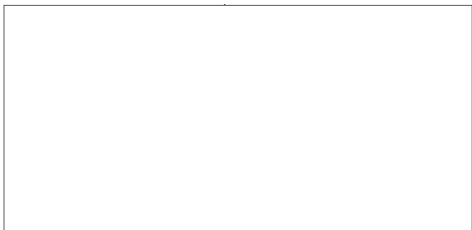


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18 September 1958



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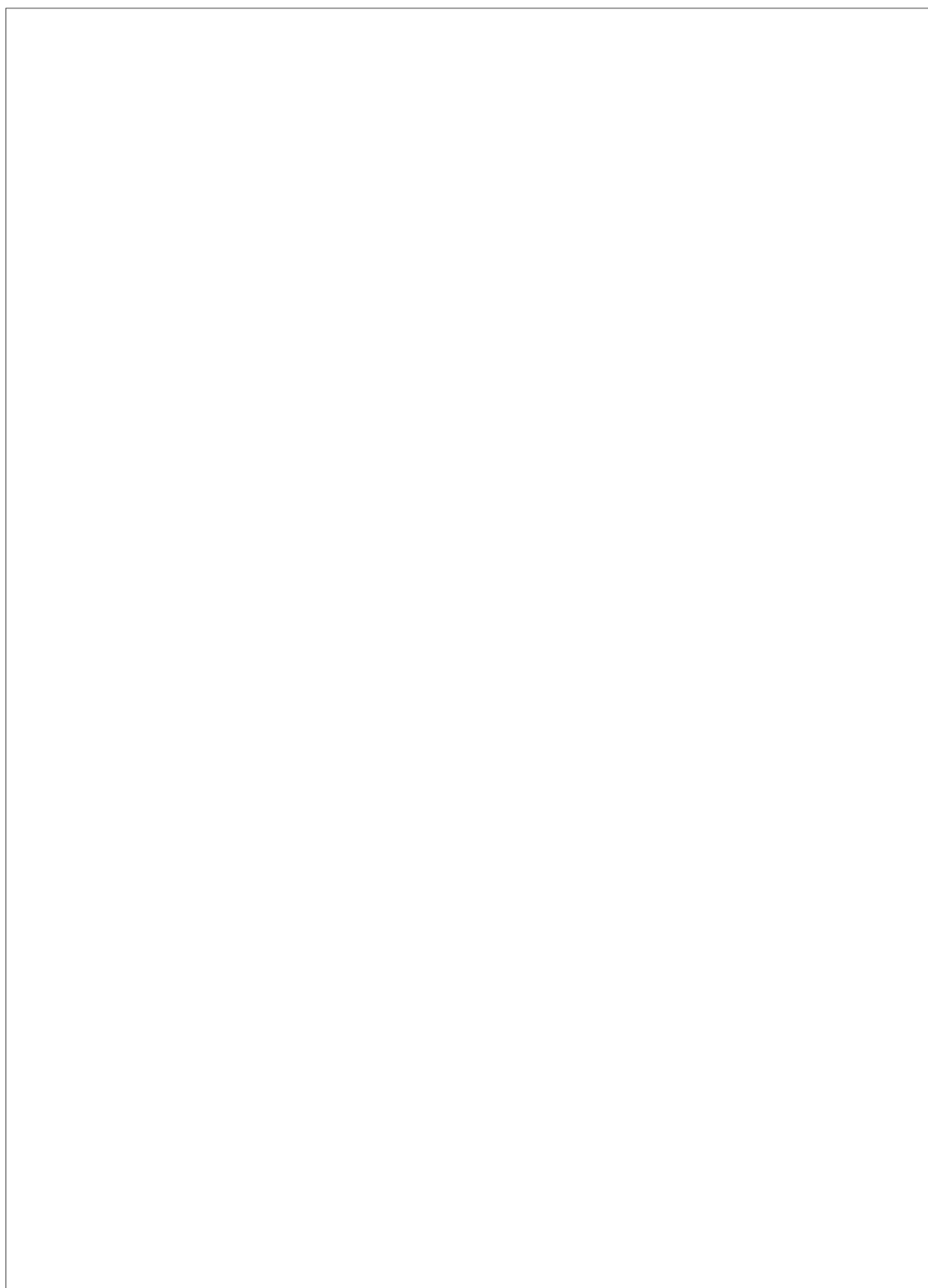
# CENTRAL INTELLIGENCE BULLETIN



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18 SEPTEMBER 1958

**I. THE COMMUNIST BLOC**

Taiwan Strait - Convoys under naval and air attack. ①

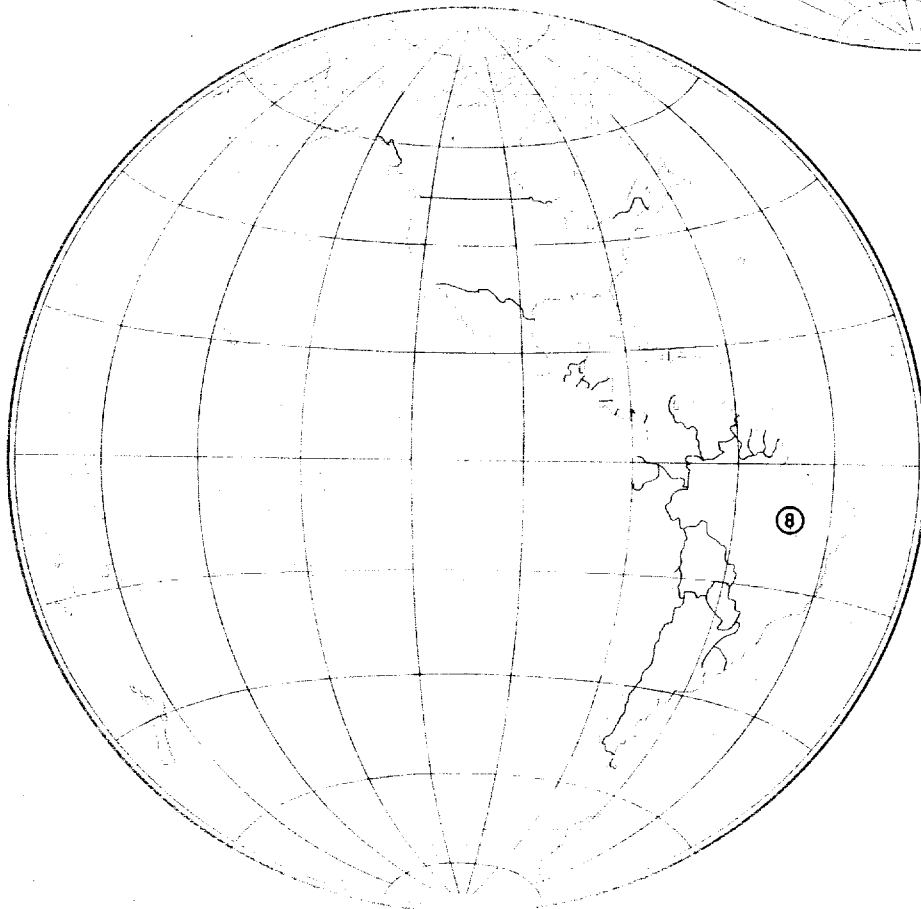
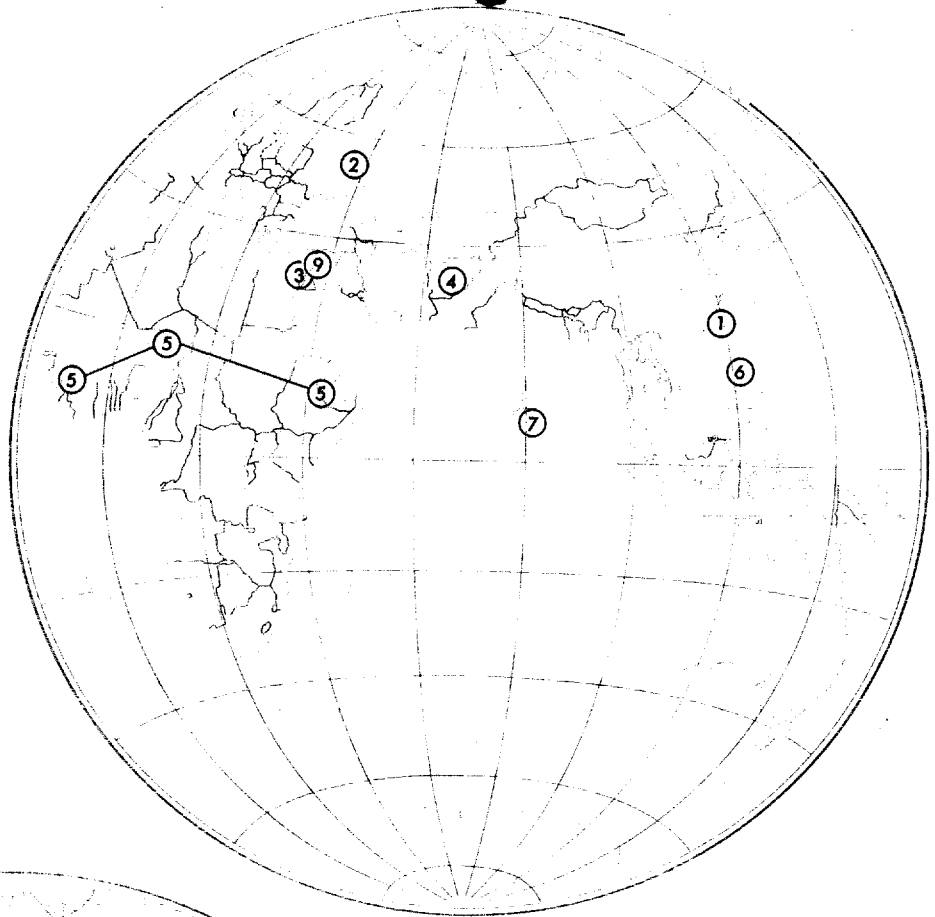
USSR may link agreement on preventing surprise attack with progress on disarmament. ②

**II. ASIA-AFRICA**

Lebanon - Chamoun will accept Karame as prime minister if cabinet is weighted with loyalist ministers. ③

Afghanistan - Prime Minister Daud may be planning some reorganization of government. ④

Three French Tropical African territories may declare independence. ⑤



⑥ Philippines - Mounting dissatisfaction with Garcia administration.

⑦ Ceylon accepts \$10,000,000 in aid from Communist China.

**III. THE WEST**

⑧ USSR offers aid for Brazil's steel program.

**LATE ITEM**

⑨ Five high-ranking Lebanese officers arrested, possibly on coup charges.

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## CENTRAL INTELLIGENCE BULLETIN

18 September 1958

## DAILY BRIEF

SRAB

## I. THE COMMUNIST BLOC

\*Taiwan Strait situation: [redacted]

[redacted] Nationalist convoys were under air, artillery and possible naval attack on 18 September, and that one was requesting US Navy assistance. [redacted] (MAP)  
(Page 2)

OK  
USSR: Moscow's note of 15 September, agreeing to technical talks in Geneva on 10 November, on measures to prevent surprise attack suggests that the USSR will seek to establish a close link between agreement on this question and progress on disarmament, particularly a permanent test cessation agreement. The Soviet leaders probably believe this tactic will serve to focus world attention on the termination of nuclear tests. [redacted] (Page 4)

## II. ASIA-AFRICA

OK  
Lebanon: While not objecting to rebel leader Karame as premier, President Chamoun has indicated that the cabinet should be weighted with loyalist ministers, since the prime minister wields considerable power in the cabinet. In northern Lebanon, where there are no army units, the security situation has worsened during the past week and Syrians are apparently exercising authority in many villages. [redacted]  
[redacted] (Page 5)

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OK  
Afghanistan: Prime Minister Daud may be considering some reorganization of the government, including personnel changes at the cabinet level. Such changes, if they occur, would probably not affect Afghanistan's basic foreign policy. [redacted] (Page 6)

OK  
French Tropical Africa: Guinea and Niger, two of the eight French West African territories, may well reject the French draft constitution on 28 September and opt for independence. French Somaliland may follow suit. De Gaulle, during his African tour last month, promised that any overseas territory voting "no" in the referendum would get its independence, but that such territories would have no claim on French financial assistance. Unless new arrangements with France are made, such developments would provide a new opening which both the UAR and the Soviet bloc could quickly move to exploit. [redacted] (Page 7) (Map)

OK  
Philippines: The corrupt practices of the Garcia administration and the deteriorating economic situation are causing increased dissatisfaction in influential circles in Manila. There is also widespread resentment in the provinces over economic conditions and over the failure of the central administration to show interest in local problems. [redacted] (Page 8)

OK  
\*Ceylon - Communist China: The \$10,000,000 loan agreement signed by Ceylon and Communist China on 17 September apparently represents Colombo's final acceptance of an offer made by Peiping last March. Though originally tendered as a rehabilitation loan to assist Ceylon in repairing flood damage, the agreement as signed is for "machinery and equipment" to be exported by China. [redacted] (Page 9)

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DAILY BRIEF

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### III. THE WEST

*No*  
Brazil: Soviet offers of aid to Brazil's high-priority steel expansion program may soon become public knowledge, inviting renewed agitation for diplomatic and commercial relations with the USSR. [redacted] (Page 10)

### LATE ITEM

*OK*  
\*Lebanon: Five high-ranking Lebanese army officers reportedly were placed under house arrest on 16 September, presumably on charges of plotting a coup. All are known as strong progovernment supporters and were energetic in fighting the rebels. Among those arrested were the former commander at Tripoli and the commander of the air force. Progovernment circles are very upset by the arrests and blame opposition pressure on General Shihab. [redacted]  
[redacted]

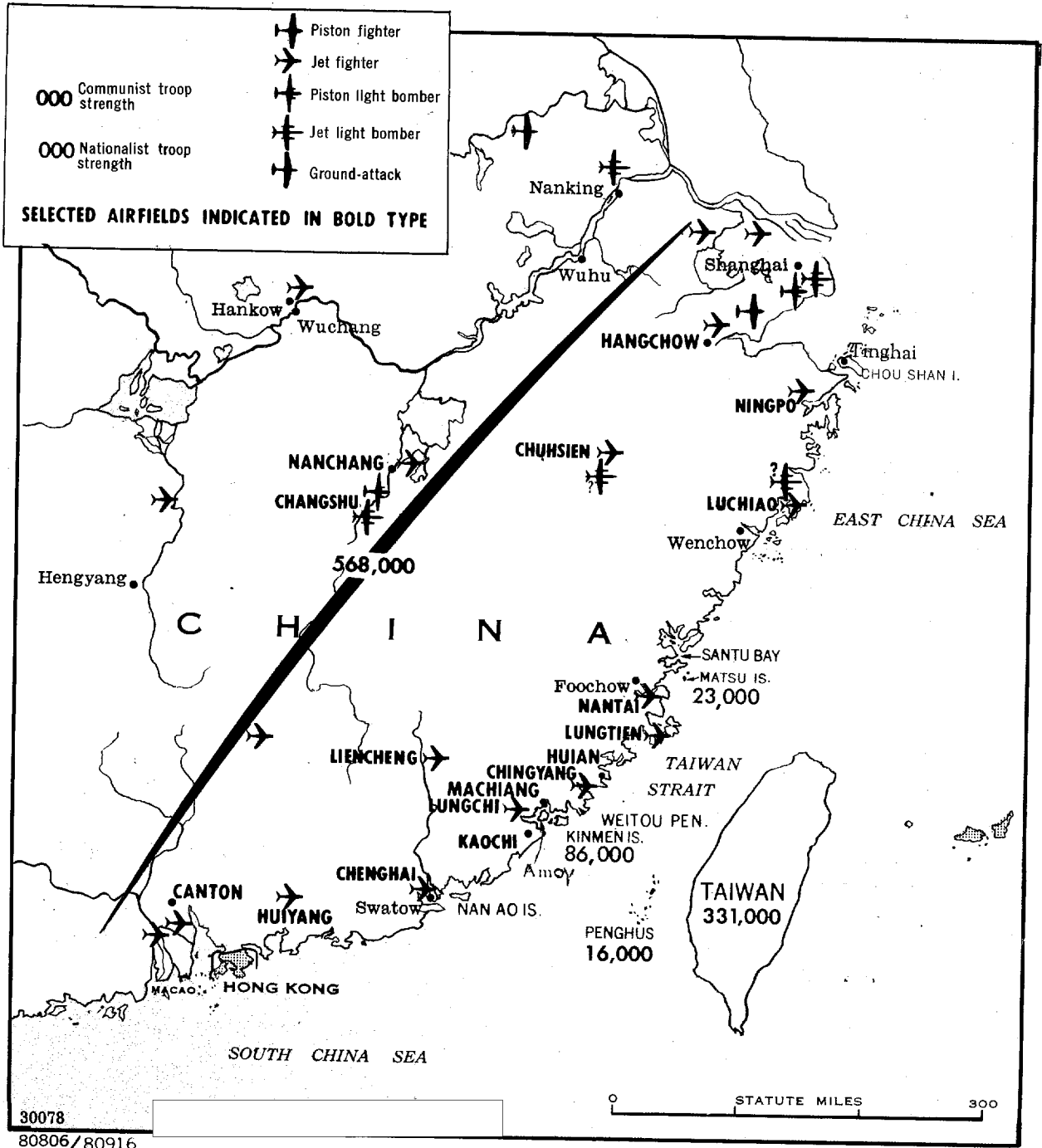
18 Sept 58

DAILY BRIEF

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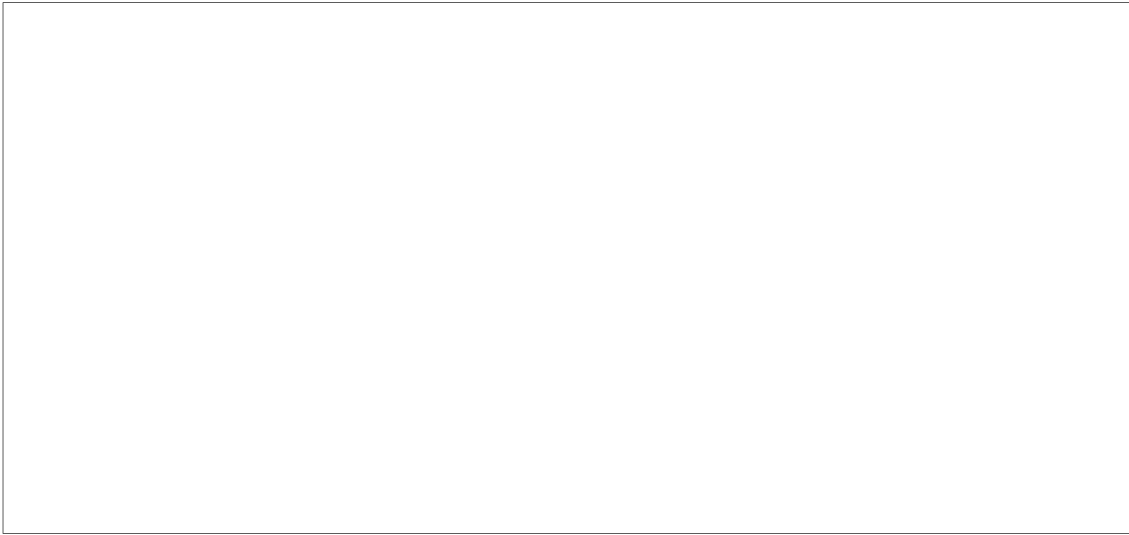


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I. THE COMMUNIST BLOC

Taiwan Strait Situation



[redacted] the Chinese Communists have deliberately emphasized their paramilitary organization to diplomats and other foreign visitors, apparently to bolster their propaganda position that they are prepared for any "invasion" of the mainland. However, no weapons larger than rifles appear to have been distributed in the communes.

[redacted] the militia means little in the military sense and merely reflects the "anti-US" campaign. [redacted]

Peiping's official People's Daily on 18 September reacted strongly to President Eisenhower's call for a ceasefire in the Taiwan Straits, declaring that there would be no tension in the area if the US abandoned the use of force and armed intimidation. The Chinese Communists appear anxious to avoid the development of any impression in international opinion which might place the onus for the Taiwan situation on China. The editorial gives no indication that Peiping is prepared to renounce the use of force against the Chinese Nationalists at this time. [redacted]

Chinese Communist jet fighters reacting to Nationalist patrols approaching the mainland have continued to assume a defensive role, refraining from attack unless the Nationalist planes actually fly over the mainland. [redacted]  
[redacted] jet fighters at Liencheng were scrambled when a Nationalist

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patrol approached the coast in the Lungchi area. It is unusual for Liencheng-based fighters to react to Nationalist planes which are not over the mainland. [REDACTED]

[REDACTED]

Advance reports state that a Nationalist LSM escorted by two sub chasers en route to Tungting, the small island about 16 miles south of Kinmen, were fired on by coast artillery on the morning of 18 September. One sub chaser was reported to have been hit and helpless, was being approached by enemy ships and was requesting US Navy assistance. Also, one Chinese Communist MIG fighter was reported to have strafed a Nationalist ship two to three miles south of Kinmen about the same time another convoy was scheduled to arrive there. [REDACTED]

[REDACTED]

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USSR Links Safeguards Against Surprise Attack to  
"Definite" Disarmament Steps

Moscow's note of 15 September agreeing to technical talks in Geneva on 10 November on measures to prevent surprise attack suggests that the USSR will seek to establish a close link between agreement on this question and progress on "definite" disarmament measures, particularly a permanent test cessation agreement. In his initial call on 2 July for talks on the surprise attack problem, Khrushchev listed a "universal" termination of nuclear tests as an example of "preliminary" disarmament measures which would be an essential corollary of an agreement on safeguards against surprise attack. Soviet Foreign Minister Gromyko on 16 September said a UN General Assembly endorsement of a "universal" test cessation would be the "first important step" toward a complete ban on nuclear weapons and toward the solution of other disarmament questions.

The new Soviet note rejected the United States' view that surprise attack talks should take place without prejudice to the respective positions of the two governments on the timing or interdependence of various aspects of disarmament. Moscow insisted that the talks would be useful only if they were aimed at drafting recommendations "in combination with definite steps in the sphere of disarmament."

The Soviet leaders probably believe this tactic of making agreement on measures to prevent surprise attack contingent on "definite steps" toward disarmament will serve to focus world attention on the question of an agreement for the permanent cessation of nuclear tests--an issue on which the USSR feels its position has more propaganda appeal than that of the West. The fact that the conference on test cessation opens in Geneva just ten days before the beginning of the surprise attack talks in the same city will facilitate Soviet efforts to underline the close relationship between these issues.

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## II. ASIA-AFRICA

### Lebanese Situation

[REDACTED]

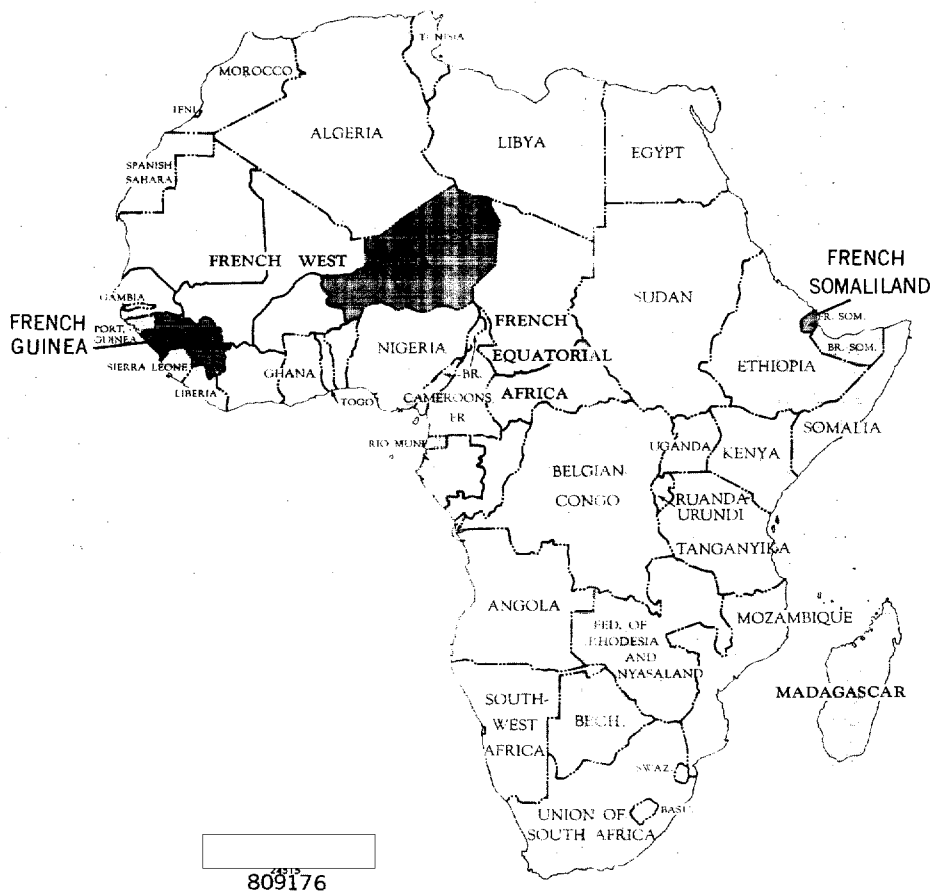
President-elect Shihab stated that he plans to appoint Tripoli rebel leader Rashid Karame as the head of a cabinet composed of what Shihab termed "moderate" opposition and progovernment politicians. When Shihab mentioned certain members of the opposition as possibilities for cabinet posts, Chamoun, while not objecting to Karame, indicated that he would lead parliamentary opposition to their appointment. Chamoun is disturbed over the trend of Shihab's thinking about the cabinet and believes that he is too easily influenced. The rebels probably will continue their pressure for a cabinet dominated by political leaders favorable to their aspirations.

In northern Lebanon, where the army does not have units, the security situation has deteriorated considerably in the past week. Incidents and fighting have increased, and the majority of villages are antigovernment with Syrians apparently in positions of authority. Syrian police are reported to be stationed in some areas. Improvement in the security situation in the country seems more superficial than real, and preparations for a "second round" after Shihab's inauguration are proceeding.

The rebels have no intention of voluntarily disarming, and Druze leader Jumblatt's forces are continuing with their build-up southeast of Beirut, while the town of Baalbak is still closed to the army by opposition forces. It probably will not be long before one or more of the opposition groups will again challenge the government's authority. [REDACTED]

[REDACTED]

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### Afghan Political Developments

Afghan Prime Minister Daud may be considering a number of high-level personnel shifts within his government, possibly involving some cabinet ministers and some intermediate-level officials. Among the latter, the mayor of Kabul and the governors of Maimana and Kandahar provinces, who are followers of Daud, may be slated for promotion.

The Afghan royal family, probably shaken by the Iraqi coup, may favor some gradual changes in the structure of the government. [REDACTED]

[REDACTED] A rumor that Daud intends to abolish the monarchy and declare a republic with himself as president is unsubstantiated. Daud seems to have no compelling reason at this time for breaking up the ruling triumvirate, which includes the King, Foreign Minister Naim, and himself. Daud is firmly in control of the government and does not consider Afghanistan ready for extensive democratic reforms. Abolition of the monarchy might create more popular unrest than presently exists, and Daud seems more likely to continue attempts to achieve economic and social modernization by gradual means. [REDACTED]

[REDACTED]

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Rejection of De Gaulle Constitution Likely in Several  
French African Territories

The French West African territory of Guinea is virtually certain to reject the new French constitution in the referendum on 28 September, following the advocacy of such a course by Sekou Toure, its leftist-oriented African premier. Niger, another of the eight West African territories, and French Somaliland in East Africa appear increasingly likely to follow suit, and still further defections from the projected new French community may follow. Guinea has a population of about 3,000,000; Niger some 2,450,000; and Somaliland approximately 50,000; the percentage of resident Europeans is negligible except in Somaliland.

In a speech on 14 September, Touré, who is also the leader of the more radical wing of the powerful African Democratic Rally--the stronger of the two principal interterritorial African political parties--asserted that as of 29 September Guinea would be an independent country. French authorities have indicated, however, that certain additional formalities would have to be observed before the independence of any area voting against the new constitution would be recognized.

Despite De Gaulle's threat to cut off the subsidies on which all French Tropical African territories except the Ivory Coast depend--especially for their development budgets --Touré is apparently still hopeful that Paris can be induced to continue its assistance programs. He is reported to have proposed the negotiation, immediately after the referendum, of conventions whereby France would handle Guinea's defense, foreign affairs, and finances. He is also said to have given assurances that Guinea would respect international commitments affecting it, especially those involving foreign investments which, with US participation, have been expanding in recent years.

If French financial aid should not be continued, the territories opting for immediate independence will inevitably feel compelled to look for other sources. Such an eventuality would provide the Soviet bloc and the UAR with new opportunities.

[REDACTED]

[REDACTED]

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Discontent in Philippines

Increasing corruption in the Garcia administration, as well as the government's failure to take firm measures to curb economic deterioration, have intensified criticism of the Philippine President among ranking members of his own Nacionalista party. A growing congressional bloc of anti-Garcia Nacionalistas has expressed alarm over Garcia's public defense of dubious transactions involving prominent officials, and there is a growing belief that Garcia's much publicized anticorruption drive is merely a facade for restaffing government agencies with loyal followers.

Ranking armed forces officers--previously reported demoralized by political influence over promotions--now are said to be increasingly disturbed by the general trend toward economic and political deterioration. [REDACTED]

An American Embassy official who recently toured several southern provinces reported general discontent among local officials with the centralization of power in Manila and with Garcia's failure to give greater attention to provincial grievances. While economic hardship does not now appear sufficiently critical to threaten serious social unrest, conditions will probably get worse. The evidence of popular dissatisfaction presents a sharp contrast to the mass enthusiasm inspired by the late President Magsaysay. [REDACTED]

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Ceylon Accepts Chinese Communist \$10,000,000 Loan

Ceylon on 17 September accepted a long-term \$10,000,000 loan from Communist China for machinery and equipment to be delivered during the next four years. The loan, repayable in ten installments beginning in 1961, was originally offered by China in March this year to aid in rehabilitation following severe floods in Ceylon. Under the agreement, signed by the Ceylonese prime minister and Peiping's ambassador to Ceylon, the loan may be repaid in a currency agreed to by both parties or in Ceylonese products acceptable to China.

As part of a \$15,750,000 gift, Peiping now is providing \$3,150,000 worth of goods each year for a five-year period for the development of Ceylon's rubber industry. Other bloc assistance accepted by Ceylon recently includes a \$30,000,000 Soviet economic development loan and \$3,500,000 from Czechoslovakia for a sugar factory. ( [redacted] )

[redacted]

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III. THE WEST

Soviet Offers of Aid to Brazilian Steel Industry

High Brazilian officials are renewing pressure for US economic development assistance by pointing to two recent Soviet offers of aid to the high-priority national steel expansion program, a part of President Kubitschek's "five-year development plan."

The American Embassy in Rio de Janeiro has been informed that the Soviet ambassador in Washington offered the Brazilian ambassador substantial aid on a steel mill. Another offer --made through a local importer since Brazil does not maintain relations with the USSR--is a barter proposal which includes the delivery to Brazil of essential oil drilling equipment. Similar bloc offers last fall and winter were leaked to the press and resulted in a strong wave of agitation for diplomatic and commercial relations with the USSR.

Government efforts to narrow the gap between increasing domestic steel consumption and production are handicapped by Brazil's severe foreign exchange shortage and its agreement with the International Monetary Fund to avoid seeking short-term commercial credits even for imports of essential equipment. Brazil's steel industry, although the largest in Latin America, produces only some 1,500,000 tons of ingots annually, and even the ambitious investment plans of Japanese and European interests are considered inadequate to supplement the national program. Top officials have expressed disappointment over the failure of US steel companies to respond to Brazil's long-standing desire for investment in this field and also over the temporary collapse of plans for investment in iron ore development resulting from reduced world demand.

Despite Brazil's increasing interest in developing markets in the Soviet bloc, the government is extremely wary of permitting bloc involvement in its development program and will probably use Soviet offers mainly as a means of promoting interest in its plan for an "Operation Pan America," a hemisphere-wide development scheme to be discussed at the Washington meeting of American foreign ministers scheduled for 23-24 September.

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