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26 June 1958

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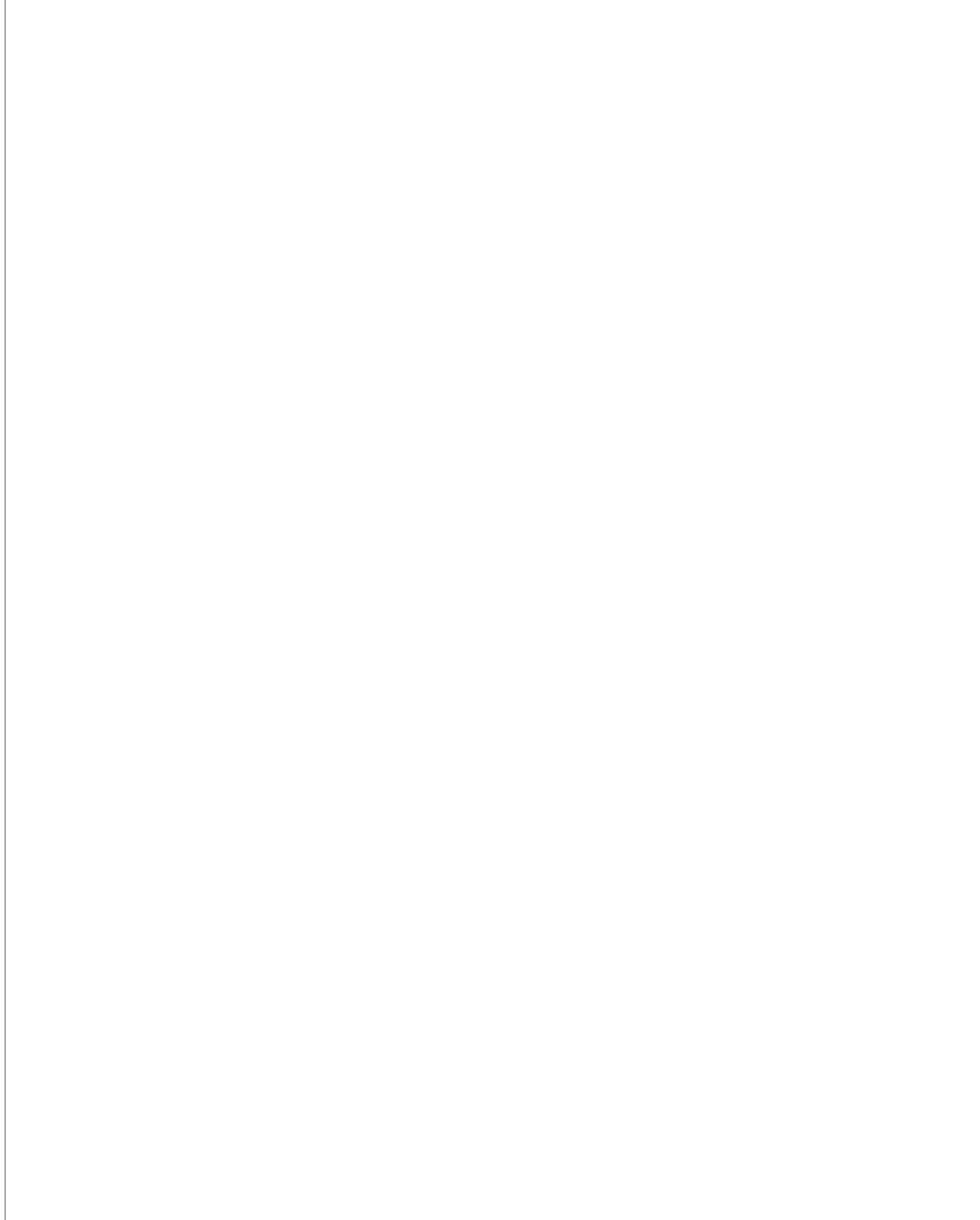
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CENTRAL INTELLIGENCE BULLETIN



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26 JUNE 1958

I. THE COMMUNIST BLOC

Poland has apparently decided to defend Nagy's execution, but in general terms which may not satisfy Moscow.

USSR threatens not to attend Geneva talks.

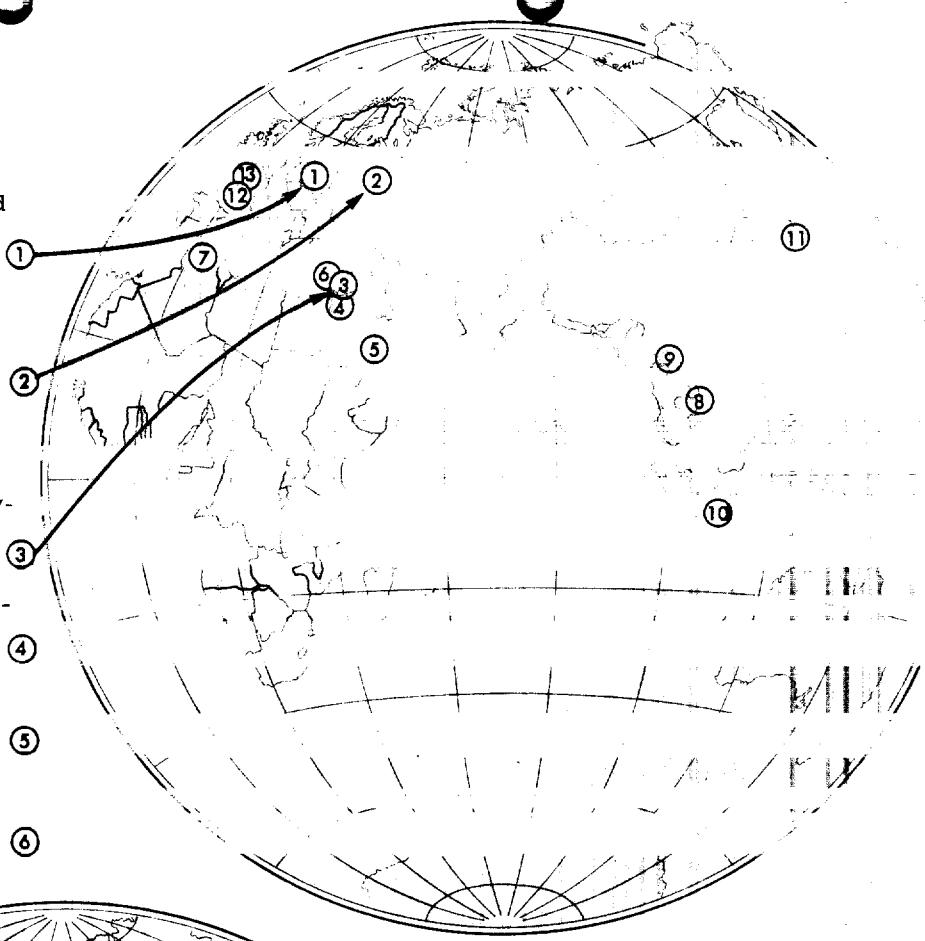
II. ASIA-AFRICA

Lebanon - Heavy firing in Beirut following Hammarskjold's departure may be rebel attempt to take over city.

Number of Jordanian Army officers arrested for plotting assassination, with UAR support, of King Husayn.

Saudi monarchy vulnerable as both Saud and Crown Prince Faysal ill.

Cyprus - Makarios opposes violence by Greek Cypriots fearing Turk-British retaliation.



⑦ Tunisia and Morocco planning to send delegation of North Africans to United States to seek support for Algerian independence and North African federation.

⑧ Cambodia charges South Vietnam with border violation.

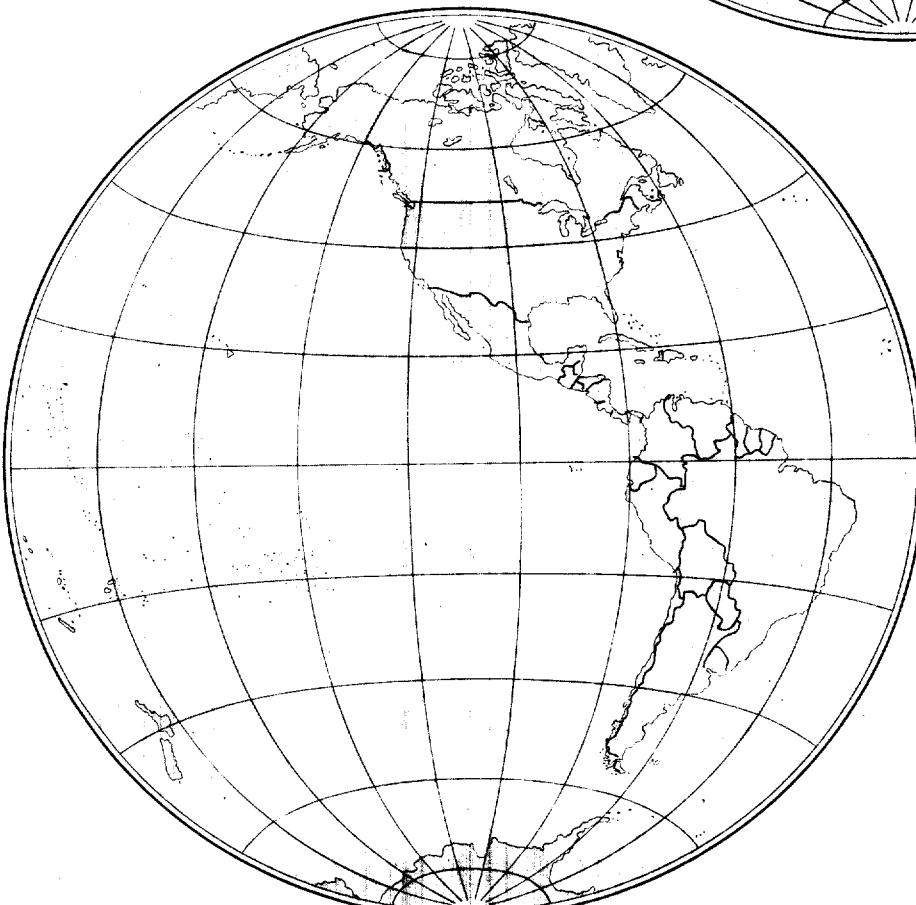
⑨ Communists in Laos continue to expand their influence.

⑩ Indonesian cabinet reshuffle does little to reduce Communist influence.

⑪ Japanese diplomat recommends government-to-government negotiations with Communist China.

⑫ De Gaulle insists France must have a voice in any decision to use IRBM's and nuclear weapons.

⑬ French financial situation improves slightly, but more drastic measures will be required to maintain momentum.

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CENTRAL INTELLIGENCE BULLETIN

26 June 1958

DAILY BRIEF

*SIKAB**No**yes*

I. THE COMMUNIST BLOC

* Poland: The Polish regime apparently has decided to issue a statement soon, in the party newspaper justifying in general terms the action against Imre Nagy as necessary to maintain bloc unity. If the Polish statement fails to denounce Nagy specifically for his various alleged crimes, Moscow probably will consider that Gomulka is again temporizing as he has done on the Yugoslav issue. [redacted]

* Soviet note on Geneva talks: The Soviet aide-memoire of 25 June represents at the least a major shift in Moscow's tactics for handling technical test inspection talks at Geneva and may even indicate a substantial policy change--the abandonment of negotiations on inspection and possibly the resumption of Soviet nuclear tests. In sharp contrast with the aide-memoire of the previous day, the USSR now warns it cannot attend the Geneva technical talks unless the United States agrees that the purpose of the experts' talks is to "insure the discontinuation of tests of nuclear weapons by all powers possessing them." If the Soviet Union does not follow through on this implied threat of a boycott, it will probably insist from the outset that an American agreement in principle on test suspension is a necessary precondition for technical discussions. [redacted]

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II. ASIA-AFRICA

* Lebanon: Following UN Secretary General Hammar-skjold's departure, heavy firing broke out in Beirut in what may be the prelude to a rebel attempt to take over the city.

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No
Jordan: Forty-eight Jordan Arab army officers are reported to have been arrested in a move to break up a UAR-supported conspiracy to assassinate King Husayn and leading loyal army officers. A large tribe in northwest Jordan near the Syrian border has also been discovered working with the UAR, and further plotting against the King can be expected.

No
Saudi Arabia: King Saud plans to travel to Austria in the near future for medical reasons. Saud's departure would leave the government entirely in the hands of Crown Prince Faysal, who is not in good health himself. Physical disability of either Saud or Faysal could endanger the future of the Saudi monarchy.

yes
Cyprus: Archbishop Makarios apparently favors maintaining the status quo on Cyprus, fearing the British and Turks would "gang up" against the Greeks if violence were resumed. There is as yet no Turkish reaction to the Greek decision not to cooperate with Turkey within NATO. Some Greek civilian NATO employees have returned to Izmir, where special security measures are being relaxed.

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No
North Africa: The Moroccan and Tunisian governments are planning to send a high-level, semiofficial group, including Algerians and possibly some Libyans, to the United States to seek support for Algerian independence and North African federation.

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DAILY BRIEF

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Cambodia - South Vietnam: The Cambodian prime minister announced on 25 June that South Vietnamese army troops had occupied a Cambodian village. He issued a call to arms for "defense of the nation." Saigon has denied any encroachment. In view of troubled relations with Thailand as well as with South Vietnam, it is possible that Cambodia may turn to Peiping for political and moral support.

(Page 6) (Map)

yes
Laos: The Communists are maintaining the momentum of their recent election victory and extending their influence throughout the countryside at the expense of the conservatives.

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Indonesia: President Sukarno's reshuffling of the cabinet, announced on 25 June, is only a minor step toward decreasing Communist influence in the government. Sukarno has explained away the limited changes by stating that it would have been dangerous to challenge the Communists now when so many troops, ordinarily stationed in Java, are fighting in Sumatra and Celebes.

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No
Japan - Communist China: Katsumi Ono, influential Japanese diplomat, in commenting specifically on the trade impasse with Peiping has recommended to Tokyo that the Kishi government take the initiative in seeking direct negotiations with Peiping at the governmental level to improve relations and, if feasible, obtain third-country mediation, possibly by India.

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III. THE WEST

no
France: Pinay's gold loan launched on 17 June brought more gold out of hoarding in its first four days than during the seven weeks of his 1952 gold loan, but there are as yet no indications that it has achieved any repatriation of French holdings abroad. This response, together with the greatly

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reduced deficit for June with the European Payments Union, probably marks an end to speculative pressure against the franc for the present and postpones the need for additional large-scale foreign aid for several months. However, these modest financial improvements do not resolve France's basic economic problems, and they can be maintained or extended only through further economic reform measures, possibly including further devaluation of the franc.

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No
De Gaulle-NATO: De Gaulle has told General Norstad he wants to do everything possible to strengthen NATO. De Gaulle stated that he would shortly communicate France's decisions that it must have IRBM's and nuclear weapons, and emphasized that France must also have a voice in any decision to use these weapons.

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DAILY BRIEF

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I. THE COMMUNIST BLOC

USSR Changes Position on Geneva Technical Talks

The Soviet aide-memoire of 25 June represents at the least a major shift in Moscow's tactics on the Geneva talks on detecting nuclear explosions. It may even signal a far-reaching turn in Soviet policy toward the West, particularly with respect to nuclear test suspension and summit talks.

The 25 June note contrasts sharply in tone and content with the aide-memoire of the previous day which noted agreement on the date, place, composition, and duration of the Geneva talks and expressed the view that the conference "should aid in the most rapid cessation" of nuclear tests. On the tactical level, the new aide-memoire can be viewed as a bold maneuver to force the United States to agree in principle to a test cessation independent of other aspects of the disarmament problem. Moscow attempts to achieve this long-standing aim by insisting on a definition of the purpose of the Geneva talks which would establish a clear link between technical talks and the "ultimate end" of a test cessation agreement. The Soviet Government contends it only accepted the US proposal for technical talks on the assumption that their purpose would be to insure a test cessation.

The aide-memoire carries at least an implied threat of a Soviet boycott of the Geneva talks if the United States fails to respond to Moscow's call for "a confirmation that the experts conference is to be subordinated" to the task of achieving a test cessation agreement. Moscow may proceed with the talks, however, but concentrate exclusively on the political goal of extracting some form of US agreement in principle to a test cessation as the indispensable condition for taking up the technical aspects of the talks.

Should this latest move reflect a major turning point in the general orientation of Soviet foreign policy, its primary purpose may be to prepare the ground for an abandonment of all pretense of Soviet interest in negotiating a test cessation agreement and a resumption of the Soviet nuclear test program. Such a radical turn in Moscow's posture toward the non-Communist world would be the result of a fundamental reassessment of over-all Soviet policy in the light of recent developments in Eastern Europe, possibly springing from a major shift in the balance of forces within the Soviet leadership

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II. ASIA-AFRICA

Lebanese Situation

Following Hammarskjold's departure on 25 June, heavy firing broke out in Beirut in what may be the prelude to a rebel attempt to take over the city. The rebels plan an all-out daytime attack on the presidential palace, utilizing machine guns, artillery, and barrels of gasoline. They are convinced there will be no Western intervention.

In the Biqa Valley, the rebel build-up is proceeding, and the Syrian Army is running ambulances into Lebanon to pick up rebel wounded. [redacted] the chief of G-2 in the Syrian town of Homs has promised to send "artillery" and more Syrian Army personnel in mufti. The Syrians are distributing money generously in Balabakk, paying a daily wage to opposition fighters.

Kamal Jumblatt's Druze forces are infiltrating the mountains surrounding Beirut to the east and south. Jumblatt acting directly and through Abd al Aziz Shihab, a relative of the army commander, has attempted to reach an understanding with pro-Chamoun Syrian Social National party (SSNP) irregulars to allow the Druze free range in this area. The SSNP refused the request and is planning to reinforce its forces in order to oppose Jumblatt. Jumblatt is also expected by Lebanese military authorities to attempt to seize the Beirut International Airport. [redacted]

Tripoli opposition leader Rashid Karami, [redacted] army shelling "struck terror into the people and they are thinking of fleeing." He added that "when the fighting gets hot, no more than a hundred" anti-government men "are on hand in the city." He predicted an all-out attack on the army in Tripoli soon. [redacted]

General Shihab has said that the opposition would be willing to enter into a de facto cease-fire which would end on 24 July unless Parliament on that date elected a new president

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acceptable to the opposition. Shihab said rebel forces, including Syrian officers in the Basta, would remain in place during the truce. President Chamoun is wary of the truce proposals as he believes they are merely a maneuver by the opposition to better its tactical position and to provide the UAR with an opportunity to send in additional infiltrators and arms to the rebels, anticipating renewed fighting.

Rebel leader Saib Salam has declared that "if the UN forces should be increased, we will consider this an international intervention and aggression." This was apparently in answer to Prime Minister Sulh's announcement on 25 June that he had asked UN Secretary General Hammarskjold to send a UN emergency force to "seal off Lebanese frontiers."

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~~SECRET~~Cyprus

Archbishop Makarios does not want EOKA to renew violence "for the moment," [redacted] as he fears such violence would throw the British and Turks together to fight the Greeks. It appears likely, however, that the Greek Cypriots will continue their partial boycott of British goods until Makarios is allowed to return to Cyprus.

Meanwhile, the British have officially denied press reports that EOKA leader Grivas was killed on 22 June. The report of his death, however, may cause Grivas to take some action--a signed memorandum to the Cypriots, at least--to reassure the population that he is still alive.

Information from Turkey tends to confirm previous reports that the extraordinary security measures taken near Greek, British, US, and NATO installations in Izmir on 23 June were prompted by threatening remarks overheard and reported to the governor of Izmir. Ten alleged Communists have been arrested for planning to attack the British and Greek consulates in Izmir. A reduction in the number of security troops was noted on 24 June, suggesting that any immediate danger was considered over. The Turkish press continues to be inflammatory, and speakers at recent mass meetings have been violently anti-Greek. The announcement on 24 June by Greek Foreign Minister Averoff that cooperation with Turkey in NATO was no longer possible was probably based on a desire to placate anti-Turkish feeling in Greece but may draw a sharp reaction from Ankara, which usually disparages Greece's contributions to NATO.

Governor Foot's sudden trip to London on 24 June was due to fear that anticipated Labor party criticism of the government's new Cyprus proposals in the 26 June debate in Commons would lead to violence on Cyprus. Labor party leaders, however, had previously decided not to oppose the proposals nor to force a vote on the issue. [redacted]

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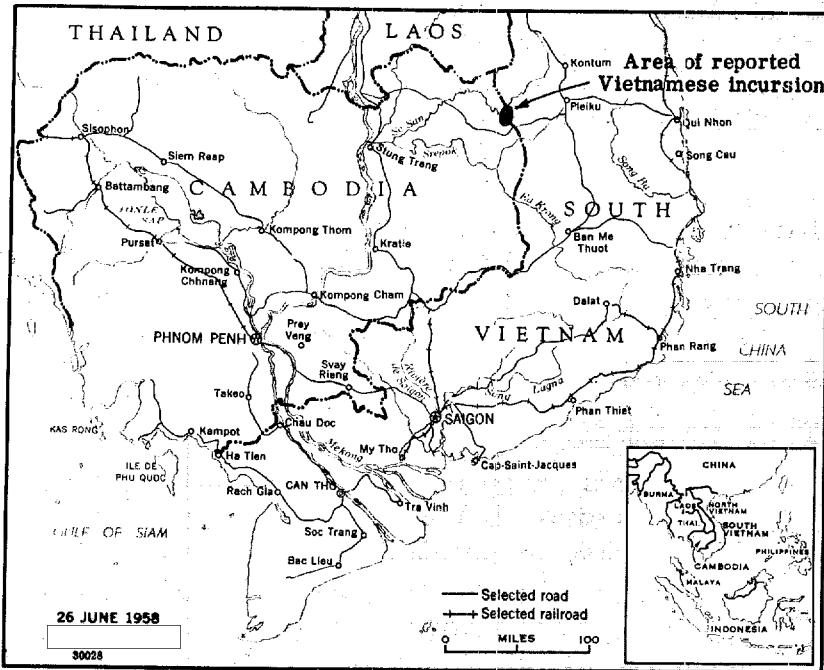
North African Political Leaders to Visit the United States

The Moroccan and Tunisian governments decided last week during consultations in Tunis to send a semiofficial delegation composed of leading members of the Moroccan Istiqlal party, the Tunisian Neo-Destour party, and the Algerian National Liberation Front (FLN) to the United States in August to enlist support for Algerian independence and the projected Maghreb federation. The Libyan Government, which may become a member of the Maghreb federation, will be invited to participate.

The visit will be organized by Mohamed Yazid, FLN representative in the United States, with the cooperation of the embassies of Tunisia, Morocco, and Libya. The delegation will attempt to arouse public opinion and make official and congressional contacts just prior to the opening session of the United Nations General Assembly.

Meanwhile, the FLN's executive committee has been revamped, with its eight members assuming functions similar to cabinet members. A Moroccan Government spokesman denied that this reorganization assumed the proportions of a government-in-exile. Subsequently, an Algerian spokesman in Tunis announced that an Algerian government would not be proclaimed before the meeting of the UN General Assembly this fall, but that the UN would then be asked for "de facto" recognition.

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Cambodia Charges South Vietnamese Invasion

The Phnom Penh government on 25 June broadcast a call to all Cambodians to "rally to the defense of their country" against an invasion by South Vietnamese armed forces. The Vietnamese were accused of occupying a village in northeastern Cambodia four miles inside the poorly defined border. Saigon denies any knowledge of its troops entering Cambodian territory, and American military observers report no discernible shift toward an aggressive posture by the Vietnamese armed forces. Earlier this month, the Cambodians were reported to have violated Vietnamese territory in the same general area.

Border incidents between the two countries are endemic but have assumed more serious proportions in recent weeks, aggravating already poor relations. Exaggerated reports reaching Saigon and Phnom Penh concerning these incidents have increased tension in both capitals. With both sides assuming a self-righteous attitude, there is the danger of a series of border affrays.

Ambassador Strom in Phnom Penh notes the danger that Phnom Penh may turn to Peiping for political and moral support in this dispute. Cambodian leaders, who are inclined to feel the West will not support neutralist Cambodia in its dispute with anti-Communist Vietnam, have hinted broadly at such a development. The prime minister told the press on 25 June that if an appeal to the US does not result in effective intervention, Cambodia will turn to "other friendly powers."

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Security Conditions in Laotian Provinces Deteriorating

While conservative Laotian politicians show a growing comprehension of the Communist threat, they are failing to react with speed and determination to indications of a deteriorating security situation in the provinces. Under the momentum of its 4 May electoral triumph, the pro-Communist Neo Lao Hak Zat (NLHZ) is extending its influence in the countryside.

Several leaders at a 21 June meeting of the newly formed Rally of the Lao People emphasized the need to rectify past abuses, to reorganize government services, and to build effective, rather than merely formal, cooperation between the disparate factions in the Rally. A number of politicians expressed fear of liquidation if the Rally failed in its efforts to stem the Communist tide. Rally President Souvanna Phouma attempted to stiffen wavering elements by assurances that the police and military would take over if the politicians failed.

The conservatives nevertheless face formidable problems. The Rally is built of antagonistic, opportunistic factions and led by several politicians who are largely discredited. To compete with the disciplined NLHZ it must build a grass-roots organization, identify itself with a program of aid to the villages, and live down its reputation of corruption. Moreover, many Laotian functionaries remain indifferent and apathetic, choosing to view recent developments as a minor setback to be overcome with a "few reforms and a few arrests."

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Indonesian Cabinet Changes

The Indonesian cabinet reshuffle announced on 25 June by President Sukarno falls short of antileftist changes desired by the army and earlier hinted by government officials and Sukarno himself. Foreign Minister Subandrio has told the American ambassador, however, that the army is pressing for further changes and that eventually they will be made. He stated that Sukarno fears the Communists are so strong in Java that drastic steps against them would be dangerous at this time when Java's troop strength is depleted by operations in Sumatra and Celebes.

Cabinet changes involve the removal of one minister, the abolition of two ministries but the retention of the incumbents in other posts, and the addition of three new portfolios. The only significant change is the demotion of pro-Communist Hanafi, formerly the minister for manpower mobilization and now minister without portfolio, in which position he presumably will be less useful to the Communists.

A possible indication of army influence is the appointment of Colonel Suprajogi, a former commander of West Java, to the new post of minister for stabilization of economic affairs. Two members of the non-Communist Moslem party, Nahdlatul Ulama, and one anti-Western, nonparty man complete the new cabinet line-up.

Apparently the Sultan of Jogjakarta had originally accepted the Ministry of Trade post but backed out at the last moment, because he considered the cabinet reorganization as being too insignificant. The principal gainer in this shake-up seems to be Sukarno, who appears to have increased his influence in a cabinet already responsive to his demands.

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High Japanese Diplomat Recommends Official Negotiations With Communist China

Katsumi Ono, influential Japanese diplomat who was vice foreign minister until appointed ambassador to London in March 1958, has recommended that Japan engage in government-to-government negotiations with Communist China in order to break the present impasse between the two countries. Elements within the Foreign Ministry, which generally has strongly opposed official negotiations with the Communist regime, now also appear to be favoring government-to-government talks to settle problems in specific fields such as trade, postal, and communications matters.

Ono recommended that government agencies replace private Japanese organizations which heretofore have dealt with Peiping and that, if feasible, Tokyo arrange for mediation by a third country, possibly India, to break the impasse in Sino-Japanese relations. As another possible step in this direction, Tokyo is planning to abolish the three private trade organizations dealing with Peiping and to establish a single organization under government direction and control.

The controversial statement by Chief Cabinet Secretary Akagi on 19 June concerning steps leading to the future recognition of Communist China may, in part, have resulted from Ono's recommendations. Although Foreign Minister Fujiyama has dissociated himself from Akagi's statement and asserted that Japan would maintain a "wait-and-see" policy, it is probable that government officials are considering means of achieving closer relations with Communist China without jeopardizing Japan's ties with free world nations, especially the United States and Nationalist China.

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III. THE WEST

France's Gold Loan and Financial Situation

The US Embassy in Paris believes that speculative pressure against the franc has ended temporarily and that France will probably not require additional large-scale foreign aid before fall. The factors on which the embassy's estimate is based are the early response to the 17 June gold loan, a sharply reduced June deficit in the EPU, and a strong Treasury position. However, the internal financial position is menaced by appropriations authorized for Algeria.

During the first four days of the gold loan launched by Finance Minister Pinay in an effort to bring hoarded gold back into circulation and stabilize internal finances, the government took in \$43,000,000 compared with only \$34,000,000 during the entire seven-week period of his 1952 loan. Total subscriptions of about \$100,000,000 to the 3.5-percent tax-exempt loan were also at a higher rate than in 1952. The head of the Treasury indicated that he would regard the loan as a "success" if it yielded \$250,000,000 by mid-July. French officials admit that only about 1 percent of estimated hoarded gold has been released by the loan, and no repatriation of funds from abroad had been reported prior to the official 24 June suspension of a 25-percent tax on such transfers.

France's deficit in the European Payments Union is reported at only \$25,000,000 as of 21 June in contrast with \$115,000,000 in May, and most of it will be covered by a surplus with the dollar area this month.

Latent inflationary pressures persist in unsatisfied wage demands as well as in the prospective budget deficit. The recent modest financial improvement can be maintained and extended only through further economic reform measures, possibly to include some further devaluation of the franc.

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De Gaulle's Views on NATO

Premier de Gaulle impressed General Norstad, in conversation on 24 June, as open-minded, reasonable, and flexible. De Gaulle said he had "no designs" on NATO; on the contrary, he fully endorsed the alliance and said he wanted to do everything possible to make it stronger. Specifically De Gaulle said the NATO command in the Mediterranean needed to be "thought over."

De Gaulle emphasized that France should play a "full role in both peace and war" in the world situation. Clarifying his views on modern arms, he said that France, "along with the other allies," would have to have "possession" of atomic and other modern weapons, but he expressed some doubt that what Norstad called the "political authority of NATO" is a sufficiently precise authorization for use of such weapons. He said France would shortly communicate its views on IRBM's and the NATO stockpile of atomic weapons.

Norstad's over-all impression was that De Gaulle was "much gentler, softer, and quieter" than might have been expected, though "firm and strong by character" with the purpose of enhancing the role of France in NATO and in the world.

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