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17 July 1958

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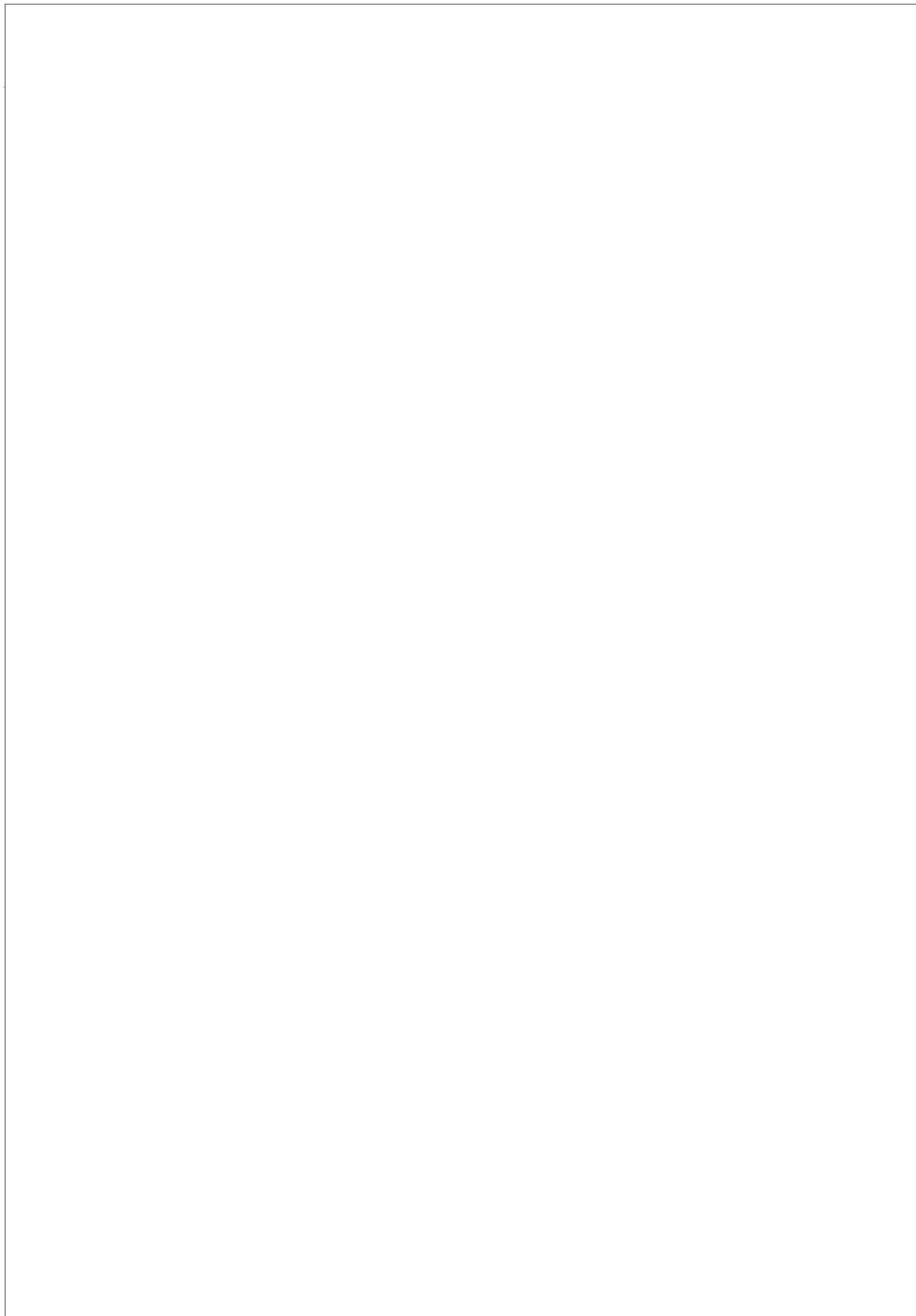
INTELLIGENCE

BULLETIN



DOCUMENT NO. 24  
NO CHANGE IN CLASS.  
11 DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 2010  
AUTH: HR 7/2  
DATE: 3/21/00 REVIEWER: [REDACTED]

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17 JULY 1958

**I. THE COMMUNIST BLOC**

USSR demands immediate withdrawal of US troops from Lebanon.

USSR in 15 July note proposes treaty of friendship and cooperation with Western Europe and US.

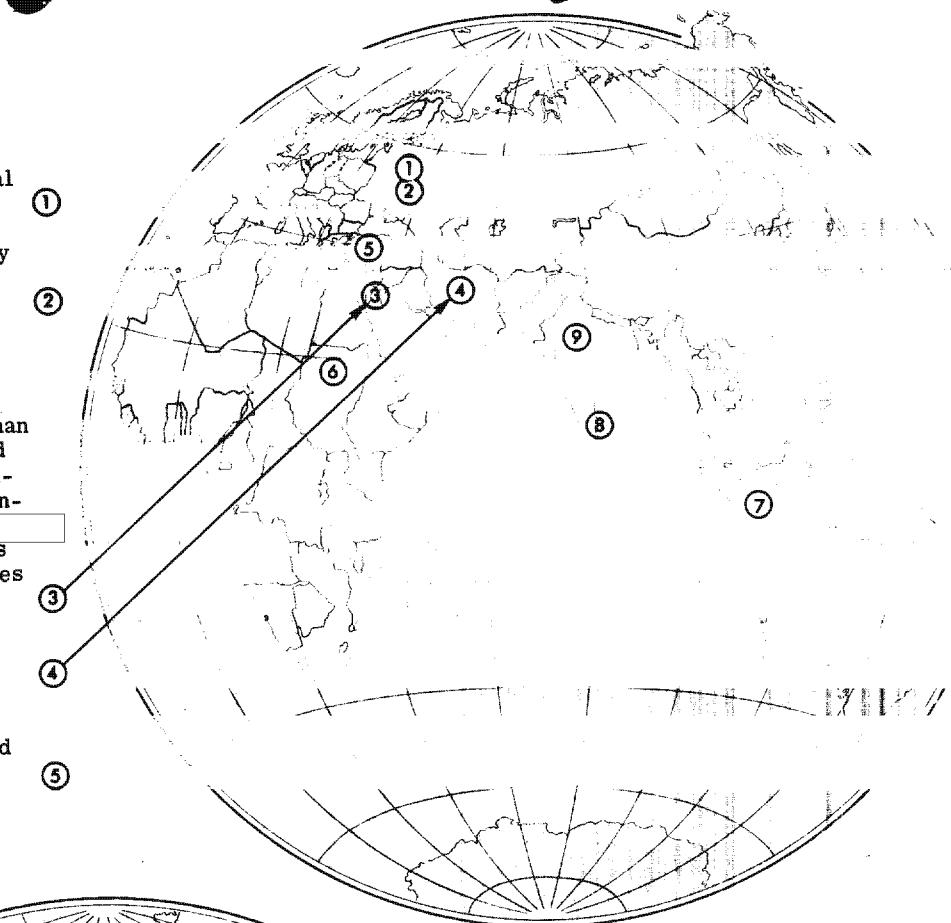
**II. ASIA-AFRICA**

British airlift paratroopers to Amman on Husayn's urgent request for aid against expected move by UAR to instigate revolt; Husayn calls intervention in Iraq imperative.

Syria mobilizes reserves, prepares fedayeen for harassment of US forces in Lebanon.

Iraqi revolt may encourage similar efforts in Iran.

Iran, Turkey, and Pakistan willing to press for US action in Jordan and Iraq.



Free world reaction to Middle East events.

- ⑥ Sudan - Prime Minister Khalil considering army action to eliminate pro-Egyptian opposition.
- ⑦ Djakarta considering appeal to UN to stop air support of North Celebes dissidents. Additional 31 Soviet MIG jets en route to Indonesia.
- ⑧ Ceylon - Rightist group planning coup against Bandaranaike government.
- ⑨ India - Rapid decline in foreign exchange reserves may lead to new all-out effort to obtain foreign aid.

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## CENTRAL INTELLIGENCE BULLETIN

17 July 1958

## DAILY BRIEF

*SIRAB*

## I. THE COMMUNIST BLOC

\*USSR - Middle East: The Soviet government statement calling for the immediate withdrawal of American troops from Lebanon is Moscow's strongest official pronouncement on the Lebanese crisis but falls considerably short of Soviet statements during the Suez crisis in 1956 and the Turkish-Syrian dispute last fall. The statement employs the Soviet formula of noncommitment, stating that the USSR "cannot remain indifferent to events creating a grave menace in an area abutting on its frontiers." Prompt action by both Moscow and Peiping in recognizing the new Iraqi regime on 16 July demonstrates bloc support for the new regime and is intended to inhibit any Western counteraction in Iraq.

No USSR - Western Europe: The Soviet proposal of 15 July for a friendship and cooperation treaty among all European states and the United States is an attempt to undermine Western European defense arrangements and such organizations as EURATOM and the Common Market. It is also an attempt to take the diplomatic initiative and appears designed to appeal particularly to the French Government despite De Gaulle's declared intention to honor France's treaty commitments. It combines a variety of previous Soviet political, economic, and security proposals for Europe. (Page 1)

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## II. ASIA-AFRICA

**\*Middle East:** (Situation as of 0530 EDT) A force of about 2,500 British paratroopers is standing by in Cyprus for airlift to Amman with the mission of supporting King Husayn and his government. The move is to be undertaken in response to the King's urgent request to the US and UK for support against an expected effort by the UAR in the immediate future to instigate a revolt in Jordan. Husayn termed intervention in Iraq imperative, and implied that if Western forces were available to maintain order in Jordan, he could send loyal Jordanian army units into Iraq. In Lebanon, the moderate opposition has denounced US intervention, and elements of the Lebanese army command are obstructing US operations.

No [redacted] Syria, which has mobilized reserves and popular resistance units, [redacted] was prepared to send fedayeen to Lebanon to harass US forces, and to give major assistance to an uprising planned in Jordan for 17 July. [redacted] Cairo cautioned Damascus that the American-owned Trans-arabian Pipeline should not yet be blown up. Nasir has declared publicly that any intervention against the new Iraqi Republic will be considered an attack on the UAR, probably in response to an appeal for support from the new Baghdad regime, which has taken stringent security measures. [redacted]

(Page 2)

**\*Iran:** The latest eruptions of violent Arab nationalism may encourage similar efforts in Iran. [redacted]

OK [redacted] The Shah, now in Turkey, is concerned over the possibility that the situation in Iran may deteriorate rapidly.

(Page 5)

No **Baghdad Pact:** The Shah of Iran, Turkey's Foreign Minister Zorlu, and Pakistani President Mirza, meeting in Ankara, strongly endorse the US landings in Lebanon and are willing to press for additional action with regard to Jordan and Iraq.

17 July 58

DAILY BRIEF

ii

~~TOP SECRET~~

~~TOP SECRET~~

They say that unless Iraq can be salvaged, the Baghdad Pact will disintegrate. The Shah of Iran and President Mirza state that they could suffer a fate similar to that of the Iraqi leaders. [redacted] (Page 7)

Initial free world reaction: Western European nations, concerned over rising Arab nationalism, appear generally willing to support US moves. Asian countries allied to the Baghdad Pact or closely associated with the United States also back the American action. Japanese government spokesmen and the press, however, feel the Iraqi coup was an "internal matter"; they regret the US landings in Lebanon. Nehru is reacting very cautiously and has not followed the lead of the Indian press, which is violently opposed to US moves in Lebanon. [redacted] (Page 8)

Sudan: Prime Minister Khalil is considering army action as the only means of eliminating pro-Egyptian opposition to his government. Khalil apparently fears a coalition of opposition elements, encouraged by events in Iraq, may soon attempt to form a neutralist government in the Sudan. [redacted]

Indonesia: The Djakarta cabinet, increasingly irritated over the continuing support of the North Celebes dissidents by Taiwan-based aircraft, is considering an appeal to the United Nations against foreign aggression. Discussions began following the most recent B-26 raid on 15 July. [redacted]

(Page 10)

The USSR may deliver 31 more MIG jet fighter aircraft to Indonesia in August. Two Soviet vessels sighted en route from the Black Sea to Indonesia are carrying as deck cargo 31 large crates probably containing aircraft. In April this year the USSR delivered 15 crated MIG aircraft to Surabaya.

In addition, 15 IL-14 transports have been ferried to Indonesia. [redacted] The two ships now en route loaded 2,770 tons of arms. [redacted]

(Page 11)

Ceylon: The continuing state of emergency resulting from communal disturbances has caused a small conservative group

17 July 58

DAILY BRIEF

iii

~~TOP SECRET~~

~~TOP SECRET~~

to revive earlier plans for a coup. Plotting against the government may receive additional impetus from the increasing demoralization of the police and armed forces. The dissident group probably is not ready to move immediately.

(Page 12)

*OK*

India: India's foreign exchange reserves have been declining at the rate of \$15,175,000 a week since early June, compared with a decline of only about \$6,000,000 a week earlier this year. This rapid increase in the rate of decline suggests that a flight of capital has begun as a result of Indian business apprehensions regarding the outlook for the national economy. New Delhi probably will make additional cuts in imports of industrial raw materials, despite the unemployment that will result, while making an all-out effort to obtain large-scale foreign aid.

(Page 13)

### III. THE WEST

(No Back-up Material)

17 July 58

DAILY BRIEF

iv

~~TOP SECRET~~

## Moscow Proposes European Friendship and Cooperation Treaty

The USSR on 15 July proposed a friendship and cooperation treaty to include the United States and all European states that desire to participate. The draft treaty is a combination of previous Soviet proposals concerning Europe. It includes security clauses, similar to those introduced at the 1955 summit conference, providing for mutual consultation if European peace is threatened and binding the members not to aid the aggressor. It incorporates the Rapacki plan for banning the stationing or use of nuclear weapons in central Europe and previous Soviet proposals for an aerial inspection zone in Europe and a cutback of foreign troops in Germany. It repeats proposals for greater cooperation among European states on economic and atomic energy matters.

This is another Soviet attempt to show that, although summit negotiations are stalled, Moscow is taking the initiative to facilitate the solution of specific issues of controversy between East and West. The inclusion of proposals designed to undermine the Common Market and EURATOM appears to be an attempt to interest the French Government, since Premier de Gaulle, although promising to honor French treaty commitments, has often indicated his distrust of supranational organizations.

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## II. ASIA-AFRICA

### The Middle East (situation as of 0530 EDT)

The British move into Jordan was planned shortly after Husayn's urgent request on 16 July for US and British assistance in maintaining internal security in the face of an expected UAR-supported uprising in Jordan.

Syrian officials,

planned to begin operations within Jordan against Husayn's government on 17 July. "People's forces" in West Jordan were to touch off the uprising by seizing control of local governments, as a signal to disaffected Jordanian military units to revolt. Palestinians and Jordanians in Syria were being armed to enter northern Jordan and engage army units loyal to Husayn. The Syrians have established two arms depots near the Jordanian border to support the uprising.

Cairo's

approved the plans for action in Jordan, but ordered Damascus to postpone proposed sabotage of the American-owned Transarabian Pipeline. Subsequently, probably taking into account the possibility of Western military support for Husayn, Cairo ordered that if the Jordanian operations could not be carried out "very speedily and decisively," the UAR effort should be limited to harassment of Husayn's forces by infiltrators.

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King Husayn has deployed a strong force of units manned by loyal Bedouin around Amman. The Jordanian armored brigade and several motorized battalions are manned primarily by Bedouin believed loyal to the King. He has also armed loyal Bedouin tribes. Several army units, however, are known to be disaffected. The Jordanian Government has arrested major security suspects, including the former Jordanian embassy counsellor in Washington, Mahmoud Rousan. The severe fuel shortage in Jordan, which is known to the UAR, may weaken the army's ability to cope with rebellion.

Urging that intervention against the new Iraqi regime is imperative, King Husayn has expressed his readiness, acting as head of the Arab Union, to send Jordanian troops into Iraq if US or British troops will maintain internal security in Jordan. The security situation in Jordan, however, and Husayn's limited resources, taken together with the apparently general support of the new Baghdad regime by the Iraqi Army, suggest that his proposal is beyond his capabilities without major outside help.

The new government in Baghdad has instituted stringent security measures, and reports of continued resistance have no confirmation. A representative from Baghdad has asked UAR forces in Syria to supply arms and ammunition, and to assist in organizing the means to put down any resistance which might develop. The UAR authorities in Syria declared themselves "completely ready to assist in every possible way." [redacted]

Forces controlling the important Habbaniya air base west of Baghdad, where most of Iraq's jet fighters are based, are loyal to the new regime. The Iraqi forces which withdrew from Jordan on 15 July have been ordered to join the two Iraqi battalions at H-3 pumping station in west Iraq, about 50 miles from the Jordanian border, placing a force of about 2,500 men in position to oppose any Jordanian thrust into Iraq.

UAR President Nasir has followed his recognition of the new Baghdad government with a declaration that in the event

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of any aggression against Iraq, the UAR will "carry out its obligations in accordance with the Arab Collective Security Pact." Cairo has ordered all UAR troops in Syria alerted and reserves mobilized. According to local reports in Damascus, army units are being sent to the frontier with Lebanon and Israel, while popular resistance forces are being assembled on the Jordanian border.

10 jet light bombers landed at Damascus between 12 and 15 July, presumably coming from Egypt.

UAR authorities in Syria are trying to whip up both actual and ostensible opposition in Lebanon to the American forces there, and have received orders from Cairo to begin unspecified operations within Lebanon. Earlier Cairo had approved a Damascus proposal to have fedayeen terrorists attack the US forces if they moved beyond their initial limited positions around Beirut. Late on 15 July, admitting that no clashes had occurred between US forces and Lebanese, Damascus suggested fabricating reports that large numbers of Lebanese had been killed in such clashes. Some such reports were broadcast by UAR stations on 16 July.

Damascus has passed Cairo several reports of opposition within the Lebanese army command to the presence of US forces, and of possible collaboration against the Americans by Lebanese army elements and opposition forces. While no overt resistance by the Lebanese Army has developed, Ambassador McClintock reports continuing efforts at obstruction by members of the Lebanese command, including the army commander, General Shihab. Any attempt by President Chamoun to crack down on uncooperative officers could lead to open fragmentation of the Lebanese Army along political or confessional lines.

An atmosphere of tension pervades Israeli government circles, and offices of the Israeli military command are in full operation around the clock. Key officers have re-emphasized that Israel could not tolerate the extension of UAR control to Israel's 350-mile border with Jordan in view of the lack of space

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for a defense in depth. Israel is capable of full mobilization within 48 hours without many advance indicators.

The British meanwhile have sent reinforcements from East Africa to Aden in South Arabia and to Bahrein in the Persian Gulf, where about two battalions would be available on short notice for commitment to Kuwait, the Middle East's largest oil producer.

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### Iranian Revolt Feared

The violent nationalism that has erupted in the Arab world may encourage similar efforts in Iran.

Iranian Airways Company pilots have been alerted to be prepared to evacuate the firm's aircraft and families should revolution occur in Iran.

[redacted] the junior officers in the Iranian Army are not loyal to the Shah or to the top military leaders. While the validity of this report cannot be determined, US officials who recently returned from duty in Iran agree that there is discontent among junior officers.

Some junior officers who have returned to Iran after receiving training in the US are dissatisfied with the inefficiency of their superiors and the nepotism which is rife in Iranian military circles. While the Shah has told American officials that he intends to promote these trained officers as quickly as practicable, he may not be able to accomplish this without also arousing dangerous dissatisfaction among the senior officers.

Impatient junior officers could ally with other groups such as supporters of General Valiollah Gharani, former G-2, whose plot to reduce the Shah to a figurehead was uncovered earlier this year. Other allies would probably be the nationalists, former followers of ex-Premier Mossadeq, dissatisfied oil workers, as well as the outlawed Tudeh party which is still covertly active in Abadan and Tehran. Following the coup that removed former Prime Minister Mossadeq in 1953, government action greatly reduced the Tudeh party's influence, especially in the army. Strikes instigated

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by leftist nationalists and Tudeh elements are expected in the near future, and [redacted] these strikes could be magnified into uncontrollable riots and disturbances.

The Shah is taking a 24-48 hour "holiday" in Turkey while awaiting word concerning the situation in Iran, and press coverage of the Iraqi situation is being censored in Iran.

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Baghdad Pact Leaders Fear Pact's Disintegration Unless  
Iraq Salvaged

The chiefs of state of Iran, Turkey, and Pakistan, who met in Ankara on 15 July in what was to have been a top-level meeting of Moslem members of the Baghdad Pact, have expressed great fear that unless Iraq is restored to its former status the Baghdad Pact will cease to exist. They strongly approve US intervention in Lebanon, and also advocate allied action in Jordan and Iraq. The Shah of Iran, however, believes that intervention in Iraq should be delayed until events determine its necessity. The Shah has suggested that Iran and Turkey may move troops to Iraq's borders to prevent extension of the revolt.

The Shah recommends that the US now adhere to the Baghdad Pact, citing intervention in Lebanon as justification. The crisis in Iraq may cause the postponement of the pact's Ministerial Council meeting scheduled for 28 - 31 July in London, and its location may be changed to either Ankara or Tehran.

The Shah commented that he and Pakistani President Mirza might themselves be in danger of a fate similar to that which befell Iraq's leaders. [redacted]

[redacted]

[redacted]

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Initial Free World Reaction to Iraqi Coup and US Landings  
In Lebanon

Initial reaction in Europe and Asia to the Iraqi coup and US landings in Lebanon is for the most part along expected lines. Western European countries, concerned over rising Arab nationalism, have generally supported US moves. Asian countries allied to the Baghdad Pact or otherwise closely associated with the United States also seem willing to back the American actions. The "neutralist" countries are concerned more with the possibility of World War III than with the rights or wrongs of events.

The progovernment press in Britain and the French press take the line that Arab nationalism would not have reached present proportions if the West had taken firmer action at an earlier date. They support US moves in Lebanon. The independent Italian press view coincides with that in Britain and France, but Premier Fanfani has expressed his concern over the American steps. Criticism of American intervention comes mainly from socialist opposition elements in Britain and West Germany, which fear that it will hinder peacemaking efforts in the Middle East and lead to war. The British Labor party will not vote against the government, however.

Indian Prime Minister Nehru has confined himself to statements that intervention by "outside" powers could create "great danger of world war." The Hindustan Times, informal mouthpiece of the government, apparently has not expressed itself as yet. Other influential Indian papers, however, describe the US intervention as "insanity," "a flagrant breach of international law," and as reducing the UN charter to a "mockery." Pakistani reaction has been limited as a result of President Mirza's absence in Turkey, but is generally favorable.

Government spokesmen in South Korea and Taiwan have stanchly supported the US troop landings. Chen Cheng, the

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new Chinese Nationalist prime minister, said Nasir must be overthrown in order to solve the problems of the Middle East.

Japanese Foreign Minister Fujiyama, possibly reflecting a view that pro-Nasir Arab nationalism is in the ascendancy and that efforts to hinder this rise could disrupt world economic patterns, has opposed intervention and called for the withdrawal of US troops as soon as possible. [redacted]

[redacted]

[redacted]

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### Indonesia Threatens Appeal to United Nations on Foreign Aid to Dissidents

Indonesian Foreign Minister Subandrio has informed the American ambassador in Djakarta that the cabinet is considering an appeal to the United Nations against foreign aggression, in view of continued foreign air activity on behalf of the North Celebes dissidents. Subandrio said a B-26 had attacked three North Celebes towns on the night of 14-15 July. He said the reaction of President Sukarno and the cabinet is so strong that, unless the attacks stop, a positive decision on a UN appeal is likely. Indonesia's permanent representative to the United Nations, Ali Sastroamidjojo, arrived in Djakarta on 14 July for consultations.

Combat missions by a Chinese Nationalist B-26 based on Taiwan are being flown at approximately three-day intervals and, [redacted] the aircraft refuels at Sanga Sanga airfield in the southern Philippines. The Indonesian Foreign Ministry blames Nationalist China and the Philippines for these strikes, and Subandrio did not imply US involvement; he stated, however, that any evidence submitted to the UN would include the diary of the American pilot who was shot down on 18 May while flying for the dissidents, as well as labels from arms crates showing shipment from Taiwan via Clark Field in the Philippines.

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USSR Apparently Delivering 31 More Jet Fighters to Indonesia

The 5,000-ton Soviet freighter Sergei Botkin on 8 July loaded at Nikolayev for delivery to Indonesia at least 270 tons of [redacted] military equipment. The vessel, expected to arrive in Indonesia in early August, when sighted in the Bosporus on 12 July had a deck cargo of 15 large crates probably containing MIG jet aircraft. Another ship, the Sukhona, which loaded as much as 2,500 tons of arms at Nikolayev on 30 June and is now passing into the Arabian Sea, probably also is en route to Indonesia. Naval sighting reports indicate that this vessel is carrying 16 crates which may contain aircraft.

Two cargoes of Soviet arms already have been delivered to Indonesia since the visit of an Indonesian arms purchasing mission to the bloc in January and February. A Soviet vessel in April delivered about 2,000 tons of military equipment, including 15 crated MIG jet fighter aircraft. A second vessel, which arrived in June, discharged 1,500 tons of military equipment. In addition, Czech pilots have ferried 15 IL-14 transport aircraft to Indonesia. [redacted]

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### Conservative Group Plans Coup in Ceylon

The continuing state of emergency in Ceylon resulting from the severe communal disturbances in late May has caused a small conservative group to revive its plans to seize power. The group, which appears to be dominantly pro-Western in orientation, hopes to stage a coup with the support of key military and police elements to oust the leftist Bandaranaike regime before full parliamentary government is restored. However, while the dissident group has recruited several more influential political and military supporters, it apparently has not yet won the adherence of certain leaders, including the governor general, who are regarded as essential to its success. It therefore probably is not prepared to move within the immediate future.

Most of the military, business, and professional figures involved in the current planning were members of a group which had originally intended to overthrow the government last winter. The scheme was suspended in March owing to lack of organization and effective political leadership.

Increasing demoralization of the police and armed forces probably will stimulate plans by this group, or some other dissident faction, to overthrow Bandaranaike's government. The prime minister, under pressure from Singhalese extremists in his party, recently threatened the police with serious consequences if their alleged excesses in maintaining public order were not curbed. Coming shortly after the arrest of a naval officer accused of mistreating a communal agitator, Bandaranaike's directive reportedly has been a severe blow to the morale of the police and armed services.

Lack of confidence among various conservative elements in Bandaranaike's ability to cope with the communal problem and the deteriorating economic situation also will continue to encourage plans to oust his government.

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## Indian Financial Crisis

The rapid decline of India's foreign exchange reserves in recent weeks suggests that a flight of capital has begun as a result of Indian businessmen's apprehensions regarding the outlook for the national economy. The reserves have declined at the rate of \$15,175,000 a week since early June, after declining at the rate of only about \$6,000,000 a week during early 1958. They stood at the dangerously low level of \$442,400,000 on 4 July.

The government has initiated a major export drive in an attempt to bolster India's financial position. It has reduced or eliminated export duties on a number of products and is requiring all sugar refineries to sell a part of their product abroad at a loss in order to earn foreign exchange. Import restrictions have been made even more stringent, and the government reportedly plans to make imports scheduled for the six-month licensing period ending on 30 September last for the following three months as well.

Such a drastic cut in imports will force many factories to curtail production because of shortages of imported raw materials and parts. The government may decide, however, that increased unemployment is more acceptable than a third cut in the goals of the Second Five-Year Plan (1956-61), especially since nearly all the major development projects are well under way. New Delhi recognizes that import restrictions are only a stopgap measure, and will make an all-out effort to obtain large-scale foreign aid before abandoning the goals of the plan.

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