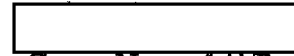


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22 January 1958



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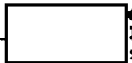
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CENTRAL

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BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

22 January 1958

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DAILY BRIEF



I. THE COMMUNIST BLOC

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25X1

x Vigorous high-level opposition in the East German Communist party has forced party boss Ulbricht to postpone the central committee meeting originally scheduled for 15 January. Ulbricht's hard-line economic policies--raising work norms and stepping up collectivization of farmers and artisans--are being attacked as measures which will increase unrest rather than production. Although Ulbricht may be forced to make some concessions, he will probably continue to receive Soviet support to ensure his dominant position.

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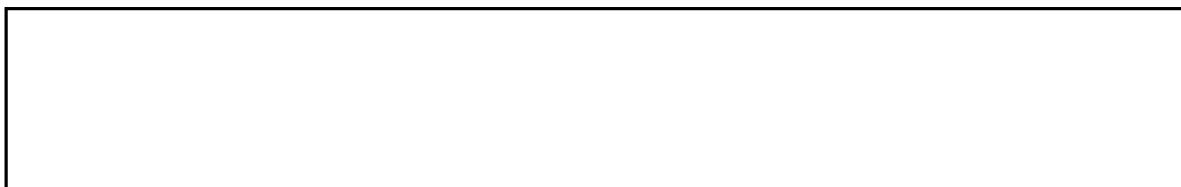
ok The USSR is now suggesting a nuclear-free zone throughout the Middle East to include specifically the Baghdad Pact area. The 21 January TASS statement is timed to influence any discussions on strengthening the northern-tier concept in the Baghdad conference starting Monday. (Page 2) (MAP)

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II. ASIA-AFRICA

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ok

Frustration in Japan over US trade policy and its application to Japanese imports has become acute as a result of recent recommendations by the US Tariff Commission. Ambassador MacArthur in Tokyo states that a series of restrictive actions can cause major damage to the US position in Japan and will aid those forces in Japan pressing for indiscriminate trade with Communist China and the USSR. 

(Page 4)

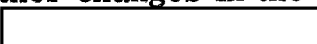
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The Egyptian and Syrian governments probably will announce formally in the near future plans to open negotiations for Syrian-Egyptian union under a federal constitution. The target date for completion of a draft constitution is said to be August 1958, prior to Syria's scheduled parliamentary elections. Should serious negotiations be undertaken, they would be arduous because of widely different economic and political conditions in the two countries. Nasir will presumably continue his efforts to remove Syrian Army Chief of Staff Bizri and neutralize Defense Minister Azm. 

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X

The resignation of Turkish Defense Minister Semi Ergin and his replacement by Etem Menderes, minister of public works and close confidant of Prime Minister Adnan Menderes, on 19 January is probably a repercussion of the alleged plans for an army-led coup d'etat which led to the recent arrest of at least nine army officers. This cabinet shift may foreshadow some further changes in the Turkish military command structure. 

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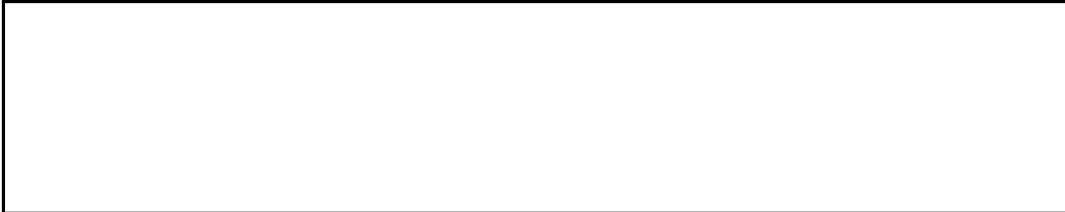
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DAILY BRIEF

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III. THE WEST

The large plurality won in Guatemala's 19 January election by rightist presidential candidate Ydigoras has presented the congress and the army with a dilemma. Congress, which is constitutionally charged with choosing between the two top runners, contains a strong anti-Ydigoras majority. If it refuses to name Ydigoras president after it convenes on 24 January, serious public disorders are likely. 


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OK

* The position of Venezuelan President Perez is threatened by a general strike which began in Caracas on 21 January. Street rioting has resulted in 33 deaths, many injured, and about 1,000 arrests. A state of siege has been declared and further violence may be expected. If the strike continues, the military now backing Perez may decide to oust him to check the mounting civilian opposition. 
(Page 7)

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OK

Recent trade negotiations between the Soviet Union and several Latin American countries reflect increased Latin American interest in Soviet bloc trade.  (Page 8)

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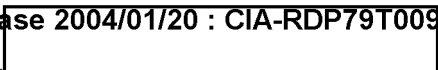
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DAILY BRIEF

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I. THE COMMUNIST BLOC

Menshikov Stresses Importance of Bilateral Talks To Improve Soviet-American Relations

Soviet Ambassador-designate to the United States Mikhail Menshikov told Ambassador Thompson on 20 January that he is personally convinced, as are Khrushchev, Mikoyan, and Bulganin, that it is essential to improve Soviet-American relations. He expressed the belief that this identity of views was apparently the reason for his appointment. He stressed the importance of contacts between top leaders and of taking some small steps toward improving relations.

Menshikov's remarks suggest that one of his major aims will be to arrange high-level bilateral negotiations. He suggested that even if no specific problem were taken up, contacts between leaders would be more useful than a large summit conference. Soviet officials during the past two months have privately urged direct talks, and Premier Bulganin's recent



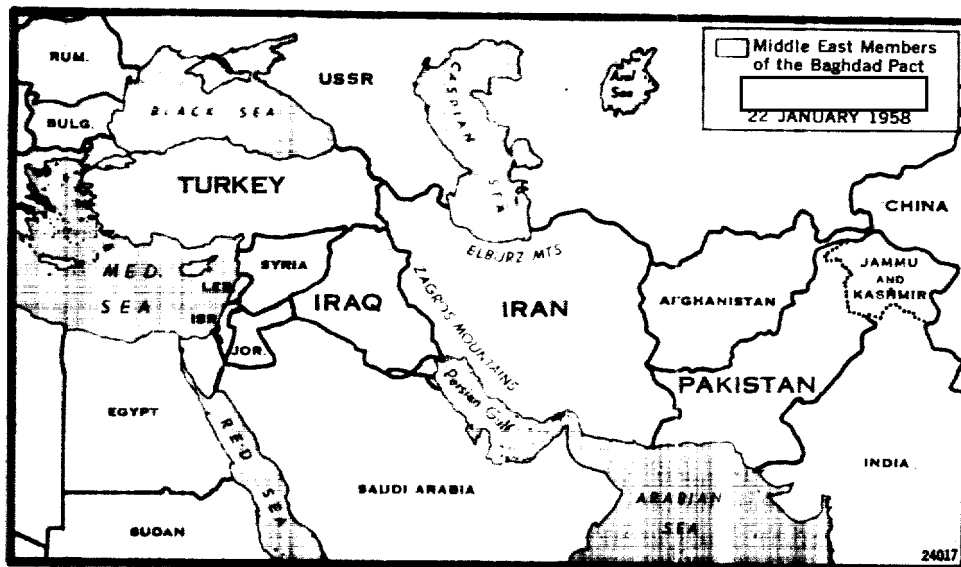
letters asserted that the USSR "always welcomes" bilateral consultations. Thompson considers that Menshikov's close relationship with Mikoyan over a period of years could give him more influence in Moscow than his predecessor.



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Soviet Statement on Baghdad Pact Council Meeting

The TASS statement of 21 January on the forthcoming session of the Baghdad Pact council in Ankara is another step in Moscow's campaign to charge the United States with the responsibility for blocking an East-West detente. The statement is intended to forestall any moves to establish American missile bases in the Middle East and to underline the USSR's posture as the champion of Arab nationalism and neutralism.

Charging that the Ankara meeting will be a "continuation" of the recent NATO heads of government conference in Paris, TASS asserted that the United States will attempt to force Baghdad Pact members to accept American bases for nuclear and rocket weapons. It warned that alleged American plans to unite the Baghdad Pact and SEATO with NATO would expose the members of these alliances to the "flames of missiles and atomic war" should a conflict break out in another part of the world.

TASS attempted to create the impression of a cleavage between Turkey, Britain and the United States, on the one hand, and Iraq, Iran and Pakistan on the other. Turkey, along with the United States, was the main target. TASS warned that the stationing of nuclear weapons and rocket bases in Turkey "would be a great threat to the people of the Middle East."

In line with Moscow's recent proposals to extend the Rapacki Plan for a nuclear-free zone in Central Europe to cover the Scandinavian countries, Italy and Albania, TASS declared that the Middle East should also become a "zone of peace free of nuclear and rocket weapons." Neutralist elements in the Middle East probably will receive this proposal with enthusiasm, while pro-Western leaders will have difficulty in opposing it publicly.

[Redacted]

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Japan Alarmed by US Trade Restrictions

Ambassador MacArthur reports that frustration in Japan over US trade policy and its application to Japanese imports has become acute as a result of recent recommendations by the US Tariff Commission for increased rates on certain Japanese commodities. He warns that more restrictions can cause major damage to the US position in Japan, prompt many pro-American Japanese to re-examine critically the economic benefits derived from continued close association with the US, and assist those forces pressing for indiscriminate trade with Communist China and the USSR.

Japanese producers in other industries which depend upon the American market will regard the US decision as an indication of the treatment Japanese products generally will receive in the future.

Japan's trade deficit with the US was approximately \$500,000,000 in 1956 and about \$900,000,000 for the first ten months of 1957. These deficits have been offset to a considerable extent by dollar earnings from US forces in Japan, but these receipts are being reduced as US forces withdraw. [redacted]

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III. THE WEST

The Post-Election Situation in Guatemala

The 19 January elections in Guatemala have produced a potentially explosive situation. Unofficial returns give rightist Ydigoras a clear plurality, while centrist Cruz Salazar appears second, and leftist Mendez Montenegro trails.

The Congress, which meets on 24 January, is constitutionally charged with choosing between the two leading candidates when there is no majority vote. The controlling moderates in Congress are strongly opposed to Ydigoras and may choose Cruz Salazar instead if he is clearly in second place. The Congress may, on the other hand, simply dissolve, thus inviting a military coup. Some influential army officers intensely dislike Ydigoras.

Ydigoras announced on 20 January that he expects Congress to select him and implied that, if it does not, his supporters will resort to mob action. Earlier, he threatened "civil war" if robbed of victory. The Communist-infiltrated Revolutionary party also declared on 20 January that Ydigoras should be named by Congress.

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Venezuelan General Strike Threatens Position
Of President Perez

The position of Venezuelan President Perez is threatened by a general strike which began in Caracas on 21 January. The chief sponsor of the strike appears to be the Junta Patriotica which is composed of various civilian elements opposing Perez. [redacted] street rioting has resulted in 33 deaths, many injured, an estimated 1,000 arrests, and considerable property damage. The government has declared a state of siege and called out troops to check the violence which police and national guard have apparently been unable to control.

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The protest movement has widespread support from a large number of prominent Venezuelans, the press, students and some worker groups. [redacted]

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[redacted]

Perez has moved decisively to bolster his authority since the revolt of 1-2 January and the cabinet shake-up dictated to him by the armed forces on 10 January. His control over the realigned military, however, remains uncertain. Division within the military and the rapid changes in top command positions and in the government have apparently confused all ranks of officers, who are probably watching the trend of the power struggle before fully committing their support.

If the strike and violence continue, the military now backing Perez may oust him in order to conciliate the mounting civilian opposition. [redacted]

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[redacted]

[redacted]

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Soviet Commercial Negotiations in Latin America

A semiofficial \$30,000,000 barter agreement between Colombia and the USSR, involving coffee from Colombia in exchange for agricultural machinery and possibly wheat from the USSR, appears to have reached the final stages of negotiation. In a press interview in Bogota, the two Soviet commercial agents negotiating the coffee contract stated that the USSR could sell Colombia industrial and precision machinery, chemicals, and primary materials on long-term credit at a rate of 2 or 3 percent.

Deteriorating economic conditions in Argentina and the depressed prices of primary products such as Colombian coffee and Chilean copper have led to a growing interest by these countries in the recently intensified Soviet bloc economic offensive in Latin America. Chile is considering the sale of 15,000 metric tons of copper wire worth \$10,000,000 to the USSR. Argentina has just sent a trade mission to the bloc seeking electronic and petroleum industry equipment to be purchased with the approximately \$30,000,000 trade surplus with the bloc. The Brazilian cabinet is considering its policy toward recent Soviet bloc overtures for increased trade. In Uruguay, the Soviet Embassy is attempting to promote a barter agreement involving Uruguayan meat in exchange for Soviet trucks and agricultural machinery.

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CENTRAL INTELLIGENCE BULLETIN

22 January 1958

DAILY BRIEF

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