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20 December 1958



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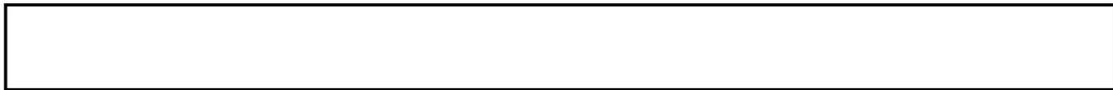
CENTRAL

INTELLIGENCE

BULLETIN



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II. ASIA-AFRICA

OK Lebanon: Political tension is increasing again. The Popular Resistance, a pro-UAR organization, has warned the government that it will set up armed camps "all over the country" unless training camps of the anti-UAR Syrian Socialist National party are eliminated. [redacted] 25X1

OK UAR: UAR propaganda against local Communist influence in the Arab states appears to be taking on larger proportions. The Damascus press and radio have warned against a "new" kind of danger to Arab nationalism from a "worse enemy of democracy and freedom" than the "imperialists." [redacted] 25X1
25X1 [redacted]

DIC Philippines: President Garcia's popularity has declined with the continued failure of his administration to deal with the worsening economic situation. Garcia reportedly plans to consolidate political control over the armed forces by replacing Defense Secretary Vargas in a major cabinet shake-up at the beginning of the new year. The administration may hope to bolster its declining prestige by an increasingly uncompromising attitude in the present exploratory talks on American bases.

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DAILY BRIEF

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III. THE WEST

OK
Italy: The current visit to Peiping of Enrico Mattei, the politically powerful head of Italy's oil and gas monopoly, further underscores Rome's intention to expand economic relations with the Sino-Soviet bloc as well as with the Middle East and other areas. Mattei, who apparently has government approval for his Peiping trade talks, had made a stopover in Moscow to participate in Italo-Soviet trade-agreement talks and had recently announced conclusion of a contract to purchase 800,000 tons of Russian crude petroleum. [redacted]
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Cyprus: Following the recent private discussions between the Greek and Turkish foreign ministers, diplomatic efforts behind the scenes are continuing in search of a compromise solution to the Cyprus dispute. Meanwhile, tension on the island has eased somewhat as a result of the eleventh-hour commutation of death sentences for two condemned Greek Cypriots and the governor's "Christmas gesture" in releasing sixty political detainees. [redacted]
[redacted]

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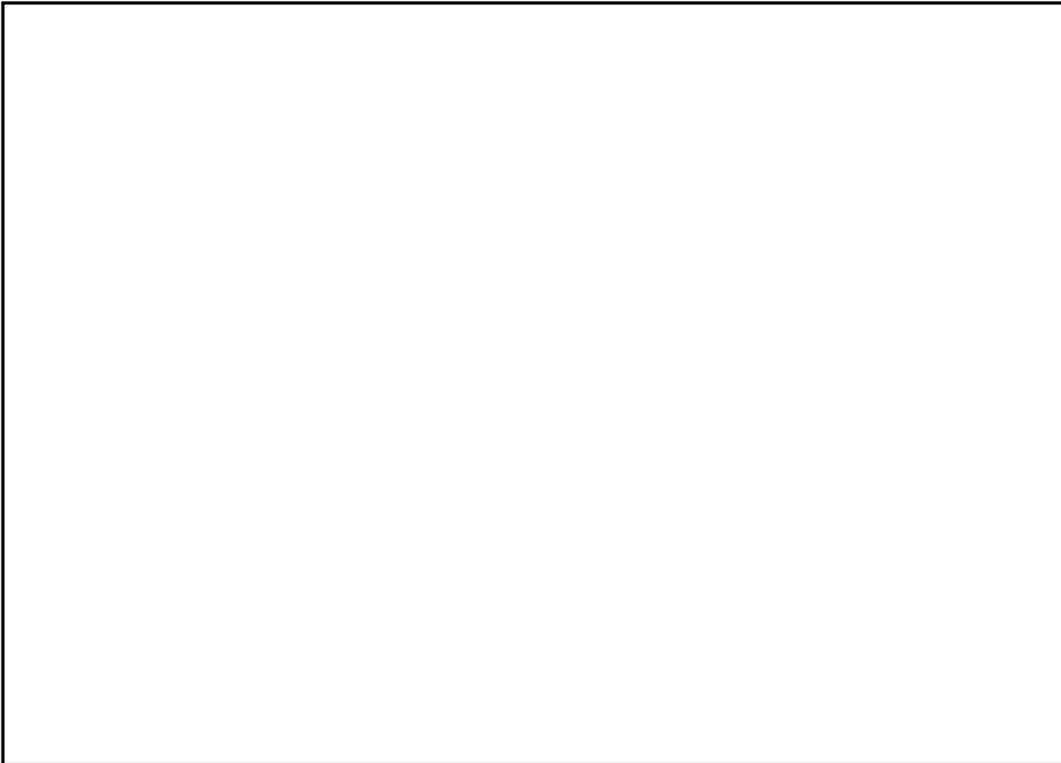
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Reported Criticism of Mao Tse-tung and Chou En-lai



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Mao was almost certainly subjected to criticism in 1957, following the failure of certain of his personal policies, and there has presumably been some criticism of his recent policies. However, Mao took the lead in correcting his mistakes, and his prestige has seemed largely restored by successes to date in the "leap forward" campaign and the communes program.

Moreover, those party leaders who might conceivably be able to dislodge Mao if they acted together--Liu Shao-chi, Teng Hsiao-ping, and other directors of the party machine--have helped Mao to correct his earlier mistakes and have been emphatically associated with Mao's recent policies. Mao has



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several times since mid-1957 said he would like to reduce his burden; he has done so in giving up the tiring ceremonial post of government chairman. He presumably told Khrushchev of his decision during the latter's visit last July.

Chou En-lai too was open to criticism in 1957, as he was more closely associated than were other party leaders with those of Mao's policies which failed. However, he has also been associated with Mao's more successful recent policies. Chou would probably be most reluctant to resign as premier, the key government post and the principal source of his prestige and power in the party. If he did so, it would probably be on grounds of failing health. His health has been in question for more than two years, and illness may have forced him to cancel the trip to Egypt scheduled for last month.

The leading candidate for Mao's government chairmanship is Chu Te, a comparatively unimportant but esteemed party senior. However, there seems an outside chance that Liu Shao-chi will bid for the job, in the interest of adding the prestige of that post to his real power as the second-ranking leader--behind Mao--in the key central organs of the party.

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II. ASIA-AFRICA

Lebanese Political Tension Increasing

Political tension in Lebanon is increasing following the Lebanese Army's punitive measures against the pro-UAR Sunni Moslem village of Aarsal last week end. Since anti-UAR Social National Party (SNP) paramilitary units were involved in repulsing Aarsali attackers, the pro-UAR Popular Resistance has issued an ultimatum to the government demanding the abolition of all SNP paramilitary training camps throughout Lebanon. Otherwise, the Popular Resistance declares it will set up camps of its own and wipe out the SNP camps.

Ambassador McClintock believes that Prime Minister Karami may attempt to shift the blame for the incident on the SNP. Since the SNP supported the Chamoun government during last summer's rebellion, Karami has an added incentive for destroying SNP power.

Karami may decree the deportation of all foreign members of the SNP, most of whom are refugees from Syria. Syrian authorities for some time have been pressing Lebanon to turn Syrian members of the SNP over to UAR security authorities. However, it is believed that President Shihab and Interior Minister Edde would resist such a move to interfere with Lebanon's role as a haven for political refugees.

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Nasir's Campaign Against Communist Activities

Nasir has taken another step in the UAR propaganda campaign against Communist activity in the Arab states. He may at the same time be moving to reduce his economic dependence on the USSR.

There has been unprecedentedly sharp criticism of Communism in the UAR-controlled press and radio in Damascus. Damascus radio has warned of dangers in a drift to the left, which it called a worse enemy of democracy and freedom than the "traditional enemy"--imperialism. Damascus newspapers, referring again to the new kind of danger, claim some "factions"--Communists--are exploiting the revolution in an effort to estrange Iraq from the Arab "caravan." Previously UAR-subsidized newspapers in Beirut and at least two Cairo newspapers had taken the same line.

These propaganda moves follow closely Nasir's request for PL-480 wheat from the United States and the signing of a contract with an American oil company to supply a large part of the UAR's crude oil imports, 75 percent of which were from the USSR this year. In addition, within the past few days Cairo has announced progress in settling economic differences with French and Anglo-Egyptian oil companies. There is also an indication that through unofficial contacts Nasir is attempting to convey the impression to the US that he is adopting a stiffer line in dealing with the USSR.

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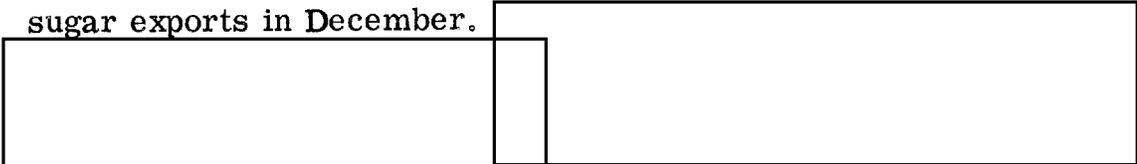
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Philippine Domestic Outlook

Signs of serious popular disaffection with Philippine President Garcia have become apparent as a result of his administration's failure to stem economic deterioration and administrative corruption. During his recent goodwill trip to Japan, there was much criticism that his party was being "taken in" by lavish treatment, and an effort to stage a triumphant demonstration on his return to Manila was greatly overshadowed by the popular reception given four days later to Nacionalista party head and Senate President Rodriguez following his visit to Europe and the United States. More recently, Garcia was booed by spectators at a large sports event in Manila.

Despite an improvement in the production of key crops, the Garcia administration still is in serious financial straits. The budget commissioner recently told a congressional hearing that the country was on the verge of bankruptcy; he has met little success in trying to curtail government expenditures or to increase revenues. Exchange reserves declined to a new low in November before showing some slight rise from seasonal sugar exports in December.



Plans to replace armed forces leaders with persons loyal to Garcia are proceeding. Garcia is said to have decided upon a successor to Defense Secretary Vargas, who will probably be removed in a broader cabinet reshuffle early in 1959. The scheduled retirement of Chief of Staff Arellano on 31 December will pave the way for further changes in the army and constabulary commands.

The Philippine Government has hardened its demands for greater American military aid and for revision of the agreement on American bases. A concerted press campaign on behalf of

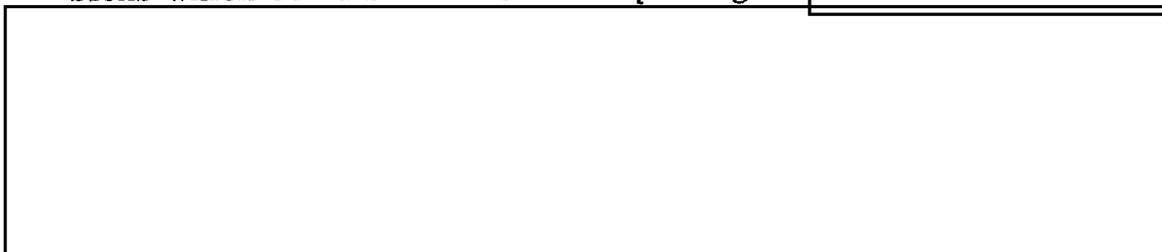
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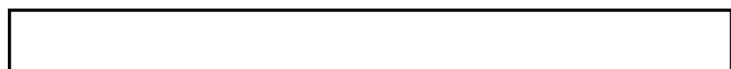
the uncompromising Philippine stand in present exploratory talks on the bases may be designed to force American concessions which could bolster Garcia's prestige.

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III. THE WEST

Italian Oil Czar Seeking Trade Deal With Communist China

Enrico Mattei, the politically powerful president of the Italian state petroleum and gas agency, ENI, is in Peiping for talks with Chinese foreign trade officials. According to the press, he intends to sell chemical fertilizer from the petrochemical plant at Ravenna. However, he brought with him officials from ENI's subsidiaries engaged in the manufacture of oil rigs and pipelines. Mattei, who apparently has Premier and Foreign Minister Amintore Fanfani's approval for this trip, had made a stopover in Moscow where he reportedly participated in Italo-Soviet trade-agreements talks.

Mattei had recently announced the conclusion of two contracts with the USSR--one for the purchase next year of 800,000 tons of Russian crude petroleum for ENI's refineries, the other for the sale in 1959 of 8,000 tons of synthetic rubber from ENI's Ravenna plant.

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The Peiping trip and deal with Moscow are indicative of Mattei's and Fanfani's desire to develop closer economic relations with the Sino-Soviet bloc in addition to Italy's expanding contacts in the Middle East. There is some doubt, however, whether commodities offered by the Chinese for export will really interest the Italians. Peiping may press at this time for the exchange of permanent trade delegations between the two countries.

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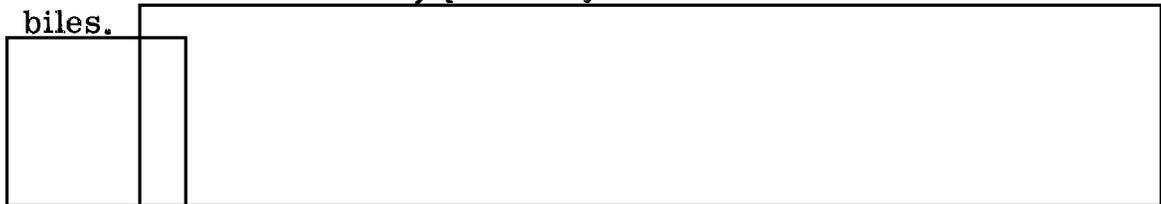
Cyprus

A new conciliatory attitude has been noted in both Athens and Ankara since the close of the UN General Assembly debate on Cyprus in early December.

Recent conversations among the Greek, Turkish, and British Foreign Ministers at the NATO meetings in Paris may indicate new moves to settle the Cyprus dispute are in the offing. A conference of the three powers--possibly under NATO aegis and with such observers as the United States present--was probably discussed. A stumbling block to such talks remains, however, in Athens' insistence on only a final--not an interim--solution for the island. In London, Prime Minister Macmillan has apparently gone as far as he can to pacify critics in the Labor party and to reassure Athens, without simultaneously alienating the Turks, by declaring partition to be the "worst possible solution" but one that might be adopted if no other were found.

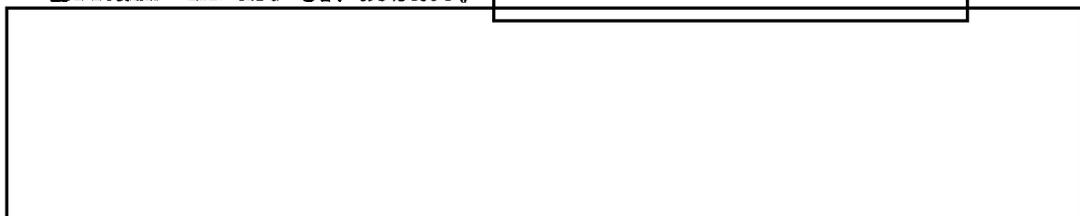
On Cyprus, the good will accruing to the British as a result of the "last minute" commutation of the death sentences of two Greek Cypriots on 18 December was largely expended the following day when British troops fired on rioting Greek Cypriot women. EOKA continues to maintain a relative truce with only occasional acts of arson, primarily directed at British automobiles.

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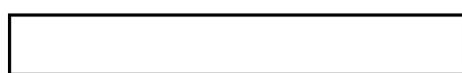


There is a possibility of attacks against Americans on Cyprus. A recent EOKA leaflet violently denounced "neo-fascist Anglo-Americans" and condemned the US for voting with Turkey and Britain in the UN debate.

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