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6 June 1957

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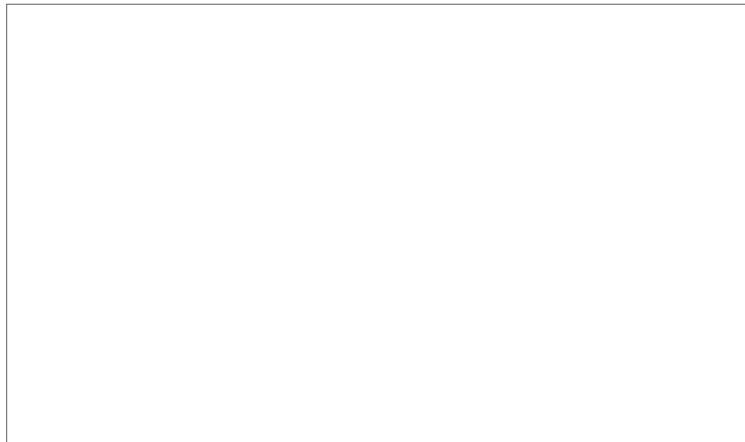
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1. BRITAIN BELIEVED INTENT UPON REVISING CONTROLS ON TRADE WITH USSR

The American embassy in London believes Britain still plans to relax controls on trade with the Soviet bloc and will make proposals to this end "in the not too distant future."

In view of the persistence of some adverse reaction to London's decision on the China controls, the embassy believes the time is not ripe for a British move in COCOM. The government told Parliament on 4 June that it would not now "feel justified" in resorting to some form of exceptions procedure to bring about relaxation of the COCOM controls.

Comment

Britain has taken the position for over a year that revision of the COCOM system is necessary because of the development of new weapons systems and the inequities and difficulties involved in administering the present system. Britain's drive for increased exports and its desire to demonstrate its independent role in the Anglo-American alliance will make it loath to compromise on this matter.

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**2. INDONESIA REPORTEDLY TO ACCEPT LARGE CASH
LOAN FROM USSR**

[Redacted] Indonesia's decision to accept \$36,000,000 of the proposed Soviet \$100,000,000 loan in order to strengthen the country's currency was acknowledged by the Soviet embassy in

Djakarta [Redacted]

Comment The only aid agreement known to have been reached between Indonesia and the Soviet Union was for \$100,000,000 in technical aid and was signed in September 1956. Indonesia thus far has refused to negotiate specific projects under this agreement because parliament has not yet ratified it.

Moscow generally prefers to apply its credits to development projects, and the present agreement with Djakarta contains no provision for foreign currency or gold credits. In the present situation in Indonesia, however, Moscow probably perceives sufficient political advantage to warrant extending credits in cash or gold.

Indonesia's financial position has deteriorated seriously in recent months, and there have been rumors of an impending currency devaluation. The government is unable to make more than token gestures toward meeting the economic demands of the disaffected provinces.

Djakarta [Redacted]

[Redacted] expect to rely on foreign aid to help solve their pressing political and economic problems, and have recently agreed to accept a \$15,000,000 loan from the United States. [Redacted] a Soviet cash loan can be negotiated more rapidly than aid projects, and can be used with more immediate effect.

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3. THE ALGERIAN SITUATION

The American consul general in Algiers, in reappraising the Algerian situation, believes France may have delayed too long and lost control over the course of events.

The rebels, capitalizing on the government crisis in Paris, are stepping up their activities. Minister Robert Lacoste reportedly realizes that his reform program has failed and is seeking a graceful way out. If a new approach is sought by Paris, the consequent demonstration by European residents in Algeria is expected to be violent. It is impossible to predict the reaction of French military commanders, who are unhappy over the present situation and remember the precedent of Indochina, Tunisia and Morocco.

Comment

The American embassy in Paris expects that the unabated terror in Algeria, together with the dawning sense of futility of continuing the pacification effort, will force Paris to reappraise its Algerian policy by this fall when the UN General Assembly reconvenes.

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5. POLITICAL STRIFE OVER SUCCESSION TO RHEE EXPECTED

South Korea's Vice President Chang Myon informed the American embassy in Seoul that the ruling Liberal Party was determined to force through the

National Assembly a constitutional amendment which would deprive the vice president of the right of succession. He said the struggle between the opposition and the Liberals would become more intense.

The embassy agrees that the intensity of the political struggle will increase because the Liberals regard the situation as one of survival, while the opposition is fighting to preserve its avenue to power after Rhee's death.

Comment

The Liberals are also planning amendments to the election law which are designed to ensure an administration victory in the National Assembly election next spring. The opposition Democrats have reportedly decided to resort to violence if necessary in an effort to prevent passage of the controversial bills.

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6. PAKISTANI PRIME MINISTER TO VISIT AFGHANISTAN FROM 8 TO 10 JUNE

Reference:

Pakistani prime minister Suhrawardy, who is to visit Kabul from 8 to 10 June, is moderately optimistic about securing some further improvement in Afghan-Pakistani relations. He is probably Pakistan's most adroit politician, and he will find the Afghans more inclined than in the past to seek some measure of agreement. The Afghans are now actively exploring the potential benefits of the Richards mission and of continued collaboration with the West through Pakistan.

Suhrawardy apparently is limiting the objectives of his mission and not seeking any over-all settlement. He proposes to try once more to exchange ambassadors, both countries having been represented by chargés since 1955. He hopes to sign an air transport agreement and improve economic ties. He also hopes to seek a lessening of Pushtoonistan propaganda, though he considers this a less serious problem than heretofore.

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