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6 July 1959

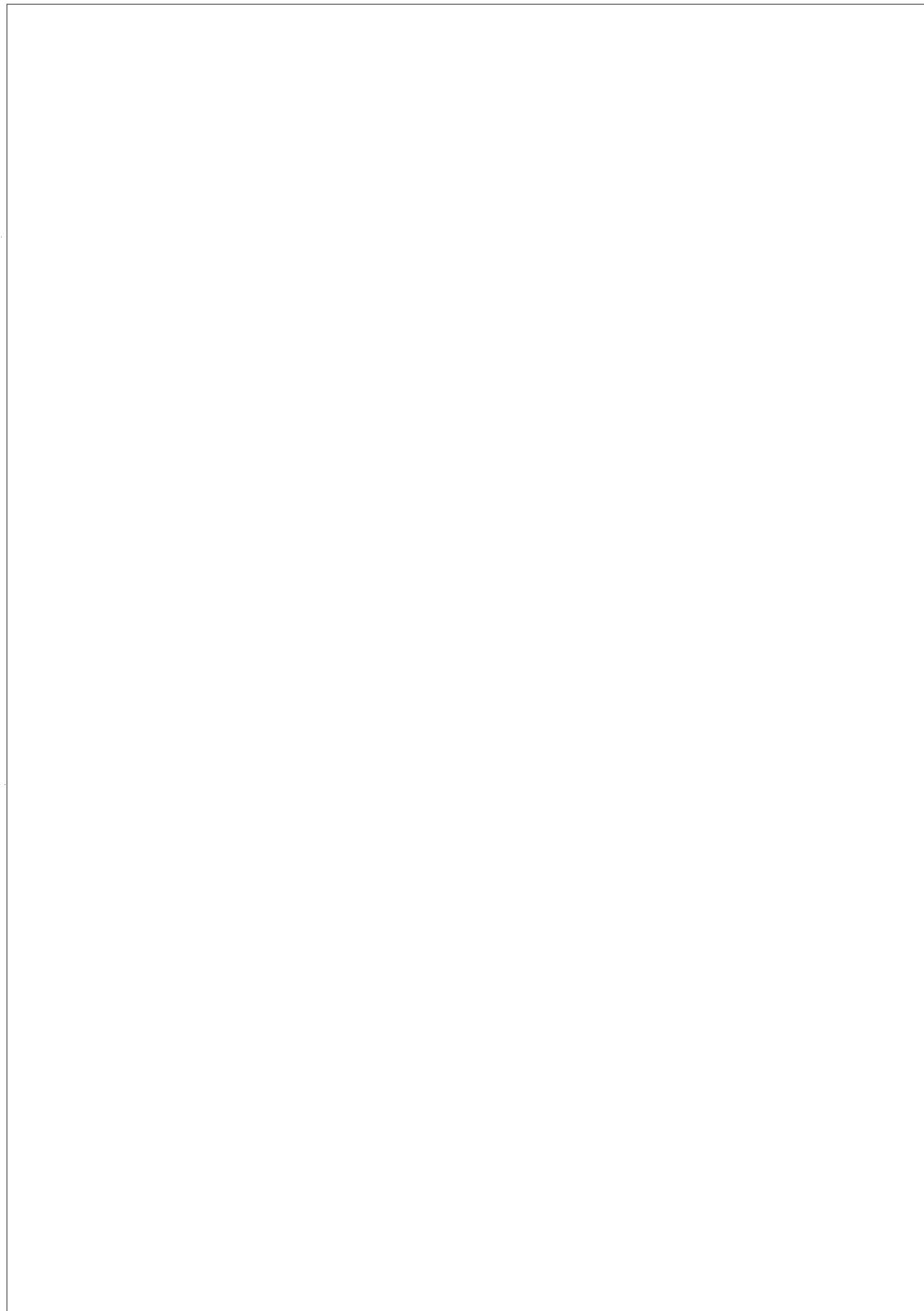
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# CENTRAL INTELLIGENCE BULLETIN



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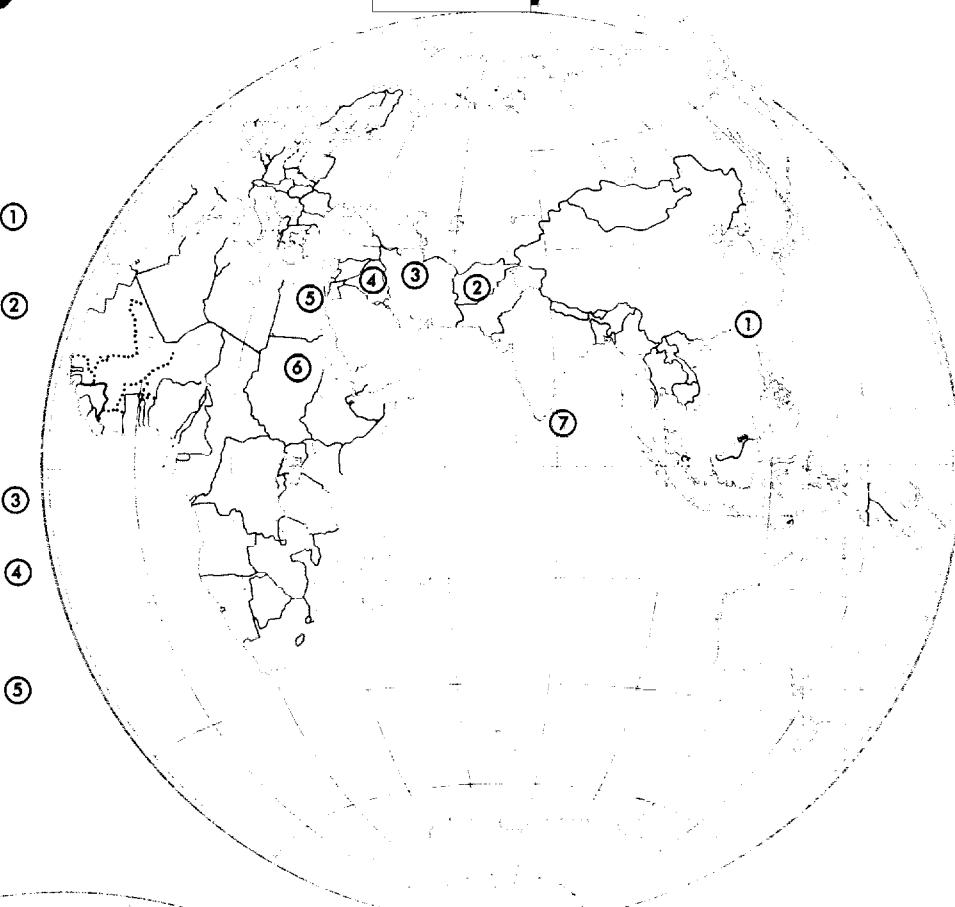
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6 JULY 1959

**I. THE COMMUNIST BLOC**

Chinese Nationalists claim five Communist MIGs destroyed in air engagement near Matsu.

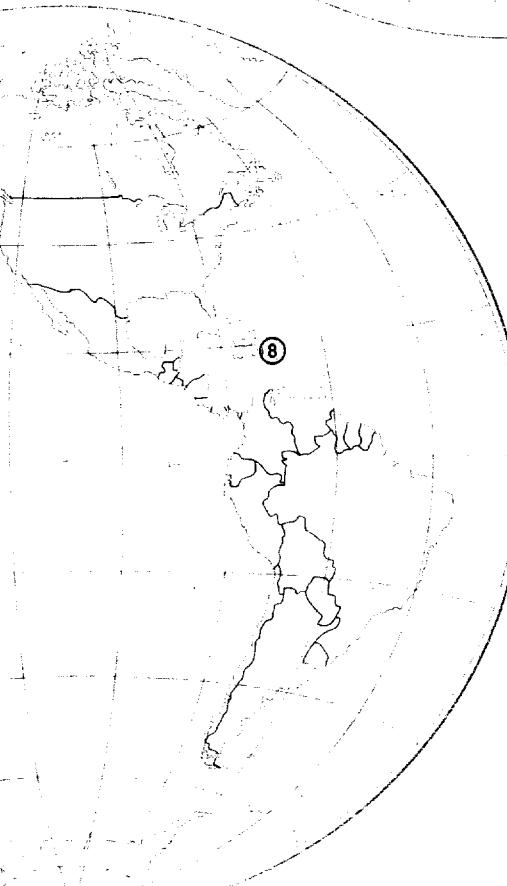
Khrushchev cuts in half the price of bloc arms for Afghanistan.

**II. ASIA-AFRICA**

Iran--Conservative neutralist elements may be promoting move to appease Moscow in effort to end Soviet hostility.

Cairo considers resuming aid to Iraqi nationalists.

UAR agrees to restoration of diplomatic relations with Tunisia.



⑥ Sudan--Current trials of dissident military leaders adding to disaffection and instability of officer corps.

⑦ Ceylon--Domestic criticism and continued labor discord weakening Bandaranaike government; leftist labor leaders threaten new strikes.

**III. THE WEST**

⑧ Caribbean--OAS facing critical test in dealing with Dominican charges of foreign intervention.

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## CENTRAL INTELLIGENCE BULLETIN

6 July 1959

## DAILY BRIEF

*SIRAB*

## I. THE COMMUNIST BLOC

*No*

Taiwan Strait situation: [The air battle southwest of Matsu on 5 July, in which the Chinese Nationalists claim to have shot down four Chinese Communist jet fighters, involved four Nationalist F-86s (of an eight-plane patrol) and 12 MIGs. A fifth Communist jet fighter crashed near Matsu during the engagement. Sidewinder missiles were not used by the Nationalist planes. Communist radar indicates the deepest penetration of the mainland during the engagement was about 35 miles.]

[Evidence indicates that the Nationalist pilots, given advance warning by their own ground controllers that enemy aircraft were in the vicinity, took the initiative in the engagement.]

[the Communists were aware of a planned reconnaissance flight by a Nationalist RB-57 over the mainland which was scheduled to begin just prior to the engagement. The MIGs may have been patrolling in an effort to intercept the RB-57 when the clash occurred. The RB-57 returned to its base after take-off and did not complete its flight.]

[Peiping has thus far not commented on the action. If the Chinese Communists choose to retaliate, they could do so in a number of ways, including heavy shelling of the Nationalist offshore islands.]

(Page 1) (Map)

USSR-Afghanistan:

*No*

[the Soviet Government had decided to "cut in half the price of all arms which had been sold to Afghanistan;"]

[Afghanistan is also to be permitted]

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to set the time for repayment. The Soviet decision is in conformity with the pattern of its arms deals with the UAR and Yemen and provides further evidence of Moscow's current campaign to increase its influence in Kabul.

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## II. ASIA-AFRICA

*OK*

Iran-USSR: [Conservative, neutralist elements in Iran may be promoting a move to appease the USSR in an effort to end Moscow's cold war against Iran. Former Prime Minister and elder statesman Seyed Zia Tabatabai, who apparently was influential in promoting the abortive Soviet-Iranian non-aggression treaty negotiations early this year, is reported to be urging such an effort. Top Iranian leaders show no signs of weakening, but if Moscow's propaganda is not abated, the Shah may agree to seek measures that would bring the campaign to an end.]

(Page 4)

*No*

UAR-Iraq: [Despite official Egyptian assertions that Cairo is now merely observing the power struggle in Iraq without attempting to interfere, the UAR is again actively discussing the provision of arms and funds to Iraqi nationalist elements. These elements probably have been strengthened somewhat by Qasim's recent gestures of clemency toward former antiregime groups. Cairo is also attempting through intermediaries to provide funds to the wives of imprisoned pro-UAR Iraqi military leaders.]

(Page 5)

*No*

UAR-Tunisia: The UAR has agreed to an immediate restoration of diplomatic relations with Tunisia, UAR and Tunisian officials have been meeting secretly in Libya recently to discuss a resumption of ties, which were disrupted last October. Although the restoration of diplomatic ties would create a facade of Arab unity in North Africa, relations between Nasir and Bourguiba are likely to remain cool.

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Sudan: The current conspiracy trials of dissident Sudanese military leaders Shannan and Abdullah have resulted in further disaffection and instability in the Sudanese officer corps.

HO

[redacted] a group of officers in the eastern command was plotting a coup to save the imprisoned officers. He unsuccessfully sought UAR military assistance. The UAR Embassy also reported word of disaffection among officers in the southern command, whose commander was said to be pressing Premier Abboud to halt the trials because the testimony has been injurious to the army and state.

OK

Ceylon: Prime Minister Bandaranaike's government has been further weakened by unfavorable domestic reaction to the ineffectual speech from the throne at the opening of Parliament on 30 June and by continuing leftist strike activity. The most powerful labor group in Colombo port remains on strike, and leftist leaders threaten to call out other unions on 6 July. [While various conservative groups continue to consider possible coup action, apparently none plans to act in the immediate future.]

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### III. THE WEST

Caribbean area: [The OAS, in considering in its 6 July meeting the Dominican request for action against Cuban and Venezuelan efforts to oust the Trujillo regime, is facing its most critical test to date. Prime Minister Castro has already warned that he will permit no OAS intervention in Cuba, and Venezuela has threatened to withdraw from the OAS if that body votes to investigate the charges of the Trujillo regime, which has become the symbol of dictatorship in the hemisphere.]

NO

RETURN

Ciudad Trujillo expects an imminent attack on Haiti by Cuban-based rebels. The Dominican foreign minister the same day warned the Mexican ambassador that his government would consider such an attack as an invasion of its own territory. Meanwhile, anti-Castro Cuban exiles scattered throughout the area--

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DAILY BRIEF

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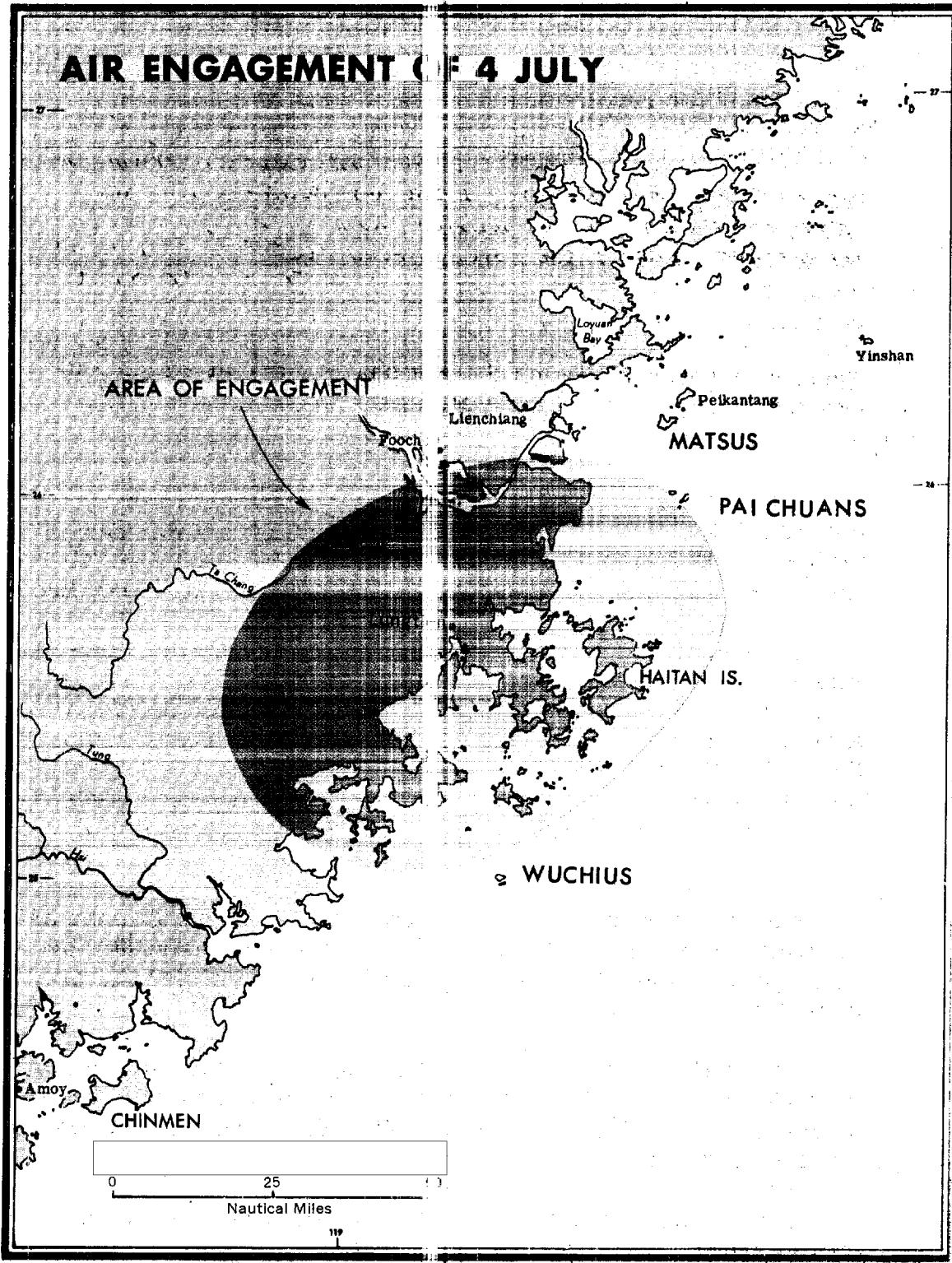
in the Dominican Republic, Mexico, and Florida--claim to be nearly ready for revolutionary action. Most of these exiles are receiving Dominican support

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## I. THE COMMUNIST BLOC

### Taiwan Strait Situation

REFORM

[Eight Chinese Nationalist F-86 aircraft on a routine patrol on 5 July near the China mainland southwest of Matsu Island were warned by Nationalist radar of enemy aircraft in the vicinity. Four of the Nationalist aircraft then turned and engaged 12 Communist MIG jet fighters. In the subsequent engagement four MIGs were shot down and another crashed in shallow water just off the Nationalist-held Paichuan Islands. The latter aircraft, which the Nationalists are attempting to salvage, apparently hit the water while attempting to pursue a Nationalist F-86.]

[The combat area apparently covered the Hsitan Island and adjacent China mainland areas south of Foochow. The farthest penetration of the mainland by a Nationalist aircraft was 35 nautical miles, according to Communist radar plotting.]

[An unconfirmed Nationalist report that the Communists strafed one of the Paichuan Islands during the engagement is believed to be incorrect. This report and another alleging that a MIG was downed by antiaircraft fire probably result from the incident described above in which the MIG crashed near the Paichuans. Sidewinder air-to-air guided missiles were not carried by the Nationalist patrol and were not used in the engagement.]

[On several recent occasions when encountering Communist aircraft, patrolling Nationalist pilots have been instructed by their ground controller to turn away from the mainland in order to avoid combat.]

[Nationalist pilots claim that the MIGs involved in the engagement had an unusual tail configuration and may have been American officials in the field, however, believe they were MIG-17s.]

[The Communist aircraft may have been active in the area in preparation for an attempt to intercept a Nationalist reconnaissance mission of which they were aware]

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[redacted] This flight, which was not completed, had been scheduled to penetrate the mainland in the vicinity of Haitan Island at approximately the same time the air battle took place.)

[redacted] Since the engagement the Nationalists have increased air patrols, placed all alert aircraft in combat-ready status, and alerted antiaircraft units.]

[redacted] Peiping has not yet commented on the action. It has issued a 54th "serious warning" charging US naval intrusions in the Matsu area on 4 and 5 July, but the warning did not mention the air engagement. The Chinese Communists have taken no unusual military action except to move an unknown number of fighter aircraft into the Lungtien area--near the battle scene--immediately after the engagement. If they choose to retaliate, they could do so in a number of ways, including shelling the Nationalist offshore islands heavily.]

[redacted]

[redacted]

[redacted]

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USSR Modifies Payment Terms of Afghan Arms Deals

[redacted] the Soviet Government had decided to "cut in half the price of all arms which had been sold to Afghanistan," [redacted] Afghan-istan also is to set the time for repayment. This arrangement will permit Afghanistan to make merely token payments for the bloc arms purchased to modernize its military forces.

[redacted] Afghanistan, which concluded its latest contract for Soviet military equipment in May, has received in the past three years jet bombers and fighters, tanks and armored vehicles, artillery, small arms, ammunition, and trucks estimated to be worth about \$75,000,000. The equipment, delivered under two arms agreements, required an outlay by Afghanistan of only \$32,400,-000--one for \$25,000,000 to the USSR and \$7,400,000 to Czechoslovakia. Khrushchev's new decision indicates that this equipment will cost the Afghans only \$16,200,000.)

[redacted] The Soviet offer to reduce arms payments conforms to the pattern of its military aid program in the underdeveloped areas. To allay suspicion of its motives but still make its deals attractive, the USSR initially agrees to provide arms from its stockpiles at prices only slightly below those prevailing in the West. Subsequently, Moscow provides discounts on specific items. In the UAR--and now Afghanistan--the USSR has reduced the total debt by 50 to 65 percent.]

[redacted] The Soviet offer to Afghanistan presumably has been made at this time to ensure the primacy of its position there. The proposal follows closely the extension to Afghanistan of the first major Soviet grant aid. This gift, estimated by the USSR to be worth \$80,000,000, is for the construction of a road from the Soviet-Afghan border to southeast Afghanistan.]

~~TOP SECRET~~ [redacted]

## II. ASIA-AFRICA

Iranian Elder Statesman Urges Appeasement of USSR

[Seyed Zia Tabatabai, 73-year-old former prime minister who is traditionally neutralist, has been trying to promote a move to appease the USSR in order to end the five-month-old Soviet propaganda campaign against Iran.]

[the elder statesman has become greatly concerned over the Soviet threat and is convinced that Iran has only "a couple of months" before the Russians will incite a Baghdad-type revolution in Iran.]

[Tabatabai proposes that the Shah immediately send a good-will mission to Moscow as a gesture to permit Soviet leaders to save face. He feels Moscow would overlook Iran's participation in the Baghdad Pact and in the bilateral agreement with the United States, providing Tehran agrees to sign a nonaggression pact.]

[To further pacify the USSR, Tabatabai believes a scapegoat must be found to take the blame for the unfortunate situation facing Iran. He proposes, therefore, that the Eqbal government be dismissed on a vote of no confidence and that a new government be formed to take its place. While Tabatabai could be seeking the premiership for himself, as rumored in 1954, this does not appear to be his primary motive. He apparently is sincere in his fear for the future of Iran and is said to be urging many influential persons to put pressure on the Shah.]

[Tabatabai is regarded by the American Embassy in Tehran as one of a small, highly respected group who can best be called the "old-fashioned elder statesmen" of Iran. These men view the country in its historical perspective and believe its independence can best be maintained by remaining inconspicuously balanced between more powerful countries. They want Iran protected by the shield of Western military power without going so far as to annoy Soviet might, and would accept limited economic aid from both sides.]

[Neither the Shah nor Eqbal has yet shown any sign of weakening in the face of threatening propaganda. Nevertheless, with foreign propaganda demanding their death--as in the East German Persian-language broadcast of 30 June--and with pressure mounting to end the impasse with the USSR, the Shah, who often feels isolated and is easily depressed, may agree to investigate moves to end the Soviet "cold war" against Iran.]

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Cairo to Resume Support of Pro-UAR Nationalists in Iraq

[redacted] the UAR has resumed active clandestine support of Iraqi Baathists, thus apparently taking advantage of Premier Qasim's recent gestures of clemency toward Iraqi nationalists who had opposed him. The Baathists were the principal element of pro-UAR influence in post-revolution Iraq until purged by Qasim last winter following their involvement in UAR-backed intrigues against the regime.

[redacted] a high-ranking Iraqi Baath representative would probably arrive in Damascus during the first week of July "to reach [redacted] agreement on important matters." [redacted] it would be necessary to provide the Baathists with money and weapons. [redacted] Cairo directed that the "recording set" in the UAR press office in Baghdad be turned over to the Baathists, a move which would strengthen their propaganda capabilities. Cairo's bid to retain the good will of Iraqi Baathists may be impaired, however, by its concurrent effort to curb the Syrian Baath party in the forthcoming UAR National Union elections.

Cairo is also attempting to establish secret contact with the wives of imprisoned pro-UAR Iraqi military leaders and to provide them with funds. [redacted]

The UAR probably anticipates that Qasim will be compelled to seek support from the Baathists and similarly oriented nationalists if he is to take an effective stand against the Communists. [Cairo's new clandestine efforts to support the Iraqi Baathists contrast with overt assertions by Egyptian officials that the UAR is merely an observer of the power struggle in Iraq.] [redacted]

UAR authorities unquestionably approved the opening of a "free Iraq" bureau in Cairo on 1 July, announced at a press conference by Faiq Samarrai, former Iraqi ambassador to Cairo who defected to the UAR. The office, according to press reports, will seek to "raise the voice of free Iraq abroad and conduct a liberation movement in Iraq itself." [redacted]

[redacted] ~~TOP SECRET~~

### Situation in Ceylon

Prime Minister Bandaranaike's government has been further weakened as a result of parliamentary developments and continuing leftist-led strike activity. Reaction in Ceylon to the government's throne speech opening Parliament on 30 June has been unusually critical. The lack of constructive new proposals to alleviate the country's worsening economic and political problems--in effect an admission by the government that it can remain in office only by avoiding controversial issues--has further damaged Bandaranaike's prestige.

Despite its bare majority, however, the government probably will survive a parliamentary vote following debate on the speech on 8 or 9 July, as some members of the opposition apparently are reluctant to force national elections at this time.

Leftist political and labor leaders continue their effort to discredit the government and increase their support through recurrent strike activity. While five small Colombo port unions have accepted Bandaranaike's concessions and returned to work, the most powerful group--led by the Trotskyite Lanka Sama Samaj party (LSSP)--has decided to remain on strike despite a government ultimatum. LSSP leaders also threaten to call out workers in commercial firms on 6 July and may attempt to stage a general strike.

Army troops ordered into the port on 25 June are still trying to handle some cargo, raising the possibility of clashes with those workers who have returned. Mobilization of "volunteer" groups by the government to act as strike breakers may lead to additional violence.

[Deteriorating political and economic conditions are encouraging various conservative groups to consider "direct action" to replace the present parliamentary government with authoritarian rule. While the Governor General's order of 26 June mobilizing the armed-forces reserves increases opportunities for such action, there is no indication that any group plans a move in the immediate future.]

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