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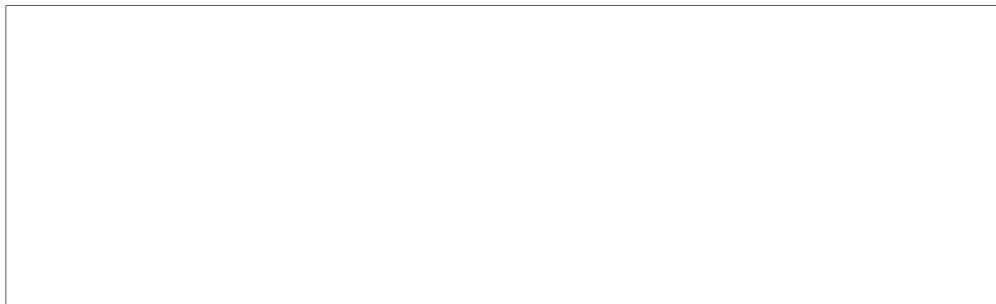
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OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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1. LATIN AMERICAN UN DELEGATES TO PRESENT COMPLAINTS ON ECONOMIC AID FROM US

The Latin American delegates to the United Nations plan to present their governments' complaints about United States economic aid [redacted]

According to [redacted]
prevailing opinion [redacted] the Latin Americans should "for the moment" limit themselves to requesting: (1) an increase in United States purchases of Latin American goods and an agreement on quotas, (2) more credit and better terms from the Export-Import Bank, (3) the channeling of technical aid through the United Nations and regional organizations "in order to prevent indirect intervention by Point IV officials in the internal affairs of our governments," and (4) long-term credits for educational projects.

Comment

While Latin American countries have indicated a stronger interest in international economic assistance than in Point IV, they have not in the past seriously alleged "indirect intervention" in internal affairs by Point IV officials. Latin American officials have frequently stated that the United States should increase both its purchases and its credits in Latin America. Such statements received fresh impetus from the Bulganin overture of last January concerning a possible increase in Soviet trade with Latin America.

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2. BRITAIN MIGHT MATCH ANY UNILATERAL SOVIET DEMOBILIZATION MOVE

[Redacted]

Britain might match any unilateral Soviet demobilization with reductions of its own, Foreign Office permanent under secretary Kirkpatrick has told the American embassy in London. The British believe, he said, that Khrushchev's remarks in Britain indicate a Soviet intention to reduce substantially the Soviet conventional forces without a disarmament agreement. Consequently, the Western position of "no disarmament without German reunification" no longer exerts appreciable leverage on Moscow. Kirkpatrick said that Britain is therefore considering informing the Germans that its policy no longer precludes British disarmament before German reunification is achieved.

Kirkpatrick insisted that any such British reduction would be based strictly on a reassessment of British defense needs in light of any Soviet disarmament, rather than on a feeling of any obligation, "moral or otherwise," to reciprocate.

Comment

By communicating such possible intentions to the Germans at this time, the British probably would hope to prod them into agreeing to pay \$140,000,000 in support of British forces for another year, lest those forces be reduced, after the present agreement expires on 5 May.

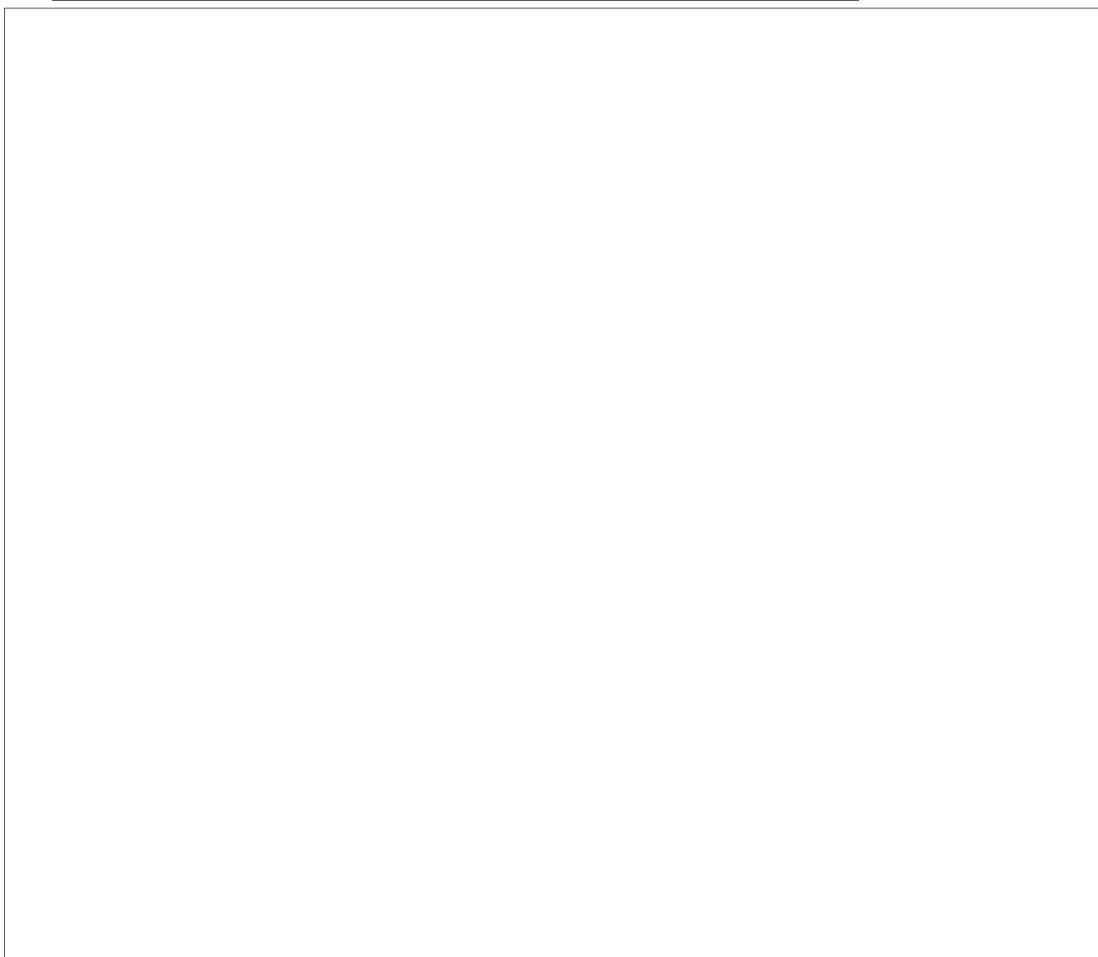
Britain's present military manpower plans call for a cut from 800,000 to 700,000 by 1958.

[Redacted]

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~~TOP SECRET~~**4. BURMA PRESSING COMMUNIST CHINA FOR CASH
IN EXCHANGE FOR RICE****Comment**

[redacted]
the question of cash payments by the Chinese has been a subject of contention between Rangoon and Peiping for several months.

The Burmese ambassador has apparently been using American opposition to the export of rubber to Communist China in an effort to get maximum concessions from the Chinese. Actually the Burmese have been informed they would not be considered ineligible for American assistance as the result of the export of a few thousand tons of rubber to Communist China.

As Communist China's rubber procurement program in South Asia has been designed to encourage violations of the UN-sponsored embargo and the Battle Act, Peiping might be persuaded to make a better offer. The 25 percent in cash requested by the Burmese amounts to about \$3,000,000.

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5. COMMUNISTS INCREASE STRENGTH IN BURMESE ELECTION

[Redacted]

Unofficial returns on 164 out of 238 parliamentary seats contested in last Friday's elections indicate that although Premier Nu's Anti-Fascist People's Freedom League (AFPFL) will retain a substantial majority in the new lower house, the Communist-led National United Front has made significant gains.

So far, the Front has won 33 seats, thus increasing its representation by at least 20. Final returns are expected to give the Front about 30 percent of the total vote. This improved showing probably stemmed from the popularity of its appeal for an end to the "civil war," and from its ability to attract the large protest vote against the regime.

The Anti-Fascist People's Freedom League, which has always felt more insecure than its strong parliamentary position would seem to warrant, will probably move to placate the extreme left-wing sentiment reflected in electoral returns. Pressure may develop within the League in favor of softening the terms for the re-emergence of the insurgent Burma Communist Party as a legal political entity and for another effort to achieve "leftist unity" such as was attempted in 1948 just after the Communists went underground.

[Redacted]

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6. LAOTIAN PREMIER STATES CONDITIONS FOR TALKS WITH PATHET LAO

[Redacted]

Premier Souvanna Phouma, in his reply to the 26 April request of Pathet Lao leader Prince Souphanouvong for direct negotiations, made acceptance of the government's authority over the two northern provinces a prerequisite for any meeting with the Pathets. Souvanna told the American chargé he had also ruled out any visit to Hanoi or Peiping until the Pathet Lao problem was settled--"without external intervention."

In his statements to the chargé the premier was cautiously optimistic about the outcome of talks with Souphanouvong. He said he had the impression the Pathet Lao were on the defensive and that he would be able to exploit the differences between those Pathets who were oriented toward the Viet Minh and those who were "nationalists." The chargé, however, points out the premier is basically naive and may well "give something away without meaning to."

Comment

The premier's statements indicate that he is strongly attracted to the idea of negotiating with his half brother.

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**7. EGYPTIAN PRIME MINISTER COMMENTS ON
RELATIONS WITH USSR**

Comment It is likely that Nasr for prestige reasons has exaggerated the extent to which the Russians confided in him before issuing their 17 April statement. Whatever was told him seems to have been enough to get him to adopt a moderate line on the Soviet communique.

Nasr's reported statement on not relying on the USSR suggests that he maintains a cautious attitude toward the Soviet bloc.

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8. PRIME MINISTER OF NEPAL TO VISIT COMMUNIST CHINA

Nepalese prime minister Tanka Prasad Charya has accepted an invitation to visit Communist China. No date for the visit has been set.

Comment

Closer relations have been developing between Nepal and Communist China since the two countries established diplomatic relations last summer. An offer of economic and technical assistance which the Chinese Communists made to Nepal last February will probably be discussed during the visit.

Although Prasad's acceptance is likely to cause some concern in India, which has an important security interest in Nepal, New Delhi is unlikely to attempt to block the visit.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 2 May)

UN secretary general Hammarskjold has delayed his departure from the Middle East, apparently in a further effort to get the Arab states and Israel to come to some sort of agreement on the dispute over the Israeli plan to divert the Jordan River waters at Banat Yacov. Syria, Jordan, and Lebanon have stated that if they agree to a cease-fire, Israel must agree not to resume digging at Banat Yacov.
(Press)

[redacted]
reports that heavy military traffic, including military and requisitioned civilian vehicles, artillery and half-tracks, was heading south on 30 April.

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Greece has granted permission to the Egyptian government for overflight of Greek territory by about 20 Soviet-made IL-14 piston-engined transports. The planes are to have Egyptian markings and are to be flown by Egyptian crews.

[redacted] the first group of ten IL-14's would be ready for delivery as soon as Egyptian flight crews had received the necessary two-week training. Delivery of these ten can thus be expected at any time.

[redacted],
nine of Egypt's MIG jets have crashed at Almaza airfield near Cairo and three or four more in the desert. [redacted]
the crashes were due to poor maintenance and pilot errors.

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[redacted] three Syrian officers will study for a week at the mobilization offices of the Egyptian army and that two other Syrian officers will undertake training at an Egyptian anti-aircraft artillery school.

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**BIWEEKLY SUMMARY
19 April-2 May 1956**

THE TAIWAN STRAIT

**Report of the IAC Current Intelligence Group
for the Taiwan Strait Problem**

There were no significant developments in the area during the period. [redacted]

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