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4 September 1958

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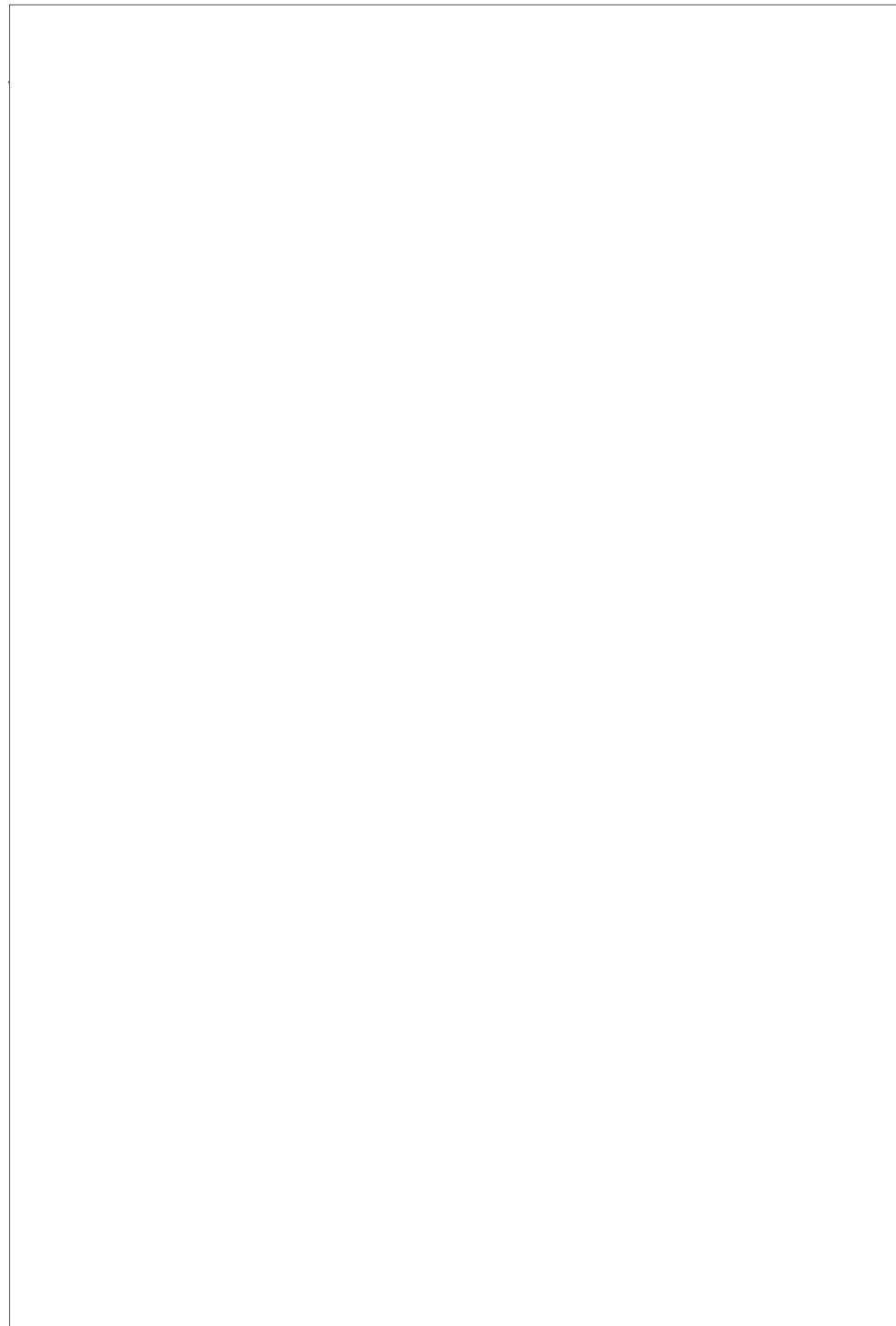
CENTRAL INTELLIGENCE BULLETIN



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4 SEPTEMBER 1958

I THE COMMUNIST BLOC

Peking apparently continues build-up opposite Matsus; renewed heavy shelling of offshore islands expected.

①

Chou En-lai tells Asian diplomats Peking will "liberate Kinmen."

②

II ASIA-AFRICA

India reserved on Taiwan Strait situation.

③

Violence increasing as Burma prepares for elections.

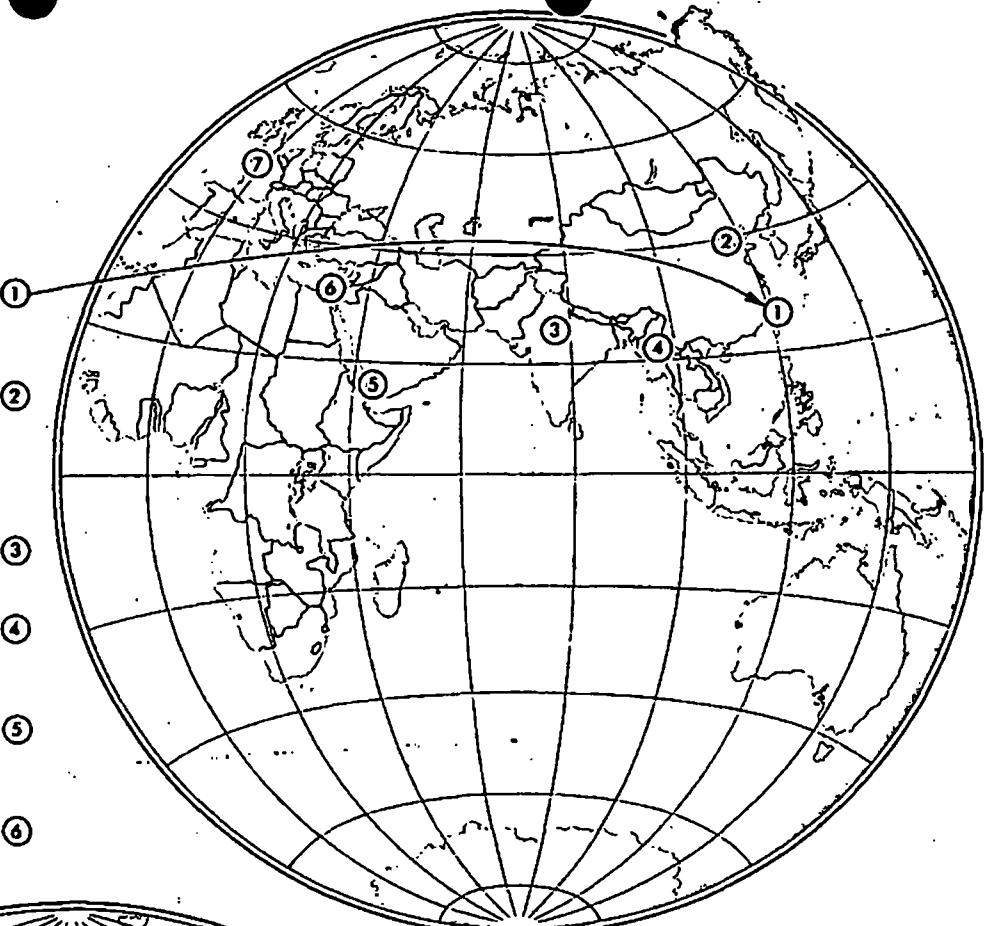
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Yemen - Imam seeking second arms deal with USSR.

⑤

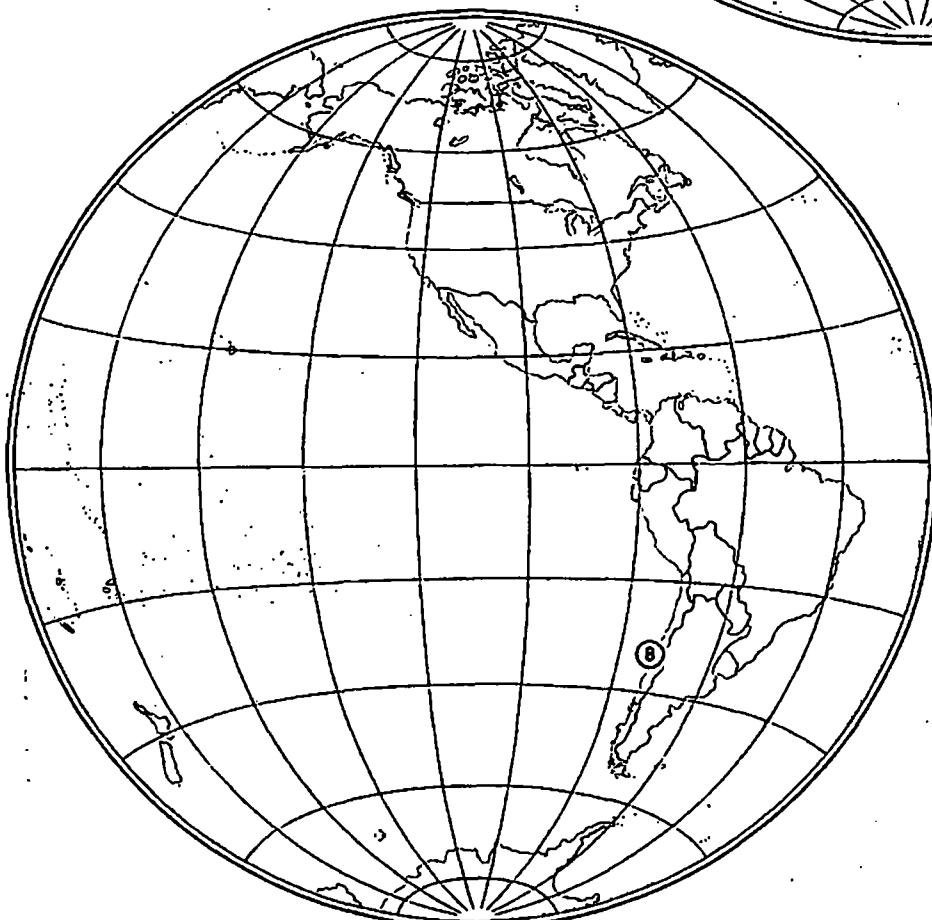
Nasir accuses US of planning "direct aggression" against Communist China.

⑥

**III THE WEST**

⑦ France may explode nuclear device before 31 October.

⑧ Chile - Earlier advantage of conservative presidential candidate jeopardized by opposition gains on election eve.

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TOP SECRET**CENTRAL INTELLIGENCE BULLETIN****4 September 1958****DAILY BRIEF***SECRET***I. THE COMMUNIST BLOC**

***Taiwan Strait situation (as of 0100 EDT, 4 September):** There continue to be indications that the Chinese Communists gradually have been assembling a naval force near the Matsus.

NO
 [redacted] there may soon be a renewal of heavy shelling and possibly further action against the offshore islands. Soviet and Chinese Communist propaganda continues to appear to set the stage for further action.

The Nationalists are finding it difficult to resupply Kinmen, but the latest reports indicate that there are good supplies of most items on the island.

(Page 1) (Map)

Watch Committee conclusion--Taiwan Strait:

- NO*
1. It is likely that the Chinese Communists will continue heavy artillery barrages, interdict supply lines to the offshore islands by using artillery, naval, and air elements as necessary, and maintain a high state of readiness for air operations.
 2. The Communists have increased their capabilities to bring heavy pressure on the Kinmens (Quemoy), the Matsus and smaller offshore islands and could launch major attacks against them. With the possible exceptions of Kinmen, Lieh Hsu (Little Quemoy), and Matsu Island, invasions could be launched with little or no warning. The assembly of amphibious lift necessary for invasions of the major offshore islands has not yet been observed.
 3. The Chinese Communists are likely to seize one or more of the smaller offshore islands and it is possible that

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they will attempt the seizure of one or more of the larger offshore islands. Incidents between US forces and Chinese Communist forces are also likely.

4. The Chinese Communists probably do not intend to initiate major offensive military action against Taiwan and the Penghus (Pescadores) in the immediate future, although they now possess a capability for major air attacks.

Communist China:

NO

(Page 4)

II. ASIA-AFRICA

India: New Delhi's reserved diplomatic reaction to date to the Taiwan Strait situation apparently reflects new uncertainties over the Sino-Soviet bloc's methods and intentions. This uncertainty, however, does not foreshadow a change in India's basic position on the China problem.

(Page 5)

Burma: Incidents of violence between the adherents of rival political factions are increasing as the country prepares for general elections expected in November. Security forces fear a resurgence of terrorism by the Communist People's Comrade party, which is known to have cached most of its arms in the jungle.

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DAILY BRIEF

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NO

Yemen-USSR: The Imam has instructed Crown Prince Badr to arrange a "second deal," presumably for arms, with the USSR. Badr has also been ordered to inform the USSR that the rebel Imam of Oman is seeking arms aid. A second round of arms negotiations with the Soviet Union was to have been initiated by Badr late last spring,

NO

UAR: In a Cairo speech on 3 September, Nasir accused the US of planning "direct aggression" against Communist China, which he called the representative of the "real" China. The speech presumably reflected his sensitivity to charges of UAR "indirect aggression" in the Middle East, which he denied in a lengthy defense of his Voice of the Arabs broadcasts.

Watch Committee conclusion--Middle East:

Although a deliberate initiation of open hostilities in the Middle East is unlikely in the immediate future, the situation remains unstable throughout the area, particularly where US and UK interests or commitments are involved, and incidents and coups could occur at any time.

NO

NOTE: The survival of the Jordanian regime continues to be threatened. If the regime in Jordan collapses, action by Israel and other neighboring countries to take control of Jordanian territory is likely.

III. THE WEST

OK

French nuclear test: The De Gaulle government may, for reasons of prestige, attempt to explode a nuclear device prior to US-UK cessation of testing on 31 October, even though the technical equipment needed to obtain useful scientific test data will probably not be available before early 1959. French officials may be counting on the favorable political

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impact of an early test both on the 28 September constitutional referendum and on plans for the French-Italian-German arms cooperation. [redacted] (Page 7)

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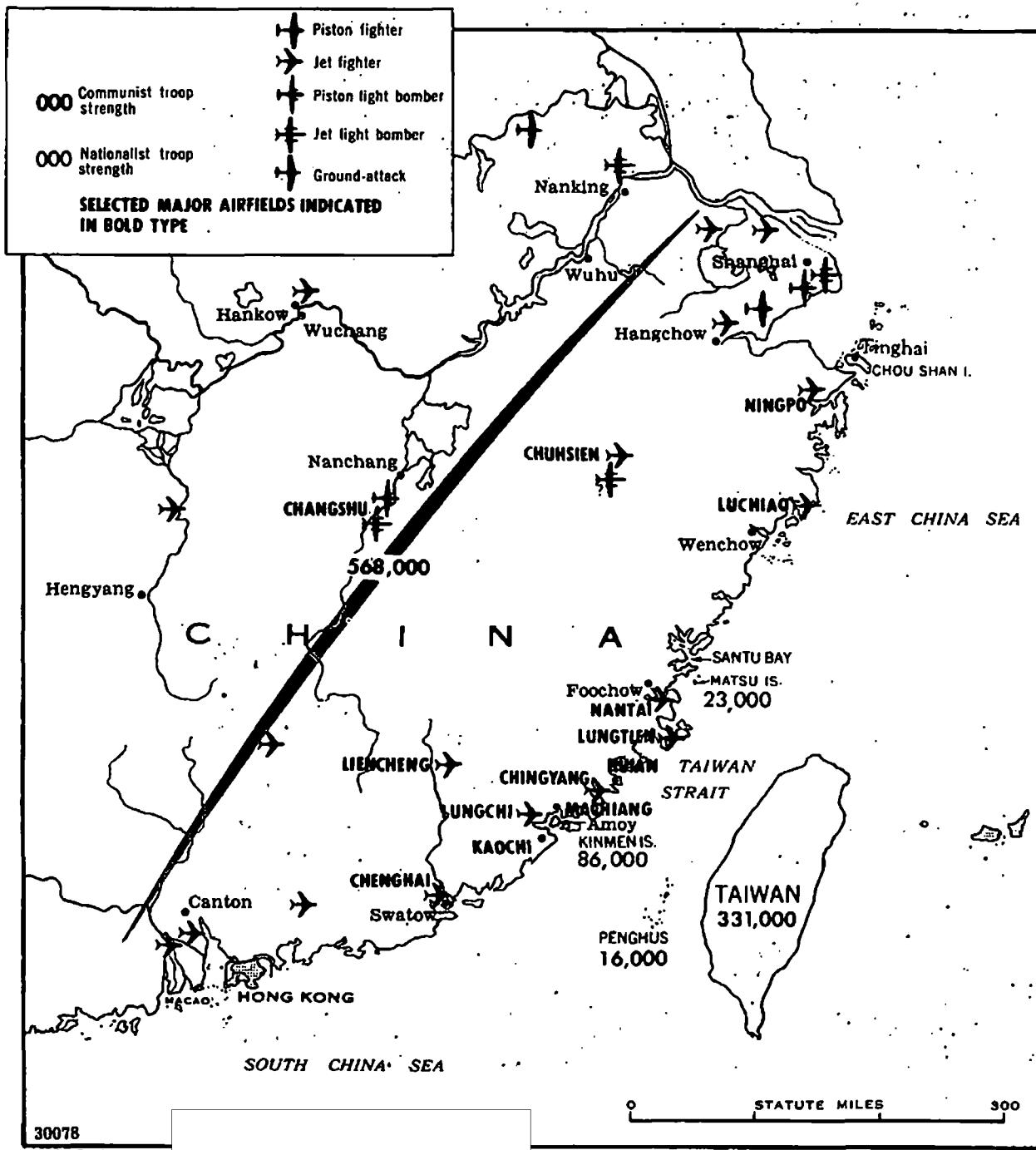
Chile: The advantage in the 4 September presidential elections earlier attributed to conservative Jorge Alessandri has been jeopardized by continuing gains for Communist-backed Salvador Allende and an increase in the strength of Christian Democratic Eduardo Frei. If none of the candidates gains a popular majority, Congress will choose among them on 24 October and is likely to pick the man receiving the most votes. [redacted] (Page 9)

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DAILY BRIEF

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I. THE COMMUNIST BLOC

Taiwan Strait situation (as of 0100 EDT, 4 September)

[redacted] an unidentified Chinese Communist vessel, which on 20 July was operating near Tsingtao and by 23 August had moved as far south as the Choushan Islands, is now in the Santu Bay area. Many of the Chinese Communist Navy's larger ships have been based at Tsingtao: [redacted]

[redacted] At least 13 unidentified vessels, suspected of being motor torpedo boats and auxiliaries, have moved to the Santu Bay area during the past month.

There also are indications that the Chinese Communists have been arming merchant vessels. [redacted]

The commander of the Foochow Military District has broadcast instructions to district party and civil officials similar to those which preceded the heavy shelling of 23 August, suggesting that there soon may be increased shelling or other action against the offshore islands.

Communist ground forces in the Foochow Military District now are believed to include at least two additional armies,

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making a total of four armies in that area. This means that troop strength has been increased by 92,000 to a total of 284,000.

Adverse weather in the Taiwan Strait area is hampering air operations. On 3 September, however, Communist planes flew over Matsu and nearby areas, but did not attack.

Since 1 September, there have been no more broadcast warnings to Nationalist troops on Kinmen or Leih Hsu (Little Quemoy) that they must choose between surrender and annihilation. Two defection appeals which the Chinese Communists had announced would be broadcast on 2 September were dropped without explanation or rescheduling.

The Peiping press on 3 September continued to feature reports of world "condemnation of US provocations" and claims that the Chinese people would smash "the imperialist aggression." Domestic regional broadcasts ignored the Taiwan Strait situation on 1 and 2 September.

Moscow made its first current reference to the Sino-Soviet Alliance in an Izvestia article distributed by TASS to Europe on 3 September. The article, which did not cite any details of Soviet obligations under the treaty, said: "The Soviet Union, tied to the Chinese Peoples' Republic by bonds of their inviolable fraternal alliance, fully supports this just struggle. This should never be forgotten by the US imperialists, whose brink-of-war policy has led to a series of complete failures."

As of 3 September, the Kinmen airstrip appeared undamaged and the auxiliary strip was being extended. At least one aircraft has landed each night since 23 August, but no cargo has been offloaded. Only two of ten LCM's based at Kinmen remain in operation, reducing Nationalist ability to offload shipping in Liaolo Bay. The supply situation on Kinmen, however, is reported to be good with the exception of a few items, such as soybean oil for cooking.

A member of the Nationalist general staff has said that the staff is pessimistic regarding the ability of the Nationalist navy

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to maintain the Kinmen supply line, and that the United States must participate since in the past it has refused to give the Nationalists adequate equipment to do the job alone.

[redacted] the Nationalists can continue to supply the islands with some American assistance. [redacted] Chiang Kai-shek now seems to be settling down to the problem of breaking the Communist blockade.

[redacted] Chiang Kai-shek had emphasized the need for taking retaliatory action against the mainland. He said that he could not accept American limitations on his right to retaliate in self-defense, although he still did not want to take action without American concurrence. He expressed concern that continued inactivity would result in unfavorable psychological reactions which would endanger the support for him and his government.

Ambassador Drumright believes that although Chiang may have overstated his case, the Generalissimo genuinely fears that his position as anti-Communist leader is being undermined by a non-retaliatory policy. Nevertheless, Drumright believes that Chiang will not take action without prior consultation unless the military situation becomes more desperate.

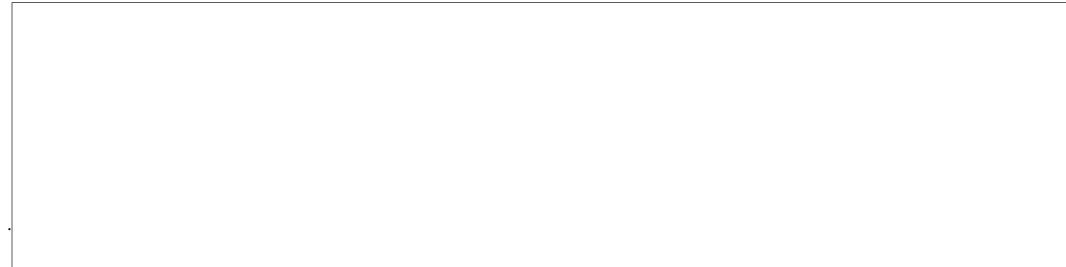
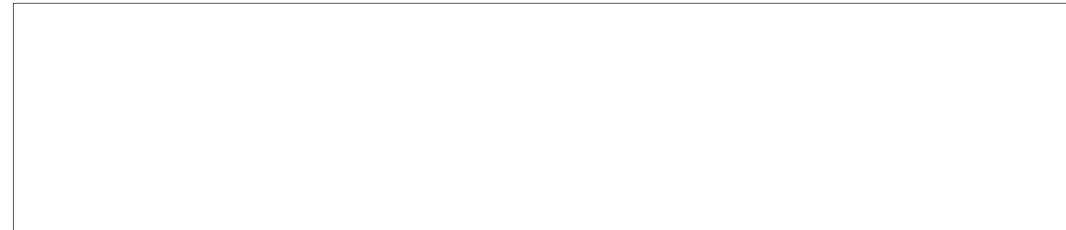
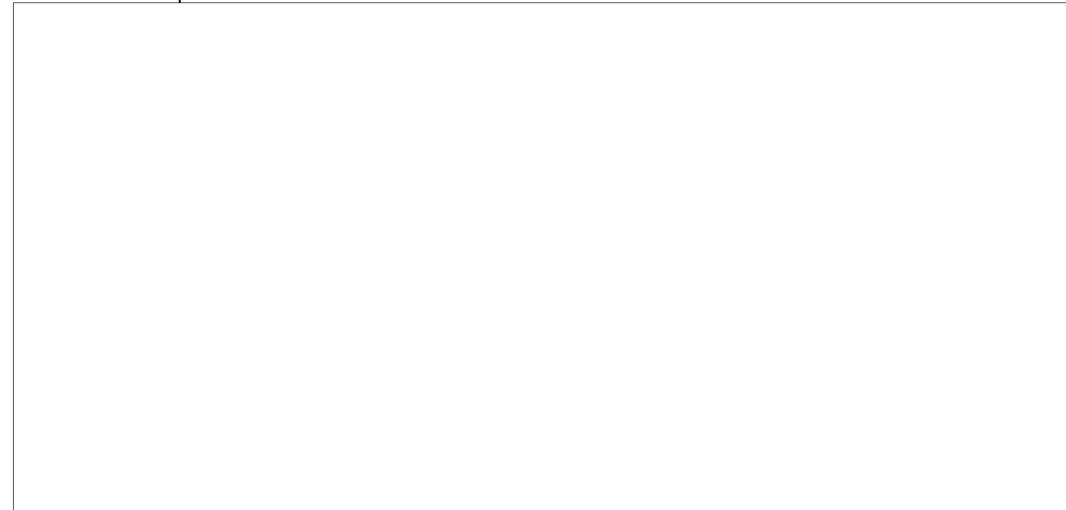
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Chinese Communist Attitude Toward Offshore Islands



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~~TOP SECRET~~**II. ASIA-AFRICA****Sino-Indian Relations**

New Delhi's restrained diplomatic reaction to date to the Taiwan Strait situation may derive in part from new uncertainties over the Sino-Soviet bloc's long-range intentions while there has been no change in India's basic position on the China problem. The Chinese Communist shelling of the offshore islands, occurring shortly after the Nagy execution and the adoption of a "hard" bloc line toward Yugoslavia, is so patently a violation of Panch Shila--the five principles of peace and coexistence--that India cannot officially express its sympathy for Peiping's claim to the islands.

The Indian Government is also seriously concerned over Chinese Communist activities involving the Himalayan border areas. The Chinese Communists, despite Indian protests, have persisted in publishing maps showing parts of India and Burma as Chinese territory. Ever since the Chinese occupation of Tibet, New Delhi has been plagued by Chinese military violations of poorly defined Kashmiri, Nepalese, and Indian borders and has received no satisfaction in talks with Chinese representatives.

Reports received early in 1958 that the Communists had constructed a road from Sinkiang to Tibet across a portion of Kashmir led New Delhi to dispatch reconnaissance teams to investigate.

reports regarding Tibetan resistance to the Chinese Communist regime have probably also helped to strengthen Indian doubts about Communist methods. Peiping's unwillingness to permit Prime Minister Nehru to visit Tibet this September as previously planned reportedly piqued the prime minister. Nehru has now tentatively scheduled a trip to Bhutan for 16 September to investigate the impact of the Chinese Communists on that remote Himalayan kingdom's border and trade.

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~~CONFIDENTIAL~~The Security Situation in Burma

The campaign for Burmese general elections expected in November has been accompanied by a steady increase in political violence, especially in south and central Burma among labor supporters of the two factions of the Anti-Fascist People's Freedom League.

Police officials for the past three months have been complaining of the direct interference of Home Minister Bo Min Gaung in the administration of the police department and of his forcing the release of politically protected criminals. Career officers complain that if they have associated with followers of Ba Swe and Kyaw Nyein, the top opposition leaders, they are being harassed and given undesirable posts, while others who associated with Premier Nu's followers have received unearned advancement.

Some army officials question their ability to maintain order during the political campaign and coming election, as a result of the recent disbandment of local defense units and the legalization of the Communist People's Comrade party (PCP) on 15 August following its formal "surrender." The army claims that the PCP cached most of its arms in the jungle and may resort to terrorism to advance its candidates for Parliament.

There is yet no firm indication of the probable election outcome. Burmese political parties of the left as well as the AFPFL are in the process of fragmentation, and no single party appears to have increased its strength appreciably.

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III. THE WEST

France May Attempt Early Nuclear Test For Political Effect

The De Gaulle government may attempt for prestige reasons to explode a nuclear device prior to the 31 October US-UK cessation of testing, even though the technical equipment needed to obtain useful scientific test data will probably not be available to France before early 1959. Although previous estimates did not envisage the first French test before late 1958 or early 1959, officials in Paris now appear sensitive to the unfavorable world reaction which would accompany a first French test held after cessation of testing by the present atomic powers.

The government may be counting on the favorable political impact an early test would have on French public opinion for the constitutional referendum on 28 September. An early test would also reinforce De Gaulle's position vis-a-vis some army elements in Algeria whose unconditional obedience to him is open to question.

The French may also have in mind the impact such a test could have on the De Gaulle-Adenauer meeting to take place on 14 September. The negotiations of the French, Italian, and German defense ministers last winter envisaged the possibility of German and perhaps Italian cooperation in the French nuclear weapons program, as well as in the development and production of other modern weapons. The status of the resulting tripartite arrangements, ostensibly limited to conventional weapons, appeared in doubt when De Gaulle came to power, because of uncertainty as to his views on French-German relations and on nuclear cooperation. De Gaulle assured Italian Premier Fanfani early in August, however, of his intention to honor the three-power agreement,

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and the ensuing US-UK decision to halt nuclear testing may have induced him to seek outside help to accelerate France's nuclear weapons program.

France is estimated to possess enough plutonium to explode a nominal-yield device prior to 31 October, and to have been held back until now primarily by delay in completion of chemical separation plant facilities.

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**Chile's Communist-backed Candidate Improves Chances
For Presidential Election**

Continuing gains for Communist-backed Salvador Allende and an increase in the strength of Christian Democratic Eduardo Frei are threatening the favored position of conservative Jorge Alessandri in the 4 September presidential elections. No candidate is likely to poll the clear majority necessary to ensure election. Congress therefore will probably make the ultimate selection on 24 October but is likely to confirm the popular plurality.

The chief issue in the election is the persistent inflation which has been Chile's most pressing problem for many years. The failure of the plan suggested by the US-sponsored Klein-Saks mission in early 1956 to stabilize the Chilean economy has forced Chileans to look toward individual leaders representing sharply contrasting economic programs. The right-wing parties supporting Alessandri advocate free enterprise and a minimum of state intervention. Allende, backed by the Socialists and Communists, advocates greater state control of the economy, extensive land reform, and expansion of trade with the Soviet bloc. The Christian Democratic candidate, Eduardo Frei, also favors considerable state intervention in Chile's economy. [redacted]

[redacted]

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Special Assistant for National Security Affairs

Scientific Adviser to the President

Director of the Budget

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The Treasury Department

The Secretary of the Treasury

The Department of State

The Secretary of State

The Under Secretary of State

The Under Secretary of State for Economic Affairs

The Deputy Under Secretary for Political Affairs

The Deputy Under Secretary for Administration

The Counselor

Director, International Cooperation Administration

The Director of Intelligence and Research

The Department of Defense

The Secretary of Defense

The Deputy Secretary of Defense

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Chief of Staff, United States Air Force

Assistant to Secretary of Defense for Special Operations

Deputy Director for Intelligence, The Joint Staff

Assistant Chief of Staff for Intelligence, Department of the Army

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Assistant Chief of Staff, Intelligence, Department of the Air Force

Supreme Allied Commander, Europe

Commander in Chief, Pacific

The Department of the Interior

The Secretary of the Interior

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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