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31 October 1958

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# CENTRAL INTELLIGENCE BULLETIN



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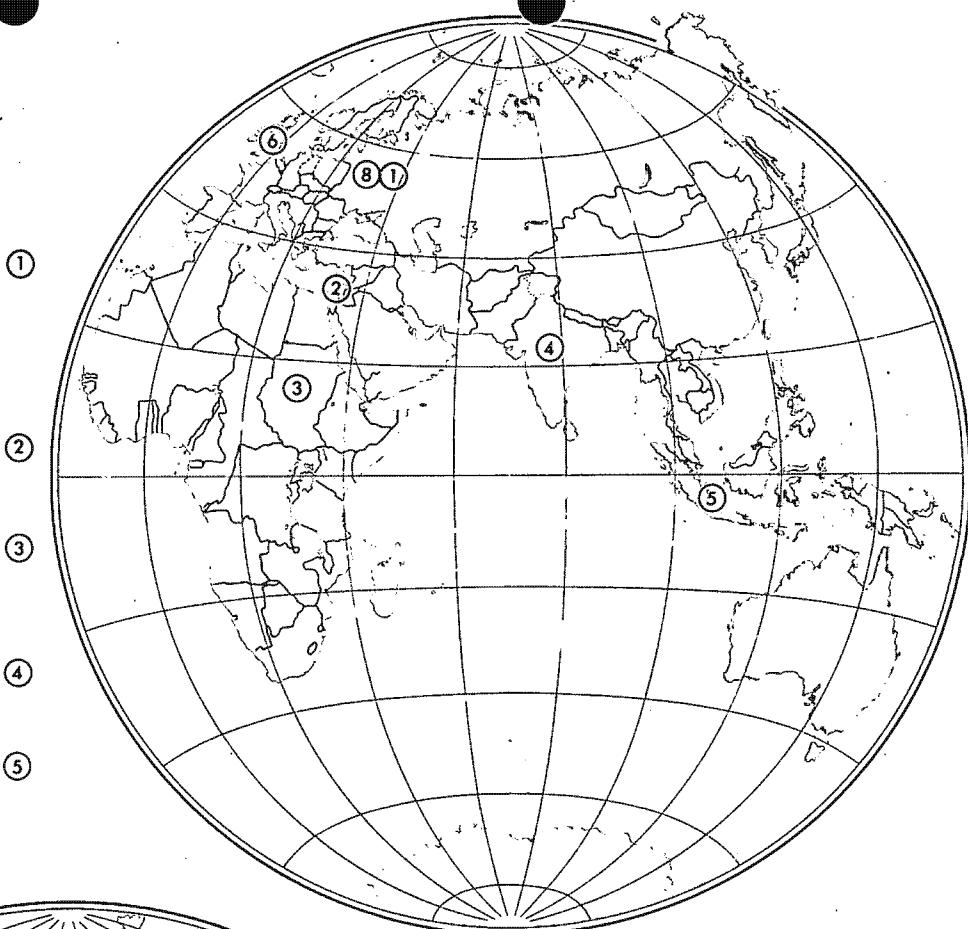


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31 OCTOBER 1958

**I. THE COMMUNIST BLOC**

USSR may soon purchase two chemical plants from Britain and West Germany.

**II. ASIA-AFRICA**

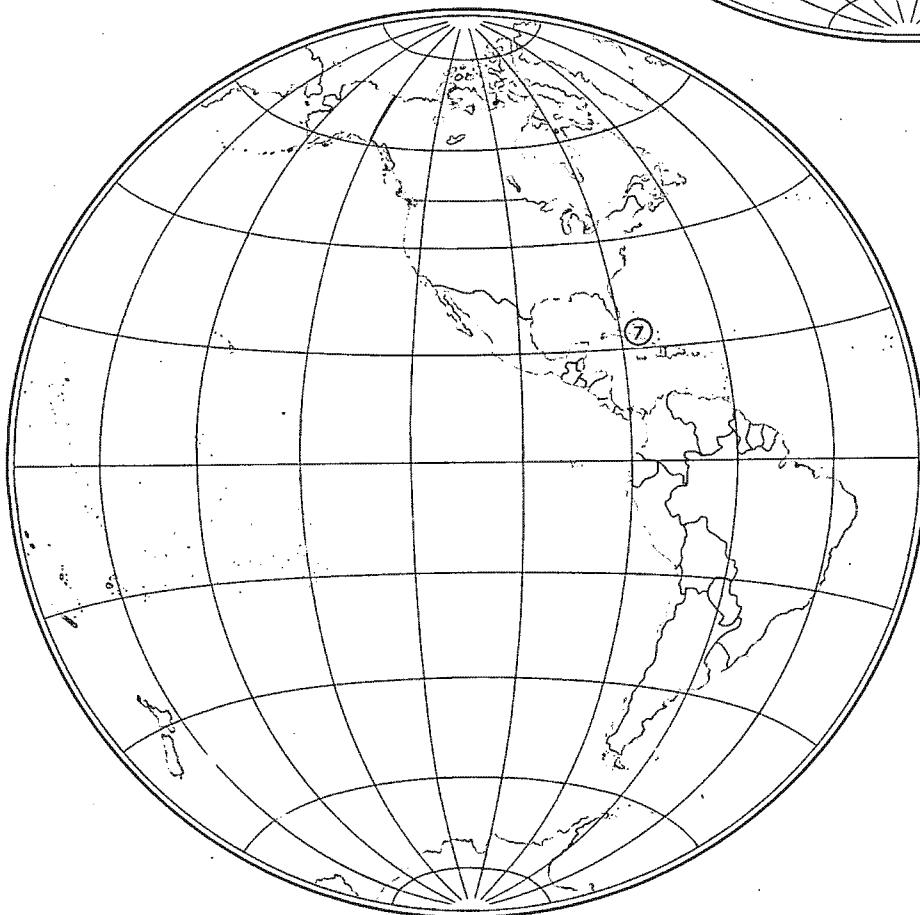
Arab-Israeli tension continues; Cairo sends two submarines south to Suez.

Sudan - Soviet economic delegation to arrive in mid-November; aid offers may be accepted.

Nehru "exercised" over Chinese Communist economic advances; Indian delegation to go to China to study steel output.

Indonesia - Government taking harsh measures against pro-Nationalist Chinese.

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**III. THE WEST**

- (6) UK tanker chartered by Chinese Communists to deliver kerosene; would be first Western delivery to China since before Korean war.
- (7) Cuba - Rebel activity continues; aimed at hindering general elections on 3 November.

**LATE ITEM**

- (8) USSR - Soviet statement and diplomatic notes seek to make demand for permanent and unconditional test ban key issue at Geneva.

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## CENTRAL INTELLIGENCE BULLETIN

31 October 1958

## DAILY BRIEF

## I. THE COMMUNIST BLOC

*SIR AB*

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USSR: Soviet contracts with a West German and a British firm to purchase two petrochemical plants may be concluded soon. These plants have the highest priority on Moscow's shopping list for Western equipment and technical data under its program to expand Soviet commodity-goods production of plastics and synthetic fibers. Since May, the USSR has purchased or is contracting for about \$40,000,000 worth of French, British, West German, and American chemical and synthetic fiber plants. [redacted] (Page 1)

## II. ASIA-AFRICA

*MJ*

Arab-Israeli situation: Cairo, continuing emergency disposition of UAR military forces, ordered two of its six submarines to move south of the Suez Canal for the first time on 30 October; Egyptian antiaircraft units were placed in the highest alert category on 28 October. Minor border incidents involving Israeli and Jordanian forces have been reported. [redacted]

Other reports indicate that the UAR may resume fedayeen operations in Jordan and Israel. [redacted] (Page 2)

Sudan-USSR: The Soviet economic delegation scheduled to arrive in Khartoum in mid-November may find the Sudanese Government in a receptive mood, despite Prime Minister Khalil's reluctance to accept assistance from the USSR. The Sudan's shaky economic status and pressure from elements

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opposing the government's reliance on Western aid may override other considerations. Soviet support of Nasir's Aswan High Dam scheme could prove to be an obstacle to agreement, however, because the Sudan has not yet settled with Egypt the problem of the distribution of the Nile waters.

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India - Communist China: A delegation of officials from the Indian State Planning Commission and Ministry of Industry is expected to go to Communist China late in November to study Chinese steel production. Nehru, who is said to be "exercised" over reports of China's "giant leap forward," is anxious to ensure that India makes a good showing in relation to China in steel production. India has fallen far behind China in steel production since 1952. Indian crude steel production in 1957 was only 1,742,000 metric tons as compared with China's 5,235,000; China tripled its production of crude steel between 1952 and 1957, while India's production rose only 9 percent.

Indonesia: The government's increasingly harsh measures against Taiwan-oriented Chinese are said to be pushing this element of the Chinese community in Indonesia to look increasingly toward Peiping for support. Despite possible harmful effects on the Indonesian economy, other anti-Chinese measures may be taken because of the government's hostility to pro-Chinese Nationalists in particular and the Chinese community in general.

### III. THE WEST

\*UK - Communist China: A British tanker has been chartered by Communist China to carry 17,500 tons of kerosene from Constanta to either Canton or Shanghai. No Western-flag tanker has attempted to deliver such material to China

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since early 1955, when a Finnish tanker returned to Europe from Singapore after the crew refused to risk sailing to Chinese waters. If carried out, this will be the first delivery of POL by a Western carrier to the Chinese mainland since before the Korean war.

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~~Cuba:~~ Rebel action to disrupt transportation and communications in order to hinder the scheduled 3 November general elections has now almost isolated Santiago, Cuba's second-largest city and capital of rebel-dominated Oriente Province. Regardless of the outcome of the elections, rebel activity will continue at a high level after they are held.

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#### LATE ITEM

\*USSR: The Soviet notes to the United States and Britain and the government statement issued on the eve of the conference at Geneva on suspension of nuclear tests are intended to underscore Moscow's demand that a permanent and unconditional test ban should be the key issue in the negotiations. The Soviet statement again "emphatically" rejects the US-UK proposal for a one-year suspension of tests. It also warned that if the Western powers refuse to agree to a permanent cessation the USSR will continue testing until it equals the total number of American and British tests since 31 March.

#### IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

Special National Intelligence Estimate No. 100-10-58.  
Threats to the Stability of the US Military Position in Selected Overseas Localities. 21 October 1958.

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## I: THE COMMUNIST BLOC

### USSR in Advanced Negotiations for Western Chemical Plants

The USSR is about to purchase a low-pressure polyethylene plastic plant from a West German firm. Soviet First Deputy Premier Mikoyan proposed the deal during his visit to Bonn in April this year.

[redacted] the USSR is also negotiating to buy a high-pressure polyethylene plant from a British firm. The official stated that the two companies are maintaining close liaison and have "overpriced their services in order to protect their interests in dealing with a totalitarian state," suspecting that Moscow may not honor patent rights. The Germans are asking \$5,000,000 for their plant, which they have sold elsewhere for about \$1,000,000. The British are asking \$8,500,000 for the high-pressure plant.

These petrochemical plants, which use by-products of the oil industry to produce a variety of plastic materials for industrial consumption as well as military end-uses, have the highest priority on Moscow's shopping list. They are not subject to COCOM strategic trade controls.

Since Moscow's announcement in May that imports of Western plants were planned to aid in a major expansion of its chemical industry, the USSR has purchased or is contracting for at least \$40,000,000 worth of French, British, West German, and American plants to produce chemicals and synthetic products. Soviet teams touring the United States have indicated an interest in purchasing up to \$50,000,000 worth of American machinery for the production of synthetic fibers.

The USSR purchasing agency in the United States, AMTORG, was reinforced in July by personnel described as "more qualified," and Soviet industrial visitors are reported to have indicated prime interest in American advanced chemical technology and plants, particularly those incorporating a large measure of automation.

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## II. ASIA-AFRICA

### The Arab-Israeli Situation

Cairo has continued emergency disposition of UAR military forces. [redacted] Egyptian antiaircraft units were placed in the highest state of readiness on 28 October. [redacted] some Syrian reserves have been called up and others alerted for possible recall. [redacted] two of Egypt's six submarines were ordered to depart Alexandria on 30 October and transit south through the Suez Canal. The two boats, apparently one coastal "M" class and one long-range "W" class, will be the first UAR submarines to operate south of the canal. [redacted] the submarines' mission [redacted] is presumably to defend the approaches to the Gulf of Suez and blockade the Israeli port of Eilat in the Gulf of Aqaba in the event of hostilities. The "W"-class boat is capable of carrying about 36 naval mines if torpedoes are not carried. Cairo has alerted naval commands for possible activation of mine-laying plans. Two motor torpedo-boat squadrons were also ordered to move south through the Suez Canal on 29 October.

Authorities in Cairo have permitted foreign news services to report that UAR forces have been alerted as a precaution against Israeli action coinciding with the British withdrawal from Jordan. The government-controlled Cairo press opened a bellicose campaign on 30 October, charging that Israel was mobilizing with British support, and boasting the UAR's readiness to fight once more "and win again."

[redacted] new clash with an Israeli patrol south of Hebron. [redacted]

[redacted] Israelis had protested the intrusion of an armed band from Jordan on the same day.

[redacted] the UAR may resume fedayeen operations in Israel and Jordan. [redacted]

[redacted] UAR fedayeen and commandos who had taken part in operations in Lebanon were being prepared for operations in Jordan after the departure of British troops. [redacted]

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[REDACTED] Cairo agreed in principle to Damascus' request to attempt to release UAR fedayeen imprisoned in Jordan. Cairo stipulated, however, that the efforts be confined to those who escaped from captivity in Israel--presumably the 66 who broke out of prison in July and apparently were interned by Jordan.

Menahim Begin, leader of Israel's activist Herut party, arrived in Paris in mid-October as a guest of French Information Minister Soustelle, according to the Israeli press. Although Begin's party is not a member of the government coalition, his personal relationship with Soustelle is believed to have played a key role in French-Israeli collaboration prior to the attack on Egypt in 1956. The Israeli radio on 29 October announced delivery of a Fonga jet trainer aircraft from France.  
[REDACTED]

[REDACTED]

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~~TOP SECRET~~Soviet Economic Delegation to Visit the Sudan

The Soviet economic delegation scheduled to arrive in Khartoum in mid-November probably will find political and economic conditions considerably more favorable to Sudanese acceptance of an aid offer than in the past. Prime Minister Khalil's reluctance to accept Soviet assistance may be overridden by considerations of the country's shaky economy and pressure from elements opposing the government's reliance on Western economic aid. Soviet support of Nasir's Aswan High Dam scheme, however, may prove to be a serious obstacle to agreement, since the Nile waters dispute is the one issue which unites all Sudanese elements, even pro-UAR, against what they believe to be excessive Egyptian demands.

Despite recent substantial Western economic aid, the outlook for the cotton-based Sudanese economy is poor. A world cotton oversupply and the Sudan's relatively inflexible prices suggest that Egypt, the Sudan's chief competitor, again will succeed in underselling Sudanese cotton in world trade.

Under these conditions, the Sudan may be tempted strongly to market some of its cotton through barter arrangements with the bloc. In return for Sudanese cotton, the Soviet delegation may offer foreign exchange as well as machinery, materials, and technical assistance. The delegation also will probably offer large-scale assistance to the Sudan's economic development program.

Khalil may feel he is forced to choose between departing from his pro-Western position or facing an increased threat to the stability of his government. In order to forestall a crisis, he might decide to stage the army-supported coup he has reportedly had in mind for the past few months.

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### III. THE WEST

#### Communist China Charters Free-World Tanker

The Chinese Communists have chartered a British tanker to deliver to China 17,500 tons of Rumanian kerosene for which Soviet and Polish tankers are apparently unavailable. If carried out, this will be the first POL delivery to the Chinese mainland by a free-world carrier since before the Korean war.

Poland has been primarily responsible for ocean-borne POL deliveries to China, but Polish tanker capacity has decreased in the past year. Moscow, currently pushing oil exports to the free world, may have been reluctant to divert more tankers--already scheduled for short runs to the Middle East and Western Europe--to engage in the lengthy China run.

Sea-borne deliveries have largely served to meet non-strategic needs for petroleum products in South China which otherwise require long rail hauls from north and northeast railheads on the Sino-Soviet border.

Although sea-borne oil deliveries to China this year are the largest yet made, they total only 150,000 tons. In no year since 1954--when such shipments began--have sea-borne deliveries amounted to more than 10 percent of oil imports, and thus far in 1958 they amount to only seven percent of imports and four percent of total oil available in China.

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### The Situation in Cuba

As part of his effort to sabotage national elections on 3 November, Fidel Castro is disrupting Cuban transportation and communications facilities by widespread and effective bombings and by hit-and-run attacks. Santiago, the leading city of rebel-dominated Oriente Province, has been cut off from most outside contact, including fresh food and water supplies, and Castro may be planning an all-out attack against it. His forces are already active in Santiago suburbs. Small bands of Castro rebels in other provinces are said to be increasing their harassment of transportation, but with less effect. The rebels' capacity to interfere with elections in Havana is limited.

President Batista is increasing efforts to contain the rebels by enlarging his army, purchasing arms in Europe, and concentrating police and army efforts. The head of the national police, chief instrument of Batista's ruthless campaign against rebel supporters in Havana, attends the daily meetings of the army high command and reportedly is being considered for new chief of the joint chiefs of staff of the Cuban armed forces.

### Recent rumors

[redacted] speculate that Batista may rig the presidential elections in favor of the politically weak Carlos Marquez Sterling, ostensibly an opposition candidate, whose campaign Batista almost surely has subsidized. [redacted] Castro would undoubtedly refuse to accept Marquez as a legal president. The rebels' power in Oriente and apparently increasing armed strength will probably enable them to continue a high level of guerrilla operation in certain areas for an indefinite period.

[redacted]

[redacted]

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**THE PRESIDENT****The Vice President**

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

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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

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

**The Department of the Interior**

The Secretary of the Interior

**Federal Bureau of Investigation**

The Director

**Atomic Energy Commission**

The Chairman

**National Security Agency**

The Director

**National Indications Center**

The Director

**United States Information Agency**

The Director

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