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2 March 1957

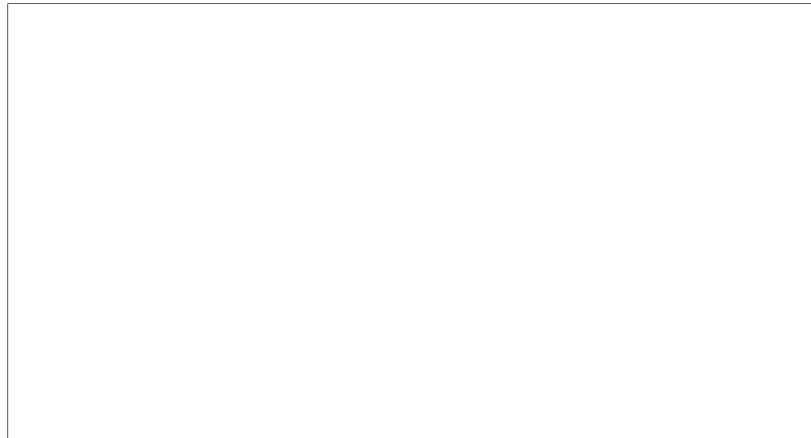
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CURRENT INTELLIGENCE BULLETIN

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DOCUMENT NO. _____
NO CHANGE IN CLASS. X
DECLASSIFIED
CLASS. CHANGED TO: TS S 2009
NEXT REVIEW DATE:
AUTH: HR 70-2
DATE: 12-27-77 REVIEWER: _____

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

Approved for Release: 2019/12/04 C03162004



Approved for Release: 2019/12/04 C03162004

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1. HATTA FORESEES CONTINUED STRIFE IN INDONESIA

Former vice president Hatta expects turmoil in Indonesia to continue for approximately two months, by which time he believes President Sukarno will become aware of the sizable opposition to his plan for a "guided democracy" and of the extent to which the Communists are using his proposal for their own purposes. When Sukarno becomes aware that his plan is moving the country toward civil war, Hatta told the American ambassador, a formula will have to be devised to save face for him and "compel the Communists into acquiescence." Hatta said, however, he had "absolutely no idea" what such a formula could be.

Hatta believes that unless events take this turn, civil war will come sooner or later. Meanwhile, he plans to work with the Moslem parties, certain army circles, the civil service, and various organizations at the village level to encourage unity among all these elements and keep alive resistance to Communism. He will also work "as effectively as political discretion permits" to improve conditions in strongly anti-Communist Sumatra.

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| Comment | Hatta resigned as vice president on 1 December largely as the result of increasing disagreement with Sukarno over Communist activity in Indonesia. Sumatra-born, he has widespread support in all non-Javanese areas, and, as the foremost revolutionary leader next to Sukarno, is known and respected throughout Indonesia. As such he is potentially the most effective antagonist to Sukarno among Indonesian leaders. |
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Hatta has long been a primary target of the Communists, whose present mass campaign to support Sukarno's concept specifically demands that Hatta not be included in the reorganized government.

**2. INDONESIAN MOSLEMS ALERT NON-JAVANESE AREAS
FOR ACTION IN EARLY MARCH**

[Redacted] Top Indonesian Moslem leaders have informed Moslems in the Atjeh area of North Sumatra and in Celebes, as well as Colonels Hussein and Simbolon, the anti-government army leaders in Central Sumatra, that Communist participation in the government under Sukarno's new concept will not be tolerated.

[Redacted] These groups were told that they should be "prepared for action" between 1 and 10 March if Sukarno insists on including Communists in the government.

Comment

The Moslem leaders referred to in this report may be connected with the Darul Islam, a fanatical Moslem organization centered in Java which seeks to establish a theocratic state by force throughout Indonesia and maintains liaison with Moslem dissident groups in Atjeh and Celebes. It would be natural for them to contact Colonels Hussein and Simbolon who are anti-Communist and are already actively opposing the government.

3. SOVIET MISSION TO REORGANIZE SYRIAN ARMY

Comment on:

The Syrian arms negotiator in Moscow informed Damascus on 20 February that "the committee of experts to organize the army will leave soon for Damascus,"

This group, composed of "six high-ranking Soviet officers expert in organizing and training," was requested by Damascus on 4 February.

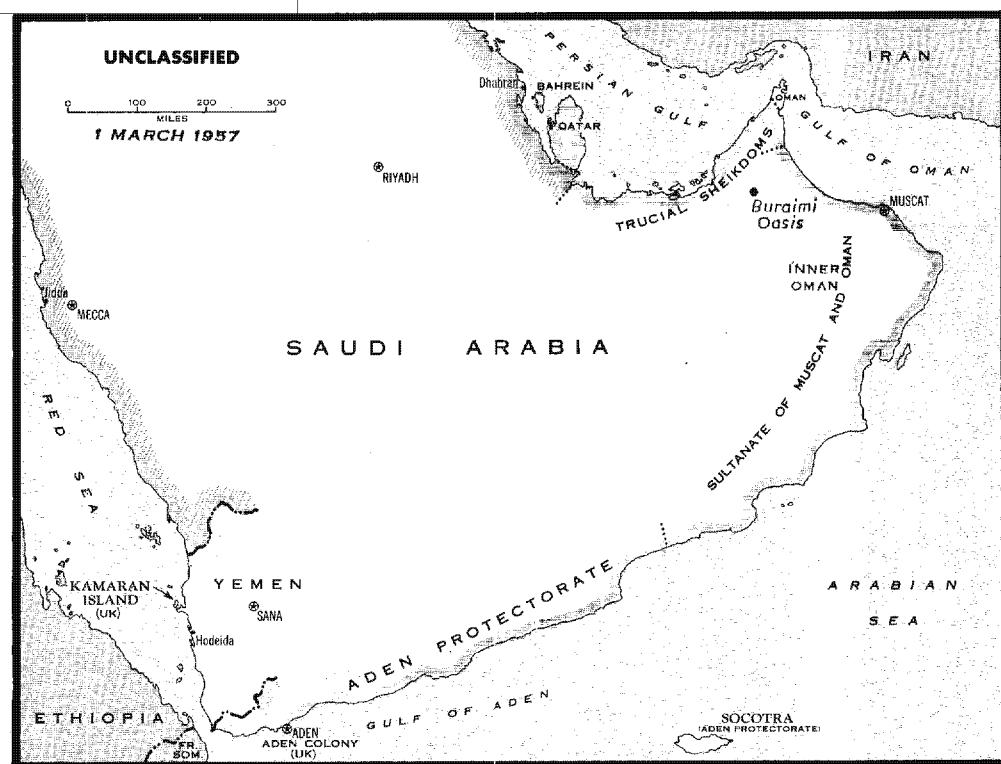
The USSR has also agreed to furnish 160 military technicians to train Syrians in the assembly, maintenance and use of military equipment which the Soviet Union is providing under the arms agreement of November 1956. More than half of these technicians are believed to have arrived in Syria.

Syria appears to be attempting to standardize its equipment on Soviet models, and the quantities of Soviet arms entering Syria do not appear to exceed re-equipment needs. The varied types of old Western equipment thus replaced, including medium tanks and artillery, are being transferred to the Jordanian army and to the Saudis. Syria is reported, meanwhile, to have reduced its army strength from about 65,000 to about 57,000 and released more than half of the reserve officers called up during the emergency last fall.

On 25 February two and possibly three Soviet-type jet fighters were observed at Hama airfield indicating that some of the crated MIG-17's delivered from the USSR in December are now assembled. The Syrians are not qualified to operate these aircraft and have been forced to borrow six Egyptian pilots.

4. EGYPTIAN ASSISTANCE TO OMANI EXILES MAY PRESAGE
NEW DRIVE AGAINST BRITISH IN PERSIAN GULF

Ali Sabri, Nasr's chief of cabinet, has authorized Saleh ibn Isa, an Amir of Oman to send groups of refugee Omani tribesmen to Egypt from Saudi Arabia,



The Omanis were to assemble in Cairo under the care of an Egyptian intelligence officer.

the Amir maintain constant contact with the Saudi government after the return of King Saud to Saudi Arabia, and assured the Amir that the question of Oman was being discussed at the conference of the Arab chiefs of state.

Comment

Egyptian assistance to the Omani tribesmen may include arms and fedayeen-type training.

Cairo radio charged recently that Britain's ally, the Sultan of Muscat, had illegally annexed the territory of Oman. Since this charge is not new, its coincidence with the above evidence of Egyptian interest suggests that Cairo has decided to step up agitation and subversion against the Sultan. The Sultan's forces, led and supported by the British, in late 1955 asserted control over Buraimi Oasis and the Imamate of Inner Oman--a region in southeast Arabia whose ruler did not recognize the Sultan's authority and had become a protégé of Saudi Arabia.

Egyptian support of dissidents in Muscat and Oman would not only increase unrest in the Persian Gulf area, but encourage the Saudis to greater anti-British efforts as well. By such maneuvers, Nasr probably hopes to limit any inclination Saud may have to draw closer to the West.

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5. CESSATION OF KREMLIN'S ANTI- POLISH CAMPAIGN

Comment on: [Redacted]

[Redacted] Reports that the Kremlin had assured Warsaw "prior to 21 February" that the anti-Polish press campaign in the Soviet Union and the Satellites would cease immediately appear to be supported by the lack of such polemics since that date. There has been no rebuttal of the 9 February articles of the principal government and party papers in Poland which defended the Polish concept of "democratization" and committed the Gomulka regime itself to the debate.

[Redacted] the Kremlin also promised that Soviet propagandists will stop attacking Polish leaders at closed meetings in the USSR. These assurances, [Redacted] followed a Polish protest against the anti-Gomulka campaign in the Soviet, Czechoslovak, Bulgarian and East German press.

The recently reported replacement of the liberal editor of the principal party organ Trybuna Ludu by Leon Kasman, who had edited the paper during the Stalinist Bierut regime, suggests a reciprocal Polish promise to curb the outspoken journalism in Poland that has been the basis of much of the Kremlin's irritation. [Redacted]

6. BRITAIN DISTURBED OVER INDEPENDENT EUROPEAN NUCLEAR WEAPONS PROGRAM

Comment on:

Recent statements from several high British officials show concern over the possible emergence of an independent French-German nuclear weapons program. The most recent indication of this concern is a statement made on 27 February by a member of the Atomic Energy Authority that the British government regrets that the EURATOM treaty allows members to develop their own nuclear weapons programs. Present moves for closer collaboration between Paris and Bonn in research, development, and production of new weapons--particularly missiles--might allow West Germany eventually to get around treaty limitations on its own nuclear program, the official said.

Apart from general concern about other nations developing nuclear weapons capability, British misgivings seem to stem from two causes. There are widespread doubts both inside and outside the government of the future political reliability of France and Germany. Secondly, any nuclear weapons production on the continent would end Britain's own present unique position among Western European nations and impede its campaign to extend its influence among them.

In an effort to deal with the problem of French-German collaboration, Britain in mid-February set up with France a "steering group" on weapons production, and has been urging a more active role in this regard for the Western European Union's Standing Armaments Committee.

7. U NU REAPPOINTED BURMESE PRIME MINISTER

Comment on:



The Burmese Chamber of Deputies on 28 February unanimously reappointed U Nu as Burmese prime minister. Nu had turned over his office to Socialist Ba Swe last June, citing a desire to devote his full attention to the reorganization and "purification" of the Anti-Fascist People's Freedom League, the government coalition. For the past three months, however, Nu has been maneuvering intensively, against the opposition of the strong Socialist Party faction of the League, to regain the prime ministership.

While Nu's return probably foreshadows no basic foreign policy changes, he is apt to be more easily manipulated by Communist leaders such as Chou En-lai than the more calculating Ba Swe. Recent reports have indicated that in domestic policy, Nu may be amenable to a new effort to reach a settlement with the insurgent Communists.

The outgoing prime minister will still be a powerful figure. He is to become one of four deputy prime ministers, and retain the portfolio for defense.



8. RESIGNATION OF FINNISH GOVERNMENT

Comment on: []

Social Democratic prime minister Fagerholm's coalition cabinet resigned on 1 March following the withdrawal of the six Agrarian Party members. This climaxizes a prolonged dispute over means of combating Finland's growing inflation. Socialist insistence on a proposal to reduce the prices of some farm products in order to keep organized labor's demands for wage hikes within bounds brought on the Agrarian resignations.

It seems unlikely that any effective government can be formed without Agrarian participation, although many Socialists feel that labor has more in common with the parties representing business interests than with the farmers. The Communist-front Finnish People's Democratic League, which controls about one fifth of the seats in parliament, is unlikely to secure representation in any new government.

Social Democratic finance minister Simonen, a strong party leader, is regarded as a possible successor to Fagerholm, who had previously announced his willingness to retire. Failing a new parliamentary coalition, however, a "nonpolitical" cabinet of civil servants might be formed to deal with the country's pressing economic problems on an emergency basis. []