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10 June 1959

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CENTRAL INTELLIGENCE BULLETIN



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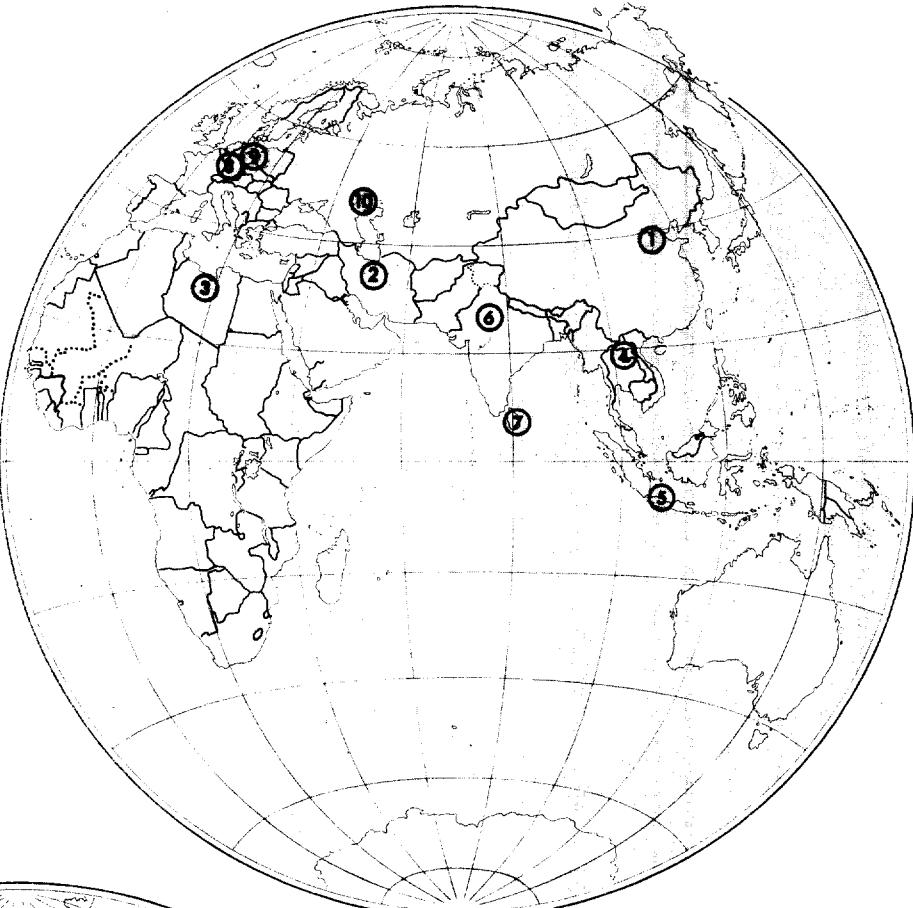
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10 JUNE 1959

I. THE COMMUNIST BLOC

Chinese Communists refuse to offer any concessions for return of Dalai Lama.

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II. ASIA-AFRICA

Iran prepares "white paper" denying Soviet rights of military intervention under old treaties.

Libyan oil production may reach 100,000 barrels daily by 1961.

Laotian cabinet decides to release pro-Communist leaders from house arrest.

Indonesia--President Sukarno is expected to put 1945 constitution into effect by decree upon his return in late June.

Indian economic mission returns from Moscow with new aid agreements.

Ceylon cabinet reshuffled.

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III. THE WEST

⑧ West Germany--Strong Erhard statement keeps CDU controversy alive.

IV.

⑨ Conclusions of the special USIB committee on the Berlin situation.

LATE ITEM

⑩ Probable ICBM launched from Tyura Tam.

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CENTRAL INTELLIGENCE BULLETIN

10 June 1959

DAILY BRIEF

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I. THE COMMUNIST BLOC

Peiping-Tibet: Communist China's Chairman Liu Shao-Chi told the Burmese ambassador on 3 June that, while Peiping was willing to take back the Dalai Lama and all other Tibetan refugees, there would be no bargaining on Tibetan "independence" to obtain their return.

m/o [redacted] Liu guaranteed returned Tibetans only "food and work." He claimed that "India now realizes" Tibet is an "internal affair," and that an "unpleasant misunderstanding" was being cleared up. The Indian and Chinese views on Tibet actually remain unreconciled although both capitals are seeking to ease the recent strain.

(Page 1)

II. ASIA-AFRICA

m/o Iran-USSR: (The Iranian Foreign Ministry has prepared a white paper on Iranian-Soviet relations emphasizing that articles of the 1921 treaty concerning the right of Soviet military intervention in Iran are void. Now that the Shah has returned from Europe, he will probably make an early decision on its publication. Meanwhile, the Shah is being urged by some elements to reach a detente with Moscow.)

(Page 2)

m/o *Libya-Oil: (Libyan oil production is expected to reach 100,000 barrels daily by early 1961 and yield the government about \$36,000,000 annually in oil revenues, according to American oil company officials. This estimate covers only one field, although oil has been discovered in five other areas. Pipeline construction probably will get under way later this year or early)

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(in 1960. Oil revenues should go a long way toward making the country self-supporting; in recent years the economy has been maintained only by foreign assistance, largely in return for Western base rights.) [redacted] (Page 3) (Map)

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Laos: The Laotian cabinet's decision after much debate to release top pro-Communist political leaders from house arrest on 8 June apparently has aggravated the underlying conflict between old-guard conservatives and young reformers who opposed the move. This latest schism could lead to general instability and further disruption of the government's anti-Communist program. Despite the release of these leaders and the announcement that operations against the defected Pathet battalion have ended, the bloc will probably continue to protest publicly over the situation in Laos. [redacted] (Page 4)

M0
Indonesia: The political impasse created by the Constituent Assembly's recent rejection of the 1945 constitution continues. Most sources, including Premier Djuanda, feel that any action will await President Sukarno's return from his world tour on 28 June, and that the 1945 constitution then will probably be put into effect by presidential decree. Army chief Nasution is said to be working with the attorney general on a legal basis for such a presidential decree.)

OK
India-USSR: The high-level Indian economic mission which recently returned from Moscow obtained Soviet agreement to undertake preparatory work on the construction of a large machine-tool plant in India. In addition, a previously discussed \$20,000,000 loan for assistance in building pharmaceutical plants in India was signed, bringing total bloc aid to date to \$324,000,000, about ten percent of all foreign aid. While no definite action was taken on other Indian requests--such as doubling the capacity of the Bhilai steel mill--Soviet officials apparently made it clear to the Indians that they were ready to assist these projects and gave preliminary estimates of planning and scheduling. [redacted] (Page 5)

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Ceylon: Prime Minister Bandaranaike's cabinet reorganization announced on 9 June is primarily an effort to put on the appearance of change. Despite press reports of "sweeping changes," the

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reorganization consists mainly of assigning additional duties to certain ministers to fill the gap left by the resignation of two leftist ministers in mid-May. While Bandaranaike faces a tough fight on a no-confidence vote when Parliament reconvenes on 30 June, he still seems likely to survive [redacted]

III. THE WEST

M 0
 *West Germany: Economics Minister Erhard's strong statement after his return to Bonn has disrupted efforts of the Christian Democratic Union (CDU) to close ranks in the face of an anticipated strong opposition attack in the Bundestag--in the 11 June budget debate--on Adenauer's decision to remain as chancellor. Although Erhard has ruled out any possibility of accepting support from the opposition parties in challenging Adenauer, he will apparently demand a clear expression of confidence from Adenauer and the party. It is not yet clear, however, whether he would go so far as to resign or force a full showdown over the chancellorship and control of the CDU. [redacted]

IV. CONCLUSIONS OF SPECIAL USIB COMMITTEE ON BERLIN SITUATION

The USIB has taken note of the following conclusions reached by its special committee on the Berlin situation. The committee pointed out that its conclusions were to be used in context with SNIE 100-2-59 (24 February 1959) and with the review of that estimate in SNIE 100-2/1-59 (17 March 1959):

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1. The information available to the Committee on the Geneva foreign ministers' conference and Communist public statements do not indicate any basic change in the Soviet position at Geneva on Berlin and Germany. Foreign Minister Gromyko--who appears to be playing for time on the assumption that the West will weaken--has maintained that any new arrangements regarding

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Western access to West Berlin must be within the framework of the Soviet free-city proposal.

2. So long as the USSR estimates that negotiations at Geneva are promising or that prospects for a summit conference are good, it probably will not conclude a separate peace treaty with the GDR or turn over access controls to the East Germans. However, negotiations may be reaching a stage where the USSR might consider it to be advantageous to increase threats of such action as a form of pressure on the West. The threat of a separate peace treaty may be raised while the East German leaders are in Moscow. The actual physical transfer of controls could be accomplished with little or no warning.

3. While there have been hints that the East Germans might harass West German civilian access to West Berlin, there are no reliable indications of an intent to seal off West Berlin in the immediate future. The USSR could take such actions with little or no warning.

4. There have been no significant changes in Soviet capabilities to respond to possible Western actions in the event of turnover, harassment, or blockade.

5. West Berlin's over-all economy is at an even higher level than this time a year ago. Morale continues to be good, although some apprehension exists as a result of press speculation that the West at Geneva may be considering some relinquishment of its rights in Berlin.

6. Adenauer's decision to remain as chancellor does not appear to have had any immediate effect on his government's position at the foreign ministers' conference.

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LATE ITEM

*USSR: Preliminary analysis indicates that a probable ICBM test vehicle was launched from the Tyura Tam Missile Test Range at about 2030 GMT (1630 EDT) on 9 June.

[redacted] the operation and its objectives were similar to those of the 30 May ICBM flight which traveled an extended distance estimated at 4,000 to 5,500 nautical miles.

MD
It has been estimated that the USSR might launch a Venus probe attempt from Tyura Tam during the week of 8 June. The 9 June launching does not rule out the possibility of such an attempt in the near future.

10 June 59

DAILY BRIEF

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I. THE COMMUNIST BLOC

Liu Shao-chi "Explains" Peiping's Views on Tibet and Dalai Lama

The newly elected chairman of Communist China's government, Liu Shao-chi, has ruled out any possibility of a negotiated "independence" for Tibet in exchange for the Dalai Lama's return. [redacted] Liu told the Burmese ambassador on 3 June that the Dalai Lama and all other Tibetan refugees could return, but Peiping would guarantee them nothing beyond "food and work." Liu did not repeat the claim that the Dalai Lama is held in India under duress, and his comments suggest Peiping may counter any major public statements from the Dalai Lama by linking him with the "small minority" opposed to Tibetan "reform."

Liu implied New Delhi's recent effort to avoid contention with Peiping over Tibet is in response to bitter Chinese denunciation of Indian "interference." "Now India realizes it was an internal affair," Liu said, and added that the "unpleasant misunderstanding" was being cleared up. While the Indian and Chinese views on Tibet actually remain unreconciled, Peiping, too, has shown a desire to end the earlier recriminations and has greatly curtailed press comment critical of India. The pains Liu took in explaining Peiping's Tibetan policy to a Burmese official, as well as similar discussions Chou En-lai has held with other neutral diplomats, indicate a serious effort to repair the damage which Peiping's prestige has suffered as a result of the Tibetan revolt. [redacted]

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II. ASIA-AFRICA

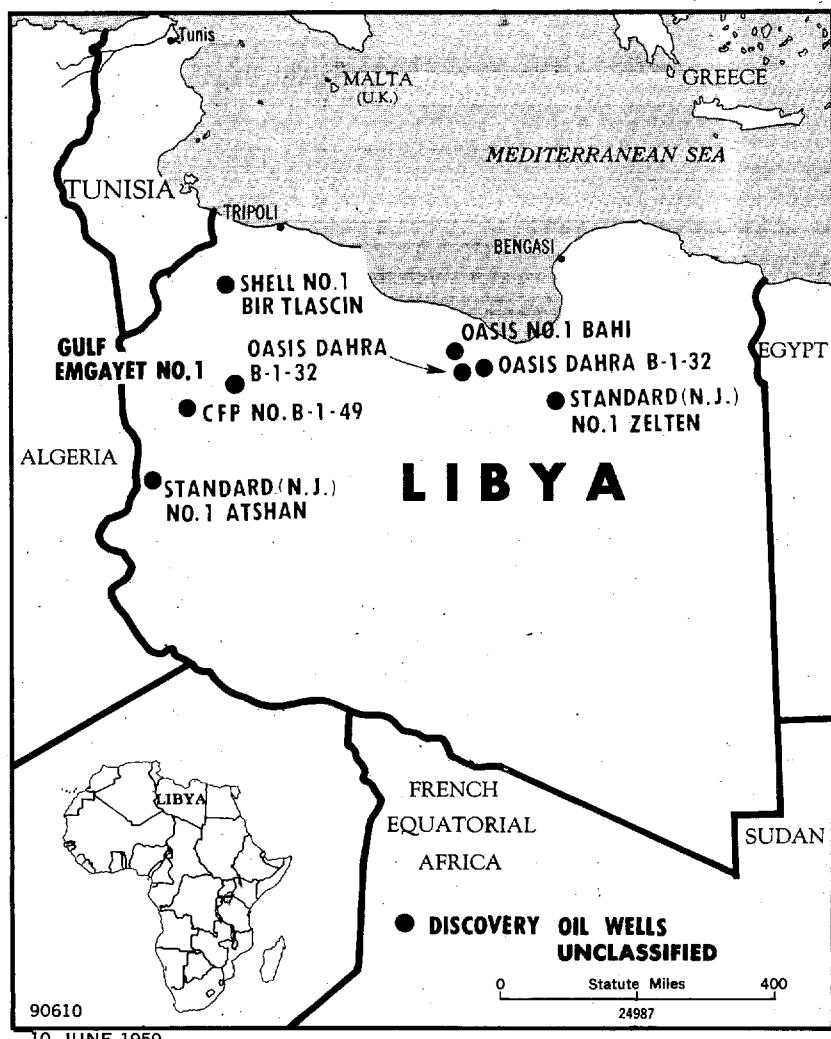
Iranian Ambassador to Moscow Recommends Concessions to USSR

Iran's ambassador to Moscow, Masud-Ansari, a persistent advocate of a detente with the USSR, proposed [redacted] [redacted] that as a means to improve Iranian-Soviet relations, Tehran cease all counterattacks against Soviet propaganda for one month and, if the USSR reciprocates, send Foreign Minister Hekmat to Moscow as the head of a good-will delegation. Hekmat's mission would be to reaffirm the nonaggression article of the Soviet-Iranian treaty of 1927 and to announce that Iran will not become a military base against the USSR. Masud-Ansari's proposal probably has little chance of acceptance, since the Shah is in no mood to permit actions which would cause Iran to lose face. Furthermore, the Shah believes that the USSR has decided to cause his immediate downfall, and probably feels that Soviet propaganda would not cease even if Iran were to refrain from counterpropaganda.

Masud-Ansari, who assumed his post at the end of March, has been attempting to assuage Soviet anger over the breaking off of nonaggression treaty talks in February and the signing of an Iranian-US defense agreement on 5 March. He has repeatedly complained to Tehran that Iran's counterpropaganda and actions are undermining his efforts to create a friendly atmosphere in Moscow. Masud-Ansari now fears that unless prompt steps are taken, a demonstration may soon be made against the Iranian Embassy in Moscow in retaliation for the recent arrest in Tehran of two employees of the Soviet Embassy on the charge that they were distributing anti-Shah pamphlets. [redacted]

(The Iranian Foreign Ministry has prepared for the Shah's approval an extensive white paper on Iranian-Soviet relations. The paper will emphasize that Iran regards as void articles 5 and 6 of the 1921 treaty with the USSR which authorized the USSR under certain conditions to send military forces into Iran.)

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~~SECRET~~Libya Likely to Become Major Oil Producer

(Libyan oil production is expected to reach 100,000 barrels daily by 1961 and yield the government about \$36,000,000 annually in oil revenue, [redacted])

Libya is described as one of the "hottest" wildcat areas outside of the United States. In less than 17 months, eight discovery wells have been drilled--four in the past two months alone. French, British, Dutch, German, and American interests are represented in the 15 companies now active in the country.)

(Interest in Libya was sparked by the country's geographic position, which affords Europe a source of oil free from Nasir's control of the Suez Canal and pipelines across Syria. Libyan crude prices should be strongly competitive, because they will not include the pipeline and canal transit charges which add some 40 cents to the cost of each barrel of oil)

(The oil strikes promise in the course of a few years to make Libya economically viable. As its oil income becomes significant and its need for Western economic aid becomes less acute, the Libyan Government will probably become less dependent on the income derived from American and British military bases. Future Libyan policy decisions on this issue are likely, however, to be complicated by internal political changes and by provincial tribal rivalries. The most promising oil discoveries have been in Cyrenaica Province, while the most important Western military installation--Wheelus Air Base--is in Tripolitania.) [redacted]

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Laotian Cabinet Divided Over Policy Toward Domestic Pro-Communists

The Laotian Government's decision to end the house arrest of top pro-Communist leaders and to drop plans to prosecute them for allegedly inciting the rebellion of former Pathet Lao troops has aggravated the underlying conflict in the cabinet between old-guard politicians and young reformers. Although Premier Phoui Sananikone swung a majority of the cabinet behind his policy of moderation after a bitter debate on 6 June, there are indications that the young reformers are unreconciled. This controversy may revive the factional disputes that plagued the government in February and March and served to divert its attention from the important rural aid program.

(Secretary of Defense Phoumi and Deputy Chief of Staff Ouan on 6 June said they felt that the government's policy of leniency toward the Communists was a mistake and speculated that the premier may have been motivated by fear that the military were seeking to maintain tension in order to take over the government.)

(Foreign Minister Khamphan Panya told the US chargé on 7 June that he and several other proponents of a "hard line" might resign from the cabinet in protest, but later indicated that the reformers together with the crown prince might instead put pressure on Phoui to reverse the government's policy. The premier, however, does not expect that the crown prince will push the issue to a showdown or that the young reformers will resign.)

Despite the Laotian Government's release of the pro-Communist leaders and its announcement that operations against the defected Pathet battalion had ended, the Communist bloc probably will continue to protest publicly over the situation in Laos and call for the reconvening of the International Control Committee for Laos.

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India Obtains Soviet Assurances of Increased Aid for Third Five-Year Plan

The high-level Indian economic mission which recently returned from Moscow apparently was successful in obtaining assurances of increased Soviet aid for India's Third Five-Year Plan (1961-66). The mission, in addition to signing a previously discussed \$20,000,000 loan agreement to construct pharmaceutical plants in India, secured Soviet agreement to undertake preparatory work on the construction of a large machine-tool plant in India.

No definite action was taken on other Indian requests--such as doubling the capacity of the Bhilai steel mill--which would have an estimated foreign-exchange cost of \$735,000,000. Soviet officials apparently made it clear, however, that they were ready to help with these projects and gave preliminary estimates of their planning and scheduling. Soviet aid to India now totals \$324,000,000--about ten percent of the total foreign aid received by India--and will increase to nearly \$400,000,000 if, as seems likely, India accepts earlier Soviet offers to construct a petroleum refinery and an oil drilling equipment factory.

Moscow's latest offer will enable the Soviet bloc to play the predominant role in developing India's heavy machinery complex, a series of seven plants which is a major goal of India's third plan. The USSR had previously agreed to build plants to produce heavy machinery and coal-mining equipment, and Czechoslovakia had agreed to construct a large foundry-forgo. Although India apparently still hopes to obtain Western assistance for the remaining three units, determination to complete the heavy machinery complex during the third plan may make India receptive to further Soviet offers. [redacted]

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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

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