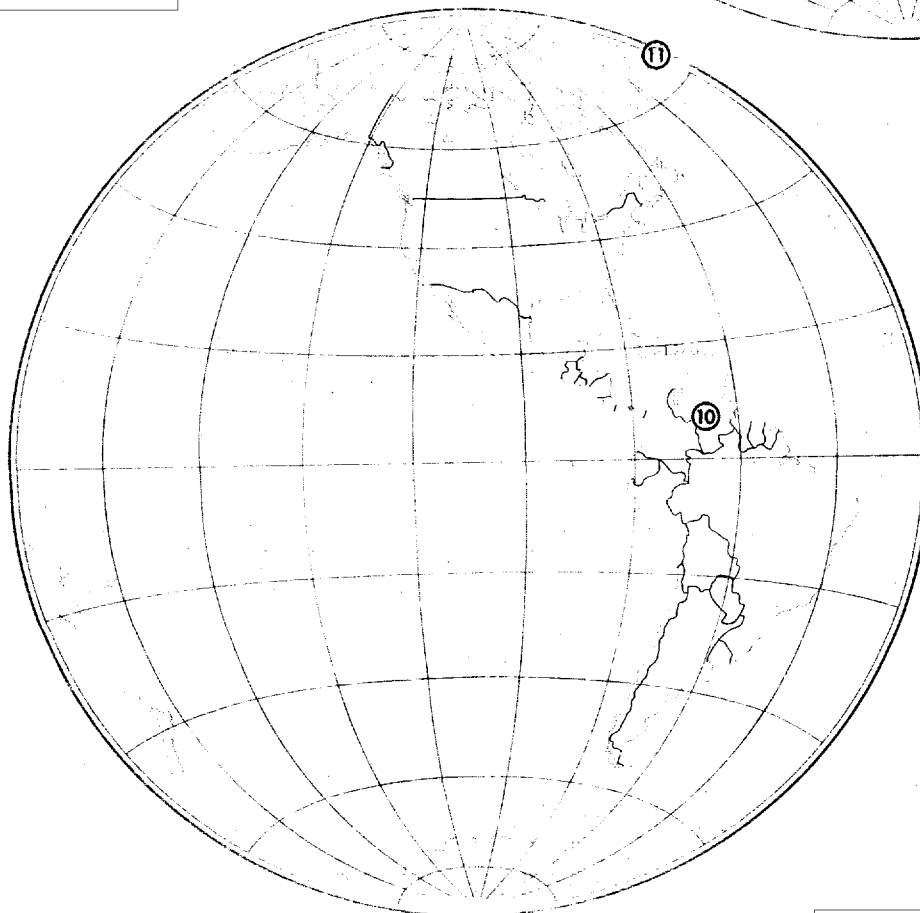
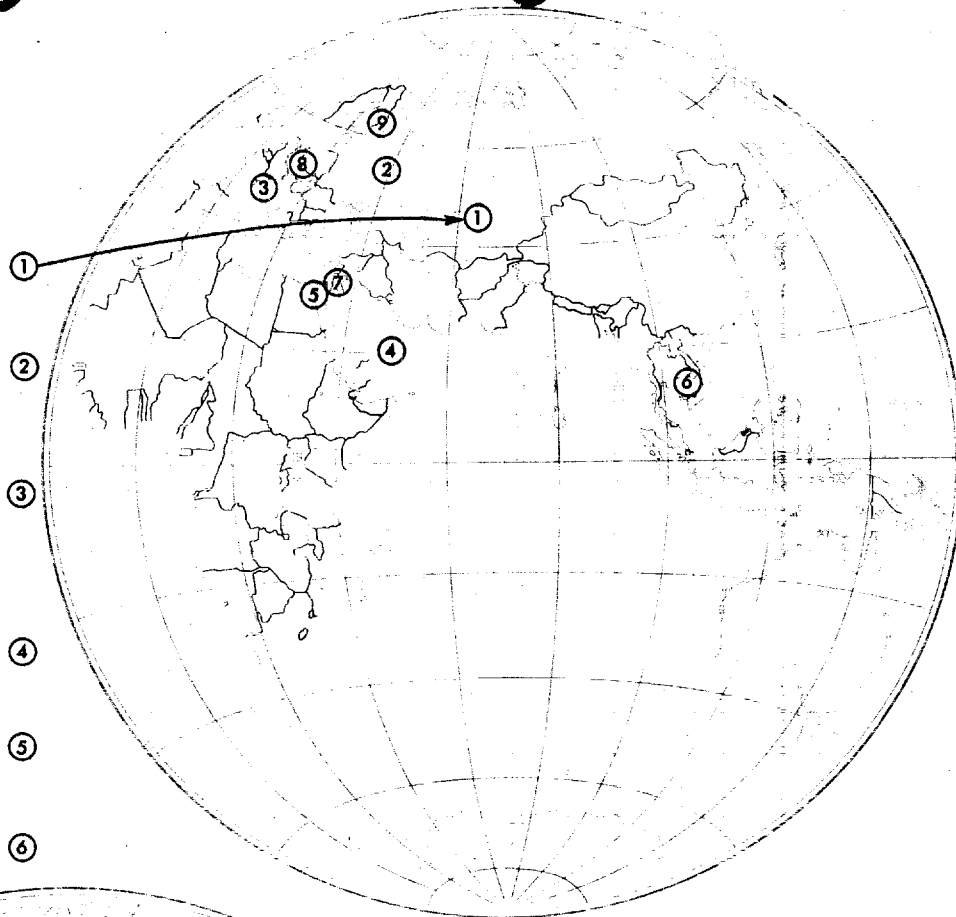
USSR proposes new restrictions on nuclear inspection system; Soviet delegate ready to adjourn surprise-attack talks.

II. ASIA-AFRICA

Saudi Arabia - Faysal meeting opposition to his efforts to streamline government.

Afro-Asian Economic Conference to meet in Cairo from 8 to 11 December.

Thai - Cambodian dispute may be taken to United Nations.



⑦ Israel complains to Security Council about Syrian border clash.

III. THE WEST

⑧ Influx of East German Communist agitators may lead to violence in connection with 7 December West Berlin voting.

⑨ Finnish Government falls as a result of the Soviet economic pressure.

⑩ Race for Venezuelan presidency on 7 December considered close.

⑪ Iceland - Jonasson government is reported to have resigned over economic policies.

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CENTRAL INTELLIGENCE BULLETIN

5 December 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

GMIC statement on 4 December Soviet launching--The Guided Missile Intelligence Committee made the following preliminary statement on a Tyura Tam firing on 4 December 1958:

1. At about 1215 EST, 4 December, the Soviet Union conducted another launching at the Tyura Tam missile test range. All of the evidence available indicates it was not an ICBM, but a space vehicle of some type. Although the date and time of launch were favorable for a lunar probe, there is no evidence on which to base an estimate of the type of vehicle involved.

2. As of 2200 EST, 4 December, the information available to the Guided Missile Intelligence Committee was insufficient to establish the purpose or degree of success of this firing.

USSR-Berlin: In his 2 December talk with Senator Humphrey, Khrushchev described the Berlin situation as "a bone in his throat" which "had to be settled--he was not going to back down." If the West rejected his proposal for a free demilitarized city, he would carry out his previously announced plan to transfer control of allied access to the East Germans. He described recent Western comments on the possibility of maintaining access by force as threats and warned that the "Soviets have tanks too, lots of them. . . and rockets which we don't even have to fire from East Germany." He categorically rejected any possibility of discussing Berlin as part of the broader subject of German reunification. He said reunification could only be worked out by the two Germanies, and should be

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accompanied by a gradual withdrawal of foreign troops. Repeatedly describing the present nature of the East-West conflict as economic, he dismissed NATO as an example of Western preparation "for the wrong attack." [redacted]
(Page 1)

OK
USSR--Geneva talks: The Soviet delegate to the test-cessation talks in Geneva is retreating from his endorsement of the recommendations made last summer by the scientific experts at Geneva for a world-wide inspection system. He now insists that a control organization be limited to the three nuclear powers with inspection of a suspected violation subject to a veto. He contends that the system should be confined to the territories of the three powers and to the oceans. The Soviet delegate to the surprise-attack talks has privately indicated readiness to "adjourn" that conference on a mutually acceptable basis. [redacted] (Page 3)

[redacted]
 II. ASIA-AFRICA

Saudi Arabia: Crown Prince Faysal appears to have made little progress in his attempts over the last several months to give the Saudi Government a more modern administrative structure. The influence of other members of the royal family, who are more interested in personal projects than in public welfare, has hampered Faysal's efforts. [redacted] (Page 5)

OK
Afro-Asian Economic Conference: In the Afro-Asian Economic Conference, to be held under unofficial Egyptian sponsorship in Cairo from 8-11 December, Egypt will attempt to spark a drive against Western "economic imperialism" and to lay the foundations for an Arab common-market scheme to counter the "evils" of the European Common Market. Moscow will probably use the meeting to reiterate its "tell us what you need and we can help you" pledge given at the Afro-Asian Solidarity Conference held in Cairo last year. [redacted] (Page 6)

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Thailand-Cambodia: Thailand is considering bringing its dispute with Cambodia to the attention of the UN Security Council. Cambodia's 3 December letter of protest to the UN secretary general may further encourage Thailand to take such action. Meanwhile, growing regional concern is evidenced by a Burmese offer to Cambodia of good offices. [redacted] (Page 7)

Israel-Syria: The Israeli cabinet decision to complain to the UN Security Council about the border clash with Syria on 3 December may presage a more belligerent Israeli attitude on border problems. The Israelis almost certainly do not expect the UN to take what they would regard as effective action, and are probably building a record of formal complaints to which they could point if they should later decide to take direct "retaliatory" action. [redacted]

[redacted]

THE WEST

West Berlin elections: The influx of East German Communists in connection with the West Berlin election campaign is continuing and may lead to violence during Adenauer's 4-5 December visit to the city. In view of Khrushchev's "free-city" proposals, Ulbricht's Socialist Unity party (SED) is making a strong effort to improve its showing in the 7 December election over the 2.7 percent it won in the last election. [redacted] (NOFORN) (Page 8)

Finland: Prime Minister Fagerholm resigned on 4 December following a prolonged period of Soviet economic pressure. His five-party coalition government has been asked to remain in office until a successor can be found. The Communists are in the strongest position since 1948 to demand representation in the government, but most parties remain opposed to their inclusion. [redacted] (Page 9)

Venezuela: Former junta president Admiral Larrazabal is still generally considered the favorite of the three candidates for the presidency in the 7 December election. However, Romulo Betancourt, the Democratic Action nominee, is apparently improving his position. The race is expected to be close, and [redacted]

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the vote of the Communist party, one of thee which nominated Larazabal, may provide the necessary margin for his victory.

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[Handwritten scribble]

***Iceland:** Disagreement between Prime Minister Jonasson's Progressive party and its Social Democratic and Communist partners over the government's economic program led to the resignation of his cabinet on 4 December. At the President's request, the cabinet agreed to remain in office temporarily. Determined efforts will probably be made to reconstitute the three-party coalition, since all three are anxious to prevent the powerful opposition Conservative party from returning to power. New elections are likely to be called only as a last resort since the Conservatives would probably be the principal beneficiaries.

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I. THE COMMUNIST BLOC

Khrushchev Says He is Determined to Carry Out Berlin Plans

Khrushchev stressed his determination, in his talk with Senator Humphrey on 2 December, to settle the Berlin situation on Soviet terms. Berlin, he said, "is a bone in my throat," and he warned that the maintenance of Western forces in West Berlin creates a "very serious situation." He said the USSR would not back down and would carry out its previously announced plans to transfer control of Allied access to the East Germans if the West rejected the Soviet plan for making West Berlin a demilitarized free city.

Khrushchev also warned against any Western threats to use force to break through East German controls of Allied traffic. He said the USSR has tanks and rockets and is ready to use them. Soviet troops in East Germany are not there "to play cards," he said, and unless the West agrees to Soviet terms, the USSR will go through with its plans.

At the same time, Khrushchev stressed his readiness to consider any Western counterproposals, saying he would accept "anything reasonable." He assured Senator Humphrey, "I don't want to do anything detrimental to the other three countries". . . "we want to cut this knot which spoils relations between the four powers."

Khrushchev insisted that the Berlin problem should be kept separate from the broader German question and should not be used as a bargaining point. He repeated his unwillingness to discuss reunification and stressed that the only solution is an all-German confederation which could be accompanied by a gradual withdrawal of foreign troops.

Khrushchev strongly emphasized the similarity between his Berlin proposal and the Austrian settlement, stating that the creation of a neutral Austria guaranteed by the four powers

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had removed a source of conflict. This line also appeared in Moscow's notes of 27 November which proposed guarantees for a free-city status for West Berlin "just as was done by the four powers with respect to neutral status which was adopted by Austria." The notes contended that under a free-city arrangement, Berlin could become a center for East-West German contacts and cooperation "in the interests of the unity of the German nation."

Moscow clearly hopes to stimulate West German interest in the free-city plan and the Austrian settlement as a precedent for a German solution. Khrushchev's remarks may foreshadow further proposals linking the Berlin plan to a broader scheme for a neutralized German confederation within a European security system based on disengagement as proposed by the Rapacki Plan.

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USSR--Geneva Talks

After agreeing on 28 November to include provisions on controls and nuclear-test cessation in a single treaty, the USSR's delegate to the test-control talks in Geneva on 3 December retreated from its endorsement of the recommendations for a world-wide inspection system made by its scientific experts at last summer's technical talks. He alleged that the delegates to the earlier conference did not examine the question of whether an "entire" system was needed, and said that any control organization must be limited to the three nuclear powers and must make all decisions on the basis of unanimous agreement. This arrangement would give Moscow a veto over all actions of the proposed control organization, particularly over decisions to inspect a suspected violation.

The Soviet delegate insisted that inspection be performed by ad hoc groups formed only after receipt of evidence from which the organization "decides" there is "strong suspicion" of a nuclear explosion. He also contended that a system confined to the territory and possessions of the three nuclear powers and to the oceans would be adequate at present since it would cover 80 percent of the world and 100 percent of the area controlled by the nuclear powers.

This retreat from the recommendations of the Geneva experts is a reversion to the Soviet disarmament proposals of June 1957 which provided for three-power inspection posts in the USSR, the United States, Britain, and the "Pacific area" on a "mutual basis." The attempt to misrepresent and reduce the scope of the control system agreed on by the experts and endorsed by the USSR probably is intended to discourage any Western concessions which might embarrass Moscow and undercut its efforts to place the onus for failure to reach agreement on the West.

In the talks on prevention of surprise attack, the USSR apparently is moving toward an early adjournment. The chief Soviet delegate has privately indicated his readiness to conclude

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the talks on a mutually acceptable basis. Moscow probably is satisfied that its omnibus proposals on inspection and disarmament in the declaration of 28 November, which will soon be made public, will contrast favorably with the West's insistence on a careful, technical study of the problem.

[Redacted]

[Redacted]

[Redacted]

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II. ASIA-AFRICA

Developments in Saudi Arabia

Crown Prince Faysal has made little progress in his attempts to implement much-needed fiscal and social reforms in Saudi Arabia. The various brothers of Faysal and Saud, who were responsible for Faysal's assumption of broad executive powers last spring, have been unwilling to accept the necessary curb on the royal family's income. Without such action, no national budget can provide for a program of economic development.

Failure of the Council of Ministers, which is dominated by royal princes, to agree to a significant reduction in royal income has already delayed promulgation of the budget several months beyond the beginning of the current fiscal year. There are indications that estimates of oil income may have been overoptimistic and that, despite reduced government expenditures, the forthcoming budget may run a deficit.

Although even the attempt to subject the finances of the Saud family to the discipline of a budget is revolutionary, Faysal's inability to move further in the direction of reform promises to alienate the small group of merchants and technicians on whom the royal family has depended for what little skilled advice is locally available, and will increase the family's isolation.

The recent resignation of Minister of Commerce Mohammed Ali Reza highlights this disaffection. Ali Reza has said that while the state of Saudi finances has been improved somewhat by a moratorium on economic activity and by reduced military expenditures and salaries of government officials, no constructive program to develop the country is in prospect. He feels that the Saud family may commit a major political error by raising taxes to meet any budget deficit, and that such a move would increase unrest in the Eastern Province and in the Hejaz, the coastal areas most influenced by reform movements in other Arab countries.

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Afro-Asian Economic Conference

The widely heralded Afro-Asian Economic Conference, to be held under unofficial Egyptian sponsorship in Cairo from 8 to 11 December, will provide a major forum for Soviet- and Egyptian-inspired anti-Western propaganda. The Soviet Union probably will use the conference to embellish its pledge of economic assistance given at the Afro-Asian Solidarity Conference held in Cairo last year. In this context, Moscow probably will attempt to gain maximum benefit from its agreement to help build the Aswan High Dam.

The UAR leaders may attempt to push plans for an Arab common-market scheme to counter "Western economic imperialism" and the "evils" of the European Common Market, which Cairo claims will lead to discrimination against Arab goods and higher prices for imported Western goods. Iraq, which in previous Arab meetings has been a restraining influence on such Egyptian maneuvers, reportedly will recommend the creation of a "big Asian-African economic organization," including trade centers for principal products. Baghdad has already called for a rice center in Communist China and a cotton center in Egypt.

Cairo claims that almost 800 delegates for 13 Arab, 8 African, and 18 Asian countries will attend the conference, and says it has sent invitations to "194 economic organizations in 101 Asian-African countries." Communist countries planning to attend include the Soviet Union, Mongolia, North Vietnam, North Korea, and Communist China.

Although some members will be legitimate representatives of economic interests, the meeting will be dominated by Egyptians, Communists, and fellow travelers. Because of the dissimilarities of the various countries, little positive progress is expected and achievements probably will be limited to setting up a number of committees and study groups. These groups probably will help extend Soviet and Egyptian influence throughout Asia and Africa.

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Thai-Cambodian Relations

The Thai Foreign Ministry informed its United Nations delegation on 2 December that Thailand was considering submitting its version of the dispute with Cambodia to the Security Council. The Foreign Ministry and the Interior Ministry are preparing a memorandum on the case.

Thai action on this matter will probably be spurred by Cambodia's letter to Secretary General Hammarskjold, made public on 3 December, alleging that Thailand's reinforcement of its frontier garrisons constituted a "threat to the peace." The Cambodian note did not ask for UN action, and it is probable that for the moment the Thais also will content themselves with apprising the Security Council of alleged Cambodian "provocations."

Meanwhile, [redacted]

[redacted] the Burmese chargé there informed the [redacted] Cambodian ambassador of his government's offer of its good offices in the resolution of Cambodia's dispute with Bangkok. The Burmese ambassador added that his colleague in Phnom Penh would be instructed to approach the Cambodian Government directly with this offer. Burma's relations with both countries are amicable, even though not particularly close, and as a power not tied to either SEATO or the Sino-Soviet bloc it could well play a useful mediatory role.

Thailand gives no indication of being prepared to soften its terms for the restoration of relations with Cambodia; moreover, the condescension with which these conditions were set forth in a note to Phnom Penh and the insulting tone of related public statements by Thai officials are virtually certain to provoke a vigorous response from Cambodia's temperamental Premier Sihanouk. [redacted]

[redacted]

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III. THE WEST

West Berlin Election

On the eve of the 7 December West Berlin city election, Chancellor Adenauer has personally intervened to lead the fight against the East German Socialist Unity (Communist) party (SED). The SED, which is allowed to participate in the campaign because of the four-power status of the city, has sent "waves" of agitators into West Berlin in a strong effort to win the 5 percent of the total vote necessary for representation in the city assembly. As a result of the stepped-up Communist campaign and Adenauer's visit, further violent clashes could occur, similar to the SED election-rally fracas broken up recently by West Berlin police. Police dispersed a large crowd of anti-Communist demonstrators at an SED rally in West Berlin on 4 December.

The SED won only 2.7 percent in the last election in 1954, and it is unlikely to win representation in the city assembly this year. However, in concurrent elections for local district councils, the SED could obtain local representation by getting 5 percent of the vote in several of the working-class districts.

A recent public opinion poll reports Adenauer's Christian Democratic Union (CDU) running close behind the Social Democratic party (SPD), led by Mayor Willy Brandt. Regardless of the outcome, the winning party is likely to re-form the present SPD-CDU coalition government. With Adenauer's recent appeals for party unity and the close cooperation of the SPD and CDU local leaders, party issues will be less important than Khrushchev's 27 November proposal.

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Fagerholm Cabinet Resigns in Finland

Social Democratic Prime Minister Fagerholm and his five-party coalition cabinet resigned on 4 December following a prolonged period of Soviet economic pressure against the government. In view of the seriousness with which Finnish officials regard the deterioration of relations with the Soviet Union, negotiations are expected to proceed rapidly to form a government with which Moscow will be willing to deal. The most likely outcome appears to be a cabinet with roughly the same parliamentary base as the present government, but excluding certain individuals regarded as persona non grata by Moscow. The Social Democratic party might also be excluded.

Soviet economic pressure became more intense last October when Moscow delayed the scheduled annual trade talks. Since then the USSR has sharply cut back or canceled orders from some principal Finnish suppliers in an apparent effort to aggravate the country's already serious unemployment and thereby further increase pressure on the government.

The Communists are in their strongest position since 1948 to demand representation in the government, but most parties remain opposed to their inclusion. Furthermore, growing public resentment over Soviet interference in Finnish internal affairs will make the democratic parties, particularly the Agrarians, more hesitant to advocate this extreme measure. The Communists intend to press their demands for representation at a mass rally scheduled for 9 December.

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The Venezuelan Elections

Former junta president Admiral Wolfgang Larrazabal is considered the favorite of the three candidates in Venezuela's 7 December election. He is backed by the Democratic Republican Union, the Communists, and another minor party. Romulo Betancourt, chief of Venezuela's largest party, Democratic Action--toward which the military has long been hostile--is his closest competitor and may have improved his prospects for victory in recent days. Although Rafael Caldera, chief of the Christian democratic COPEI, is considered the weakest candidate, he is expected to poll at least 25 percent of the estimated 2,500,000 votes.

The Communists, who may poll as many as 200,000 votes, could supply the margin for a Larrazabal victory in a race which is expected to be close. Larrazabal recently declared, as the other candidates did earlier, that he opposed having Communists in the coalition government that all major parties have agreed to establish regardless of the election results.

The campaign thus far has been relatively free of acrimony and violence. Top military commanders have refrained from overt interference in electoral activities and declared that the armed forces will be nonpolitical and will safeguard the outcome. A coup is more likely to be attempted after the elections than before, particularly if Betancourt wins or serious inter-party strife develops in the operation of a coalition government. Widespread civilian violence, however, could provoke military intervention.

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The Deputy Under Secretary for Political Affairs

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