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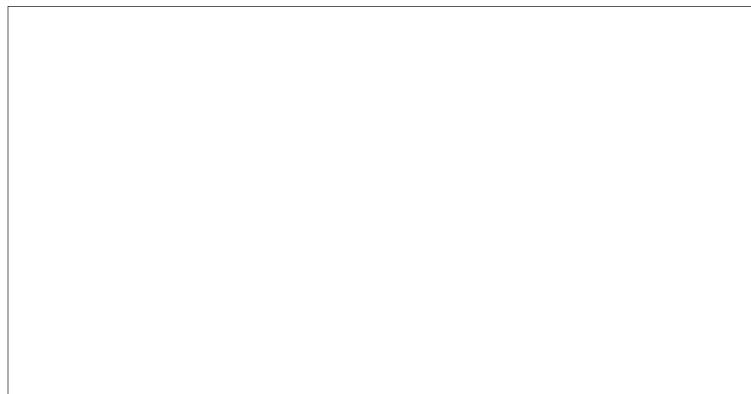
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1. THE SITUATION IN WARSAW

Reference:

The Polish regime has succeeded in maintaining control of the situation in Warsaw and preventing any spread of the disturbances while conceding nothing to the students' demands. The students have not been involved in rioting since 4 October, and a student statement circulated on 6 October denied that

they had intended to resort to violence. Cardinal Wyszynski's annual academic year sermon on Sunday advocating moderation has also helped to restore some degree of patience.

The students failed to gain the support of factory workers, notably at the Zeran automobile works. Townspeople on the morning of 7 October were reportedly expressing their disgust with the wildcat disturbances. There has been little of the panic buying which normally accompanies public expectations of serious disturbances.

Neither the Polish nor Soviet military forces have apparently been alerted. Polish military leaders discussing the situation with US officials at a week-end diplomatic party without exception expressed their lack of concern, pointing out their confidence in the militia's ability to handle the situation and their feeling that the "students had now had their fun."

The students, however, still demand the reopening of Po Prostu, the release of those arrested, and the punishment of officials responsible for calling in the militia. If the regime fails to meet any of these demands, or resorts to harsh punishment and press censorship during the week, tempers may again be inflamed and further student demonstrations could result. Despite surface calm, the regime has refused to permit the Polytechnical University to open since 4 October.

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2. CHINESE COMMUNIST REACTION TO SATELLITE LAUNCHING

Comment on:



Peiping's initial reaction to the successful launching of the Soviet satellite hails the achievement as "proof" of the "incomparable superiority" of the socialist system. This may be the beginning of a major Chinese propaganda campaign.

Unlike Soviet commentary, which thus far has emphasized the scientific achievements and what the USSR considers to be the political implications of the launching, the Chinese Communists were quick to seize on the military significance of the satellite by linking it to Soviet development of the ICBM. Declaring that the United States can no longer lay claim to being the most powerful nation on earth, an editorial of 6 October in an authoritative newspaper stated that Soviet missile successes have shattered all American "hopes for world hegemony."

Peiping first began asserting last May that the United States "lagged behind" the USSR in missile development, and has given wide publicity to reported "failures" in US missile testing in recent months. The Chinese have emphasized previously that Soviet successes should induce the West to agree to Soviet conditions for a disarmament agreement.



3. LIBYA'S PRO-WESTERN ORIENTATION STRAINED BY FRENCH ATTACKS

Comment on:

The generally pro-Western Libyan government is likely to come under increasing pressure from elements which are using the Franco-Libyan frontier incident of last week to arouse opinion against the West in general and France in particular.

Speakers participating in an anti-Western demonstration in Benghazi on 6 October have demanded abrogation of the Franco-Libyan treaty of friendship and a reconsideration of base agreements and treaties with the United States and Great Britain. The demon-

stration followed the Libyan government's announcement of the details of a French attack on 3 October directed against a Libyan village near the Algerian border. The government has denounced the French "aggression" and requested assistance from the British under the Anglo-Libyan treaty of 1953. Before the incident, Libyan government officials, who had already indicated they hoped to renegotiate the American-Libyan base agreement, had asked for a quick shipment of American military supplies.

In Paris, the American embassy has been informed that the French took action only after being attacked by "unidentified elements" near the "ill-defined" border. The French government reportedly believes that such incidents may continue to occur unless a better demarcation is made.

The American embassy in London reports that the Foreign Office is "much concerned" and considers the French attack to have been [redacted] even if French allegations that Algerian rebels are operating from that area are true. The British reportedly hope to avoid the necessity of complying with the Libyan request for assistance by persuading the French to withdraw any forces which may still be in Libyan territory. [redacted]

4. REACTION IN ALGERIA TO DEFEAT OF PROPOSED ALGERIAN STATUTE

Comment on:

French efforts to promote pacification and reconciliation in Algeria appear to have been set back seriously as a result of the National Assembly's defeat last week of the proposed basic law for Algeria.

The assembly's action has reportedly driven nationalist Mohamed Belounis, a field commander of the Algerian National Movement with whom the French had been negotiating an "alliance" since July, into active opposition again. Belounis had apparently endorsed an early version of the statute in return for assurance that he would receive an important position in the new Algerian regime. He is now said to have broken with the French and withdrawn, in French trucks and with 250 French-equipped followers, to the hills of north central Algeria.

The National Liberation Front (FLN), the dominant nationalist organization, reportedly is highly gratified by the adverse vote in Paris, believing it has greatly improved the FLN's position in the forthcoming UN debate on Algeria. There is no indication as yet, however, that the FLN intends to exploit the fall of the Bourges-Maunoury government by stepping up terrorism in Algeria as it did at the time of the last government crisis in Paris.

European extremist groups in Algeria, which opposed the reforms as an inadmissible first step toward eventual "abandonment," have also expressed satisfaction over the turn of events in Paris. Veterans' and students' organizations see the government crisis as providing an opportunity for "determined men" to assume leadership of a "movement of national revival."

5. RIGHTISTS MAY ATTEMPT PRE-ELECTION COUP IN GUATEMALA

Comment on:

Continuation of the middle-of-the-road policies established by the late president Castillo Armas in Guatemala is threatened by plotting on both the right and the left aimed at preventing or annulling the 20 October election of a full-term successor to Castillo. The administration presidential candidate, pro-American former Supreme Court president Miguel Ortiz Passarelli, appears assured of victory if the elections are held as scheduled.

Extreme rightists, who have been working closely with agents of Generalissimo Trujillo of the Dominican Republic, and certain army officers who resent the dominant position of the powerful defense minister, Col. Juan F. Oliva, have been reported [redacted] to be planning to seize the government shortly before election day.

Leftists, who have been denied participation in the election by the recent proscription of the Communist-infiltrated Revolutionary party, are also plotting revolution. Prominent exiles who have reportedly returned clandestinely to Guatemala and other leftists are believed seeking support for a revolt among army and police officers. Although the leftists and pro-Communists are weak and poorly organized, they are capable of causing disturbances among politically volatile students.

Any leftist-inspired disorders might provide a pretext for a rightist coup.

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6. BURMA CONSIDERING ADDITIONAL SOVIET AGRICULTURAL ASSISTANCE

[Redacted] [Redacted]
 The Burmese government reportedly is considering a Soviet offer of a loan of just under \$10, 000, 000 to permit the acceleration of high-priority agricultural projects. The loan, which would enable Burma to hire 43 additional Soviet technicians and enlarge the existing joint agricultural program, would expand the most successful phase of the USSR's economic aid activity in Burma to date.

The Burmese government wants the American economic aid mission to approve financing of a large-scale land reclamation project already in progress in the Irrawaddy Delta under the recent \$25, 000, 000 loan from the United States. The Russians allegedly are anxious to step in with the required funds for this project because of its propaganda potential.

[Redacted] of great significance and potentiality for expanding rice production and promoting social welfare. While rice earns 70 percent of Burma's foreign exchange, rice exports are still only about two thirds of pre-war levels.

Meanwhile, in other spheres of the Soviet assistance program, 50 engineers and construction experts are reportedly now in Rangoon to begin on schedule work on the technological institute and other buildings. In addition, 12 Soviet planning experts now are in Rangoon following up a previous proposal for the construction of cheap concrete housing units.

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7. BREACH WIDENING BETWEEN INDONESIAN DISSIDENT LEADERS AND DJAKARTA

Reference:

Indonesia's dissident provincial commanders not only are continuing to perfect their plans for united opposition to the central government, but [redacted] reported to be in general agreement that President Sukarno "will have to go." They are also increasingly disillusioned with the idea of relying heavily on Hatta's leadership for their cause, because of his "clumsy" performance at last month's round-table conference in Djakarta.

The planning of the disaffected commanders calls for Col. Simbolon to regain control of North Sumatra and assume command of the whole island. Former chief of staff Col. Lubis is to direct activities in Java, and Lt. Col. Sumual is to establish his command over all of East Indonesia.

The provincial dissidents continue to count heavily on economic pressure to achieve their aims, and one source estimates that Djakarta could be brought to terms within four to six months by such pressure. They are aware, however, the central government will probably retaliate with economic countermeasures such as a tightened blockade. They also know that Djakarta is building up an underground movement which can, on short notice, move against the local authorities.

In the Medan area of North Sumatra, the Communist-led "village defense corps" has been reported fighting police and army units. This would seem to be a reaction to the recent arrest of Lt. Col. Macmour, a pro-Communist regimental commander who provided the corps with its arms. [redacted]

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