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11 June 1958

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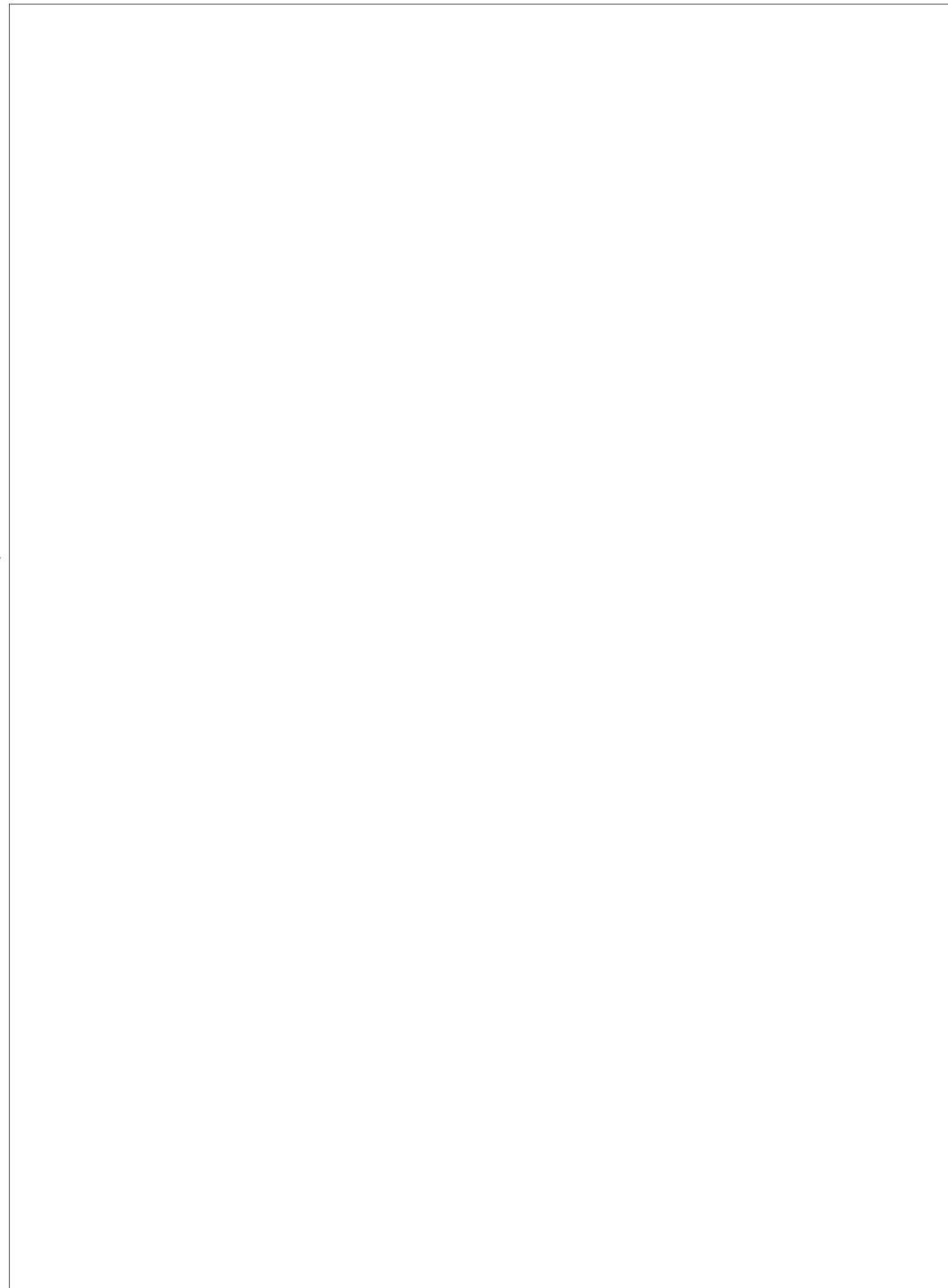
INTELLIGENCE

BULLETIN



DOCUMENT NO. 36
NO CHANGE IN CLASS.
 RECLASSIFIED
CLASS. CHANGED TO: TS-S-C
NEXT REVIEW DATE: 2010
AUTH: HR 10-2
DATE: 3/26/80 REVIEWER:

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11 JUNE 1958

I. THE COMMUNIST BLOC

USSR willing to earmark some gold reserves as backing for Indonesian currency.

II. ASIA-AFRICA

Rebels resume offensive in Lebanon; government still expects major attack on Tripoli.

Indonesia - Central government announces its troops have landed near Menado.

Arab Union - Nuri Said, in offering resignation, urges American aid and adherence of Kuwait to Union.

United Arab Republic - Renewed attacks on Syrian leader Hawrani indicate he may be purged shortly by Nasir.

- ⑥ Cyprus - Uneasy calm exists on island; Turks seen going all-out to force partition.
- ⑦ Japanese Socialists planning campaign to force Kishi into closer relations with Communist China.
- ⑧ Burma - Premier Nu's parliamentary victory with aid of pro-Communist votes raises possibility of elections and further Communist gains.

III. THE WEST

- ⑨ Adenauer and De Gaulle may meet soon with French seeking financial aid and West Germans trying to tie Paris more closely to European community.

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CENTRAL INTELLIGENCE BULLETIN

11 June 1958

DAILY BRIEF

SLRAB

I. THE COMMUNIST BLOC

No

USSR-Indonesia: The Soviet Union, at the request of Indonesia, is willing to earmark gold reserves in Moscow for use by the Bank of Indonesia as backing for its currency. [redacted] (Page 1)

No

II. ASIA-AFRICA

*Lebanon: Rebel forces have resumed the offensive in northern and southern Lebanon. Government sources continue to expect a major attack on Tripoli soon. Army Commander General Shihab claims that a call for Western intervention is becoming more imminent. The British ambassador in Beirut has warned that his country's new Cyprus policy may tie up forces "earmarked for possible deployment in Lebanon." [redacted]

(Page 3) (Map)

SA

Indonesia: Central government forces landed on 9 June at Bitung, the principal port for the dissident capital of Menado, and met no rebel resistance, according to a Djakarta announcement. Bitung is about 35 miles from Menado. [redacted]

No

Arab Union: Prime Minister Nuri Said has submitted his resignation because of the financial difficulties facing the Arab Union government. Nuri contends that additional

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Western aid and the adherence of oil-rich Kuwait are essential conditions for the Union's future existence. His action is aimed at spurring American consideration of the aid question as well as British action in trying to force the Ruler of Kuwait to join the Union.

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yes
United Arab Republic: Press attacks are again being made on Akram Hawrani, UAR vice president and leader of the Arab Socialist party. This may indicate that Nasir is preparing to purge him. Damascus newspapers are denouncing Hawrani's followers among the Syrian regional ministers for their handling of a petroleum shortage caused by Lebanese developments and are criticizing new customs tariffs. At the same time, the press is praising Minister of Interior Sarraj, Nasir's hatchet man in Syria, and suggesting that experts from Egypt may be needed to govern Syria directly.

(Page 6)

No
Cyprus: Except for isolated incidents, an uneasy calm exists on the island after four days of communal violence. The Turkish Cypriots, who apparently staged the Nicosia bombing incident on 7 June, are probably forcing the issue in an all-out bid to force partition. London still intends to announce its new proposals on 17 June, but under present conditions, this effort to promote a settlement also seems destined to fail. As a last resort, the British may reach the conclusion that partition of the island is the only plausible solution.

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DAILY BRIEF

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yes
Japan-Communist China: The Japan Socialist party is planning to undertake action in an effort to force the Liberal Democratic administration to recognize Communist China. Socialist efforts probably will gain support among many conservative elements and will put added pressure on Prime Minister Kishi to resolve the impasse on Japanese-Communist Chinese trade. Peiping's interference in the recent Japanese election campaign temporarily damped hopes for a satisfactory settlement. [redacted] (Page 7)

yes
Burma: Premier Nu's 127-119 parliamentary victory over Ba Swe and Kyaw Nyein was achieved with the help of 46 votes from the Communist-dominated National Unity Front, and adds to speculation among Burmese leaders that Nu may grant the insurgent Burmese Communist party legal status. If national elections are held in October, as now seems likely, and the Communists make gains, there may be disruptive tribal secessionist movements. [redacted]

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III. THE WEST

yes
France-West Germany: In view of France's financial plight, De Gaulle can be expected to be receptive to West German proposals for an early meeting with Chancellor Adenauer in order to push for German financial assistance. Bonn may try to use any loan to the French in an effort to tie Paris more closely to European economic organizations.

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DAILY BRIEF

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I. THE COMMUNIST BLOC

USSR Backs Indonesian Currency

The USSR has complied with an Indonesian request of early June to earmark gold reserves in Moscow to raise domestic confidence in Indonesia's currency,

[redacted] The value of this gold loan may be \$25, - 000,000, the amount the USSR reportedly was offering Indonesia in April.

In late May, Foreign Minister Subandrio suggested to the American ambassador in Djakarta that the United States should establish a gold reserve of \$25,000,000 to support Indonesian currency.

Indonesia's gold and foreign exchange reserves have dwindled to such a critical point that Prime Minister Djuanda has publicly mentioned the seriousness of the country's economic condition. Indonesia's chronic difficulties have been aggravated during the past 18 months by decreased production, the disruption of normal trade channels, and the increased government expenditures imposed by the Sumatran and Celebes revolts.

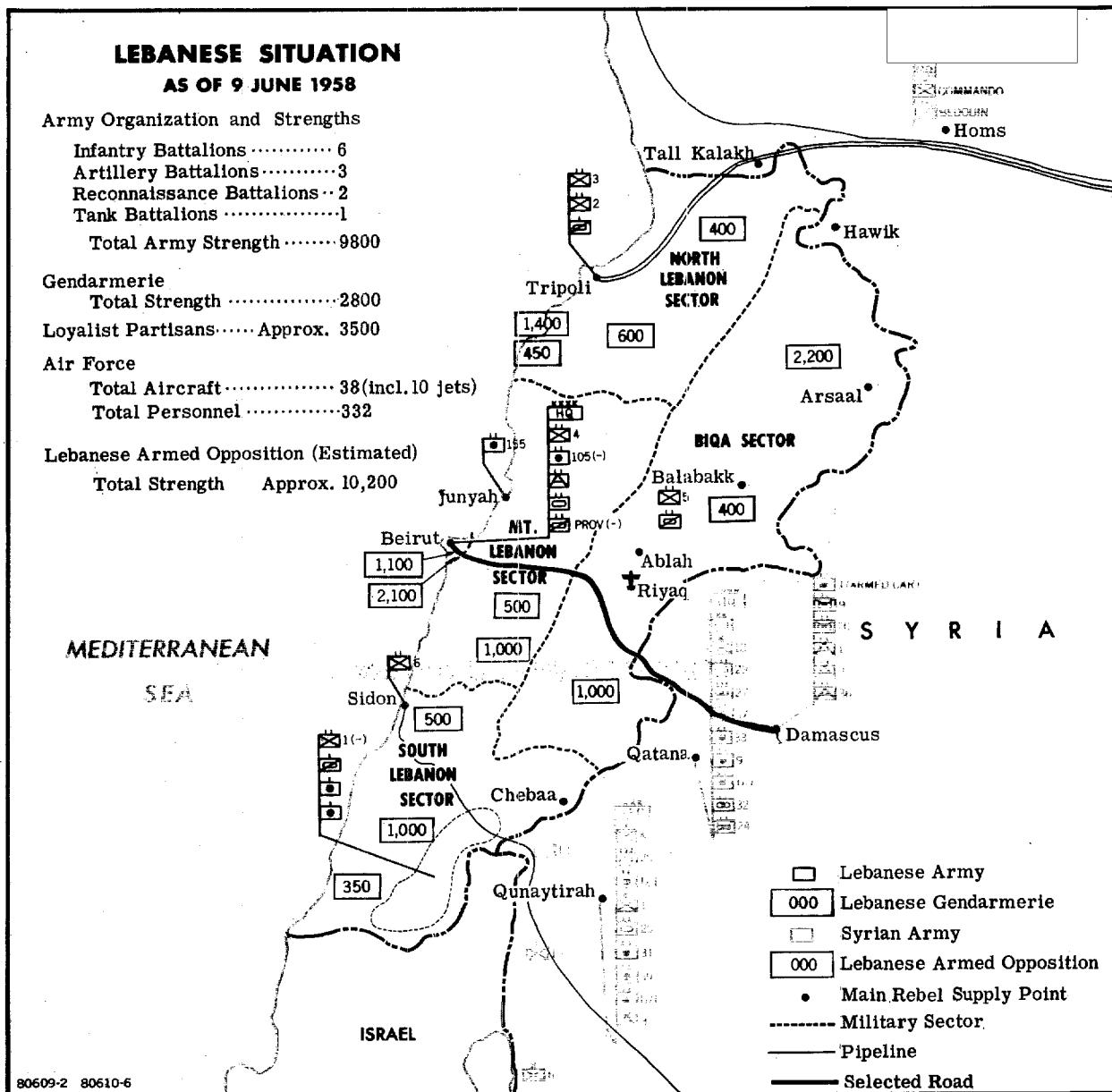
This loan could make it possible for Indonesia to use its dwindling gold and hard currency resources in trade with the West. Anticipating this, the Soviet deputy foreign minister reminded the ambassador that the Soviet Union is ready to supply "vital goods to Indonesia on the basis of a credit agreement," which would eliminate any need to use these resources in free-world markets. The USSR, by retaining physical possession of the earmarked gold reserves, will be in a position to exert additional pressure on Indonesia.

While Indonesia's trade remains largely oriented to free-world markets, the Sino-Soviet bloc is increasing the impact of its relatively small rubber purchases by dealing directly with Indonesian producers rather than with brokers in West Europe, and has met Indonesian food shortages by emergency rice shipments on long-term credits. The bloc also is supplying military equipment and under a \$100,000,000 credit, vessels necessary for interisland shipping on credit.

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This is a tentative statement as of 9 June and is based
on reports of varying reliability.

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II. ASIA-AFRICA

Situation in Lebanon

Rebel units have resumed the offensive against government security forces in both northern and southern Lebanon, according to reports reaching Beirut. In Tripoli, security forces utilizing artillery claim to have destroyed the citadel which has been used by rebel forces as a command post, and the opposing forces have clashed outside the city. Government sources continue to expect a major rebel attack on the city in the near future. Druze forces estimated at 400 men led by Kamal Jumblatt have attacked gendarmerie and pro-government partisans in the Mount Lebanon sector and are proceeding northward in a move to cut the main Beirut-Damascus highway. The harassment of rebel bands by the Lebanese Air Force brought about a night attack on the Riyaq air base by rebels on the night of 9-10 June, which was repulsed.

[redacted] it is beyond the army's capability to prevent increasing infiltration of armed bands from Syria and that policing of the Lebanese frontier by a UN-type police force would not be effective. [redacted]

[redacted] the possibility of a call for foreign intervention is becoming more imminent, then predicted that foreign troops could not be withdrawn "for 25 years." On the other hand, the gendarmerie commandant has stated that the general will prolong the Lebanese Army's vacillating posture until the political situation has deteriorated to the point where Shihab, "a la General de Gaulle," would be summoned unanimously to take control of the country.

[redacted] Britain's forthcoming new Cyprus policy would probably tie up forces "earmarked for possible deployment in Lebanon." However, [redacted]

[redacted] the British Mediterranean fleet could provide about 2,000 troops for such a venture.

The political crisis shows some additional signs of being transformed into a confessional struggle. In an unprecedented action, the Grand Mufti of Lebanon--the nation's highest

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Moslem dignitary--and the Ulemas--the juridical leaders of the Sunni Moslem faith--"excommunicated" Prime Minister Suh from their sect. Declaring "May the curse of Allah fall upon him," the Ulema called upon Moslems to ostracize and disown Suh. In retaliation, the government has suspended four of the judges of the supreme Moslem religious court who signed the decree, charging them with engaging in political matters and demonstrating against the government. This action will be interpreted by the Moslem masses as meaning that the struggle in Lebanon has assumed religious proportions, and will lessen Suh's influence in Moslem circles, while increasing his popularity among the Christians.

The Christian Maronite community meanwhile is having second thoughts concerning the pro-opposition attitude of its Patriarch, who has openly criticized the government and praised the opposition during a recent press conference. His statement that many of his bishops had been bribed by the government has aroused the ire of the higher clergy, who are reported to have petitioned the Vatican against the Patriarch's stand. A majority of the Maronites are said to be furious at the Patriarch.

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Arab Union Prime Minister Submits Resignation

Arab Union (AU) Prime Minister Nuri Said is attempting to increase pressure for a larger amount of Western financial aid to the new union and for stronger action by Britain to bring oil-rich Kuwait into the AU. The AU Treasury Ministry has drawn up a budget for presentation to the AU Parliament on 12 June showing an estimated deficit of \$18,592,000 for the nine months ending 31 March 1959, and the prime minister has submitted his resignation rather than present such a budget. He is reported to have told King Faysal that he would insist that the question of Kuwait's joining the AU also be resolved at once. Faysal has not accepted the resignation, however, and Nuri probably does not expect him to do so.

AU financial officials envisage that the union will normally have a deficit of about \$21,000,000 annually. According to the American Embassy in Baghdad, the Iraqis clearly expect this shortfall to be made up by Kuwait. Nuri stated on 9 June that he had recently given the British ambassador in Baghdad a "memorandum" asserting that only two courses of action were open to Iraq: either demarcation of the Iraq-Kuwait boundary so that a considerable part of Kuwaiti oil-producing area would become Iraqi territory, or incorporation of Kuwait in the AU. Since Britain probably cannot bring Kuwait to accept either of these courses, Nuri can be expected to make even stronger appeals for direct American and British assistance. [redacted]

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~~SECRET~~Nasir May Institute Purge in Syrian Region of UAR

Resumption of attacks on UAR Vice President Hawrani and his followers by the semicontrolled Damascus press may presage a purge by Nasir of the Syrian regional government. The attacks are accompanied by a suggestion that Egyptians--"statesmen from the southern region"--be brought in.

Similar attacks, centering on an agrarian labor reform which Hawrani was sponsoring, occurred during Nasir's visit to the USSR. In the present instance, Hawrani's supporters among the regional government ministers are being criticized for their handling of the petroleum shortage which has developed since the fighting in Lebanon cut the normal supply routes for refined POL. A recent change in the Syrian customs tariff, which had been interpreted as aimed at bringing Syria's customs duties into line with those of Egypt, has also been criticized in Damascus and cited in press reports from Cairo as having irritated Nasir.

At the same time, Nasir's hatchet man in Syria, Interior Minister Sarraj, is being praised by the Damascus press for his statements urging further efforts to solve the POL situation. Sarraj and Hawrani, a demagogic political leader and theorist, have not gotten on well together in the Syrian regional government. Hawrani has been especially suspect since it appears that his Arab Socialist (Baath) party has not dissolved itself as was agreed when the UAR was formed last winter. Nasir almost certainly would like to eliminate any vestiges of independent followings which Syrian politicians have carried over into the UAR, and there have been several reports that he is concerned about the situation in Syria and has intended to take action since his return from Moscow. In addition to the political situation, Nasir may be concerned by reports of friction--possibly involving a shooting affray--between Egyptian and Syrian army officers.

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Japanese Socialists Plan Campaign for Recognition of Communist China

The Japan Socialist party has adopted a new policy designed to revitalize Japanese elements advocating relations with Communist China and to force the ruling Liberal-Democratic administration into early recognition of the Peiping regime.

The Socialists will hold nationwide rallies to gain support for their policy and are planning to send a delegation to Peiping to sound out the attitude of Chinese Communist leaders toward Japan.

Although Peiping's efforts to influence the recent Diet elections in Japan caused considerable resentment among the Japanese and its suspension of trade relations dampened Japanese business hopes for expanded trade, there remains widespread sentiment for closer relations with the China mainland, both for trade and cultural development. The Socialist campaign, therefore, probably will gain support among many conservatives and result in pressure on the Kishi government to solve at least the trade impasse. The mandate which Kishi received in the recent elections, however, should enable him for the present to resist Peiping's demands for rapid political concessions.

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~~SECRET~~Burma

The Communist-dominated National Unity Front, which provided Premier U Nu with 46 votes in his 127-to-119 parliamentary victory on 9 June, and the insurgent Burma Communist party are probably the main beneficiaries of the political crisis in Burma.

U Nu has been in correspondence with insurgent leaders since January searching for an acceptable formula for their mass surrender. They speculate that Nu must have promised the legalization of the Communist party in return for NUF parliamentary support.

NUF leaders are already reported making substantial gains by urging war-weary rural voters that the combination of "Nu and NUF" would mean peace. Although U Nu is expected to disown both the NUF and the Burmese Communists prior to the general elections, it appears that the NUF has already established a firm grip on his political coattails.

after the budgetary session of Parliament in August, Premier Nu will call for general elections to take place 60 days later. Primary interest will center on Communist gains, as there is fear that, if the Burma Communist party is legalized and the split between Nu and his former colleagues continues, the Communists and their allies, who won about 34 percent of the vote in the last election, could win a parliamentary majority.

Shan States nationalists, led by the secessionist Mahadevi of Yawngiwe, wife of Burma's first president, are already organizing a new Shan party which is prepared to secede if Communists make a strong election showing. As the government is pledged to fight to preserve the Union, this could lead to civil war. In addition, General Ne Win, army commander, has warned that the army will take action if Communists are included in the government.

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III. THE WEST

De Gaulle Pressing Bonn for Financial Assistance

West German suggestions that Chancellor Adenauer would welcome an early meeting with French Premier de Gaulle will probably be taken up by De Gaulle in order to push negotiations for German financial assistance to France.

[redacted] French Foreign Minister Couve de Murville has continued, on De Gaulle's behalf, consultations started under the Gaillard government looking to a large West German credit to France, estimated by the source at \$240-480,000,000. Further discussion concerning the credit, which would be covered by French Saharan oil production, is expected to be entrusted to "one of De Gaulle's closer colleagues."

[redacted] unofficial talks between French and German nationals on the Common-Market Commission on the possibility of a \$100,000,-000 German credit. The latter figure seems a more realistic estimate of the amount which might be negotiated.

Meanwhile, Paris has been pressing for German permission to draw on \$34,000,000 in deutschmark credits in the International Monetary Fund, in advance of the scheduled release date and without satisfying the conditions under which the funds were earmarked for France last winter, in order to apply them to the French deficit in the European Payments Union for May. Thus far Bonn has been reluctant to accede to this request.

⑤ A 9 June statement by Couve de Murville reaffirming French treaty commitments noted that implementation of France's Common-Market obligations would depend on a rapid improvement in the deteriorating French economic picture. This suggests that De Gaulle, whose personal views on continued French participation in European economic integration are not known but have been reported as unfavorable, may play on Bonn's desire to ensure continued French participation.

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