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4 October 1958



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CENTRAL INTELLIGENCE BULLETIN



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4 OCTOBER 1958

I. THE COMMUNIST BLOC

Taiwan Strait - Air clash in Chinmen area 3 October; Nationalist transport on air-dron mission attacked by MIG's.

USSR awaiting "propitious moment" to recognize Algerian provisional government

Hungary stiffening policy toward US.

II. ASIA-AFRICA

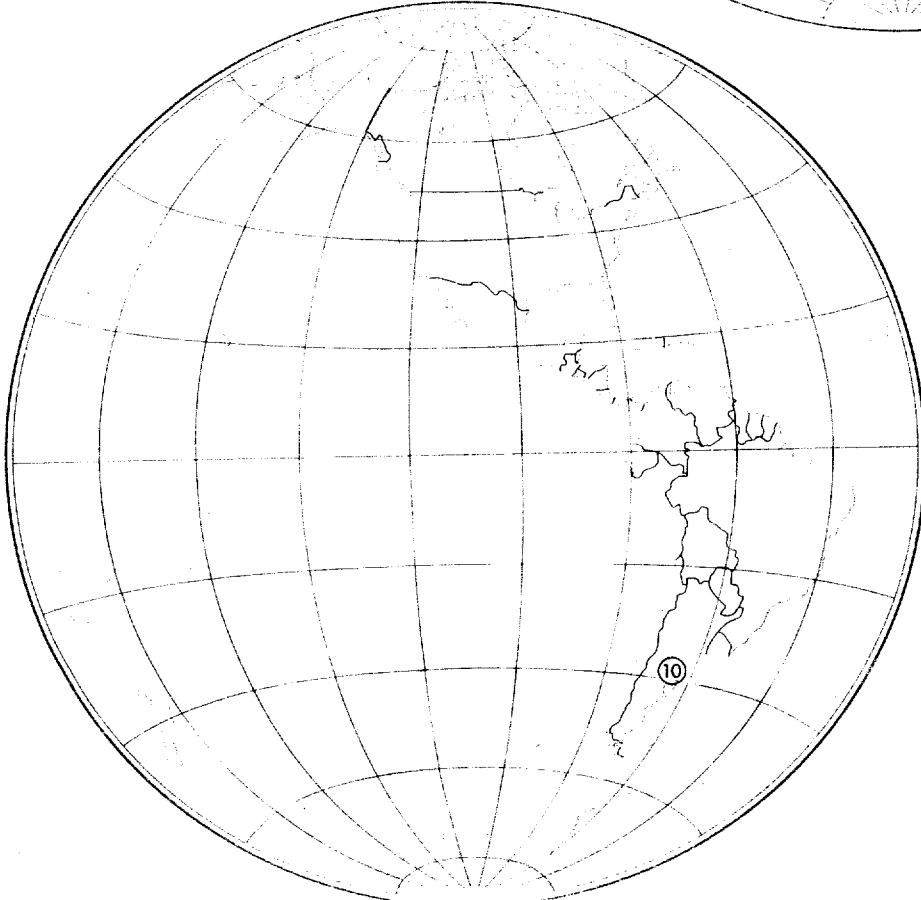
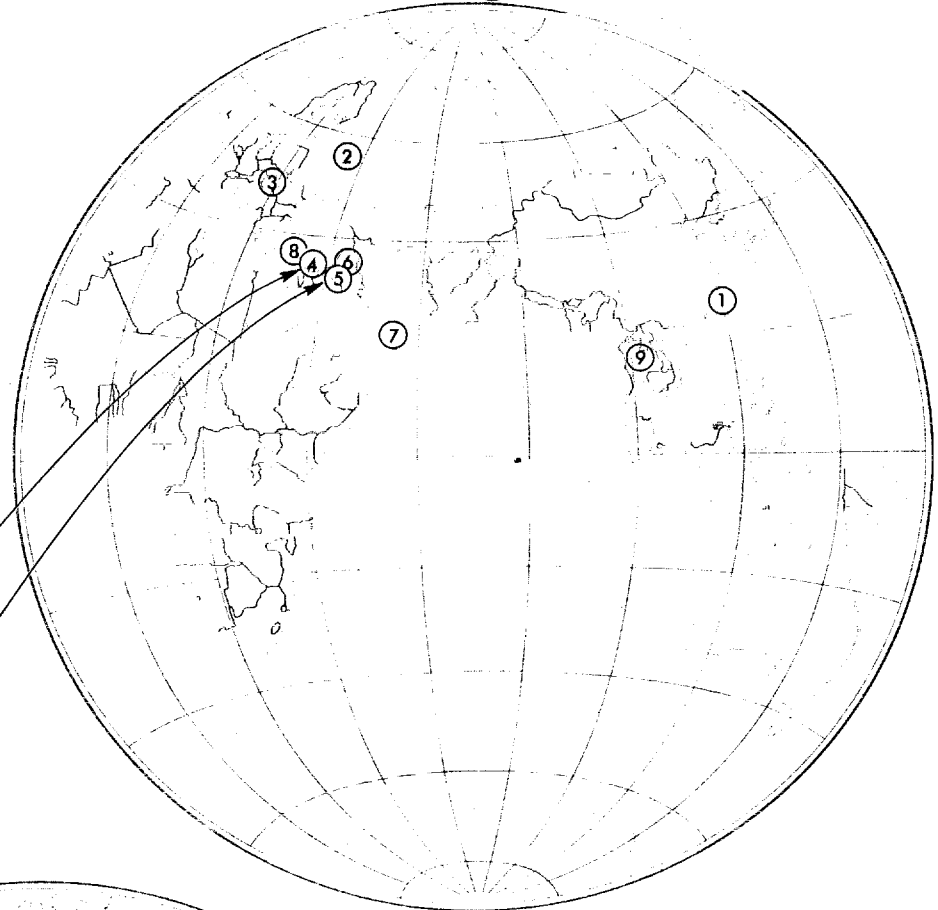
Lebanon - Violence renewed; Shihab reluctant to have date of US troop withdrawal announced.

Iraq makes arms agreement with USSR.

Pro-Communist British lawyer in Baghdad, probably to advise Iraq on oil affairs.

Saudi Arabia probably readying new arms shipment for Omani rebels.

- ①
- ②
- ③
- ④
- ⑤
- ⑥
- ⑦



- ⑧ Cyprus - Makarios' call for opposition to British plan may result in increased violence.
- ⑨ Thailand - Return of former Premier Pridi from exile in Communist China possibly under consideration.

III. THE WEST

- ⑩ Argentina to accept Soviet offer of \$100,000,000 in petroleum equipment.

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SIRAB

CENTRAL INTELLIGENCE BULLETIN

4 October 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

no
 *Taiwan Strait situation: An air clash involving 25 Nationalist and 40 Communist fighters occurred in the Chinmen area during the afternoon of 3 October. No Nationalist planes are believed to have been shot down, and Communist losses, if any, are not known. During the same period a Nationalist C-46 on a resupply run over Chinmen was attacked by Communist MIG's and forced to land on Chinmen because of damage. These incidents may represent a new aggressiveness by Communist pilots, who had refrained from attacking Nationalist planes not actually over the mainland. Another C-46 may have been shot down over Chinmen by Communist anti-aircraft fire. [redacted]

[redacted]) (Page 1) (Map)

[redacted] USSR-Algeria: Soviet Ambassador Kiselev in Cairo recently told the foreign minister of the Algerian rebel regime that the USSR has already decided to recognize the provisional government and now is waiting for a "propitious moment" to do so. [redacted] Kiselev added that "other friendly countries" would do likewise. So far, Communist China and the Asian satellites have extended recognition. [redacted]

no
Hungary-US: Budapest is stiffening its policy toward the United States. The deputy foreign minister warned the US Legation on 2 October that, in response to "slanderous" attacks against Hungary by US Government representatives, Hungary would henceforth follow a more restrictive policy in granting visas, and he implied that the legation might be requested to reduce its staff. [redacted]
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II. ASIA-AFRICA

570
Lebanon: Violent antigovernment demonstrations have again erupted in Beirut, and Lebanese Army troops have fired on Christian demonstrators. Chamoun, who still controls large elements of the Christian community, is showing a disinclination to cooperate with President Shihab. Shihab now is reluctant to have any precise date announced for the withdrawal of US troops. [redacted]

570
 *Iraq-USSR: A preliminary arms agreement between Iraqi Prime Minister Qasim and the Soviet ambassador in Baghdad was reached on 30 September, [redacted]

[redacted] Iraqi authorities have apparently made direct arrangements, rather than dealing through the IAR as Nasir desired. [redacted]

[redacted] Iraq: D. N. Pritt, British lawyer who received the Stalin peace prize in 1954 and was expelled from the Labor party in 1940 for Communist sympathies, has arrived in Baghdad as a guest of the government. He will probably advise the Iraqi director general of oil affairs on disputed accounts and possibly on broader legal problems involving Iraq's relations with foreign oil interests. [redacted] (Page 5)

570
Saudi Arabia-Oman: Saudi authorities, [redacted] are readying another shipment of unmarked arms and explosives for dispatch to Dammam on the Persian Gulf. In the past such arms, including American-type items, are believed to have been delivered to the Omani rebels. [redacted]

570
 London believes that the Omani rebellion against the pro-British Sultan of Muscat continues to be serious, and that the ultimate direction of activities in support of the rebels now lies with UAR authorities in Damascus. [redacted]

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DAILY BRIEF

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OK
Cyprus-Greece: Violence on Cyprus, which has already resulted in deaths and injury to British civilians and service-men, may be increased following the 3 October statement by Archbishop Makarios which called on the Greek Cypriots to "react firmly" against implementation of the British plan. Student rioting in favor of Greek withdrawal from NATO has been suppressed in Athens, but Greek Premier Karamanlis remains under heavy pressure to resign or modify Greek ties with the West. Prospects for agreement on a conference at the NAC meeting on 6 October continue dim. [redacted]

[redacted] (Page 6)

OK
Thailand: Marshal Sarit--despite his protestations to the contrary--may be toying with the idea of permitting, former Premier Pridi, long a political exile in Communist China, to return to Thailand. The US Embassy in Bangkok finds it difficult to understand Sarit's motive, but from available reports it would appear that he has been sold the thesis that Pridi can solve Thailand's economic ills. [redacted]
 (Page 7)

III. THE WEST

OK
Argentina-USSR: Argentina has authorized its mission in Moscow to accept a Soviet offer of petroleum equipment worth \$100,000,000. The debt is to be repaid in ten years at 2.5-percent interest. Argentina, seeking aid for its petroleum industry, has signed contracts with American firms for over \$200,000,000. [redacted] (Page 8)

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DAILY BRIEF

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TAIWAN STRAIT TALLY SHEET

Air Situation

(Losses claimed through 2 Oct)

	<u>Destroyed</u>		<u>Probably Destroyed</u>	
	<u>Today</u>	<u>Cumulative</u>	<u>Today</u>	<u>Cumulative</u>
Communist planes	0	28	0	4
Nationalist planes	0	4*	0	0

*Includes 1 C-46, 2 F-84G's, and 1 F-86

Chinmen Supply Situation -
(Tonnage through 1 Oct)

	<u>Sea</u>	<u>Air</u>	<u>Total</u>
Delivery - 1 Oct	315	98	413
Totals (since 7 Sept)	2,722.5	763.5	3,486
Average Daily Rate			139
Minimum Austere Daily Requirements			309
Cumulative Deficiency Since 7 Sept			4,239

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I. THE COMMUNIST BLOC

Taiwan Strait Situation

An air clash involving 25 Nationalist and at least 40 Communist aircraft occurred in the Chinmen area during the afternoon of 3 October, [REDACTED]

[REDACTED] The Communist fighters appear to have been scrambled from Chenghai and Liencheng airfields before the Nationalist planes were close to the mainland, and may have been directed to attack the Nationalists rather than fly a defensive patrol. The fact that most of the activity apparently took place over water ten miles southeast of Chinmen indicates a new aggressiveness on the part of the Communist pilots, and possibly a change of orders. Initial reports indicate that no Nationalist planes were shot down; Communist losses, if any, are not known.

During the same period, a Nationalist C-46 resupply transport was attacked by MIG's over Chinmen. Although not shot down, the transport was damaged to the extent that a forced landing was made on Chinmen.

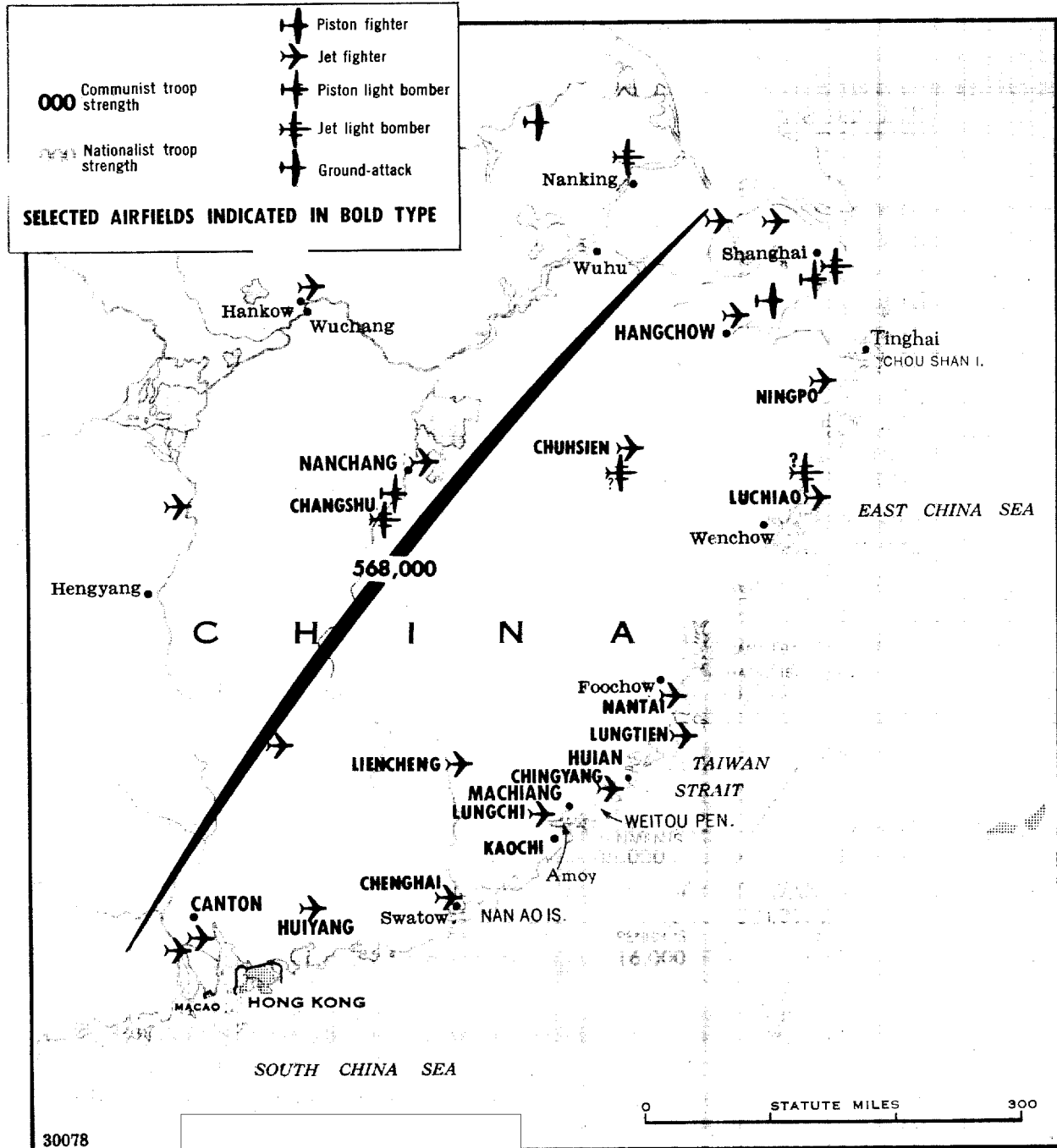
During a night aerial resupply operation on 2 October, one Nationalist C-46 was damaged by antiaircraft fire and another is missing, probably also a victim of Communist anti-aircraft guns. [REDACTED]

The Communists now have 642 artillery pieces surrounding Chinmen, and 105 on the Peiling Peninsula opposite the Matsus.

Peiping's first complete comment on Secretary Dulles' recent press conference characterized his statement that the situation was nearing "stabilization" as a "fantastic lie." The People's Daily on 3 October, continuing Communist China's effort to maintain world apprehension, claimed that the crisis has been "worsened" by US "acts of aggression," particularly by the Nationalist use of Sidewinders. The Chinese Communist

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ambassador in Moscow on the previous day stated that the use of Sidewinders menaced the people of the world with guided missiles and atomic warfare and "further aggravated the tense situation." If Peiping follows the pattern recently employed, either Foreign Minister Chen Yi or Premier Chou En-lai will issue a public statement on the current situation during the week end. Peiping announced its "21st serious warning" to US forces on 3 October.

Chiang Kai-shek, in conversation with Ambassador Drumwright on 2 October, reiterated with great emphasis that nothing would get his troops out of Chinmen. Chiang indicated that the position taken in his press conference of 29 September--in which he renounced use of the offshore islands as bases for a counterattack against the mainland and indicated that American troops would not be needed for the defense of Chinmen--represented his "maximum concessions" to US policy. He indicated that he could not go further in accommodating the Communist demands in regard to the offshore islands, and stated that if even a small number of troops were withdrawn it would be just as well to withdraw them all.

As yet there have been no reports of bitterness or hostility toward American officials. One Nationalist Air Force officer, however, while stating that no anti-American sentiment had been detected, frankly admitted disappointment and anxiety in regard to American policy. The Nationalist press appears to be under restraint, probably a result of Kuomintang instructions.

The Taiwan Defense Command reports that the level of supplies on Chinmen has not changed materially since 7 September--when American forces began escorting resupply convoys--and that the garrison had on hand on 30 September sufficient rations and ammunition to sustain it for one month. American officials anticipate an increase in the rate of delivery despite increasing winds in the strait and a lack of a sense of urgency on the part of the Nationalists.

Moscow's first direct comment on the Nationalist use of the Sidewinder, a subject given extensive play in Peiping media since 29 September, was included in an English-language broadcast to South Asia on 1 October. A broadcast later that day to

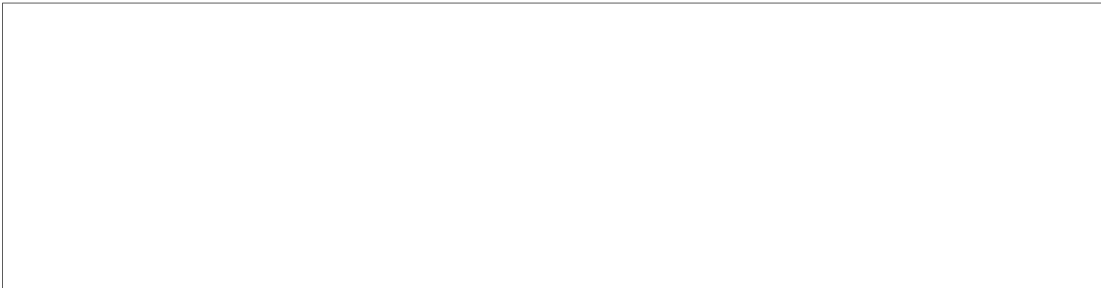
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North America said Nationalist flyers are using "guided missiles" which do not now have nuclear warheads but might have them "tomorrow."

Soviet propaganda on the Chinese Communist National Day revived the pledges of Moscow's official support for Peiping which had dropped out of Soviet comment after 24 September.

In the Sino-Soviet bloc, only Moscow has reacted to President Eisenhower's press conference. TASS said the US is "still trying to force" its cease-fire proposal on the Chinese People's Republic and that the President made "the usual attacks" on China in an effort to justify the "absurd position" of the US. Secretary Dulles' comment on possible changes in US policy was denounced as a scheme to "legalize" US interference in internal Chinese affairs.



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Hungary Stiffens Policy Toward the US

The acting Hungarian foreign minister warned the American chargé in Budapest on 2 October that the Hungarian Government "could not much longer tolerate slanderous attacks" by American representatives. The minister charged the United States with discrimination in issuing visas to Hungarians and said that henceforth Hungary would follow a more restrictive policy in visa matters. He referred to "such a large staff" at the US Legation--a clear threat that if American criticism of Hungary continues, the legation might be requested to reduce its staff. The US staff in Budapest is twice as large as its Hungarian counterpart in Washington. The chargé considers that, while Hungary may not now be contemplating a complete break in relations with the United States, the possibility of an eventual break cannot be ruled out.

The legation has recently noted an increase in surveillance and other harassing tactics against its personnel. Although there were some signs in the spring that the Hungarians wanted to improve relations, their policy toward the West and specifically toward the United States has hardened, particularly since the execution of Nagy and the resultant world clamor.

Hungarian party chief Kadar recently returned from a bloc meeting in the USSR, where he was given strict orders to adopt a much harsher position toward the United States than that of other bloc countries,

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II. ASIA-AFRICA

British Leftist Lawyer in Iraq

British left-wing lawyer Denis N. Pritt, generally considered a Communist, is in Iraq as a guest of the government, presumably as an adviser on international oil relations. He had previously been consulted by the Iraqi Government during a renegotiation of the Iraq Petroleum Company concession contract which followed the favorable terms Iran obtained after nationalization of Iran's oil.

A member of Parliament from 1935 to 1950, Pritt was expelled from the Labor party in 1940 but continued to represent his constituency as an independent Laborite until defeated in the 1950 general elections. He has a long record of defending Communists, principally through his active participation in the pro-Communist International Association of Democratic Lawyers, and maintains active membership in the British Peace Committee and the World Peace Council. Pritt also defended Mau-Mau leader Jomo Kenyatta. He is believed to be the contact man between the British and Indian Communist parties, which have long had the closest relationship of any of the Communist parties in the Commonwealth.

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Cyprus

The marked increase in violence throughout Cyprus will probably be further accelerated as a result of Archbishop Makarios' instruction to the Greek Cypriots to resist "firmly" implementation of the British plan. At least two British women have been shot--one fatally--and there have been numerous armed attacks on security force vehicles. Arson, sabotage, and bombing attacks are also increasing.

In Athens, the Karamanlis government is under growing pressure to resign, and heavily armed police are patrolling the streets to prevent outbreaks of anti-British and anti-Turkish rioting. Minor clashes have occurred between police and demonstrating Greek students, and Greek labor organizations have called for a general strike to protest British moves on Cyprus.

Prospects remain dim that the NAC, during its meeting on 6 October, can arrive at a compromise which would open the way for tripartite talks concerning Cyprus. The Turks now insist they will have no part in discussing any Spaak proposals. Greek Foreign Minister Averoff has stated that Athens might accept a modified form of the British plan if it were agreed beforehand that a plebiscite on the question of independence, with both enosis and partition precluded, would be held in seven to ten years, but London almost certainly would reject such a proposal.

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Possibility of Former Premier Pridi's Return to Thailand

The American Embassy in Bangkok notes with concern recent reports suggesting that Marshal Sarit, despite his protestations to the contrary, may be toying with the idea of permitting former Premier Pridi to return to Thailand. Even after his long absence as a political exile in Communist China, Pridi probably still enjoys some popularity as one of the founders of modern Thailand.

Several persons within Sarit's inner circle are known to be Pridi supporters. They are reportedly working assiduously to convince Sarit that Pridi is not a Communist, that he could help solve Thailand's economic problems, and that it would be desirable in terms of domestic politics for him to return. The arguments may be gradually gaining acceptance with Sarit, who is increasingly troubled by his inability to provide effective government.

There are still serious legal and political obstacles to Pridi's return, however. He is under a legal cloud because of his alleged implication in the regicide case of 1946, and the present King is known to be violently opposed to his return, as are Premier Thanom and other military followers of Sarit. Sarit is also aware that Pridi's return would be viewed with alarm in the West, where it would be interpreted as a softening of Thailand's anti-Communist posture. In line with its normal attitude toward the bloc, Thailand is about to declare an attaché of the Soviet Embassy and the local TASS representative personae non gratae.

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III. THE WEST

Argentine Mission Authorized to Accept \$100,000,000 Soviet Credit

The Argentine Foreign Ministry has authorized a mission in Moscow to accept the USSR's 24 July offer to supply petroleum equipment worth \$100,000,000 on credit, to be repaid in Argentine products. The interest rate is 2.5 percent, and the first payment is deferred until three years after delivery of the equipment with the balance payable in seven annual installments.

The Soviet offer in July was made just two hours before President Frondizi outlined his petroleum policy, which emphasized that Argentina's financial crisis required the participation of foreign capital in developing oil resources. He said this would be done on a nonconcession basis under contract with the Argentine State Oil Fields (YPF) and that substantial Western offers had been received on this basis. Since then, YPF has signed over \$200,000,000 worth of Western petroleum contracts and will share in other Western credit offers which cover several types of basic equipment; these offers, however, fall far short of Argentina's needs. Argentine technicians have indicated a preference for Western equipment and probably will be highly selective in choosing Soviet equipment.

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The Deputy Under Secretary for Political Affairs

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