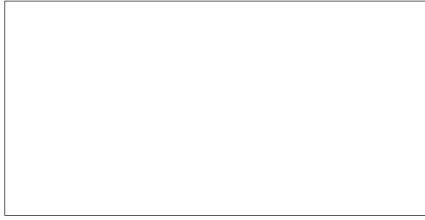


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CENTRAL

INTELLIGENCE

BULLETIN

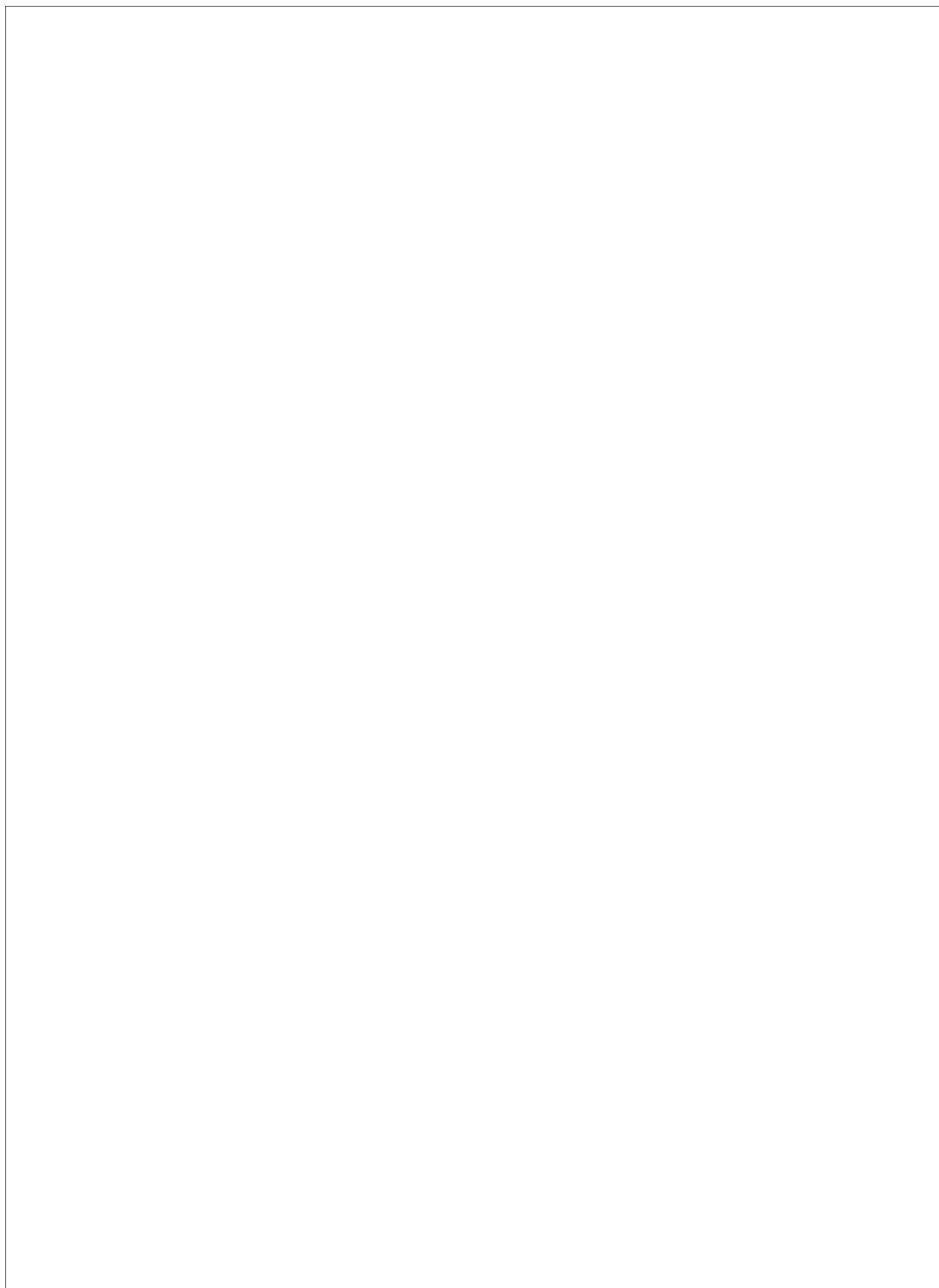


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20 DECEMBER 1958

I. THE COMMUNIST BLOC

Chinese Communist foreign minister's comment to foreign envoys on Mao resignation; Indian ambassador struck by his defensive tone.

Peiping apparently planning to join other bloc members in supplying arms to Middle East.

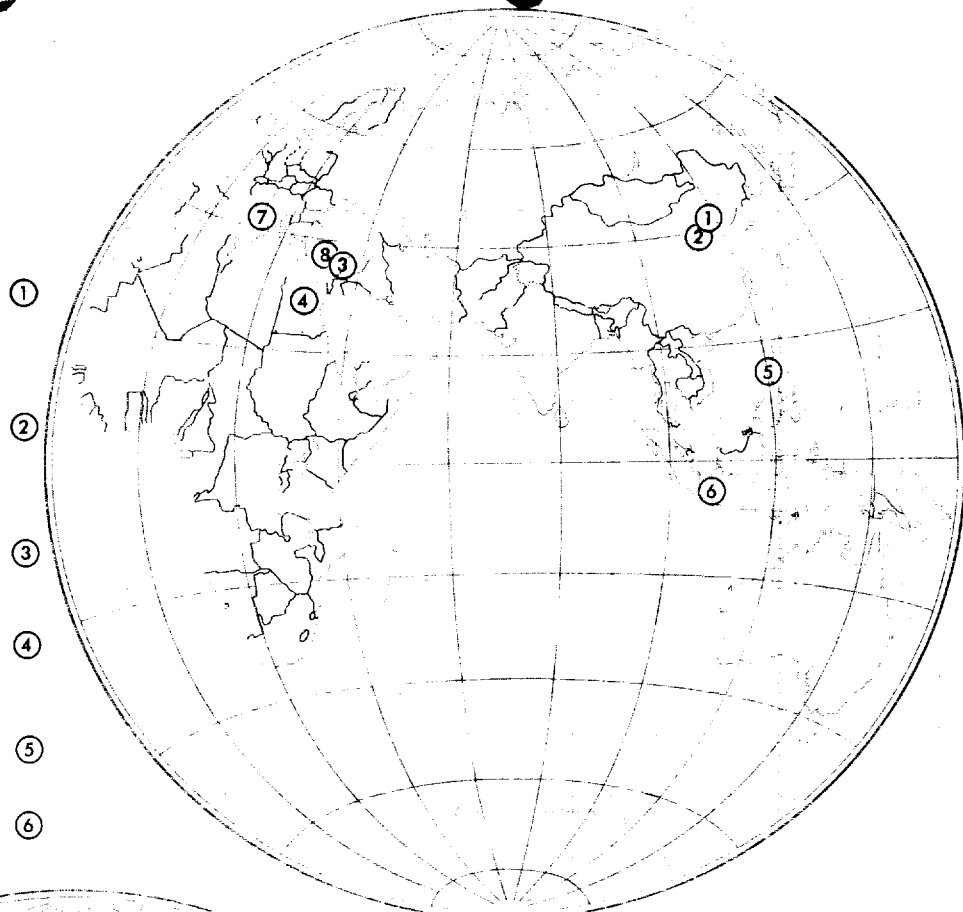
II. ASIA-AFRICA

Tension rising again in Lebanon.

UAR expanding its propaganda attack on Communist influence in Arab states.

Philippines - Garcia's popularity declining; he plans major cabinet and defense post changes.

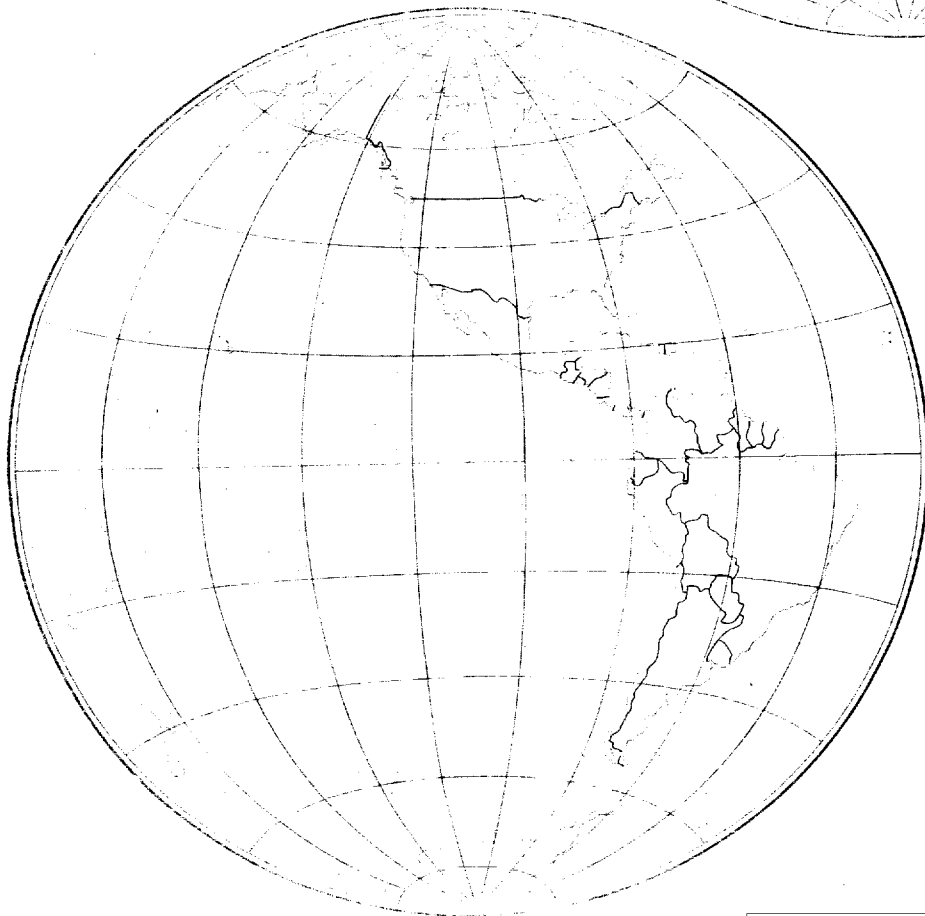
Indonesia - Sukarno moving to reduce Nasution's influence.



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III. THE WEST

- ⑦ Italy seeks to expand trade with bloc.
- ⑧ Cyprus - Easing of tension may be short-lived.



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CENTRAL INTELLIGENCE BULLETIN

20 December 1958

DAILY BRIEF

I. THE COMMUNIST BLOC

Communist China: The Burmese ambassador in Peiping has reported that Foreign Minister Chen Yi, in briefing foreign diplomats on Mao Tse-tung's resignation, denied that the failure to attack Chinmen was a factor in Mao's decision. He stated that "the policy of the Chinese government is either to liberate Taiwan as a whole, that is, for the United States to get out, or to sustain the present situation" by meeting tension with tension. Chen Yi added that Defense Secretary Peng Tehuai may decide "to deluge Chinmen with another barrage" in order to demonstrate that Peiping has not been defeated.

[redacted] (Page 1)

The Indian ambassador in Peiping, who was struck by Chen Yi's "defensive tone," has heard "rumblings of dissatisfaction with Mao." He had also heard rumors that Premier Chou En-lai has been criticized and that he may follow Mao in resigning his government position. While there has undoubtedly been some criticism of both leaders in the past two years, it is unlikely that this criticism could have brought about Mao's decision or would impel any similar decision by Chou.

[redacted] (Page 3)

Communist China - Middle East: Peiping apparently will join the USSR, Czechoslovakia, and Poland in providing arms to the Middle East. China offered arms to Egypt at the time of the Suez affair in 1956, and last April Cairo sent an arms mission to China. The UAR representative in Peiping is now discussing the possibility of purchasing heavy guns and perhaps other weapons from Peiping. Egypt has been under pressure from Peiping to purchase more Chinese goods to balance

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its trade with China, which has been paying hard currency for Egyptian cotton. China probably also sees arms deals as an effective means for expanding its influence in Middle Eastern and Asian countries. It is interested in providing weapons and financial assistance to the Algerian rebels with Egypt acting as intermediary. [redacted] (Page 5)

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] (Page 7)

OK UAR: UAR propoganda 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] (Page 8)

OK 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. [redacted] (Page 9)

OK Indonesia: There are additional suggestions that President Sukarno and Premier Djuanda intend to reduce Nasution's excessive influence in government affairs. Sukarno has already diluted Nasution's authority over the important regional barter trade and he is said to have told Nasution and other top military leaders to concentrate on security and "to leave civilian affairs to the civil governments." [redacted] (Page 11)

20 Dec 58

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]
(Page 12)

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]

(Page 13)

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I. THE COMMUNIST BLOC

Peiping's Foreign Minister Comments on Taiwan Strait Situation

Communist China's Foreign Minister Chen Yi denied to a group of foreign diplomats in Peiping on 16 December that the Communists' failure to attack Chinmen had been a factor in Mao Tse-tung's decision to relinquish his government post, [redacted] Chen claimed that it would be "easy" to take over Chinmen through negotiations with the US at Warsaw but that Peiping has not done so because the price would have been acceptance of the "two Chinas" concept. He termed the presence of Nationalist troops on Chinmen and American forces on Taiwan as "very good" since it focused world attention on "aggression" there.

Obviously sensitive to the non-Communist press, Chen stated that the Communists "control the situation," and claimed that they hold the initiative to shell "when they feel like doing so"--a clear sign of "victory, not defeat." He also stated that tension would be met with tension "for a long time" and that Defense Minister Peng Te-huai "may" give another order "to deluge Chinmen with another barrage" in order to offset claims that the Communists have suffered a defeat.

Recent increases in the intensity of Communist artillery fire on the Chinmens may have been in response to such implications of a defeat. On 9 and 11 December, the Communists fired more than 4,000 rounds on the Chinmens, a substantial increase over the usual number of shells fired in one day.

The Communists have also improved their over-all military posture in the strait area. They have particularly concentrated in improving their air combat capability by extensive

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retraining of their pilots, by adding new equipment, by increasing their fighter strength in the strait area, and possibly by bringing in advanced types of fighter aircraft.

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

The Indian ambassador in Peiping is [redacted] to have been impressed by Chen Yi's "defensive" attitude in his 16 December briefing. Chen denied that Mao's decision was impelled by the failure of any of Mao's policies, or by any kind of dissatisfaction with Mao on the part of other party leaders. Chen noted that Mao had mentioned to several visitors his interest in resigning, and that Khrushchev had approved.

The ambassador is reported to have heard "rumblings of dissatisfaction" with Mao. He also cited a rumor that Chou En-lai might resign as premier, on the ground that he had been criticized in some party quarters as a "rightist" and for being shielded by Mao. The ambassador forecast that Liu Shao-chi would succeed Mao as government chairman.

Although Chen Yi's briefing, like the central committee communiqué the following day, was defensive in tone, his account of Mao's personal position seems essentially accurate.

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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Chinese Communist - Middle East Arms Deal

Communist China, like the Soviet Union, Czechoslovakia, and Poland, apparently will provide arms to the Middle Eastern countries. The UAR ambassador in Peiping, [redacted] [redacted] discussion of a draft agreement was to begin on 18 December, and he asked to be informed of what weapons the UAR desired. He also said that UAR officials in Peiping recently witnessed a "practical demonstration" of 122-mm. and 152-mm. self-propelled guns.

Peiping first expressed a willingness to supply arms to Egypt in the spring of 1956, prior to Egypt's decision to recognize Communist China, when President Nasir solicited arms aid from the Chinese. Cairo's motivation at that time was to secure an additional source of arms in the event the USSR and its satellites would abide by a possible UN resolution to place a general ban on arms shipments to the Middle East. In December of 1956, following the Israeli-Egyptian war and Cairo's recognition of Peiping, the Chinese Communist defense minister affirmed Peiping's readiness to supply Egypt with "all possible aid" and equipment. Early in 1957, Cairo asked its embassy in Peiping to obtain "further details" on the performance and price of certain Chinese-produced weapons.

A UAR military mission visited Communist China in April 1958, and Premier Chou En-lai then encouraged them to inspect Chinese armament factories and military installations. Egypt recently has been under pressure from Peiping to purchase more Chinese goods to balance its trade with China, which has been paying hard currency for Egyptian cotton.

It is not known whether the assault guns referred to by the UAR ambassador in his report to Cairo are of Chinese Communist or Soviet origin. There are at present, however, at least six Chinese plants involved in the production of armored fighting

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vehicles, and it is believed that China is now producing the T-54 medium tank. Communist China also produces artillery up through the 152-mm. gun-howitzer, which, along with the 122-mm. gun, is the type of armament used on the SU-152 and the SU-122 respectively. [REDACTED]

[REDACTED] early in December, Chinese Premier Chou En-lai and the UAR ambassador discussed arms aid and financial assistance for the Algerian rebels. Chou En-lai specified that Cairo would have to act as intermediary for any Chinese Communist arms aid to Algeria. An Algerian mission, including the rebels' minister of armaments and supply, has been in Communist China and would probably be receptive to an attractive arms offer. Furthermore, Cairo has acted in the past as middleman in Czech arms aid to the Algerian rebels. [REDACTED]

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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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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. [redacted]

[redacted]

[redacted]

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Moves to Curb Indonesian Army's Role in Government

Further reports on the recent Indonesian cabinet meeting with President Sukarno and on the subsequent conference of military administrators provide additional evidence that President Sukarno is seeking to reduce army influence in government affairs. [redacted] Sukarno and the cabinet decided to transfer authority over regional barter trade from army chief Nasution to the cabinet itself.

The cabinet reportedly agreed on the need to extend martial law. Parliament approved the extension on 13 December after Premier Djuanda assured the members that martial law might be lifted in some areas after six months and that military abuses would not be tolerated.

President Sukarno is said to have cautioned the Bandung conference of military "war administrators" chaired by Nasution to concentrate on security matters and "leave civilian affairs to the civil government." [redacted]

[redacted] Sukarno's advice was a concession to Djuanda, who had told the cabinet meeting he would resign as premier unless restrictive measures were taken against military interference.

Nasution reportedly instructed military commanders to proceed with administrative programs under martial law and to establish local military-labor cooperation organizations, for which he plans to call a national conference sometime in January. These groups are intended to counter growing Communist influence in the labor movement. [redacted]

[redacted]

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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. [REDACTED] ENI contracted for the crude because it was quoted a price lower than the standard offering.

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. [REDACTED]

[REDACTED]

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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. However, forthcoming moves by Britain in implementation of its interim "partnership" plan for Cyprus, including publication of a commission report recommending that the Turks be granted their own municipal council in five major cities, will probably spark a serious outbreak of violence.

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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