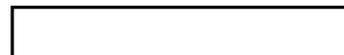


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12 March 1958



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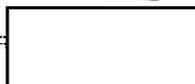
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CENTRAL

INTELLIGENCE

BULLETIN



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State Department review completed

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CENTRAL INTELLIGENCE BULLETIN

12 March 1958

DAILY BRIEF

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I. THE COMMUNIST BLOC

no New Zealand - Communist China: Prime Minister Walter Nash of New Zealand, who is attending the SEATO conference in Manila, has indicated that he is determined to honor a pre-election pledge made last year to recognize Communist China. 

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II. ASIA-AFRICA



no Sudanese elections: Pro-Western Prime Minister Khalil's Umma party has won the largest single bloc of seats, at least 68 out of 173, in the Sudanese Parliament. In order to obtain a majority, he will have to form a

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coalition, as he did previously. The pro-Egyptian National Unionists won 45 seats. The Sudan will continue to maintain a firm attitude toward Egypt in their border dispute. [redacted]

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III. THE WEST

No Britain - Middle East: British Foreign Secretary Lloyd believes that the United Arab Republic poses a serious threat to Western interests throughout the Middle East, especially during the next six months. In view of Britain's own limited capabilities for counter-action, London wishes to discuss with the United States ways of undermining the UAR. The Foreign Office wants to explore whether possibilities exist for changing the regime in Yemen. Lloyd believes Iraq must be bolstered promptly by fighter planes and economic aid. London is also cautiously supporting Baghdad's efforts to bring Kuwait into the Arab Union of Iraq and Jordan.

25X1A [redacted] (Page 3)

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LATE ITEM

25X1A



*The Indonesian Situation (Information as of 0600 EST, 12 March)

Central government paratroops captured the airfield at the Central Sumatra oil center of Pekanbaru on 12 March after a heavy bombing, 

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 Dissident defenders have regrouped nearby. The Caltex manager in Pekanbaru also reported this attack and stated that additional government forces landed from the sea at Dumai, an oil port about 50 miles north of Pekanbaru, connected with Pekanbaru by a very poor road. These forces "passed by Dumai facilities" of Caltex, presumably en route to Pekanbaru.

no

Meanwhile, government authorities in Djakarta claim a third force has advanced more than half the 100-mile distance up the Siak River to Pekanbaru and that an amphibious assault on the West coast near Padang will take place soon. They say they plan to attack the Stanvac oil center of Rengat on 15 March. 
(See map on reverse page).

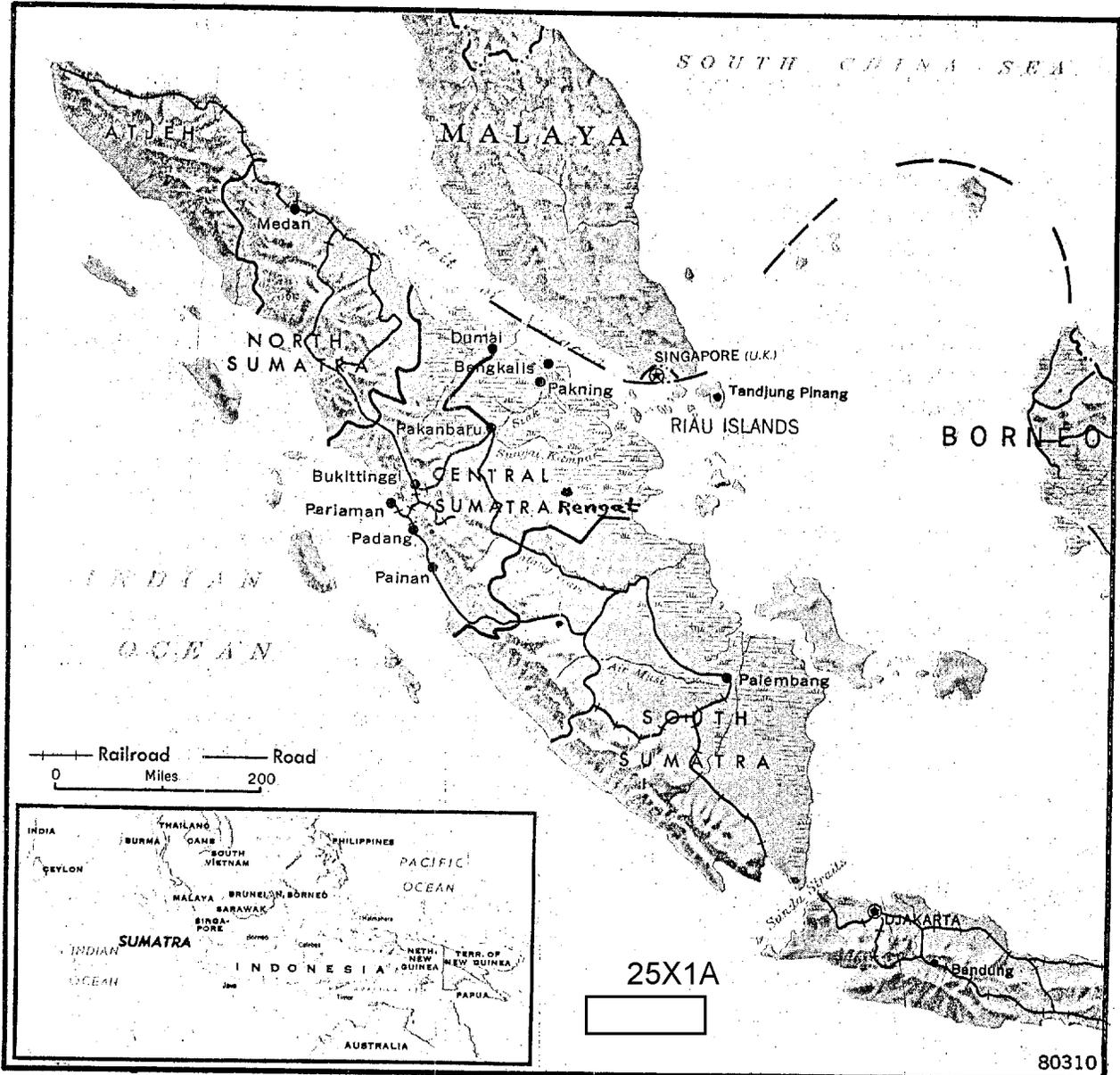
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I. THE COMMUNIST BLOC

New Zealand's Prime Minister Planning to Recognize Communist China

In two private conversations with Secretary Dulles at the Manila SEATO conference, Prime Minister Nash of New Zealand reaffirmed his intention to carry out the foreign policy platform of his Labor party favoring recognition of Communist China. His position has strong support among the New Zealand public and among Commerce Ministry officials who are eager to expand wool and dairy exports. New Zealand External Affairs officials and UK Prime Minister Macmillan have cautioned Nash against hasty action.

A scheduled meeting with Nehru--for whose neutralism Nash is described as having a great affinity--after the SEATO meeting may serve to reinforce Nash's attitude. En route to New Delhi, he plans to stop in Hong Kong where he may discuss the possibility of sending a trade representative to Peiping.

An early attempt to change New Zealand's policy toward China could, however, cause Nash difficulty with Parliament. His party won control of the government in November elections with a voting majority of only one. [REDACTED]

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III. THE WEST

British Plans to Counter United Arab Republic

Britain wants to discuss with the United States plans to counter the United Arab Republic by supporting the Arab Union (AU) of Iraq and Jordan while continuing to explore the possibility of undermining the UAR, which it considers a threat to Western interests, especially during the next six months. Foreign Office Deputy Under Secretary Hayter told the American Embassy in London on his return from a Middle Eastern tour that public support must be developed to sustain the Arab Union during this initial period, after which he anticipates that the UAR may begin to show signs of strain.

Foreign Secretary Lloyd maintains that the urgency of boosting Iraqi morale requires a crash program of supplying fighter planes without waiting for the findings of a US survey mission on Iraq's needs, and also economic aid. On 7 March, he told Iraqi Prime Minister Nuri Said that Britain was ready to supply a squadron of Hawker Hunters if the US would finance them. Lloyd also promised Iraq \$140,000 previously assigned to other purposes for a major propaganda effort and requested London to supply radio jamming equipment. Britain is also prepared to give the AU a "birthday present" of \$2,800,000.

In seeking to fulfill Iraqi requests for assistance, London has shifted its position and suggested to the Ruler of Kuwait that he discuss with Baghdad Kuwaiti accession to the AU. British officials nevertheless recognize that Kuwaiti suspicions of Iraq make accession unlikely and hesitate to jeopardize their own tenuous position by exerting pressure.

London also wants to examine with the United States what possibilities exist for changing the regime in Yemen. Britain, which retains its legation in Yemen, is believed to have supported Prince Hassan as a possible successor to the Imam.

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In order to obtain a majority, he will have to form a coalition, as he did previously. The pro-Egyptian Nationalists will have to maintain a firm attitude toward Egypt in their border dispute.

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