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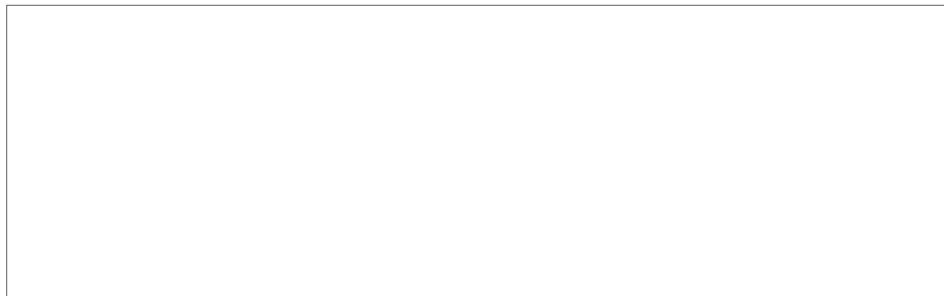
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CONTENTS

1. RANGOON CONSIDERING SOVIET OFFERS TO UNDERWRITE
BURMA'S ECONOMIC DEVELOPMENT PROGRAM [redacted]
(page 3).
2. USSR REPORTEDLY OFFERS LARGE CREDIT TO ECUADOR
[redacted]
(page 4).
3. POSSIBILITY OF A REVOLT IN CHILE [redacted] (page 5).
4. INDONESIAN PRIME MINISTER'S POSITION WEAKENING
[redacted]
(page 6).
5. GREEK PRIME MINISTER PLANS NO MOVE ON CYPRUS
ISSUE BEFORE ELECTIONS [redacted] (page 7).
6. POSTPONEMENT OF THE SUPREME SOVIET SESSION
[redacted]
(page 8).

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THE ARAB-ISRAELI SITUATION

[redacted]

**1. RANGOON CONSIDERING SOVIET OFFERS TO UNDERWRITE
BURMA'S ECONOMIC DEVELOPMENT PROGRAM**

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A high Burmese planning official told the American embassy in Rangoon on 18 December that his government is seriously considering a Soviet offer to provide all the assistance necessary to carry out Burma's economic development program. He stated that even U Kyaw Nyein, the most outspokenly anti-Communist member of the Burmese cabinet, had reached the conclusion that Burma had no alternative but to accept this Soviet aid. The Burmese official stated that he was preparing comprehensive project requests to be submitted to the Russians.

Comment Any sweeping Soviet offer which appears to promise quick results would appeal to the Burmese, whose economic planning has always been grandiose. Burma is attempting by 1960 to raise its gross national product by one third over the prewar level.

The Burmese are confident that their ability to maintain control of Burma's destiny will not be seriously impaired by exclusive Soviet participation in their development plans. So far they have exhibited little suspicion that strings might be attached to Soviet aid offers. They have frequently complained of the red tape and restrictions involved in Western offers. [redacted] (Concurred in by ORR)

**2. USSR REPORTEDLY OFFERS LARGE CREDIT TO
ECUADOR**

Comment Ecuador, considered a poor credit risk by Western countries, has been unable to gain additional funds for its relatively large-scale development projects and may turn to Moscow for economic aid. The USSR may also consider Ecuador vulnerable because of its long-standing boundary dispute with Peru and its inability to obtain arms.

[redacted] Communist offers of generous credits are a prominent feature of the Kremlin's program to gain influence in underdeveloped countries. (Concurred in by ORR)

3. POSSIBILITY OF A REVOLT IN CHILE

[Redacted]

[Redacted]

Many rumors and newspaper stories have appeared of an abortive plot against the government of President Ibanez which was to have taken place on 19 December, according to the American embassy in Santiago.

[Redacted]

According to the embassy, the guard around the presidential palace has been increased, but the government has made no comment, and Santiago remains calm.

Comment

The fact that Ibanez has failed to alleviate Chile's economic problems has reduced public confidence in his administration to an all-time low. The cost of living, for instance, has been increasing at the rate of about 6 percent per month for the past two years. Unrest is further increased by the refusal of 15,000 copper workers to return to work despite orders from the government that they do so.

4. INDONESIAN PRIME MINISTER'S POSITION WEAKENING

[Redacted] [Redacted]
The position of Prime Minister Harahap, who has been unable, in the face of President Sukarno's opposition, to get the necessary political support for a solution

to the air force dispute, has been further weakened as a result of returns coming in from the 15 December elections for a constituent assembly in Indonesia. With over a third of the vote counted, the returns show the National Party, Communist Party, and Nahdlatul Ulama polling better than they did at a comparable point in the count of the September parliamentary vote, and the Masjumi doing worse.

Harahap, meanwhile, is apparently searching for a foreign policy victory on the emotionally charged Netherlands New Guinea issue to counter his domestic difficulties. On behalf of the prime minister and Vice President Hatta, a Foreign Ministry official asked the American ambassador to see what could be done to bring to a successful conclusion current negotiations between Indonesia and the Netherlands on the whole range of their relations.

The Harahap government entered the negotiations on 10 December without the support of at least three parties in the government coalition. The Netherlands is unlikely to make any concession on the New Guinea issue which could aid Harahap in his domestic political difficulties.

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5. GREEK PRIME MINISTER PLANS NO MOVE ON CYPRUS ISSUE BEFORE ELECTIONS

The prime minister now plans to dissolve parliament in mid-January and hold elections at the end of February. He says he will remain in office during the election campaign if the Cyprus issue is "reasonably quiet"; otherwise, he will resign in favor of a caretaker government. He expects discussions to be resumed between Cypriot archbishop Makarios and Cyprus' Governor Harding.

Comment

Karamanlis apparently intends to withhold commitment on the Cyprus issue until the Greek elections, since an agreement without a fixed date for self-determination would jeopardize his electoral prospects.

Karamanlis apparently expects Makarios to resume negotiations with Harding on his own responsibility, in the hope that this would reduce terrorist activity on Cyprus pending the elections. It is doubtful that Makarios would enter new talks with Harding without overt Greek support.

6. POSTPONEMENT OF THE SUPREME SOVIET SESSION

[Redacted]

Postponement of the USSR Supreme Soviet session from 23 December to 26 December may indicate that a

plenum of the party central committee will be convened during the intervening period. A central committee plenum at this time would suggest unreconciled disagreements within the party presidium over foreign and domestic policies. Controversies to be resolved at this time possibly are connected with the Soviet budget or with the Khrushchev-Bulganin trip to South Asia. Resolution of such controversies might be followed by important changes in the party hierarchy.

Since Bulganin and Khrushchev returned to Moscow late on 21 December, it is also possible that more time is required to prepare a full report on the foreign aid program for South Asia to which they committed the USSR.

Postponement of a meeting of the Supreme Soviet has occurred at least twice since Stalin's death. In March 1953, a session was delayed to enable the central committee to accept Malenkov's resignation as secretary. A meeting scheduled for 28 July 1953 was postponed to 5 August, presumably to allow Malenkov time to secure acceptance for the "new course" economic policy which he presented at that session. [Redacted]

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 21 December)

No significant military action has been reported. Jordan, however, has lodged a complaint with the Mixed Armistice Commission charging that Israelis fired on a Jordanian patrol in the Hebron district and alleging other Israeli "provocations."