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CENTRAL INTELLIGENCE BULLETIN

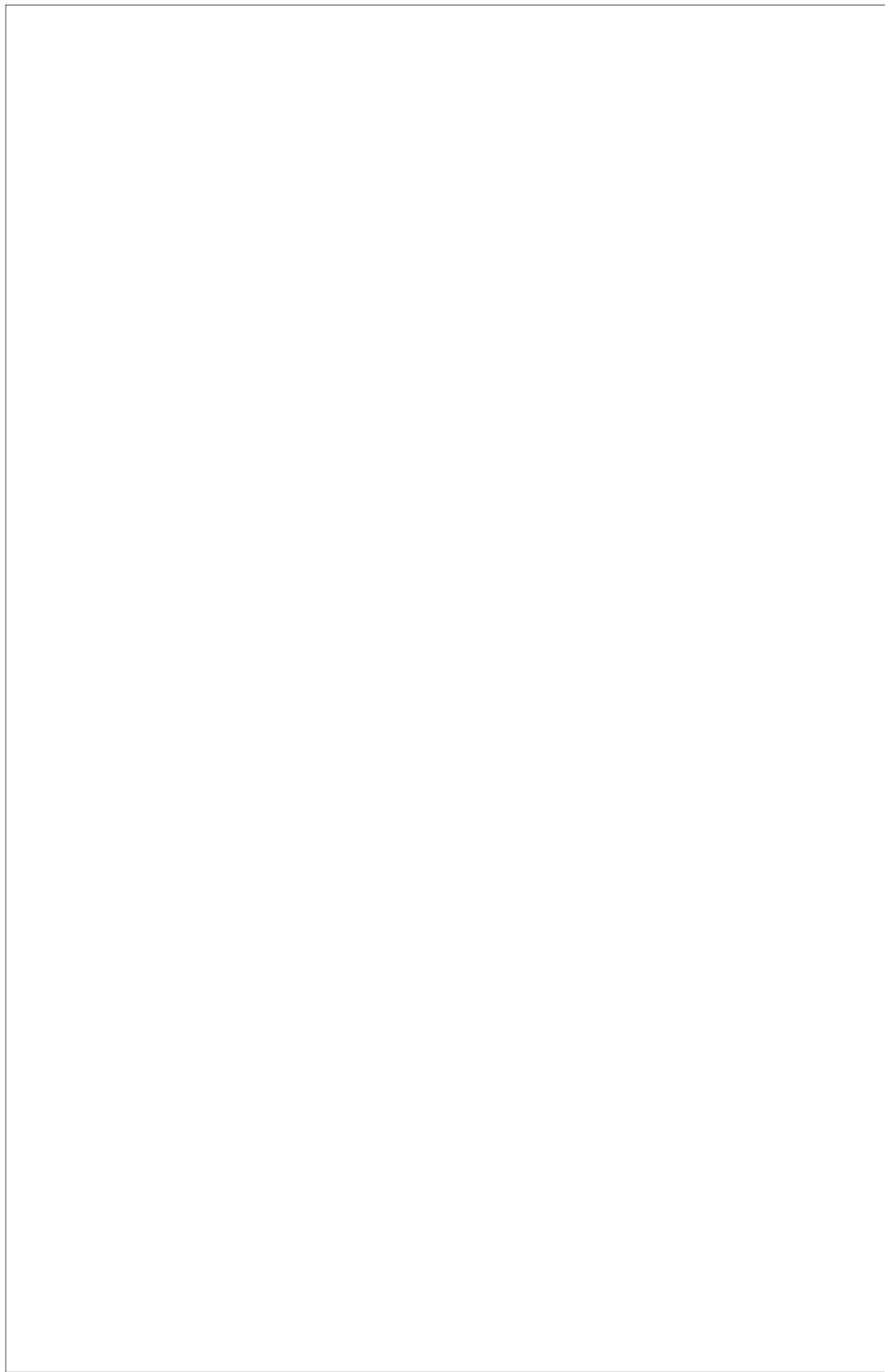


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DAILY BRIEF

I. THE COMMUNIST BLOC

In a new test of American determination to maintain free access to Berlin, the Russians delayed four US Army trains at the East German checkpoint of Marienborn up to ten hours on 14 and 15 January. This is the first interference with military trains since the new travel documentation system, which was worked out with Soviet officials, was introduced on 2 December 1957. Before then, similar harassment was fairly common. (CONFIDENTIAL) (See MAP on reverse page.)

II. ASIA-AFRICA

* The Indonesian central government is increasingly concerned over plans of the dissident leaders to establish a rival government in the near future. Apparently they are having difficulty in deciding when to act, but the latest report states that the break will come on approximately 16 January. The cabinet is threatening political and economic sanctions, including the cessation of financial support from Djakarta. The dissidents have been warned that force may be used against them, but such action cannot be taken until the arrival of military aid now being sought from both Communist and non-Communist European countries.

(Page 1)

The Iraqi cabinet will probably remain in office at least until after the Baghdad Pact meetings in Ankara at the end of January. Former Prime Minister Nuri Said will lead the Iraqi delegation to the meetings, and Prime Minister Mirjan apparently will not participate. These are additional signs that Mirjan does not fully control his cabinet. (SECRET NOFORN)

The unstable situation in the Syrian Army is exacerbated by the return from training in Cairo and Moscow of influential officers who have not found promised assignments. The struggle between the Communists and the socialist-nationalists for predominance is reflected in the increasing controversy over the popular issue of Syrian-Egyptian union. The socialist-nationalist press is attacking the Communist position, charging that the Communists are not giving the union proposals unqualified support. (SECRET NOFORN)

Ceylon's estimated flood rehabilitation costs of \$44,000,000 to \$55,000,000 are over half of the 1958 budget funds allotted for economic development projects. Thus, development plans will probably be delayed, causing further economic stagnation. (CONFIDENTIAL) (Page 2)

New Delhi apparently has requested an additional Soviet credit of \$25,000,000 to \$31,000,000 for the Bhilai steel plant to cover general price rises in India and elsewhere. This would augment a total of \$283,000,000 in Soviet bloc industrial construction loans to India, including the previous loan of \$132,000,000 for the Bhilai plant. (CONFIDENTIAL) (Page 3)

The South Korean National Police have announced that arrested leftist leader Cho Pong-am has admitted "contact and connivance" with North Korean agents and that "important subversive documents" hidden at his home have been uncovered. While such announcements are suspect, and "subversive" documents could be almost anything the security agencies label as such, officials concerned with the investigation indicated before Cho's arrest that they had enough "evidence" to convict him. (CONFIDENTIAL)

III. THE WEST

The latest shake-up in the Venezuelan cabinet indicates that President Perez has at least temporarily rebuilt his position among the controlling elements of the divided military. The change in the Interior Ministry, which controls the police, appears to make Perez himself the de facto chief of this important ministry. The strength and duration of his military support, however, are still uncertain. (SECRET) (Page 4)

The French Government's decision to interrupt defense negotiations with Tunisia is probably a bid by Premier Gaillard for rightist support in the confidence vote scheduled for 16 January in the National Assembly which was precipitated by the veterans' aid issue. His position has been made increasingly precarious by opposition to his constitutional reform proposals and to the basic statute for Algeria which the Council of the Republic may return to the assembly with crippling amendments. (CONFIDENTIAL)

II. ASIA-AFRICA

Situation in Indonesia

Indonesia's dissident leaders are proceeding with plans for the early establishment of a rival Indonesian government. The chief Sumatran leader, Col. Simbolon, believes that action will be taken in the first week of February, but there appears to be some reluctance to make a final break with Djakarta.

Central and South Sumatra will break with the central government on approximately 16 January and that Atjeh Province will follow suit. [redacted] the dissidents have not yet decided when to act but are considering a move before President Sukarno's return, expected in late February or early March.

The central government is aware of these activities and has threatened economic, political, and military reprisals. It has already ordered the outer regions to stop barter trade with neighboring areas or face the loss of government financial support. Premier Djuanda has since announced that orders are being prepared to discharge several dissident leaders from the army. The finance minister has threatened the use of force, presumably when the government receives the ships and arms it is seeking from both Communist and non-Communist European countries. The Indonesian arms purchasing mission has left Yugoslavia without signing an agreement, is now in Czechoslovakia, and will proceed to Poland before returning to Belgrade.

In Djakarta, the second phase of military exercises ordered by the local town command is scheduled for 17 January. The first phase provided cover for mass arrests, probably aimed primarily at non-Communist elements suspected of being opposed to the government.

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Ceylon's Financial Requirements for Flood Rehabilitation

According to a preliminary estimate by the Ceylonese Government, flood rehabilitation will cost \$44,000,000 to \$55,000,000. This is over half the total budget funds allotted for economic projects in 1958. The projects presumably will have to be delayed.

Ceylon will need about 120,000 tons of rice and 20,000 tons of flour in addition to its normal imports of 400,000 and 200,000 tons of rice and flour respectively. Food stocks are abnormally low, and as of 8 January large amounts of rice and flour on order had not yet been shipped.

The government spent approximately \$315,000 on direct relief immediately after the floods. Emergency aid from foreign governments and private sources thus far totals approximately \$500,000. The need for relief measures is expected to continue in some areas for as long as 14 months, until restored rice fields can be harvested. (CONFIDENTIAL)



CONFIDENTIAL

Indian Request for Additional Soviet Credit

India may receive a credit of \$25,000,000 to \$31,000,000 for the Bhilai steel plant, now under construction with assistance from Moscow, in addition to the \$132,000,000 in equipment already promised by the USSR. The additional credit would cover general price rises and the cost of equipment which cannot be procured locally as originally planned. Press reports state that Moscow's initial reaction to India's request has been "quite favorable."

A separate Soviet loan of \$126,000,000 in 1957 for various industrial projects was augmented on 4 January by a substantial Czech credit accepted by Prime Minister Nehru during Premier Siroky's current visit. The Czechoslovak loan is believed to amount to at least \$25,000,000, which will be applied to the construction of a foundry in Bihar State as part of India's program for production of industrial machinery. The bulk of the Soviet industrial loan has also been allocated to this program. (CONFIDENTIAL)

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III. THE WEST

Venezuelan President Now Reasserting His Authority

The new shake-up in the Venezuelan cabinet on 13 January indicates that President Perez has at least temporarily reasserted his authority over key elements of the divided military. Perez has become defense minister himself and has in effect taken over the Ministry of Interior--which controls the National Security Police--by appointing one of his relatives as minister. General Llovera, who was minister of interior for three days, has resumed his former minor post in the cabinet.

In addition to the ouster of General Fernandez from the Defense Ministry, the former air force and navy commanders were also removed from the important political posts to which they had been appointed on 10 January. [redacted]
[redacted] several high-ranking officers have been arrested.

Increasing civilian unrest has accompanied the military disunity. Public demonstrations, in which students played a prominent role, were held on 10, 13, and 14 January, and there are rumors of plans for continuing civilian efforts against the dictatorship. [redacted]
[redacted]

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