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CP / ED :

3.3(h)(2)

3.5(c)

8 January 1956

Copy No. 103

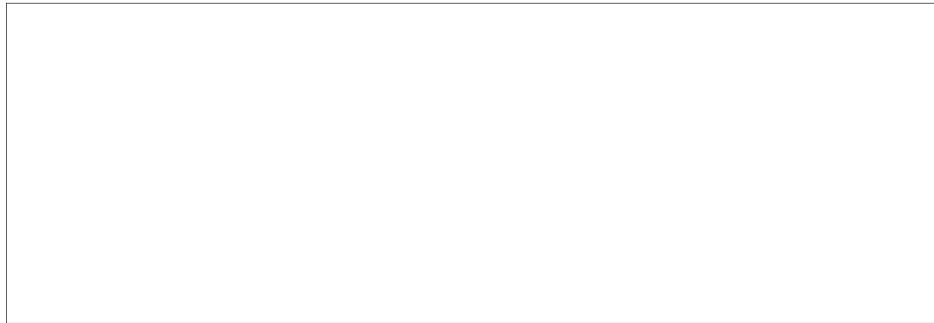
CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 46 /
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TB S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: JAN 1956 REVIEWER:

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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Approved for Release: 2019/10/21 C03020479



Approved for Release: 2019/10/21 C03020479

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1. FRENCH AMBASSADOR SEES MORE FLEXIBLE
JAPANESE POSITION IN TALKS WITH USSR

Matsumoto's position and authority have [redacted] been strengthened by recent contacts with all segments of Japanese government opinion. The French ambassador considers it significant that no Japanese in authority has indicated the possibility of any breakdown in the negotiations.

Comment

The Hatoyama government has adopted the hard line advocated by Shigemitsu and the conservative Liberal-Democratic Party. This policy calls for the unconditional return of the southern Kurils, in addition to Shikotan and the Habomai Islands, as well as the solution of other outstanding issues before restoring relations. Hatoyama and his advisers, including Matsumoto, however, have on occasion urged an early agreement with the USSR to bolster their domestic political prestige.

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2. SYRIA RECEIVING ARMS FROM SOVIET BLOC

[redacted]
[redacted]
the \$5,880,000 arms contract [redacted]

[redacted] has been signed and its implementation begun. This contract provides for delivery within four months of 60 T-34 tanks complete with accessories, replacement parts for three years, 40,000 shells and 2,000,000 rounds of machine gun ammunition.

[redacted] the spare parts in the contract would be dispatched on the Bulgarian freighter Chipka. [redacted] 60 machine guns, 15 radios, 12 periscope assemblies and other equipment for the tanks had already been sent. [redacted] the Chipka loaded at Burgas, and passed Istanbul on 15 December, arriving at the Syrian port of Latakia on 23 December and Beirut on 24 December. It may have unloaded arms for Syria at either port.

[redacted]
[redacted]
[redacted] another contract which would provide for delivery of 2,000 machine pistols with ammunition in January and an additional quantity in March. [redacted] negotiations have also been under way for other types of military equipment, including antiaircraft guns, self-propelled guns, armored vehicles and tank tracks for maintenance of the German-made tanks already in Syria. (Concurred in by ORR)

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3. LIBERIA STALLS USSR ON OFFER OF DIPLOMATIC RELATIONS AND ECONOMIC AID

President Tubman of Liberia told Ambassador Jones on 6 January he had informed the Soviet delegation now in Liberia for the presidential inauguration that the establishment of diplomatic relations between the two countries was dependent on a legislative appropriation and the existence of a treaty of friendship. He said he had agreed in principle to a friendship treaty but had insisted that the present delegation was not authorized to conduct such negotiations.

Tubman also said he had informed the Russians that Liberia could not accept the Soviet Union's offer of economic aid as long as no treaty of friendship existed. He also said he would tell the Soviet delegation that "the economic and other relations existing between the United States and Liberia are neither for sale nor barter with any country and that Liberia now has all the aid it can use and would make its request to the United States if it needed more."

4. PRESENT PROSPECTS FOR NEW FRENCH GOVERNMENT

The Republican Front has a large edge in popular interest because of the dynamic campaign it conducted and because of the right-center's psychological depression over its electoral losses. The American embassy in Paris expects a Socialist leader in the Front to have the first chance to form a government, since right-center votes essential to investiture might not be available to Mendes-France. The embassy feels, however, that Republican Front leaders Mendes-France and Mollet must present to the Faure-Pinay parties a less uncompromising program than their current public statements profess if they wish to govern France.

Key right and center leaders are more in favor of a Socialist than a Mendes-France government

The embassy sees no evidence that any Republican Front leaders are contemplating the extreme move of threatening to ally with the Communists.

Comment

Despite past rebuffs, the Communist Party can be expected to press its 6 January appeal to the Socialist and Radical Socialist Parties to join in a popular front government. The Communists may feel that they can weaken the firm opposition of the Socialist national leadership to any Communist participation in the government by appealing to grass-roots Socialist sentiment. On 6 December, the Socialist National Council rejected electoral alliances with the Communists by 1,979 to 1,243, with 324 abstentions. Mollet will probably avoid too uncompromising a stand in negotiating with the center and right in order to forestall pressure from the local Socialist federations to turn to the Communists.

5. COUP IN CUBA RUMORED SET FOR ABOUT 10 JANUARY

[redacted] Havana states there are many rumors and partially confirmed reports of a coup set for about 10 January which allege army unrest and participation in the revolt. [redacted]

[redacted] the rumored revolt date may be based on an assumption that the opposition talks with President Batista

scheduled for 10 January will fail. [redacted]

[redacted] expects no imminent attempt against the regime, although during a visit to strategic Camp Columbia in Havana [redacted] uneasiness over potential trouble.

[redacted] student disturbances are to take place prior to 10 January.

[redacted] that a general strike is being prepared for 9 January in three provinces and that labor disturbances may result from an internal conflict in the sugar workers' federation.

Comment

The armed forces, the key to political power in Cuba, are generally considered loyal to Batista. Political tension, however, has been increased by the opposition's persistent demand that the president allow general elections as soon as possible, and recent widespread student and labor disturbances suggest that popular dissatisfaction, while not well organized, is increasing.

6. NAVY REVOLT IN BRAZIL TENTATIVELY PLANNED FOR THIS MONTH

[redacted] the Brazilian fleet, which left [redacted] Rio de Janeiro on 4 January for maneuvers, may attempt to revolt [redacted]

[redacted] The revolt is tentatively planned to take place in late January, with the naval forces seizing the city of Salvador in the state of Bahia.

[redacted] the coup group is not as "formidable" as it was a month ago and that the plan calls for a risky operation in which the navy would revolt with the hope that this would set off insurrection throughout the armed forces. [redacted] it is impossible to predict whether this revolt will be attempted since the plans are dependent on the decision of a small group of men.

Comment

Admiral Penna Botto, who was ousted as commander in chief of the fleet following the 11 November revolt, has been involved in most of the plotting to prevent President-elect Kubitschek and his vice presidential running mate, Goulart, from taking office on 31 January. While it is possible the disgruntled naval units may make some last-ditch effort to keep Kubitschek from taking office, War Minister General Lott still appears to command sufficient support in the army to prevent a successful revolution at this time.

7. STATE OF SIEGE IN CHILE

[Redacted]

President Ibanez' declaration of a state of siege throughout Chile to head off a general strike called for 9 January by the largest labor confederation, CUTCH, has confronted the regime with one of its most serious political crises. While public confidence in the administration is perhaps at an all-time low, Ibanez appears capable of controlling the situation at this time.

CUTCH called the strike in protest against the government's plan to freeze wages, prices, and pensions. The president's declaration of a state of siege was followed by the arrests of hundreds of labor leaders, Communists, and other leftists.

The government has placed the armed forces and carabineros on alert status and has increased Santiago's military strength to 30,000, almost half of the nation's total military and security forces.

Since the wave of strikes last July, the administration has adopted a much firmer position against leftist and CUTCH pressures. This new firmness was an important factor in the decision of several opposition parties to support the government's wage-price bill, which still faces one more test vote in the Senate in the next few days.

[Redacted]

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 8 January)

UN truce supervisor General Burns has concluded that developments are leading toward general hostilities between Israel and Egypt. Burns told the American embassy in Tel Aviv on 3 January he believed Nasr was too smart to launch a war against Israel until Egypt was prepared, probably in two or three years, although certain of his subordinates might not exercise the same restraint. Burns thought there was a good chance the Israelis would precipitate a war in the next several months. The embassy comments it does not believe any decision for preventive action has been taken by Israel, but that it is probable that if Israel's concern for its air defenses is not alleviated, Tel Aviv would be forced to consider the possibility of preventive action.