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1 November 1958

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# CENTRAL

# INTELLIGENCE

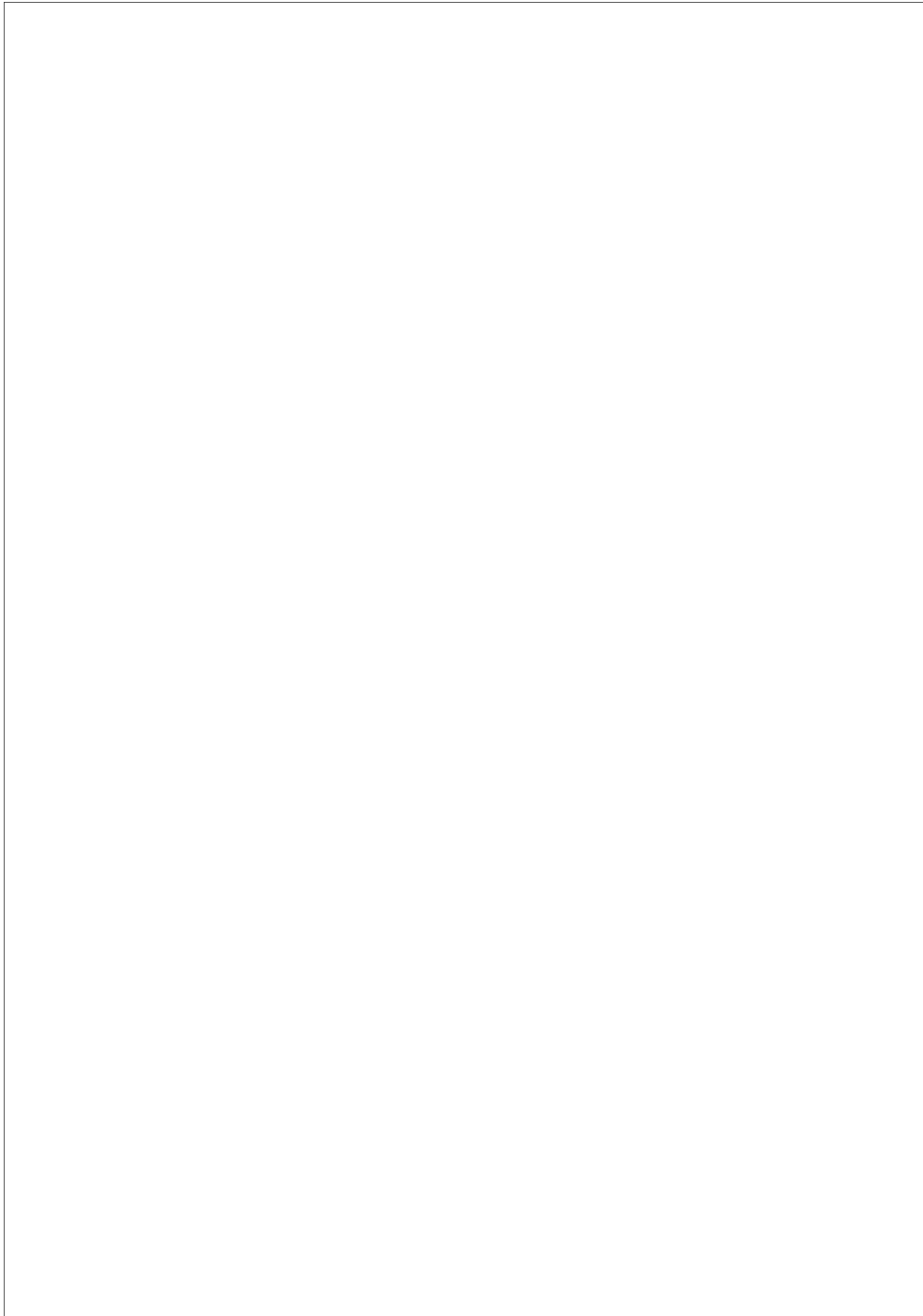
# BULLETIN



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1 NOVEMBER 1958

**I. THE COMMUNIST BLOC**

Soviet jet-fuel deliveries to Communist China at double normal rate.

Kremlin disturbed by Pasternak affair.

Moscow seeking to speed diplomatic exchange with Tunisia.

**II. ASIA-AFRICA**

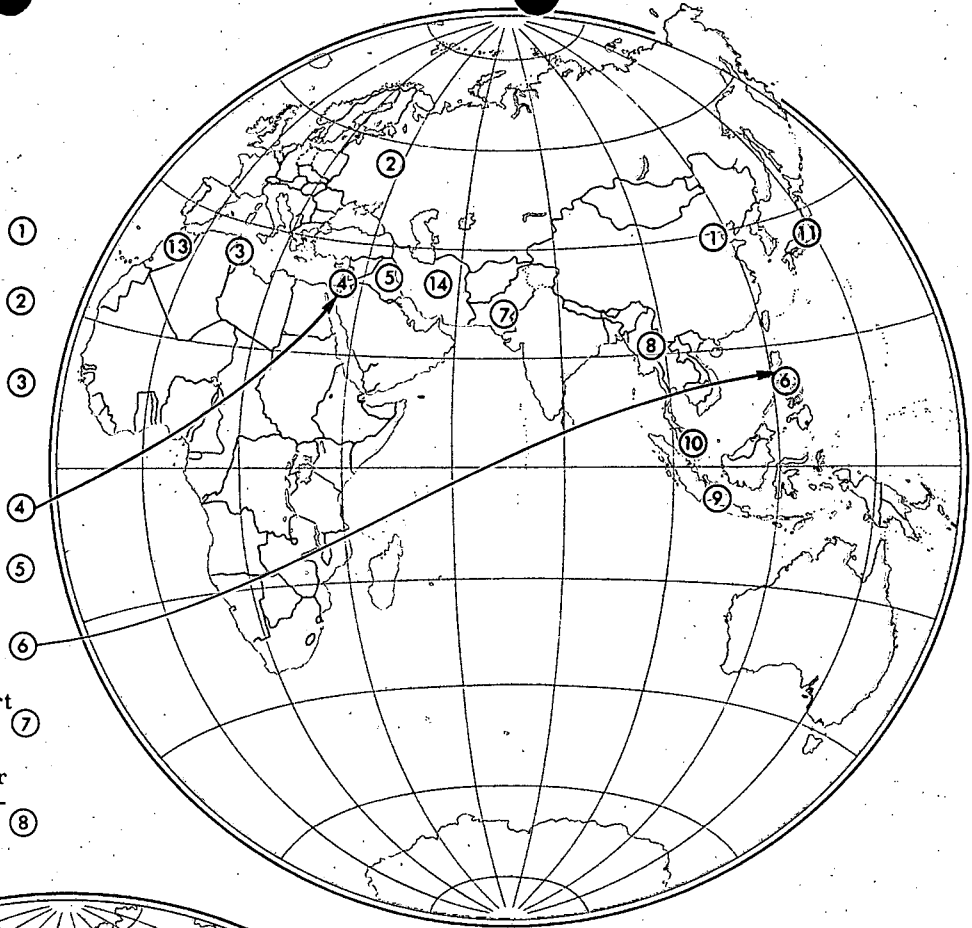
The Arab-Israeli situation

Iraq - Continued anti-UAR demonstrations.

Philippines - Garcia considering early cabinet shake-up.

Pakistan - Indian officials foresee short life for Ayub government.

Burma - Ne Win plan to exclude former political leaders from a future government might bring violent reaction.



- ⑨ Indonesia - Nationalization of Dutch interests formalized.
- ⑩ Malaya - Government to close Peiping-controlled Bank of China.
- ⑪ Japan - Kishi's effort to strengthen police powers may bring violent protest strikes.

**III. THE WEST**

- ⑫ Panama - President facing pressure to refer Canal Zone disputes to UN or International Court.

**LATE ITEMS**

- ⑬ Morocco agrees to diplomatic relations with Communist China.
- ⑭ USSR warns Iran against concluding new military agreement with US.



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# CENTRAL INTELLIGENCE BULLETIN

1 November 1958

## DAILY BRIEF

SIRAB

### I. THE COMMUNIST BLOC

*no*

USSR - Communist China: Moscow plans to deliver 150,000 tons of jet fuel to Communist China during the first quarter of 1959. This is about double the estimated normal level of deliveries for a three-month period. Deliveries of this magnitude were being made in September and October of this year in response to a Chinese request for advanced delivery of November and December quotas. Maintenance of increased deliveries in 1959 reflects a high rate of jet air activity, including stepped-up training of Chinese jet pilots.

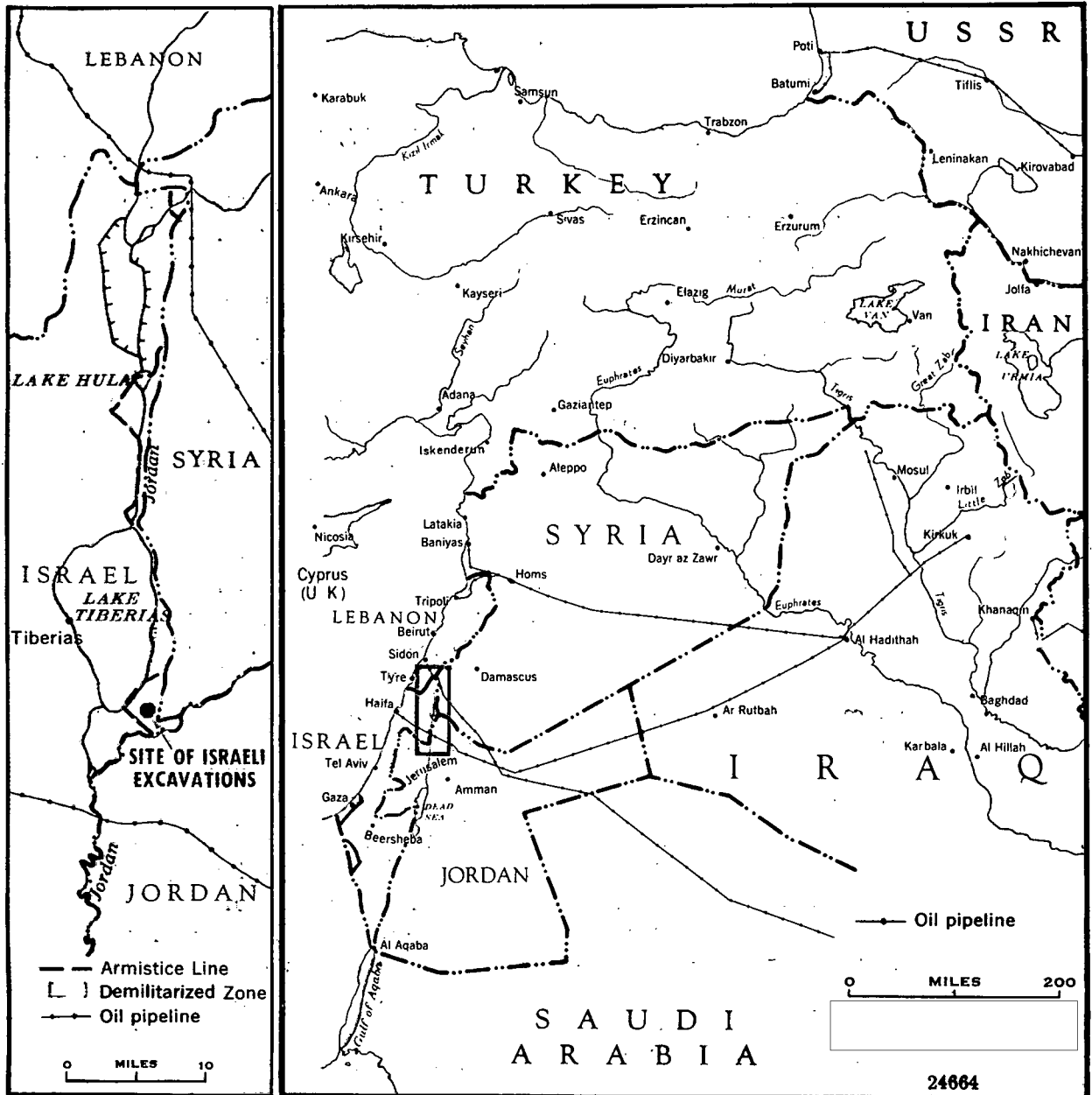
*no*

USSR. The Kremlin continues to be disturbed by the Pasternak affair. The Soviet public has still not been told of Pasternak's "voluntary refusal" of the Nobel Prize; scurrilous attacks upon him continue. Great interest has been generated among the Soviet intelligentsia, and young people are beginning to show dissatisfaction over not being trusted to read the book.

*OK*

USSR-Tunisia: Moscow is probably attempting to speed up the exchange of diplomatic missions with Tunisia. A. A. Shvedov, the Soviet diplomat who was instrumental recently in gaining Moroccan consent to an exchange of embassies, arrived in Tunis on 28 October as the leader of a Soviet economic delegation. President Bourguiba might agree to exchange missions as a means of demonstrating that his close contacts with the West do not preclude diplomatic relations with the bloc. (Page 1)

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## II. ASIA -AFRICA

Arab-Israeli situation: [redacted]

[redacted]

Reconnaissance of the northern half of Israel's border with West Jordan by American army attaché personnel in Israel on 29 October did not reveal any mobilization or redeployment of Israeli forces. The attaché, however, believes the Israelis are capable of seizing West Jordan with forces now on active duty, thus avoiding giving warning of their intentions by mobilization prior to the initial engagement. [redacted]

no

Iraq: Anti-UAR demonstrations occurred for the third consecutive day in Baghdad with security forces making no apparent effort to interfere until violence was threatened. [redacted]

Prime Minister

Qasim, on being questioned by the UAR minister of education regarding the demonstrations that had occurred on his arrival, apologized and denied that the demonstrations had been planned. It is apparent, however, that Iraqi authorities were willing to allow UAR opponents some latitude in giving vent to their feelings against the UAR on the occasion of the visit by the minister. (SECRET PIVOT) [redacted]

no

Philippines: President Garcia is considering an early shake-up of the cabinet and the armed forces' leadership aimed at the removal of Defense Secretary Vargas, who has been rumored to be the central figure in a possible attempt by the military to oust Garcia. These changes, which might occur soon, would aggravate dissatisfactions in the military with Garcia and accelerate consideration of a move against him. [redacted]

no

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India-Pakistan: Nehru is willing to work with the new Pakistani government of General Ayub, but the Indian Ministry of External Affairs apparently fears this government may be short-lived. [redacted]

Burma: Premier Ne Win is said to be considering ways and means of excluding leaders of both the U Nu and the Ba Swe - Kyaw Nyein factions who have been identified with the recent government split from any government which might succeed him. Such a plan, if it became known, might provoke violent counteraction from these factions. Ne Win has already begun publicly to qualify his promise to hold elections in April. In his first speech to Parliament, he stated that he would "try to hold elections within six months, but that depends on the restoration of law and order and the cooperation of political parties." [redacted]

(Page 3)

Indonesia: A decision to nationalize all Dutch interests formalizes the take-over begun last year, when such businesses were placed under government "supervision." The government is likely to link any question of compensation with its insistence on sovereignty over Netherlands New Guinea. [redacted]

Malaya: A Federation order to Peiping's Bank of China to cease its operations within six months is a major effort to thwart subversion and growing Chinese Communist economic penetration of Malaya. This move will arouse opposition among the Chinese and result in an increase in racial tensions. [redacted]

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OK  
 Japan: Socialist-led popular opposition to Prime Minister Kishi's effort to strengthen the powers of the Japanese police is expected to reach a peak in widespread and possibly violent protest strikes and demonstrations next week. Kishi, who is determined to secure passage of the law, would probably use force if necessary to maintain public order.

[redacted] (Page 5)

### III. THE WEST

OK  
 Panama: President de la Guardia may have difficulty resisting political pressures to refer Panama's disputes with the US over the Canal Zone to either the United Nations or the International Court of Justice. A recent suggestion in the National Assembly to this effect is apparently gaining support and will have special appeal to various Panamanian businessmen influential in the government and to strongly nationalistic student groups.

(Page 6)

### LATE ITEMS

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 \*Communist China - Morocco: Agreement between Communist China and Morocco to establish diplomatic relations, announced by Peiping on 31 October, probably stems directly from the recent visit to Morocco by a Chinese trade mission, which signed a commercial trade agreement with terms favorable to the Moroccans. Rabat's diplomatic agreement with Peiping follows a similar agreement made by Morocco with the USSR in early September. If the current Soviet move to hasten an exchange of diplomatic missions with Tunisia is successful, Tunisia will probably also agree to establish relations with Communist China.

MO  
 \*USSR-Iran: In a note of 31 October Moscow has charged that the Iranian Government discussed conclusion of "a new military agreement" with the US during Secretary of Defense

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McElroy's recent visit and warned that such a pact would "endanger" the USSR's southern frontiers. The Soviet move appears to have been stimulated by speculation in Tehran based on the Shah's recent public expression of interest in a defense treaty with the US. Moscow has in the past displayed sensitivity to moves by Iran to strengthen its ties with the West and has registered similar diplomatic protests in efforts to discourage such developments. The note also canceled a pending visit of President Voroshilov to Iran.

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## I. THE COMMUNIST BLOC

### USSR and Tunisia May Exchange Diplomatic Missions Soon

A. A. Shvedov, chief of the African section of the USSR Foreign Ministry, who arrived in Tunis on 28 October as head of a Soviet delegation, will probably attempt to speed up the exchange of diplomatic missions with Tunisia. The Soviet group, ostensibly an "economic" delegation, is visiting at the invitation of a Tunisian official who is president of the Chamber of Commerce and of the Tunis trade fair, in which the USSR is now participating.

Shvedov was instrumental in the rapid establishment of a Soviet Embassy in Rabat. On 8 August the Shvedov group arrived in Morocco, and on 14 October Moscow announced the appointment as ambassador of D. P. Pozhidayev, who cut short his tour as ambassador to Switzerland and arrived posthaste by the 23rd.

Foreign Minister Mokaddem told an American newspaperman recently that he and Soviet Foreign Minister Gromyko, who met at the UN on 23 September at Mokaddem's request, had agreed in principle on the exchange. President Bourguiba previously indicated that the exchange would take place before the end of the year.

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## II. ASIA-AFRICA

### Plans for Early Cabinet and Military Shake-up in Philippines

President Garcia is said to be planning to remove Defense Secretary Vargas, whom he sees as an increasing political threat, by means of an early shake-up of the cabinet and of the top command of the armed forces. Nacionalista party congressmen, in a meeting with Garcia on 30 October, advised him to dismiss Vargas and Chief of Staff Arellano at once and to replace at least five other cabinet officers as well as Central Bank Governor Cuaderno and Ambassador to the United States Romulo.

Such moves might accelerate reported planning for a military coup against Garcia, in which Vargas has been rumored a central figure. Such planning has been regarded as being merely in an exploratory stage, although one source stated that plans include assassination of Garcia and other key officials.

According to another report, a direct move against Vargas may be held off until a final decision on the cabinet changes has been made. Garcia, however, is said to believe that if changes in the top command of the army and constabulary are effected as soon as possible, Vargas would be made helpless by the presence of loyal Garcia men in key positions.

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### Ne Win's Plans for Burma's Political Future

General Ne Win is [redacted] to have stated recently that he would like to be succeeded by a government of political "independents" when he resigns as premier in six months. Ne Win would keep such a government "in power for four years" before he would let the rival U Nu and Ba Swe - Kyaw Nyein factions of the Anti-Fascist People's Freedom League contest for power.

In his opening speech to Parliament on 31 October, Ne Win qualified his promise of elections within six months by making them dependent on the "restoration of law and order" and the "cooperation of political parties." This might well have been the first step in a carefully phased campaign preparing the ground for the indefinite postponement of elections and the imposition of a non-partisan, army-backed regime to succeed Ne Win when he retires.

Such plans would be violently opposed by all organized political elements in Burma and could lead to serious clashes between the army and the mass organizations backing the Nu and Ba Swe - Kyaw Nyein factions and the Communist-led National United Front. [redacted]

Ne Win could probably push through his plan if the army maintained the unity which led to its success in forcing U Nu to agree to resign last month. In October, however, all of the key leaders in Burma's military establishment shared a common belief that Burma was drifting toward Communism. There might now be differences of opinion over backing the controversial moves Ne Win is said to be planning. [redacted]

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### Malaya Orders Closing of Communist Bank of China Branches

The Federation of Malaya's order to Peiping's Bank of China branches to cease operations within six months is the strongest action yet taken by the government in its antiradical campaign. This drive, designed to isolate Malaya's large Chinese minority from mainland influence and to curtail Communist economic penetration of the federation, has recently included the arrest of more than 100 local Chinese, the closing of leftist Chinese-language newspapers, and sharp restrictions on mainland textile imports.

This latest move is likely to increase racial tensions sharply and may seriously undermine the Malayan Chinese Association (MCA), the Chinese element in the ruling Alliance party. MCA identification with "anti-Chinese" government policies will be exploited by left-wing opposition parties and may lead to substantial Alliance losses in predominantly Chinese districts in the December municipal council elections and the general elections next August. Such a development would seriously endanger the principle of Chinese-Malay political cooperation on which political stability in Malaya depends. The strategy of the government apparently is to take its most drastic steps now in the hope of being able to placate the Chinese community prior to next year's elections.

Peiping, which apparently had instructed the officers of the bank to avoid giving the government any pretext for closing, is expected to protest strongly in its propaganda, and perhaps formally through the UK.

Closing the Malayan branches may seriously hamper some Chinese economic activities in Malaya. More than two thirds of Sino-Malayan trade, however, is handled by the Singapore branch of the Bank of China.

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## Japanese Police Law Controversy Approaching Crisis

The Japanese Socialists and Sohyo, the dominant leftist labor federation, are planning nationwide demonstrations and disruptive strikes around 5 November in opposition to Prime Minister Kishi's effort to strengthen the powers of the Japanese police. The growing popular opposition to the proposed police law includes large liberal groups in addition to the leftist organizations, and is intensified by widespread sensitivity caused by prewar abuses of police powers. The law would permit preventive arrest, which Kishi believes is necessary to control leftist activities.

Kishi has indicated that he is determined to secure passage of the law and will seek an extension of the present Diet session, scheduled to end 7 November, for this purpose. He is reported ready to use the military forces, if necessary, to control the situation. The use of force by the government to subdue demonstrations may influence the public against Kishi. Conversely the employment of violent tactics by his opponents will strengthen the government's position.

A moderate course would enable the Socialists to exploit the police issue in local and upper-house elections next year. Some members of Kishi's Liberal-Democratic party are beginning to view the popular opposition to the police law as a threat to their re-election, and this may revive the government party's factionalism, which could undermine Kishi and weaken the position of the conservatives.

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## III. THE WEST

Pressure Reported in Panama for Submission of Canal Zone Issue to UN

Current US-Panamanian negotiations over conflicting interpretations of treaties concerning the Canal Zone may be complicated by the actions of Panamanian pressure groups which claim that Panama has never relinquished sovereignty over the zone. Alfredo Aleman, Jr., the politically ambitious chairman of the Foreign Relations Committee of the National Assembly, is reported by Panamanian newspapers to be spearheading a movement to urge the government to refer the disputes to the United Nations or the International Court of Justice. Such suggestions will find support from several groups.

The former vice foreign minister, who is influential in the politically important Panamanian student movement, has suggested using dramatic or even violent action in lieu of diplomatic representations to influence public opinion and the US Government. The traditionally nationalistic and Communist-infiltrated student groups have long been in the forefront of anti-US campaigns on canal issues.

Anti-US feeling among Panamanian businessmen, who exert great power in the administration, has been particularly strong since a mid-October speech by the governor of the Canal Zone defending zone purchases in third countries. Panamanians consider that purchases outside Panama and the United States violate 1955 agreements.

President de la Guardia and Foreign Minister Moreno have shown moderation in relations with the United States and will try to keep such pressures from gaining strength. De la Guardia, however, lacks a well-disciplined personal political following, and the local and possibly world-wide publicity from suggested international arbitration will make his task difficult.

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Director for Intelligence, The Joint Staff

Assistant Chief of Staff for Intelligence, Department of the Army

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The Director

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