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7 October 1958

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CENTRAL INTELLIGENCE BULLETIN



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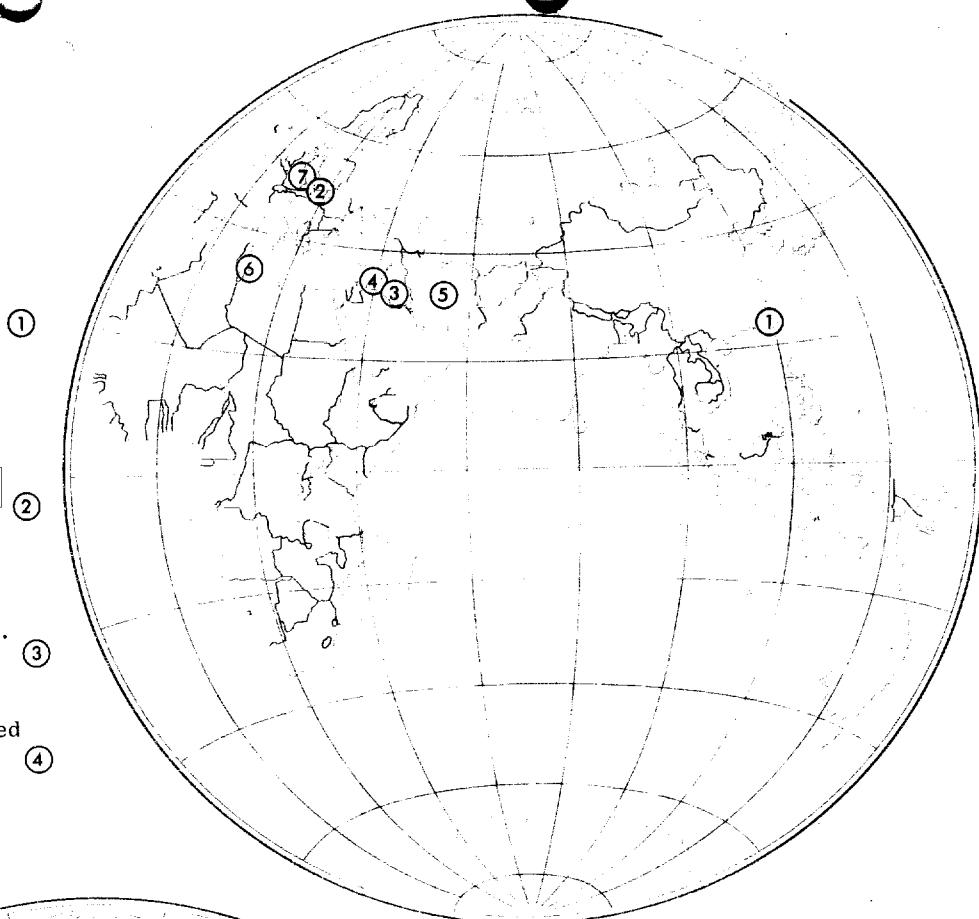
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7 OCTOBER 1958

I. THE COMMUNIST BLOC

Taiwan Strait - No Communist artillery fire against Chinmens since 5 October.

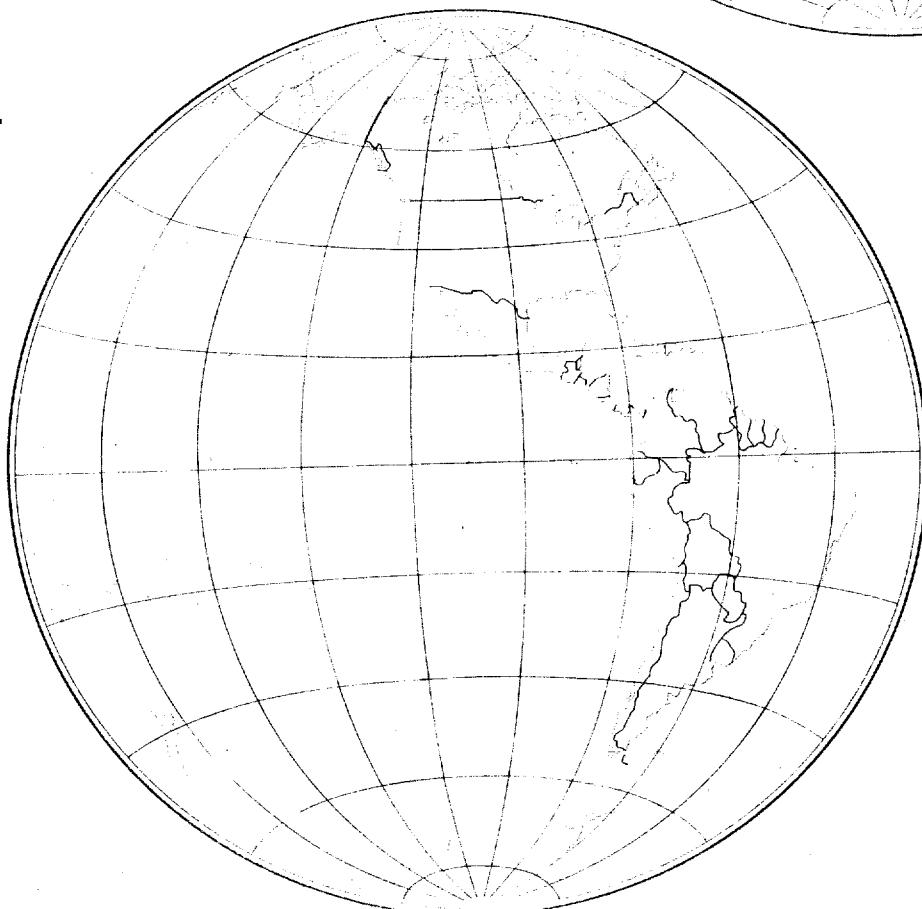


II. ASIA-AFRICA

Algerian agents to purchase more arms in Prague.

Iraq - Military mission scheduled for Moscow. Baathist cabinet member intends to resign as pressure on Prime Minister Qasim.

Syria - Action against American-owned oil company probably intended as pressure on Tapline.



⑤ Iran - Reported conspiracy aims to limit powers of Shah.

⑥ Tunisian-Egyptian relations continue difficult.

III. THE WEST

⑦ West Germany moves toward relations with East European satellites.

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CENTRAL INTELLIGENCE BULLETIN

7 October 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

*Taiwan Strait situation: There has been no Chinese Communist artillery fire against the Chinmens since about midnight, 5 October (Taiwan time). Peiping issued its "23rd serious warning" against the "intrusion" of US air and naval forces on 6 October, but did not threaten to resume shelling. Nationalist officials are making every effort to offset the effects of Peiping's cease-fire offer. [redacted]
(Page 1)

II. ASIA-AFRICA

Algeria-Czechoslovakia: Czech authorities were expecting agents to arrive in Prague shortly "to purchase arms for Algeria," [redacted]

[redacted] the agents as the same as those who negotiated a \$1,000,000 arms purchase with the Czechs in March 1957. (TOP SECRET EIDER) (Page 2)

Iraq: An Iraqi military mission headed by the commander of the air force and the assistant chief of staff was scheduled to leave Damascus for Moscow on 4 October, [redacted]

[redacted] Baathist Minister of State Fuad Rikabi, recently replaced as minister of development, intends to resign in order to create difficulties for Prime Minister Qasim, which he hopes will force Qasim to choose between the Socialist Baath and the local Communists. [redacted] (Page 3)

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OK
Syria: The operations of the independent Menhall group, the only American-owned oil exploration company in Syria, were suspended on 5 October and its funds frozen by the government. The action against this company is probably intended to bring pressure on the American-owned Tapline company, which has been presented with UAR demands for increased payments. [redacted] (Page 4)

ND
Iran: Reports of a conspiracy to reduce greatly the powers of the Shah and make major changes in government personnel continue to emanate from Tehran. Dr. Mozafar Baqai, unscrupulous leader of the relatively minor Toilers' party and former supporter of ex-Premier Mossadeq, is apparently involved in such a plan. Any such move to be successful would probably have to be supported, by a military move to oust the present government. Dissatisfaction of military circles with the present regime has frequently been reported. [redacted]

(Page 5)

ND
Tunisia-UAR: Although Tunisia has joined the Arab League, basically Tunis-Cairo relations continue to be difficult. Tunisian President Bourguiba on 29 September ordered his ambassador in Cairo to return to Tunis immediately. This move is an apparent effort to get Nasir to withdraw his protection from Bourguiba's exiled political rival, Salah ben Youssef, who is accused of plotting to overthrow Bourguiba. [redacted]

(Page 6)

III. THE WEST

OK
West Germany - Eastern Europe: Chancellor Adenauer in a 3 October press interview indicated that Bonn no longer considered recognition of East Germany by European satellites an obstacle to their establishing relations with Bonn. Recognition of East Germany by states independent of Moscow's control, however, would still be considered an "unfriendly"

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act" by Bonn. Adenauer suggested that trade missions with consular rights might be the first step toward full diplomatic relations with the European satellites.

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DAILY BRIEF

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TAIWAN STRAIT TALLY SHEET
(From JCS Situation Report No. 84)

Air Situation
(Losses claimed through 3 Oct)

	<u>Destroyed</u>		<u>Probably Destroyed</u>	
	<u>Today</u>	<u>Cumulative</u>	<u>Today</u>	<u>Cumulative</u>
Communist planes	0	28	0	4
Nationalist planes	1	5*	0	0

*Includes 2 C-46's, 2 F-84G's, and 1 F-86

Chinmen Supply Situation -
(Tonnage through 5 Oct)

	<u>Sea</u>	<u>Air</u>	<u>Total</u>
Delivery - 1-5 Oct	450	1,155	1,605
Totals (since 7 Sept)	---	--	5,005
Average Daily Rate			172
Minimum Austere Daily Requirements			320
Cumulative Deficiency Since 7 Sept			4,275

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I. THE COMMUNIST BLOC

Taiwan Strait Situation

Chinese Nationalist officials are making every effort to offset the effects of Communist China's cease-fire offer. One ranking Nationalist leader told an American official on 6 October that his government views the move as a threefold attempt to divide Taipei and Washington, to weaken the morale of the troops on Chinmen, and to provide a means to charge the United States with forcing hostilities, possibly as a prelude to a major assault.

Chiang Kai-shek told British newsmen on 6 October that the Warsaw talks should be broken off to test Peiping's reaction. A Nationalist military spokesman publicly dismissed the Communist offer to suspend shelling for a week as "purely international propaganda."

There has been no Chinese Communist artillery fire since about midnight 5 October (Taiwan time). Peiping, however, issued its "23rd serious warning" on 6 October against the "intrusion" of US air and naval forces, claiming that the "so-called escort" is not to help Nationalist forces, but "to create tension and extend aggression." Peiping stated that the American actions occurred despite Defense Minister Peng Te-huai's offer to permit shipment of supplies to Chinmen on condition that there be no American escort, but the statement did not threaten to resume shelling. [redacted]

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II. ASIA-AFRICA

Algerian Rebels Reported Again Seeking Czech Arms

The rebel Algerian National Liberation Front (FLN), which continues to receive most of its external arms support from the UAR, may be about to conclude a new direct arms purchase from Czechoslovakia.

[redacted] the UAR air attaché in Prague [redacted] notified by Czech authorities that "a group from Austria and Hamburg" would arrive in Prague "in a few days to purchase arms for Algeria." [redacted]

[redacted] Czech query as to the competence of the group to make such purchases, appeared to equate it with a North African mission which, under Egyptian auspices, concluded a deal in Prague in March 1957 for \$1,000,000 worth of unmarked small arms. These weapons were eventually confiscated by Spain when an attempt was made to bring them into northern Morocco.

There is no indication as to the possible magnitude of any purchase which might materialize from this latest contact.

FLN leaders have insisted [redacted]

[redacted] that their policy was to accept only "token" offerings from the bloc as long as arms are available through Arab sources. For its part, the bloc has generally appeared to reciprocate this cautious approach as far as its actual material support of the Algerian rebellion is concerned. [redacted]

[redacted] a high-level Czech official who visited Damascus was to discuss with the Syrians a \$25,000,000 contract for arms for the Algerian rebels, but there is no firm evidence that such a deal was ever concluded. The rebels may, however, now be receiving some modern Czech small arms originally made available to Cairo. [redacted]

[redacted]

[redacted]

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~~TOP SECRET~~Iraq Situation

The UAR military attaché in Baghdad has been officially informed by the Iraqi authorities that a "top-secret," four-man military mission was to be sent to Moscow from Damascus on 4 October, [redacted] Included in the mission were the chief of the air force, the assistant chief of staff, and the director of plans. This group presumably will discuss Iraqi requirements for arms, especially aircraft.

In the domestic political situation, former Deputy Premier Arif is said to be in a quandary regarding his future course of action. His Egyptian advisers believe that unless Arif refuses to accept the ambassadorship to West Germany and stays in Iraq, his influence will be finished completely." Fuad Rikabi, Baathist Socialist ex-minister of development who recently was shunted into the post of minister of state, is planning to resign in order to precipitate a cabinet crisis and force Premier Qasim to choose between the Baathists and the Communists for support. [redacted]

[redacted] a group of senior army officers is really governing Iraq in a manner similar to that applied in Egypt from 1952 to 1954. The Egyptians are working assiduously to further the interests of the pro-UAR faction and during the past week sent \$50,000 to their military attaché in Baghdad, presumably to buy support.

Premier Qasim, while professing political, military, and economic solidarity with the UAR, has given the faction which favors union with the UAR another setback by stating that union could come only after a plebiscite, to be held at some future time "when the health, cultural, and social standards of the people are raised." [redacted]

[redacted]

[redacted]

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~~SECRET~~Syria May Freeze Out American Oil Interests

The Syrian region of the UAR has issued a decree effective 5 October suspending all operations of the American-owned Menhall Prospecting and Exploration Company and providing for the liquidation or freezing of funds held by the company's Syrian branch. This move, which probably presages the forcing out of the American firm, suggests that Egyptian oil policy now has been extended to the Syrian region. The UAR may soon oust the West German-owned Societe des Petroles Concordia, which is the only other Western oil interest in the country.

The Menhall interests control Syria's only proved oil field, located near the northwest border of Iraq. While the field has not yet been fully defined, its reserves are thought to exceed 1,000,000 barrels; its geology is similar to Iraq's. In ousting Western oil interests, Syria would not have to resort to nationalization since, under Syrian law, neither the Americans nor the Germans have permits to exploit oil discoveries. Menhall's efforts to "Arabize" the firm, while apparently having some influence on Damascus, failed to sway officials in Cairo.

UAR officials probably will use their action in the Menhall concession to impress on officials of the American-owned Tapline, which carries Saudi oil to the Mediterranean, that they intend to press their demands for a substantial increase in revenues. The latest UAR demand, however, has been characterized as "impossible" by company officials since it would mean operating Tapline at a substantial loss.

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Conspiracies Against Shah Continue in Iran

Some Iranian political leaders are plotting against the Shah with the aim of greatly reducing his power and making extensive changes in the government. Discontent and plotting are also reported among military officers. Augmented efforts to lessen discontent have failed to be either extensive enough or dramatic enough to bolster the regime.

Dr. Mozafar Baqai, leader of the minor Toilers' party and a former supporter of nationalist leader ex-Premier Mossadeq, is involved in a plot, apparently rather well advanced, to force the Shah into a more limited role. He is selecting a shadow government with himself as prime minister and retired General Ismail Shafai as minister of war, and may be ready to move fairly soon.

Baqai claims he would immediately release from prison the popular General Valiollah Gharani, arrested in March for similar plotting. This would be an obvious effort to attract popular and military support. While Baqai apparently does not favor the use of force, military men associated with him believe he could be convinced, if force is necessary to oust the Shah.

Since the overthrow of the Iraqi Government in July, Iranian popular discontent and criticism have come to the surface, and a reform movement with any prospect of success could probably count on widespread popular and military support.

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Tunisian President Summons Ambassador From Cairo

President Habib Bourguiba is determined that Tunisia's membership in the Arab League shall strengthen his position in his chronically difficult relations with Nasir. On 29 September Bourguiba instructed Tunisian Ambassador Taieb Sahbani in Cairo to submit Tunisia's formal application for league membership--on which Bourguiba had been stalling--and to inform both the Egyptian Government and the Secretary general of the league that he was ordered to return to Tunis until "the outstanding problem" between Tunisia and the United Arab Republic has been solved. Bourguiba claimed last July that he had warned the UAR ambassador to Tunis that Sahbani would be withdrawn if the UAR continued to harbor Salah ben Youssef, Bourguiba's political rival, whom Bourguiba suspects of plotting to overthrow him.

[redacted] Egyptian authorities were agreeable to the expulsion of Ben Youssef but did not want to create the impression that Tunis was dictating his departure as a condition for joining the league. Learning that Tunis had indeed made this condition, Ben Youssef postponed his departure in an attempt to delay Tunisia's joining the league and thus to maintain Egyptian-Tunisian tension. [redacted] the Arab states would be offended if Tunisia conditioned its membership application on the actual departure of Ben Youssef.

Possibly influenced by this report, Bourguiba conceived his "formula" of recalling Sahbani, which he claimed [redacted]

[redacted] was "already having some results." He claimed that the UAR foreign minister and the Arab League secretary general would soon visit Tunis, presumably to discuss the recall of Sahbani and the consequent absence of a Tunisian representative during the current meeting of the league's council.

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Withdrawal of Sahbani may embroil Bourguiba in new difficulties with the Algerian rebels. Because of the absence of a Tunisian representative, the league on 5 October reportedly postponed adoption of a \$33,600,000 budget for the Algerian rebel regime for which the Algerians made application last month.

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III. THE WEST

Adenauer Indicates Policy Reversal on Relations With European Satellites

Chancellor Adenauer, in a press interview on 3 October, indicated a new attitude on the part of Bonn toward establishing diplomatic relations with Soviet-bloc countries. He said recognition of East Germany by these states would not prove an obstacle for Bonn since the satellites had no choice in the matter. Adenauer plans to discuss the matter with Soviet Ambassador Smirnov. Recognition of East Germany by states which are independent of Moscow, however, would still be considered an "unfriendly act."

Before making a final decision, Adenauer is awaiting a Foreign Ministry study of the question, expected within two weeks. He suggested that establishment of economic missions with consular rights might be the first step. Poland has indicated it would reject a proposal for such a mission, however, and would have to insist on full diplomatic relations. The problem of avoiding recognition of the Oder-Neisse boundary still may prevent full diplomatic relations with Warsaw.

Some Bonn Foreign Ministry officials have felt for some time that establishing relations only with Poland might arouse Soviet suspicions which could lead to greater pressures on Gomulka's government, and that all the satellites should be treated as a group. These officials feel that a simultaneous approach to at least Warsaw and a more "orthodox" Communist regime, such as Czechoslovakia, would give Gomulka some freedom to maneuver. [redacted]

[redacted]

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CORRECTION to item entitled Soviet Subs Ready for Delivery To UAR on Page 5 of Central Intelligence Bulletin for 6 October 1958. The last sentence of the second paragraph should read: "These included a squadron of MIG-17 jet fighters, about 80 T-54 medium tanks, more than 200 pieces of artillery, and modern military radar."

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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

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

The Department of Defense

The Secretary of Defense

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

Supreme Allied Commander, Europe

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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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