

October 29, 1958

Synopsis of State and Intelligence material reported to the President

PAKISTAN

General Ayub, the dominant figure in Pakistan, took over the Presidency of that country on October 27. President Mirza was forced to resign and will shortly leave for England. Ayub has announced that the switch will result in no changes of policy. He will retain the same Cabinet. Our Embassy is concerned over the matter of recognition. The UK does not believe the issue is valid, since the change-over was legal.



SUDAN

There may be a military coup in Sudan in the next few days. It is being planned by the pro-Western Premier Khalil.

CYPRUS

The Greek Government, in a decision influenced by Archbishop Makarios, has decided not to participate in the proposed conference on Cyprus. Intensification of violence on Cyprus is now expected. This event prompted the letter to the President from Mr. Macmillan (October 27) in which he proposed to "let the Greeks simmer for a period" and to support the Spaak proposals. Spaak will try to avoid breakdown.

TEST SUSPENSION

The October 27 Soviet rejection of US-UK proposal for one-year suspension does not specify that USSR will necessarily continue testing after October 31. This move strengthens Soviet position in demanding unconditional test ban.

TAIWAN

Initial logistics of COMTAIWANDEFCON's situation report states that there are over 51 days of supply on Matsu and 48 days of supply on Quemoy. To obviate misunderstanding, a review of the ChiCom's announced intentions indicate that the letup in artillery fire on even numbered days applies only to the airfields and beaches -- i. e. to the supply facilities.

DECLASSIFIED
Authority NLE 2012-48 #2
By MMK NLDDE Date 12/19/14

~~TOP SECRET~~

- 2 -

Ordnance personnel have determined that nothing over 160 mm have been fired at Quemoy. Also, no shells manufactured in China have been identified. All materiel examined has been USSR or US 155 mm. Twelve percent of ammunition fired on 26 October were duds.

Behind-the-door overtures of ChiComs to ChiNats continue.

NATO

Impact of De Gaulle's proposal

Our NATO mission thinks debate in the Military Council on De Gaulle's NATO proposals should be avoided at this time unless initiated by the French. The mission plans to enlist Spaak's support in avoiding NATO Council debate at this juncture. It is felt that Spaak would be the best spokesman in the event that the subject is brought up. We are suggesting that he state he is being kept informed and has received assurance that no matters of concern to NATO countries will be decided without their participation. He is apparently receptive.



(Item continued next page)

~~TOP SECRET~~

On 24 October, Spaak and Adenauer had a meeting. In this meeting they reportedly agreed that NATO consultation had improved in the last two years and that further improvement should be discussed at the December NATO meeting. They agreed that De Gaulle's directorate proposal was unrealistic and unworkable and that direct interest in global matters was not limited to the Big Three. Adenauer is sending a letter to De Gaulle.

Embassy Paris reports that press reaction in Paris is not sensational. Most articles are, however, sympathetic with De Gaulle's viewpoint.

Montgomery's Criticism of NATO



Embassy Paris reports that De Gaulle raised Montgomery's criticism of NATO with Norstad on 27 October. Although De Gaulle did not express direct views on Montgomery's statements, he stated that new conditions required changes in the organization. He further appeared to feel that the military side of the alliance had been relatively efficient but that other activity had been "noisy and boisterous."

The means of handling Montgomery's criticisms are under discussion. The State Department hopes that the UK Government will make a statement in support of the NATO structure in order to establish that that Government does not share Montgomery's views. Embassy Paris has suggested that the British authorities be prepared to take some positive act of disassociation. Norstad may be impelled to make some remarks on this subject in his 3 November press conference.

US-BURMA MILITARY SALES AGREEMENT (President briefed on this item on 31 October)

At the request of the Under Secretary of State, the President was briefed on the circumstances which led to the action by the President to commit the US Government to furnish an estimated \$25.5 million to the Burmese Government in Mutual Security funds, to be obligated in FY 1960.

In response to requests from the Burmese Government for military equipment with which to deal more effectively with indigenous Communist insurgent activities, it was determined by the President* on 6 June 1958 that \$20 million of funds for FY 1958 should be provided

*In compliance with NSC 1550, as authorized by Section 451 of the Mutual Security Act (formerly Section 401)

for military assistance to Burma. This determination was based on advice from the Departments of State and Defense, who had met with Burmese military authorities and discussed a list of priority items in December 1957. In that the applicable section of the Mutual Security Act deals with the \$150 million of grants which do not require compliance with other sections of the law, this determination does not require any repayment by the Burmese nor any assurances by them of complying with various agreements as set forth in Section 142 a of the law.**



Subsequent to this determination, a re-costing of the list of items to be furnished revealed that \$20 million represents a figure which covers only a little less than half the price of what the Burmese Government understood our agreement of December 1957 to be. This circumstance was brought about by a misunderstanding between the Department of State and the Department of Defense in the initial computation of the list of equipment to be furnished. In the words agreed to subsequently by the parties concerned, the "Department of Defense understood that a sufficient portion of the Burmese request to satisfy their needs could be met by providing \$20 million of military equipment to be selected from within the Burmese requested list of Priority I requirements. The Department of State, on the other hand, understood that the commitment to Burma which was proposed at that time was to provide substantially the entire list of Priority I military requirements, which the Department of State then understood, had been estimated by the Department of Defense to have a value of \$20 million. In any event, the Burmese Government now takes the firm position that virtually the entire Priority I list of requirements was agreed to by the United States and is the basis upon which they entered into the agreement with the United States."

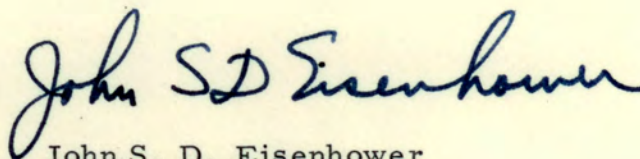
Subsequent to the discovery of this discrepancy, efforts have been made by US representatives in Burma to mollify the issue by attempting to send a "first shipment" of modest size without discussing the entire list of equipment finally to be sent. These attempts the Burmese Government has frustrated by refusing to accept any first shipment without a complete list of the total equipment finally to be sent. Accordingly, since a significant scale-down of the August 16 list of equipment is believed to carry with it a jeopardy to our objectives in the area,

** At their own insistence, the Burmese were to make a token payment of \$2 million.

the Embassy Rangoon has been authorized* to inform the Burmese that they will receive essentially the entire list.

As a matter of mechanics, it is contemplated that the additional funds above \$20 million will come out of FY 1960 appropriations rather than FY 59, since FY 59 funds are already committed, and the lead-time of some of the items of equipment is such that obligation in FY 60 will not cause delay in delivery. In addition, there is a strong possibility that the sum actually to be obligated in FY 60 may be less than anticipated. The figure of \$25.5 million is believed to be a maximum.

The commitment of the United States is, of course, contingent upon the appropriation of sufficient funds under Section 451 in FY 60 to cover the bill. State, Defense, and Bureau of the Budget have concurred. No further action is required at this time.



John S. D. Eisenhower
Major, United States Army



* Telegram 17 October 1958