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4 April 1958

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CENTRAL INTELLIGENCE BULLETIN



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4 APRIL 1958**I. THE COMMUNIST BLOC**

Peiping suggests Japanese failure to implement flag rights may void trade agreement.

Ulbricht maintains firm control in East Germany despite continued opposition within party.

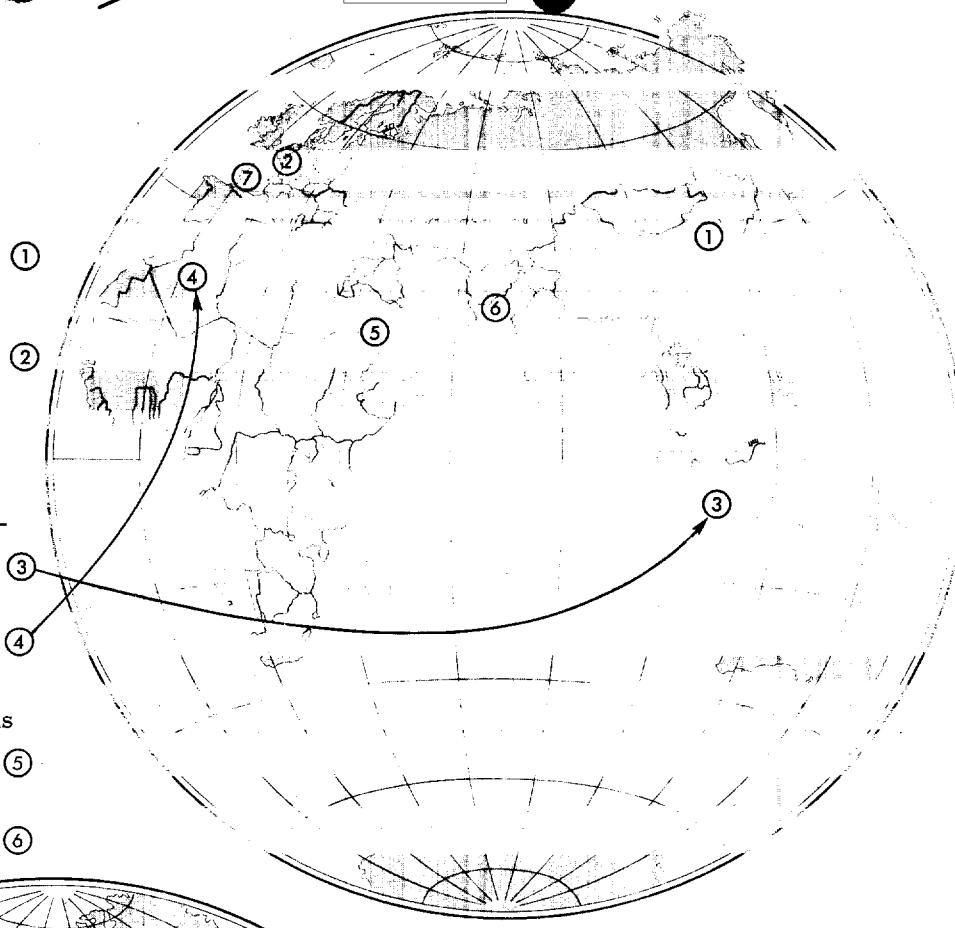
II. ASIA-AFRICA

Indonesia - Orders for paratroopers now committed in Sumatra to regroup in Djakarta suggest new action by central government in near future.

Algerian rebels' plans for provisional government reported ready.

Saudi Government fears possible subversive activities by Egyptian nationals remaining in Saudi Arabia.

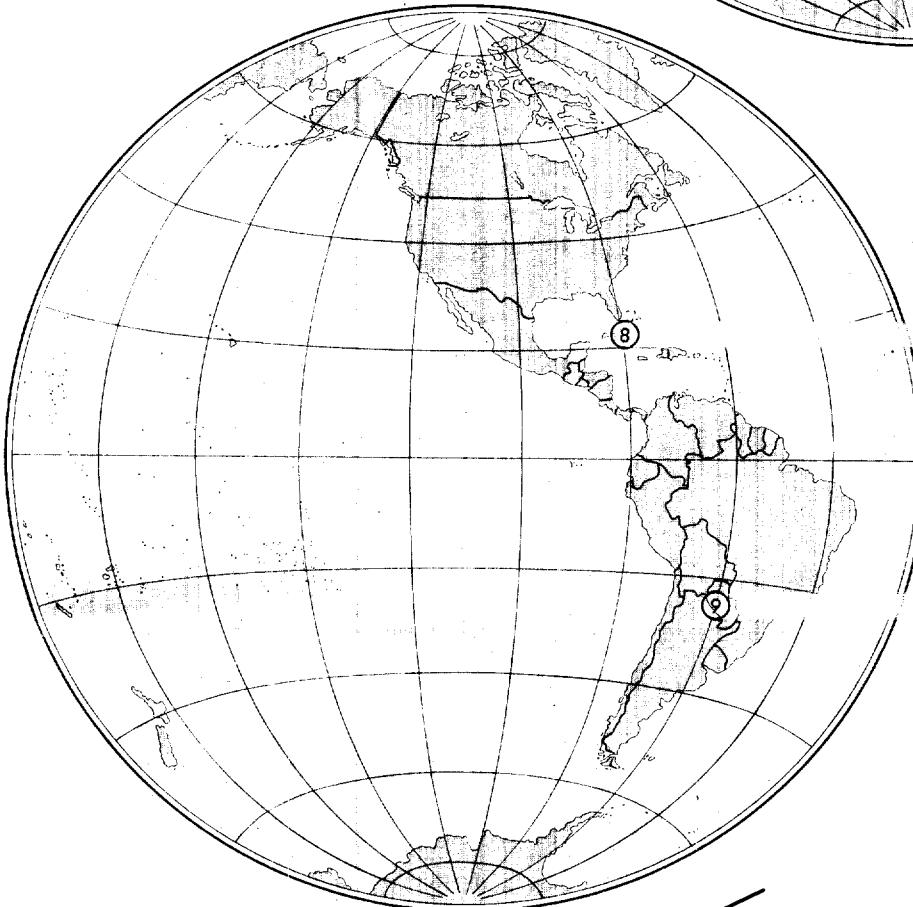
Pakistani leaders suggest consideration of neutral foreign policy.

**III. THE WEST**

⑦ France - Gaillard insists neutral observers must operate on both sides of Algerian-Tunisian border.

⑧ Cuba - Government forces still in control in Santiago.

⑨ Paraguay - Stroessner's position weakened despite suppression of 1 April revolt.

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CENTRAL INTELLIGENCE BULLETIN

4 April 1958

DAILY BRIEF

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I. THE COMMUNIST BLOC

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Communist China - Japan: The Chinese Communists have leveled bitter criticisms against Japanese Prime Minister Kishi in an effort to forestall Tokyo's yielding to Taipei on the Communist flag issue. Peiping regards provisions in the Sino-Japanese trade agreement which give a trade agency in Tokyo the right to fly the Chinese Communist flag as a major breakthrough in its campaign to win diplomatic recognition from Japan. The Japanese are implicitly warned that failure to implement the flag provision may void the agreement. [] (Page 1)

No

East Germany: Ulbricht continues to maintain firm control in East Germany despite opposition from a number of influential party figures. There are indications that security controls are being tightened, but in general he is moving cautiously; he does not appear to be pressing the economic provisions of his hard-line policy. []

II. ASIA-AFRICA

No
Indonesia: A 28 March order for the early withdrawal of paratroopers from North Sumatra to Djakarta "to face any future tasks" suggests strongly that these troops may be used in new action by central government forces in the near future, possibly against Padang or Bukittinggi. These paratroopers were effective both in

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the capture of Pakanbaru in Central Sumatra and in countering the attempted coup at Medan in the north.

The Central Sumatran dissident government's discovery of a plot by pro-Djakarta elements within its ranks to overthrow the dissident regime appears to have removed the immediate danger from this quarter.

(Page 2) (Map)

Watch Committee conclusion - Indonesia: The general Indonesian situation continues to favor the local Communist position and provides expanding opportunities for exploitation by the Sino-Soviet bloc through aid and propaganda, although there is no evidence of Sino-Soviet intention to become militarily involved. Evidence indicates that the Djakarta government intends to pursue its military objectives against the dissidents, but a resolution of the basic issues is not an early prospect.

Algeria: The Algerian National Liberation Front, whose nine-member executive committee is at present in Cairo, may be ready to proclaim a provisional government. The Egyptian ambassador in Tunis asserts 28 states would recognize such a body and that another 10 probably would do so. The Tunisian foreign secretary, however, claims that the Algerians are withholding such a decision until they can ascertain whether the Anglo-American good offices mission could "produce anything useful" for Algeria.

(Page 3)

Saudi Arabia - Egypt: The Saudi Government remains concerned over continuing subversive activities by numerous Egyptian personnel remaining in the kingdom. It has ordered investigation into a reported Egyptian plan to distribute antigovernment leaflets to employees of the Trans-Arabian Pipeline.

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No

Watch Committee conclusion - Middle East: A deliberate initiation of hostilities in the Middle East is considered unlikely in the near future. However, serious incidents are likely to continue.

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Pakistan: Pakistan has apparently embarked on a campaign to impress the United States with the possibility of its adopting a "neutral" foreign policy. This campaign reflects Pakistani frustrations over Kashmir, the scheduling of US military aid, the publicity being given to American economic aid to India, and Egypt's growing influence in the Near East. The line being taken by Pakistani officials and the press seems at the moment to be a tactical maneuver. However, some overtures toward the Sino-Soviet bloc may be expected.

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III. THE WEST

No

* France-Tunisia: Domestic political considerations seem mainly responsible for Gaillard's reiteration of his demand that neutral observers be stationed on both sides of the Tunisian-Algerian border as part of the settlement of French-Tunisian differences. However, he is also genuinely concerned over the extent of Tunisian aid to the Algerian rebels. Gaillard made one concession on 2 April when he accepted the stationing of a neutral observer at Bizerte to check on Tunisian claims that the base is being used for French air force operations against the rebels, but this concession is not likely to sway Bourguiba, who on the same date formally objected to neutral control on both sides of the border.

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No

Cuba: Government forces retain full control of Santiago despite Castro's initial success in isolating Oriente Province by disrupting transportation and

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DAILY BRIEF

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communication systems. The call for a general strike has not yet been issued, although absenteeism has increased among transportation and sugar workers and employees of two US-owned nickel plants in eastern Cuba. Batista has issued three decrees designed to thwart the threatened strike.

Paraguay: Although the minor revolt at Encarnacion on 1 April was easily crushed, the position of President Stroessner, the last remaining dictator in South America, seems weaker than at any time since he took office in 1954. Dissidence within the ruling Colorado party has increased, although under control for the time being; Stroessner seems to have endangered his vital military support; and the Catholic Church has for the first time criticized his regime.

(Page 6) (Map)

IV. SIGNIFICANT INTELLIGENCE REPORTS AND ESTIMATES

(Available during the preceding week)

National Intelligence Estimate Number 54-58. The Outlook for Ceylon. 18 March 1958.

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I. THE COMMUNIST BLOC

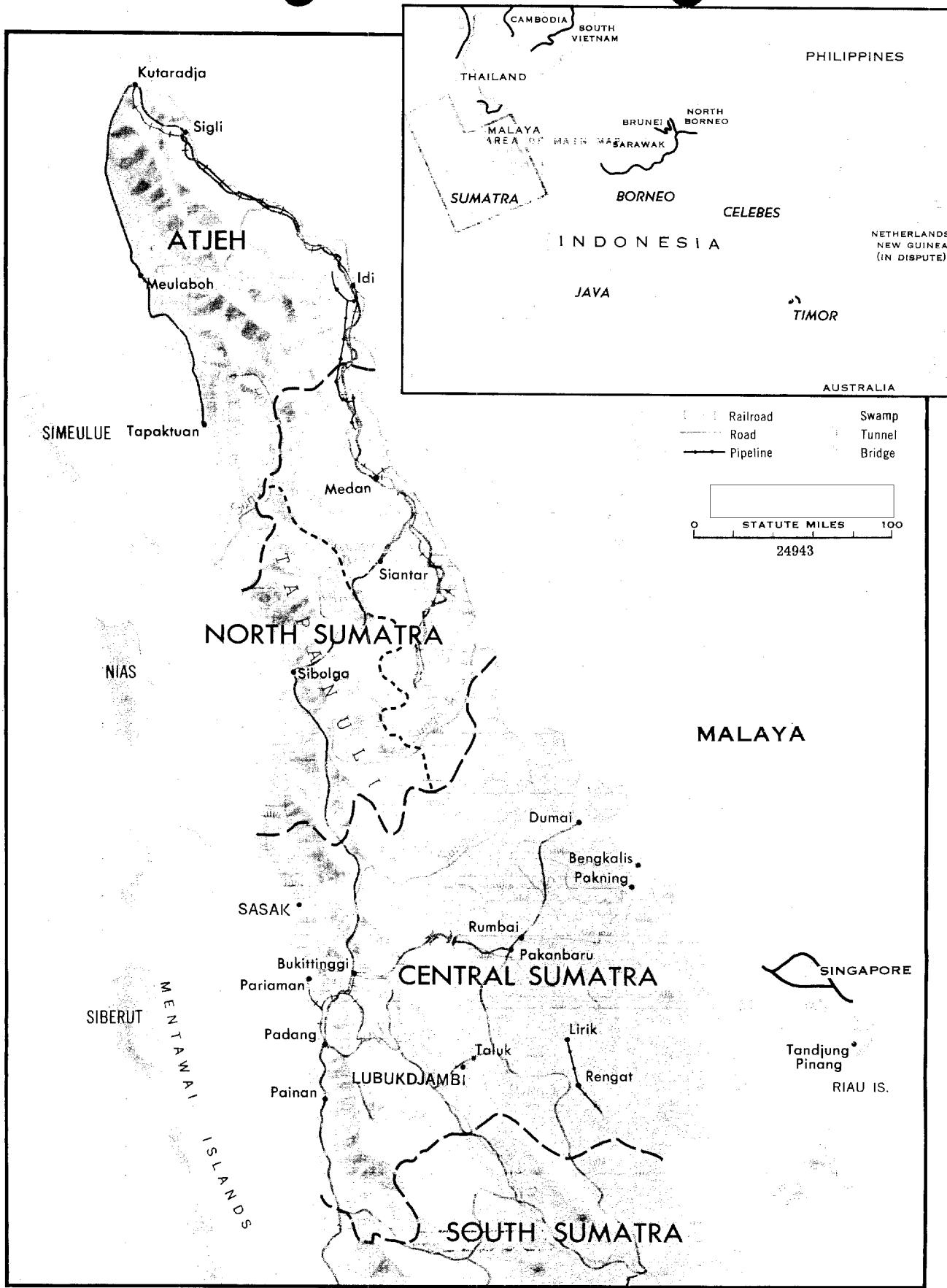
Peiping Warns Kishi on Flag Issue

The Chinese Communists, concerned over the Japanese Government's effort to mollify Nationalist China on the flag issue, are warning the Japanese against making concessions. The official Chinese Communist news agency has charged that Kishi's overtures to Chiang Kai-shek expose his intention to "wreck" the fourth Sino-Japanese trade agreement. This commentary plus a scathing editorial in the party newspaper and a speech by Peiping's vice minister of foreign trade are intended to remind the Japanese of Peiping's adamant position on the flag issue.

Peiping regards the Sino-Japanese trade agreement, providing for a Chinese Communist trade mission in Tokyo with the right to fly the Chinese Communist flag, as a major breakthrough in its campaign to win diplomatic recognition from Japan. The Communists were therefore highly gratified by Chiang Kai-shek's threat to sever diplomatic relations with Tokyo over the flag issue. Current Chinese Communist commentary is an implicit warning to Kishi that his efforts to reach an accommodation with Taipei may void the trade agreement. Kishi has told the American ambassador in Tokyo that he cannot take steps which would jeopardize the agreement. [redacted]

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II. ASIA-AFRICA

Situation in Indonesia

Djakarta's order on 28 March for the withdrawal to Djakarta of one company of army paratroopers from Medan strongly suggests new offensive action in some other area by the government in the near future. Possible targets are the Padang-Bukittinggi area and North Celebes.

Paratroopers were used effectively in the capture of Pakanbaru in Central Sumatra and in countering the attempted coup at Medan in North Sumatra.

The Padang regime's announcement of successful action against a counterrevolution within its own ranks probably refers to activity which began in mid-March. At that time an army major and the Bukittinggi police chief defected from the dissident movement and withdrew to the hills with two companies and two platoons respectively. Padang reportedly has since arrested four officials and discharged others. These defections and reports of other antidissident activity among Javanese settlers about 80 miles north of Padang raise the possibility of pro-Djakarta guerrilla activity against the Sumatran dissidents.

The government's continuing search for aircraft and its insistence on exploring both free-world and bloc sources apparently have prompted an approach to Japan for C-123 military transport aircraft and parts. Indonesian officials have suggested that the purchase be covered in part by dollar credits and in part by deductions from Japanese reparations.

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Proclamation of Algerian Government-in-Exile
May Be Imminent

The Algerian National Liberation Front (FLN) may be about to proclaim a provisional government. All nine members of the group's executive committee, which directs the rebellion, are now in Cairo despite the fact that the organization's headquarters remain in Tunis. The Egyptian ambassador in Tunis asserts that such a government would be recognized by at least 28 states and probably by ten more. The FLN would not expect Tunisia, in light of its present difficulties with France, to be among the first countries to extend recognition.

Location and composition of such a government have not yet been divulged, although earlier reports claim that Ferhat Abbas, one of the more moderate members of the FLN directorate, would be its nominal head. The Egyptian ambassador added that a provisional budget has been worked out, with operating expenses within Algeria to be raised locally. External expenses, including arms purchases, could be met by contributions totaling \$42,000,000 from friendly powers.

The Tunisian secretary of state for foreign affairs, however, claims that the FLN has reached no final decision on the formation of a government but is waiting to see whether Anglo-American good offices could "produce anything useful" with respect to Algeria. [redacted]

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Pakistani Leaders Raise Possibility of Neutral Foreign Policy

Pakistan appears to have launched a publicity campaign designed to demonstrate that it cannot be taken for granted and might adopt a neutral foreign policy. Possibly inspired by favorable public reaction to Prime Minister Noon's speech on 8 March, which included a threat to "turn elsewhere" if Western aid on Kashmir were not forthcoming, other politicians and the press have followed suit.

The Pakistani finance minister said in a published interview on 25 March that US military aid is "proving a strain on Pakistan's economy" and that the American recession is affecting Pakistan's exports, especially of cotton and yarn. A Peiping broadcast, quoting this interview, added that the finance minister hoped the volume of trade with the "socialist" countries would increase. The newly elected president of the Moslem League, Pakistan's most important opposition party, said on 30 March that Pakistan's friendship for the United States had unnecessarily earned it the enmity of some other countries. Two Karachi newspapers on 30 and 31 March advised a careful rethinking of Pakistan's foreign policy and suggested it adopt a "judicious neutrality."

The new campaign probably does not reflect a firm Pakistani government decision to turn from the West, but seems designed to explore Western reaction. It is possible, nevertheless, that Pakistani ambassadors to the Near East, who were recalled to Karachi for a conference on 28-29 March, discussed the advisability of taking new attitudes toward that area. They may also have discussed a new Pakistani-Iranian-Turkish political alliance, presumably outside the Baghdad Pact.

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III. THE WEST

Gaillard Adamant on Neutral Observers for Both Sides of Tunisian-Algerian Border

French Premier Gaillard has reiterated his demand that neutral observers be stationed on both sides of the Tunisian-Algerian border as part of the settlement of French-Tunisian differences. He told the US-UK good offices mission on 2 April that interposition of UN control only on the Algerian side of the border would be publicly interpreted as proof that the French were in the wrong, and added that his discreet soundings of sentiment within his government indicated such a proposal was domestically unacceptable regardless of its possible beneficial international effect. Foreign Minister Pineau commented that French acceptance of control on only the Algerian side would, in the public mind, constitute UN action in Algeria.

Although Gaillard did not specifically mention it, he also is probably genuinely concerned over the extent of Tunisian aid to the Algerian rebels, which many French now regard as the key obstacle to the success of their pacification effort.

Gaillard made one concession on 2 April when he accepted the stationing of a neutral observer at Bizerte to check on Tunisian claims that the base is being used for French air force operations against the rebels, but this concession is not likely to sway Bourguiba, who on the same date sent a letter to Secretary Dulles formally objecting to neutral surveillance of the border. [redacted]

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~~CONFIDENTIAL~~Political Instability in Paraguay

Paraguayan government forces had no difficulty in crushing a minor revolt near Encarnacion on 1 April, but new antigovernment demonstrations have been reported and the position of President Stroessner, the last remaining dictator in South America, seems weaker than at any time since he took power in 1954. The loyalty of the army, bulwark of Stroessner's regime, may have been substantially weakened by the administration's decision to revive the ruling Colorado party's armed Guardia Urbana in the face of new plotting. According to the US army attaché in Asuncion, the army is "tense and strongly opposed" to this move. Moreover, dissidence within the Colorado party itself has increased sharply although it is not yet out of control. Taking advantage of increased factionalism, former President Higinio Morinigo appears to be attempting a new bid for power through disaffected Colorado and military elements.

Frank criticism by the Catholic Church has highlighted the widespread unrest in Paraguay, and a recent pastoral letter, though more moderate than earlier sharp attacks by one parish priest, stated the situation was symptomatic of a power crisis in the government and a civil crisis among the people requiring "common sense and a conciliatory attitude."

Mounting dissatisfaction with the regime has stemmed primarily from political rather than economic conditions, which have improved somewhat since the US-backed stabilization program was initiated last August. [redacted]

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