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By MMK NLDDE Date 3/16/17

THE WHITE HOUSE
WASHINGTON

STAFF NOTES NO. 392

July 15, 1958

1. THOR Missile Test. -- THOR No. 123 was launched on July 12. Lift off, powered flight and guidance system were normal but the main engine failed to cut off on guidance command. In an apparently related difficulty, the nose cone did not separate at the proper time. The separation evidently occurred prior to or during the early re-entry stage, and the data capsule was recovered. The range was 1125 miles. Actual error was 2 miles in azimuth and 23 miles in range. Malfunctions were believed caused by minor components rather than any fundamental defect in design, and it is expected that the cause will be isolated. (S)

2. Wholesale Prices. -- Labor will announce for publication Thursday morning that wholesale prices declined 0.3% between mid-May and mid-June to 119.1% of their 1947-49 level. Lower prices for farm products and for manufactured animal feeds were the largest contributors to the decline. Prices of processed foods advanced and the index for all commodities other than farm products and foods averaged unchanged because of offsetting price movements. (Admin. Conf.)

3. US Forces in Iceland. -- On July 1 the JCS responded to queries by the Deputy Under Secretary of State as to the capability which US forces remaining after the contemplated withdrawal would have to (a) maintain internal security in Iceland, and (b) defend against an attack by ground forces. Additional information on military missions and security forces was supplied on July 7, with the request that political action be initiated as a matter of priority so that Defense may begin the withdrawal of Army ground forces by October 1, to permit its completion by the end of CY 1958. (TS)

4. Morocco Program. -- The \$29.9 million (\$19.4 million in dollars and \$10.5 million in local currency) loan agreement with Morocco was signed on July 10. (S)



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5. Tunisia and Morocco Eye Red China. -- We are discreetly trying to dissuade the Moroccans from recognition of Red China, which our Embassy feels may be imminent. In Tunisia a "relatively accurate" press story quotes Bourguiba as saying that Tunisian recognition and establishment of diplomatic relations with Red China have already been decided and will take place this year, perhaps before the next UN General Assembly. (C)

6. Turkish Aid. -- Foreign Minister Zorlu feels that the only drawback in the present negotiations with OEEC is that the EPU Managing Board is going on leave until September. Our Embassy feels that the longer a stabilization-aid program is delayed the greater is the danger that the Prime Minister may be forced out or that implementation may be complicated. We are pledged to full efforts to speed OEEC procedures in the event of a Turkish-OEEC/IMF agreement, and we have urged our NATO Mission to give the Turkish case priority attention. Meanwhile the OEEC Council has agreed to meet on it late this month. (S)



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