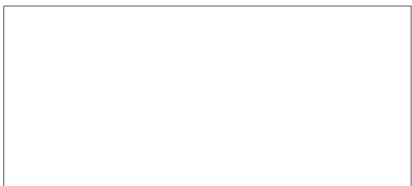


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13 August 1958



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CENTRAL INTELLIGENCE BULLETIN



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13 AUGUST 1958

I. THE COMMUNIST BLOC

Soviet UN resolution is first tactical maneuver to counter possible Western moves. ①

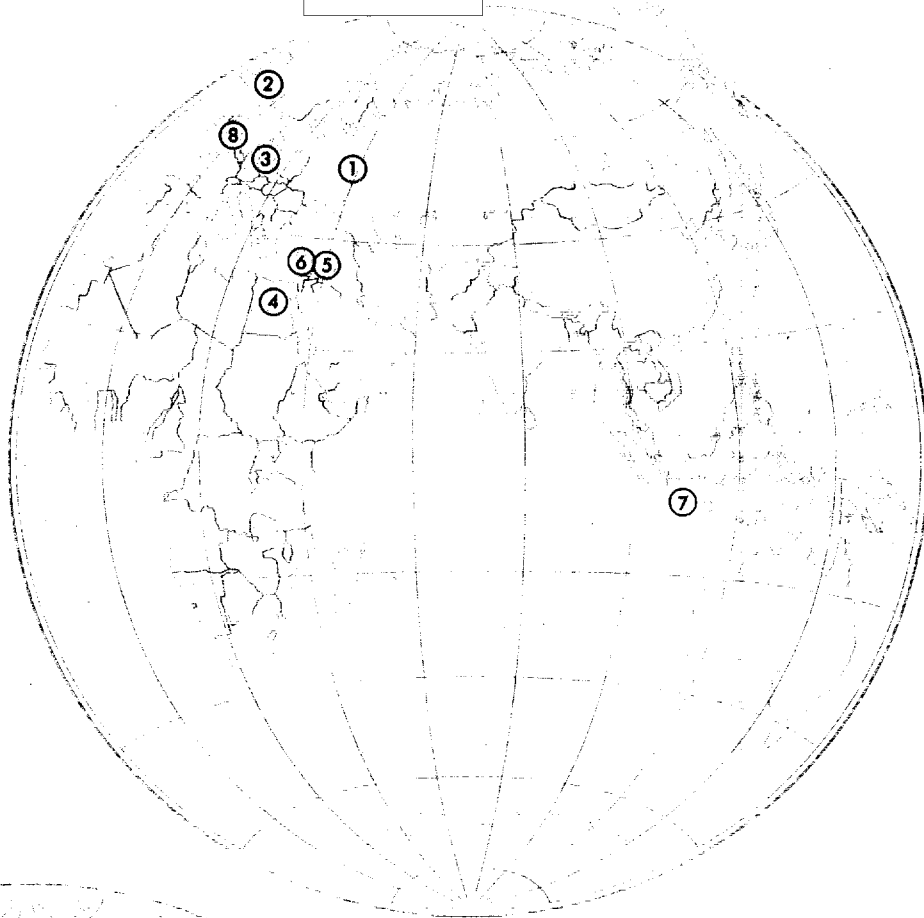
Soviet submarines continue extended operations in North Atlantic. ②

Communists impose new physical controls to back up threats against East Berliners working in Western sectors. ③

II. ASIA-AFRICA

Cairo orders Damascus on 11 August to withdraw "invaders" from Lebanon, citing Shihab's willingness to cooperate; emissary from Shihab went to Nasir on ④

New Syrian budget looks to extraordinary revenues; may presage demand for increased pipeline charges. ⑤

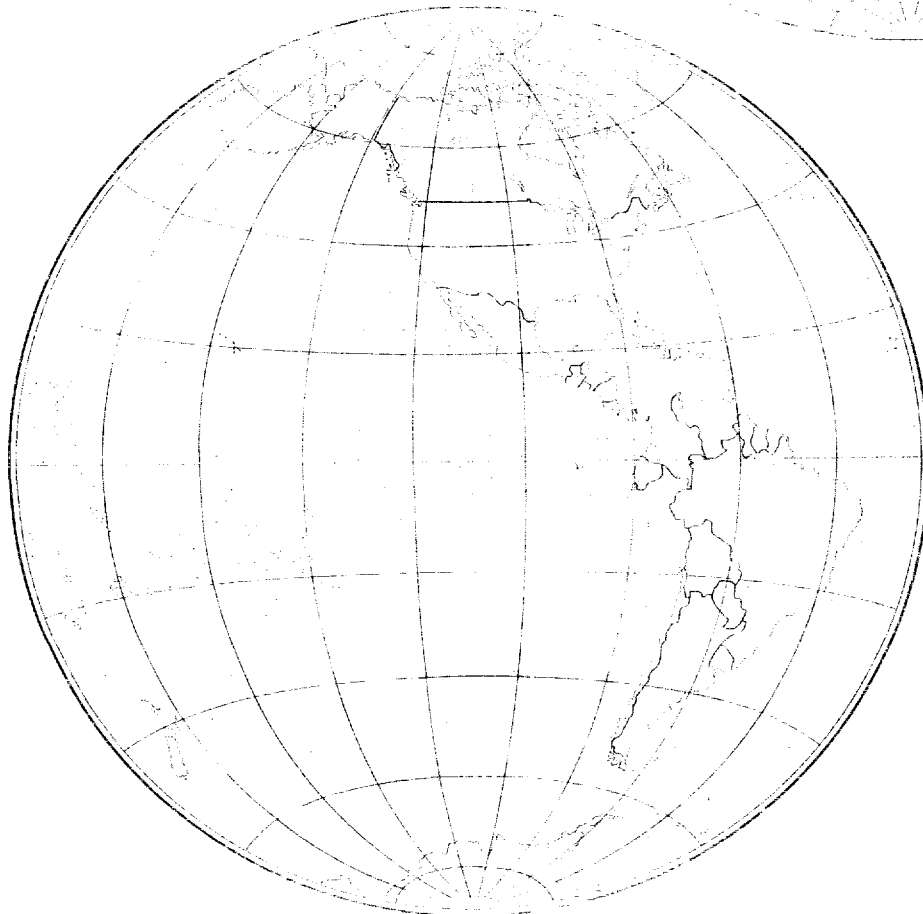


⑥ Macmillan visit to Greece and Turkey produced nothing new on Cyprus issue.

⑦ First flight of IL-28 in Indonesia observed on 9 August.

III. THE WEST

⑧ British want working arrangement with Arab nationalism and "guaranteed neutrality" for Lebanon, Jordan, and, eventually, Persian Gulf sheikdoms.

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CENTRAL INTELLIGENCE BULLETIN

13 August 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

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*Soviet UN resolution: Gromyko's resolution which calls on the UN General Assembly to strengthen UN observer capabilities in Lebanon and Jordan in conjunction with the withdrawal of US and British troops marks the beginning of Soviet maneuvers to counter anticipated Western positions in the forthcoming debate. The resolution, while phrased to imply condemnation of "Western military intervention," is nonetheless calculated to attract maximum support from UN members and to lay the basis for future Soviet claims of having forced the withdrawal of Western forces. [redacted] 1

no

Soviet submarine activity: Soviet Northern Fleet submarines continue on extended operations, which began in mid-July, in the North Atlantic off the western approaches to the United Kingdom. A minimum of five groups of submarines now are involved. Since 10 August these units have received only stationing orders, possibly in preparation for a major exercise. [redacted] (Page 1)

OK

Berlin: The Communists are bringing new pressure against East Germans who work in the Western sectors of Berlin to give up their jobs. The East German regime has almost completed construction of the physical facilities necessary to control the passenger traffic on the elevated trains which pass through West Berlin. [redacted] (Page 2)

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II. ASIA-AFRICA

*Lebanon - UAR: On 11 August, Cairo ordered Damascus to arrange for the "withdrawal" of UAR military-type personnel from Lebanon. [redacted] General Shihab "is prepared to assist in this matter and to ensure their arrival in Syria." [redacted]

[redacted] It is doubtful that Nasir would have ordered a "withdrawal" without some prior understanding with Shihab. [redacted]

OK

Syria: A record Syrian budget totaling almost \$130,000,000, approved by UAR President Nasir after considerable high-level wrangling, may lead to further friction between the UAR and Western interests. Since planned expenditures are far in excess of normal revenues, the UAR may seek a sharp increase in payments for use of the pipelines passing through Syria.

[redacted] (Page 3)

Cyprus: Recent discussions in Athens and Ankara with British Prime Minister Macmillan produced nothing new on the Cyprus issue. Continued failure to make progress toward a political solution may lead to an early termination of the "truce" on the island. However, EOKA may be restrained by the apparent success of the recent British security drive and by the knowledge that a period of peace is needed to assure an early return of Makarios to the island. [redacted] (Page 4)

Indonesia: The first observed flight of an IL-28 jet bomber was made at Djakarta on 9 August. Six to eight IL-28's have been delivered, and a total of possibly 30 are on order from the Soviet bloc. [redacted] (Page 5)

III. THE WEST

no

Britain - Middle East: Top British officials tend to believe that some form of guaranteed neutrality may be the best that can be obtained for Jordan, Lebanon, and in the long run, for the Persian Gulf sheikdoms. Foreign Secretary Lloyd told

13 Aug 58

DAILY BRIEF

ii

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Deputy Under Secretary Murphy this might be achieved by conveying to Nasir the impression that American and British troops might otherwise remain in the Middle East for many years. A general British desire to establish a working arrangements with Arab nationalism is evident. [redacted]

[redacted] (Page 6)

13 Aug 58

DAILY BRIEF

iii

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I. THE COMMUNIST BLOC

Soviet Submarine Activity in North Atlantic

A minimum of five "groups" of Soviet Northern Fleet submarines are operating in the North Atlantic south of Iceland. Extended operations by Northern Fleet submarines began in mid-July, apparently as a part of the military reaction to the crisis in the Middle East. Based on previous operations, it is estimated that three to five submarines comprise the average "group." Also deployed in the same general area are three Soviet naval survey ships. These ships, which in the past have apparently been associated with submarine exercises, maintain intermittent communications with Northern Fleet headquarters.

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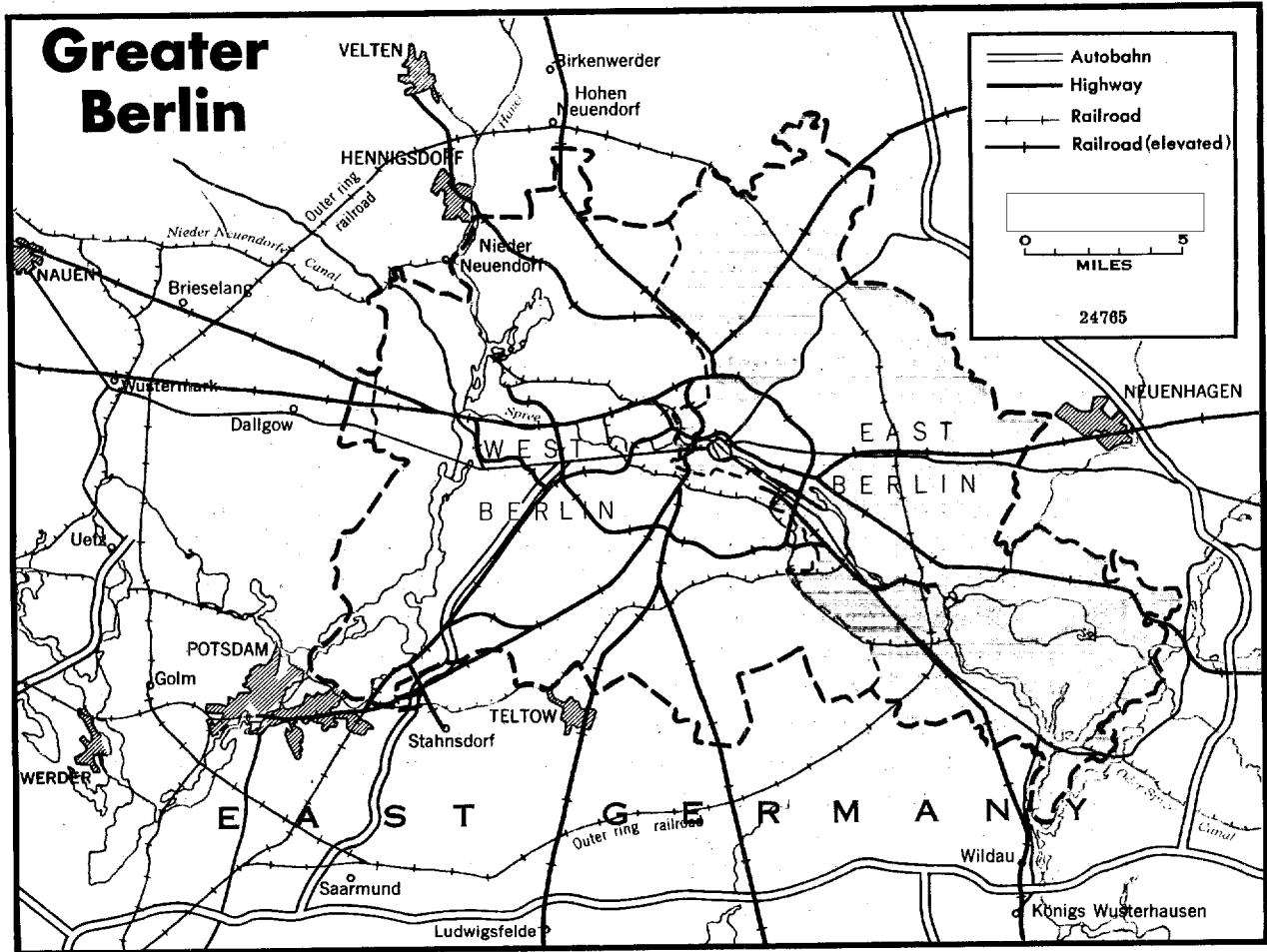
[redacted] these submarine groups [redacted] [redacted] may be an indication that a large-scale exercise is planned. A detachment of three Northern Fleet RIGA-class destroyer escorts was sighted on 12 August off the southwest coast of Norway on a general westerly course, possibly to provide target services for the submarines. In addition, naval medium jet bomber (TU-16) aircraft have been scheduled for extensive overwater reconnaissance flights in the Norwegian Sea approaching Iceland and the Faeroe Islands. Such flights have been noted in the past in connection with submarine exercises.

If a large-scale exercise develops, it would be the second held by the Soviet Northern Fleet in two months. Between mid-June and early July possibly as many as 40 submarines were engaged in an exercise in the North Atlantic and Norwegian Sea.

[redacted]?

[redacted]

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East Germans May Tighten Control of Elevated Service
To West Berlin

OK

The construction by the East Germans of special platforms and switching arrangements on the elevated rail lines near the East-West Berlin sector border and on the outer ring which circumvents West Berlin is nearly completed. When the work is finished, the Communists, who operate the entire city's elevated railway system, will have the capability of restricting passenger traffic into and out of West Berlin on these trains.

The regime reportedly is considering the imposition of a requirement that all persons crossing the West Berlin border in either direction bear a special pass. In addition to tightening internal security, the East German regime wants to prevent the continued employment in West Berlin of residents of East Berlin and East Germany and to check the flow of refugees. Faced with a critical labor shortage, East Germany has threatened to confiscate the housing of East Germans working in West Berlin, to expel their children from schools, and deprive them of "social benefits" unless they take jobs in East Berlin or the German Democratic Republic. Despite these pressures, however, approximately 35,000 residents of Communist-controlled areas still work in West Berlin.

[Redacted]

[Redacted]

~~SECRET~~

II. ASIA-AFRICA

Nasir Approves Record Syrian Budget

UAR President Nasir's approval of a record \$128,770,000 Syrian budget, after considerable wrangling between high-level Egyptian and Syrian officials, signals the institution of controls similar to those in Egypt over the previously free Syrian economy.

Nasir on 22 July criticized the Syrian economy, which suggests Cairo has been preparing public opinion for moves designed to increase Egyptian control over Syria. A number of recent moves already have placed a damper on Syrian trade with the free world while leaving trade with the bloc unaffected. Military spending will account for about 58 percent of the budget--an increase of 62 percent over last year.

01/5
Although the Syrian economic situation is difficult--prospects are for the worst grain crop in a decade--it is not critical. The currency remains strong on international markets, and official foreign exchange reserves are probably the same or even slightly higher than a year ago. The money supply has increased, but prices remain at their normal seasonal levels. The new budget, however, may lead to a new era of deficit spending and instability.

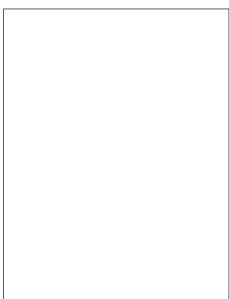
To secure additional revenue, Syria may press the Iraq Petroleum Company (IPC) and the Aramco-owned Tapline for sharply increased payments for pipelines passing through Syria. Damascus and Cairo are pressing IPC to construct a new major pipeline through Syria. This year Syria will receive an estimated \$18,300,000 from IPC and about \$1,300,000 from Tapline.

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Macmillan Mission Fails to Resolve Cyprus Issue

The recent trip of British Prime Minister Macmillan to Athens, Ankara, and Nicosia apparently resulted in no appreciable advance toward even an interim settlement of the dispute. Although the trip was designed to develop a favorable atmosphere for negotiations, Macmillan advanced no new proposals.

GA



In Athens, he explained in detail the British seven-year plan for Cyprus, originally announced in Parliament on 19 June. While Greek opposition to the plan appeared to waver on some points, Premier Karamanlis refused to accept provisions calling for official Turkish and Greek government representatives on the Governor's Council. Conversations between Cyprus Governor Foot and Archbishop Makarios resulted only in an evasive statement by Makarios agreeing that the preservation of peace on Cyprus was important. Subsequent to the visit of Macmillan, Athens announced plans to resubmit the issue to the next session of the UN General Assembly.

In Ankara, where the British plan was originally rejected, there has been a reappraisal in recent weeks and conciliatory statements indicating that the "partnership" aspects of the new proposals can be reconciled with the Turkish demand for eventual partition of Cyprus. The Turks still desire to have the final solution for Cyprus, i. e., partition, spelled out at this time but may accept the British plan as an interim measure. Ankara would probably insist on having Greek and Turkish representatives on the Governor's Council, however, as the Turks regard this as one of the most attractive features of the British plan.

On Cyprus, a recent large-scale security drive against EOKA has met with considerable success and may preclude immediate resumption of hostilities by EOKA even if there is no international agreement on the island's future. In addition, the British have made it clear to Greek Cypriot leaders that Makarios will be permitted back on Cyprus only after an extended period of peace. British action at this time to implement the new plan despite the objections of Athens and Makarios would nevertheless result in an immediate call by EOKA leader Grivas for a new campaign of sabotage and terrorism.

Bloc Arms Deliveries to Indonesia

017
One of the six IL-28 jet bombers which were recently reported being assembled at the Djakarta airfield was observed in flight over Djakarta on 9 August. Other bloc aircraft already delivered to Indonesia include 20 IL-14 transports, several MIG-17 jet fighters, and possibly as many as 15 MIG jet trainers.

Although figures vary on the number of Soviet bloc aircraft which the Indonesian Air Force purchased early this year, the total apparently includes up to 30 IL-28's, 20 IL-14's, 35 MIG-17's, and 20 MIG-15's. All of the IL-14's have been delivered by air; other aircraft have been arriving by sea.

The Indonesian Air Force has lost several of its limited number of combat aircraft in operations against the dissidents. The rapidity with which it can replace its losses with the newly purchased aircraft will depend on the speed with which Indonesian personnel can be trained in the use of jet planes. Training programs are under way in the bloc and in Egypt, as well as in Indonesia.

Indonesia's army and reportedly the navy also have arranged for the supply of bloc arms. Total cost of the bloc-Indonesian arms deals, including aircraft, is at least \$100,000,000 and may be as much as \$200,000,000.

no
Two shiploads of bloc arms were delivered to Indonesia in May and June. [redacted] A third Soviet vessel carrying arms arrived on 29 July and a fourth docked in Djakarta on or about 3 August. [redacted]

~~TOP SECRET~~ [redacted]

III. THE WEST

British Ideas on the Middle East

British Foreign Secretary Lloyd and his top advisers indicated during extensive talks on 10 August with Deputy Under Secretary Murphy that British Middle East policy is tending toward a working arrangement with Arab nationalism.

no

Lloyd emphasized his desire to remove British troops from Jordan and his eagerness to obtain at least a temporary "solution" for Jordan from the special UN General Assembly session. He said the best hope for Jordan might be to prop up the Husayn regime temporarily--such as by making Jordan a "ward of the UN" with a UNEF on its borders and a radiomonitoring group inside. He indicated hope that by implying determination to keep their troops in Jordan and Lebanon "for ten years if need be," Britain and the US could induce Nasir and the USSR to start working for "something realistic."

Lloyd suggested that neutrality guaranteed by an international convention along the lines of Austria might be a good idea for Lebanon. While reiterating that the West should stand firm on holding the Persian Gulf sheikdoms for the present, Lloyd said that a Lebanese neutrality treaty might provide a good precedent for that area.

Lloyd expressed doubt that Nasir would either make or keep any agreement, [redacted]

[redacted] reflecting the strong current of British public opinion toward eventual compromise with Arab nationalism. Lloyd said it would suit Britain very well to work out some modus vivendi with Nasir. Lloyd believes the new Iraqi Government must also be given a "clean run," though chances of developing a working relationship are poor.

