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28 April 1959



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CENTRAL INTELLIGENCE BULLETIN



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28 APRIL 1959

I. THE COMMUNIST BLOC

II. ASIA-AFRICA

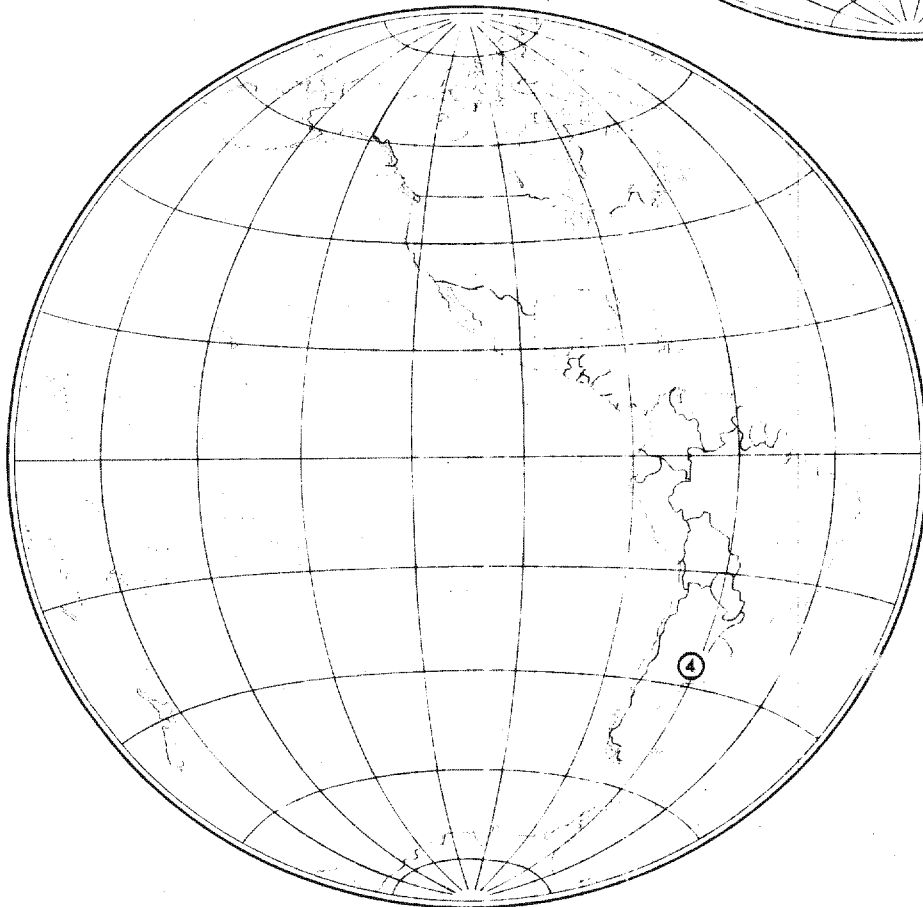
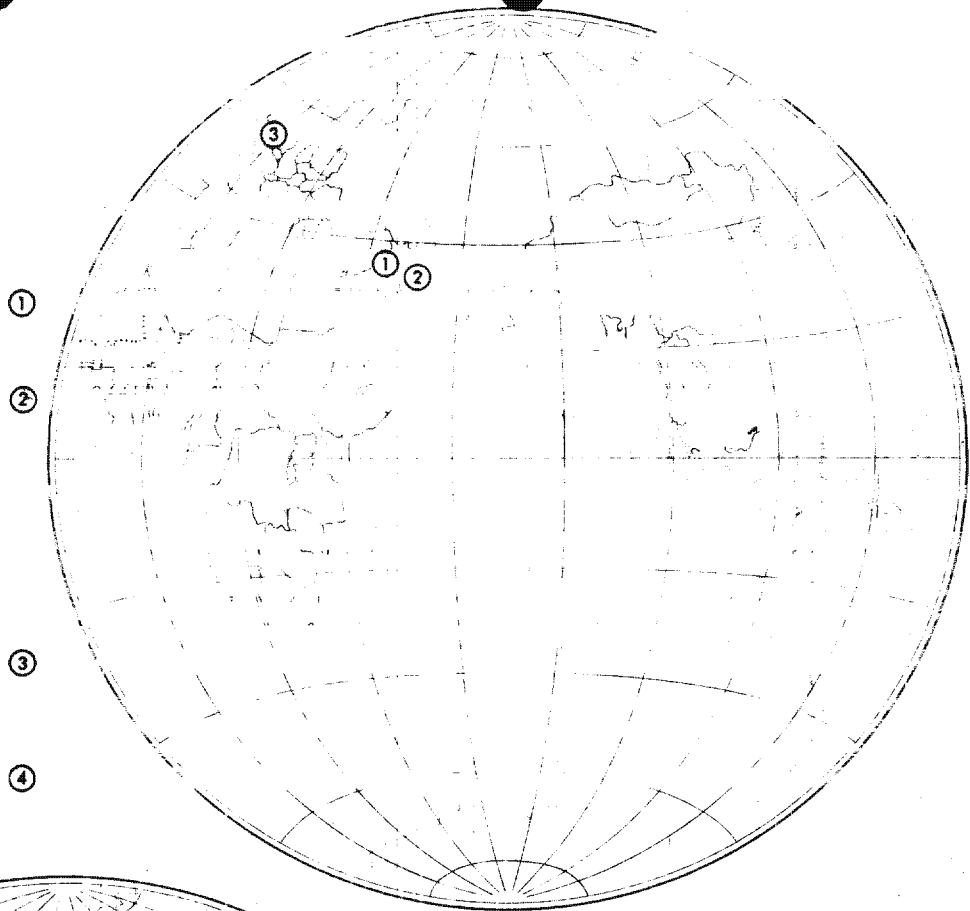
Iraqi Army schedules show of force in tribal areas near Turkish and Iranian borders.

Iran - Discovery of major new oil field will reopen question of pipeline through Turkey to Mediterranean.

III. THE WEST

British release of blocked sterling account ahead of schedule puts UAR technically in default on compensation to old company stockholders and jeopardizes IBRD loan for Suez Canal improvement.

Argentina - President Frondizi issues decree banning all Communist party activities, at least during state of siege.



CENTRAL INTELLIGENCE BULLETIN

28 April 1959

DAILY BRIEF

I. THE COMMUNIST BLOC

II. ASIA-AFRICA

SIRAB

Iraq: The Iraqi Army has scheduled brigade-level maneuvers and a show of force in northeastern Iraq near the Iranian and Turkish borders which were to have begun on 27 April, [redacted]

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[redacted] The commander of the Second Division was to take charge personally; any "enemy aggression" was to be countered rigorously; and two Iraqi villages were to be bombed if resistance was met. This action follows a series of skirmishes between disaffected Iraqi Kurdish tribal elements and Iraqi police and border patrols. [redacted] The Iraqi Government believes these tribal chieftains are lining up support of additional Iraqi tribes and are getting arms and advice from Iran and Turkey. [redacted] (Page 1)

OK

Iran: (A new oil field, apparently of major proportions, has been discovered by the government-owned National Iranian Oil Company about 100 miles south of Tehran. The first well tested at a rate of more than 7,000 barrels daily. As a result of this discovery, the Turkish and Iranian agreement signed last year calling for the construction of a major pipeline to the Mediterranean will again receive active consideration. This pipeline would be designed to reduce Iran's dependence on the Iraq-dominated Shatt-al-Arab River at the head of the Persian Gulf.) [redacted] (Page 2) (Map)

III. THE WEST

Britain-UAR: (London, impatient with Cairo's delay in restoring diplomatic relations, has made a financial maneuver which jeopardizes Nasir's efforts to secure an IBRD loan to improve the Suez Canal. Under the terms of a 1958 agreement, release of an Egyptian blocked sterling account would require the UAR to compensate stockholders of the old Suez Canal company. The British have unblocked this account earlier than scheduled, and say they will vote against the IBRD loan if the UAR is in default on its compensation agreement. This action will tend to confirm the impression held by many UAR officials that the British are continuing to work against Nasir.) [redacted] (Page 3)

OK

Argentina: To counter continuing strikes and agitation against the US-backed stabilization program, President Frondizi has issued a decree banning all activity by the Communist party and associated groups, at least for the duration of the present state of siege. He believes the Communists and Peronistas are mainly behind this agitation. Several antigovernment demonstrations may be attempted on 1 May. [redacted] (Page 4)

OK

28 Apr 59

DAILY BRIEF

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~~SECRET~~ [redacted]

~~SECRET~~ [REDACTED]

I. THE COMMUNIST BLOC

No Back-up Material

II. ASIA-AFRICA

Renewed Clashes Between Iraqi Army and Dissident Tribal Elements

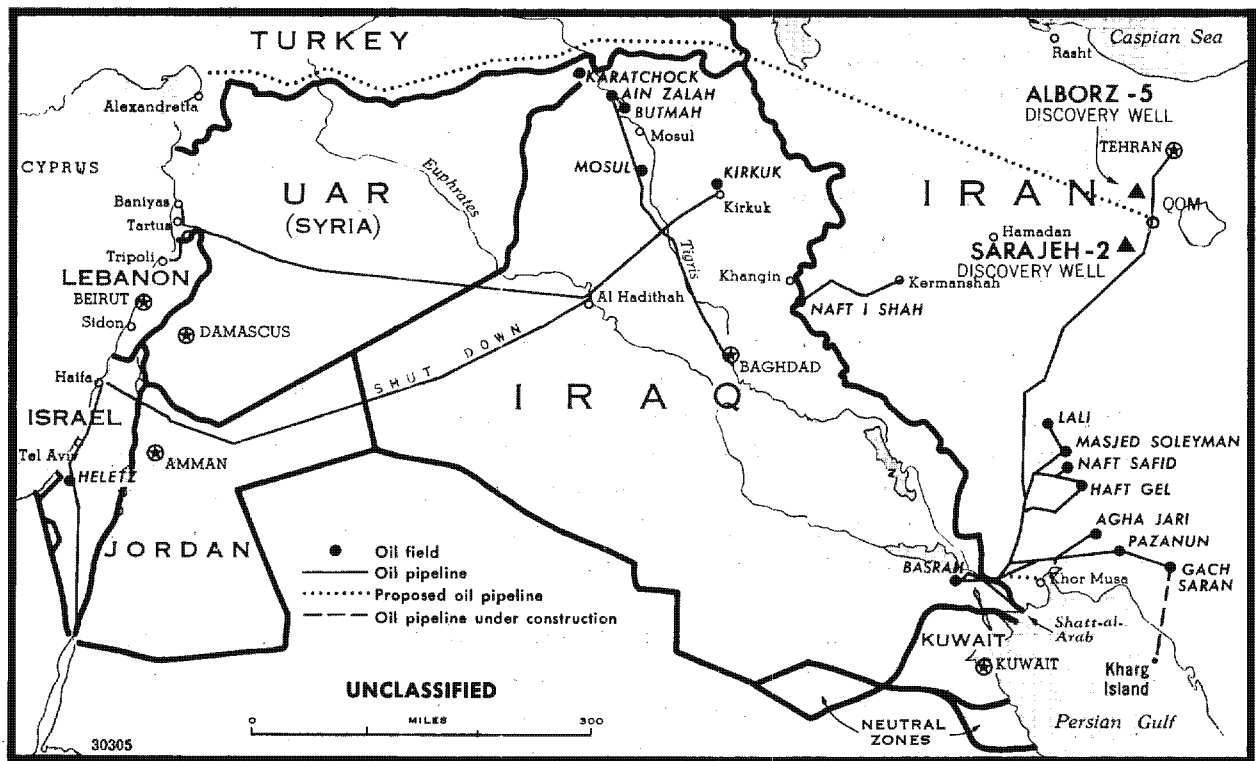
Clashes have occurred intermittently for several weeks between Iraqi police and border patrols and dissident tribal elements in northern Iraq. Involved are a few of the Kurdish tribes in northeastern Iraq near the border with Iran and Turkey and an uneasy amalgamation of Shammar tribes in the northwestern area on both sides of the Syrian-Iraqi border. The UAR is providing weapons and training to the Shammar; Iran is reportedly furnishing some support to the dissident Kurdish tribes.

While these tribal elements do not have the capability for a full-scale uprising, their harassing raids on police posts and villages have become a major nuisance. Brigadier Janabi, commander of Iraq's Second Division, has moved troops and some armor to both of the problem regions and has directed village authorities, police chiefs, and popular resistance leaders to operate according to his orders.

On 24 April, he headed a procession of regional dignitaries on a visit to the extreme northwest where they welcomed home a group of Shammar tribal chieftains who had earlier fled to Syria. They also reiterated promises of amnesty for any others who return to the Qasim fold. New tribal clashes may, however, have occurred in this area on 26 April.

In addition [REDACTED] Janabi was to be in personal command of a brigade-level show of force to have begun on 27 April in the Kurdish mountain country near Iraq's frontier with Iran and Turkey. [REDACTED]

[REDACTED]
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[REDACTED]

Major New Iranian Oil Field Likely

(An oil field, apparently of major proportions, has been discovered by Iran's government-owned National Iranian Oil Company (NIOC) about 100 miles south of Tehran. The discovery well, Sarajeh 2, is located on a structure about 15 miles long and 7 miles wide, and tested at more than 7,000 barrels daily from a productive zone more than 500 feet thick. Sarajeh is only 30 miles south of the ill-fated well Alborz 5 in the Qom area which in 1956 blew wild at a daily rate of 80,000 to 100,000 barrels for three months. The two wells draw from different oil-bearing structures.)

(The new discovery will again bring into active consideration a Turkish-Iranian agreement signed last year for construction of a 500,000-barrel-per-day pipeline from the Qom area to the Mediterranean. This pipeline would reduce Iranian dependence on the Iraqi-dominated Shatt-al-Arab River at the head of the Persian Gulf. One earlier objection to the plan was that Qom crude is very waxy and would require expensive heating to keep it flowing over the high mountain passes in Turkey and Iran. Oil from the Sarajeh well, however, is extremely light (42 degrees gravity) and flows relatively easily.) [REDACTED]

[REDACTED]

[REDACTED]

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[REDACTED]

III. THE WEST

British Financial Maneuvers Against Egypt

(London, impatient with Cairo's delay in resuming diplomatic relations, has made a financial maneuver which seriously jeopardizes Egyptian efforts to secure an IBRD loan for expanding the Suez Canal. Under the terms of a 1958 agreement, London's release of Egyptian blocked sterling would require the UAR to compensate stockholders "forthwith" to the amount of \$22,960,000 as part of an accelerated repayment schedule. The Bank of England now has removed all restrictions on Egypt's blocked sterling account earlier than scheduled, thereby apparently bringing into effect this hitherto unimportant clause. If Cairo fails to make payment "forthwith," it probably will be in technical default and its credit standing will be seriously impaired. In such an event, the British state, they would be unable to vote for a World Bank loan to Egypt.)

(The present crisis was brought to a head when Bank of England officials, before Cairo was officially informed, tipped off Georges-Picot, head of the Suez Company, of their intention to release the Egyptian account. Armed with this information, Georges-Picot, in a letter to the UAR, demanded an accelerated payment of \$22,960,000.)

(UAR officials are reported enraged over these maneuvers. Cairo has not responded to the Bank of England, but apparently will not make payment and will not compromise its position that holds the bank's action illegal.) [REDACTED]

[REDACTED]

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Argentina Bans All Communist Activities

Argentine President Frondizi issued a decree on 27 April banning all activity by the Communist party and associated groups. He evidently hopes to curtail the Communists' capabilities and to undercut any Peronista moves to collaborate with the Communists, especially in forthcoming union and provincial elections.

Frondizi is convinced that the Communists and some extremist Peronistas are fomenting the present agitation against the US-backed economic stabilization program, such as the Communist-led bank strike and the riots of 3 April which led to the expulsion of five Soviet diplomats. New demonstrations by Communists and Peronistas and by the Communist-led student federation are reportedly planned for 1 May.

As Frondizi had warned, the government's austerity and stabilization measures since 1 January have caused hardship for labor. The cost of living has risen about 47 percent, and real wages are the lowest since Frondizi took office on 1 May 1958. On the other hand, the government has signed additional development contracts with private petroleum companies, and crude production during the first quarter of 1959 increased 33 percent. This, together with a favorable export movement and reduced imports, indicates to some officials that a "reasonable" trade balance for the year may be achieved, reversing the past decade of heavy trade deficits.

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