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CENTRAL INTELLIGENCE BULLETIN



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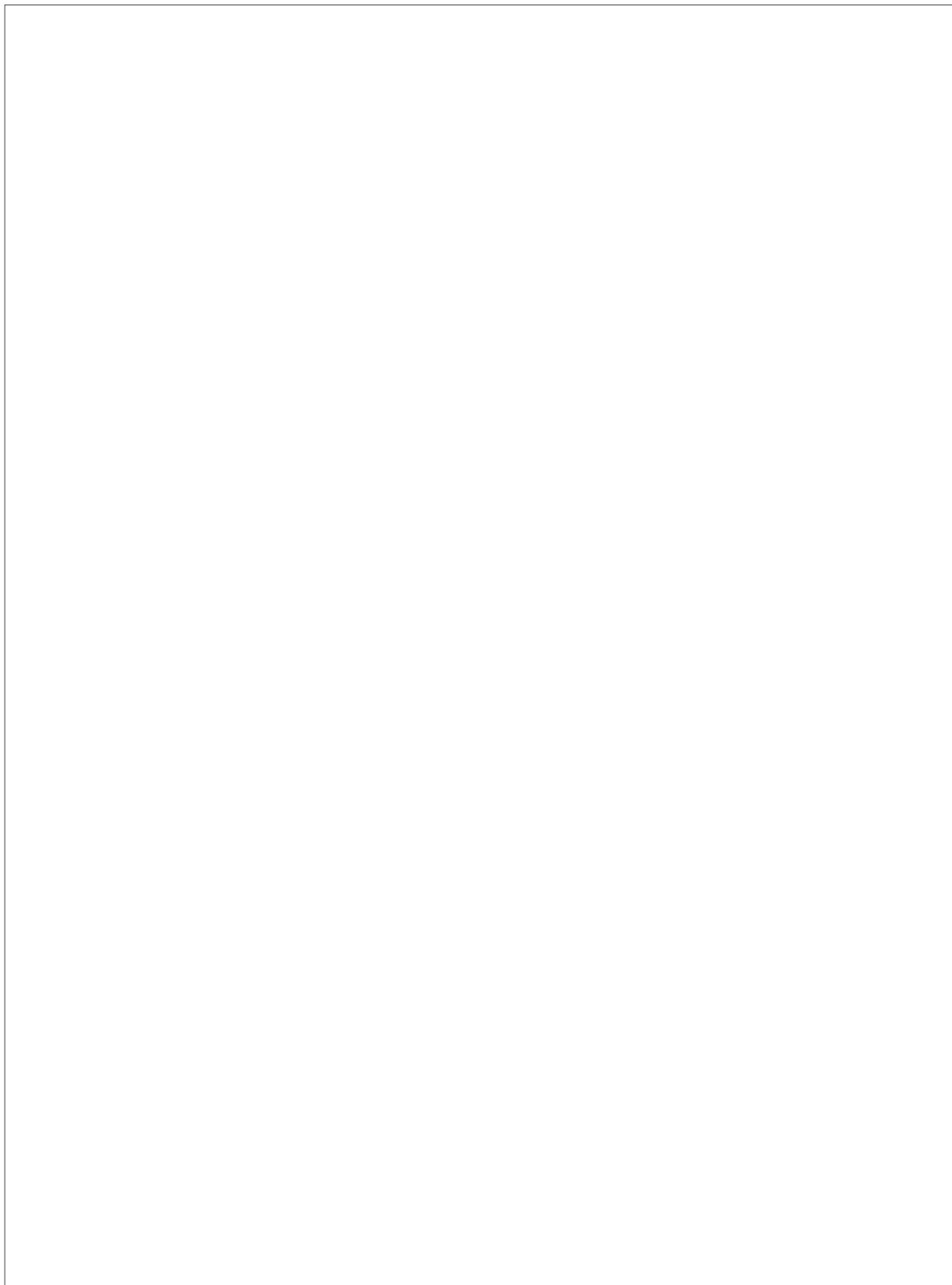
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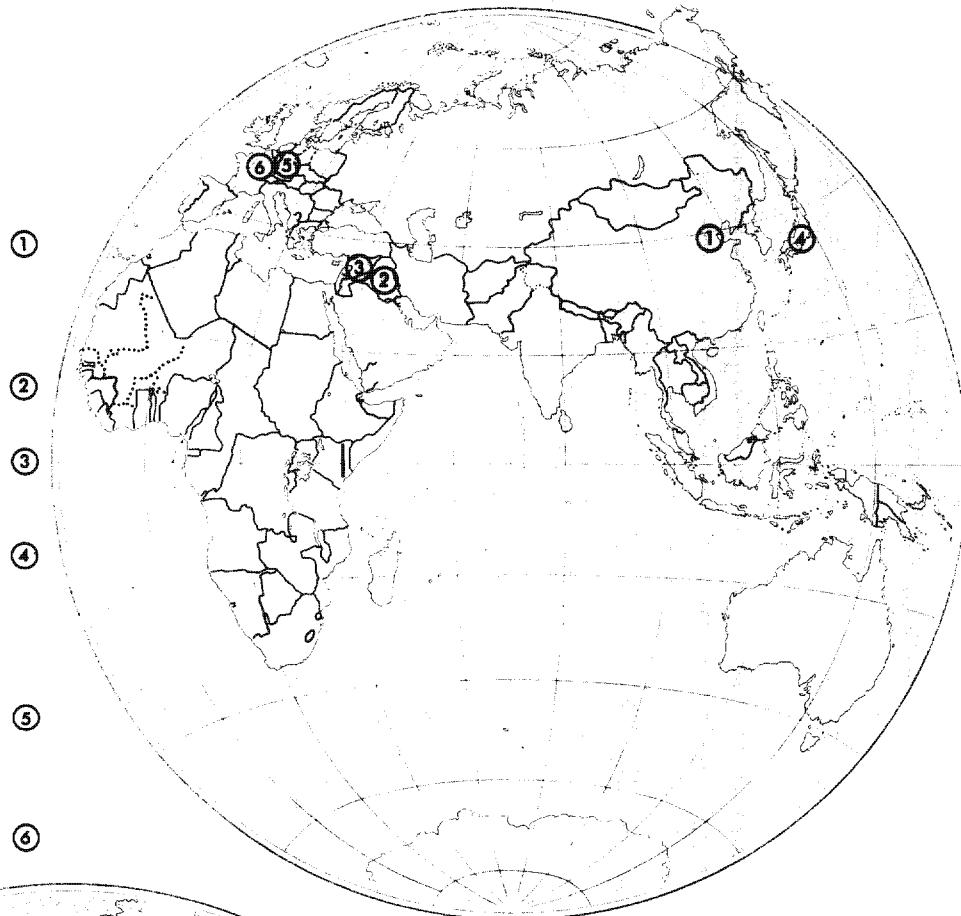
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12 JUNE 1959

I. THE COMMUNIST BLOC

Peking concerned over reaction among Overseas Chinese to food shortages in mainland China.

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II. ASIA-AFRICA

Iraq--Communists organize parade for 12 June as demonstration of power.

UAR uncovers conspiracy in First (Syrian) Army.

[]

South Korea breaks trade relations with Japan over Korean repatriation issue.

III. THE WEST

West Germany--Adenauer and Erhard arrange temporary truce, but CDU party harmony remains strained.

France trying to obtain delay of independent African conference on Algeria; Tubman determined to hold it in Liberia.

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- ⑦ Brazil requests large US loan to stave off economic difficulties.
- ⑧ Additional Cuban troops flown to Isle of Pines; could be destined for Nicaragua.

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CENTRAL INTELLIGENCE BULLETIN

12 June 1959

DAILY BRIEF

SIRAB

I. THE COMMUNIST BLOC

Communist China - Indonesia: Peiping is apparently concerned lest "mounting reaction" among Overseas Chinese in Indonesia to food shortages in mainland China undermine its efforts to dispel the bad impression of the communes created in Southeast Asia.

^{m/o} complaints from Overseas Chinese in Indonesia were shown to Chou En-lai and that the Fukien provincial government "is now working out a method to solve the grain problem." (Page 1)

II. ASIA-AFRICA

^{m/o} Iraq: The Iraqi Communist party will probably attempt to use the Communist-front Iraqi Democratic Youth festival, now under way in Baghdad, for a new demonstration of the Communist "power of the street." The official Communist newspaper has given careful instructions for a huge parade on 12 June which could develop into riots with anti-Communist groups and stimulate such actions as wrecking the presses of the National Democratic party's newspaper. Clashes between Communist and anti-Communist elements have been reported in several parts of Iraq; the most recent reportedly resulted in the arrest of several Communist leaders.

*Meanwhile, the Qasim regime has announced that it will permit the return to their homes of a number of political "exiles."

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UAR: The discovery of a "conspiracy" within the UAR First (Syrian) Army and the confession of at least one officer has been revealed [redacted]

M/D Marshal Amir, UAR commander in chief, is giving the matter his personal attention. Since the formation of the UAR in February 1958, there have been numerous unconfirmed reports of dissidence within the First Army, usually centering around Syrian resentment of Egyptian domination.. [redacted]

OK

Japan-Korea: South Korea has broken trade relations with Japan, and a complete break in diplomatic relations may follow if the reported agreement to repatriate to North Korea those Koreans in Japan who desire to go there is consummated. The formal agreement which has yet to be drafted must be approved by the International Committee for the Red Cross as well as Tokyo and Pyongyang. Popular and official feeling is running high in South Korea, and President Rhee would welcome a strong anti-Japanese campaign as a means of rallying support for his administration. He may resort to additional action, such as seizures of Japanese shipping. [redacted]

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III. THE WEST

West Germany: Despite the temporary truce arranged between Adenauer and Erhard at the 10 June meeting of Christian Democratic Union Bundestag deputies, party harmony remains badly strained and public confidence in Adenauer has fallen. Prior to the meeting these deputies reported a generally adverse reaction in their home constituencies to Adenauer's decision to decline the nomination as president. The CDU faces considerable difficulty in agreeing on a new presidential candidate on 15 June to defeat the popular Social Democratic nominee Carlo Schmid in the 1 July election.

(Page 3)

France: (A further strain on French-US relations may result from the strong effort being made by top French officials) [redacted]

12 June 59

DAILY BRIEF

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(to get the United States to persuade Liberia to prevent, or at least delay, the conference of nine independent African states now scheduled to meet in Monrovia in August to discuss the Algerian problem. Premier Debré's speech on 10 June explicitly tied France's future attitude toward NATO and European unity to support of French policy regarding North Africa. President Tubman emphasized earlier this month that he intends to go ahead with the conference.)

(Page 4)

M Brazil: The government, confronted with falling coffee prices and noncommercial debts of \$450,000,000 due this year, faces the prospect of defaulting on international obligations by midsummer. President Kubitschek has broken off loan negotiations with the International Monetary Fund and made a "final" request to the United States for a loan of \$300,000,000, stating that failure to obtain this would "cost the US and Brazil their long friendship!" The Brazilian press is claiming that the government--which denies it--is preparing to send an economic mission to the Soviet Union.

(Page 5)

*Cuba: As many as 900 Cuban Army troops were flown to the Isle of Pines, south of the main island, between 3 and 7 June,

The troop movement may have been in response to several reports of counterrevolutionary plans involving the forcible release of the approximately 1,000 political prisoners being held on the island. The use of several unmarked planes in the operation, however, suggests the possibility of a Cuban move to reinforce the rebel movement in Nicaragua. Former Costa Rican President José Figueres told

that Cuban Prime Minister Fidel Castro "had just offered complete support of arms, planes, and probably men" to the Nicaraguan rebel movement headed by Enrique Lacayo Farfan, who was inclined to accept. Figueres added that "now all is lost to Communism unless the Somozas step down."

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I. THE COMMUNIST BLOC

Overseas Chinese React to Mainland Food Shortages

The Chinese Communist Embassy in Djakarta has recently [redacted]

[redacted] expressing alarm over reported food shortages in their members' home communities. [redacted]

[redacted] the Kwangtung provincial government told of "mounting reaction" among Chinese to inadequate food allotments in their home district and asked that hardships be alleviated promptly to "ease their minds." The Overseas Chinese Affairs Commission in Peiping, after bringing to the attention of Premier Chou En-lai a message from former residents of a locality in Fukien, directed the provincial government to take steps to ease the grain shortage in the community.

Peiping, which is making a special effort to dispel the bad impression the formation of communes created in Southeast Asia, undoubtedly feels that news of this sort from the mainland will hamper its efforts to extend its influence among Overseas Chinese.

Recent letters from Kwangtung residents to relatives in Hong Kong and elsewhere have told of the acute food shortages, and requests for food parcels have greatly increased. However, since the arrival of large numbers of food packages from abroad creates the impression that food is more plentiful outside China, Peiping has recently indicated a determination to curtail sharply the delivery of food parcels. [redacted]

[redacted]

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II. ASIA-AFRICA

South Korea Breaks Trade Relations With Japan

South Korea has announced a complete severance of trade relations with Japan in retaliation against the tentative unofficial agreement reached by Japanese and North Korean Red Cross representatives in Geneva for the voluntary repatriation of Koreans in Japan to North Korea.

The agreement still has to be put formally into writing and must receive approval from the International Committee for the Red Cross (ICRC) as well as Tokyo and Pyongyang. Final agreement probably would lead Seoul to break all relations with Tokyo and to step up action against Japanese fishing vessels and other shipping.

The accord at Geneva appears to have involved at least some concession by Japan regarding the proposed role of the ICRC. Initially Tokyo had demanded direct ICRC supervision of the repatriation. At the request of the North Koreans, however, the Japanese seem to have agreed to limitations on the role of the ICRC. Japanese concessions probably resulted from strong domestic support for the conclusion of an agreement and the government's belief that action on its part to break off the negotiations would not soften South Korea's conditions for normalizing relations.

Aggravation of already bad relations between Japan and South Korea was probably a major North Korean motive in seeking the repatriation agreement. (Pyongyang probably hopes also that the United States will be embarrassed by difficulties between two of its principal Asian allies.) Pyongyang can be expected to take full propaganda advantage of an agreement with a free-world country as an indication of increased international status. These advantages will partially offset any damage to North Korea's position should it become apparent that relatively few Korean residents of Japan desire repatriation to North Korea.

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III. THE WEST

West German Christian Democratic Unity Remains
Badly Strained

Despite the truce arranged between Chancellor Adenauer and Economics Minister Erhard, the unity of the Christian Democratic Union (CDU) remains badly strained. Many members resent Adenauer's cool treatment of Erhard and the grudging character of his admission that he had intended no "disqualification" of him. Erhard is not likely to remain satisfied without a more clear-cut endorsement from the party, and some observers feel that in the long run his position has been strengthened.

Public confidence in Adenauer has declined markedly. CDU Bundestag delegates have reported a generally adverse reaction in their home constituencies. Local party officials in Bremen, Hamburg, and Baden-Wuerttemberg have issued statements disapproving Adenauer's move, and a prominent official in CDU labor circles has reported that criticism of Adenauer is "rampant." American officials in Bonn reported on 10 June that the situation seemed one of no confidence, but that there was no inclination to express this sentiment in a vote within the party.

The CDU faces considerable difficulty in agreeing on a new candidate to defeat the popular Social Democratic nominee for president, Carlo Schmid. No CDU candidate seems to have general support, and Adenauer still prefers Finance Minister Etzel. Schmid feels that he now has a good chance of winning since the controversy in the CDU could cause some defections during the balloting. The CDU is already three votes short of the necessary majority and must count on support from the German party as well as on a division in the opposition forces between the Free Democratic and Social Democratic candidates. [redacted]

[redacted]

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[Redacted]

French Seek US Help to Prevent African States Meeting on Algeria

(Paris is exerting strong pressure on the United States to get Liberia to prevent, or at least delay, the conference of nine independent African states scheduled to meet in Monrovia in August to discuss the Algerian problem. According to a Foreign Ministry official, the French Government is deeply concerned that the meeting will add to the international stature of the Algerian rebel provisional government. He said Liberia should understand that recognition of the rebel government would lead to immediate rupture of diplomatic relations.)

(Paris now seems quite optimistic that great strides toward a solution of the Algerian problem have been made, and has declared a "diplomatic war" on those countries it views as responsible for building up the status of the Algerian provisional government. Premier Debré, in his summation of Algerian policy before the National Assembly on 10 June, flatly stated that his government's attitude toward NATO and European unity depended on the support France received for its policy in the Mediterranean. French officials have hinted they believe Liberia is an American "satellite" and would almost certainly hold the United States responsible should the meeting be held on schedule.)

(President Tubman intends to act as a moderating force at the Monrovia conference. Top Liberian officials desire good relations with France--now at an ebb because of boundary problems--but they are unsympathetic to Paris' position on Algeria and increasingly inclined to go along with the views of other African states. [Redacted])

[Redacted]

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~~CONFIDENTIAL~~Brazil Facing Financial Crisis

(The Brazilian Government, confronted with falling coffee prices and scheduled repayments of \$350,000,000 due this year on past loans, faces the prospect of defaulting on its international obligations by midsummer. President Kubitschek has broken off loan negotiations with the International Monetary Fund and made a "final" request to the United States for an emergency balance-of-payments loan of \$300,000,000, stating that failure to obtain this would "cost the US and Brazil their long friendship." Kubitschek may be willing to consider a re-funding program instead of a loan, but he is almost certain to demand assurances that this will not prejudice further loan talks next year.)

(Kubitschek's break with the IMF on 9 June involved a disagreement over the need for a "complete" exchange reform. Commenting on Argentina's willingness to adopt a similar reform last January, Kubitschek said that the Brazilian Government, without military backing for a state of siege, could not withstand the severe strikes and rioting that have accompanied the Argentine program. Kubitschek was particularly adamant in rejecting IMF pressure for an end to import subsidies for petroleum and wheat, Brazil's two most costly imports. Price rises resulting from earlier modifications in these subsidies caused serious riots last fall.)

(Brazil will face serious balance-of-payments difficulties for the next several years as a result of falling coffee prices, payments due on past loans, and the government's insistence on pressing its six-billion-dollar industrial development program in which American private investors already have a \$1.3 billion stake. Kubitschek has staked his reputation as president on his ability to complete this program before he leaves office in 1961.)

(Seeking new markets for its surplus coffee and new sources of industrial machinery, Brazil last year signed several important barter agreements with the Soviet bloc and is about to open negotiations with Czechoslovakia for a new long-term trade agreement.)

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Executive Offices of the White House

Special Assistant for National Security Affairs

Scientific Adviser to the President

Director of the Budget

Office of Defense and Civilian Mobilization

Special Assistant for Security Operations Coordination

Board of Consultants on Foreign Intelligence Activities

Special Assistant for Foreign Economic Policy

Executive Secretary, National Security Council

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

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The Deputy Secretary of Defense

Assistant Secretary of Defense for International Security Affairs

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The Secretary of the Navy

The Secretary of the Air Force

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Commandant, United States Marine Corps

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Chief of Staff, United States Army

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

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Director for Intelligence, The Joint Staff

Assistant Chief of Staff for Intelligence, Department of the Army

Director of Naval Intelligence, Department of the Navy

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

Supreme Allied Commander, Europe

Commander in Chief, Pacific

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The Director

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