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# CENTRAL INTELLIGENCE BULLETIN

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2 OCTOBER 1958

**I. THE COMMUNIST BLOC**

Taiwan Strait - Peiping tells Indians it will settle for nothing less than evacuation of offshore islands.

Soviet Pacific Fleet preparing for extensive annual maneuvers in Sea of Okhotsk.

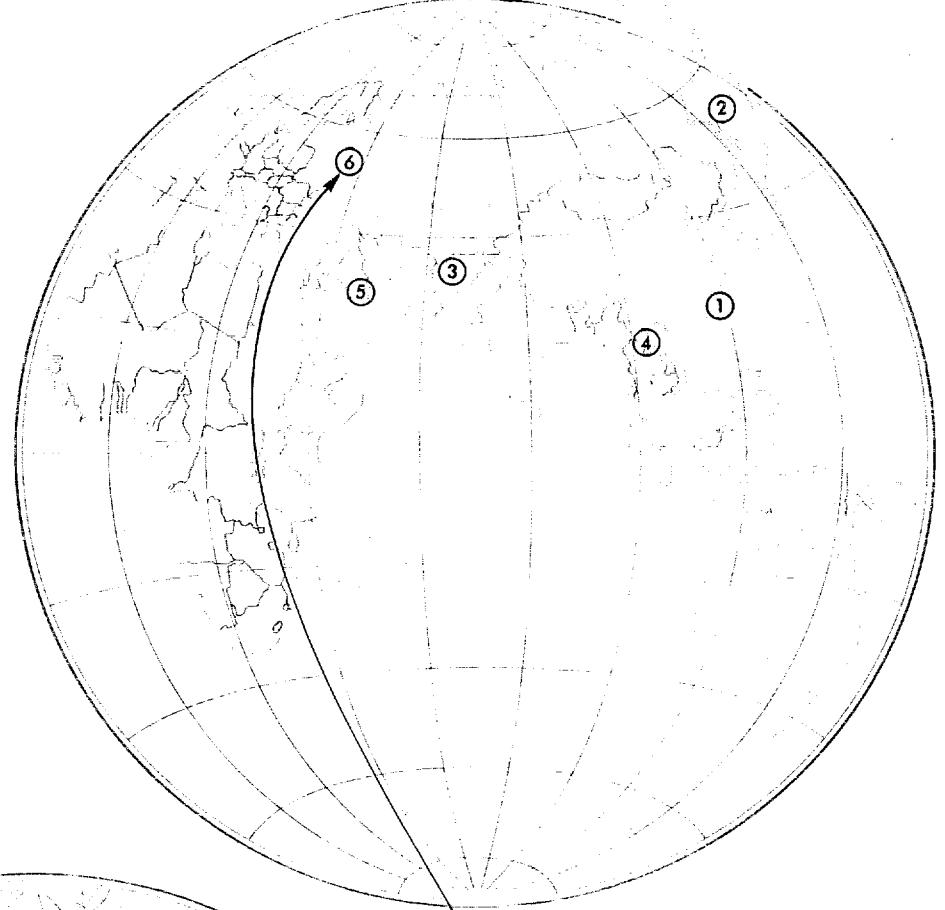
Soviet delegation under Voroshilov begins good-will visit in Afghanistan.

**II. ASIA-AFRICA**

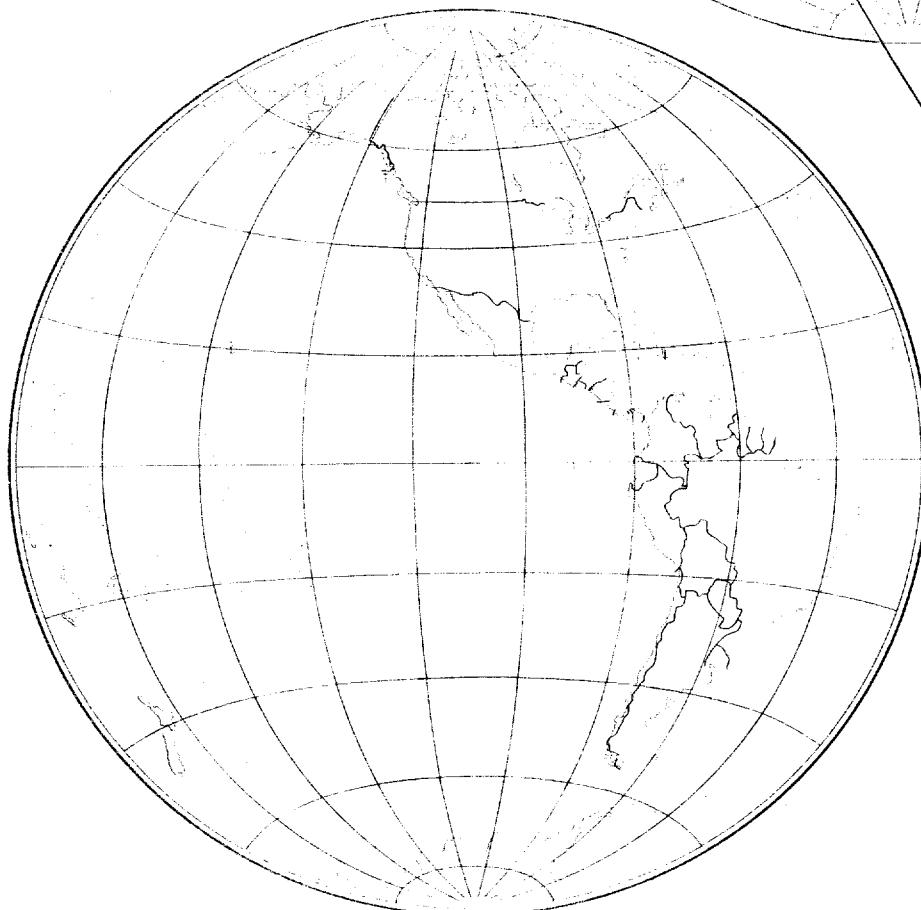
Laotian cabinet approves monetary reform program, but opposition to devaluation remains strong and implementation may be difficult.

Kuwait - Influence of Egyptian school-teachers is increasing.

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- (2)
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- (5)
- (6)

**LATE ITEM**

- (6) Soviet notes to US and Britain propose that Geneva talks on nuclear test cessation be held at foreign minister level.

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# CENTRAL INTELLIGENCE BULLETIN

2 October 1958

## DAILY BRIEF

### I. THE COMMUNIST BLOC

Taiwan Strait situation: Peiping has informed the Indian ambassador that Communist China can accept nothing less than evacuation of the offshore islands as a settlement of the immediate Taiwan Strait crisis, but that Taiwan itself could be the subject of separate, subsequent negotiation.

There was no significant military activity in the Taiwan Strait area on 1 October, but a Nationalist commercial plane en route from the Matsus to Taipei with four Americans aboard has been reported missing.

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Watch Committee conclusion--Taiwan Strait: All indications point to continued and possibly increased Chinese Communist efforts to interdict supplies to the Chinmen (Quemoy) island group.

Chinese Communist capabilities to launch major attacks against the offshore islands with little or no warning and air attacks on Taiwan and on the Penghus (Pescadores) remain unchanged. The amphibious lift necessary for an invasion of Chinmen, Liéh Hsu (Little Quemoy), and Matsu has still not been observed.

The possibility remains that the Chinese Nationalists, fearing a change in US views regarding the offshore islands, may take independent action calculated to involve the US. Air clashes, which could involve US forces, are likely to continue and may increase.

Available evidence fails to reveal that the Soviet Union has taken measures to implement its commitments to the defense of Communist China. There has been noted for the first time in Soviet propaganda what may be indications of a Soviet willingness to furnish pilot "volunteers."

*SO*  
Soviet naval activity: The Soviet Pacific Fleet appears to be preparing for what is regarded as an annual large-scale surface-submarine exercise in the area of the North Kuril Islands and the Sea of Okhotsk. Naval units from major bases in the North Pacific are departing their normal port areas and there are also indications that units from Vladivostok may be preparing to participate.

*gD*  
USSR-Afghanistan: A Soviet delegation headed by President Voroshilov and including N. A. Mukhittdinov, a top party leader and spokesman on Soviet-Moslem affairs, and Deputy Foreign Minister N. P. Firyubin arrived in Kabul on 1 October for a six-day good-will visit to repay that made by Afghan King Zahir Shah to the USSR in July 1957. Moscow, possibly concerned about recent Afghan interest in Western overtures and signs of Afghan rapprochement with Western-oriented Pakistan and Iran, may be seeking a reaffirmation of Afghan "neutrality." Signature of a new agreement on Soviet assistance to Afghan civil aviation may be announced during this visit.

## II. ASIA-AFRICA

*DK*  
Laos: The Laotian Council of Ministers on 30 September approved the controversial monetary reform negotiated with the United States. Sentiment against devaluation remains high and the government plans to keep the new dollar exchange rate a secret until 13 October--two days after the assembly closes. Leaks are almost certain, however, and resentment at this tactic might alienate enough conservative deputies to bring down the government by a rejection of the budget prior to adjournment.

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Watch Committee conclusion--Middle East: Although a deliberate initiation of open hostilities in the Middle East is unlikely in the immediate future, the situation remains unstable throughout the area, particularly where US and UK interests or commitments are involved, and incidents and coups could occur at any time.

In Lebanon, political and religious strife continues to endanger the stability of the country, and incidents could occur involving US forces.

The survival of the Jordanian regime continues to be threatened. If the regime in Jordan collapses, action by Israel and other neighboring countries to take control of Jordanian territory is likely.

In Iraq, Premier Qasim has strengthened his position by removing Deputy Premier Arif from all cabinet positions and naming him as ambassador to West Germany. However, internal conditions continue to invite action by the Communists and pro-Nasir elements to further their respective objectives.

Kuwait: The influence of Egyptian schoolteachers in Kuwait, largest oil producer in the Middle East, has increased significantly since the revolution in Iraq. The Egyptians have demonstrated their power by pushing through the local teachers' association a resolution to add political indoctrination to the school curriculum. [Page 4)

#### LATE ITEM

\*USSR: The Soviet notes of 1 October to the United States and Britain proposing that the forthcoming Geneva talks on a nuclear test cessation agreement be held on the foreign minister level are intended to demonstrate the importance Moscow

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attaches to the success of this conference. While the notes avoid any threat of a boycott if this proposal is not accepted, the Soviet leaders probably anticipate that a rejection would have the effect of strengthening their charges that the United States and Britain are seeking to impede an agreement and would provide further justification for the USSR's resumption of tests on 30 September. The notes repeat Khrushchev's previous insistence that the purpose of the talks is to conclude an agreement on the "permanent" cessation of tests, suggesting that the Soviet delegation will seek to make this the key issue in the negotiations.

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TAIWAN STRAIT TALLY SHEETAir Situation -

(Losses claimed through 29 Sept)

	<u>Destroyed</u>	<u>Probably Destroyed</u>
Communist planes	28	4
Nationalist planes	4	-

Chinmen Supply Situation -

(Tonnage through 28 Sept)

	<u>Sea</u>	<u>Air</u>	<u>Total</u>
Delivery - 28 Sept	201	69.6	270.6
Totals (since 7 Sept)	2,216.5	535.5	2,752.0
Average Daily Rate			125
Minimum Austere Daily Requirement			309
Cumulative Deficiency Since 7 Sept			4,046

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## I. THE COMMUNIST BLOC

### Taiwan Strait Situation

India's ambassador to Peiping has been informed, either by the Chinese Communist foreign minister or by Premier Chou En-lai, that Peiping can accept nothing less than evacuation of the offshore islands as a condition for settlement of the immediate crisis in the Taiwan Strait,

The Chinese Communist then stated that Communist China would be willing to consider Taiwan as a "separate issue" subject to negotiation after settlement of the offshore island situation, or after an interval of perhaps five years.

The Indian ambassador was "reminded" that this was the second time Peiping had felt it necessary to warn the Indians of the imminence of war--a reference to the Chinese statement to the Indian Embassy in Peiping in 1950 that Communist China would go to the assistance of North Korea if UN forces crossed the 38th parallel. While the tone and circumstances of the present warning preclude discounting its gravity, there is a possibility that the threatening reference to the 1950 warning is designed to increase apprehension on the part of India and other countries, a standard technique in Peiping's current campaign to arouse international opposition to US policies.

Chinese Communist Defense Minister Peng Te-huai in his 1 October National Day speech continued Peiping's current practice of distinguishing between the "direct menace" from the offshore islands and Communist China's right to "liberate" Taiwan "at a suitable time." He asserted that the People's Liberation Army is prepared to "punish the Chiang Kai-shek troops" and repulse "the enemy who dares to invade" the mainland. On the same day Communist China's Foreign Ministry issued its "19th serious warning" against the "intrusion" of US naval and air forces.

Soviet Aviation contained another item on 28 September devoted to the comradeship-in-arms of Soviet and Chinese Communist pilots, asserting, "like brothers we will fight the hated enemy together if they dare attack us." An item in Red Star of the same day was in a similar vein. Pravda again

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warned that the Soviet Union is ready to go to the assistance of Communist China. The editorial repeated previous warnings that Russia regarded an attack on Communist China as an attack on the Soviet Union, and added that the Soviet people "are prepared at any moment to go to the assistance of the fraternal people." [redacted])

A Chinese Nationalist commercial PBY transport en route from Matsu to Taipei with four Americans aboard has been reported missing. There is no indication that the plane was shot down by Communist aircraft. [redacted]

Communist artillery rang in Peiping's National Day by firing more than 30,000 rounds at the Chinmens during a six-hour period in the early morning of 1 October. There is evidence [redacted] that possibly as many as three additional gun boats have moved into the Amoy area from the south. [redacted]

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## Laotian Cabinet Approves Controversial Monetary Reform

The Laotian Council of Ministers on 30 September approved the monetary reform negotiated with the United States. This reform attacks one cause of official corruption in Laos by eliminating the disparity between the unrealistic official dollar exchange rate of 35 to one and the free market rate of about 100 to one.

While Prime Minister Phoui Sananikone has overcome opposition to reform within the cabinet, sentiment against devaluation is still strong within his parliamentary backing, the Rally of the Lao People (RLP). Ambitious leaders within the RLP, led by ex-Premier Souvanna Phouma, are exploring the prospects for toppling Phoui on this issue.

In view of his slim parliamentary majority--he was invested by a 29-21 vote--and vulnerability to RLP defections, Phoui plans to keep the new 80-to-one exchange rate secret until 13 October--two days after the assembly closes. This gamble entails serious risk since leaks are almost certain, and resentment at this tactic might alienate enough RLP deputies to cause them to overthrow the government on the budget issue. [redacted]

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### Egyptian Influence Increasing in Kuwait

The influence of Egyptian schoolteachers in Kuwait, largest oil producer in the Middle East, has increased significantly as a result of the 14 July revolution in Iraq. The Egyptians have demonstrated their power by pushing through the local teachers' association a resolution to incorporate political instruction into the school curriculum during the coming year.

Because of Egyptian influence, the Education Department will probably accept the teachers' resolution. Successful Egyptian sponsorship of the resolution contrasts with the strong opposition encountered by a similar resolution last year.

The significance of the Egyptian position in Kuwaiti education is underlined, in the view of the American Consulate in Kuwait, by the role students have played in recent demonstrations and by the fact that most of the recent graduates of the Secondary School are taking part in the Kuwaiti reformist-nationalist movement. This movement seeks social and political reforms and closer association with Egypt within a broad framework of other Arab states. In recent months the reformists have increasingly directed their attacks at the Kuwait Oil Company, jointly owned by British and American interests.

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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

Special Adviser to the President

**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

The Secretary of the Army

The Secretary of the Navy

The Secretary of the Air Force

The Chairman, The Joint Chiefs of Staff

Commandant, United States Marine Corps

The Director, The Joint Staff

Chief of Staff, United States Army

Chief of Naval Operations, United States Navy

Chief of Staff, United States Air Force

Assistant to Secretary of Defense for Special Operations

Deputy 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

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The Chairman

**National Security Agency**

The Director

**National Indications Center**

The Director

**United States Information Agency**

The Director

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