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# CENTRAL INTELLIGENCE BULLETIN



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2 SEPTEMBER 1959

**I. THE COMMUNIST BLOC**

Peiping remains silent on Indian charges of border incursions; Indian ambassador instructed to explain New Delhi's position to Khrushchev "personally."

Soviet vessel carrying arms expected to arrive in Indonesia about 6 September.

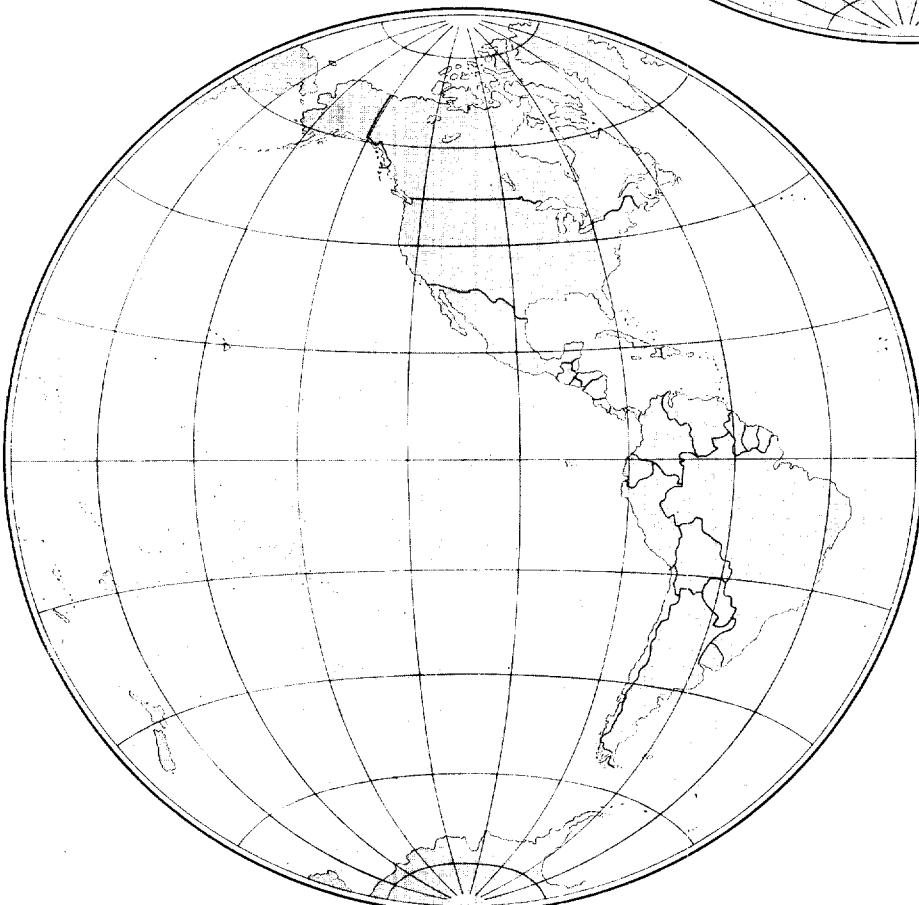
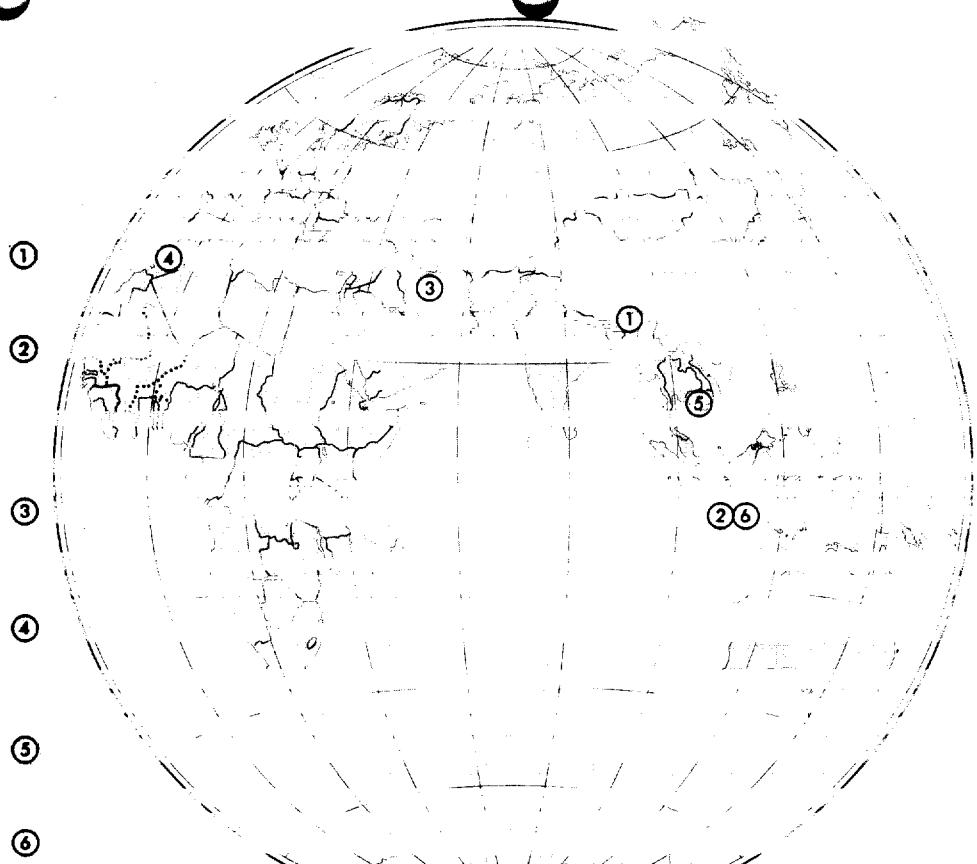
**II. ASIA-AFRICA**

Iranian intelligence chief favors British role in CENTO limited to observer status.

Moroccan King angered by left-wing criticism of army and security forces; may effect change in Ibrahim government.

Cambodian populace aroused by assassination attempt against royal family; repercussions may affect relations with South Vietnam and Thailand.

Indonesia--New monetary reforms offer Communists further opportunity to discredit army-influenced cabinet.



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# CENTRAL INTELLIGENCE BULLETIN

2 September 1959

## DAILY BRIEF

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### I. THE COMMUNIST BLOC

Sino-Indian border situation: Press reports of the massing of Chinese troops along the Assam frontier remain unconfirmed. The Chinese, however, may have been increasing their strength in southeastern Tibet during the past few months in connection with operations against Tibetan rebels. Reports of major Chinese penetrations into Bhutan were denied by the Bhutanese prime minister on 1 September. Peiping has made no public comment on Indian charges of Chinese incursions.

10 New Delhi told its diplomatic missions that India must "resist such illegal intrusions into its territory" and that the Chinese would have to bear the responsibility for "any unfortunate consequences resulting from our defensive measures." Missions in neutralist countries were instructed to refute Peiping's "insidious propaganda against India." The Indian ambassador in Moscow was directed to explain the Indian position to Khrushchev personally.

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F10 Soviet bloc - Indonesia: The Soviet merchant ship Irkutsk, with a cargo of about 1,200 tons of military equipment, is en route to Indonesia and is expected to arrive at Djakarta about 6 September. This shipment is presumed to be the first delivery of Soviet materiel arranged for by the Indonesian military mission which spent three months in the USSR this past spring and summer. The group also spent three weeks in Communist China in July while en route home.

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## II. ASIA-AFRICA

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Iran-CENTO: General Bakhtiar, chief of the Iranian intelligence organization, SAVAK, stated recently that CENTO (the Baghdad Pact) would become a more realistic force for regional cooperation if the UK were to withdraw to observer status comparable to that of the US. He feels that such a move would destroy the effectiveness of Soviet propaganda against the organization, open the door for other regional members, and enhance the opportunity for Iranian leadership. This would be in line with the "little entente"--Iran, Pakistan, and Turkey --recently discussed by an Iranian delegation visiting Pakistan. Bakhtiar's views on US and UK membership will probably be further developed by the Iranian delegation, to include Bakhtiar, at the forthcoming CENTO Council meeting in Washington.)

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*10*  
Morocco: King Mohamed V may move toward a change in the Ibrahim government after the conclusion--probably about 10 September--of the Arab League meeting in Casablanca. The King, who usually temporizes and maneuvers behind the scenes, is reported to have been angered by strong criticism of the Royal Moroccan Army and security forces by the left-wing Moroccan students' group. Right-wing supporters of the King also are reported to be discussing the advisability of forcing a showdown with left-wing members of the government.)

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Cambodia: The attempt to assassinate Queen Kossamak with a bomb disguised as a gift has aroused strong emotions among the monarchy-worshiping populace and could have international repercussions. Cambodian expatriates Sam Sary and Son Ngoc Thanh, remnants of the abortive Dap Chhuon plot against the Sihanouk government last spring, will probably be prime suspects. South Vietnam and Thailand, which have supported the Cambodian dissident movement in varying degrees, may by extension be implicated. It is possible that the attempt was engineered by the Communists in order to further embroil Cambodia with these neighbors. The extent of the consequences of the attack will be largely determined by Premier Sihanouk's re-actions.)

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DAILY BRIEF

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Indonesia: Devaluation and other monetary measures announced on 24 August will be largely ineffective in coping with the problem of mounting inflation in Indonesia unless complemented by more far-reaching reforms. Although follow-up measures such as increased taxes and enforced savings reportedly are planned for the near future, the government's ability to implement them is dubious. While the Communist party has thus far given qualified approval of devaluation, it has admonished the government to take more extensive steps and will probably intensify its efforts to discredit the army-influenced cabinet. New reports of army corruption are also likely targets for Communist exploitation.

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DAILY BRIEF

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## I. THE COMMUNIST BLOC

### Sino-Indian Border Situation

Late Indian press reports that Chinese troops are massing along the Tibet-Assam border remain unconfirmed. Peiping, however, may have increased troop strength in southeastern Tibet during operations against the rebels.

( New Delhi, [redacted] told its diplomatic missions that India must "resist such illegal intrusions into its territory" and that the Chinese would have to bear the responsibility for "any unfortunate consequences resulting from our defensive measures." Missions in neutralist countries were instructed to refute Peiping's "insidious propaganda against India." Apparently in the hope that Khrushchev would restrain the Chinese, the Indian ambassador in Moscow was instructed to bring the Indian case to the Soviet premier's personal attention. In view of Moscow's hands-off attitude toward Tibet and the Sino-Indian border dispute, Khrushchev is likely to take a noncommittal position.)

[redacted] Chou En-lai told Nehru in 1956 that Peiping would respect the Mc Mahon Line as the boundary between Tibet and Assam even though the Chinese could not accept it as legally valid. Peiping's willingness to disregard this pledge may be due to irritation with growing anti-Chinese sentiment in India and to conviction that Indian outposts activated on the border last spring represent a challenge to Chinese territorial claims.)

Referring to the spate of press reports that new Chinese penetrations have taken place, the Indian Government on 1 September said it had no official information of fresh Chinese incursions or engagements with Indian troops.

Meanwhile, the chiefs of India's armed services, certain members of Parliament, and probably some other key cabinet

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ministers appear to be engaged in an effort to oust leftist-minded Defense Minister Krishna Menon. Nehru is scheduled to make a statement in Parliament on 2 September regarding the resignations reportedly proffered by the three service chiefs and Krishna Menon. There is little likelihood that Nehru can resolve the situation merely by rotating Menon to another cabinet position. In order to satisfy military and public opinion, he may have to dismiss Menon from the cabinet, while giving him some other important post.

[Redacted]

[Redacted]

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~~TOP SECRET~~More Bloc Arms for Indonesia

A Soviet merchant ship, the Irkutsk, carrying a cargo of about 1,200 tons of military equipment for Indonesia is expected to arrive in Djakarta about 6 September. This shipment presumably is the first under contracts concluded in the Soviet Union by an Indonesian military mission which spent three months there this past spring and summer. With the exception of a comparatively small contract for jeeps in early 1957, this is the first direct military equipment transaction between Indonesia and the USSR. Although much of the materiel procured by Djakarta has come directly from the Soviet Union, previous contracts have actually been with Poland and Czechoslovakia.

Practically all of the \$175,000,000 in bloc military aid contracted for by Indonesia prior to last spring has been delivered. The final deliveries of major equipment under these contracts are believed to have been made when two W-class submarines arrived at Surabaya from the Soviet Far East in late August.

The Indonesian Army mission ended its three-month visit to the Soviet Union in July and then spent three weeks touring Chinese Communist military sites on its way home. While in Peiping the mission presented a list of arms requests. These requests were favorably received, and arrangements to conduct negotiations concerning Chinese Communist military aid to Indonesia were to be held in Djakarta in late August. Subsequent intercepted Indonesian messages suggest, however, that these talks were not held.

Early this year, another Indonesian Army mission visited Western Europe, Czechoslovakia, and Poland on an arms-purchasing tour. A relatively small quantity of military equipment was purchased from the bloc at that time.

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## II. ASIA-AFRICA

[redacted]  
Iranian Official suggests That CENTO be Limited  
To Regional Members

(Major General Teimur Bakhtiar, chief of the Iranian intelligence organization, who will be a member of the Iranian delegation at the CENTO (former Baghdad Pact) Ministerial Council meeting in Washington in October, recently stated that there would be advantages to Iran if CENTO were limited to regional members. Such a plan would involve the withdrawal of the UK from the pact to become an "observer" similar to the US. The organization would be primarily concerned with regional economic development.)

(Presumably Iran is considering making this proposal at the October meeting. During a secret visit to Pakistan in early August, Bakhtiar reportedly suggested the formation of such a regional grouping to President Ayub and received encouragement. Bakhtiar believes that a regrouping of CENTO would reduce the effectiveness of Soviet propaganda against the organization, encourage other regional nations to join, and provide an opportunity for Iran to assume leadership.)

(While Bakhtiar's exploration of such a plan almost certainly has the backing of the Shah, it appears out of line with the Shah's insistence, since the formation of the pact, that the US should join the organization. Tehran may believe the US will join CENTO rather than risk any move toward retrenchment. [redacted])

[redacted] the US is in for a "rough time" from CENTO for not becoming a full member. The Shah probably realizes that British withdrawal might be interpreted by the Iranian public as a sign of the final disintegration of the organization and failure of his policy. [redacted]

[redacted]

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[Redacted]

Moroccan Cabinet Reshuffle Possible

(King Mohamed V may move toward a change or reshuffle in the Ibrahim government at the conclusion--probably about 10 September--of the Arab League meeting in Casablanca. The King is reported angered by criticism of the Royal Moroccan Army and security forces, both of which are under his direct command, at the recent congress of the left-wing National Union of Moroccan Students which is loyal to Mehdi ben Barka, leader of the Neo Istiqlal party set up last winter. A similar attack was made by the 1958 students' congress. At that time Ben Barka and student leaders were summoned and sternly reprimanded by the King.)

(The King usually temporizes and maneuvers subtly to accomplish his ends but now has indicated to military leaders that he considers a move to crush left-wing elements within and outside the government unavoidable. The students' recent activities apparently precipitated a meeting on 28 August of right-wing supporters of the King at which the advisability of forcing a showdown with the leftists was discussed. These rightists are reported to believe it essential for the King to take a firm stand, appoint a new government, and to concede the need to suspend political parties to ease the task of such a new government.)

[Redacted]

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~~SECRET~~Indonesia's Monetary Measures

Djakarta's remedial monetary measures, which included partial devaluation and the freezing of 90 percent of all bank deposits, will be largely ineffective in coping with Indonesia's problems of mounting inflation and scarcity of goods unless complemented by more far-reaching reforms. The measures, announced on 24 August, devalued by 90 percent the two highest denomination banknotes of 500 and 1,000 rupiahs, reset the official rate of exchange from 11.4 rupiahs to the dollar to 45 to the dollar, and froze 90 percent of all bank deposits over 25,000 rupiahs, for which debentures are to be issued. Complicated export regulations were abandoned, and import duties were revised to encourage essential imports and continue discouragement of luxury items.

President Sukarno strongly implied in a 26 August radio address that three follow-up measures would shortly be undertaken. He enumerated them as stabilization of the budget by cutting or postponing less urgent expenditures; an increase in taxes; and compulsory savings. It is doubtful, however, that the government has the capability to implement these measures. The resignation, without explanation, of Lukman Hakim, governor of the Bank of Indonesia, on 1 September is probably indicative of the uncertain attitude of knowledgeable Indonesian officials over the reforms.

The freeze on bank deposits has not been lifted, although machinery is being set up to entertain applications for exemption. The result is a near paralysis of business and foreign exchange transactions owing to the lack of fluid capital. Devaluation will have little effect on the upward pressure of prices.

The Indonesian Communist party has given qualified approval to the government's measures although it has emphasized the financial losses inflicted on peasants, laborers, and small businesses and has admonished the government that additional reforms are necessary. Should government efforts to solve fiscal problems falter noticeably, the Communists are likely to intensify their criticism in an attempt to discredit the army-influenced cabinet. New reports of army corruption are also obvious targets for Communist exploitation. [redacted]

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Scientific Adviser to the President

Director of the Budget

Office of Defense and Civilian Mobilization

Director, National Aeronautics and Space Administration

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The Under Secretary of State

The Under Secretary of State for Economic Affairs

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The Director, The Joint Staff

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Chief of Naval Operations, United States Navy

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Assistant to Secretary of Defense for Special Operations

Director for Intelligence, The Joint Staff

Assistant Chief of Staff for Intelligence, Department of Army

Director of Naval Intelligence, Department of Navy

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