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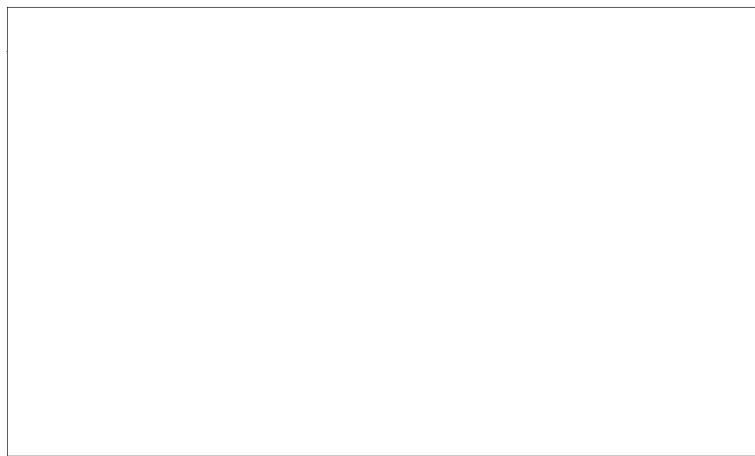
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CONTENTS

1. NICARAGUA CLAIMS RECAPTURE OF BORDER TOWN
FROM HONDURANS [REDACTED] (page 3).
2. GREEK PRIME MINISTER AND MAKARIOS MAY REACH
COMPROMISE [REDACTED] (page 4).
3. URUGUAY SEEN SEEKING DIPLOMATIC RAPPROCHEMENT
WITH COMMUNIST CHINA [REDACTED] (page 5).
4. JORDAN REPORTED CALM [REDACTED] (page 6).

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1. NICARAGUA CLAIMS RECAPTURE OF BORDER TOWN FROM HONDURANS

Patriotic fervor is running high in Nicaragua, and President Somoza proclaimed before a cheering crowd late on 2 May that Nicaraguan troops had recaptured the border town of Mocoron from the Honduran force which had seized it the day before.

The American army attaché in Managua believes that both President Somoza and his brother, chief of the armed forces General Anastasio Somoza, are determined to "settle forever" the dispute with Honduras. In case of further Honduran attacks, they

plan an all-out air strike on Honduran air bases followed by a ground invasion. They are confident of victory, and 2,000 troops have already taken up positions on the border near where the Inter-American Highway crosses into Honduras. Ambassador Whelan notes that numerous groups in Nicaragua, even some political opponents of the regime, are united, with apparent government backing, in rapidly developing public support for a major military effort.

Unless further provoked by Honduras, however, Nicaragua will probably confine its military action to ejecting any Honduran troops still found in that portion of the disputed area which Nicaragua claims as indisputably its own.

The special fact-finding committee named by the council of the Organization of American States after an emergency session on 2 May is due to arrive in Honduras on 4 May.

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2. GREEK PRIME MINISTER AND MAKARIOS MAY REACH COMPROMISE

[Redacted] Greek prime minister Karamanlis and foreign minister Averoff now seem to have reason to believe that Archbishop Makarios will relax his insistence on

[Redacted] enosis at this time in favor of independence for Cyprus, after a transitional period of self-government under Britain. Karamanlis presumably has abandoned his recent intention to call new elections in September if his government and Archbishop Makarios failed to agree on a moderate joint policy regarding Cyprus.

In spite of its recent insistence on partition of Cyprus, Turkey may eventually accept a compromise such as Karamanlis and Makarios may be concluding, provided that treaty guarantees against enosis are included. However, the Turks will remain suspicious of Greek intentions, and Averoff recently told the Turkish ambassador that any new crisis in Greek-Turkish relations would result in a diplomatic break. [Redacted]

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3. URUGUAY SEEN SEEKING DIPLOMATIC RAPPROCHEMENT WITH COMMUNIST CHINA

The visit to Uruguay of a Chinese Communist trade mission, scheduled to arrive soon, may be a step toward the establishment of diplomatic relations between Montevideo and Peiping.

Comment

Uruguay's most influential politician, former president Luis Batlle Berres, responded to Chinese Communist overtures in early 1956 by saying that the announced assignment of a trade representative to Peiping could be a step toward exchanging ambassadors. He said US trade policies were driving Latin American countries into closer relations with the bloc. Although Uruguay is restrained to some extent by the unwillingness of other hemisphere countries to recognize Communist China, intensified dissatisfaction in Montevideo with trade and financial relations with the US could prompt a revival of this attitude.

Uruguay's pride in its traditional political and economic independence was demonstrated by the announcement on 3 May that asylum in Montevideo has been granted ex-president Arbenz of Guatemala, who has lived in Europe since his pro-Communist government was deposed in 1954.

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4. JORDAN REPORTED CALM

Reference: [redacted]

[redacted] A holiday atmosphere has been prevailing in Amman because of the festivities marking the end of Ramadan. The curfew has been relaxed. Deputy Prime Minister Rifai told Ambassador Mallory on 2 May that the government planned to round up a number of Communists in two villages in West Jordan.

Rifai stated that Saudi Arabia had deposited to Jordan's account the equivalent of \$7,000,000; no payments had been received from Egypt or Syria, and Rifai said "none are expected."

The deputy prime minister has indicated serious concern over the maneuvers of Israeli naval craft in the Gulf of Aqaba. Rifai claims that Israeli vessels recently entered Jordanian and Saudi territorial waters, and warned that if they did so again he "could not foretell the result."

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