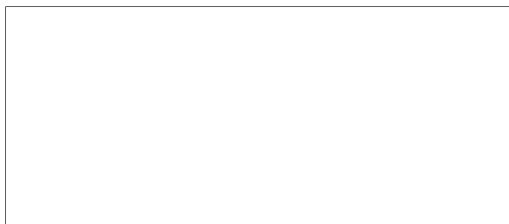


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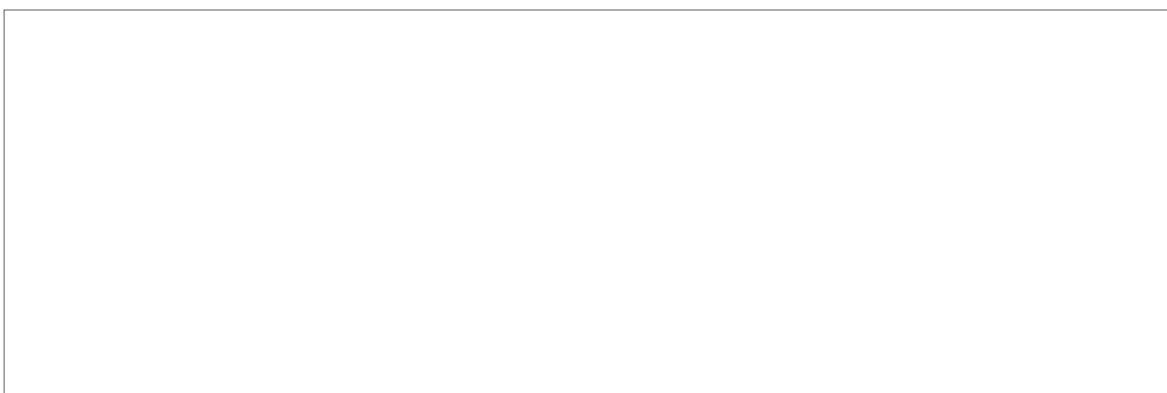


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SOUTHEAST ASIA

2. Masjumi party may head new Indonesian coalition:

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The reported success of the Masjumi in forming a coalition cabinet excluding the National Party, which headed the outgoing Ali coalition, is a victory for the anti-Communist leadership of the army in its efforts to provide a political atmosphere favorable to its interests.

The proposed cabinet, which apparently has not yet been approved by Vice President Hatta, reportedly will be headed by a member of the Masjumi. The coalition includes 11 parties, five of which participated in the Ali cabinet. These parties hold a total of 145 of the 234 seats in parliament.

The Masjumi hopes to hold the country's first national elections as scheduled on 29 September. Before doing so, however, it could be expected to inspect critically the election machinery set up under Ali.

SOUTH ASIA

3. Comment on new Pakistani prime minister-designate:

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Acting Governor General Mirza's nomination of Finance Minister Chaudri Mohammad Ali to be prime minister of Pakistan was made possible by an offer of support from some United Front leaders. This shift in support enabled Mirza to bypass Awami League leader H. S. Suhrawardy, who earlier was reported to have been offered the premiership as the price of support from his party.

Both Mirza and new Moslem League leader Chaudri Mohammad Ali have co-operated actively with the United States in the past and no change in foreign policy is expected. Neither of the two leaders is from East Pakistan, and this fact will almost certainly occasion deep resentment in that area.

If Chaudri Mohammad Ali is successful in forming a coalition government, the shaky political arrangement on which it would be based will limit its freedom of action.

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NEAR EAST - AFRICA**4. Cyprus issue may bring fall of Greek government:**

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Cypriot Nationalist leader Archbishop Makarios is prepared to take the Cyprus issue to the Greek people if Athens fails to give all-out support to self-determination on Cyprus in the UN General Assembly, according to the Cuban permanent UN representative, Nunez-Portuondo, who recently visited Cyprus. Nunez told Ambassador Byroade in Cairo that Makarios is convinced the Rally government of Prime Minister Papagos would fall as a result of such action. The archbishop also believes nothing will come of the Anglo-Greek-Turkish talks starting in London on 29 August.

Nunez has the impression that the Greek government, particularly Foreign Minister Stephanopoulos, is not "vitally concerned" with the Cyprus cause, but was forced to support it by public opinion. Nunez was struck by Makarios' vigor and capable leadership and by the merits of the Cypriot case.

COMMENT

Greek UN delegate Palamas told Ambassador Lodge on 2 August that failure of the London talks could be used by the opposition to overthrow the Greek government. This statement is credible in view of the high pitch of Greek feeling on the Cyprus issue and dwindling popular support for the disintegrating Rally regime.

**5. Tension in Morocco mounts as Grandval proposes
three-point program:**

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Resident General Grandval has drafted a three-point program for Morocco calling for the retirement of Sultan Mohamed ben Arafa, the creation of a three-man regency council, and the transfer of former sultan Mohamed ben Youssef to France.

French army and air force commanders have been reinforcing garrisons at Casablanca, Fez, Meknes, and Marrakech in anticipation of trouble, although Grandval expects none if his program is accepted by Paris. Press reports, however, imply that Premier Faure has yielded to the forces opposing removal of Ben Arafa and has already rejected Grandval's proposals. Such reports may set off widespread nationalist demonstrations in Morocco.

Meanwhile, the American consul general in Rabat reports that tension is high as Faure's decision is awaited in Morocco and that the sultan's government shows signs of disintegrating.

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7. Comment on political unrest in Brazil:

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An unusually large number of rumors of plots for coups and countercoups have circulated in Brazil during the current campaign for the presidential election scheduled for 3 October.

The ticket seeming to have an edge at present is that headed by Juscelino Kubitschek, a former governor of Minas Gerais state, and Joao Goulart, former labor minister who was forced out of his post by the military because of his Communist ties and demagogic efforts to build up a labor following for the Vargas administration. The public announcement on 8 August that the Communist Party will support Kubitschek and Goulart in the elections will alienate many voters, however.

Large-scale demonstrations against the government and certain military officers may develop on 24 August, the first anniversary of the suicide of President Vargas. The majority of the armed forces, however, do not appear to favor a coup at this time.

The only conservative presidential ticket, that headed by retired General Juarez Tavora, has been gaining ground in recent weeks. Should Tavora's election seem assured, the role of the army will continue to be that of guaranteeing a free election and a constitutional change of governments.

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