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10 September 1958

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# CENTRAL INTELLIGENCE BULLETIN



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10 SEPTEMBER 1958

**I. THE COMMUNIST BLOC**

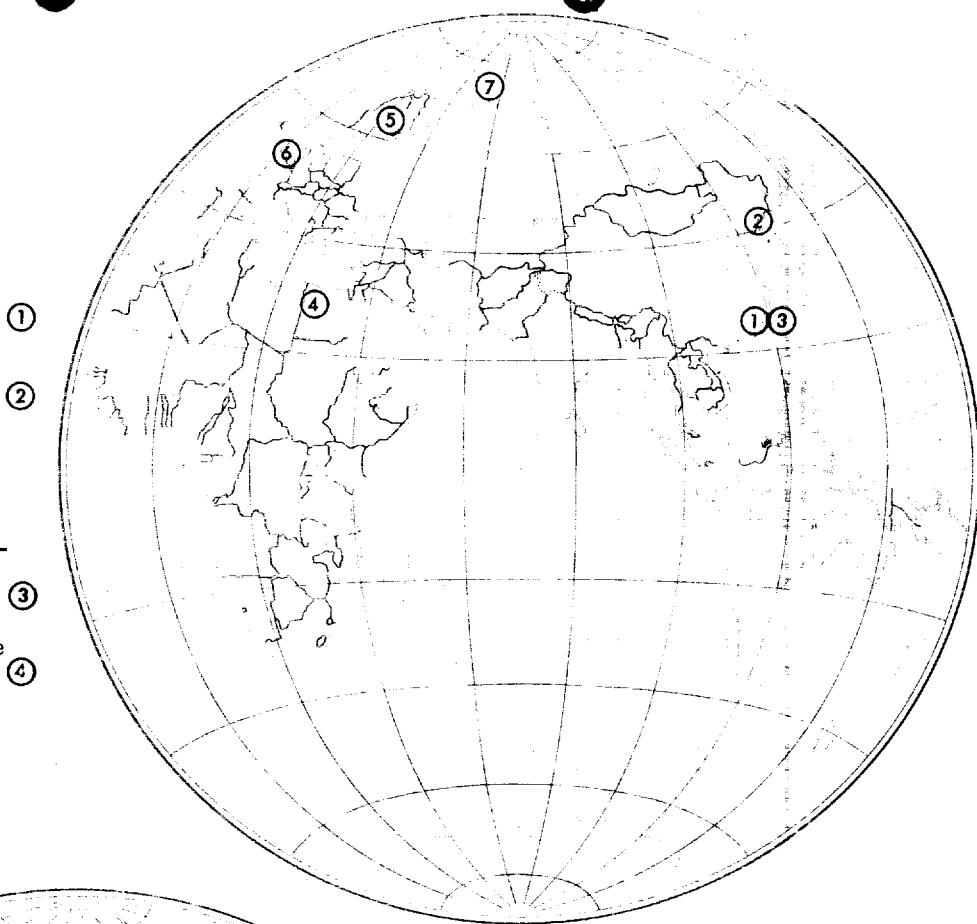
Taiwan Strait - People's Daily warns that US convoying will involve "direct armed conflict."

Peiping announces final phase of troop withdrawals from Korea.

**II. ASIA-AFRICA**

Rhee's ambassador says Chinese Nationalists hope to expand any retaliation against mainland into "all-out war."

Nasir will request Western assistance for Aswan High Dam.

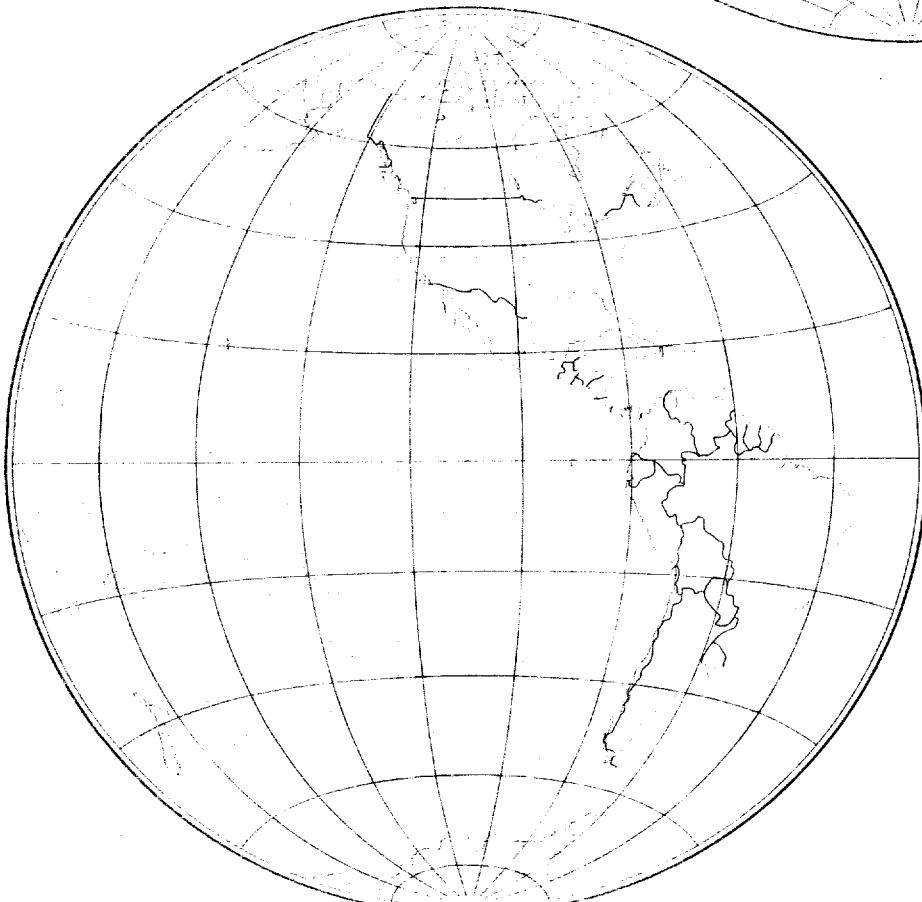
**III. THE WEST**

⑤ Finnish President feels hardening Soviet attitude may require more flexible cabinet; reorganization could lead to inclusion of Communist front.

⑥ Dutch will protest in NATO against US arms shipments to Indonesia.

**LATE ITEM**

⑦ USSR making preparations for possible resumption of thermonuclear testing.

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## CENTRAL INTELLIGENCE BULLETIN

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## DAILY BRIEF

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## I. THE COMMUNIST BLOC

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Taiwan Strait situation: In the sharpest warning from Communist China thus far, the Peiping People's Daily has said that convoying activity will put the US in a "most precarious situation involving direct armed conflict with China at any moment," adding that there is no room for "ambiguity and compromise." It accused the US of "now carrying on its most dangerous military adventure since the second World War." The editorial called on the US to solve the "international dispute" through peaceful negotiations, but made no reference to ambassadorial talks.

(Page 1)

*OK*

Communist China: Peiping has announced that the third and final phase of its troop withdrawal from Korea will begin on 25 September. The removal of the remaining 111,000 Chinese Communist troops in Korea is expected to be completed before the end of the year.

(Page 3)

## II. ASIA-AFRICA

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South Korea: On 3 September Seoul's ambassador to Taipei, who had been in contact with Chiang, advised President Rhee that the Chinese Nationalists foresaw the possible development of the offshore islands hostilities into a counter-attack on the mainland which they would try to expand into an "all-out war." The ambassador asserted that Korea should prepare "to march north" and suggested a Korean - Nationalist Chinese military alliance. Rhee, however, has given no

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indication he intends to exploit the Taiwan Strait situation. [redacted] (Page 4)

*DIC*  
UAR: Nasir said [redacted] he will ask for Western assistance to build the Aswan High Dam, if current financial negotiations with Britain are settled "satisfactorily." The UK-Egyptian talks in Rome appear to promise early agreement on claims resulting from the Suez conflict. Nasir suggested he would go ahead with the dam without consulting the Sudan. [redacted] (Page 5)

### III. THE WEST

*OK*  
Finland-USSR: President Kekkonen of Finland has said that he is convinced that the Soviet attitude toward Finland is hardening. He fears that the incumbent Finnish Government will not be sufficiently "flexible," and may seek the formation early this winter of a new government. Such a government presumably would include the Communist-front Finnish People's Democratic League. [redacted] (Page 6)

*No*  
Netherlands-Indonesia: The Netherlands permanent representative to NATO has received categoric instructions from his foreign minister to make a "real row" in NATO over American arms deliveries to Indonesia. [redacted] (Page 7)

### LATE ITEM

\*USSR: [redacted]

*TP*  
[redacted] the USSR will probably resume tests of thermonuclear devices in the near future. A resumption prior to the 31 October opening of scheduled Geneva talks on a test cessation agreement would indicate that Moscow believes the need to keep pace with recent American and British nuclear weapons progress outweighs the political disadvantages which renewed Soviet testing would entail.

[redacted] (Page 8)

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## I. THE COMMUNIST BLOC

### Taiwan Strait Situation

Peiping is continuing its stress on the "dangerous" nature of the offshore islands situation. On the mainland, tension is being sustained by demonstrations and propaganda calling for "determination to defend the motherland."

The Peiping People's Daily has told Chinese Communist readers, in an editorial featuring the sharpest warning to date from the Chinese in the present crisis, that a clash with US forces may be imminent. The English-language broadcast by the Chinese Communists said that continued convoying activity will put the US in a "most precarious situation involving direct armed conflict with China at any moment." The article called present US activity in the Taiwan Strait area America's "most dangerous military adventure since the second World War," and urged Washington to settle the dispute by negotiation. The People's Daily editorial made no reference, however, to the ambassadorial talks.

The American Consulate General in Hong Kong believes that if Sino-American talks are resumed, the Chinese Communists may propose that negotiations be transferred to a bilateral ministerial conference or a multilateral summit meeting with Chinese Communist participation, while the ambassadors in Warsaw confine their efforts to preliminary airing of views and establishing the ground rules. At any meeting, Peiping may seek to negotiate the withdrawal of Chinese Nationalist troops from the Kinmens and Matsus.

The consulate general also believes that the question of Taiwan and the Penghus is of a different nature, and that neither side could negotiate that issue without a major policy change. Peiping's propaganda on 9 September stressed the "immediate threat" posed by the Kinmens and the Matsus, but placed Taiwan and the Penghus in the category of territory which will be "restored sooner or later."

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Communist artillery fired more than 53,000 rounds on the Kinmens on 8 September, and continued firing at a reduced rate through the morning of 10 September. [redacted]

Two Communist naval vessels, possibly landing ships, moved south from Tsingtao to Shanghai between 7 and 8 September. [redacted]

Chinese Nationalist handling of the resupply convoys to the Kinmens on 7 and 8 September was marked by lack of coordination, preparedness, and direction of effort at the beaches by the Kinmen Defense Command. Neither convoy unloaded all of its supplies, and an LSM from the second convoy was lost. No smoke screen was laid to shield the landing ships on the beach, and counterbattery fire suffered from improper positioning of Nationalist guns as well as lack of precise knowledge of the Communist gun positions. The convoy for 9 September was canceled. [redacted]

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### Chinese Communist Withdrawal From Korea

The Chinese Communists have announced that the third and final phase of their withdrawal from Korea will begin on 25 September. Remaining to be withdrawn during this phase are about 111,000 troops, including the Chinese Communist 1st Army, two artillery divisions, an antiaircraft artillery division, and a rocket-launcher division. Four armies and support units totaling about 200,000 troops have already been withdrawn from Korea. The 16th and 23rd Armies were withdrawn during the first stage completed on 25 April, and the 21st and 54th Armies withdrew during the second stage completed on 14 August.

The repositioning of the North Korean Army, which has a strength of about 334,000 men, has resulted in some loss of defensive depth, but the Chinese are maintaining strong forces across the border and have announced that they will return to North Korea if hostilities are resumed. There are at present no indications that the Communists intend to initiate hostilities in North Korea.

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## II. ASIA-AFRICA

### Chiang Urges South Korean Preparation for March North

Chiang Kai-shek, [redacted]

[redacted] urged that the Korean Army make preparations for a march north "when war breaks out in the Formosa Strait."

[redacted] Kim subsequently informed President Rhee that the Nationalists were resolved to seize the opportunity to counterattack the mainland, and they foresaw the possibility of expanding any US - Chinese Communist air battle into an all-out war.

The ambassador suggested a South Korean - Chinese Nationalist military alliance, and noted that "above everything else" Seoul now should regain its freedom to exercise authority over Korean troops presently under UN command, for the eventuality of a decision to attack North Korea. The additional handicap of the logistic limitations of the South Korean forces, which make them incapable of a sustained offensive without United States support, was not mentioned.

President Rhee has been relatively cautious in his reaction to the Taiwan Strait situation and has not exploited the situation by inspired mass demonstrations. He probably will continue to insist on a firm free-world stand against Communism, but will be reluctant, as he has been in the past, to undertake military alliances.

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Nasir May Request Western Aid to Build Aswan Dam

President Nasir [redacted]

[redacted] intended to request Western assistance in constructing the high dam at Aswan, provided the present UK-Egyptian financial talks in Rome end "satisfactorily." He feels that these talks are going well, and it appears that settlement of the claims arising out of the 1956 Suez conflict may be reached soon.

Nasir indicated he may go ahead with plans for the dam without consulting the Sudan. He feels the Sudan's decision last July to divert part of the Nile waters for a local irrigation project constituted a unilateral abrogation of the 1929 agreement, and justified independent UAR action. The Sudan declared on 20 August it would no longer abide by the agreement, signed before Sudanese independence, and is seeking a renegotiation with the UAR in an effort to secure a more favorable division of the waters. The UAR press and radio vigorously attacked the Sudan's announcement, and Cairo has given no indication of willingness to meet the request for new talks. If it maintains this attitude, its influence in the Sudan will probably suffer.

[redacted]

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### III. THE WEST

#### President Kekkonen Feels Finland Must Follow Flexible Policy Toward USSR

President Kekkonen of Finland is convinced that the USSR's attitude toward Finland is hardening and will become even harder in the coming year. There is no conclusive evidence to support his fear. Kekkonen feels, however, that Finland must be prepared to follow a flexible policy and to make "tactical concessions," [redacted]

President Kekkonen and the powerful Agrarian party have certain reservations regarding the flexibility of the incumbent government and may consider it wise to replace it with another coalition. The present cabinet, formed on 29 August, is a coalition of Social Democrats, Agrarians, Conservatives, Finnish Liberals, and the Swedish People's party. The Communist-front Finnish People's Democratic League (SKDL), the largest party in parliament, and the splinter Social Democratic opposition are not in the government.

A new coalition would presumably include the Agrarians, the SKDL, and the Social Democratic opposition. Such a development is not likely to occur until early winter after the passage of a new farm-support bill. Despite the accommodation of some Agrarian leaders to the idea of including the SKDL, there would be strong opposition from the rank and file. [redacted]

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## Netherlands to Make Protest in NATO Over US Arms Deliveries to Indonesia

Netherlands Foreign Minister Luns has sent instructions to the Dutch representative in NATO, Dirk U. Stikker, to make a "real row" over American arms deliveries to Indonesia. Luns is greatly concerned about the possible use of these arms as a threat to West New Guinea. His attitude probably reflects the views of other members of the Dutch cabinet as well as the results of his talks with Australian Foreign Minister Casey on closer Australian-Dutch cooperation on the West New Guinea question.

Plans to implement the Australian-Dutch agreement of 1957, which was designed to promote closer administrative cooperation between the two countries, were worked out by Luns and Casey in their 29-30 August talks at The Hague. Although a military pact was not signed, Casey apparently assured Luns that the Australians would assist the Dutch if a military attack were made on West New Guinea.

According to Stikker, his government, encouraged by British agreement to cancel the intended sale of aircraft to Indonesia, now opposes arms deliveries of any kind. If NATO support develops for an embargo on arms shipments from NATO countries to Indonesia, he expects Belgian permanent representative De Staercke to make such a proposal. Luns had previously expressed fear that Belgium and other **NATO** countries would follow the US lead and ship small-arms ammunition to Indonesia. The Dutch also contend that arms deliveries are contrary to assurances given them in **NATO** discussions of the Indonesian situation last February.

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## LATE ITEM

USSR May Be Preparing Resumption of Nuclear Testing

[redacted] the USSR will probably resume thermonuclear testing in the Novaya Zemlya area.

[redacted] the reactivation of a single-channel scrambler link between naval headquarters at Severomorsk and Belushya on 29 August; a brief closure of the Kola Gulf on 3 September; and the flight of at least two and possibly four aircraft associated with nuclear testing from their base at Kerch/Bagerova to Olenya airfield on 6 September. In the past, such activities have preceded testing of nuclear weapons in the Novaya Zemlya area. The preparations detected would indicate resumption prior to the scheduled 31 October start of Geneva talks on a test cessation agreement.

Khrushchev in a Pravda interview warned on 29 August that continued American and British testing "relieves" the Soviet Union of the obligation it had assumed unilaterally" on 31 March 1958, when the Supreme Soviet declared a test moratorium. He noted that the moratorium declaration had provided for resumption of tests under just such circumstances.

A resumption of tests prior to the Geneva talks would seriously weaken the effectiveness of Moscow's repeated charges that continued American and British tests prove the insincerity of Western proposals for a test suspension agreement. A test resumption before the talks thus would indicate that, in Moscow's judgment, the need to keep pace with recent US-UK nuclear weapons progress outweighs the international political disadvantages of renewed testing. Khrushchev in his interview remarked, "Fine figures we, the leaders of the Soviet State, would cut, if in the face of such actions of the Western powers we should ignore the vital and lawful interests of our country's security!"

In view of the fact that Khrushchev again expressed pessimism regarding Anglo-American willingness to agree to terminate tests, it is possible that the preparations noted recently are timed to permit resumption of testing immediately after a possible breakdown in the Geneva talks.

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