

Soviet note delivered to US, Great Britain and France proposing East - West conference of military and civilian experts to work out agreements on prevention of surprise attacks.

5 July - Albania sends note to Italy stating Albania will be "compelled . . . to establish rocket launching ramps on its territory" if US rocket launching ramps are established in Italy.

7 July - Radio Moscow announces Khrushchev has had "warm, friendly talk" with the Bulgarian Premier and First Deputy Premier who are "on holiday in the USSR."

Radio Moscow announces release of US airmen forced down in Soviet Armenia on 27 June.

8 July - Soviet Deputy Foreign Trade Minister Zakharov, in Geneva, proposes the United Nations convene a world conference for the promotion of trade and employment and establish permanent international organization to promote world trade.

Khrushchev arrives in East Berlin to attend Fifth Party Congress which lasts from 10 to 16 July.

9 July - Moscow Kommunist denies Yugoslav charge that Soviets are not willing to permit different types of development in socialist countries.

11 July - Khrushchev leaves East Germany by plane for Moscow, interrupting East German Party Congress.

Suslov gives speech in Moscow honoring Novotny at which Khrushchev and Voroshilov are present.

Bulgaria sends note to Italy saying establishment of US rocket bases in Italy "may induce countries which might rightfully consider themselves in danger to take relevant measures dictated by the interests of their security."

12 July - Khrushchev addresses rally in Moscow honoring Novotny.

14 July - Nasser of Egypt leaves Yugoslavia one day early on board his yacht.

Military coup d'état in Iraq.

15 July - Soviets hand notes to US, UK, French and West German ambassadors in Moscow containing proposal for a treaty of "friendship and cooperation" between all states of Europe.

Czechoslovak news agency publishes July Czechoslovak letter to Adenauer asking for re-establishment of diplomatic relations, settlement of outstanding Czech - West German problems, and asking for German reconsideration of the Rapacki Plan.

18 July - Radio Moscow announces Nasser had talks with Khrushchev in Moscow on 17 July.

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19 July - Soviets propose Five Power "summit" meeting to be held in Geneva, Washington or elsewhere on 22 July to solve Middle East crisis and reduce international tension.

21 July - Soviets publish 15 July note listed above.

Chancellor Raab of Austria is met at Moscow airport by Khrushchev and Mikoyan and given red carpet treatment.

Soviets protest violation of Austrian neutrality by US transport planes flying to the Middle East.

Polish police raid on Catholic monastery at Jasna Gora sets off renewed Church - State tension in Poland.

22 July - At lunch honoring Raab, Khrushchev proclaims Soviet devotion to principles of "friendship and equality" as well as "sovereignty and national independence" in relations with other states as opposed to wanton disregard of these principles by western "imperialists."

23 July - Khrushchev agrees to US proposal for Security Council "summit" meeting in lieu of his original 19 July proposal but wishes India and "Arab countries concerned" to participate and wishes the meeting to be held 28 July.

24 July - Communique issued concerning Austro - Soviet talks announced Soviet agreement to a 50 percent reduction of Austrian POL deliveries to the USSR required as reparations under the 1955 State Treaty.

28 July - Polish government raises state price for grain and potatoes purchased from farmers but retains compulsory delivery policy for 1958.

31 July - Church - State commission meets to discuss tense situation provoked by Jasna Gora incident and reaches partial agreement on limits of Church independence.

31 July to 3 August - Khrushchev in Peiping for talks with Communist China leaders.

5 August - Khrushchev sends notes to US, UK and France rejecting idea of "summit" conference with in United Nations Security Council on grounds it would exclude Communist China and proposing an emergency session of the UN General Assembly on the Middle East crisis.

6-7 August - Soviet and Bulgarian governments announce completion of military maneuvers near Iranian and Turkish borders.

8 August - Albania sends indignant note to Yugoslavia denouncing as "premediated murder" the killing of an Albanian refugee as the refugee attempted to escape from a detention camp.

14 August - Albania threatens to break off diplomatic relations with Yugoslavia over refugee incident.

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16 August - Khrushchev departs Moscow for vacation in Crimea.

Kadar departs Budapest for vacation in USSR.

21 August - Technical experts meeting in Geneva concludes with agreement on inspection system to detect nuclear testing.

23 August - Initial Communist Chinese shelling of Quemoy Island.

27 August - Moscow announces publication of new Communist international journal Problems of Peace and Socialism to provide centralized theoretical guidance to Communist movement.

29 August - Khrushchev accepts Western proposal for conference in Geneva on 31 October to discuss cessation of nuclear tests.

End of August - Although dates are not given, persistent rumors and unverifiable reports suggest that a meeting of Bloc leaders took place in the Crimea, presumably wherever Khrushchev was located, near the end of the month.

5 September - Soviet Central Committee session announces removal of former Premier Bulganin from Presidium and plans for convocation of the Twentieth First Party Congress in January 1959, a year ahead of schedule.

East Germans propose establishment of a Four Power commission to draft a German peace treaty.

7 September - Gomulka delivers major address on agricultural policy which, while urging formation of farm collectives and emphasizing regime adherence to collectivization ideal, reiterates regime position that collectivization must be "fully voluntary."

Soviets send note to US pointing out that any attack against Communist China would be regarded as an attack against the USSR.

15 September - Soviet note to western Powers proposes technical experts meeting in Geneva, beginning 18 November, to discuss measures for preventing surprise attacks.

17 September - Kadar returns to Budapest in Soviet TU-104 after one-month vacation.

18 September - In notes to East Germany and western Powers, Soviets endorse East German proposal of 5 September to draft German peace treaty.

21 September - Khrushchev proposes sweeping reform of Soviet educational system to permit more thorough indoctrination of students and to utilize teen-age manpower more intensively for production.

23 September - Yugoslavs charge Bulgarians with territorial designs on Yugoslav Macedonia.

24 September - Gomulka describes Polish Church as "openly and seditiously" opposed to his regime but states religious instruction will continue to be permitted in public schools under minimum restrictions.

RESISTANCE POTENTIAL

No significant change in the overall stability of the Soviet Bloc occurred during the past quarter. The only immediate threats to stability appear to exist in East Germany and in Poland. On the other hand there has been no reduction of the general, anti-Communist resentment held by Bloc populations; dissidence continues to be both a major vulnerability of the "socialist camp" and a constant potential danger. Noteworthy developments bearing on stability during the past quarter were as follows:

East Germany - At the 10 - 16 July Fifth Party Congress in East Germany, Walter Ulbricht completely dominated the proceedings and demonstrated his authority; the new Secretariat of the Central Committee and its Politburo were filled with loyal Ulbricht adherents and all potential rivals for power were dropped. Intra-Party division appears, temporarily at least, to have been wiped out. On the other hand, the "hard line" propounded at the Congress as Party policy has aggravated the unrest already existing in East Germany. Despite stringent travel controls, the exodus of East Germans as a result of the increased unrest was 62,000 during the third 1958 quarter, only 17,000 less than in the corresponding period in 1957. The large proportion of physicians, teachers, scientists and students contained in this exodus has raised such serious problems for the regime that the "hard line" has had to be relaxed for these groups. Despite the undoubted high level of unrest now present in East Germany, however, the occurrence of significant, anti-regime violence is estimated to be unlikely.

Poland - A Polish police raid on 21 July, against the Jasna Gora monastery in southern Poland, constituted the sharpest encounter between the Church and the Gomulka regime since 1956, and, by precipitating a Church - State dispute in so devout a country, has undermined one of the principal pillars of stability in Poland. Accusations and counter-accusations have been exchanged freely during the quarter with neither side willing, however, to precipitate a dangerous break. From the Church's point of view, Gomulka represents the most liberal regime for which it can reasonably hope. From Gomulka's point of view Church support, conditional though it may be, is a major guarantee of that popular support without which he would be at the mercy of the Soviets. Both sides of this conflict have so great an interest in the maintenance of public order that neither is willing to allow the dispute to reach the stage of violence. Thus, although the dispute has further reduced general support of Gomulka, significant violence is unlikely.

Czechoslovakia - The general Czechoslovak campaign to rationalize the country's administrative and productive processes has necessarily involved unpopular measures such as reduction of administrative jobs, relocation of positions, increased work norms, and screening for political reliability. These measures have served to increase popular resentment against the regime. There is no evidence, however, that a dangerous wave of antagonism may be developing. It seems likely, in fact, that Czechoslovak dissidence will continue as in the past to remain passive.

Rumania - The Rumanian regime has instituted a new series of repressive measures apparently motivated by a desire to demonstrate its loyalty to Moscow, to prevent manifestations of ideological deviation found in other Bloc countries, to act as a restraining force following the withdrawal of Soviet troops, and to strengthen the hold of the leaders over the Party apparatus. During a plenary session in June 1958, the

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the Central Committee emphasized the necessity and importance of closer Party unity and purged four of its members for "anti-Party attitudes." In July, the Presidium of the People's Assembly authorized the courts to invoke the death sentence for economic crimes and newspapers undertook a campaign against judges who were too lenient with those guilty of damaging or embezzling state property. Pressure, including arrests, expulsions from the Party, and wholesale dismissals from government positions, have been reportedly applied against intellectuals, and numerous orthodox clergy are supposed to have been arrested. Minorities have been abruptly warned that they must choose Rumanian citizenship or leave the country. These harsh measures have succeeded in keeping expressions of dissatisfaction at a minimum and demonstrate again the ability of the regime to maintain itself in power through the use of traditional police state terror techniques. Significant anti-regime violence is believed unlikely.

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COUNTERINTELLIGENCE

1. (SECRET) The Hostile Intelligence Services: Significant Activities and Trends

a. The most important trend evidenced during the reporting period concerns an apparent change in collection emphasis of the non-German Satellite intelligence services. During the past five years, these services were primarily engaged in operations directed against Western intelligence agencies, and therefore did not represent a primary threat to the security of USAREUR/CENTAG forces and operations. However, a gradual reversal of this concentration on counterintelligence operations has been noted during the past year, and the trend has become even more pronounced during the last quarter. Sufficient cases have been recently reported to necessitate re-evaluation of the Satellite countries' ability to collect information on USAREUR/CENTAG capabilities and intentions.

b. Satellite country emphasis on positive collection has been particularly apparent in relation to attempts to gather information on advanced weapons, pentomic reorganizations and emergency movement of USAREUR forces. However, general order of battle (OB) collection on USAREUR/CENTAG units from battalion to divisional level has also become increasingly common among most Satellite country services. The Czechoslovakian intelligence services have additionally been responsible for a series of attempts to procure classified documents concerning atomic weapons. The Czechoslovakian, Rumanian and Polish services have had specific Essential Elements of Information (EEI) against atomic storage points and missile sites in recent months. And most of the Satellite country services have assigned agents to cover maneuvers conducted by USAREUR/CENTAG or other NATO Forces.

c. Among the more interesting Satellite service cases reported during the past quarter were two in the Polish field and one involving a Czechoslovakian service. The Czechoslovakian case is primarily of interest because it represented a positive collection effort which successfully operated in West Germany for ten years, longer than any previously revealed hostile operation against USAREUR/CENTAG armies. Initial reports indicate the two agents involved in this case collected voluminous information on USAREUR and West German forces. One of the Polish cases concerned the second attempt discovered this year in which this service attempted to recruit USAREUR personnel. The approach was made in an attempt to obtain positive intelligence, but it is not known if this objective was in consonance with the recent trend towards positive collection or was only the result of a "target of opportunity" operation. The second Polish case concerned an ethnic German who recently admitted having served as an agent in Western Europe since 1954. He was recruited by a Polish intelligence service in 1952, received training at two espionage schools, and was dispatched to West Germany during 1954 in the cover of an expellee. While he directed most of his activities against USAREUR/CENTAG and ATAF units in West Germany, the agent also completed missions in France and Germany.

d. The East German Military Intelligence Service, formerly known as Administration 19, has recently been renamed the Administration for Coordination (VfK). Apparently, this redesignation has not changed the basic collection mission which, since 1952, has been the procurement of positive intelligence on USAREUR/CENTAG forces in West Germany. The effectiveness of the VfK in completing its missions must be accepted as one of the more important current threats to USAREUR/CENTAG security. A particular danger is posed by VfK emphasis on advanced weapon targets including attempts to obtain classified documents on atomic weapons. In addition to this specialized

coverage, the VfK is able to utilize existing source assets in West Germany to report on emergency situations such as troop movements during the recent Middle East crisis. Apparently, the VfK was able to furnish required information on both air and sea movements during the critical period. Although a large number of sources were alerted for emergency reporting on USAREUR troop movements during this period, there was no indication of the extensive collection effort used by the Soviet Bloc services to monitor NATO forces at the time of the 1956 Hungarian rebellion.

e. Most Soviet cases reported during the past quarter involved Military Intelligence (RU) operations against USAREUR/CENTAG order of battle, again with emphasis on advanced weapon units. A West German employee of USAREUR, an East German who was to be sent into West Germany, and a Lithuanian refugee who wished to repatriate were all vetted as sources against USAREUR/CENTAG targets. While all of these cases involved lower-level operations, they are primarily of interest because of their emphasis on collection of USAREUR/CENTAG order of battle.

2. (CONFIDENTIAL) The Subversive Elements: Significant Trends and Activities

Subversive activities directly inimical to USAREUR/CENTAG forces continued to be extremely limited. The Communist parties were largely concerned with local political issues, and none of the extreme rightist elements possess the strength to pose a major threat. Some weakening or loss of public support for various Communist activities was noted in relation to the national Communist parties.

a. West German Communists: The preparation and dissemination of propaganda continued to be the most important activity of the illegal West German Communist Party (KPD). An intricate publishing and distribution structure, designed to protect Party members from West German security measures, has been established to supplement East German propaganda material distributed through interzonal mail. This latter effort has been partially blocked by West German police and security agencies which monthly confiscate hundreds of thousands of leaflets, brochures, magazines and newspapers. Themes for most of this material follow the familiar lines of Communist propaganda, although a large part of recent publications have been devoted to the "anti-atomics, anti-missile" campaign. One recent exception to the usual lack of propaganda material specifically directed to Western military forces is the use of an English language article in an East German magazine normally devoted to anti-Bundeswehr themes. The two articles recently published contained completely false stories of misconduct attributed to USAREUR officers. Both US and British personnel are encouraged to write for free subscriptions to the magazine, but it is doubtful that many copies have found their way to non-German readers. The KPD renewed the use of one technique, rockets which scatter propaganda leaflets over crowds, to further their propaganda activities. A few rockets were employed during May Day demonstrations this year, but a more recent series of these were discovered during August current. Leaflets in these rockets contained protests against the banning of the KPD and against the trials of KPD members or other Communists who were charged with anti-Constitutional activity. The Party has also recently attempted to revitalize the flagging "anti-atomic" campaign which has lost much of its public interest in the face of contrary court decisions and continuing government disapproval. The Communist front groups have led a limited amount of "anti-atomics" activity in West Germany, while the East German Communist Party (SED) has been more active in Berlin. Numerous demonstrations and meetings have been held, and in some cases groups of East Berlin SED members have been sent into the Western

sectors to simulate West Berlin interest in the campaign. However, the combined efforts of the KPD, SED and front groups have not been able to marshal any appreciable degree of support or interest from the general public.

b. French Communists: The most important activity--and most striking failure--of the French Communist Party (PCF) during the reporting period concerned the Party's attempts to stem de Gaulle's rising popularity and prevent an affirmative vote on the new French constitution. Although the Party was directed to use all available resources to carry out these objectives, the final constitutional vote was indicative of the Party's inability to control public opinion or even its own Party members. It is apparent that within the 17.6 million affirmative votes, at least one million were cast by PCF members or sympathizers. Even Communist-sponsored demonstrations against the constitution were largely ineffective. On 4 September current, de Gaulle presented the proposed constitution to a mass meeting in Paris. The PCF directed its membership to disrupt the meeting at all costs, but only a few thousand Communists, who were easily controlled by French police, even made any attempt to create disturbances. Party prestige suffered during the constitutional campaign and final vote, and may presage even further weakening of the Party under a strong de Gaulle government. In addition to failing to mobilize its full internal strength for the anti-de Gaulle campaign, the Party continued to make no headway in its efforts to break out of its isolation. The elements in the Socialist Party and other left wing non-Communist political groups ignored a call for united action against de Gaulle. One organization was organized by the non-Communist left to campaign against the constitution, but when it became apparent that Communist elements had gained control through classic infiltration techniques, the group was abandoned by its organizers and left to its Communist leaders. No action, and only some propaganda incidental to that being aimed at the United States on world issues was directed against the personnel or installations of USAREUR/CENTAG forces.

c. Italian Communists: Recent events in the Middle East furnished the Italian Communist and leftist press with an opportunity to condemn the United States and the West. Old themes were rehashed in long articles featuring alarmist headlines. General treatment of the pro-Communist papers stressed the following points: the United States "invasion" of Lebanon was aggressive action in defiance of the UN; Italy should immediately cease contributing to "imperialist aggression" through suspension of American use of air and naval bases; and world public opinion is against Anglo-American invaders, while Italian public opinion is becoming increasingly aroused against the United States. Concerning the summit meeting, the leftist press portrayed the Soviets as the only peace loving country and accused the United States of attempting to postpone the meeting indefinitely. The Bulgarian and Albanian protests against missile bases in Italy were played up; the situation in Formosa received the expected treatment; and L'Unita, the official Communist Party newspaper, introduced a new theme - abolishment of NATO bases in Italy.

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