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25 April 1958

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CENTRAL INTELLIGENCE BULLETIN



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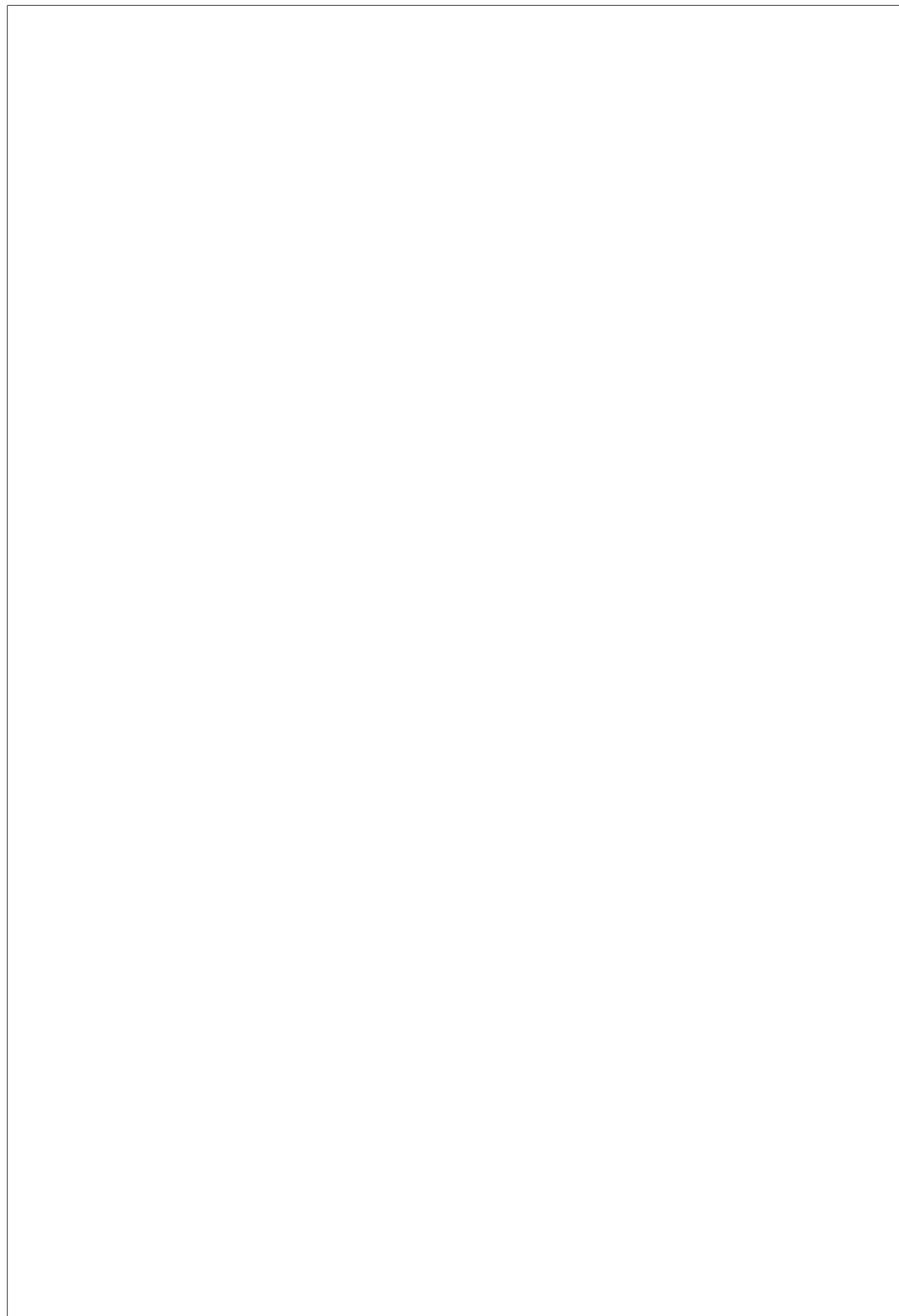
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25 APRIL 1958

I. THE COMMUNIST BLOC

Yugoslav denunciation of Soviet threats lessens chances for reconciliation.

USSR apparently equipping some new submarines with antidection coating.

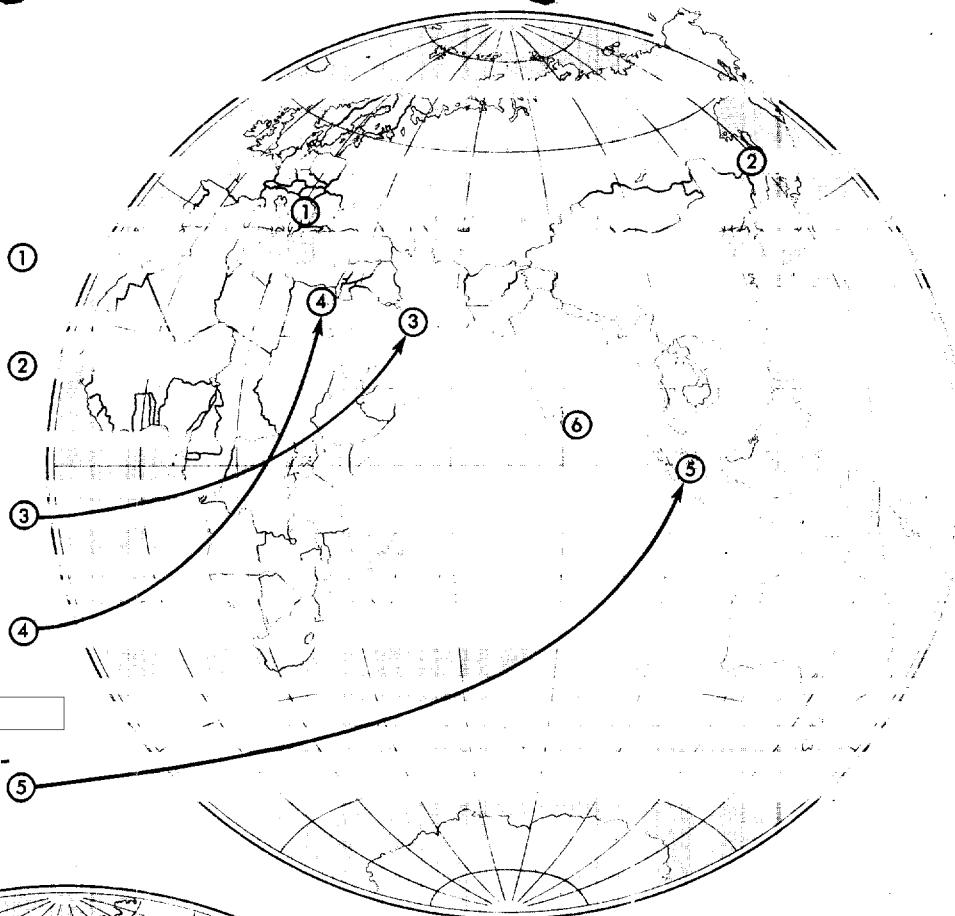
II. ASIA-AFRICA

Saudi defense minister asks that US flag no longer be flown at Dhahran.

Nasir and Suez Canal Company agree on settlement, resolving issue before UAR president leaves for Moscow 29 April.

Indonesia - First bloc arms arrived in Djakarta on 22 April.

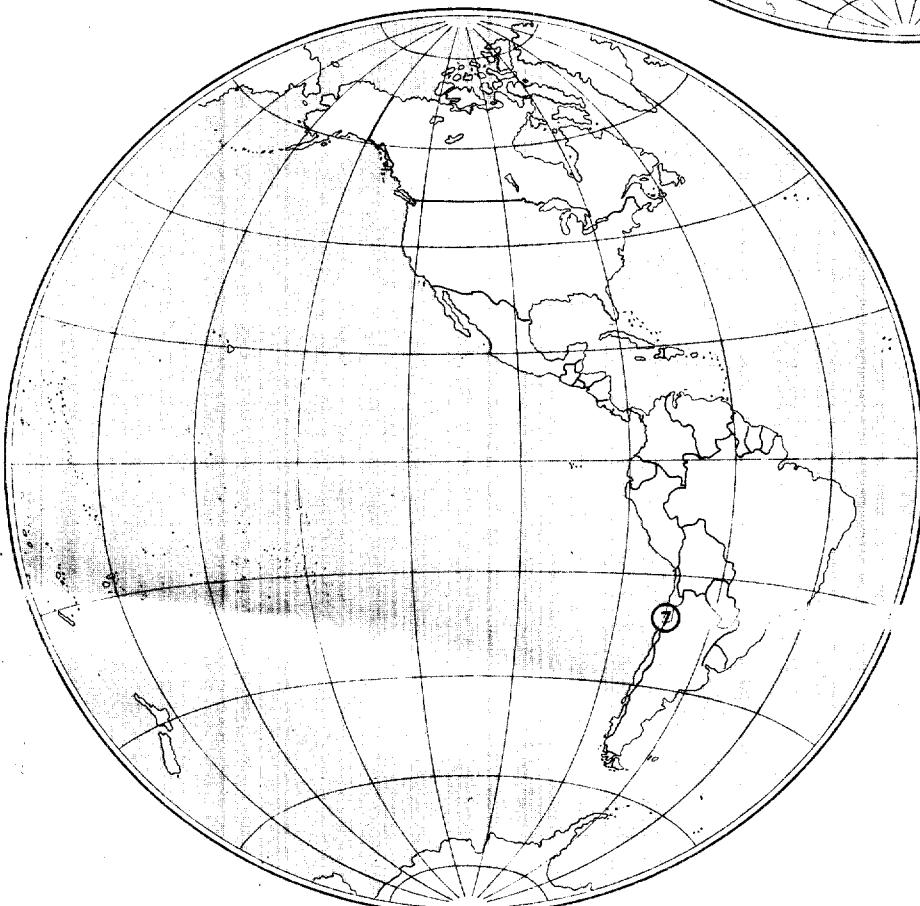
Djakarta forces closing in on Sumatran dissidents.



⑥ Ceylon - Government workers' strike increases pressure on Bandaranaike.

III. THE WEST

⑦ Chile - President Ibanez yielding to left-wing pressures on copper issue.



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CENTRAL INTELLIGENCE BULLETIN

25 April 1958

DAILY BRIEF

SIRAB
I. THE COMMUNIST BLOC

No
USSR-Yugoslavia: Further developments at the Yugoslav party congress make remote the possibility of any Yugoslav-Soviet party reconciliation. Yugoslavia's top ideologist, Kardelj, diverged from the relatively mild prepared version of his speech to the congress to reiterate Yugoslav rejection of Soviet threats to read his country out of the Communist world. He declared, along with several other pointed remarks, that "we do not need a Marxist and Leninist certificate issued by others" to practice Communism.

No
Soviet submarines: Two new Soviet submarine construction projects in the Far East are being supplied with a material which may be intended to prevent detection by anti-submarine devices. These projects are being shipped large quantities of "coating rubber" which appears to be designed to absorb and attenuate active sonar signals. The USSR has conducted extensive experiments in antisonar coating since World War II.

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II. ASIA-AFRICA

OK
Dhahran Airfield: Saudi Defense Minister Prince Fahad has asked that the American flag no longer be flown over the United States' military installation at Dhahran. This request is in line with the recent Saudi public statement outlining a policy of "positive neutrality" opposing pacts with non-Arab states, and specifically denying that Dhahran is an American "base."

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Suez Canal compensation: Egypt and the old Suez Canal Company have reached agreement on compensation; it may take two months to work out the details. The terms are close to Nasir's recent offer of about \$65,000,000 for the company's nationalized property, payable in installments, plus some \$14,000,000 which the company would retain from canal tolls it collected after nationalization. Nasir has wanted a quick settlement, and the British have pressed the company to resolve this issue before Nasir's departure for Moscow scheduled for 29 April.

* Indonesia: The military situation in Sumatra is essentially unchanged, with central government troops rapidly closing in from several directions on the Bukittinggi area. The Indonesian chief of staff, Nasution, has publicly demanded the unconditional surrender of the dissident leaders, possibly in response to reported dissident offers to discuss peace. Former Vice President Hatta is reported pessimistic as to the possibility of any compromise agreement between the dissidents and the central government.

The Soviet vessel Ismail, carrying the first known shipment of bloc military equipment purchased by an Indonesian arms mission, arrived at Djakarta on 22 April.

(Page 3) (Map)

Watch Committee conclusion -- Indonesia: There is no evidence of Sino-Soviet intention to become militarily involved in Indonesia. Developments continue to favor local Communist and Sino-Soviet bloc exploitation of the situation.

A military defeat of the dissidents would not resolve the basic issues which led to the revolt.

Ceylon: Strikes by railway, postal, and port workers are placing considerable new pressure on Prime Minister Bandaranaike, whose government is already plagued by agitation over recognition of Tamil as an official language. Should the strikes spread to other government workers and

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employees in private industry, they would, as did those of last November, result in economic disruption throughout the island. Governor General Goonetilleke has called on the army and navy to run essential services. Two days before the strike, he held that conditions were approaching crisis proportions, and that a general election could lead to the coming to power of Trotskyite N. M. Perera. Bandaranaike has successfully weathered similar crises before, however, and a serious threat to his government has not yet developed.

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III. THE WEST

OK
Chile: President Ibanez plans to ask the Chilean congress to repeal the law which bans the Communist party and may also support the proposal of left-wing presidential candidate Allende to increase appreciably the tax burden on US-owned copper companies. Both moves would be in response to the recent rise in leftist and anti-US sentiment occasioned by the copper question. (Page 5)

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DAILY BRIEF

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I. THE COMMUNIST BLOC

New Soviet Submarines Apparently Being Equipped With Antisonar Coating

[redacted]
annual requirement for 120 tons of "coating rubber" for submarines of two new projects under construction at the Komsomolsk shipyard in the Soviet Far East. This material could be used on submarine hulls to absorb the active sonar signals of antisubmarine forces and reduce their effectiveness. Extensive tests were conducted by the USSR in this field from 1948 through at least 1953.

It is not stated how many hulls of each project, identified as 629 and 641, are included in the requirement. Inasmuch as an exterior coating would probably be applied in the last stages of construction, at least one unit of each project may be available for delivery to the Soviet Navy this year.

Since the USSR has practically stopped building conventional attack submarines, construction of classes of more advanced design, including missile-launching units and those equipped with nuclear propulsion, may be expected. Because Komsomolsk, since World War II, has consistently been the last yard to participate in new major building programs, construction of these new classes at Komsomolsk suggests that series production may also be in progress at other Soviet yards. [redacted]

[redacted]

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II. ASIA-AFRICA

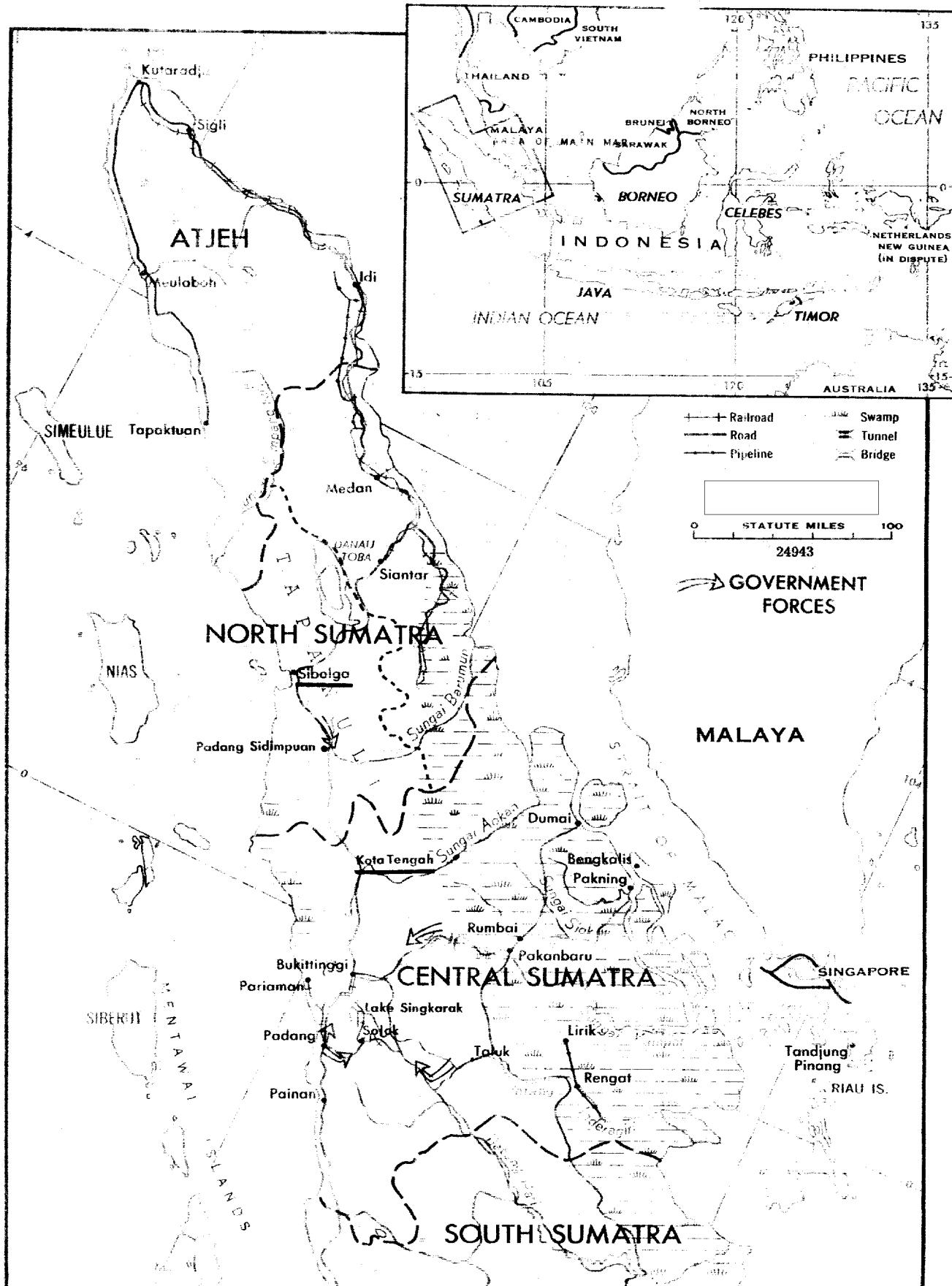
Saudis Ask That United States Flag Not Be Flown at Dhahran Airfield

The request by the Saudi defense minister on 16 April that the United States discontinue flying its flag over the American military installation at Dhahran Airfield reflects Crown Prince Faysal's effort to implement the Saudi Government's recently announced policy of "positive neutrality." The Saudi request is also in line with the specific declaration in Faysal's foreign policy statement of 18 April that Dhahran is not an American base, but a Saudi base at which the United States enjoys certain transit and servicing facilities.

Faysal apparently wants to establish a basis for reconciliation with Nasir, whose propaganda has accused the Saudi dynasty of yielding sovereignty to alien interests.

The Saudi request is based on the contention that foreign flags should not fly on Saudi soil. The American commander at Dhahran explained to Defense Minister Prince Fahad that the present King's father had permitted the American flag to be flown as long as it remained imbedded in a concrete block above ground and was not actually in Saudi soil. The precedent may not be upheld, however, since the objection to flying the flag is understood to be shared by Faysal.

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Situation in Indonesia

In North Sumatra, where the dissidents appear to have put up stiffer resistance than in Central Sumatra, a central government battalion reported on 22 April that it had withdrawn from Kota Tengah to more defensible positions outside the town in anticipation of a dissident attack. The unit requested air support beginning 23 April. In Tapanuli, however, central government forces are continuing to advance, capturing Sibolga on 24 April.

Djakarta has lifted its naval blockade of Central Sumatra, thus permitting the Sumatrans to resume their barter trade with Singapore. This step apparently reflects the central government's judgment that, with the dispersal of the main dissident forces, the time has come to conciliate the local population in order to draw away mass support from dissident guerrillas remaining in the field.

Dissident representatives in Singapore on 20 April were reported to have told an agent representing himself as speaking for high military officers in Djakarta that if the army proved itself capable of acting independently of President Sukarno and the Communists, the dissidents would "consider" a rapprochement with the central government. The dissidents would want a military junta to run the government and would demand complete amnesty. A Djakarta newspaper also has stated that dissident leaders want peace talks to begin. Army Chief of Staff Nasution's reported reiteration on 24 April of a demand for the unconditional surrender of the dissidents indicates, however, that for the present there is almost no basis for compromise. This is supported by the views of former Vice President Hatta, who [] saw little hope for compromise regardless of what type of government might evolve in Djakarta.

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equipment purchased by an Indonesian arms mission earlier this year.

that the vessel carried 2,700 tons of military equipment, including military communications vehicles, 25 "workshops," and large crates, possibly containing aircraft.

(BASTE)

Egyptian President Nasir has agreed to sell Indonesia Soviet surplus arms, in Cairo. While the amount of arms allegedly to be sold-- \$112,000,000 in value--seems excessive, it is possible that Nasir has carried out a long-standing promise to Sukarno to make available some arms to Indonesia.

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III. THE WEST

Chilean Left Benefits From Anti-US Feeling on Copper Question

Chilean President Ibanez may support the proposal of the left-wing Communist-supported presidential candidate Salvador Allende to increase the tax burdens on the US-owned copper companies whose investments total over \$500,000,000. The proposal would also divest the US companies of control over the sale of their products. This action would be in response to increasing leftist sentiment occasioned largely by irritation against the United States on the copper question. This sentiment may also lead him to propose to Congress the repeal of the law which since 1947 has banned the Communist party.

Chile, which receives 65 percent of its foreign exchange from copper, has been hard hit by the drop in the price of copper from 46 cents in 1956 to its present 25 cents per pound. These developments, added to the enfranchisement of Communist party members, are expected to greatly strengthen Allende's already good chances in the 4 September presidential elections.

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Deputy Director for Intelligence, The Joint Staff

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Director of Naval Intelligence, Department of the Navy

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Commander in Chief, Pacific

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

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