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3 April 1958

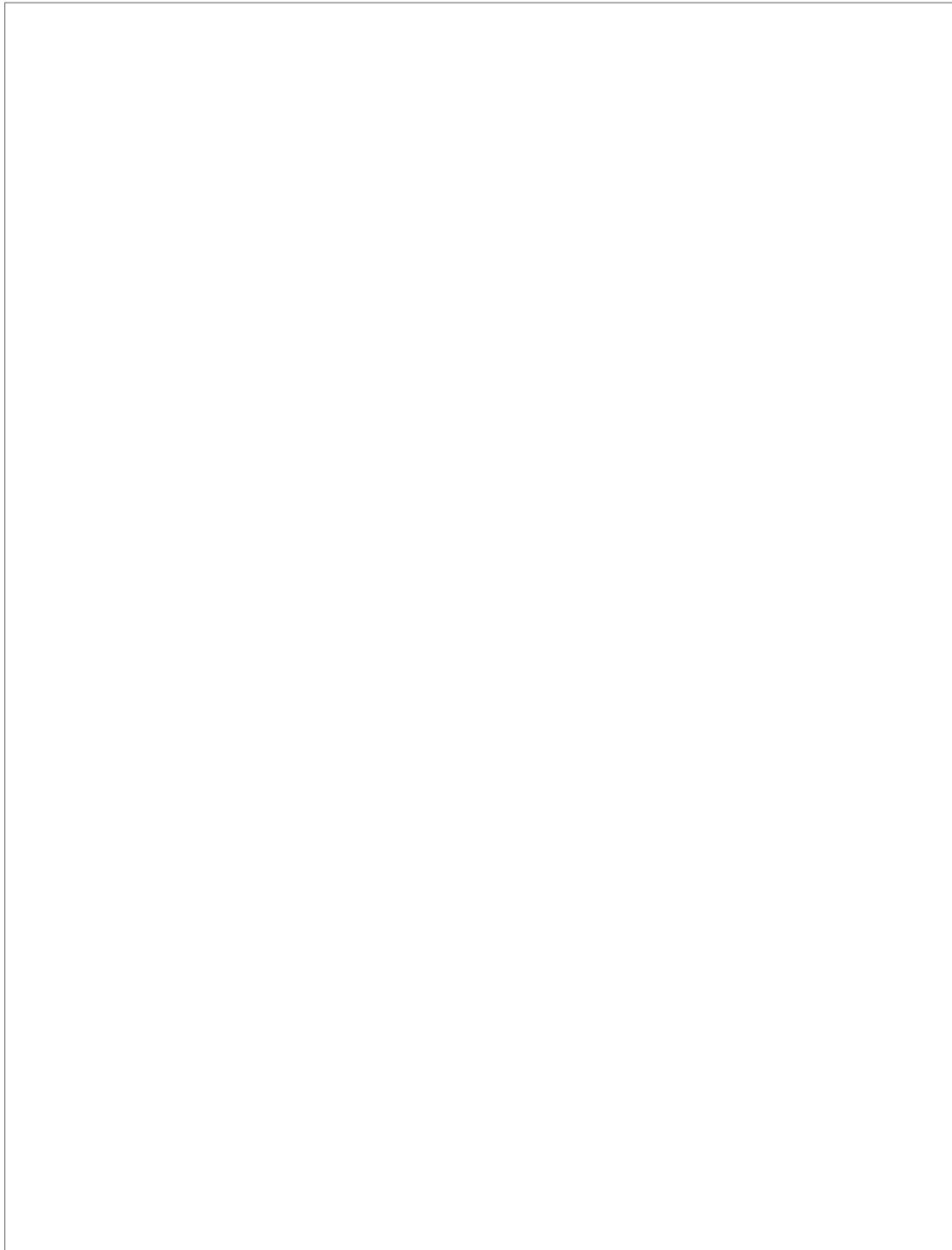
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CENTRAL INTELLIGENCE BULLETIN



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3 APRIL 1958

I. THE COMMUNIST BLOC

Czechs arrange for flight of at least 11 Soviet IL-14 transport aircraft to Djakarta.

Three more long-range Soviet submarines arrive in Egypt.

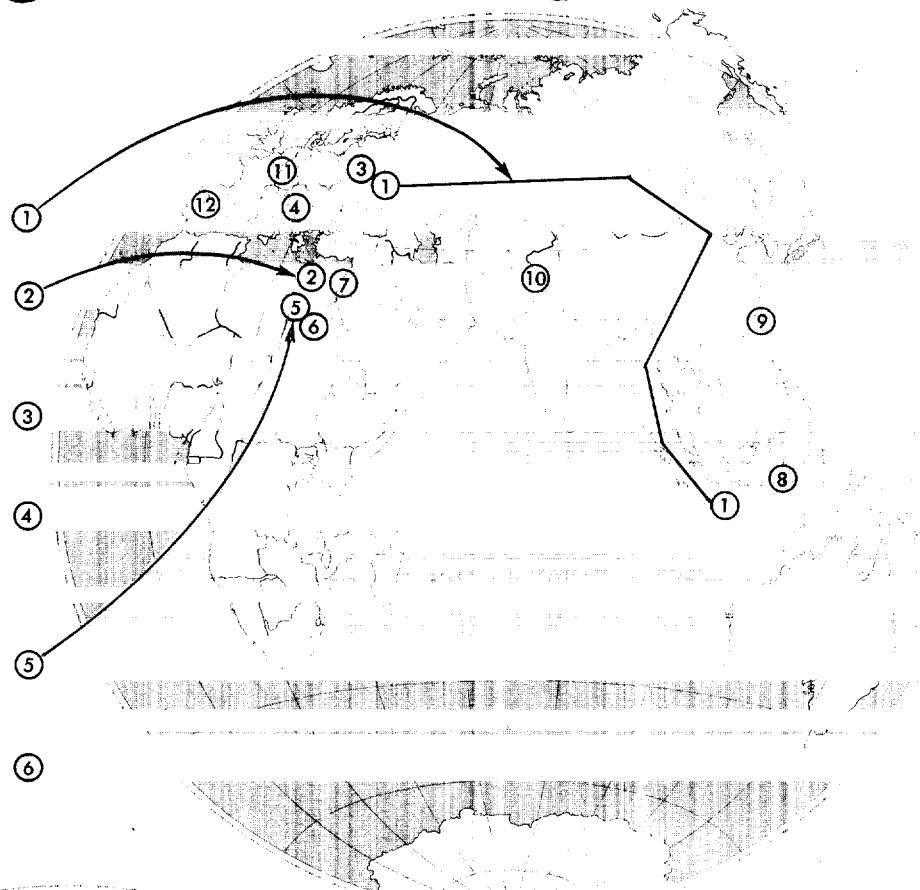
USSR balks in trade, repatriation talks with Bonn to increase pressure against West German nuclear missile plans.

Tito's proposed visit to Poland marks continued Yugoslav effort to extend influence in Eastern Europe.

II. ASIA-AFRICA

Nasir may nationalize Shell Oil Company properties in Egypt.

Nasir may discuss Palestine problem, general Soviet Middle East policy during Moscow visit at end of April.



⑦ Israelis reinforce Lake Hula troops; both sides maintain defensive readiness.

⑧ Indonesia - Djakarta forces land in Celebes to relieve pressure on loyal garrison; advance in Central Sumatra slows down in mountains.

⑨ Taiwan unwilling to defer showdown over flag rights of Peiping trade mission in Tokyo until after Japanese elections.

⑩ Kashmir - Graham's report to UN Security Council today likely to renew recriminations between India and Pakistan with little prospect for any progress.

III. THE WEST.

⑪ Bonn preparing request to WEU to waive restrictions on West German production of missiles, aircraft, and larger warships, possibly with nuclear propulsion.

⑫ Spanish strikes spread, show some political overtones.

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CENTRAL INTELLIGENCE BULLETIN

3 April 1958

DAILY BRIEF

SIKAB

I. THE COMMUNIST BLOC

* Bloc aircraft for Indonesia; Arrangements with Czechoslovakia for the delivery of at least eleven Soviet IL-14 transport aircraft flown by Czech pilots to Indonesia via Moscow-Irkutsk-Peiping-Rangoon-Medan-Djakarta have been completed.

7.0

[redacted] preparations were too far advanced to allow changes in the Czech insignia on the planes. These planes will increase the central government's airlift capacity by 30 percent and will almost certainly be pressed into service against the dissidents as soon as possible.

No

USSR-Egypt: Three Soviet W-class submarines and a minesweeper that departed the Baltic on 19 March arrived at Alexandria, Egypt, on 2 April. The submarines will probably be transferred to Egypt, providing the United Arab Republic with five W-class long-range units and one M-class short-range unit. This would give Egypt more modern long-range submarines than any of the European satellites.

yes

USSR-West Germany: As part of its campaign against the equipment of West German forces with modern weapons, Soviet officials have stated informally that the recent Bundestag decision to acquire nuclear armaments makes completion of the trade and repatriation agreement with Bonn virtually impossible. The presence of Khrushchev,

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Kozlov, and Gromyko in Budapest for the ceremonies commemorating the "liberation" of Hungary from the Nazis suggests that the bloc may take this occasion to issue a strong statement warning against the threat to European security arising from the nuclear armament of West Germany. [redacted] (Page 1)

no
 Yugoslavia: The announcement that Tito will visit Gomulka late this spring--the result of a long-standing invitation--comes only five days after his talks with Hungary's Kadar and is a continuation of his efforts to extend his influence in Eastern Europe. Tito probably hopes this announcement will elicit a stand from the still silent Sino-Soviet bloc on the Yugoslav Communist party congress this month and its controversial program.

II. ASIA-AFRICA

file
 Egypt: Nasir is considering nationalization of the Shell Oil properties in Egypt. Nationalization of these properties, which have been under Egyptian Government sequestration since November 1956, probably would upset Anglo-Egyptian financial negotiations because of British interest in the company. Should Nasir take this step, he would have presumably weighed its consequences in terms of his international relations and be prepared for adverse Western reaction. [redacted] (Page 2)

no
 Nasir trip to USSR: During his visit to Moscow, Nasir wishes to raise the Palestine question and to discuss the basic Soviet stand on Middle Eastern issues in addition to seeking some form of economic concessions. The visit is now scheduled to begin the last week of April and last about two weeks. [redacted]

no
 * Israel-UAR: The Israelis have moved small reinforcements of tanks, field artillery, and infantry into the area of

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recent border clashes, and probably now have sufficient troops there to launch a limited reprisal raid. Israel's over-all posture remains one of preparedness. UN officials have observed no offensive maneuvers on the Syrian side.

no

Indonesia: The Indonesian Army landings on the west coast of Celebes appear to be aimed primarily at relieving pressure on the local garrison. In Sumatra, the initiative remains with the central government, although the forward progress of its forces has been slowed as they enter the rugged Barisan Mountains. Djakarta shows no signs of compromising and

that the revolt would be settled on the "field of battle." A Polish offer to provide 30 personnel to assist in the operation of the Indonesian shipbuilding industry has been accepted by Shipping Ministry officials in Djakarta.

(Page 3) (Map)

Japan-Taiwan: Nationalist China has apparently rejected a Japanese proposal which would have deferred a showdown on the Communist flag issue until after the Japanese national elections which are expected this spring. While both sides remain willing to discuss a solution, Taipei continues to demand Tokyo's early assurance that the Chinese Communist flag will not fly over a projected trade mission in Japan. Peiping has accused Japan of blocking enforcement of the recent private trade agreement.

(Page 4)

OK
Kashmir: UN representative Graham's latest report on Kashmir, scheduled for release today, will probably stimulate mutual recriminations by both Pakistan and India,

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but is unlikely to result in any material change in the situation. Indian officials, including Nehru and Krishna Menon, have been unusually firm of late in stating that Kashmir is an integral part of India. Pakistan is in no position seriously to threaten India's hold on most of the state. Each side may also use recently publicized shooting incidents on the East Pakistan-Indian frontier to show the "aggressive" intentions of the other.

(Page 5)

III. THE WEST

no

West Germany - modern weapons: Bonn is apparently planning to request WEU to waive treaty restrictions against West German production of larger naval ships and submarines--possibly including nuclear-propelled ships--and all types of missiles and aircraft. Although this request would not extend to restrictions on production of atomic, biological, and chemical weapons, it may revive fears in some European capitals about Germany's future military role and hence arouse opposition from WEU countries. Up to now, Bonn's only formal request to WEU has been to ask permission to produce a small antitank missile.

(Page 6)

pleas

Spain: Strikes, which are primarily economic but appear to have some anti-Franco political overtones, have been resumed in some of the Asturias coal mines, and there are signs that the walkouts may be spreading. Extension of strikes to key sectors of the economy would probably intensify the present inflation and aggravate political tensions within the regime.

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I. THE COMMUNIST BLOC

Soviet Campaign Against West German Armament Policy

An intensified Soviet campaign against the equipment of West German forces with modern weapons appears to be developing in the wake of Foreign Minister Gromyko's speech to the Supreme Soviet which included a strong attack on Bonn's policy. The Bonn Foreign Ministry reports that the Soviet position has stiffened considerably during the last week in the trade and repatriation negotiations, and that the Russians have stated informally that the Adenauer government's denunciation of the USSR during the recent Bundestag debate and the decision to arm West German forces with atomic weapons make agreement virtually impossible.

Soviet diplomatic and propaganda tactics in West Germany are designed to encourage the opposition parties in their stand against the government's armaments policy. To this end, Soviet Ambassador Smirnov and his staff have held numerous talks with leaders of opposition parties in Bonn, hinting at a more flexible Soviet policy on unification and, in the case of the 19 March aide-memoire concerning peace treaty negotiations, leaking the text to the Free Democratic party.

The presence of Premier Khrushchev, First Deputy Premier Kozlov, and Foreign Minister Gromyko in Budapest for ceremonies commemorating the "liberation" of Hungary from Germany in World War II suggests that the bloc may issue a strong statement warning against the threat to European security arising from Bonn's policy. Czechoslovakia sent such a warning in a memorandum to the United States and various European countries on 1 April. Another possible move would be a Warsaw Pact conference to threaten countermeasures in Eastern Europe. [redacted]

[redacted]

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II. ASIA-AFRICA

Nasir Reported Planning to Nationalize Shell Oil Properties in Egypt

President Nasir has decided to go through with his long-threatened nationalization of the properties in Egypt of the Shell Oil Company, [redacted] Nasir's action would be based largely on his own assessment of his international relations, with particular reference to his financial negotiations with Britain.

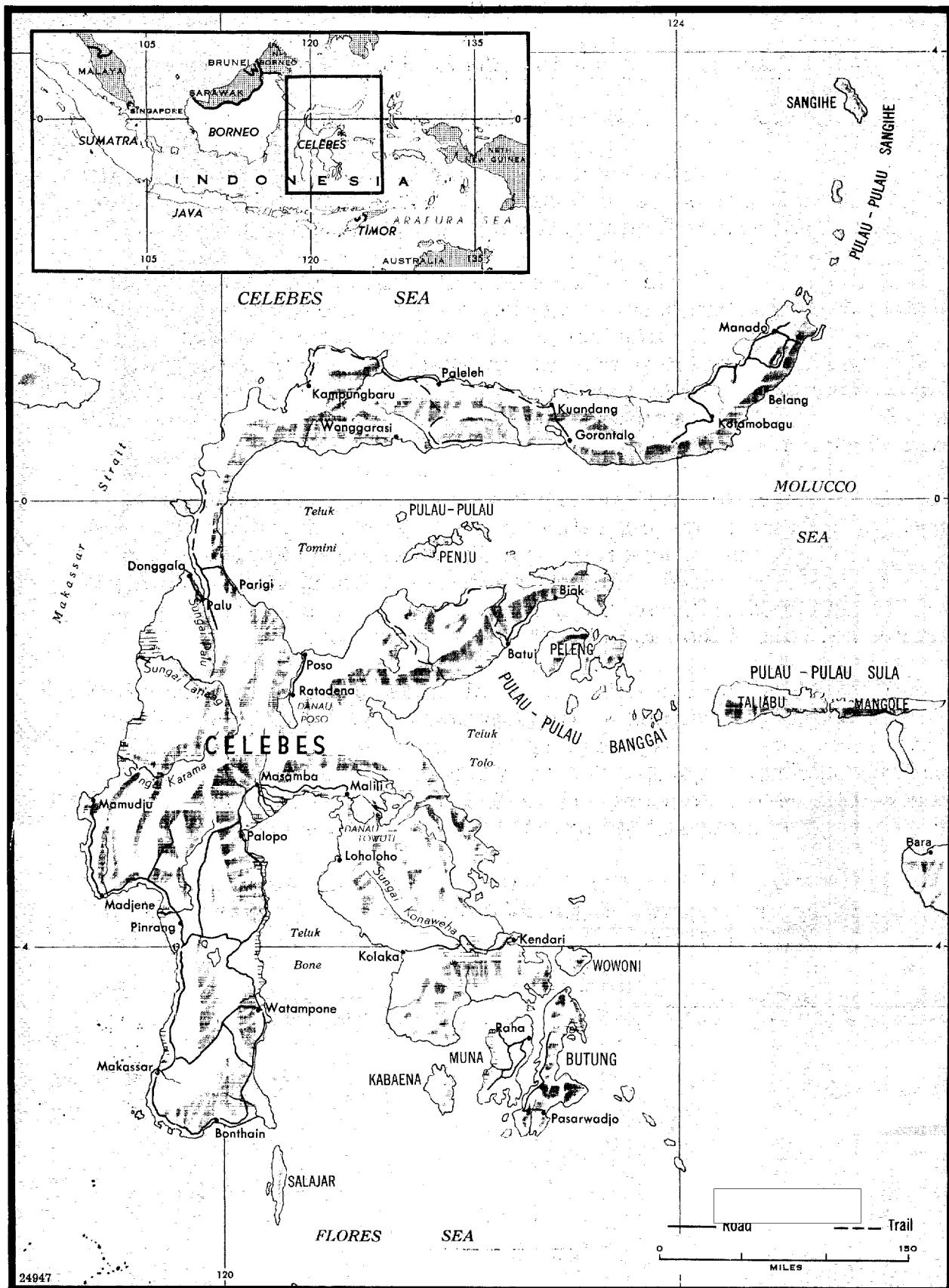
Since the Sinai hostilities, all British oil properties in Egypt have been under sequestration, operated by the Egyptian Government pending a final settlement of claims between the UK and Egypt, but none have been nationalized as was the case with many other French and British commercial enterprises. Egyptian officials previously have believed that the oil properties would be returned to their British owners as part of a general settlement.

Shell properties in Egypt are extensive. The company owns or operates oil fields, the largest refinery in Egypt, and widespread distribution facilities through the Anglo-Egyptian Oilfields, Ltd., and other subsidiary companies. Before the Suez crisis the Shell group accounted for over 70 percent of Egyptian refining capacity and controlled the bulk of the country's distribution network.

It is not yet clear whether Nasir would limit nationalization to properties owned outright by Shell or properties owned by other British elements but operated by the company. In the latter case, the Egyptian action would include properties owned by the British Government, by the British Petroleum Company, in which the British Government owns the controlling interest, and by a number of lesser companies.

Nationalization of all the United Arab Republic's oil facilities, including the Syrian pipelines, is probably one of Nasir's eventual objectives. [redacted]

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~~TOP SECRET~~Situation in Indonesia

The Indonesian Government claims to have recaptured the towns of Donggala and Palu, located on the western neck of Celebes Island, after waterlifting about two battalions to the area. This operation apparently is intended to relieve pressure on the local garrison. In Central Sumatra, the army's overland advance continues, although it appears to have slowed as the result of supply difficulties, rougher terrain, and increased dissident resistance. The slowdown in military activity may also have been imposed to give the Indonesian Air Force time for aircraft maintenance and for the preparation of paratroops for further action.

[redacted] a prodiissident officer told a US Embassy official that the army command in West Java can no longer be considered a bulwark against the Communist party. He stated that personnel changes in the area during the past two years had been so executed that anti-Communist officers were balanced by officers under Communist influence. This policy had been deliberately carried out by the army chief of staff to reduce the danger of a coup d'etat by anti-Communists.

[redacted] any anti-Djakarta action in West Java would be supported by "perhaps" 50 percent of two of the four regiments in the command, but their action would be isolated and uncoordinated and could easily be suppressed by progovernment forces. Djakarta's continued determination not to compromise in its stand against the dissidents was shown [redacted]

[redacted] stating that the revolt would be settled on the "field of battle."

In Djakarta, Shipping Ministry officials have accepted a Polish offer to provide 30 shipbuilding specialists to assist in the operation of the Indonesian shipbuilding industry. These officers will be in addition to Soviet personnel who reportedly will help operate ten merchant ships recently purchased from the USSR, teach in the merchant marine school, and possibly assist the Shipping Ministry.

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~~CONFIDENTIAL~~Japanese Fail to Placate Nationalist China

Nationalist China apparently has rejected a proposed Japanese solution of the Communist flag issue. Peiping's simultaneous criticism of Tokyo's failure to accept the trade agreement has clearly increased the dilemma of the Kishi government, which is expected to face elections this spring.

Chinese Nationalist Foreign Minister Yeh on 1 April informed the Japanese that his government could not accept postponement until after the Japanese elections of a showdown on whether Peiping's projected trade mission can fly the Communist flag in Tokyo. Yeh said his government wanted unequivocal assurance that the Japanese would prevent the flag from flying. He added that Taipei is prepared to sever diplomatic relations if necessary.

Peiping, irritated by Tokyo's indecision on the flag issue, broke its silence at the opening of a Japanese trade fair in Wuhan on 1 April when the vice chairman of Communist China's International Trade Promotion Association accused Tokyo of blocking implementation of the recent private trade agreement between Communist China and Japanese trade representatives.

Kishi may attempt to obtain Peiping's agreement to put off flying the flag, but Communist China hopes to drive as wide a wedge as possible between Tokyo and Taipei and probably would reject such a proposal.

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Increased Indo-Pakistani Friction Over Kashmir Likely
In Immediate Future

The latest report on the Kashmir situation submitted to the Security Council by UN representative Graham stresses the need for direct negotiations between India and Pakistan to reaffirm the integrity of the cease-fire line, prepare an atmosphere favorable to further talks, consider the stationing of UN troops in Pakistani-held Kashmir, and reach some agreement regarding a plebiscite in the state. Pakistan has accepted all these points in principle, while India has rejected all but one on the grounds that they evade the issue and tacitly condone Pakistani aggression in Kashmir. Pakistan will almost certainly call the attention of the Security Council to this record.

The attitudes of the two countries toward Graham's mission indicate that renewed bitterness over Kashmir will arise as soon as Graham's report is published on 3 April. Probably in preparation for this event, Indian officials, including Nehru and Krishna Menon, have during the past several months taken an unusually firm stand on the Kashmir question. They have made it abundantly clear that India has no intention whatever of giving up any territory it now holds or of abandoning the very considerable investment it has made in Kashmir. Pakistan, which holds no high cards in the game, has little recourse except to threaten a solution by "other means"--a threat usually interpreted as implying the use of force.

Other existing points of friction between the two countries include recent border clashes, the canal waters dispute, India's 30 March announcement that it had begun to construct a large new canal system which would eventually draw off even more water from Pakistan, and the controversy over arms build-ups in both countries. [redacted]

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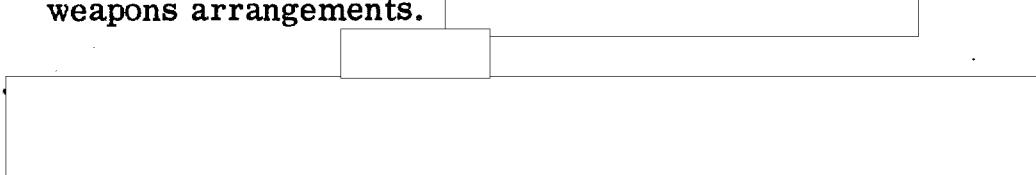
III. THE WEST

Bonn May Request Extensive Revision of Armaments Restriction

The West German Defense Ministry has drawn up plans requesting amendment of WEU restrictions on German armament production to permit manufacture of larger warships and submarines, influence mines, nuclear ship propulsion devices, and all types of missiles, according to a British official who was given a copy of the document by a German Defense Ministry official. The German plan, which does not include nuclear weapons, is still an "internal document" but cast in the form of a request to the WEU Council. Approval of the WEU Council would require a two-thirds vote and a recommendation of approval from the NATO supreme commander.

Bonn has already formally requested waiving of restriction on production of a small antitank missile, but the WEU Council has postponed a decision. In public statements Defense Minister Strauss has also indicated his interest in a relaxation of other restrictions.

Bonn is not likely to proceed with any over-all request without sounding out the political reaction in London, and the passing of such a document to the British may be the first move. The British official has already taken "a dim view" of German plans, and feels that WEU approval of such extensive revisions is doubtful, but Bonn may expect French and Italian approval in light of the present tripartite weapons arrangements.



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Spanish Coal Mine Strikes Assuming Some
Political Overtones

The strike of 6,000 workers reported on 28 March in a new area of the Asturias coal mines, and the two-week walkout earlier in March which affected up to 30,000 miners in the same region, are motivated basically by the rising cost of living but seem to some extent attributable to hostility to the Franco regime. The Madrid police on 30 March announced the arrest of 11 persons on charges of being Communists and fomenting the Asturias strikes.

According to syndicate stewards, the men walked out because they were "sick and tired of 20 years of Franco." Reports that the workers were using anti-Franco slogans are said to have led local army headquarters to recommend the use of force and spurred officials to search houses for firearms and dynamite.

About 30,000 workers are currently on strike in Barcelona, and the San Sebastian area is experiencing walkouts involving several thousand more. Seville shipyard workers are restive, the police are expecting labor trouble in Pamplona, and a general strike is rumored planned for Bilbao this month. Prolonged or widespread stoppages in either the transportation or industrial sector would probably intensify present inflationary pressures as well as the political tensions among the various factions of the Franco regime.

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