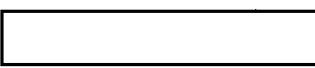


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9 February 1956



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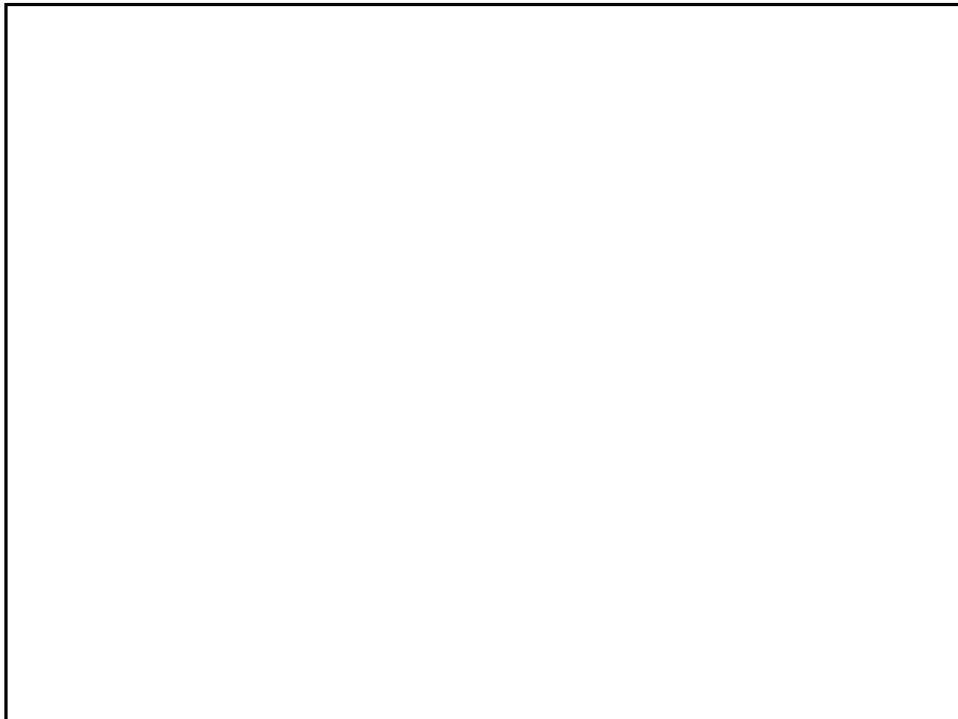
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Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

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Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

CONTENTS

1. SOVIET BLOC FOLLOWS UP DIPLOMATIC AND ECONOMIC OVERTURES TO BRAZIL [redacted]

25X1A

25X1

3. VIET MINH CONCLUDES BARTER AGREEMENT WITH JAPANESE FIRM [redacted]

25X1A

4. PEIPING OFFERS ECONOMIC ASSISTANCE TO NEPAL

25X1A

5. COMMENT ON GRANT OF SELF-GOVERNMENT TO MALAYA [redacted]

25X1A

6. PRIME MINISTER OUTLINES INDEPENDENT FOREIGN POLICY FOR JORDAN [redacted]

25X1A

25X1

8. DOMESTIC POLITICS PROMPTS AUSTRIAN EXPULSION OF WFTU [redacted]

25X1A

25X1

9 Feb 56

Current Intelligence Bulletin

Page 2

25X1A

Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

25X1A

1. SOVIET BLOC FOLLOWS UP DIPLOMATIC AND ECONOMIC OVERTURES TO BRAZIL

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[Redacted]

On 30 January the Polish ambassador in London invited the Brazilian ambassador to lunch with a Soviet colleague who wished to "clear up any misunderstandings that might have existed in the past," according to an official in the Brazilian Foreign Ministry.

The same official reports that the Bulgarians have requested negotiations to conclude a trade agreement and that Czechoslovakia and Poland have mentioned a desire to increase substantially the present volume of trade with Brazil.

The American embassy in Rio de Janeiro reports that Brazil intends to revise present trade agreements with Czechoslovakia, Poland and Yugoslavia with respect to applicable exchange rates, which have remained far below the level prevailing for major foreign currencies and have given these countries discriminatory import advantages.

Comment The Soviet bloc is moving quickly to support the overture made by Soviet premier Bulganin for expanded diplomatic and economic relations with Latin America.

The Brazilian government may feel that the present Soviet bloc campaign provides a convenient opportunity to press for a revision in Brazil's favor of the present trade agreements with certain East European countries.

In his news conference of 7 February, newly inaugurated President Kubitschek stated that Brazil "will probably enter into trade relations with the Soviet Union," but added that diplomatic ties will depend upon Congress and would constitute "a step which I will not be the one to initiate." (Concurred in by ORR)

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Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

25X1A

Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

**3. VIET MINH CONCLUDES BARTER AGREEMENT WITH
JAPANESE FIRM**

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A Japanese news agency reported on 2 February that Meiwa Sangyo, a Mitsubishi subsidiary, had recently concluded a barter agreement with the Viet Minh to import 250,000 tons of anthracite. This is the most important trade agreement yet concluded by the Viet Minh with a non-Communist country and establishes Japan as its major non-Communist trading partner.

The agreement reportedly provides for Japanese exports to the Viet Minh of such commodities as dust coal, coal pitch, briquettes and gas coke. The Viet Minh does not have the facilities for manufacturing these items.

Mitsubishi is influential in the formation of Japanese economic policy, and formal approval of the transaction by Tokyo seems likely. A number of other Japanese firms are negotiating with the Viet Minh.

Through this agreement, the Viet Minh will acquire badly needed commodities of high volume and low value which are uneconomical for the Sino-Soviet bloc to ship to North Vietnam. At the same time, the Viet Minh has taken a major step to re-establish the export market for its coal.

25X1A

9 Feb 56

Current Intelligence Bulletin

Page 5

Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

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4. PEIPING OFFERS ECONOMIC ASSISTANCE TO NEPAL

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[Redacted]

Peiping's recent offer of economic assistance to Nepal within eight days of Prime Minister Prasad's announcement that the Nepalese government would welcome aid from all friendly countries shows that Communist China is prepared to move energetically into an area previously considered almost exclusively under India's influence. In the event of a rejection, China may hope that Indian-Nepalese relations would be irritated, since it might appear to the people of Nepal that India had blocked Nepalese hopes.

India, which will probably control the nature of Nepal's reply to China, tacitly approved the establishment of Sino-Nepalese relations last August and would find it difficult to urge Nepal to refuse all Chinese assistance. New Delhi, however, is aware of the security problems which would arise through such aid.

For prestige purposes, India also strongly desires to appear responsible for the majority of economic development work in Nepal. India, therefore, will probably advise Nepal to accept some Chinese assistance but to restrict its nature and size as well as the location of specific projects.

Last November, New Delhi officials stressed to the American embassy that both India and the United States should plan their aid programs so as to keep China's influence in Nepal at a minimum and strengthen Nepal to resist pressure from the north.

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5. COMMENT ON GRANT OF SELF-GOVERNMENT
TO MALAYA

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The successful outcome of the London talks on self-government for Malaya has undercut to a considerable extent the demands of Communist and Communist-front groups. Chief Minister Rahman had promised last July that his administration would attain self-government in two years, but he has now virtually achieved it in seven months.

The 8 February agreement grants a high degree of self-government which will be expanded during the next 18 months and is planned to culminate in independence by approximately August 1957. The agreement satisfies an important Rahman objective by providing for a large measure of Malayan control over the security forces.

Rahman plans to use his London victory as the basis of an appeal for popular support in the fight against the Communists. He hopes to succeed, where the British failed, in enlisting the sympathies of Malaya's large Chinese population against the Malayan Communist Party, whose membership is 95 percent Chinese.

Rahman is likely to be able to counter the appeal of a budding pro-Communist Malay organization, but there is little possibility that he will achieve any notable success with the Chinese population. The combination of Communist coercion and the politico-emotional appeal of Communist China will probably continue to work effectively against him.

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6. PRIME MINISTER OUTLINES INDEPENDENT FOREIGN POLICY FOR JORDAN

Prime Minister Samir Rifai has told Ambassador Mallory that since Jordan has become a member of the United Nations, it now has a new basis for a policy of independence. Rifai said that while he personally was convinced of the necessity of Anglo-Jordanian friendship and saw many desirable features in the Baghdad pact, he felt the best course for Jordan is to remain neutral.

Comment

Rifai's reference to Jordan's newly acquired UN membership suggests that he and other Jordanians regard this step as a symbol of their emergence from British tutelage and their entrance into the company of the Asian-African "neutralist" bloc. Such a change in the psychology of Jordan's leaders would reinforce their reluctance to offend domestic opinion by taking pro-Western positions on important issues.

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Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

25X1A

Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

8. DOMESTIC POLITICS PROMPTS AUSTRIAN EXPULSION OF WFTU

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[Redacted]

American officials in Vienna regard the expulsion of the Communist World Federation of Trade Unions from Austria as a thrust by the Socialist Party in its struggle with the People's Party, its coalition partner. Socialist minister of interior Oscar Helmer told American officials he took the action without consulting Chancellor Raab of the People's Party. According to Helmer, Raab is furious over the move, but is unable to criticize it publicly.

Comment

The two parties have been quarreling over the date of the next parliamentary elections. The People's Party wants elections deferred, probably until fall, to give Raab an opportunity to make an appeal in Moscow for concessions with regard to the economic obligations imposed upon Austria by the state treaty. The Socialists, who are agitating for spring elections, are fearful of the prestige which would accrue to the People's Party if such a trip were successful. Helmer's action in ousting the WFTU appears to have been taken to obstruct Raab's plans.

The fact that the WFTU has directed that its correspondence be sent to Rome suggests that the Communists will seek to locate there or elsewhere in Western Europe rather than in Prague, as some reports have indicated.

25X1A

9 Feb 56

Current Intelligence Bulletin

Page 10

25X1A

Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

25X1

Approved For Release 2003/03/10 : CIA-RDP79T00975A002400180001-5

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