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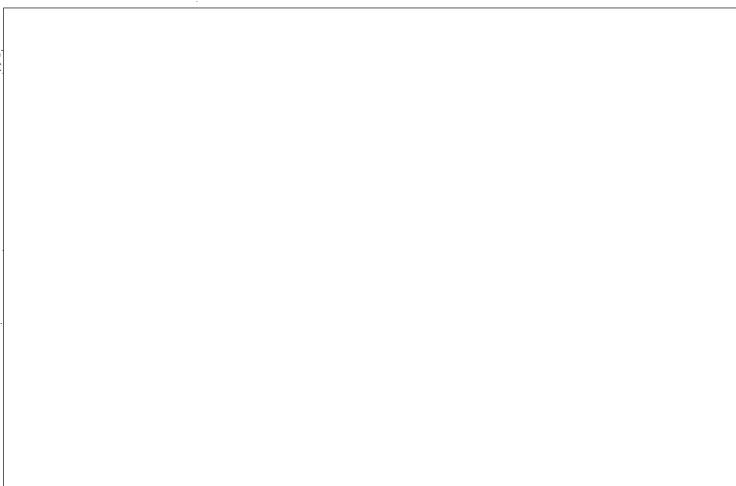
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1. EGYPT ORDERS AIR DEFENSE ALERT

Egyptian antiaircraft headquarters on 11 September ordered all major anti-aircraft commands on the alert.

Units were also ordered to ensure that weapons positions were occupied and manned by noon, 13 September. The alerted commands are responsible for the antiaircraft defense of the Cairo, Northern Delta, Suez Canal zone, Sinai, and Upper Nile areas.

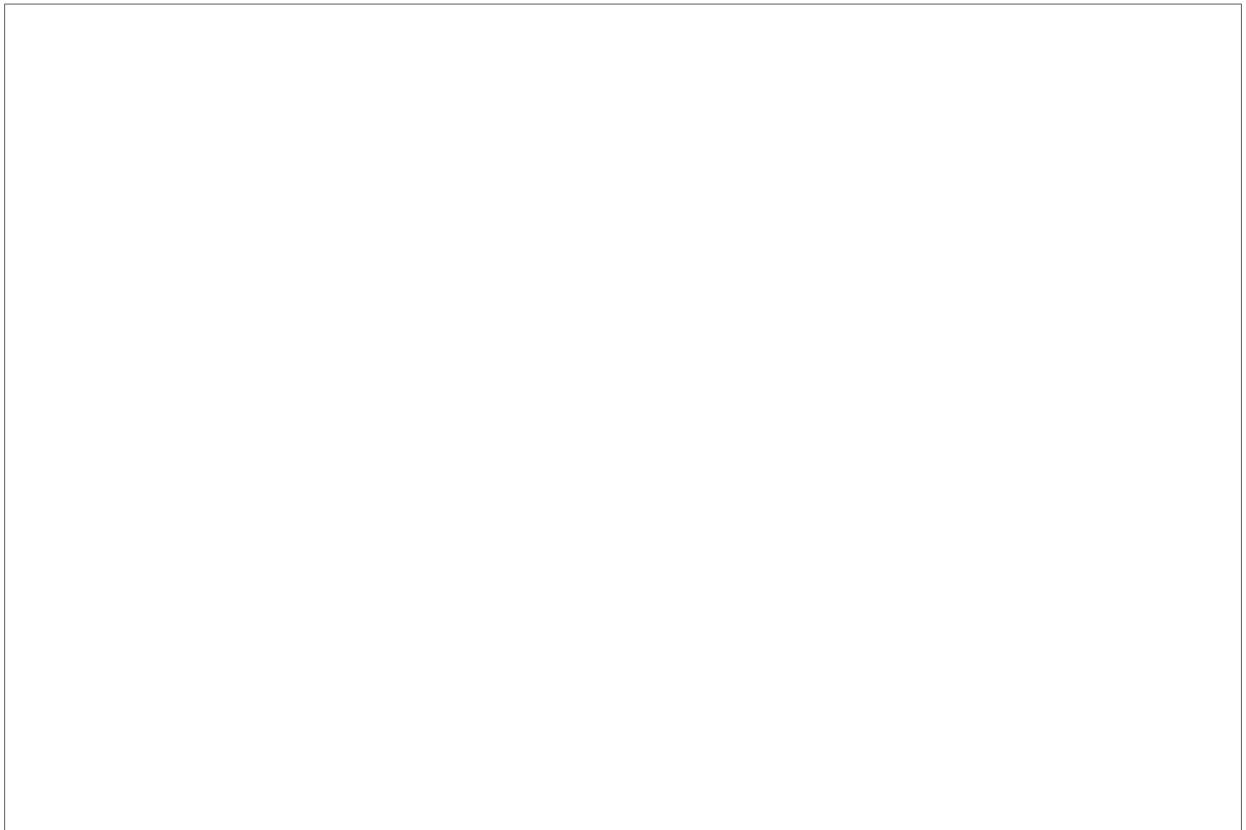
Comment

The alert reflects Egyptian uncertainty over the intentions of Turkey, Israel, and the Western powers as a consequence of the situation in Syria.

On 6 September the USSR advised Syria of impending Turkish troop movements toward the Syrian border and of movement of units of the American Sixth Fleet into the eastern Mediterranean.

The visit by new Syrian Chief of Staff Bizri and Intelligence Chief Sarraj to Cairo for military conferences on 11-12 September reportedly concerned "coordination of Egyptian and Syrian military plans and discussion of the military situation generally." The visit may also have been promoted by Sarraj to permit the Egyptians to scrutinize General Bizri, concerning whom Cairo has apparently been scantily informed.

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3. PHAO RESIGNS FROM THAI CABINET

Comment on:

[Redacted]

✓ The resignations from the cabinet of Interior Minister Phao and Agriculture Minister Phin--Phao's father-in-law-- should do much to placate Army Marshal Sarit and may for the present be the extent of the concessions he sought from Premier Phibun.

A spokesman for the bloc of 92 assemblymen led by Sarit who defected from the governing Seri-Manangkhasila party has pledged that the group will not try to overthrow Phibun, nor will it join another party in the National Assembly. Other spokesmen for the group reportedly stated that they merely wanted cabinet changes, including the resignation of the Phao-Phin clique.

Phibun thus appears reasonably certain of continuing in office, but only at the cost of increased dependence on Sarit, who through his bloc of "politically neutral" votes will hold the balance of power in the 283-seat National Assembly.

Phao reportedly will retain his post as police director general, but his withdrawal from the cabinet marks yet another step in his decline from the position of pre-eminence he enjoyed in 1955. [Redacted]

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4. VENEZUELAN PRESIDENT REPORTEDLY WILL USE
PLEBISCITE TO ENSURE RE-ELECTION

Comment on:

Venezuelan President Perez will be the sole candidate permitted to run in the presidential election set for 15 December,

The election will be limited to a vote for or against his continuing in office for another five-year term beginning April 1958. Instructions have already been sent to state governors on the procedure, and a special session of congress will convene within a few days to approve a new electoral law.

This formula for registering a popular mandate was apparently designed to satisfy the military, who reportedly oppose any form of free election. They evidently fear repetition of the 1952 election when preliminary returns pointed to an opposition victory. The new procedure, however, may give rise to increasing domestic unrest and will probably provoke adverse reactions in various other Latin American countries.

On 21 August the government arrested Rafael Caldera, head of the principal legal opposition party, who would probably win the backing of the Roman Catholic Church and the leading opposition factions if allowed to run.

5. CHINESE COMMUNISTS OFFER ECONOMIC AID TO CEYLON

Comment on:

Under the terms of a tentative agreement reached in Peiping, which Ceylon is expected to approve, Communist China will grant \$15,750,000 in economic aid to Ceylon over the next five years beginning 1 January 1958.

this aid, which is to be granted tions," will consist of commodities to be sold in Ceylon. The Ceylonese will use the proceeds to finance their rubber replanting program. The agreement is similar to Peiping's arrangements for aid to Cambodia and Nepal.

The aid agreement is designed to offset Ceylon's disappointment with Chinese refusal to agree to premium prices for Ceylonese rubber in the recently negotiated renewal of the Sino-Ceylonese rice-rubber agreement. The total quantity of aid to be delivered, however, is considerably less than the \$50,000,000 profit which Ceylon derived over the past five years from the expiring rice-rubber agreement.

This agreement will permit the introduction of Chinese goods to a new market in South Asia and will advance the coordinated Sino-Soviet effort for peaceful penetration of South and Southeast Asian nations. Khrushchev, in offering Soviet assistance to Ceylon last month, indicated to the Ceylonese ambassador in Moscow that the Soviet Union would be willing to purchase the increased production resulting from a rubber development program.

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6. JAPAN PLANS REPARATIONS AND ECONOMIC ASSISTANCE PROGRAM FOR SOUTH VIETNAM

Comment on:

The Japanese government has drawn up a new reparations offer for South Vietnam linked with a development fund to be financed by Tokyo, Saigon, and Washington in an effort to settle one of its remaining reparations obligations in Southeast Asia. This would remove a major obstacle to improvement of Japan's relations in the area and pave the way for closer economic cooperation.

Japan is prepared to give Saigon up to \$40,000,000 as reparations and offer an equal amount in loans. The entire sum is to be used for developing the Danhim hydroelectric project, a favorite scheme of President Diem. Tokyo will suggest that repayment of the loan be made in Vietnamese raw material. In addition, the Japanese will propose establishing in Saigon an industrial bank to which they are prepared to loan \$3,000,000 if the Diem government and the United States also contribute. The bank would finance the establishment of small consumer industries.

A special economic envoy is scheduled to leave for Saigon in late September to negotiate the reparations settlement before Prime Minister Kishi's visit during his Southeast Asia tour in November. Diem has indicated that Kishi would not be welcome unless preliminary agreement were reached on a reparations settlement. [redacted]

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ANNEX

Watch Report 371, 12 September 1957
of the
Intelligence Advisory Committee

[Redacted]
Conclusions on Indications of Hostilities

On the basis of findings by its Watch Committee, the Intelligence Advisory Committee concludes that:

- A. No Sino-Soviet bloc country intends to initiate hostilities against the continental US or its possessions in the immediate future.
- B. No Sino-Soviet bloc country intends to initiate hostilities against US forces abroad, US allies, or areas peripheral to the orbit in the immediate future.
- C. Unstable conditions in the Middle East and tensions stemming from recent developments concerning Syria continue to create possibilities for conflict in the area. These have been heightened by projected Turkish army and air movements toward the northern border of Syria.