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July 27, 1960

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Synopsis of State and Intelligence material to be reported to the President

JAPAN

MacArthur states that the US Government should be under no illusions that if, in fact, a US aircraft based in Japan shoots down a Soviet or other Communist aircraft simply for violating Japan's air space and when no hostile intent can be proved, then serious consequences affecting our present arrangements for the operation of aircraft from bases in Japan could rapidly ensue. Therefore, he feels it is very important that State, Defense and our military commanders in Japan have the foregoing specifically in mind in interpreting the JCS directive concerning air engagement over Japan and Korea.



IRAQ

Exports of Iraqi oil through the Persian Gulf may be virtually halted on 23 July unless Prime Minister Qasim revokes a Council of Ministers' decree drastically raising oil loading charges beginning that day. The Iraq Petroleum Company (IPC) considers these charges illegal, and most companies within the IPC group will refuse to pay. The company, anticipating a shutdown, already has reduced production in Iraq's southern fields by 40 percent. These fields account for more than 30 percent of the country's total oil exports. Last year the southern fields produced about \$70 million in revenues for Iraq.

CUBA

Fidel Castro's 18 July speech lashing out against "counterrevolutionary activities" by "Falangist" priests indicates the regime's concern over growing church opposition to Cuba's increasing Communist ties. The church hierarchy has thus far vacillated in its public attitude toward the Castro government, but its stand will probably be hardened by the spontaneous anti-Communist demonstrations of churchgoers on 17 and 18 July.

US Ambassador Bonsal feels that Soviet Premier Khrushchev's 9 July statement of support for Cuba has been a serious blow to the Castro regime in that, by clarifying any doubt regarding the Communist orientation of the government, it has put Castro on the defensive.

EAST GERMANY

Moscow is at least acquiescing in the exertion of greater pressure by the East Germans on the Western military liaison missions in East

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Authority NLE 2016-114 #1
By MMK NLDDE Date 11/22/16

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Germany in an effort to extort an acknowledgment of some degree of East German jurisdiction. East German party boss Ulbricht in his press conference of 19 July charged that the US and British missions had been caught spying. East German officials are spreading the word that the USSR no longer feels its own liaison missions in West Germany are important. Soviet authorities, reportedly surprised by the Western powers' failure to retaliate against the Soviet missions, are permitting East German pressure tactics but have not committed themselves firmly on the East Germans' alleged desire to abolish the missions.

LEBANON

President Shihab's abrupt resignation and his subsequent withdrawal of it on the same day by "popular request," as well as the reported appointment of the commander of the army and the chief of staff to ministerial posts, probably indicate a desire by Shihab to reconfirm his mandate and increase army influence over the civilian government. Previous reports have indicated that both the President and General Shihab believe the military must dominate the Lebanese political scene in order to maintain stability.

WEST GERMANY

Endorsement by top Socialist leaders of West Berlin Mayor Brandt as chancellor candidate for the 1961 West German national election and the naming of a shadow cabinet so far in advance of the regular party convention in November suggest that the Socialists feel it may take some time to convince the electorate of the sincerity of their new foreign policy line supporting a strong Germany in NATO. Brandt and party Deputy Chairman Herbert Wehner, who have joined forces to control the party, are reported successful so far in quelling rank-and-file opposition to their course.

TURKEY

Ambassador Warren reports that General Gursel was completely unyielding, in a conversation Sunday, regarding our response to the Turkish request for US financing of a compulsory military officer retirement program. After Warren had outlined a possible alternative approach through an effective and modest program, Gursel animadverted that "perhaps the US Government does not understand." Warren reassured Gursel that Turkey's needs are being carefully considered. Responding

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to a query from the Foreign Office Secretary General, also participating in the talks, Warren said he doubted such a program could be completed in one year but urged that our reply be studied and a suitable plan proposed. Warren comments that Gursel showed no flexibility in his attitude or any understanding of our position.

The military regime is increasingly concerned over the political vacuum created by discrediting the Democratic party leaders. The National Unity Committee (NUC) is giving priority attention to the problem of establishing a political party which could become a viable opposition to the Republic Peoples' party, whose influence the committee is apparently trying to limit. The election date is still undetermined, but most of the committee now seem to favor 27 May 1961, the anniversary of the



SOUTHERN RHODESIA

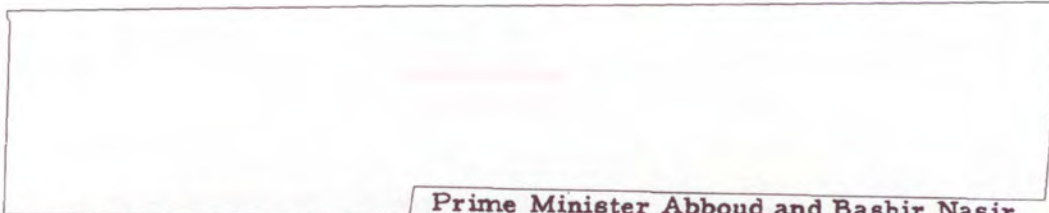
African nationalist rioting at Bulawayo has continued despite strenuous efforts by 2,000 police and troops. The Africans, aroused by developments in the Congo, are protesting the arrest last week of several nationalist leaders. The white-settler government apparently continues to miscalculate the intensity of African aspirations. The government may be pursuing a tough policy to convince the European electorate -- in advance of possible parliamentary elections this fall -- that the present regime will defend white interests as strongly as would the right-wing opposition party.

PHILIPPINES

Hickerson reports that Serrano told him that it was at the urging of the Korean and Chinese Ambassadors that the Philippines had agreed, together with the Koreans, to take the initiative in sounding out non-Communist Asian states on a "little summit." He emphasized that this was all still in very fluid form and that the Philippines would favor it only in the event of a favorable reaction by other countries. They were being very careful, realizing that a great deal of preparation would have to be made and objectives would have to be clearly delineated if the meeting were to prove anything. They did not intend to include countries that might hinder these objectives, and he indicated, without actually saying so, that Japan might come under this category.

SUDAN





Prime Minister Abboud and Bashir Nasir are both presently outside the country, but the latter has said that he will be prepared to return quickly from Cairo should internal difficulties arise in the Sudan.



USSR - IRAN

In a 19 July note apparently more friendly than threatening, Khrushchev reiterated to the Shah the Soviet position that Iran must agree to ban all foreign bases and troops before relations can be improved; in addition he offered economic aid. The Shah is considering giving formal assurances to the Soviet Union that Iran will not be used as a base for reconnaissance flights over the Soviet Union and that he will not allow foreign missile bases in the country. The Shah is under heavy pressure from neutralist-minded Iranian politicians as well as constant Soviet propaganda and may feel he must make some gesture to ease his position.

COMMUNIST CHINA - CUBA

The trade pact concluded on 23 July represents a strong Chinese effort to win diplomatic recognition from Cuba, which appears imminent, and is intended to demonstrate Peiping's willingness to back anti-US movements with considerable material support. Peiping has promised to buy at world prices up to 500,000 tons of Cuban sugar annually over the next five years -- well over twice the amount of sugar normally imported from nonbloc countries by China. The trade agreement is to be followed later this year by an economic aid agreement under which Peiping is to provide industrial equipment and presumably technical assistance to Cuba.

CONGO

According to a Reuters report, de Gaulle told Spaak that the US had insufficiently consulted with France and the UK on the Congo. The Secretary feels we have consulted with the French most frequently and intimately and, if the Reuters report is accurate, he requests Embassy Paris to do all possible to remove French misunderstanding there.

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