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CENTRAL INTELLIGENCE BULLETIN



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7 October 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

*Taiwan Strait situation: There has been no Chinese Communist artillery fire against the Chinmens since about midnight, 5 October (Taiwan time). Peiping issued its "23rd serious warning" against the "intrusion" of US air and naval forces on 6 October, but did not threaten to resume shelling. Nationalist officials are making every effort to offset the effects of Peiping's cease-fire offer.

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OK
Syria: The operations of the independent Menhall group, the only American-owned oil exploration company in Syria, were suspended on 5 October and its funds frozen by the government. The action against this company is probably intended to bring pressure on the American-owned Tapline company, which has been presented with UAR demands for increased payments.

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III. THE WEST

OK
West Germany - Eastern Europe: Chancellor Adenauer in a 3 October press interview indicated that Bonn no longer considered recognition of East Germany by European satellites an obstacle to their establishing relations with Bonn. Recognition of East Germany by states independent of Moscow's control, however, would still be considered an "unfriendly

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DAILY BRIEF

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act" by Bonn. Adenauer suggested that trade missions with consular rights might be the first step toward full diplomatic relations with the European satellites.

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TAIWAN STRAIT TALLY SHEET
(From JCS Situation Report No. 84)

Air Situation
(Losses claimed through 3 Oct)

	<u>Destroyed</u>		<u>Probably Destroyed</u>	
	<u>Today</u>	<u>Cumulative</u>	<u>Today</u>	<u>Cumulative</u>
Communist planes	0	28	0	4
Nationalist planes	1	5*	0	0

*Includes 2 C-46's, 2 F-84G's, and 1 F-86

Chinmen Supply Situation -
(Tonnage through 5 Oct)

	<u>Sea</u>	<u>Air</u>	<u>Total</u>
Delivery - 1-5 Oct	450	1,155	1,605
Totals (since 7 Sept)	--	--	5,005
Average Daily Rate			172
Minimum Austere Daily Requirements			320
Cumulative Deficiency Since 7 Sept			4,275

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I. THE COMMUNIST BLOC

Taiwan Strait Situation

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Chinese Nationalist officials are making every effort to offset the effects of Communist China's cease-fire offer.

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Chiang Kai-shek told British newsmen on 6 October that the Warsaw talks should be broken off to test Peiping's reaction. A Nationalist military spokesman publicly dismissed the Communist offer to suspend shelling for a week as "purely international propaganda."

There has been no Chinese Communist artillery fire since about midnight 5 October (Taiwan time). Peiping, however, issued its "23rd serious warning" on 6 October against the "intrusion" of US air and naval forces, claiming that the "so-called escort" is not to help Nationalist forces, but "to create tension and extend aggression." Peiping stated that the American actions occurred despite Defense Minister Peng Te-huai's offer to permit shipment of supplies to Chinmen on condition that there be no American escort, but the statement did not threaten to resume shelling.

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Syria May Freeze Out American Oil Interests

The Syrian region of the UAR has issued a decree effective 5 October suspending all operations of the American-owned Menhall Prospecting and Exploration Company and providing for the liquidation or freezing of funds held by the company's Syrian branch. This move, which probably presages the forcing out of the American firm, suggests that Egyptian oil policy now has been extended to the Syrian region. The UAR may soon oust the West German-owned Société des Petroles Concordia, which is the only other Western oil interest in the country.

The Menhall interests control Syria's only proved oil field, located near the northwest border of Iraq. While the field has not yet been fully defined, its reserves are thought to exceed 1,000,000 barrels; its geology is similar to Iraq's. In ousting Western oil interests, Syria would not have to resort to nationalization since, under Syrian law, neither the Americans nor the Germans have permits to exploit oil discoveries. Menhall's efforts to "Arabize" the firm, while apparently having some influence on Damascus, failed to sway officials in Cairo.

UAR officials probably will use their action in the Menhall concession to impress on officials of the American-owned Tapline, which carries Saudi oil to the Mediterranean, that they intend to press their demands for a substantial increase in revenues. The latest UAR demand, however, has been characterized as "impossible" by company officials since it would mean operating Tapline at a substantial loss.

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III. THE WEST

Adenauer Indicates Policy Reversal on Relations With European Satellites

Chancellor Adenauer, in a press interview on 3 October, indicated a new attitude on the part of Bonn toward establishing diplomatic relations with Soviet-bloc countries. He said recognition of East Germany by these states would not prove an obstacle for Bonn since the satellites had no choice in the matter. Adenauer plans to discuss the matter with Soviet Ambassador Smirnov. Recognition of East Germany by states which are independent of Moscow, however, would still be considered an "unfriendly act."

Before making a final decision, Adenauer is awaiting a Foreign Ministry study of the question, expected within two weeks. He suggested that establishment of economic missions with consular rights might be the first step. Poland has indicated it would reject a proposal for such a mission, however, and would have to insist on full diplomatic relations. The problem of avoiding recognition of the Oder-Neisse boundary still may prevent full diplomatic relations with Warsaw.

Some Bonn Foreign Ministry officials have felt for some time that establishing relations only with Poland might arouse Soviet suspicions which could lead to greater pressures on Gomulka's government, and that all the satellites should be treated as a group. These officials feel that a simultaneous approach to at least Warsaw and a more "orthodox" Communist regime, such as Czechoslovakia, would give Gomulka some freedom to maneuver.

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