

~~TOP SECRET~~

3.5(c)

3.3(h)(2)

22 August 1958

Copy No. C 57



CENTRAL INTELLIGENCE BULLETIN

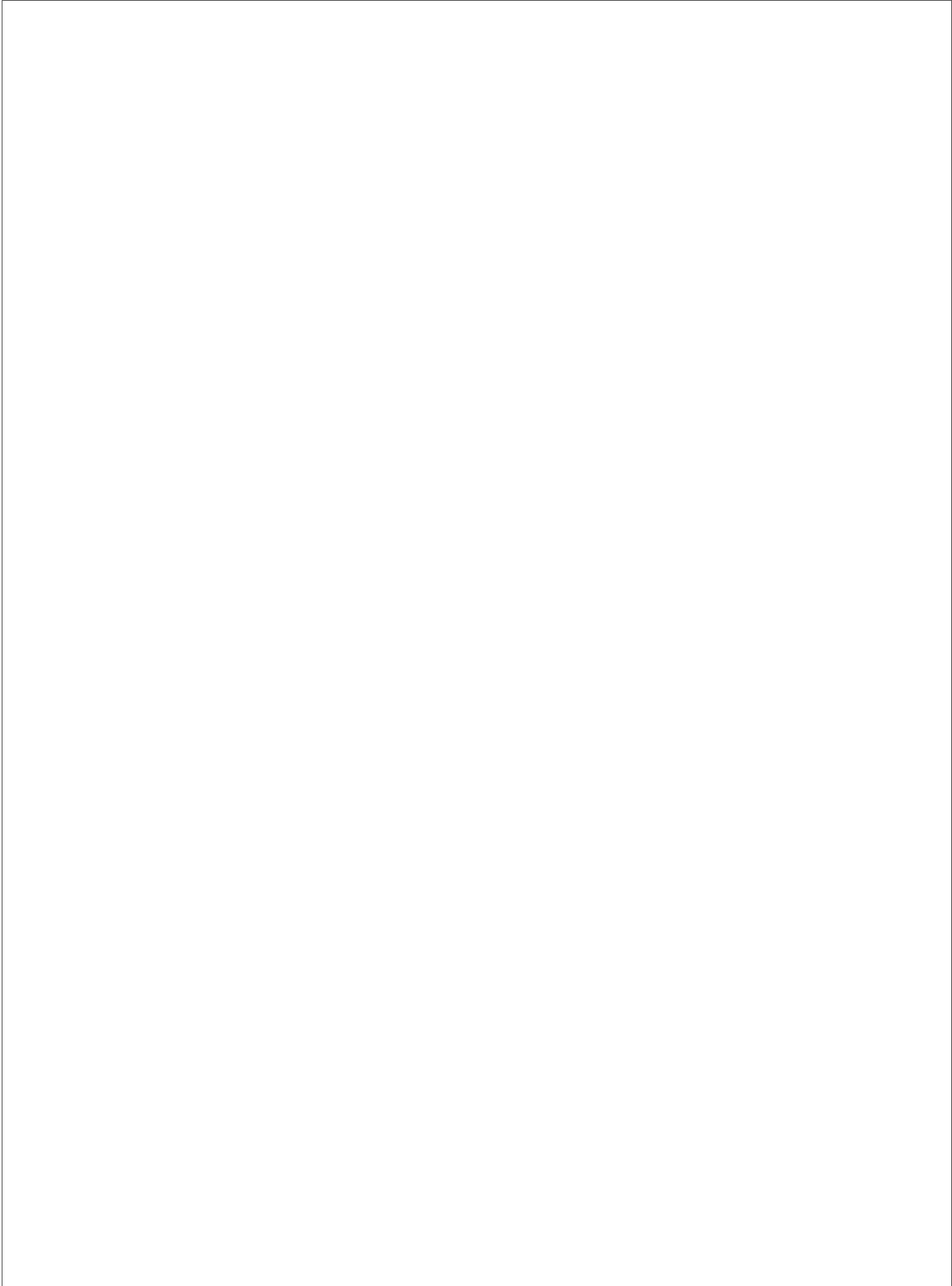


DOCUMENT NO. 18x
NO CHANGE IN CLASSIFICATION
DECLASSIFIED
CLASS. CHANGED BY 2010
NEXT REVIEW DATE
AUTHORITY
DATE 3/27/80 REVIEWED



~~TOP SECRET~~

~~TOP SECRET~~



~~TOP SECRET~~

~~TOP SECRET~~

22 AUGUST 1958

I. THE COMMUNIST BLOC

USSR offers to barter oil for unsold Greek tobacco.

①

II. ASIA-AFRICA

Responsible Chinese Nationalist leaders and business circles reveal no panic over current situation in Taiwan Strait.

②

Iraq - Pro-Nasir elements call for full union with UAR; Communists favor looser ties.

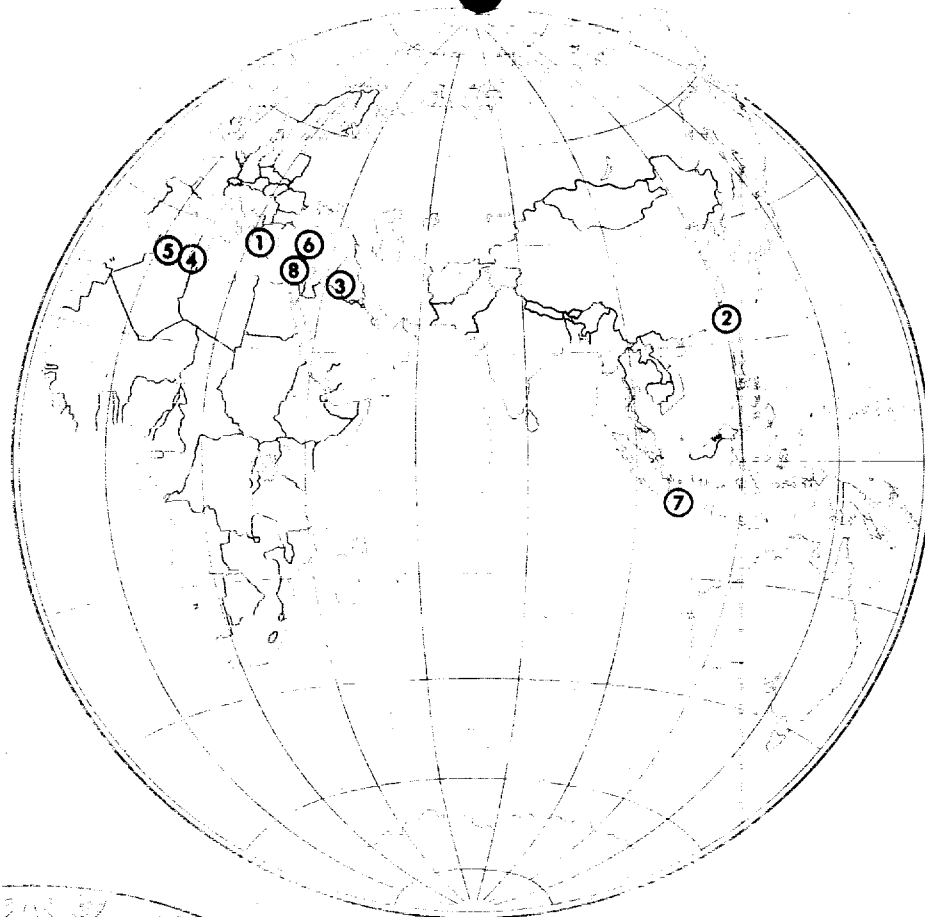
③

Tunisian defense secretary concedes to Algerian rebel viewpoint in relations with France on arms and Saharan oil transit.

④

De Gaulle may face violence in Algeria and Dakar on present African tour.

⑤

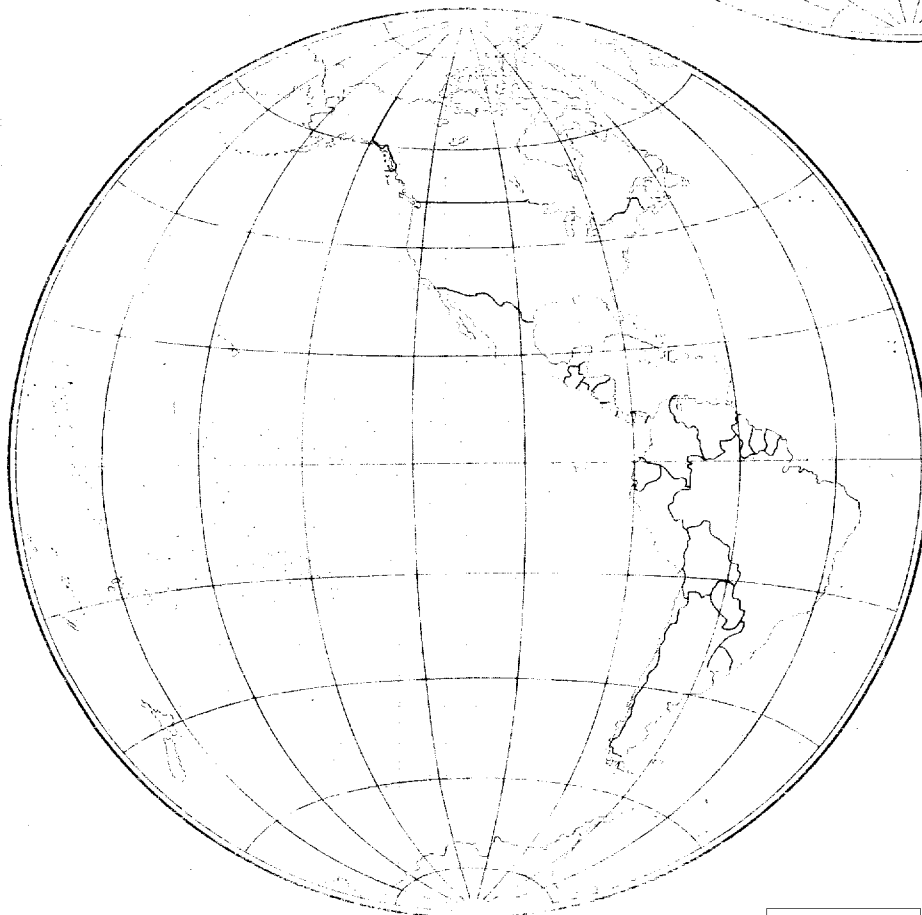


⑥ Turkey - Menderes' party may intensify repression of political opposition.

⑦ Indonesian Government officials trying to draft plan to combat economic deterioration.

III. THE WEST

⑧ Britain intends to go ahead with parts of modified plan without cooperation of Greek Cypriots.



~~TOP SECRET~~

~~TOP SECRET~~

CENTRAL INTELLIGENCE BULLETIN

22 August 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

SRAB

OK

USSR-Greece: The Soviet Union may try to exploit criticism--led by leftist press and politicians--arising out of Greek inflationary problems by pressing for acceptance of an attractive offer to barter oil for unsold Greek tobacco.

(Page 1)

II. ASIA-AFRICA

NO

*Taiwan: Beneath the present surface manifestations of official alarm, responsible leaders seem fairly calm. A sampling of opinion in Taipei business circles discloses "business as usual" with no panic, hoarding, or rapid inflation. Government declarations of intent to disperse agencies, build air raid shelters, and take other emergency measures have not gone beyond the talking stage. Additional food supplies, however, are being sent to the offshore islands.

OK

Iraq: A struggle for influence between the Communists--who have resumed activity under the new regime--and radical Arab nationalists appears to be developing over the future relationship between Iraq and the UAR. Pro-Nasir elements in Iraq are calling for full union with the UAR. The Communists favor some form of looser ties.

(Page 2)

~~TOP SECRET~~

~~TOP SECRET~~

Tunisia: Defense Secretary Ladgham said on 21 August that the Algerian rebel leaders have been assured that Tunisia will not accept French arms at this time. As a further reflection of concern over relations with the Algerian rebels inside Tunisia, Ladgham also said that the rebels have been promised that until Algeria becomes independent no oil from the Sahara will be allowed to flow through the pipeline crossing Tunisia under a concession recently granted to a French company.

[Redacted]

De Gaulle's African trip: De Gaulle may face violent demonstrations in French West Africa and in Algeria during his present African tour. French authorities expect demonstrations--which may include the throwing of Molotov cocktails--in Dakar on 26 August by groups favoring independence.

[Redacted]

Turkey: Pressure is building up within the ruling Democrat party to intensify repressive measures against the principal opposition group, the Republican People's party. The opposition's criticisms of the government have been particularly telling recently and are a source of annoyance to Menderes.

[Redacted] (Page 5)

Indonesia: Recent developments have seriously affected the Indonesian economy, and government officials are trying to devise an economic stabilization program. Indonesia will require extensive additional foreign aid in the near future to pay for essential imports. [Redacted] (Page 6)

22 Aug 58

DAILY BRIEF

ii

~~TOP SECRET~~

~~TOP SECRET~~

III. THE WEST

No
Britain--Cyprus: London intends to implement what it can of its modified Cyprus plan by holding elections for the Turkish communal assembly even if the Greek Cypriots refuse to participate. The British hope the Greek refusal to cooperate is not final, but are prepared to continue direct rule of the Greek Cypriots if necessary.

(Page 7)

IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

No
Special National Intelligence Estimate No. 65-58. The Outlook in Indonesia. 12 August 1958.

22 Aug 58

DAILY BRIEF

iii

~~TOP SECRET~~

I. THE COMMUNIST BLOC

USSR Offers Barter Deal on Greek Tobacco Surplus

The USSR, capitalizing on the problem Greece will face within the next few days in financing large stocks of unsold tobacco, has offered to exchange crude oil for some of the surplus. The offer is likely to be accepted, despite the adverse effect on Greek arrangements with Western countries, because of the probable reaction from leftist papers and politicians if the government pays hard currency for Western petroleum while it fails to sell its burdensome tobacco surplus. Acceptance would increase Greece's already substantial trade dependence on the Communist world.

In order to finance the tobacco, in case it should not accept the Soviet offer, Greece would be forced to increase the currency in circulation. This would threaten the delicately balanced economy and could lead to a loss of faith in the drachma, a return to gold hoarding, and a flight of capital such as characterized the early postwar years. Since January 1957 the Greek Government has increased drachma notes in circulation by about 45 percent while gold and foreign-exchange holdings have been declining. Thus far, confidence in the drachma has been maintained and the cost of living has increased only slightly, largely because of marked increases in savings deposits. The increased money supply, however, has resulted in a sharp increase in imports--without a concomitant increase in exports--and a consequent substantial deterioration of the balance-of-payments position.

~~SECRET~~

II. ASIA-AFRICA

Communist and Nationalists Struggle for Influence in Iraq

A struggle for influence between the Communists and radical nationalists over the future of Iraq's relationship with the UAR is developing. The Communist party, hitherto suppressed, has been allowed free rein since the coup. In moves reminiscent of the Baathist-Communist contest in Syria last fall, the Communists are attempting to oppose Baathist pressure for immediate full Iraqi union with the UAR. Realizing that they cannot appear as opponents of Arab unity, the Communists are seeking to ward off complete union by proposing only federation with the UAR and close relations with the USSR.

The intensification of this power struggle will put severe pressures on the solid front so far presented by the regime. Having decided that Vice Premier Arif is "Nasir's man," the Communists are reported to be throwing their support to the less pro-Nasir and more moderate Prime Minister Qasim. A split between Arif and Qasim would probably divide the army into factions.

The Communists will probably receive support in their efforts from the leftist nationalist National Democratic Party of which Minister of Finance Muhammad Hadid is a leader, while the rightist and strongly nationalistic Istiqlal (independence) party led by Minister of Guidance and Information and Acting Foreign Minister Sidiq Shanshal and Councilor of State Muhammad Mahdi Kubba is likely to throw its support to the Baath. Nasir may begin a campaign of hints to the West that Iraqi union with the UAR is the only way to prevent a Communist take-over.

[redacted] a "Board of Revolution" is to be established, from which leftists will be barred. Presumably this board would be modeled along the lines of the Revolutionary Command Council, which emerged after the 1952 coup in Egypt.

[redacted] a "decision" to nationalize oil

~~SECRET~~

companies in Iraq will be implemented if the UN meetings on the Middle East "turn out favorably" for the new Iraqi Government. However, it seems doubtful that the government would carry out such a move at this time, except as a desperate bid for popular support.



~~SECRET~~

~~TOP SECRET~~ [redacted]

Anti-De Gaulle Demonstrations Expected in Africa

French security forces at Dakar expect demonstrations on 26 August during Premier de Gaulle's visit to rally support for his proposed constitution. Leftist political groups, labor, and students' organizations are planning to demonstrate against the premier and in favor of independence. The government plans to have available the full police force-- which is inexperienced in riot duty--and to have paratroopers on the alert. The police have information that the leftists, who are being advised by a French Communist contact, are making Molotov cocktails and are determined to have political martyrs.

In Algeria, National Liberation Front (FLN) rebels were instructed [redacted] to plan sabotage of "communal works of economic and social interest" likely to be visited by De Gaulle during his three-day tour of that territory starting on 27 August. The sabotage was ordered to take place "at the time he passes through." Rebel capabilities for such action are likely to be limited, however, by the elaborate security precautions which the French can be expected to take along the route of the general's as yet unannounced itinerary.

Meanwhile, the announcement on 19 August by French military headquarters in Algiers of the execution early last month by the rebels of another French officer may have been designed, in part, to incite rightist European elements into making some public manifestation during De Gaulle's visit of their demand for the complete "integration" of Algeria with France. Similar executions of French military personnel by the FLN in early May contributed significantly to the climate which permitted the successful army-settler coup of 13 May. [redacted]

[redacted]

[redacted]

~~TOP SECRET~~ [redacted]

Pressure on Turkish Opposition

The Turkish official radio continues to give wide publicity to the communiqué issued by the ruling Democrat party on 11 August which made thinly veiled threats to outlaw the Republican People's party, the major opposition group. If the government permits members of the Republican People's party to speak in the special Grand National Assembly session, which began on 21 August and is expected to last a week, they are likely to continue their vigorous and increasingly effective attacks on the government. This may cause Prime Minister Menderes to impose further restrictions on legislative immunities and other freedoms.

The Republican People's party has centered its attack on inflation, shortages, and dislocations, which result, in part, from Menderes' economic program. It has also won support by protesting restrictions on freedom. After the Iraqi coup, it extended its criticism to Turkey's foreign policy but reiterated its support for Turkey's US and NATO ties. It is even considering raising the question of American use of the Adana air base, as part of its general argument that the government should keep the opposition informed concerning foreign policy matters.

~~CONFIDENTIAL~~

~~SECRET~~Indonesia's Economic Difficulties

Indonesia's economy has been forced to a new low by the expulsion of badly needed Dutch technicians and the seizure of Dutch enterprises, the rebellions on Sumatra and Celebes, illegal barter trade, and the world-wide business recession. These factors have led to reduced foreign exchange earnings at a time when domestic inflation has heightened the demand for imported consumer goods. Inflationary pressures are intensified by a materially increased budgetary deficit, which is due in part to the drain on central government resources caused by the continuing military campaign against the dissidents.

Indonesia's gold and foreign exchange reserves--never at a satisfactory level--dropped from \$220,000,000 at the end of October 1957 to \$144,000,000 at the end of June 1958. There is every indication that the decline is continuing. Unless this trend is reversed, Djakarta may be disposed to turn to the Sino-Soviet bloc for additional help in bridging the exchange gap. There has been a flight of foreign capital, particularly Dutch and Chinese. The government, moreover, has failed to provide any encouragement to new foreign capital; the oil companies in particular have cut back new investment programs sharply.

The Djuanda cabinet has devised a coordinated stabilization program which was recently announced to Parliament. Exceptionally comprehensive, it was worked out with the help of an International Monetary Fund adviser; however, the American Embassy in Djakarta sees little of the administrative discipline required to make it successful in Indonesia's over-staffed but inefficient government. It seems particularly doubtful that the government, despite the army's promise of cooperation, will succeed in limiting the illegal barter trade of the outer islands. Local army commanders in these areas have themselves profited from this trade, which denies the central government both essential revenue and control over the use of an important share of foreign exchange receipts.

~~SECRET~~

III. THE WEST

Britain to Implement Cyprus Plan Despite
Greek Noncooperation

Britain intends to begin implementation of the modified Cyprus plan it announced on 15 August. London hopes that Athens' refusal on 19 August to cooperate is not final and may anticipate that the Greeks will grudgingly participate later rather than be left out when the plan is in operation. In any case, the British intend to go ahead with elections for the Turkish communal assembly even if the Greek Cypriots refuse to elect their assembly. Britain will continue direct rule of the Greek Cypriots if necessary.

Setting up the Governor's Council--the semiexecutive body to be composed of two Turkish Cypriots and four Greek Cypriots chosen by the communal assemblies--may prove impossible without Greek cooperation, however. London's suggestion of appointing British officials to present the Greek view appears unworkable.

London still expects Ankara to accept the plan. Prime Minister Menderes was shown a draft before publication; he described it as "not so bad." At Turkey's request, the British have offered to confirm in writing their 1956 promise to include partition among the options if the fate of the island is ever put to a vote.

Evidently anticipating wide public backing for the government's policy of going ahead, a Foreign Office official said on 20 August that the British public just wants a settlement--rather than any particular solution--and that the Labor party had been consulted on the modified plan.

~~SECRET~~

~~CONFIDENTIAL~~**THE PRESIDENT****The Vice President****Executive Offices of the White House**

Special Assistant for National Security Affairs

Scientific Adviser to the President

Director of the Budget

Office of Defense and Civilian Mobilization

Special Assistant for Security Operations Coordination

Board of Consultants on Foreign Intelligence Activities

Special Assistant for Foreign Economic Policy

Special Adviser to the President

The Treasury Department

The Secretary of the Treasury

The Department of State

The Secretary of State

The Under Secretary of State

The Under Secretary of State for Economic Affairs

The Deputy Under Secretary for Political Affairs

The Deputy Under Secretary for Administration

The Counselor

Director, International Cooperation Administration

The Director of Intelligence and Research

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Chairman, The Joint Chiefs of Staff

Commandant, United States Marine Corps

The Director, The Joint Staff

Chief of Staff, United States Army

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Assistant to Secretary of Defense for Special Operations

Deputy Director for Intelligence, The Joint Staff

Assistant Chief of Staff for Intelligence, Department of the Army

Director of Naval Intelligence, Department of the Navy

Assistant Chief of Staff, Intelligence, Department of the Air Force

Supreme Allied Commander, Europe

Commander in Chief, Pacific

The Department of the Interior

The Secretary of the Interior

Federal Bureau of Investigation

The Director

Atomic Energy Commission

The Chairman

National Security Agency

The Director

National Indications Center

The Director

United States Information Agency

The Director

~~CONFIDENTIAL~~

~~TOP SECRET~~

~~TOP SECRET~~