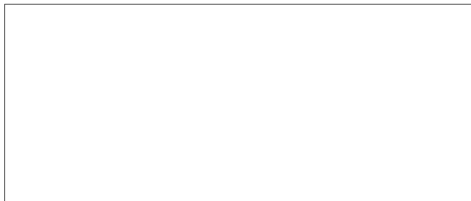


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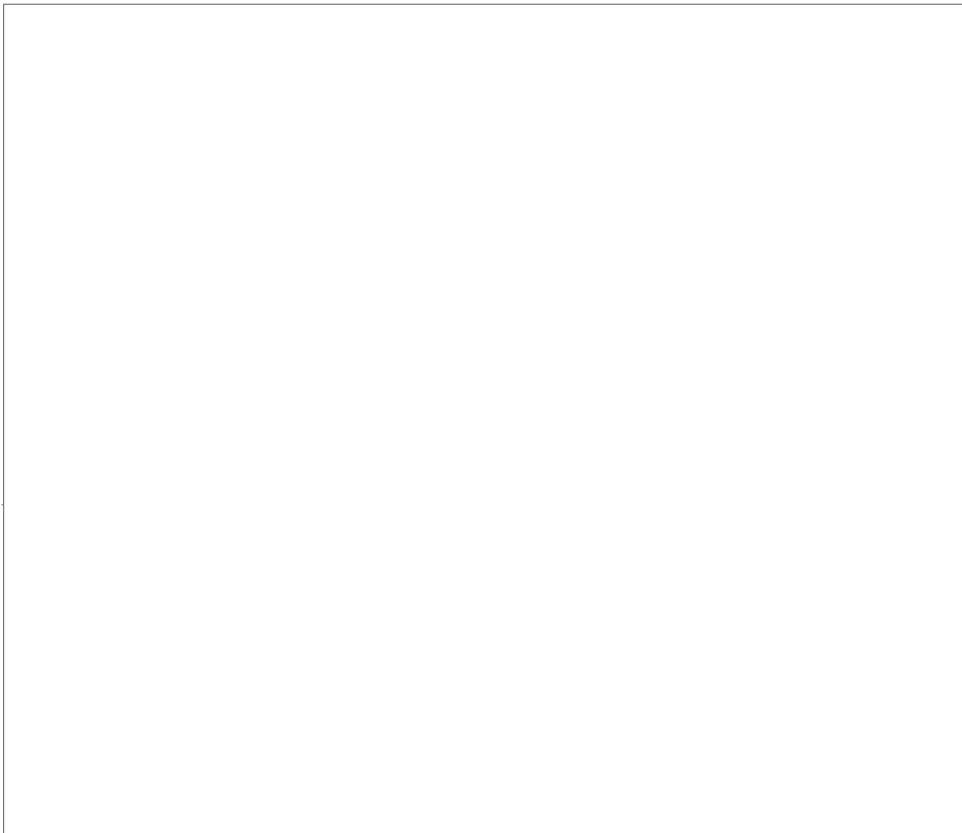


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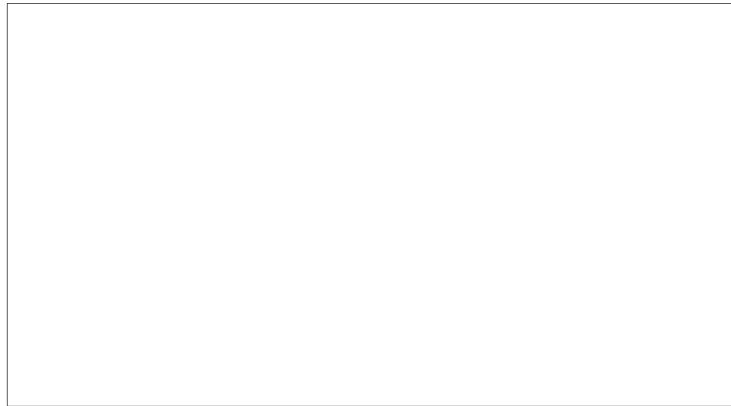
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[redacted] (page 11).

~~CONFIDENTIAL~~**1. SITUATION IN THE TAIWAN STRAIT**

American observers who inspected Little Quemoy and talked with Nationalist artillery officers have confirmed that at least 9,000 rounds were fired by the Communists against the island within a two-hour period on 24 June. They reported that Communist fire was extremely accurate against Nationalist heavy artillery positions.

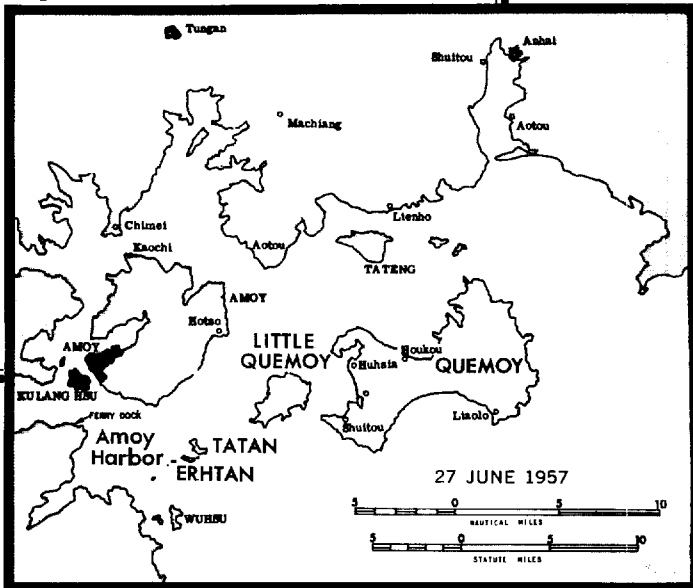
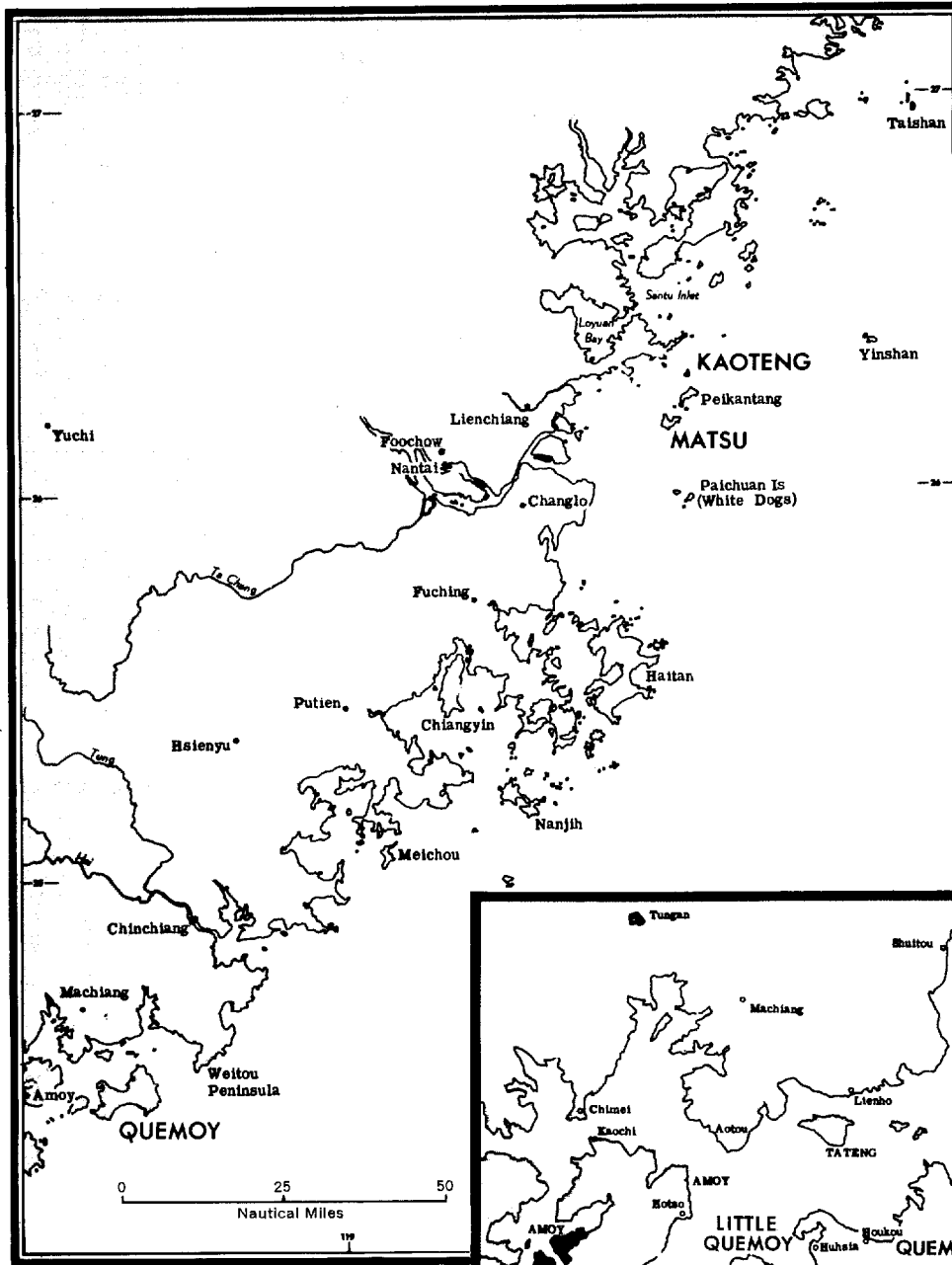
Chinese Nationalist military officials on Quemoy believe the heavy shelling of Little Quemoy on 24 June was to neutralize that island in order to facilitate an attack on the smaller islands of Tatan and Erhtan (see map). A heavy artillery preparation is expected prior to an attack, however. Tatan and Erhtan are used by the Nationalists for observation points and as bases for mortar fire against foreign flag vessels entering the port of Amoy. Both are lightly garrisoned and could be assaulted quickly and without advance warning.

On 26 and 27 June, Nationalist observation planes reported additional Communist heavy artillery moving into position to fire on Little Quemoy. New artillery positions on Amoy were also reported.

On 27 June, both sides resumed shelling in the Quemoy area, and the Communists began shelling against the Matsus. According to the Nationalist Ministry of National Defense, 193 rounds fell on Kaoteng, the northernmost island in the Matsu group. Two, and possibly three, Communist naval craft equipped with army artillery shelled Tatan from the entrance of Amoy Harbor about 1,100 yards away. Nationalist aircraft were sent out to attack these ships.

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2: SOVIET HEAVY ARMS UNLOADED IN YEMEN

Comment on:

[redacted] the USSR has delivered medium tanks and field artillery heavier than anything presently available to the British or the Saudis in the Arabian Peninsula. At least 15 armored vehicles--either T-34 medium tanks or self-propelled guns of equivalent size--were observed, together with about the same number of field artillery pieces which appeared to be 122-mm., and other stores and vehicles.

[redacted] 28 light antiaircraft guns, 32 armored cars, ammunition and small arms were also delivered.

The heavy items probably came on a Soviet vessel which arrived at Salif on 13 June. This ship also brought 19 bloc "technicians," including 11 Soviet personnel, to augment the bloc personnel already in Yemen. Since 24 May, at least three Soviet ships have unloaded arms in Yemen, and, [redacted] Yemen is now planning to conclude a second arms agreement with the Soviet Union.

[redacted]

[redacted] The few existing airfields in Yemen are not believed suitable for use by jet aircraft. [redacted] a new airfield, which would have "very long runways" was under construction on the coastal plain between Hodeida and Salif.

The Yemenis will require extensive education and training before being able to make effective use of the new heavy equipment. [redacted]

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3. BRITAIN'S VIEWS ON PROSPECTS FOR JORDAN

Comment on:

[Redacted]

[Redacted]

While British and American officials in Amman agree that Jordan's collapse is inevitable unless it receives financial assistance, the British believe \$39,000,000 annually would suffice, and that Jordan could survive until January or even March 1958 without assistance. The US embassy believes, however, that \$56,000,000 is required to avert a financial and political crisis, which might occur as early as August of this year.

The embassy believes the British are interested only in keeping Jordan at the minimum economic level and that they take the position that nothing would be gained by trying to improve the Jordanian economy. This reasoning suggests that London is perhaps willing to hasten Jordan's "federation with one or more of its Arab neighbors." British officials have for some time held the view that Jordan is not viable economically and have advocated the extension of Iraqi influence.

London also has appeared determined to exact a quid pro quo for any assistance and has stalled on the question of continuing small development loans to Jordan in the hope of obtaining transit rights for military flights.

[Redacted]

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4. [redacted] SYRIAN-SUPPORTED REBELLION
PLANNED IN JORDAN

[redacted] [redacted]
Syrian officers are attempting to organize a revolt by units of the Jordanian army in northern Jordan, which would be supported by exiled Jordanian officers and Palestinians,
[redacted]
[redacted] A rebellion would be attempted in West Jordan simultaneously. The Syrian general staff

reportedly considers that this scheme entails too much risk to West Jordan, and favors assassination of King Hussain and his key supporters--followed by proclamation of a republic. Despite general staff disapproval, the Syrian officer group is reported determined to carry out the rebellion in northern Jordan.

[redacted]

Comment

King Hussain returned to Amman from Baghdad on 24 June, two days earlier than planned, [redacted]

[redacted]

**5. CHEMICAL AGENT WARHEAD POSSIBLY CARRIED IN
A MISSILE FIRED AT KAPUSTIN YAR**

Comment on:

Other interpretations include the possibility that the missiles were powered by toxic fuel.

A missile containing a chemical-filled warhead may have been previously fired at Kapustin Yar. The recent firings were of the "special exercise" type, which previously have been interpreted as firings by military units. The apparent lack of special preparation also suggests previous firings.

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6. POSSIBLE SPREAD OF "TWO CHINAS" CONCEPT
CALLED PEIPING'S "PRINCIPAL WORRY"

Comment on:



Following recent conversations with Chou En-lai, former French premier Edgar Faure reports that the status of Taiwan is Peiping's major foreign problem, and that its "principal worry" is that the "two Chinas" concept as a solution to the Taiwan problem may spread. Chou reaffirmed that Peiping gives higher priority to eliminating the Chinese Nationalist government on Taiwan than to obtaining a seat in the United Nations or recognition by the West. Faure, who visited Communist China from 20 May to 22 June, was struck by Chinese willingness to be patient in accomplishing all these objectives.

To Faure's query as to how soon "normal relations" might be resumed, Chou replied that this would be impossible, despite the advantages it would bring, unless France first withdraws recognition of the Nationalists. In recent talks with visiting Japanese, Chou has suggested similar preconditions for Sino-Japanese diplomatic relations.

According to Faure, Chou declared the Taiwan problem would not be close to solution until "the refugees in Taiwan" understand that there can be no second China. Chou said Peiping has made no direct contacts with Chinese Nationalist leaders but that such contacts "are not out of the question." This statement contrasts with Peiping's propaganda which has sought to discredit some Nationalist officials by implying that negotiations for a "peaceful liberation" of Taiwan are actually under way. 

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**7. MOROCCAN SULTAN DISAPPOINTED WITH AIR BASE
NEGOTIATIONS WITH US**



The Moroccan sultan, disappointed with the lack of progress in the air base negotiations with the United States, reportedly foresees possible violence if the Moroccan people continue to believe the United States is actively supporting the French position.

The Moroccan Foreign Ministry also considers that Washington backs France's claim of title to the bases and that it is unwilling to support the Moroccan position.



Comment

Rabat hopes to obtain substantial financial aid from the United States as well as a treaty of friendship. The sultan also hopes the negotiations will encourage France to improve its relations with Morocco.

Morocco still opposes France's claim of a right to participate in the negotiations, even indirectly, because the sultan does not consider the 1950-51 base agreements between France and the United States to be legal.

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**8. MOCH'S DISARMAMENT POSITION REPORTED TOO
SOFT FOR BOURGES-MAUNOURY**

[Redacted]

[Redacted]

French disarmament negotiator Jules Moch's recommendation that France agree to a temporary cessation of nuclear weapons testing is a greater concession than the Bourges-Maunoury government is willing to accept, [Redacted]

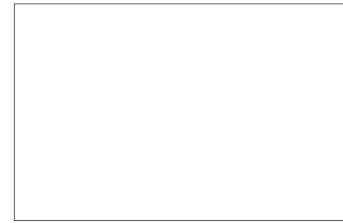
[Redacted] Bourges-Maunoury is reported to maintain that France should develop and test its own bombs. Mollet wants to avoid cutting France off from the nuclear weapons powers, but would accept a "negotiated compromise" based, for example, on French participation in US atomic developments.

[Redacted]

Comment

Bourges-Maunoury was one of the most nationalistic of the postwar French defense ministers, and he is probably sympathetic to persistent French military pressure for a national nuclear weapons program. Mollet's idea of a "compromise" goes beyond any of the proposals advanced by high officials during his premiership and may be a feeler to determine what France can gain in exchange for acceptance of the current US disarmament proposals. In mid-May, Moch advised the American delegate that France would decide in July to proceed to make nuclear weapons unless a partial disarmament agreement appeared imminent.

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ANNEX

No 360

Watch Report 360, 26 June 1957
of the
Intelligence Advisory Committee

Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the intelligence Advisory Committee concludes that:

- A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies or areas peripheral to the Orbit in the immediate future.
- C. Early deliberate initiation of hostilities by Israel or the Arab states is not probable. Although tensions continue between the Arab states and Israel and among certain Arab states themselves, these are not likely to lead to serious conflict in the immediate future.

