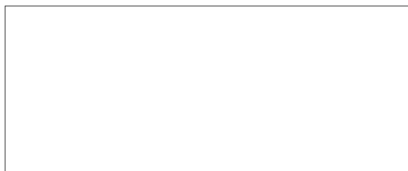


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27 September 1958



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CENTRAL INTELLIGENCE BULLETIN



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27 SEPTEMBER 1958

I. THE COMMUNIST BLOC

Moscow renews offer of wheat to Belgrade; hopes to weaken Yugoslav negotiating position with US.

USSR offers to construct another steel mill in India.

Taiwan Strait - Indian Embassy officer in Peiping believes Chinese Communists want to keep Warsaw talks going.

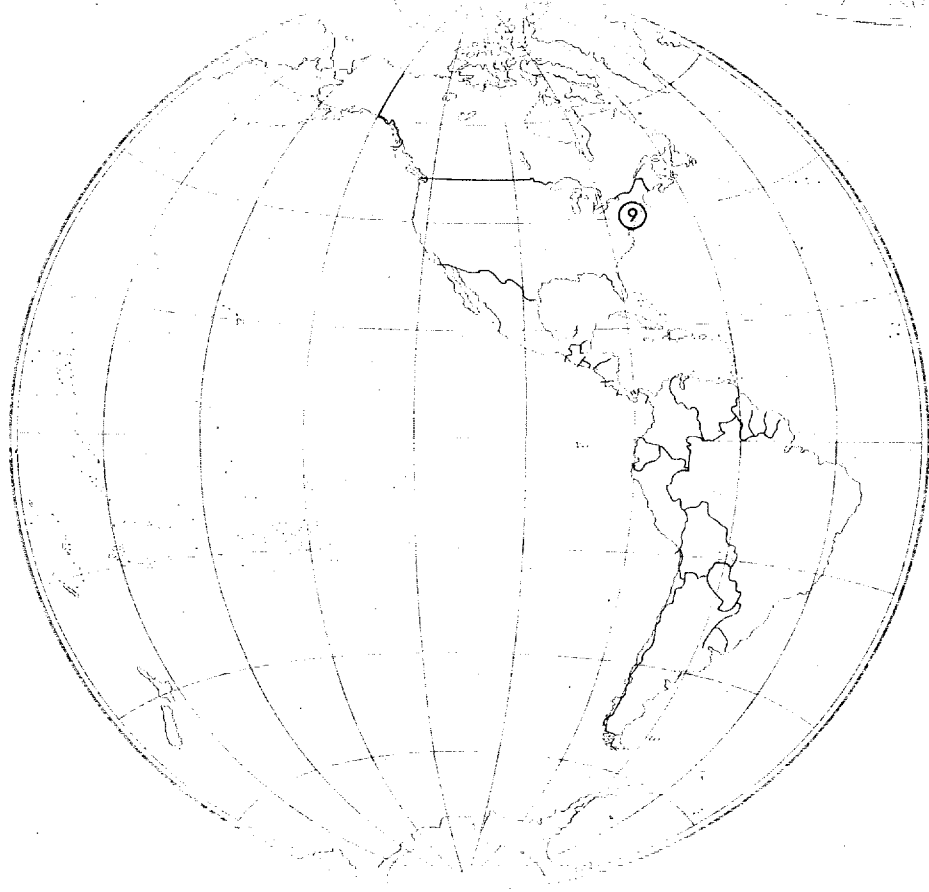
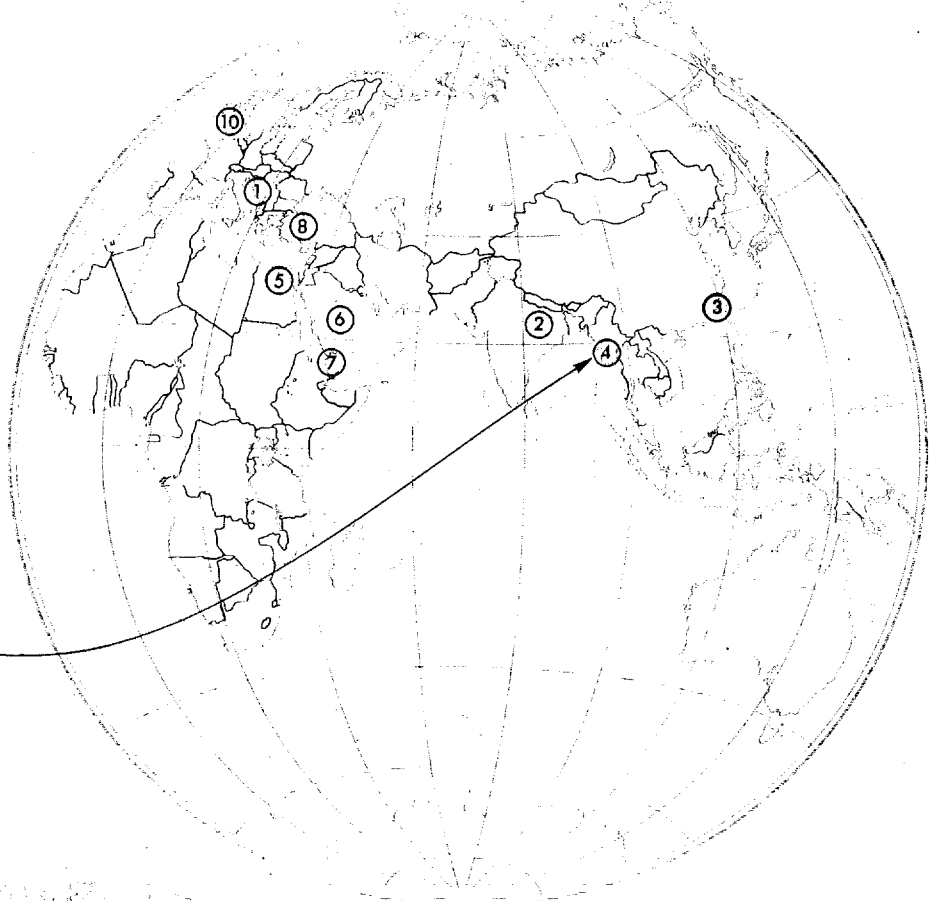
II. ASIA-AFRICA

Burmese Army moves to control government; U Nu agrees to resign on 28 October in favor of Commander in Chief Ne Win.

Nasir seeks to develop an over-all Arab oil policy toward Western companies.

Saudi Arabia - Differences between Faysal and Saud apparently sharpening.

- ①
- ②
- ③



- ⑦ Yemen - Ability of Imam to control Soviet influence in Yemen appears doubtful.
- ⑧ Turkey calls meeting of Baghdad Pact representatives for 1 October to finalize transfer of pact secretariat to Ankara.

III. THE WEST

- ⑨ For views of Ambassador Lodge on situation if offshore islands question comes before UN, see p. iii.
- ⑩ British cabinet rejects Spaak's proposal to delay Cyprus plan beyond 1 October.

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CENTRAL INTELLIGENCE BULLETIN

27 September 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

SRAB

OK

USSR-Yugoslavia: By renewing an offer of 200,000 tons of wheat to Yugoslavia, delivery of which, according to the Yugoslavs, had been withheld, the USSR probably hopes to discredit Yugoslav arguments that Moscow's trade carries political strings and to undermine Belgrade's position in its current economic negotiations with the US.

[redacted] (Page 1)

OK

USSR-India: The USSR apparently has offered to construct India's fourth government-owned steel mill provided New Delhi agrees to permit beginning of construction in the near future. Moscow's contingent offer may be an attempt to preclude Western construction of the plant, as Soviet construction of the Bhilai steel mill has been Moscow's most successfully propagandized effort in the underdeveloped countries. [redacted] (Page 2) (Map)

70

Taiwan Strait situation: Foreign Secretary Lloyd told Secretary Dulles on 25 September that the British chargé in Peiping has reported a conversation with an Indian Embassy officer from which Lloyd gained the impression that the Chinese Communists "want to keep the Warsaw talks going." Communist China's Foreign Ministry has issued its "14th serious warning" to the US, this one regarding the "intrusion" of six American warships.

[redacted] (Page 3) (Map)

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II. ASIA-AFRICA

2
Coup in Burma: The Burmese Army has moved to control the government. Premier U Nu has agreed to resign in favor of Commander in Chief Ne Win on 28 October when Parliament meets. Ne Win is strongly anti-Communist and inclined to cooperate with the West. He was probably persuaded to take action because of the threat of widespread violence prior to national elections previously expected in November. He probably equally feared sizable Communist gains. [redacted] (Page 5)

OK
Middle East oil: Nasir's expected drive against Western oil interests in the Middle East apparently has begun. The relatively amicable atmosphere which had characterized recent profit-sharing negotiations between Syria and the American-owned Tapline carrying Saudi oil to the Mediterranean changed following orders from Cairo. The introduction of unacceptable demands appears designed ultimately to move the scene of decisive negotiations to Cairo, where an over-all Arab oil policy toward Western oil companies probably is being developed. [redacted] (Page 6)

50
Saudi Arabia: Differences of opinion between Crown Prince Faysal and King Saud over Faysal's efforts to limit expenditures of the King and other members of the royal family apparently are sharpening. Saudi Commerce Minister Ali Riza has stated that Faysal is prepared to take "extreme measures" to enforce his new budget decisions. Ali Riza states that Saud is striving to convert a considerable amount of personal and real property into cash, and Ali Riza considers that the King may be preparing to leave the country if future political developments are unfavorable to him. [redacted] (Page 7)

20
Yemen: The Imam of Yemen, who plans to seek medical treatment abroad in the near future, is becoming more detached from public affairs, and his continued ability to control Soviet influence in Yemen appears doubtful. Anti-American Crown Prince Badr is indifferent to the deterioration within

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DAILY BRIEF

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the government; he appears interested primarily in increasing USSR and UAR influence in the belief support by these powers will ensure his succession. [redacted]

Baghdad Pact: Pact representatives will meet in Ankara on 1 October at Turkey's request in an effort to finalize the transfer of the secretariat from Baghdad to Ankara and to discuss problems arising therefrom. [redacted]

OK

III. THE WEST

Chinese UN representation: Ambassador Lodge warns that the Chinese representation issue may again be raised at the General Assembly in a matter of weeks if the offshore islands question comes to the United Nations under circumstances appearing to threaten war. The ambassador believes that the United States may then not be able to hold its position. He fears a weakening of Latin American support, essential to maintain the third of total votes which is needed to block reintroduction of the issue. [redacted] (Page 9)

Cyprus: The British cabinet has decided not to permit NATO Secretary General Spaak's proposal to delay implementation of Britain's Cyprus plan beyond 1 October. This decision, together with the Turkish NATO representative's categorical rejection of Spaak's conference proposal, appears to have defeated the Secretary General's last-minute efforts to forestall the expected violent reaction in Greece and Cyprus when the plan goes into effect. [redacted]

27 Sept 58

DAILY BRIEF

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Taiwan Strait Situation

Foreign Secretary Lloyd told Secretary Dulles on 25 September that the British chargé in Peiping has reported a conversation with an Indian Embassy officer there, from which it appeared that the Chinese Communists "want to keep the Warsaw talks going." The chargé report apparently contained a hint that India might undertake mediation between the Chinese Communists and the United States. Peiping is unlikely, however, to desire at this time such mediation or a neutralist move to debate the offshore islands dispute in the UN. Although gratified with gains on the UN representation issue, Peiping's leaders apparently still hope to derive political benefits from the Warsaw talks which will further their campaign to achieve wider international acceptance.

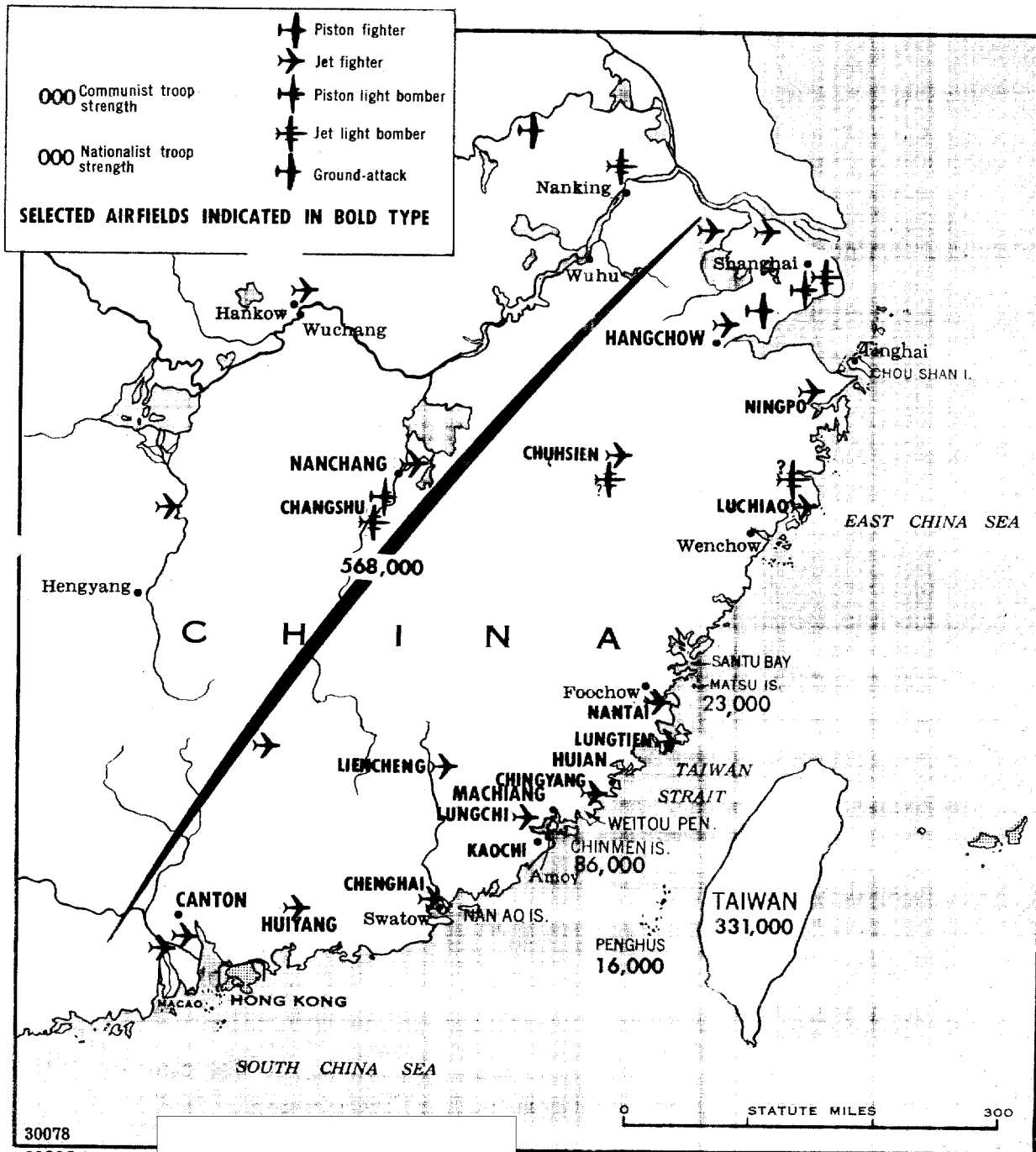
Communist artillery fire was sporadic on 26 September, making it possible for the Nationalists to deliver to Chinmen approximately 250 tons of supplies by sea and probably over 50 tons by airdrop. This is the first time anything near the minimum daily requirement of 309 tons has been delivered. Despite anticipated bad weather, continuing Communist artillery fire, and ineptness on the part of the Nationalists in resupply operations, American officials on Taiwan believe Chinmen can hold out until 15 November at the present resupply rate, and prospects for the delivery of increased tonnage appear favorable. [REDACTED]

Chinese Communist jet light bombers were engaged in unusual exercise activity on 25 September. At least 18 IL-28 jet light bombers subordinate to the 8th Air Division--an element of which deployed to Changshu on 22 August--flew from Changshu to Hangchow and back after dark. [REDACTED]

The Chinese Communists may be planning to use piston-engine fighters against Nationalist transports engaged in resupply operations. A Nationalist C-46 pilot reported seeing a single-engine piston aircraft eight miles southwest of Chinmen on 25 September. The aircraft observed could have been

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I. THE COMMUNIST BLOC

USSR Renews Offer to Supply Wheat to Yugoslavia

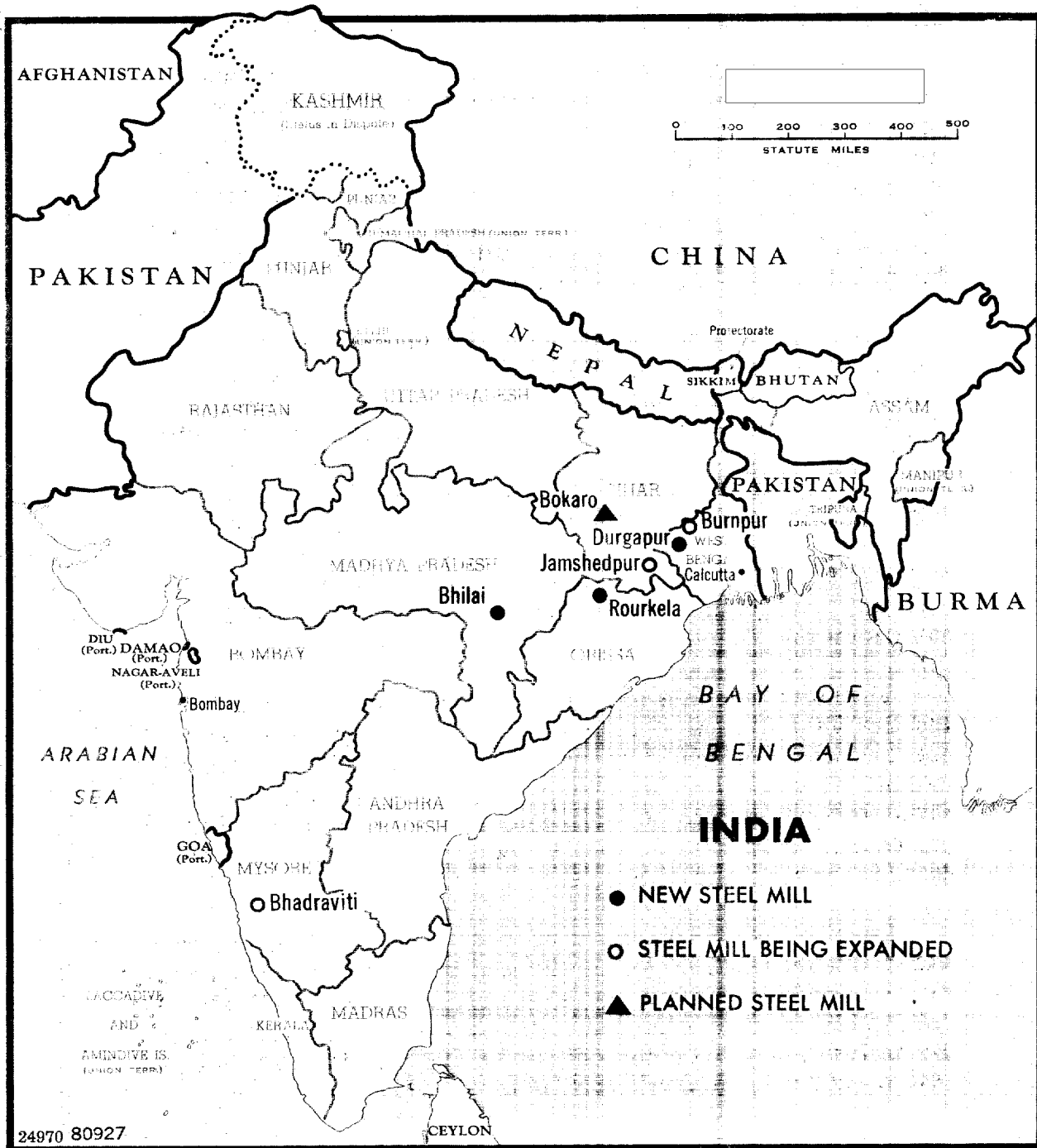
A representative of the Soviet Embassy in Belgrade has informed the Yugoslav Government that the 200,000 tons of wheat specified by the current trade agreement are available in Soviet ports, according to Western press reports on 25 September. Belgrade has been saying for some time that Moscow was refusing to deliver the wheat, although Yugoslav officials have admitted privately that there had been no formal Soviet refusal.

By first stalling and making Belgrade believe the wheat would not be forthcoming, but later appearing to reverse its position, Moscow probably hopes to discredit Yugoslav arguments that Soviet economic aid carries political strings. In making the move at this time, Moscow is probably trying to undermine Belgrade's position in its current economic negotiations with the US. The Yugoslavs have made themselves vulnerable to this by exaggerating to the West the seriousness of the bloc's economic campaign against Yugoslavia and its probable effects on the Yugoslav economy.

Yugoslav officials have claimed that both the wheat and the 600,000 tons of coking coal covered by the agreement would be withheld by the bloc this year. With respect to coal, they say they are "in a very bad way," and this statement appears to be justified. Without the deliveries, the country's two major coking plants would have to close down before the end of the year.

Despite the USSR's move on wheat, economic harassment will probably continue as an element in the bloc's anti-Yugoslav campaign. A complete economic boycott is unlikely, but the bloc can be expected to take an equivocal position on the delivery of vital commodities to Yugoslavia such as coal, cotton, and oil.

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USSR Apparently Offers Another Steel Mill to India

The USSR apparently has offered India another million-ton steel mill, to be built at Bokaro, provided New Delhi agrees to allow work to begin in the near future. Moscow may be trying to preclude construction by any Western country of the mill India is planning at this site. Soviet assistance in building the steel mill at Bhilai in central India is Moscow's most successfully propagandized effort in the underdeveloped countries.

The Second Five-Year Plan calls for completion of the three government-owned million-ton steel mills now being built with Soviet, West German, and British assistance and expansion of three existing mills. This would raise India's annual production from about 1,500,000 to 6,000,000 tons of crude steel by 1961. India's steel expansion program calls for the construction of at least one additional mill during the third plan period, and preliminary work has been done at Bokaro. Because of India's stringent financial position, it is unlikely to agree to begin construction of the Bokaro mill in the near future. India may accept this offer in principle, however, provided acceptance does not rule out Soviet assistance for expansion of the mill at Bhilai during the third plan.

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a FANG (LA-11), which has a better capability than jet fighters for intercepting slow, low-flying transports. [redacted]

An article in the Soviet Army's Red Star on 25 September contained the first hint since the onset of the Taiwan Strait crisis of Soviet willingness to support Communist China with assistance in the form of "volunteers." The article recounted how Soviet pilot volunteers had fought in China against the Japanese, and concluded that Soviet pilots are "ready, if necessary, to come to the aid of their true Chinese friends and crush interventionists with all their might of arms." Soviet military press organs have been consistently less restrained than other Soviet propaganda media in connection with the Taiwan Strait crisis. To date, the line on "volunteers" has not appeared in any other Soviet commentary. [redacted]

[redacted]

[redacted]

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II. ASIA-AFRICA

Army Coup in Burma

The Burmese Army, under Commander in Chief Ne Win, in a well-coordinated bloodless coup on 26 September moved to take control of the government. Formally, the government remains unchanged for the present, but civilian politicians clearly are no longer in command. Premier Nu, acting behind the constitutional facade, has asked President Win Maung to call Parliament for 28 October, the earliest possible date under Burmese parliamentary custom. He has announced that he will then resign and has called upon the country to support General Ne Win as the new premier.

The army action took place following a welter of coup rumors and severe political tensions. It appears to have been touched off by alarming evidence of growing Communist political strength. In addition, Communist insurgents who recently surrendered are known to have cached arms in the jungle, and the army feared their use for voter intimidation in the projected November elections. Political fragmentation among Burma's non-Communists was expected to result in widespread violence before or during the elections.

General Ne Win, the new leader, is strongly anti-Communist and has long held the power to take over the government by force. He has the personal loyalty of the armed services. However, his distaste for political leadership, following his 1949 tour as deputy premier, has led him to concentrate on his military career. Whether he has acted because of prompting by the opposition AFPFL faction led by former Deputy Premiers Ba Swe and Kyaw Nyien or because of the army's analysis of Burma's political situation, his action must have come from a conviction that Burma's prospects were desperate.

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Middle East Oil Developments

The amicable atmosphere which had characterized recent profit-sharing negotiations between Syria and the American-owned Tapline carrying Saudi oil to the Mediterranean has been changed, apparently on orders from Cairo. Prior to the return of Syrian Minister of Trade and Economy Kallas from Cairo, the profit-splitting negotiations were proceeding satisfactorily from Tapline's point of view.

On his return, however, Kallas demanded application of a formula involving a payment of 60 cents a barrel, which would involve operating at a substantial loss. The unacceptability of this demand and the take-it-or-leave-it position appeared designed ultimately to move the scene of decisive negotiations to Cairo, where an over-all Arab oil policy toward Western oil companies is being developed. Nasir may also be planning a substantial victory over Western interests prior to the Arab Petroleum Conference now scheduled for early next year, at which Cairo hopes to gain firm control over the petroleum policies of Arab oil-producing countries.

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Saudi Internal Developments

A potentially serious difference of opinion appears to have developed between Crown Prince Faysal and King Saud as a result of Faysal's efforts, in connection with development of a government budget, to limit the expenditures of the King and other members of the huge royal family. Although other items in the budget have been severely curtailed, Faysal has been unable to persuade many members of the royal family to accept the strict limitations in their own spending needed to bring order to the government's finances and appease mounting popular dissatisfaction. Thus, despite heavy cuts, the royal family's proposed share remains about a quarter of the budget of over \$300,000,000.

Saudi Minister of Commerce Ali Riza has declared that Faysal will make a final effort to convince the King and the princes to accept a reduced family budget. Ali Riza asserts that Faysal is preparing to take unspecified "extreme measures" if persuasion fails.

Saud has continued to intrigue against his brother Faysal since the "palace revolution" which limited the King's power last spring. He has apparently gained new support from princes who oppose curtailment of their income. In addition to attempts to make personal purchases of arms for distribution to tribal forces loyal to him, the King is striving to convert a considerable amount of personal and real property into foreign exchange. The heaviest liquidations appear to have been in western Saudi Arabia, where radical Arab nationalism is strongest, but the King is also reported to have sold property in the Eastern Province and the interior, as well as gold and precious stones from his personal treasury.

While Ali Riza considers that the King may be preparing to leave the country if future political developments are unfavorable to him, Saud may also be accumulating funds with which to rally traditional forces opposed to Faysal's reforms.

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Baghdad Pact Representatives to Meet in Ankara
On 1 October

Representatives of all the Baghdad Pact countries except Iraq will convene in Ankara on 1 October at the invitation of the Turkish Government to finalize the decision made at London after the Iraqi coup last July to move the secretariat from Baghdad to Ankara. The meeting will open as an informal session in order to make Iraqi attendance unnecessary but may evolve into a formal meeting. It will probably consider matters pertaining to the next meetings--possibly in January or February at Tehran or Karachi--of the ministerial council and the Combined Military Planning Staff.

Pact activities have been severely restricted since July because of the uncertainties surrounding the intentions of the new regime in Baghdad vis-a-vis the alliance. Popular opposition in Iraq to the pact alignment precludes continuation of a bona fide membership, but the new government may delay formal withdrawal in the hope of retaining access to confidential decisions and documents. No effort is being made by the other members to force Iraq to withdraw, but they have no intention of allowing Iraq, by its lack of decision, to frustrate efforts to go ahead with area defense and other aspects of regional cooperation.

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III. THE WEST

Chinese UN Representation

The Chinese representation question may again be raised at the UN General Assembly in a matter of weeks if the offshore islands question is brought to the UN under circumstances appearing to threaten war. Ambassador Lodge has advised that the United States may then be unable to obtain the one-third vote necessary to prevent re-introduction of the representation issue.

Recent discussions in New York have reflected growing distaste for the moratorium formula. Several Latin American representatives expressed reluctance to go along with the United States in the future, while one stated his country considered the policy humiliating to the Latin Americans, serving only to give the impression that they were US satellites. The spokesman for Argentina reported that a majority of the Latin American delegations personally opposed the US position.

In many of the countries, press and radio criticism of the government's "subservience" to US "pressure" provides a stimulus for official restiveness. Most influential Latin Americans, however--except perhaps in the larger countries--may at least for the near future continue to share the opinion of Costa Rican delegate Guido Fernandez, who stated earlier this month that, even in the case of "erroneous" US foreign policy decisions, Latin America is bound to the United States and must of necessity follow its lead.

Canada, meanwhile, has made it clear that this was the last year it could be counted on to back the United States. Belgium is understood to hold similar views. Dissension was reported within the Pakistani delegation on the issue, and Japan refused outright to speak in favor of the US resolution.

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