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26 September 1958

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CENTRAL

INTELLIGENCE

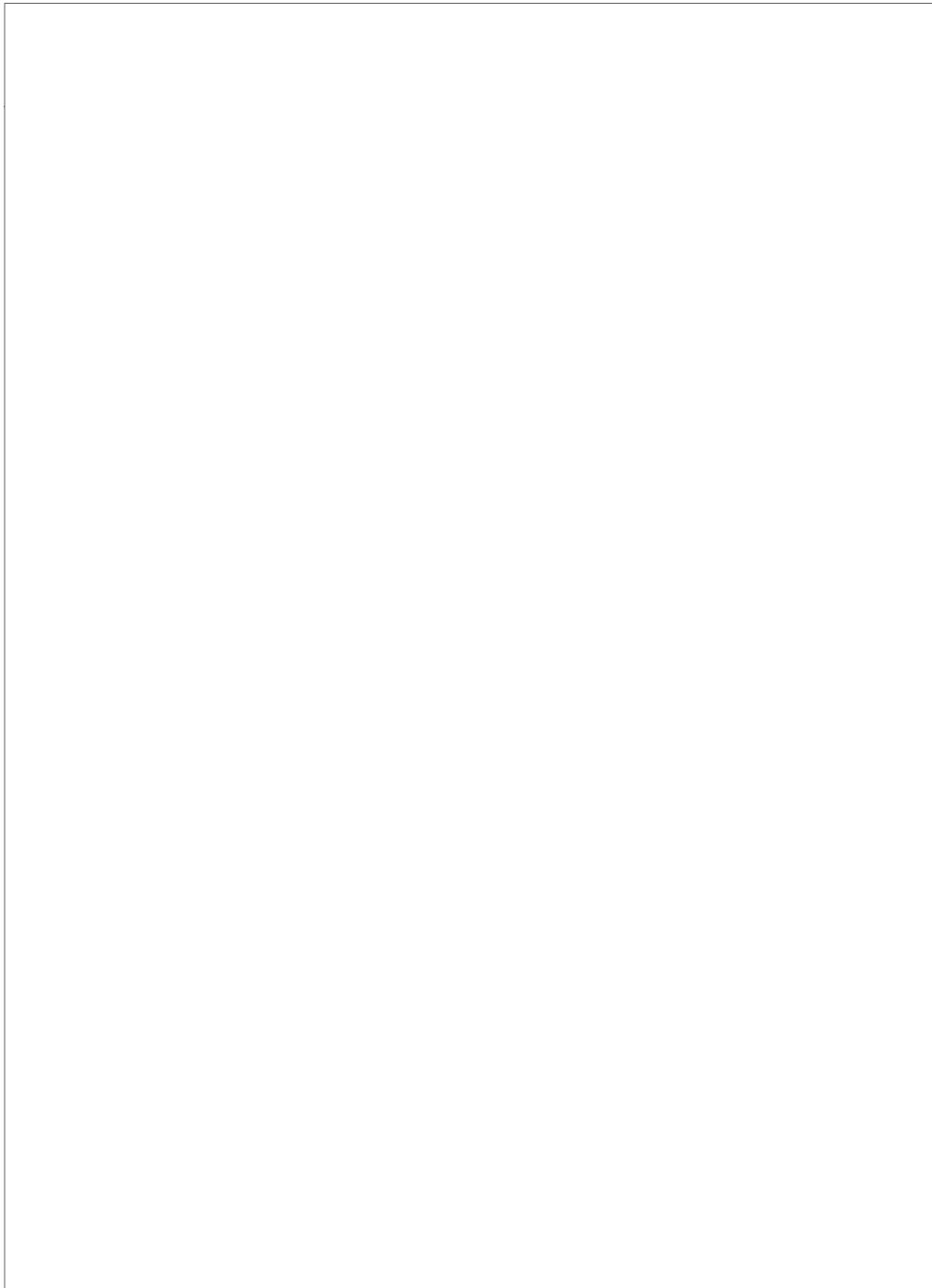
BULLETIN



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26 SEPTEMBER 1958

**I. THE COMMUNIST BLOC**

Taiwan Strait - Situation on Tatan and Erhtan becoming critical.

①

Peiping suggests readiness to renounce use of force in Taiwan Strait area temporarily if offshore islands are "recovered."

②

GMIC statement on [redacted] 23 September  
Tyura Tam missile launching.

③

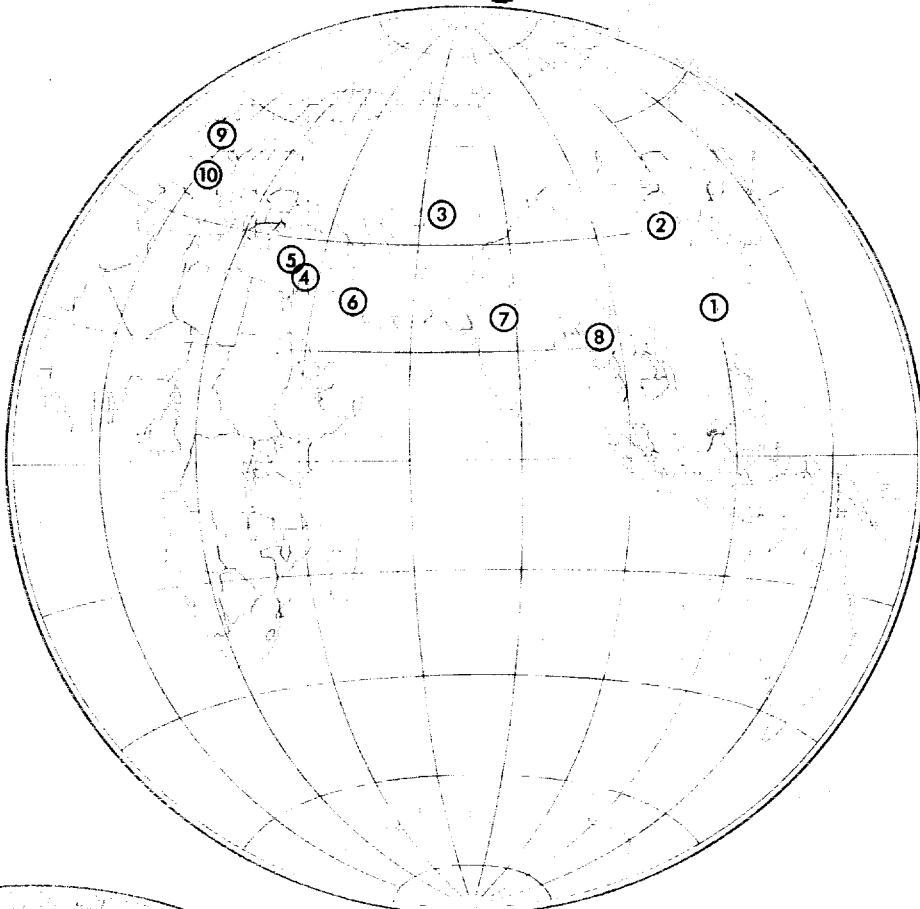
**II. ASIA-AFRICA**

Lebanon - Phalange leader says new Karame cabinet is unacceptable to Christians; will seek to block parliamentary confirmation.

④

Cyprus - Spaak seeks postponement of British plan, new talks, in effort to forestall repercussions in NATO.

⑤



⑥ Kuwait official announces readiness to join Arab League.

⑦ India seeks additional Soviet help for oil industry.

⑧ Burma - Rumors of army coup are growing.

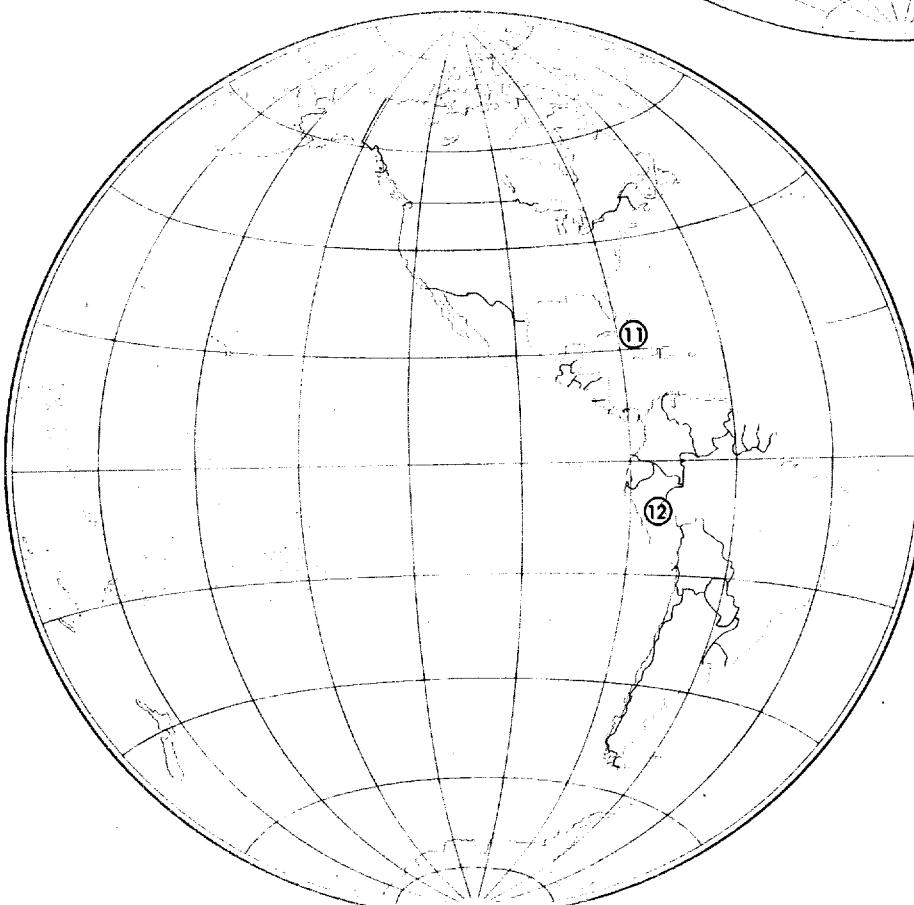
**III. THE WEST**

⑨ UK advises it may attempt to defend British ships entering Amoy, Foochow if attacked.

⑩ France - Soustelle bent on outlawing Communist party.

⑪ Cuba - Castro seeks formation of rebel provisional government.

⑫ Peru reacts strongly to US lead and zinc import quotas.

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# CENTRAL INTELLIGENCE BULLETIN

26 September 1958

## DAILY BRIEF

*SPAB*

### I. THE COMMUNIST BLOC

\*Taiwan Strait: Communist shelling and resupply difficulties have made the situation on Tatan and Erhtan critical, and American officials are of the opinion that all positions on both islands will be destroyed eventually. The Nationalists can be expected to press American authorities for efforts to relieve the islands.

Military activity in the strait centers around air action, with another clash reported in the Kinmen area on 25 September. (Page 1) (Map)

*No*  
Communist China: A memorandum issued to foreign diplomats in Peiping on 20 September strongly suggests a willingness to consider "recovery" of the offshore islands as the price for a temporary renunciation of force in the Taiwan Strait area. The memorandum states that Communist China has "every right and necessity" to take "military measures" against the offshore islands and implies that other territories--Taiwan and the Penghus--could be "liberated" by peaceful means. This approach is in line with repeated commentaries which have distinguished between the immediate "recovery" of the offshore islands and the eventual acquisition of Taiwan.

*No*  
GMIC statement on

Tyura Tam missile launching.

(Page 3)

## II. ASIA-AFRICA

*JO*

Lebanon: The leader of the Christian Phalange has stated that the Karame cabinet is unacceptable and indicated that efforts would be made to block its confirmation by Parliament on 30 September. Lebanese army headquarters states it intends to remove all barricades on 27 September. Army suppression of forays by Moslem extremists on 25 September has reduced tension in Christian quarters.

*NO*

Cyprus-NATO: NATO Secretary General Spaak is making an 11th hour effort to forestall a possible sharp deterioration of relations within the alliance over the Cyprus dispute. He is pressing for postponement of the 1 October date for implementation of the new British plan for Cyprus and for an early conference of representatives of Greece, Turkey, Britain, and the Greek and Turkish Cypriots under the aegis of NATO. As a result of Spaak's surprise visit to Athens, Greece, probably with the approval of Archbishop Makarios, has accepted the proposal of a conference.

*OK*

Kuwait: Kuwait's deputy ruler, Abdulla Mubarak, said in Cairo on 24 September that Kuwait is prepared to join the Arab League and contribute to an Arab Development Bank in the "very near future." This action may take place at the Cairo meeting of the league's political committee scheduled for 1 October. Britain is formally empowered to handle Kuwait's foreign relations, but in Arab affairs the Ruler, who feels that an accommodation with Nasir is necessary, has recently assumed an increasingly independent viewpoint.

(Page 5)

*OK*

India-USSR: The Indian minister of state for mines and oil left on 25 September for Moscow to seek additional oil-drilling equipment, presumably for exploiting a new Indian oil strike near Bombay. He may also explore the possibility of Soviet assistance for construction of a refinery in Bihar and

will visit Bucharest to sign an agreement on Rumanian financial assistance for a smaller refinery in Assam. [redacted]

[redacted] (Page 7)

*H.O.*  
Burma: Rumors of an imminent coup by the army are snowballing in Rangoon, and tension among the people is mounting. While the American ambassador has no firm evidence which gives credence to these reports, he points to the danger that a grab for power might be touched off by some minor incidents in the highly charged atmosphere. [redacted]  
[redacted]

### III. THE WEST

*DK*  
Britain - Taiwan Strait: Britain has advised the US that it will inform the Chinese Nationalists it might be obliged to protect any British ships which are attacked while entering Amoy or Foochow. While London has advised British shipping to stay clear of the Taiwan Strait, the British say some ships insist on continuing to enter the two ports, and London is unwilling to abandon the principle of freedom of the seas. [redacted]

[redacted] (Page 8)

*DK*  
France: [redacted]

the French Government is trying to accumulate evidence of Communist party collaboration in Algerian rebel activities, with the aim of outlawing the party after the November parliamentary elections. De Gaulle intends to restrict Communist influence in the future French government by a new electoral law, but probably would not favor actual outlawing unless the Communists appeared to pose a direct threat to his government. [redacted]  
[redacted]

OK  
Cuba: Members of a Cuban united front, which is associated with Fidel Castro's 26th of July movement, plan to meet in the rebel-held Sierra Maestra of eastern Cuba during the coming week to establish a provisional government. Castro has been considering the establishment of such a government, either in exile or in the "Free Territory of Cuba." (Page 10)

OK  
Peru: The bitterness of Peruvian reaction to the new US import quotas for lead and zinc marks the lowest point in many years in US-Peruvian relations. The cabinet's statement that if quotas are maintained it will seek "new international markets," and congressional demands for diplomatic relations with iron curtain countries, mark departure from Peru's long-standing policies in regard to the Soviet bloc.

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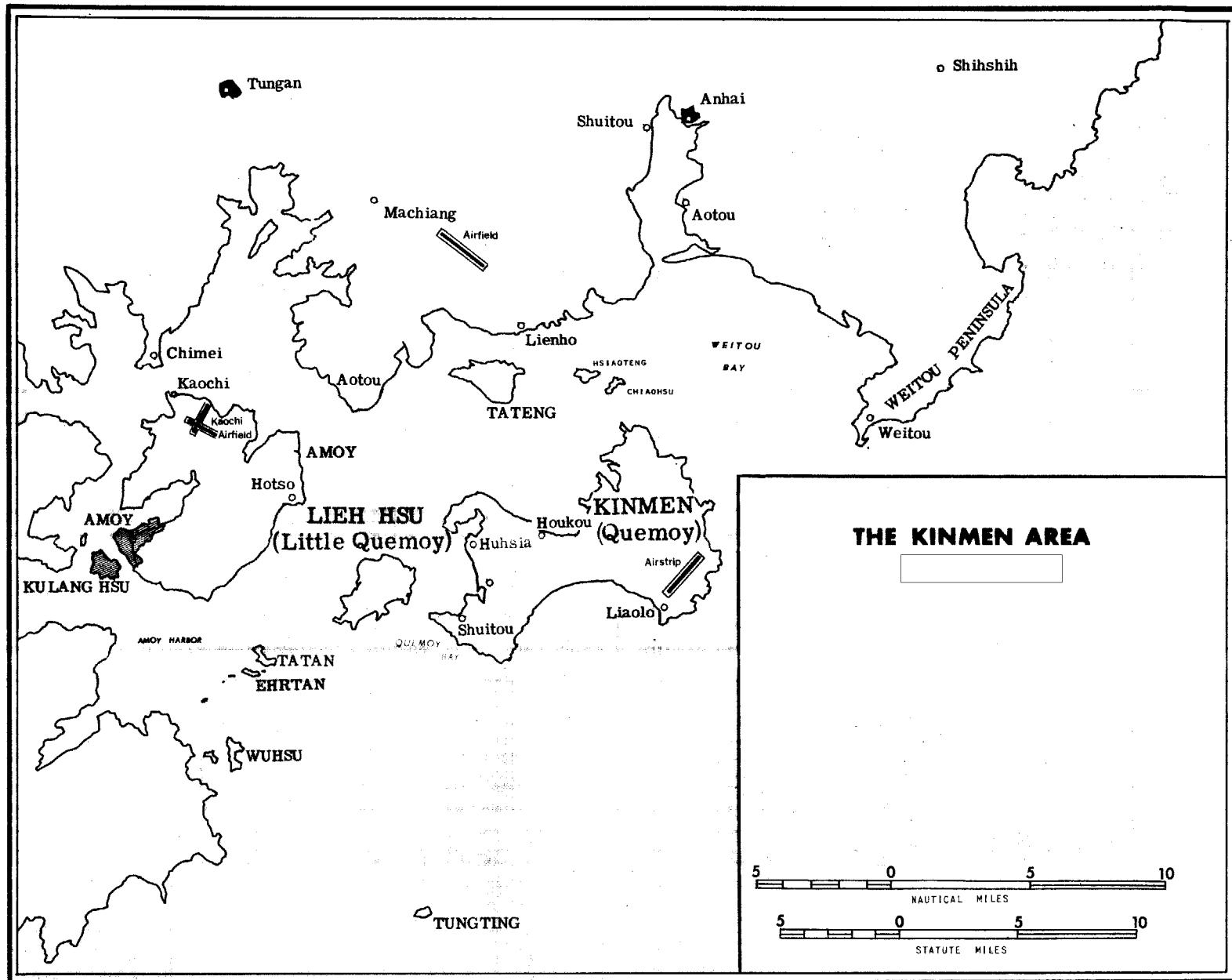
#### IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

National Intelligence Estimate No. 89-58. The Venezuelan Situation and Prospects. 9 September 1958.  
JN  
[redacted]

Special National Intelligence Estimate No. 100-11-58. Probable Chinese Communist and Soviet Intentions in the Taiwan Strait Area. 16 September 1958.

National Intelligence Estimate No. 12.6-58. The Outlook in Poland. 16 September 1958.



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## I. THE COMMUNIST BLOC

### Taiwan Strait Situation

American officials on Kinmen report that the situation on Tatan and Erhtan now is critical and are of the opinion that all positions on both islands eventually will be destroyed. Resupply operations have been ineffective, and the troops are spending most of their time in shelters to escape the heavy shelling. Evacuation of wounded and shipment of small critical supply items are being carried out by frogmen in small craft. The Communists have increased their fire and now are using delay fuzes which result in deeper penetration.

The Nationalists can be expected to press American authorities for action to relieve the islands. Chiang Kai-shek has stated all resources will be used for their defense if an invasion attempt is made.

There is evidence that politically active indigenous Taiwanese, including several members of the Provincial Assembly, are privately opposed to the Nationalist Government's position that the offshore islands must be held at all costs. These individuals believe that as long as the United States remains committed to the defense of Taiwan, the islands could be abandoned with safety and they hope that the Warsaw talks will prevent further bloodshed.

Because of this feeling, Nationalist Premier Chen Cheng was forced to use pressure tactics to obtain passage on 16 September of a resolution supporting government policy. Kuomintang secretary Chang Li-sheng stated that "if criticism continued" then all powers would be used, including antipress laws and martial law, to suppress the Taiwanese until the present crisis is over.

Reliable information on the attitude of the Taiwanese public is lacking. Taiwanese make up over 50 percent of the offshore island garrison, and Nationalist authorities have expressed concern over Taiwanese popular reaction if casualties become heavy or the islands should fall.

The Chinese Nationalists report that an air engagement took place about 30 nautical miles southeast of Kinmen on 25

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September. Preliminary information indicates that four Nationalist fighters engaged two stragglers from a 16-plane Communist formation and that one MIG was shot down. This report has not been confirmed.

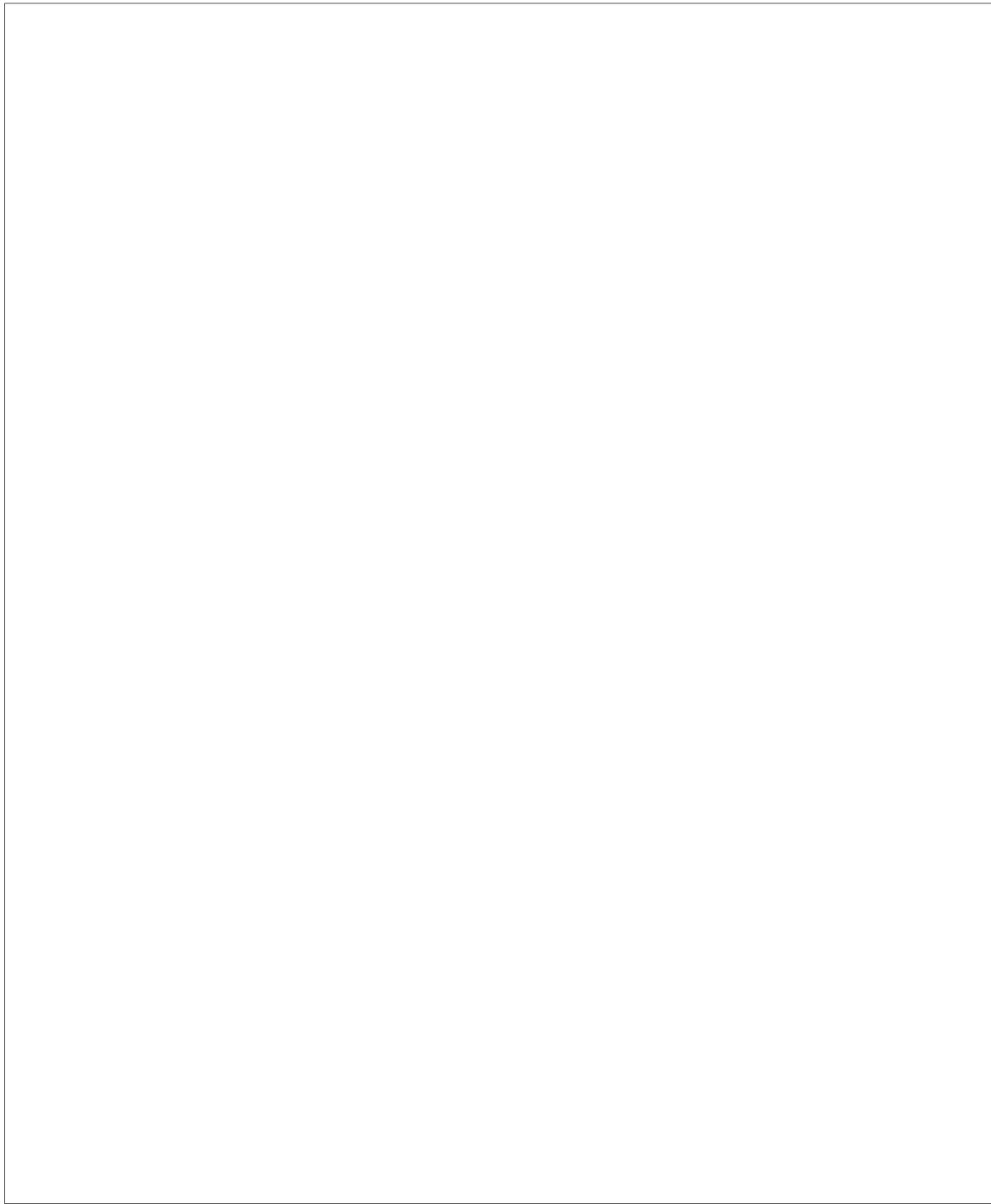
Further information on the widespread air engagements of 24 September now is available. Taiwan Defense Command reports that 10 MIG's were shot down, two others probably, and three were damaged. It is evident that the Nationalists employed their fighters aggressively. Several flights penetrated as far inland as 25 nautical miles and one flight as far as 50 nautical miles.

Chinese Nationalist Air Force officials report that during one of the engagements six Sidewinders were successfully launched; four scored kills and two missed. American officials report that as a result of these victories, the Nationalists are jubilant and are apparently more satisfied with their present equipment. Demonstrated Nationalist superiority in tactics and training over the Communists may warrant re-evaluation of relative Nationalist and Communist air strength. The American advisers also point out, however, that the logical Communist reply to the use of Sidewinders is the provision of similar Soviet equipment for use against the Nationalists.

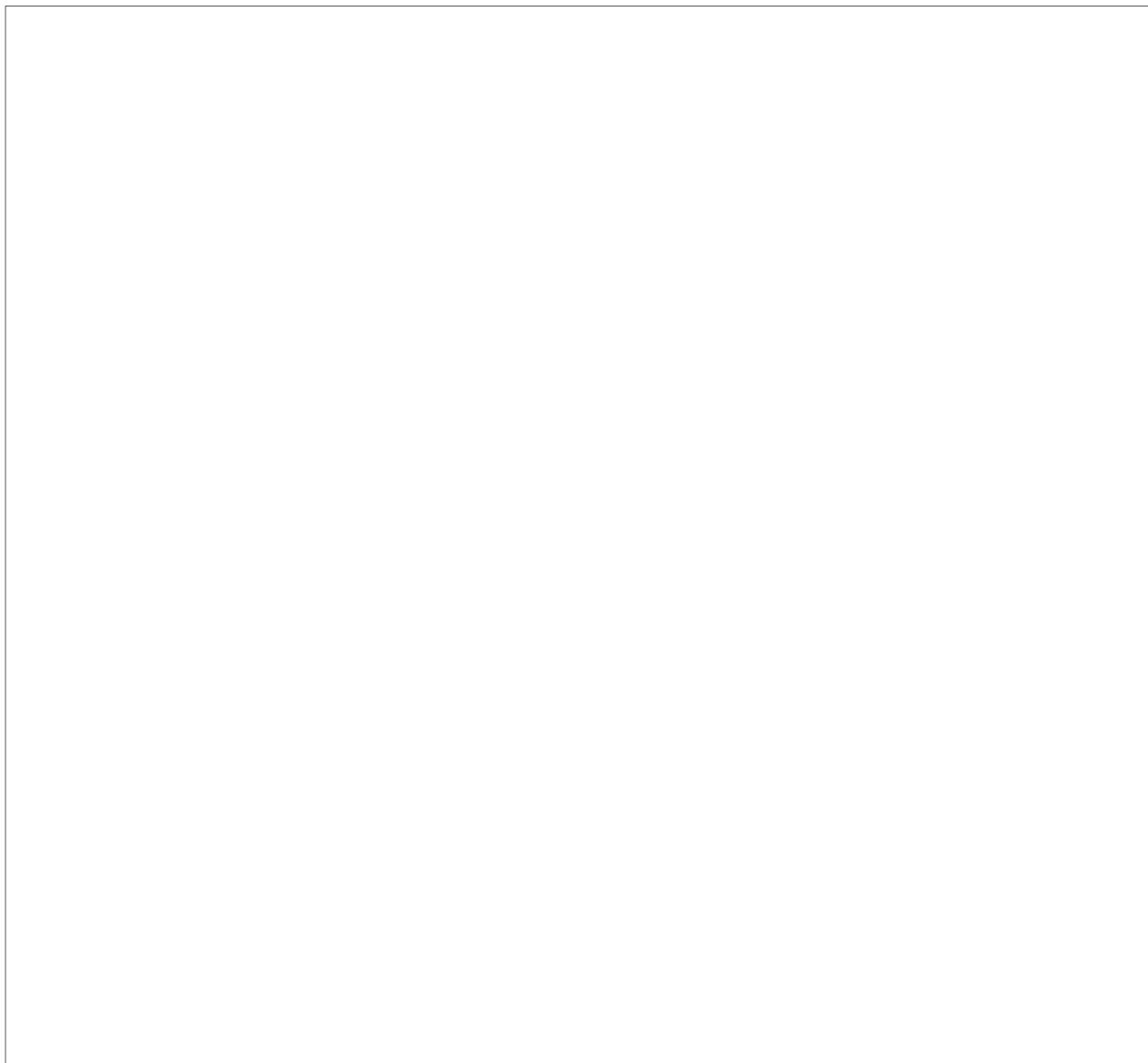
Communist China's Foreign Ministry on 25 September issued its "13th serious warning" to the US regarding the "intrusion" of American warships and eight fighter planes in the Amoy area.

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GMIC Statement of 1600, 25 September 1958



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## II. ASIA-AFRICA

### Kuwait Developments

Kuwait, the largest Middle East oil producer, appears headed toward closer relations with Nasir. The statement by Kuwait's deputy ruler, Sheik Abdulla Mubarak, in Cairo on 24 September that Kuwait was prepared to join the Arab League and contribute to an Arab Development Bank in the "very near future," suggests that Kuwait may join the Egyptian-dominated league at the Cairo meeting of the league's political committee scheduled for 1 October.

The Arab League has been attempting to promote an Arab Bank for Economic Development, to which each member state would contribute funds on the basis of an assessment proportional to its income. Such a bank, in association with a strengthened Arab League, would also afford a means by which independent Arab states could be forced to acknowledge Nasir's foreign policy leadership and to contribute from oil revenues to UAR economic development without the need to change their political institutions. On 10 September, Lebanese politician Emile Bustani declared that the Ruler of Kuwait had expressed willingness to invest 5 percent of his annual oil revenues of about \$300,000,000 in an Arab Development Bank, although he was reluctant to be the first to do so. Other reports suggest that the Ruler has agreed in principle to invest a portion of his income in Cairo.

Although Britain is empowered by treaty to handle Kuwait's foreign relations, the Ruler, who considers that an understanding with Nasir would protect his interests, has in recent months conducted relations with the Arab states in an increasingly independent manner. After the Iraqi revolution in mid-July, the Ruler advised the British that he considered it necessary to appease radical Arab nationalism by joining the league. He is reported to have changed his mind subsequently. There is no available information to suggest that the British were consulted in connection with Abdulla Mubarak's recent Cairo statement.

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[Redacted] The Kuwaiti nationalist press has also for the first time been permitted to direct sharp criticism against the Kuwait Oil Company, which is jointly owned by British and American interests.

[Redacted]

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## India Seeks Additional Soviet Bloc Aid for Its Oil Industry

Soviet bloc participation in India's expanding oil industry will probably be increased. India's Minister of State for Mines and Oil K. D. Malaviya left on 25 September to explore in Moscow the possibility of obtaining more oil-drilling equipment and Soviet aid for a government-owned oil refinery to be built in Bihar State in eastern India. He plans also to visit Bucharest to sign an agreement for about \$18,000,000 in Rumanian financial assistance for a 750,000-ton refinery to be constructed at Gauhati, Assam State, in easternmost India.

The Indian Government now has four large drilling rigs of Soviet and Rumanian origin. A promising oil strike made in early September at Cambay, near Bombay city, is probably responsible for increased Indian interest in drilling rigs. A total of 110 Soviet and 10 Rumanian technicians are in India assisting in exploration and drilling operations.

New Delhi is also considering construction of a 2,000,-000-ton crude oil refinery at Barauni, Bihar State, to process oil produced in Assam State. Total cost is estimated at \$82,-000,000. The USSR has expressed interest in aiding the project, and New Delhi has requested that a study be made by Soviet experts. Malaviya presumably will explore Soviet willingness to finance foreign exchange costs of the refinery. Western countries have as yet shown no firm interest.

India on 28 August announced formation of a government-owned company with an authorized capital of \$63,000,000 to manage the two petroleum refineries.

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### III. THE WEST

#### British Say They Will Protect Their Shipping in Taiwan Strait

Britain plans to inform the Chinese Nationalist Government that the British Navy might be obliged to protect British ships attacked in the Taiwan Strait area.

London has warned British shipping to keep clear of the strait and particularly Amoy and Foochow, but states that a few ships insist on asserting their right to enter the ports. While some British vessels have continued to enter Foochow since mid-August, none is known to have been in Amoy since 8 August.

The British demarche appears designed to warn the Chinese Nationalists to continue to avoid molesting British vessels, and to avoid Labor party charges that the government is less diligent in protecting traditional rights on the high seas against the Chinese Nationalists than against Iceland.

London has little evident desire to provide actual protection, and has only one frigate and three mine sweepers based at Hong Kong. A Foreign Office official stated on 19 September that all naval vessels had been ordered to stay out of the Taiwan Strait area unless needed to protect British ships in distress. Recent Chinese Communist threatening gestures in waters off Hong Kong would also make the British reluctant to move any naval vessels from there.

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**French Communist Party May Be Outlawed After November Elections**

The French Government is trying to accumulate evidence that the French Communist party (PCF) is masterminding the activities of the Algerian rebels [redacted]

[redacted] This data would be used to support the outlawing of the party after the November parliamentary elections.

De Gaulle has no illusions about the Communists and intends to restrict their influence in the future through a change in the electoral law, but he probably would not favor actually outlawing the party unless it seemed to pose a direct threat to his government.

Only a small percentage of the Algerian rebel organization is believed to be Communist influenced, although the PCF has probably given at least tacit encouragement to FLN terrorists. The PCF is aware from various public statements that rightist political leaders are interested in suppressing it and that the new Article 4 in the proposed constitution, which says all parties must respect "the principles of national sovereignty and of democracy," could provide the legal basis for such action. Consequently, the party has been careful to avoid overt encouragement of violence, either electoral or terrorist, at this time.

Soustelle appears to be sponsoring the incipient campaign to outlaw the Communists as a part of his personal bid for the premiership. His own rightist party could draw support from the reservoir of anti-Communist voters in France, and he could perhaps assure himself the support of the army by using the Communist threat to sabotage any compromise solution in Algeria. [redacted]

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### Cuban Opposition Plans to Establish Provisional Government

Representatives of the Cuban opposition groups which subscribe to the Caracas unity pact, signed last July, plan to meet with rebel leader Fidel Castro in the Sierra Maestra of eastern Cuba during the next week and establish a provisional government under Manuel Urrutia, Castro's personal choice for president. Castro, who in practice dominates the opposition unity front, has long desired recognition as a belligerent and has previously considered establishing such a provisional government, either in exile or in the "Free Territory of Cuba"--the name applied by the rebels to the areas in Oriente Province under their control.

The move is being made primarily for propaganda purposes. The rebels are incapable of defending a permanent, stationary government against air attacks by Cuban Army Air Force planes, and any government they might establish would have to be loosely organized. The rebels have recently made efforts to set up civil government in some areas in Oriente Province and have established schools and hospitals, levied taxes--against US as well as Cuban enterprises--and set up some "government ministries." [redacted]

[redacted]

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### Bitter Peruvian Reaction to New US Lead and Zinc Quotas

Peruvian political parties and all shades of press opinion are in agreement in bitterly criticizing the new US quotas for lead and zinc, and the cabinet has decided to seek "new international markets" in the Soviet bloc if the quotas are maintained. Many congressmen endorse the search for markets and are also demanding diplomatic relations with the bloc. The American Embassy in Lima comments that US-Peruvian relations are at the lowest point in many years, and Ambassador Achilles has canceled a week's leave in the interior because of reports that the Communists plan to use his visit as a take-off for anti-US demonstrations.

The cabinet's action may be attributed in part to the political instability which has repeatedly threatened the administration's tenure during the past nine months. While the search for bloc markets is likely to mean little economically, it will be an abrupt departure from Peru's long-standing policies of opposition to the Soviet bloc.

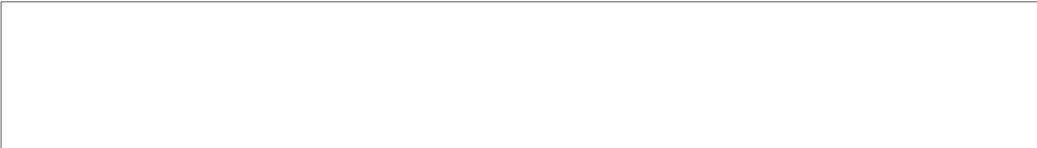
The other major lead and zinc producers--Australia, Mexico, and Canada--were also critical of the quotas. The restrictions threaten a further loss of work in Australia's big lead and zinc mining centers, already affected by declining prices. Referring to the quotas, cabinet minister Spooner told the Senate on 24 September: "It will be a long time before Australia forgets!"

Official Mexican reaction was mild, but the politically influential leader of the miners' union said that traditional inter-American friendship is being destroyed, and producing countries will be forced to find alternative and more profitable markets in nations with more understanding and firmer policies.

In Canada, Trade Minister Churchill reportedly told a press conference that Canada will protest restrictions as an

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**infringement of GATT and seek US reconsideration of the move.**



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