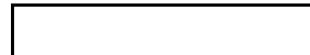


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2 June 1956



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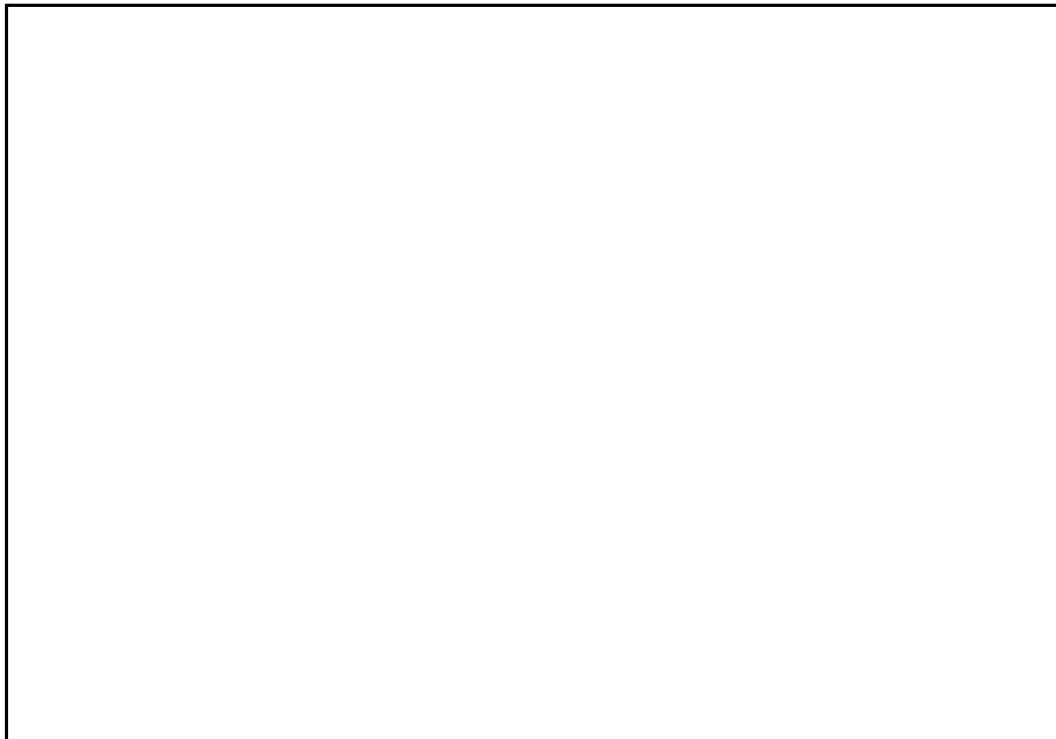
CURRENT INTELLIGENCE BULLETIN

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CONTENTS

25X1A

1. "RESIGNATION" OF MOLOTOV [REDACTED]

2. USSR ESTABLISHES OFFICES TO PLACE DEMOBILIZED
SOLDIERS IN JOBS [REDACTED]

25X1A

25X1A

4. RHEE THREATENED BY DISSENSION WITHIN HIS PARTY [REDACTED]

5. SAAR PROBLEM UNRESOLVED ON EVE OF ADENAUER-
MOLLET MEETING [REDACTED]

25X1A

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THE ARAB-ISRAELI SITUATION [REDACTED]

25X1

2 June 56

Current Intelligence Bulletin

Page 2

25X1A

1. "RESIGNATION" OF MOLOTOV

25X1A

[Redacted]

The "resignation" of Soviet foreign minister Molotov, who had been losing influence since Khrushchev's ascendancy, appears to have been timed to precede the visit of

Marshal Tito to Moscow as evidence of the Soviet leaders' sincere desire to secure a full rapprochement with the Yugoslav Communist Party. Molotov, who strongly opposed the reopening of Soviet relations with Yugoslavia last year, was closely associated in Yugoslav eyes with Stalin in responsibility for the 1948 break with Tito.

Molotov's successor, D. T. Shepilov, editor of Pravda since 1952 and a top-ranking party ideologist, has been active in Soviet foreign relations since at least 1954 when he accompanied Khrushchev and Bulganin on their trip to China. He accompanied them again on the trip to Belgrade in 1955 at which time there were rumors that he had been picked to succeed Molotov. In July 1955, he represented the Soviet leadership in Cairo in concluding the arms deal with Premier Nasr. He was elected a Communist Party secretary under Khrushchev in July 1955 and in February 1956 was also made a candidate member on the party presidium. He will probably relinquish his secretariat position and the editorship of Pravda in order to devote himself to his new duties.

Molotov's resignation will remove a figure long identified in Western opinion as the uncompromising executor of Stalin's foreign policy. The top Soviet leaders may believe that Shepilov will be more effective in carrying out the more flexible diplomatic program which the USSR has been developing since March 1955.

Although Molotov retains his posts as first deputy premier and probably as a member of the party presidium, he has long since lost any influence he may have had on Soviet policy.

[Redacted]

25X1A

2 June 56

Current Intelligence Bulletin

Page 3

25X1A

2. USSR ESTABLISHES OFFICES TO PLACE
DEMOBILIZED SOLDIERS IN JOBS

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The USSR announced on 26 May that it recently established special commissions to help place former servicemen in civilian jobs.

Since there is already an established mechanism for placing unassigned personnel, the setting up of these special facilities suggests that the USSR intends to carry out the announced reduction of its armed forces on a major scale.

25X1A

2 June 56

Current Intelligence Bulletin

Page 4

25X1A

25X1

Approved For Release 2004/07/08 : CIA-RDP79T00975A002600040001-8

Approved For Release 2004/07/08 : CIA-RDP79T00975A002600040001-8

25X1A

**4. RHEE THREATENED BY DISSENSION WITHIN
25X1A HIS PARTY**

[redacted] [redacted]
 20 Liberal Party assemblymen have resigned from President Rhee's Liberal Party since the 15 May elections, and about 50 more have threatened to resign. The Liberal Party had controlled about 140 of the 203 seats in the National Assembly.

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Liberal Party dissension stems from concern over the recent election results and dissatisfaction with party policies.

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Comment President Rhee probably will be successful in forestalling any large-scale switches of allegiance within the assembly. Since the party resignations began, the government has removed two high officials who had been under attack by the assembly and promoted two Liberal Party assemblymen to cabinet posts.

Rhee, in concentrating on party harmony, is ignoring the more serious problem of popular dissatisfaction, which manifested itself strongly in the elections. He has indicated that he plans no changes in government policy.

2 June 56

Current Intelligence Bulletin

Page 6

25X1A

5. SAAR PROBLEM UNRESOLVED ON EVE OF ADENAUER-MOLLET MEETING

25X1A

[Redacted]

French premier Mollet and West German chancellor Adenauer will meet on 4 June at Luxembourg with important aspects of the Saar problem still unresolved by the technical specialists. Meetings since mid-May on the problems of the Warndt mines and the Moselle Canal have failed to reach the settlements which France has declared are a prerequisite for the transfer of the Saar from French to West German control.

According to a French Foreign Ministry spokesman, one of the greatest difficulties is the French Finance Ministry's haggling over details. Mollet may have to intervene in order to avoid a stalemate.

A Bonn Foreign Ministry spokesman has concluded that the lack of progress makes it unwise for Adenauer and Mollet to discuss the Saar in the coming meeting. Since, however, Adenauer desires to reach agreement with the French on EURATOM and the common market, he may feel constrained to make enough concessions on the Saar to establish a basis for further negotiations.

2 June 56

Current Intelligence Bulletin

Page 7

25X1A

25X1A

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 1 June)

The wording of the joint Jordanian-Syrian communiqué announcing conclusion of a military agreement between the two countries indicates that Jordan continues to resist Syrian and Egyptian pressure to become a full member of the Egyptian-Syrian-Saudi alliance. The Jordanians have, however, taken a significant step in that direction by agreeing to the establishment of a "military council" and a "permanent joint operations organization." Such an organization presumably will be the counterpart of the existing Syrian-Egyptian joint command structure.

25X1A

25X1

2 June 56

Current Intelligence Bulletin

Page 8

25X1A