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30 December 1956

Copy No.

112

3.3(h)(2)
3.5(c)

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO.

NO CHANGE IN CLASS.

IT DECLASSIFIED

CLASS. CHANGED TO: TS S

2007

NEXT REVIEW DATE:

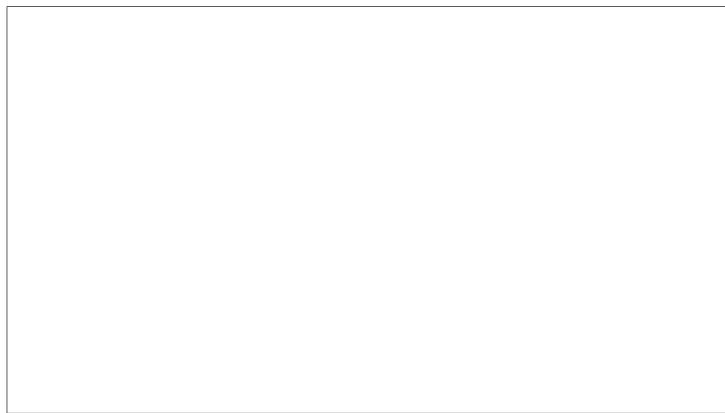
AUTH: HR 70-2

DATE: *12-27-79* REVIEWER: *B*

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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Approved for Release: 2019/10/23 C03160577



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1. NEW UPSURGE OF VIOLENCE LIKELY IN ALGERIA

[Redacted] Violence in Algeria, where urban terrorism rose sharply last week, may reach a new peak on or about 1 January as a result of new incidents perpetrated by nationalist extremists and European counterterrorists. The anticipated upsurge is likely to be felt most severely in the cities and especially in the capital, Algiers, where a new record of over 30 incidents was recorded last week.

Indications that the rebels intend to step up their terrorist acts, including indiscriminate street bombings and selected political assassinations, have been noted [Redacted]

[Redacted] Two members of the Algiers diplomatic corps were reportedly warned by rebel contacts recently to remain at home on 31 December and 1 January. A rebel pamphlet distributed in Paris proclaims that a "new phase" of the rebellion is about to begin. A strike by Moslem trade unions and business associations expected in several cities over the New Year holiday contributes a further element of uncertainty.

Prospects for widespread reprisals by European counterterrorists are also increasing. Inflamed by a long series of provocations culminating in the assassination on 28 December of a prominent right-wing local French official, European extremists leaders used his funeral the following day to stage a massive and disorderly demonstration of anti-Moslem and, to some extent anti-American, settler solidarity. These developments appear to support persistent but unconfirmed reports that European extremists have been organizing militarily and are prepared to use force to prevent the government from instituting basic political reforms which would undermine the dominant position long enjoyed by the resident Europeans.

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2. INDONESIAN PRESIDENT THREATENS TO ACCEPT COMMUNISTS IN CABINET

Prime Minister Ali and his National Party (PNI) intend to remain in the cabinet "at all costs," and in this they have the full support of President Sukarno,

Acting on Sukarno's instructions, Ali has advised the Masjumi party that if it withdraws from the cabinet, a coalition government including the Communist Party will be formed. The Nahdlatul Ulama (NU), the key to the cabinet situation, is divided on the subject of co-operation with the Communists.

A presidential cabinet headed by former vice president Hatta, who is strongly anti-Communist, would be, completely unacceptable to Sukarno except as a last resort to preserve Indonesian unity.

Comment

The major parties in the coalition government appear reluctant to force a showdown which would result in a dissolution of the present cabinet. The opportunistic NU has indicated its intention to remain in the coalition for the time being, probably as the result of strong pressures from Sukarno and the PNI. The Masjumi, without NU support, would be reluctant to isolate itself politically by a withdrawal, which also would facilitate the establishment of a Communist-influenced government. There are indications, however, that the PNI is strengthening its ties with the Communists in order to better its position for any eventuality.

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3. ISRAELI NEWSPAPER CHARGES US IS UNFRIENDLY TO ISRAEL

The Jerusalem Post, a newspaper which usually reflects the views of the Israeli Foreign Ministry, said in a front-page article on 28 December that American officials had recently become "singularly unfriendly to Israel." The article asserted that these officials "derided" Israel's recent note on fedayeen activity as an excuse for Israel to remain in Gaza, and that the American reaction to Israel's position portends a "crystallization of a policy against Israel and has given rise to speculation that the United States is about to embark on another massive effort to win over Nasr and the Arabs."

Comment

This article may be the beginning of a full-scale Israeli campaign to elicit an American policy statement in advance of the date when Israel will be faced with the necessity of deciding whether to complete the evacuation of Sinai and the Gaza strip. Prime Minister Ben-Gurion recently said such a decision would have to be made by his government early in January.

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~~SECRET~~**4. SYRIAN CABINET CRISIS**Comment on:

Syrian prime minister Asali appears to be blocked at least temporarily in his efforts to form a new, more "harmonious" cabinet. Asali's main obstacle is the conservative Populist Party, which has refused to provide more than nominal representation unless given specific portfolios in a new cabinet, while President Quwatli allegedly has vetoed the appointment of at least two leading leftists. The Egyptian embassy in Damascus is playing an active role in the attempt to form a new government and to introduce leftist influence into it, but so far has been unable to overcome the president's opposition.

A continued impasse of this kind, while by no means unusual in Syrian politics, might under present conditions lead leftist or rightist army factions to try to impose a solution.

some recent troop movements inside Syria may have been made for political purposes.

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5. NASR SAID TO FEAR ARMS ACQUIRED BY EGYPTIAN COMMUNISTS

[redacted] Egyptian president Nasr has revised his former opinion that he could handle the Communist problem in Egypt by routine police action, according to an Egyptian publisher apparently acting as Nasr's emissary to the American embassy. Nasr allegedly feels the new element in the situation is the arms distributed to the Egyptian populace during the hostilities. The Communists, who received arms at that time, are now refusing to give them up and are conducting training in their use with manuals obtained "from somewhere."

Nasr hopes the United States will press Israel to withdraw promptly and completely, since he feels he cannot take strong measures to get the arms back while foreign troops are on Egyptian soil.

Ambassador Hare observes that this approach should probably be regarded as a "classic example" of the use of the Communist issue to influence the United States, although there is evidence that Communists are becoming more active and are taking an ultranationalistic line to keep emotions aroused. [redacted]

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6. COUP REPORTEDLY PLANNED IN PANAMA FOR 1 JANUARY

Comment on:

A coup to oust Panama's President De la Guardia on 1 January is planned by First Vice President "Temi" Diaz, Bolivar Vallarino, commandant of the National Guard, and former cabinet minister Eric del Valle,

The plotters will give as the reasons for their coup the presence of too many Communists in the government and the fraudulent election of De la Guardia. Several Communists and pro-Communists have gained influential positions within the administration since De la Guardia's inauguration last October.

While a successful coup is not considered likely at this time, an attempt may be made because of the unsettled political situation. Deteriorating relations between the president and Diaz have recently come into the open, and De la Guardia is reportedly studying means of replacing Vallarino and Diaz. The still-unsolved assassination of President Remon on 2 January 1955, in which some influential politicians were probably implicated, continues to complicate the political scene.

The American embassy in Panama City does not believe Vallarino is dissatisfied with the present government, and the National Guard, Panama's only armed force and a determining factor in political stability, appears to be loyal to the administration. There has been evidence, however, of friction in the guard's top leadership, and serious opposition may exist within the guard to a proposed reorganization.

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7. U NU VICTORY AVERTS OPEN POLITICAL SHOWDOWN IN BURMA

Comment on:



The announcement on 29 December by the Anti-Fascist Peoples' Freedom League (AFPFL), Burma's ruling party, that U Nu will soon return to office as premier indicates that a serious political crisis has been at least temporarily averted. The AFPFL action, which represents a rebuff to such powerful leaders as Premier Ba Swe and Deputy Premier Kyaw Nyein, was probably taken to avoid an open showdown between the Socialist faction of the AFPFL and Nu, who threatened to bring down the government when parliament meets if he was not returned to office. Nu still commands a wide popularity throughout the country and strong support in parliament.

The Socialists, however, will continue to exert a strong, if not dominant influence on the day-to-day operation of the government, as they did before Nu resigned last June. Moreover, at least two Socialists, one of them Ba Swe, will serve as deputy premiers under Nu, and several others will undoubtedly be included in the cabinet.

The chief loser in the reshuffle would appear to be Kyaw Nyein, who led the fight against Nu's return to power. Kyaw Nyein has been widely regarded as the real "brain" of the government and has in the past felt that Nu should serve primarily as a front man for the AFPFL. Whether or not he remains in the government, Kyaw Nyein is likely to take advantage of any future opportunity to undermine U Nu.

Major changes in Burmese policies are unlikely to result from the switch in premiers. Nu may incline, however, toward a stricter neutrality in foreign relations than Ba Swe, who recently took the lead among the Asian neutralists in denouncing Soviet intervention in Hungary.

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~~TOP SECRET~~**8. REPORTED PLOT TO ASSASSINATE PRO-EGYPTIAN POLITICIANS IN JORDAN**

"Extreme reactionary elements" in Jordan have organized a movement to assassinate several of the "free politicians" in Jordan, [redacted]

[redacted] One of the plotters, a former cabinet minister, reportedly has been arrested.

Comment

Charges of a foreign-inspired, rightist plot to assassinate Jordanian nationalist leaders might be used by the ultranationalists to intimidate and weaken conservative influence. This would parallel developments in Syria, where the ultranationalists have exploited charges of plotting for the overthrow of the government to imprison and intimidate rightist politicians. Action to discredit conservative politicians in Jordan suspected of pro-Western sympathies would be in line with the recent purge of such elements in the ministries and the civil administration.

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**9. LIBYAN PREMIER TO PROMOTE NORTH AFRICAN BLOC
DURING TUNISIAN VISIT**

[redacted] Libyan prime minister Ben Halim [redacted]

[redacted] purpose of his visit to Tunisia next week is "to confer with Tunisian premier Bourghiba regarding the establishment of a bloc of North African nations aimed at opposing the Communist danger and promoting co-operation among its members." Ben Halim indicated, [redacted]

[redacted] that he was prompted to pursue this course by the "proved failure of the policy of co-operation with Egypt!"

[redacted] Ben Halim aspired to have Morocco and Algeria join the bloc "eventually" and that he thought it "not unlikely" the bloc would be extended to other nations, including possibly the Sudan, Saudi Arabia and Iraq.

Comment

Overtures by Ben Halim in behalf of a North African bloc which could serve as an effective counterpoise to Egyptian influence in the area would probably be welcomed, at least in principle, by nationalist leaders in Tunisia, Morocco and Algeria. Talk of such a grouping, and perhaps an eventual federation, has been increasingly prevalent in all three countries in recent months and was further stimulated by the formation on 22 December of a politically oriented federation of North African trade unions.

In a 21 December broadcast to the Tunisian people, Bourghiba expressed the hope that Libya would one day be part of a "unified" northwest Africa.

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10. MOSCOW NAMES AMBASSADOR TO JAPAN**Comment on:**

Ivan F. Tevosyan, newly appointed Soviet ambassador to Tokyo, has been a deputy premier since December 1953 and is regarded as the outstanding Soviet metallurgical expert.

Ambassador Bohlen believes Tevosyan's assignment abroad probably results from the reshuffle of deputy premiers and the reorganization of the Soviet economic planning by the recent central committee plenum. Bohlen doubts that the appointment is motivated by considerations of relations with Japan.

Failure of the metallurgical industry to fulfill its plans may have been a factor in Tevosyan's appointment, as well as the possibility that he opposed the cutback in capital investment announced by the plenum.

The removal of Tevosyan as a deputy premier, following that of Kosygin, Kucherenko, Matskevich, Malyshev, and Khrunichev on 25 December, leaves only two deputy prime ministers, Malenkov and Zavenyagin. While the other five were appointed to the new high-level State Commission for Short-Range Planning where they will presumably concentrate on their special fields, Tevosyan's appointment as ambassador represents a considerable demotion for him.

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