

TOP SECRET

7 August 1958

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CENTRAL

INTELLIGENCE

BULLETIN



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7 August 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

Summit talks: On 6 August Peiping endorsed both points made in Khrushchev's 5 August letter--the call for a special meeting of the UN General Assembly to discuss US and UK "intervention" in the Middle East as well as the demand for a summit meeting on world issues as first proposed last December. On 5 August in a two-and-one-half hour interview with Adlai Stevenson, Khrushchev insisted on a summit conference which would not be limited to Middle East issues but would deal with a wide range of international matters. Moscow and Peiping are so far avoiding an explicit demand for Chinese Communist participation in a summit meeting. Khrushchev's 5 August letter urged a summit conference "composed as we earlier proposed"--presumably excluding Communist China.

[Redacted]

oks Communist China: Peiping's statistical report for the first half of the year shows industrial production up 34 per cent over the same period in 1957, construction activity well over the previous high in 1956, and bumper early harvests. These statistics claim phenomenal progress and remain to be substantiated. The leadership professes to believe that these achievements are but a "prelude" to even greater progress in the last half of the year. Communist leaders clearly feel that this growth vindicates the "giant leap forward" economic policies which had been regarded as too hazardous by the "gloomy clique."

[Redacted]

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No

Watch Committee conclusion--Sino-Soviet bloc:

A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.

B. No Sino-Soviet bloc country intends deliberately to initiate direct military action against US forces abroad, US allies, or areas peripheral to the Orbit in the immediate future.

NOTE: Soviet forces in areas adjacent to the Middle East remain on a limited alert but the evidence does not indicate general preparations for military action in the Middle East or elsewhere. Chinese Communist fighter air strength has been deployed to two coastal airfields opposite Taiwan, which has increased Chinese Nationalist apprehensions. There is a possibility of serious air clashes in the Taiwan Strait area. The activities of other Chinese Communist forces, however, do not reflect intentions for major action against the Offshore Islands or Taiwan in the immediate future.

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ND Watch Committee conclusion--Middle East: Although a deliberate initiation of open hostilities in the Middle East is unlikely in the immediate future, the situation remains highly unstable throughout the area, particularly where US and UK interests or commitments are involved, and incidents could occur at any time.

NOTE: The declining morale of Husayn in the face of Jordan's economic and political isolation is aggravating the dangerous instability of Jordan despite the presence of British forces. If the regime collapses, Israeli and UAR action to take control of Jordanian territory is possible.

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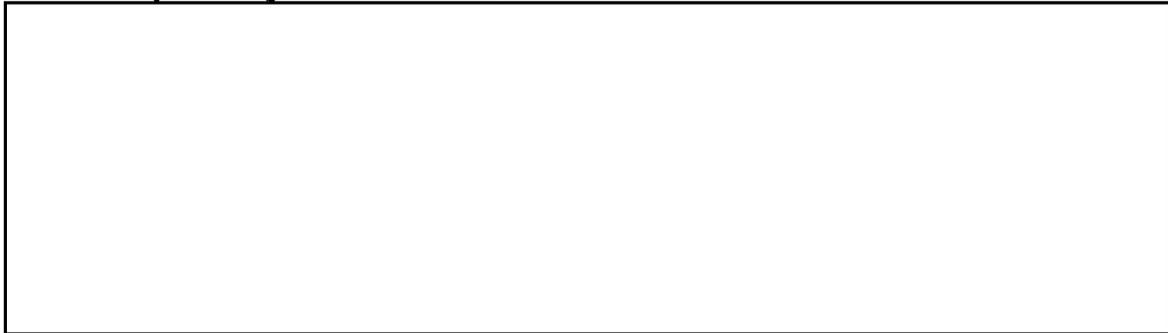
DAILY BRIEF

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III. THE WEST

ND *Britain - Cyprus: Prime Minister Macmillan, in his talks with Greek Prime Minister Karamanlis beginning 7 August in Athens, may agree to modify some details of Britain's plan for Cyprus in the hope of gaining Karamanlis' cooperation in putting the plan into effect. He may believe that granting Athens' desire to provide the proposed government with advisers chosen by the Greek and Turkish communities rather than with advisers designated by Athens and Ankara would offer the best prospect for capitalizing on EOKA's truce, which is subject to expiration on 10 August. Turkey may be expected to accept Macmillan's offer to visit Ankara.



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DAILY BRIEF

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I. THE COMMUNIST BLOC

Peiping Endorses Khrushchev Middle East and Summit Proposals

Communist China endorsed on 6 August Soviet Premier Khrushchev's proposals regarding a special meeting of the UN General Assembly to deal with the question of Anglo-American "aggression" in the Middle East and a summit conference dealing with broader issues. The day before Peiping's endorsement, Khrushchev told Adlai Stevenson in the course of a two-and-one-half hour interview that it now was "too late" for a summit session on the Middle East situation alone and that Moscow would insist on a conference which would deal with the whole range of summit problems.

In hailing the concept of a comprehensive conference, Peiping gives no indication that it would seek to participate, but current tension in the Taiwan Strait area may have been occasioned by a Sino-Soviet decision to stir up a Far Eastern issue which could serve as the pretext for Peiping's attendance at the summit.

In his 5 August letters to Western leaders, however, Khrushchev, in speaking of a summit meeting, urged a conference "composed as we earlier proposed." Earlier Soviet proposals did not include a bid for Peiping's participation, and Khrushchev recently said there was no question of Chinese attendance but only of seeing to it that Chinese interests were properly defended.

Khrushchev's latest proposals were drafted in response to the US and UK messages of 31 July and 1 August which arrived in Moscow during his absence in Peiping, and would not appear to have been the result of Chinese Communist pressure. Mao in his joint communiqué with Khrushchev of 3 August endorsed the earlier Soviet proposal for a big power summit conference limited to the Middle East.

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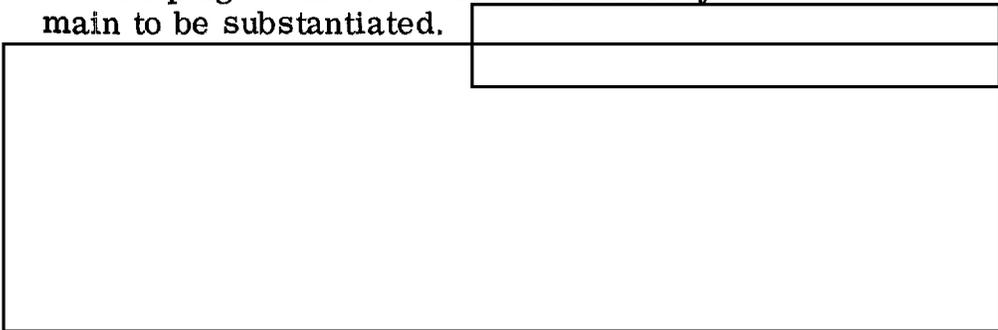
Economic Gains Announced by Peiping

The leadership in Peiping feels that the report of the State Statistical Bureau, showing an "unprecedentedly rapid" economic growth during the first half of the year, vindicates its drive begun last winter for a "giant leap forward" economic policy. Commenting on the report, the official People's Daily says it invalidates the views of the "gloomy clique" which has held that the "leap" policies were too hazardous. The tone of the commentary suggests that Peiping may soon take steps against the as yet unidentified members of the clique.

The report asserts that during the first six months the total value of industrial output increased 34 percent over the same period last year, as compared with a 15-percent increase for the full year called for in the official plan and a 33-percent increase subsequently pledged under the regime's leap forward program. Investment in new construction was more than 40 percent above the midyear level of the record construction year of 1956.

The total harvest of winter grain and early summer crops will show a remarkable 69-percent increase over the same crops last year. China's wheat crop, it is said, will top that of the US for the first time. The agricultural claims may be exaggerated, but Peiping doubtless got a substantial increase in early crops through intensive cultivation, improved water control, and the application of over 48 tons of natural fertilizer per acre.

Peiping's statistics seem remarkably favorable and remain to be substantiated.



II. ASIA-AFRICA

Chinese Nationalist Reaction to Chinese Communist Occupation of Airfields Opposite Taiwan

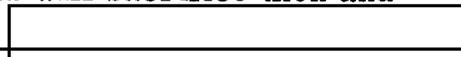
The Chinese Nationalists appear genuinely concerned over the radically altered situation in the Taiwan Strait.



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The Nationalists are continuing air patrols over the strait with protective high cover, and with instructions to avoid engagement. However, the aggressiveness of Chinese Communist air patrols conducted against daily Nationalist reconnaissance flights since the occupation of the coastal airfields may lead to clashes by forces of squadron strength. An air battle on this scale could develop into an engagement involving Taiwan air space, without either side so intending.

The American air attaché believes the Nationalists will not risk a major conflict by bombing the airfields at this time. Ambassador Drumright thinks, however, that they certainly will oppose any Communist attempt to control the air space over the Taiwan Strait and the offshore islands despite Communist superiority in numbers and quality of aircraft, and that any resulting air action would probably lead to bombing of air bases and then to United States involvement. Additionally, the offshore islands, where one third of the Nationalist ground forces are stationed, would become isolated. Drumright believes the Nationalists are determined to fight to the bitter end and will sacrifice men and equipment rather than evacuate.



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III. THE WEST

Macmillan's Visit to Athens

Macmillan's sudden trip to Greece was made in an effort to capitalize on the truce on Cyprus in seeking a solution to the island's problems, taking advantage also of the efforts NATO Secretary General Spaak has made with the Greek and Turkish NATO representatives toward narrowing differences. Macmillan, who has offered to visit Ankara also, presumably will continue to insist that the British plan for seven years of self-government be the basis of discussion. The British plan envisages separate communal assemblies--the specific responsibilities of which remain to be defined--topped by a ministerial council, with the British governor retaining responsibility for defense, internal security, and foreign affairs.

Macmillan now may be willing to modify certain details in the British plan in order to reach some agreement that can lead to negotiations and implementation of a detailed plan. He might, for example, grant the Greek request that the two advisers to the Governor of Cyprus be chosen by the Greek and Turkish Cypriots instead of being official representatives of the governments in Athens and Ankara. Britain had hoped by its original suggestion to induce Greece and Turkey to assume partial responsibility for Cyprus; the Turks have considered the suggestion advantageous and presumably would oppose its modification. A Foreign Office official said recently that this point could be discussed but indicated that a Greek suggestion that a plebiscite be held after the seven-year period, excluding both enosis and partition, was inadmissible. Macmillan reiterated to Turkish Prime Minister Menderes on 30 July that a final solution could not be decided on until the end of the seven-year period.

Governor Foot who is joining Macmillan in Athens will probably confer with Archbishop Makarios, with whom he has

25X6 been exchanging views [redacted] for several months. While willing to grant Makarios a significant role in any future Cyprus government, Foreign Secretary Lennox-Boyd only last week stated that Makarios would not be allowed to return to the island until violence had ceased; and Foot had previously suggested that a month or two of peace would be required.



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