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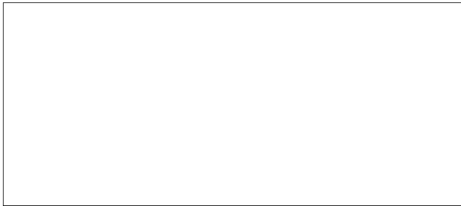
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5 March 1958

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# CENTRAL INTELLIGENCE BULLETIN

# INTELLIGENCE

# BULLETIN



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5 MARCH 1958

**I. THE COMMUNIST BLOC**

Soviet Air Force activity returns to normal.  

North Korea says it will deliver passengers of hijacked South Korean air liner at Panmunjom on 6 March.

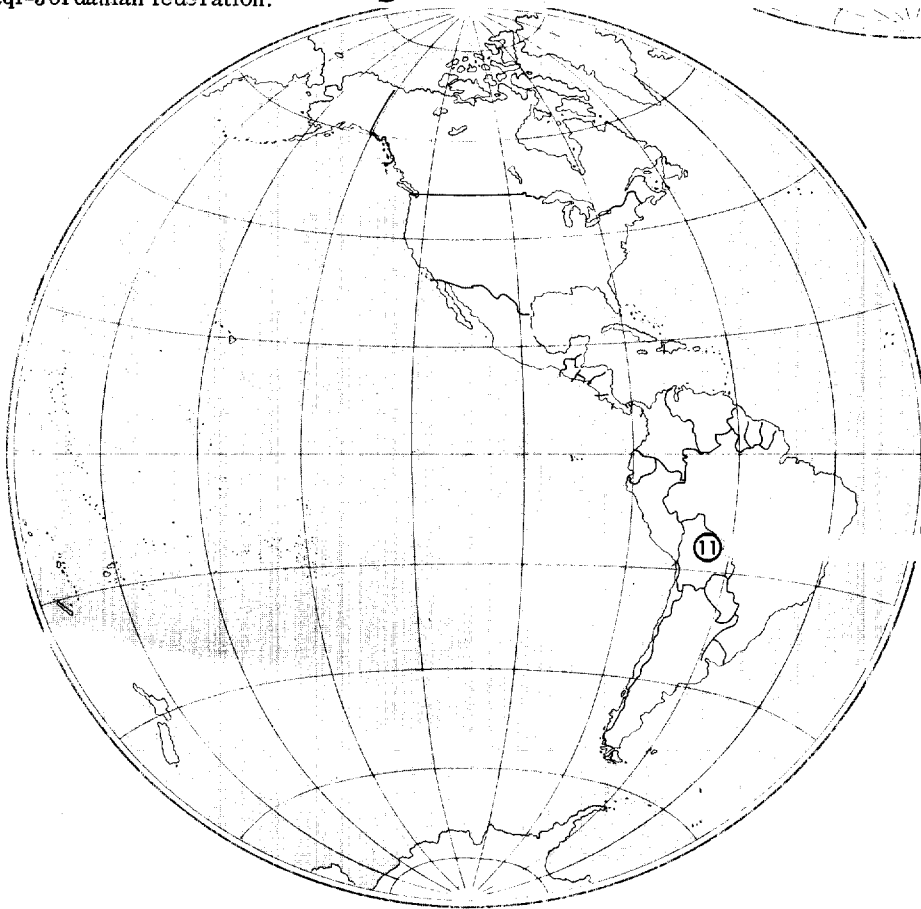
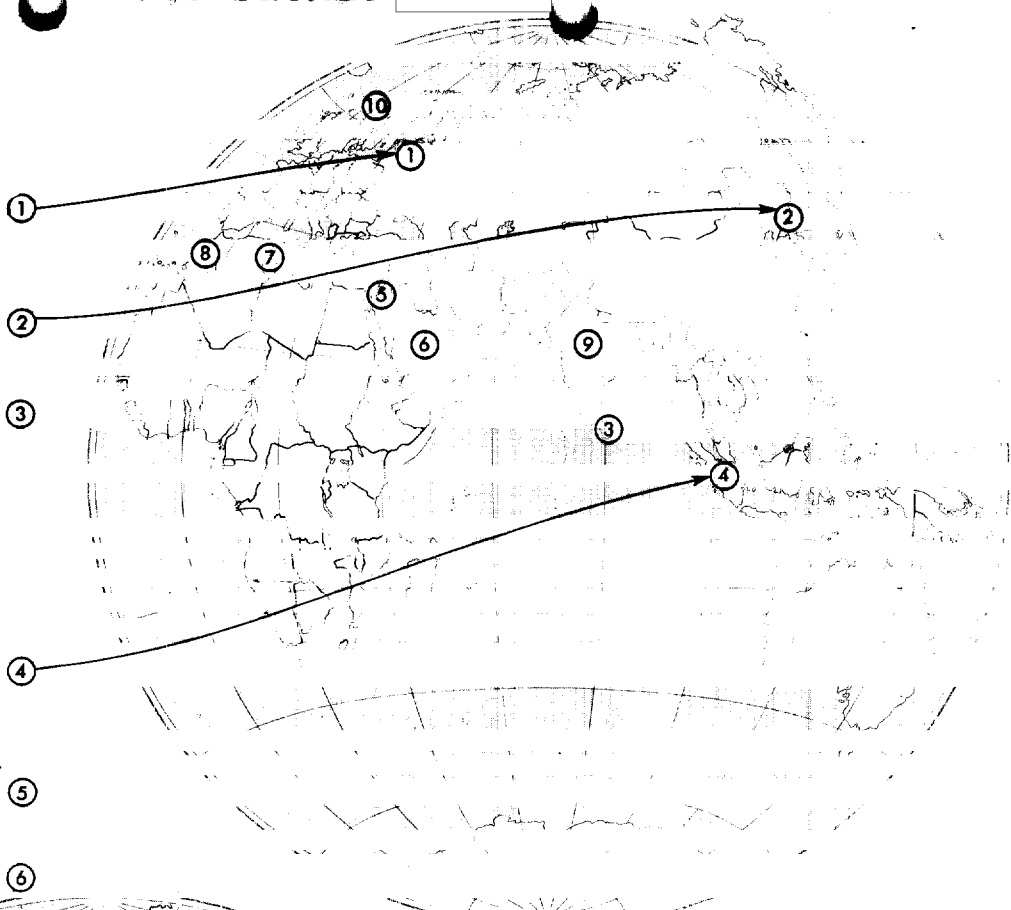
Communist China extends Ceylon \$10,500,000 flood rehabilitation loan.

**II. ASIA-AFRICA**

Indonesia - Djakarta warns it will bomb American- and Dutch-owned oil storage tanks in dissident-held areas. US charge warns of consequences. Djakarta expects to receive Soviet bloc jet fighters in April.

Jordan - Nasir sympathizers blow up presses of progovernment newspaper. Further violence likely.

King Saud says he will join neither the United Arab Republic nor the Iraqi-Jordanian federation.



- ⑦ Tunisian newspapers indicate impatience and suspicion of good offices efforts.
- ⑧ Moroccan Government requests US to prevent French materiel shipments into Morocco through US air bases.
- ⑨ India may accept Rumanian offer to construct oil refinery.

**III. THE WEST**

- ⑩ Norwegian cabinet group recommends thinning out East-West forces in Germany along lines of Rapacki plan.
- ⑪ Bolivia - President Siles Zuazo threatens to resign over opposition within his own party to US-backed economic stabilization program.

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## CENTRAL INTELLIGENCE BULLETIN

5 March 1958

## DAILY BRIEF

SIRAB

## I. THE COMMUNIST BLOC

Soviet air activity: The lull in Soviet air activity which has been noted for the past nine days has ended with a broad resumption of operations on 4 March. Air activity is returning to normal in the Long Range air units, as well as in the Tactical and Air Defense Air Armies. Least affected during the stand-down were transports and aircraft deployed in the Arctic. [redacted]

Korean airliner issue: North Korea has declared that the passengers of the hijacked South Korean airliner who wish to be returned will be delivered at Panmunjom on 6 March. Pyongyang seems intent on maintaining the facade of government-to-government arrangements and has proposed that representatives of the American and West German governments be present when the passengers are freed, although it has announced readiness to accept representatives of the South Korean Red Cross. This latest Communist initiative may reflect some anxiety to effect an early release of the passengers, whose kidnapping distracted attention from Peiping's recent promise to withdraw its troops from Korea. [redacted]

Communist China - Ceylon: Communist China's \$10,500,000 low-interest ten-year loan to Ceylon for flood rehabilitation follows closely the conclusion of a Soviet \$30,000,000 long-term loan which also included

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relief funds. The Sino-Soviet bloc has given credits and grants worth \$60,000,000 since it began its aid offensive in Ceylon last September. [REDACTED]

## II. ASIA-AFRICA

\* Indonesia: The American chargé in Djakarta has been warned by the Indonesian Foreign Ministry that the government has decided that it will soon bomb American and Dutch oil storage tanks near Padang in Central Sumatra and Manado in North Celebes. The chargé was told that the attacking planes would give prior warnings so that foreign personnel could escape harm. The chargé warned the Foreign Ministry against the attack and pointed out that there could be serious repercussions. The Indonesian Government is expecting the arrival in Djakarta in April of some of the jet aircraft recently purchased from Czechoslovakia and may have contracted for naval craft from the USSR. [REDACTED]

[REDACTED] (Page 1) (Map)

Egypt-Jordan: The first violence stemming from Nasir's vehement propagandist campaign against the Jordanian Government occurred on 3 March, when a progovernment newspaper's presses were blown up in Jordanian Jerusalem. Further antigovernment violence in the West Jordan area is likely. [REDACTED]

Saudi Arabia: King Saud [REDACTED] intends to join neither Nasir's United Arab Republic nor the Arab Union formed by Iraq and Jordan, although he prefers the latter. He does not feel able to express this preference publicly, but will make other states, including Kuwait, aware of it if they ask for his views. [REDACTED]

[REDACTED] (Page 2)

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Tunisian situation: Influential Tunisian newspapers indicate impatience and suspicion of the "good offices" efforts. Meanwhile, a representative of the International Red Cross is convinced that Algerian refugees, entering Tunisia from the border area where France plans to create a "no man's land," are telling atrocity stories which are generally authentic even if exaggerated. [REDACTED]  
(Page 3)

Morocco: The Rabat government, fearing a French military build-up in Morocco, has again requested that the United States prevent France from bringing large quantities of materiel into Morocco via the American air bases, particularly the naval air facility at Port Lyautey. While aware that these bases are under joint US-French control, the Moroccan Government fears this legal distinction may be lost on an aroused Moroccan public. An earlier request occurred in the fall of 1956 when France used its facilities on the Port Lyautey base to circumvent a Moroccan closure of other Moroccan ports. [REDACTED] (Page 4)

India: India has received a firm offer from Rumania to finance and construct one of two government-owned refineries soon to be built. New Delhi will entertain other offers, but the Indian Ministry of Steel, Mines, and Fuel is apparently favorably inclined toward the Rumanian offer. It considers Rumanian competence high and the prospect of quick action good. Acceptance would expand Soviet bloc influence in the basic Indian steel, coal, and oil industries, where considerable bloc interest already centers. [REDACTED]  
[REDACTED] (Page 5)

### III. THE WEST

Rapacki plan--Norwegian view: A small inner security group of the Norwegian cabinet has informally approved a working paper which, while rejecting the substance of the

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Rapacki plan, recommends thinning out of forces on both sides of a demarcation line in Germany. [ ]

[ ] the director of political affairs of the Polish Foreign Ministry had considerable success in persuading Norwegian officials toward a favorable view of the Rapacki proposals during his recent visit to Oslo. the initiative on this issue is primarily Norwegian. [ ] (Page 6)

Bolivia: President Siles Zuazo is again threatening to resign because of strong leftist opposition within his ruling party to his administration of the US-backed economic stabilization program. The proposed visit to Bolivia of former President Paz Estenssoro, now ambassador in London and still chief of the government party, has prompted Siles' action because of pressure from Paz to conciliate the leftists. Siles has successfully used this tactic to gain popular support in other crises. [ ]

[ ] (Page 7)

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I. THE COMMUNIST BLOC  
No Back-up Material.

II. ASIA-AFRICA

Indonesia

[redacted] an early gov-  
ernment attack on Central Sumatra. [redacted] Djakarta informed  
Makassar, the military headquarters in South Celebes, not to expect the  
528th Battalion from Surabaya because its assignment had been changed  
and it was leaving for Sumatra [redacted]

[redacted]

[redacted]

[redacted]

In Djakarta, meetings between Sukarno and Hatta are continuing without any known progress. One report states that a deal was being worked out whereby Sukarno would assume the premiership and Hatta would be vice premier and return to the position of vice president. The question of Communist participation in the government, however, does not yet appear to have been settled. Sukarno probably is placing extremely heavy pressure on Hatta to re-enter the government on Sukarno's terms under threat of being blamed for subsequent military operations. [redacted]

[redacted]

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### King Saud Retains Cautious Attitude Toward Rival Arab Blocs

King Saud's public attitude of strict neutrality between the contending Arab blocs is in part a reflection of long-standing Saudi policy, which has sought to reconcile rather than aggravate divisions in the Arab world. However, his willingness to tell the Iraqi and Jordanian foreign ministers, even in a private conference, that he prefers to see their union strengthened rather than Nasir's is an indication that Saud considers the Egyptian dictator his major long-term enemy. Saud's reported preference is particularly significant since the Hashemite monarchies are the traditional rivals of the Saudi house.

It is still not clear, however, how much Saud intends to do for the Jordanian-Iraqi cause. He has agreed to keep in Jordan at least some of the Saudi troops who were moved there in 1956-1957, ostensibly to protect the country from Israeli attack but actually to help counter possible Syrian moves against King Husayn. He has said, however, that he cannot bear the full financial burden of the Jordanian subsidy, and he is unwilling to take the initiative of urging Kuwait into the Arab Union. It therefore seems increasingly doubtful that Saud's operations against Nasir's position in Syria will amount to much more than the usual Saudi practice of distributing large-scale bribes in the area. A prolonged deadlock between Nasir and the Jordanian-Iraqi grouping would be likely to increase Saud's sense of isolation and his fears of taking any forthright public stand.

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### Tunisian Situation Remains Tense

The two most influential French-language newspapers in Tunisia reflect impatience and suspicion on the part of many Tunisians toward the "good offices" mission. One paper says the people are waiting impatiently for results of the Murphy mission's efforts. The other comments that "silence, mystery, and the slowness of American secret diplomacy are leading to confusion." Ambassador Jones reports that President Bourguiba, who declined to comment on the "good offices" in his 27 February radio speech, has created a public opinion problem with his people, who are used to being told how to react to important situations. The Tunisian Government also is concerned about the upsurge of activity on the part of followers of Salah ben Youssef, the exiled rival of Bourguiba, and has arrested some 30 persons.

An International Red Cross representative has inspected the Tunisian border area where Algerians--some 7,000 [redacted]--are fleeing the projected "no man's land" and are taxing relief operations. The representative, who declined to estimate the number of such refugees, held interviews with some 30 Algerians who reported "barbarism" by French paratroopers, random executions, and wholesale destruction of property. He claims to be personally convinced of the "general authenticity, if exaggeration, of these reports." [redacted]

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Rabat Asks US to Curtail French Use of American Bases  
In Morocco

The Moroccan Government, fearing that France may attempt a military build-up, has again asked the United States to keep France from bringing in large quantities of materiel via the naval air facility of Port Lyautey. On 30 November 1956, Rabat had protested to both the United States and France over French stockpiling of materiel at Port Lyautey, an action described as an "unacceptable affront to Moroccan sovereignty."

An official of the Moroccan Foreign Ministry informed the American Embassy on 2 March that approximately 22 carloads of French military equipment, including several tanks and half tracks, were off-loaded at Port Lyautey during the night of 27 February. He believed this equipment ultimately would be used against irregular Moroccan forces in "the south." He added that a considerable amount of clandestine activity appeared to be going on at Port Lyautey and this was causing his government concern.

While he recognized that American bases in Morocco are jointly commanded and operated with France, he pointed out that they were commonly considered to be American. Their use for the supply of French forces, therefore, made an extremely bad impression on public opinion and complicated Moroccan-US air base negotiations.

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### India Receives Rumanian Offer to Finance and Build New Oil Refinery

The Indian Government, which is engaged in developing oil resources in the northeastern part of the country, is reported by a reliable source to be attracted by a recent firm offer from Rumania to build a small refinery in Assam under a long-term, low-interest loan. The size of the refinery indicates that a loan of \$8,000,000 to \$10,000,000 probably is involved.

New Delhi in January signed a contract with the British-owned Burmah Oil Company giving the Indian Government a one-third interest in a \$100,000,000 joint company formed to exploit oil deposits in Assam. The government plans to build one refinery in Assam and one in Bihar, the latter connected to the Assamese oil fields by a pipeline.

All four existing oil refineries in India are owned and operated by Western companies, and British interests have provided a sterling loan equivalent to \$28,000,000 to finance construction of the proposed new pipeline. The Indian Government presumably will entertain other Western offers for refinery construction, but the Ministry of Steel, Mines, and Fuel apparently favors acceptance of the Rumanian approach.

Soviet bloc influence in India's developing heavy industry is already considerable. The USSR has provided \$132,000,000 for the Bhilai steel mill, \$126,000,000 toward a heavy machine tool building complex, and has offered \$25,000,000 to the pharmaceutical industry. It has also assisted in oil exploration. Czechoslovakia is providing about \$33,000,000 for a foundry-forge project.

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## III. THE WEST

Norwegian Cabinet Group Offers Counterproposals to Rapacki Plan

The Norwegian Government is planning to propose a scheme for European security which would accept the Rapacki plan as a basis for discussions and would recommend thinning out military forces on both sides of a demarcation line in Germany, [REDACTED]

[REDACTED] Despite a report that a Polish Foreign Ministry official persuaded some Norwegian officials to take a favorable view of the Rapacki proposals, the initiative on this issue is primarily Norwegian.

A senior Norwegian Foreign Ministry official told the US Embassy on 28 February that a small inner group in the Norwegian cabinet had informally approved a working paper outlining counterproposals which would be advanced as modifications of the Rapacki plan. [REDACTED]

[REDACTED]

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~~SECRET~~Bolivian President May Resign

President Siles Zuazo is proposing to resign as a result of pressure from leftists within his own ruling party, backed by former President Paz Estenssoro, against the administration of Bolivia's US-backed economic stabilization program. Paz, now ambassador to London, still heads the government party. The crisis arises from the prospect that Paz is to return to Bolivia in connection with the party's convention this month, and from the fact that the economic situation is deteriorating.

Paz insists. [redacted]

[redacted] that Siles must accept the policies of leftist labor leader Juan Lechin even though they undercut the stabilization program. Siles, on the other hand, reportedly now regards Lechin as a Communist and refuses to consider a reconciliation with him. Consequently, Siles on 2 March announced to his cabinet and the government party political committee that he planned to turn over his office to Senate President Alvarez Plata, his legal successor who was once considered moderate but more recently has been reported close to Lechin. Almost all high government officials opposed this move but planned further discussion after Alvarez' return to Bolivia from a commercial mission on 4 March. [redacted]

[redacted]

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