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15 September 1957

3.5(c)

Copy No. 136

3.3(h)(2)

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 12
NO CHANGE IN CLASS.

DECLASSIFIED

CLASS. CHANGED TO: TS S C 2010

NEXT REVIEW DATE:

AUTH: HR 70-2

DATE: 1-4-80 REVIEWER:

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

~~TOP SECRET~~

Approved for Release: 2019/12/10 C03190609



Approved for Release: 2019/12/10 C03190609

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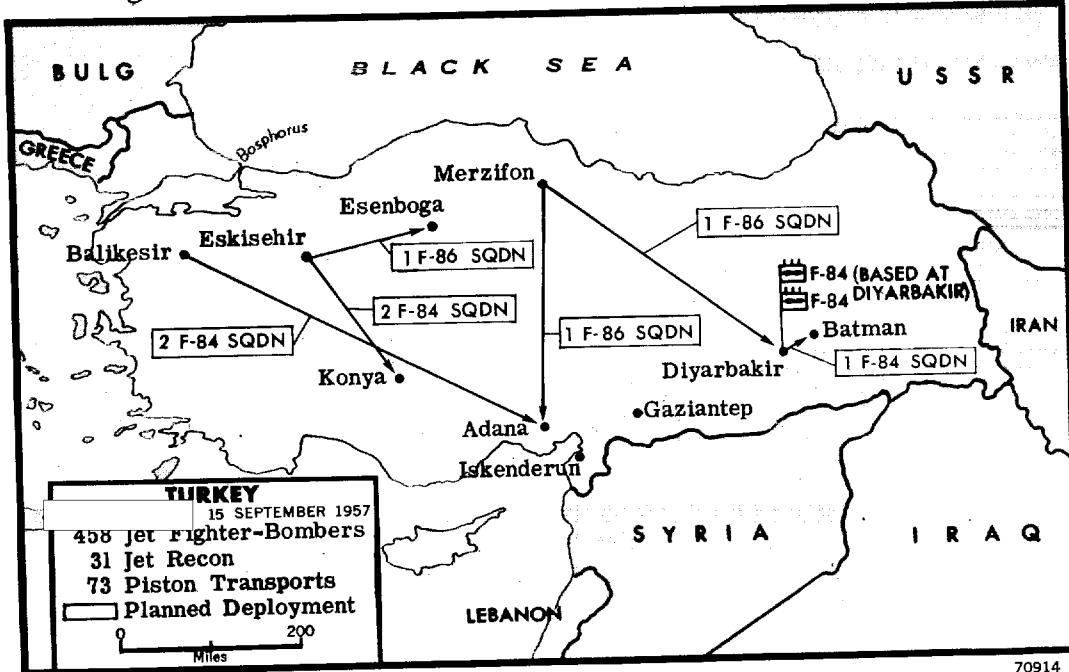
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1. TURKISH AIR FORCE MAKING "WARTIME" PREPARATIONS

The Turkish air force is concentrating combat-ready squadrons and a considerable quantity of combat supplies on the Syrian border.

general ill will toward Syria pervades the Turkish air base at Balikesir.

combat-ready pilots and aircraft have been assigned to fighter-bomber squadrons for movements to Adana in southern Turkey. Crews and aircraft remaining at Balikesir are on a wartime alert. Anti-aircraft emplacements at Balikesir have been camouflaged and the gun crews placed on a 24-hour alert. Support units are en



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route to Adana, and the aircraft and crews are on a 45-minute stand-by alert for movement to Adana.

[redacted] approximately 300 napalm containers and "mix" being loaded for shipment, along with quantities of 250-pound fragmentation bombs.
 [redacted]

Comment The total planned deployment of the Turkish air force will result in the transfer of four F-84 squadrons and two F-86 squadrons to bases in southern Turkey, thus increasing Turkey's air strength in that area from approximately 70 jet aircraft to over 200.

The scheduled deployment of Turkish army units to the vicinity of the Syrian border is also under way. Twenty medium tanks of the 5th Armored Brigade passed through Gaziantep, about 75 air miles east of Iskenderun and about 40 miles north of the Syrian border, on 10 September. No unusual troop activity has been reported.
 [redacted]

**2. SHAH OF IRAN SEEKS BACKING FOR STRONG
RESPONSE TO USSR**

Comment on:

The Shah of Iran was greatly disturbed by Soviet Marshal Vershinin's recent threatening remarks in the Soviet press in which Iran was included among those countries where alleged American bases could be knocked out by medium-range weapons. The Shah indicated to Ambassador Chapin on 12 September that he is ready to issue a sharp rejoinder if assured "concrete military backing" from the United States. He further indicated he might be prepared to allow American bases in Iran if his analysis of Soviet reasoning leads to a re-evaluation of Iranian defense policy. The Shah said he might even request intermediate range ballistic missile installations.

While he stated Iran would not withdraw from the Baghdad pact if increased American military aid were not forthcoming, the Shah said he would be forced to re-deploy Iranian military forces on the basis of Iran's own defense interests.

The Shah probably is genuinely concerned over Soviet intentions regarding Iran, but is also trying to exploit the tension in the Middle East to obtain substantially increased American military aid.

**3. TOP YUGOSLAV LEADERSHIP MAY BE DIVIDED OVER
RAPPROCHEMENT WITH USSR**

[redacted] the Yugoslav Communist party is moving toward a crisis over the extent and direction of improvement in Yugoslavia-Soviet relations. [redacted] even prior to the Hungarian revolution, Vice President Kardelj, backed by the Slovene and part of the Croat central committees, was opposed to the extent of rapprochement.

[redacted] Khrushchev's tougher internal rule, coupled with Tito's "pro-Soviet course," must be distasteful to Kardelj and the more "Westernized" sector of the party.

Comment Kardelj, the party's leading theoretician, has been Yugoslavia's most outspoken critic of the Kremlin and may be more suspicious of the present Soviet leaders and their objectives than Tito. Differences among Yugoslav leaders over the long-term effects of a growing rapprochement between Belgrade and Moscow would explain the recent postponement of the Yugoslav's seventh party congress from November to next April.

[redacted] on the basis of their talks with Yugoslav leaders in Belgrade earlier this month, Yugoslavia is moving closer to the USSR, especially on international issues, and that the major significance of the Tito-Khrushchev talks in Rumania was Tito's agreement not to "provoke matters" in Eastern Europe.

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4. INDONESIAN ROUND-TABLE CONFERENCE ENDS

Comment on:

[Redacted] The Indonesian national round-table conference concluded on 15 September and appears to have succeeded in arresting at least temporarily the trend toward national fragmentation. The final resolution approved the recommendations formulated by the various subcommittees, welcomed the Sukarno-Hatta statement of willingness to cooperate, and stated that "normal relations between the central government and the regions have been restored on the basis of the constitution and existing law, as is appropriate in a constitutional state."

Premier Djuanda announced that the conference's decisions would become the "guiding principles" for the government. He also stated that a joint committee representing both the government and the regions would be established to deal with all future problems.

The measure of the conference's success remains to be determined. It is still by no means certain that Djakarta will be able, even if willing, to meet the financial and political demands of the regions. In addition, there are no indications of progress toward meeting regional demands for the removal of Chief of Staff Nasution and for the reduction of Communist power and influence.

All available information strongly suggests, moreover, that Sukarno and Hatta are as far apart as ever despite their platitudinous statement agreeing to cooperate. Although

[Redacted] the conference has made Sukarno aware of the magnitude of regional discontent, there is little reason to believe he is prepared to make any significant concessions on such demands of Hatta, and the regional leaders as revising his concept of "guided democracy," repudiating his Communist support, or giving Hatta a position of real leadership in the government.

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5. GREEK FOREIGN MINISTER PROPOSES COMMONWEALTH STATUS FOR CYPRUS

Comment on:

Greek Foreign Minister Averoff suggested to NATO Secretary General Spaak on 11 September as a possible solution of the Cyprus dispute that the island become an independent member of the British Commonwealth for 20 years, after which time its status might be reconsidered. This plan has some chance of being accepted, although the Turks would probably resist it as merely a first step toward enosis. Athens may be proposing this solution to avoid a UN resolution that might preclude eventual union of the island with Greece.

Athens now feels the Cyprus dispute has weakened the eastern flank of NATO's defenses and sees the need of improving relations with Britain and Turkey. The Greek government may also fear an adverse effect on its domestic support unless some progress is made toward a settlement of the Cyprus dilemma during the forthcoming session of the UN General Assembly.

Implementation of the commonwealth proposal would offer a chance for passions to cool, permit British retention of base rights, and allow the British to keep the pro-Communist elements on the island under control.

6. RESURGENCE OF RUMORS OF A COUP WITHIN THE ARGENTINE GOVERNMENT

Comment on:

[redacted] Within the past few days a [redacted]

[redacted] a resurgence of rumors of a coup within the Argentine government to oust President Aramburu in order to continue the provisional regime in office beyond the 1 May date on which he has repeatedly promised to turn over the government to elected authorities. The rumors allege that a coup would be supported by various military officials who believe that oil development through foreign assistance is a prerequisite to improving the country's acute economic plight and who fear that the constituent assembly--bogged down by political maneuvering at Santa Fe--may nationalize oil and electric power resources and so frustrate the needed oil development.

Aramburu evidently felt compelled to counter these rumors on 11 September by informing the press that his recent absence from work was because of flu and that rumors of government dissension should not be heeded.

[redacted] the denial was interpreted in opposition quarters as an indication that for the moment Aramburu has won out in an internal struggle with Vice President Rojas and others trying to postpone indefinitely the general elections scheduled for 23 February.

Various demonstrations--which may lead to violent clashes--are scheduled for 16 September, the second anniversary of the revolt against Peron. The Peronistas, who are outlawed as a party, have asked their followers to wear black arm bands on the 16th.

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7. NEW CURB SLOWS DECLINE IN INDIAN FOREIGN EXCHANGE RESERVES

Comment on:

The latest figures of the Reserve Bank of India suggest that the measures adopted by the Indian government to halt the decline of its foreign exchange reserves are beginning to take effect. These reserves, which declined by approximately \$18,000,000 a week from the beginning of the current fiscal year in April to mid-August, declined by an average of only \$8,225,000 a week during the past four weeks, and now stand at the equivalent of \$792,500,000.

Beginning late in 1956, the Indian government adopted a policy of placing increasing restrictions on nonessential foreign exchange expenditures which culminated in a complete ban on the licensing of consumer goods imports during the third quarter of 1957. While the large backlog of such goods already contracted for prevented these measures from taking immediate effect, they should be able to hold the rate of decline near that of the past four weeks for the next few months.

This slowdown in the rate of decline will, if continued, enable the government to postpone until early 1958 asking parliament to lower the required reserve level below \$630,000,000. India, however, will still seek large-scale foreign loans for the estimated \$1 billion it needs for essential imports to fulfill the hard core of the Second Five-Year Plan (1956-61).