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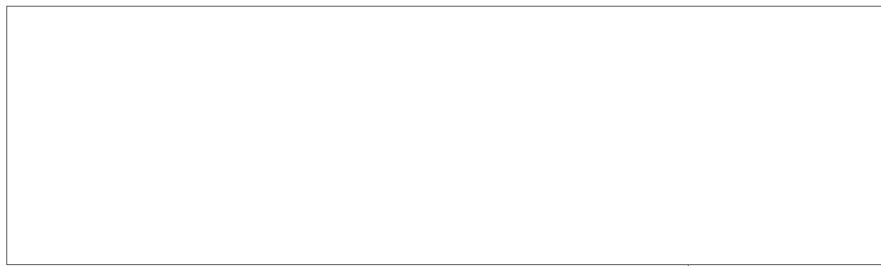
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1. SOVIET BLOC FOLLOWS UP DIPLOMATIC AND ECONOMIC OVERTURES TO BRAZIL

[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.

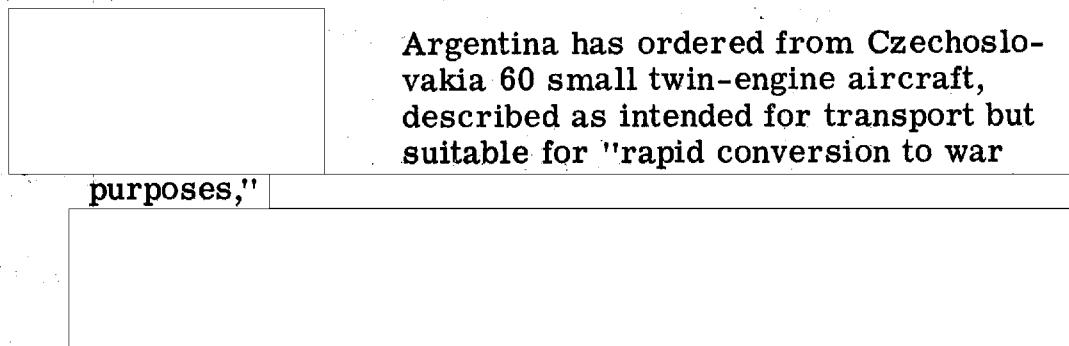
The Brazilian government may feel that the present Soviet bloc campaign provides a convenient opportunity to press for a revision in Brazil's favor of the present trade agreements with certain East European countries.

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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2. ARGENTINE PURCHASE OF CZECH PLANES REPORTED



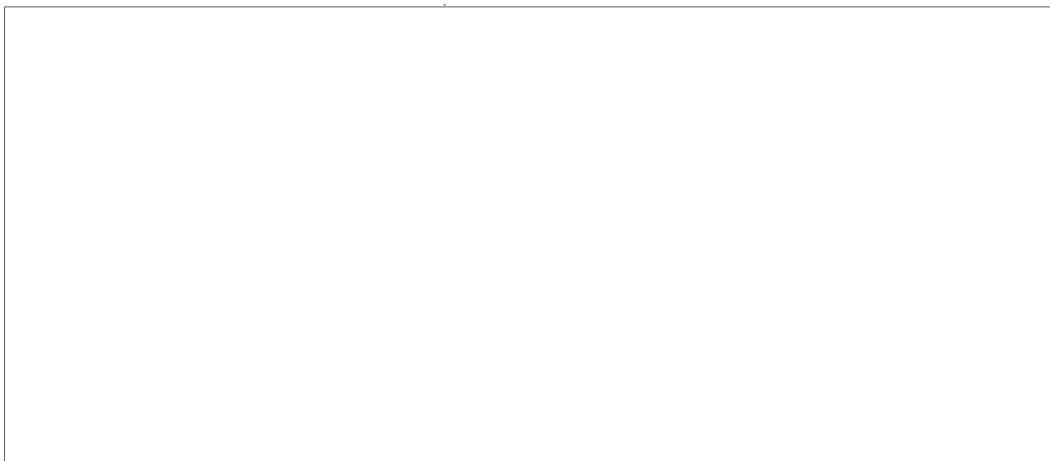
purposes,"

Argentina has ordered from Czechoslovakia 60 small twin-engine aircraft, described as intended for transport but suitable for "rapid conversion to war

The Czechs also offered jet aircraft which they are willing to demonstrate in Argentina,

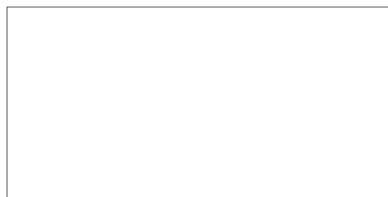
Comment

The 60 planes referred to might be Czech Aero 45's which Czechoslovakia has been trying to sell in various Western countries.

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3. VIET MINH CONCLUDES BARTER AGREEMENT WITH JAPANESE FIRM



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. [redacted] (Prepared by ORR)

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4. PEIPING OFFERS ECONOMIC ASSISTANCE TO NEPAL

[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. [Redacted] (Concluded in by ORR)

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5. COMMENT ON GRANT OF SELF-GOVERNMENT TO MALAYA

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

[Redacted]

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

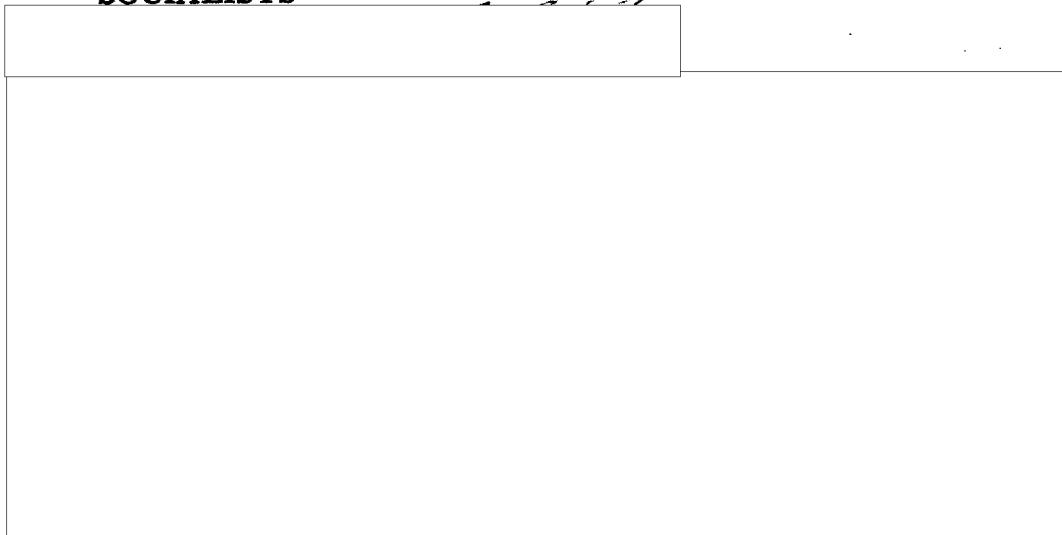
Rifai's reference to Jordan's newly acquired UN membership suggests that he and other Jordanians regard this step as a symbol of their emergence from British tutelage and their entrance into the company of the Asian-African "neutralist" bloc. Such a change in the psychology of Jordan's leaders would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

[Redacted]

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7. USSR OFFERS PARTY TIES TO DANISH AND DUTCH SOCIALISTS



Comment

The Norwegian, Austrian, and Finnish Socialists have all refused invitations to visit the USSR, while the French Socialists have accepted. The long-term objective of these overtures to Scandinavian Socialists is indicated by the prediction of the Swedish Communist Party leader in late December that Denmark and Norway would eventually leave NATO to join a neutral Nordic bloc guaranteed by the great powers.

The chairman of the Dutch Socialist Party has publicly denied British press stories that his party had received an invitation through the Netherlands Peace Council for an official visit to Moscow.

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8. DOMESTIC POLITICS PROMPTS AUSTRIAN EXPULSION OF WFTU

[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.

[Redacted]

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9. BONN OFFICIAL FORESEES NEED FOR GERMAN CONTROL OF BALLOON OPERATIONS

A West German Foreign Ministry official told the American embassy in Bonn on 7 February that probably some form of control by the West

German federal or state governments would be needed over the launching of balloons from West Germany. He felt, however, that Bonn would be in no hurry to answer Moscow's "routine" protest of 5 February.

Comment

The Soviet note stated that the USSR holds the Bonn government responsible for the use of West German territory for balloon launches "by US military agencies."

Although top Soviet leaders raised the issue of propaganda balloons with Chancellor Adenauer in Moscow last September, he does not seem to have promised more than "to take up the matter with the United States."

Recently, Austrian interior minister Helmer, in emphasizing his country's neutrality, publicly objected to the passage over Austria of "propaganda balloons destined for other countries." [redacted]

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**10. PANAMANIAN OPPOSITION REPORTEDLY PLANS
VIOLENCE AFTER 10 FEBRUARY**

Opponents of Panamanian president Ricardo Arias have a supply of arms in Panama and plan to incite disorders during the carnival period between 11 and 14 February.

The National Guard is on alert status.

The American embassy notes that an uprising would probably fail unless a part of the National Guard defected. There is no evidence that such a defection is imminent.

Comment

The political situation in Panama is expected to become increasingly tense with the approach of the presidential election scheduled for 13 May. There is reported to be considerable strife within the government coalition and friction within the National Guard, Panama's only armed force.

the family of ousted president Guizado has allied itself with opposition leader Arnulfo Arias in the smuggling of arms into Panama. Arias, who was overthrown as president in 1951 and is still denied civil rights, cannot be a candidate in the May election. However, he is believed to retain considerable popular appeal and is a potential source of revolutionary action.

Among the individuals now maneuvering for power or spoils are believed to be some influential politicians who were involved in the assassination of President Remon a year ago. Many Panamanians are convinced that the ousted Guizado, now imprisoned as an accessory to the crime, was the victim of a gross miscarriage of justice for political purposes.

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THE ARAB-ISRAELI SITUATION (Information as of 1700, 8 February)

An Israeli army spokesman reports that on 3, 4, and 5 February the Egyptians opened fire on Israeli patrols at Gaza, and that twice on 6 February the Israelis drove Egyptian soldiers and "infiltrators" back across the border.

UN secretary general Hammarskjold has notified the Western tripartite powers of his belief that the three-power talks now in process in Washington "with attendant publicity" might inflame the Palestine situation. He believes there is no need for any quick action and holds that it is vital to take the necessary time for careful consideration of the issues. He said the strengthening of the observer teams can be done through the UN and does not call for three-power negotiations. Hammarskjold said that it would be unfortunate if a false impression were developed in the area that United Nations truce supervisor General Burns acts for the three guarantor powers rather than the UN.

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BIWEEKLY SUMMARY
26 Jan-8 Feb 1956**THE TAIWAN STRAIT****Report of the IAC Current Intelligence Group
for the Taiwan Strait Problem**

1. Chinese Communist and Nationalist forces continued their artillery duels in the Quemoy area, but with less frequency and intensity. No particular significance is attached to these artillery duels nor to the Communist firing against the Matsu Islands. There has been no significant air activity. Chinese Communist jet fighter sweeps to the immediate Matsu area have continued and are now regarded as routine.

2. The Chinese Nationalists have intensified their naval operations in the Matsu area. A naval patrol including two frigates has been posted nightly near the Min River estuary. Night action against small Chinese Communist naval units was reported on 3 and 5 February. The navy has also shelled Chinese Communist positions on the Peiling Peninsula, and continues to capture Chinese Communist fishermen for interrogation.

Peiping radio, on several occasions during the period, has complained about such action, claiming the Nationalists "have resumed destructive, disturbing and provocative" activities in the coastal area.

3. President Chiang Kai-shek is believed to have concurred with Nationalist planners in a decision to evacuate the Wuchiu Islands, which lie midway between Matsu and Quemoy and are garrisoned by 480 guerrillas. The Wuchiis are of little military value to the Nationalists, but a withdrawal can be exploited by Communist propaganda.

4. Unconfirmed reports continue to suggest the arrival of additional Chinese Communist troops in areas opposite the

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Quemoy. Army Intelligence, however, is unable to accept any increase in Communist ground force strength in this area. Due to the limited amount of reliable information now being received on the Chinese Communist ground forces, it is possible that additional units have moved into the Taiwan Strait area unknown to Army Intelligence. To date, the location of three of the four Chinese Communist armies that withdrew from Korea during 1955 has not been determined. Furthermore, it has not been possible to confirm about one third of the 37 Chinese Communist armies in their currently accepted locations for over six months.

5. During the past two weeks, Chou En-lai and other prominent Chinese have made the strongest appeal yet noted for "peaceful liberation" of Taiwan, but have threatened "liberation by war if necessary." Peiping's propaganda has stressed appeals to the Chinese Nationalists to make "peaceful liberation" possible through defection. Chou promised amnesty and jobs to all defectors "no matter who they may be or how serious their past crimes were."

6. Comments in Peiping broadcasts on the Sino-American ambassadorial talks in Geneva stressed the need for a foreign ministers' meeting, while attacking US proposals for a renunciation of force in the Taiwan area as aimed at denying Peiping's sovereign 'freedom to take action for the liberation of Taiwan.'

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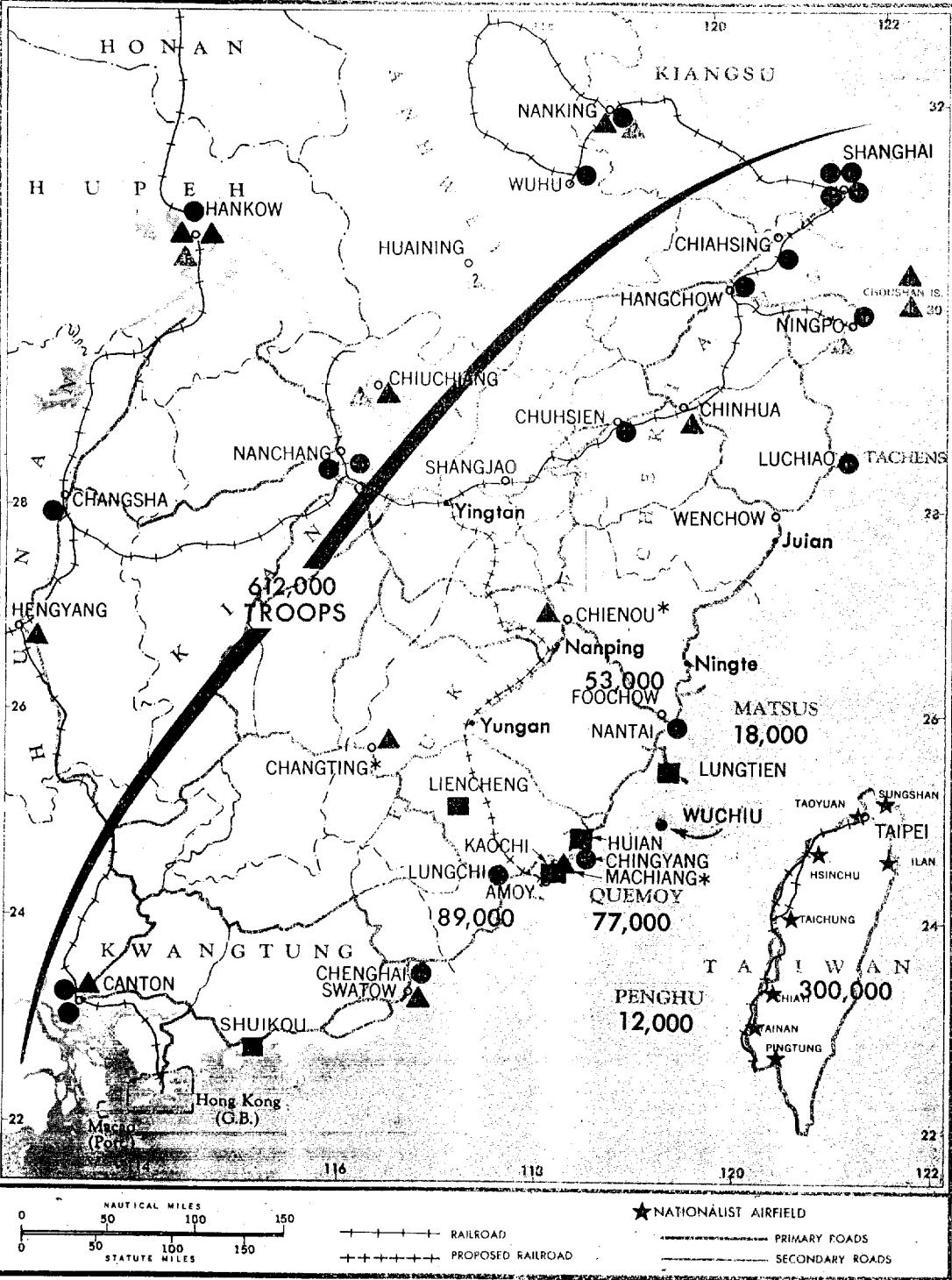
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TAIWAN STRAIT SITUATION

9 FEBRUARY 1956

CHINESE COMMUNIST AIRFIELD LEGEND:

| DESIGNATIONS | PRIMARY AIRFIELD CONSIDERED MOST IMPORTANT IN AREA WITH PREPARED RUNWAYS GENERALLY 3000 FEET OR LONGER | SECONDARY AIRFIELD AUXILIARY OR EMERGENCY PAVILION FIELDS OF LESSER IMPORTANCE, RUNWAYS GENERALLY LESS THAN 3000 FEET | USABILITY | | | |
|---|---|---|-------------|---|---|--|
| | | | + | I | ? | - |
| ACTIVE BASE FOR MILITARY & CIVILIAN AIRCRAFT, SOME BASES USED BY PISTON TYPES MAY BE USABLE BY JETS | ● | ▲ | OPERATIONAL | | | |
| INACTIVE BASES CAPABLE OF USE BY AIRCRAFT | ● | ▲ | SERVICEABLE | | | |
| CURRENT STATUS UNDETERMINED | ● | ▲ | UNKNOWN | | | |
| | | | | | * | FIELDS NOT CONSIDERED CAPABLE OF SUPPORTING SUSTAINED OPERATIONS AT PRESENT. |

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