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22 May 1956

Copy No. 103

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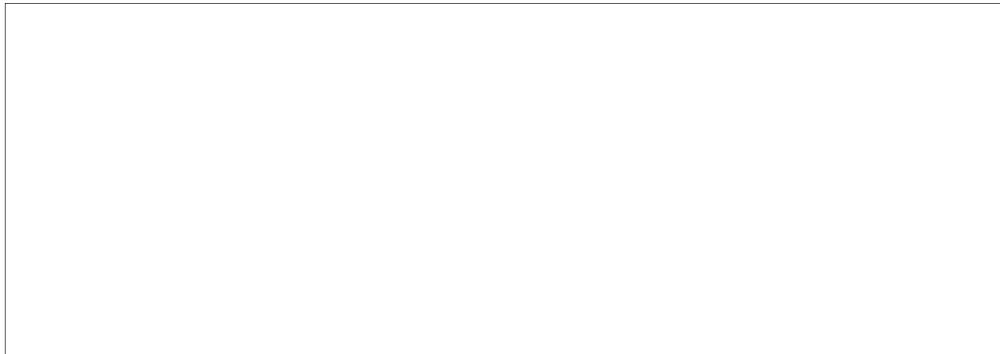
CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 50
NO CHANGE IN CLASS: X
 DECLASSIFIED
CLASS. CHANGED TO: IS G O
NEXT REVIEW DATE: 2001
AUTH: HR 70-2
DATE 12-26-71 REVIEWER:

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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Approved for Release: 2019/10/21 C03185114



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1. FRENCH-SOVIET TALKS CONCLUDE

Sharp differences between the French and Soviet negotiators at the talks in Moscow forced omission of several controversial points from the joint communique. It was agreed in principle to expand both cultural and commercial relations.

The USSR rejected as premature or inappropriate a French proposal approving UN secretary general Hammarskjold's efforts for Near Eastern peace. It refused to insert a statement approving any future UN measures to put an end to the arms race, such as an embargo on shipment of arms to the Near East, unless specific mention was made of Iran and Pakistan. This suggests that the USSR will insist on including Middle East members of SEATO and the Baghdad pact in a Middle East arms embargo.

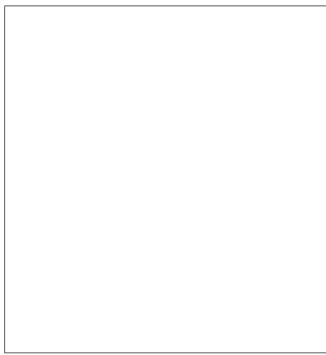
The French say they expect the communique's reference to France's Algerian policy to have a sobering effect on both the French Communist Party and such Arab countries as Egypt. They believe the statement makes it clear that Algerian policy is a Paris responsibility. This effect may be nullified, however, by the Soviet version of the communique, and by Khrushchev's toast at a reception to "the Arabs and all others who are struggling for national independence."

The American embassy in Moscow considers that Mollet was firm with the Russians throughout the conversations, particularly on the point of France's allegiance to NATO. The Russians bluntly rejected French efforts to include some reference to German unification and to Paris' loyalty to its international alliances.

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2. ELECTION RESULTS OPEN PERIOD OF INSTABILITY IN SOUTH KOREA



President Rhee's 19 May acknowledgment of Chang Myon's election as vice president, together with opposition action in postponing the funeral of Democratic leader Sin Ik-hui, appears to have averted large-scale violence in South Korea. Rhee's cabinet has submitted its resignation, however, and this may open a period of political instability as the Rhee administration attempts to cope with a degree of opposition unprecedented in South Korea.

Defense Minister Son has stated to American chargé Strom that the present situation is dangerous for both Rhee and Chang, with the possibility of assassination.

President Rhee will probably accept the resignations of certain of his ministers, and may offer certain government posts to members of Chang Myon's Democratic Party. Chang, however, while indicating a willingness to co-operate with Rhee, has stated that he does not desire a coalition government at this time.

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3. LAOTIAN PREMIER MAY BE MEETING REBEL LEADER

Comment

Souvanna Phouma has always indicated to American officials that he intends to deal firmly with the Pathet Lao.

In a recent interview with Wilfred Burchett of the London Daily Worker, Souvanna Phouma indicated that in return for the restoration of government control over the disputed northern provinces, he was prepared to welcome Pathet Lao personnel into the administration and national army, "without discrimination." He also declared that Laos would observe the "five principles of coexistence."

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4. RESIGNATION OF JORDANIAN CABINET

The resignation of the Jordanian cabinet of Prime Minister Rifai on 20 May clears the way for a government more responsive to Arab nationalism and will probably result in closer co-ordination of the external policies of Jordan and Egypt. For some months Rifai has not enjoyed the confidence of King Hussain, who has shown a tendency to exercise increasing authority. Rifai, who has attempted to resist the spread of Egyptian influence in Jordan, has been attacked by Egypt for failing to end his country's friendly relations with Britain.

Said al-Mufti, who has been invited to form a new government, has been prime minister three times previously. He last resigned the premiership in December 1955 during Britain's attempts to draw Jordan into the Baghdad pact. One of his first acts in his new capacity was to announce his intention to amend the Anglo-Jordanian treaty to make it "more compatible with Jordanian interests."

He has also emphasized his plans for a "purely Arab" cabinet. Some of the new cabinet members will be chosen from outside parliament, according to Arab press releases.

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5. BURMESE IMPRESSED BY SOVIET TECHNICAL PERSONNEL



Initial skepticism in Burma regarding the desirability of the technological institute which the USSR has offered to build has been overcome by eight Soviet experts who have been in Burma for three weeks, according to the American embassy in Rangoon. The embassy quotes one Burmese government official as saying he has been impressed by the Russians' excellent technical qualifications and their understanding of the Burmese viewpoint.

The USSR reportedly plans to staff the proposed institute with English-speaking instructors and is ready to begin construction as soon as the Burmese government gives its formal approval.

Comment The scope of the proposed institute had aroused reservations among some Burmese officials regarding its practicality, and they were also concerned over its subversive possibilities.

The technological institute is the first large project to be undertaken by the USSR in Burma. Soviet success in gaining Burmese confidence in this project would facilitate Moscow's entire assistance program in Burma.

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6. MOSCOW REPORTEDLY OFFERS \$4,000,000 CREDIT TO TURKEY

Moscow has offered a \$4,000,000 credit to Turkey to finance imports of Soviet goods. This offer, if confirmed, would

be the latest in a series of Soviet efforts to gain an economic foothold in Turkey. The Turkish government has repeatedly rejected all previous direct Soviet aid offers and, although there is growing economic pressure within Turkey, the basic Turkish suspicion of Russian intentions toward the Middle East makes acceptance of any major Soviet economic aid offer unlikely. The reported \$4,000,000 credit might be approved, however, since it would facilitate Turkish imports of goods which now require the expenditure of scarce foreign exchange.

Ankara's refusal to date to accept a Soviet credit has not prevented a sharp increase in Soviet bloc-Turkish trade. Turkish-bloc trade turnover which in 1954 represented 12 percent of total Turkish trade had increased in 1955 to about 20 percent. In 1955 Turkish imports from the Soviet bloc amounted to about \$20,000,000 more than exports to the bloc. [redacted] (Prepared by ORR)

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THE ARAB-ISRAELI SITUATION (Information as of 1700, 21 May)

Former prime minister Rifai of Jordan, who has just returned from the Arab League political committee meeting in Damascus, said that at Syrian and Egyptian insistence, the committee agreed to make formal protests to countries furnishing arms to Israel. Rifai said he had been able "to inject enough sense into the meeting" to prevent prior judgment regarding UN Security Council action on the Hammarskjold mission until the council acted.

An Egyptian Foreign Ministry official has told a UN truce official that Egypt insists on early implementation of the cease-fire agreement, and that if the UN Security Council does not see it is complied with, Egypt will "take steps" to make sure that it is implemented. The official reportedly said "there will be no more fedayeen; from now on the armed forces will be involved." The UN official and Ambassador Byroade believe these statements do not indicate that Egypt plans to launch an attack, but that the statement reflects a "loss of patience." Byroade comments that this attitude, taken together with Prime Minister Nasr's recent speeches and the steady pressure in favor of a "showdown," make it more probable that there will be an Egyptian military response in force to any Israeli move which is interpreted as an act of aggression, especially the diversion of the Jordan waters at Banat Yacov.

American officials in Egypt commented recently that while there are no grounds to believe Nasr has changed his views in the direction of picking a fight with Israel, the atmosphere in Egypt appears somewhat more dangerous, with an increased voicing of belligerent views in the army and in some business circles.

Soviet passenger-freighter Krim left Alexandria on 6 May with 68 Soviet men, women, and children, 12 Egyptian civilians, and 301 officers and men of the Egyptian armed forces. Of the

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Egyptian military personnel, 101 were army, 160 navy, and 40 air force. This report, in conjunction with the recent report that 66 Soviet technicians had arrived in Egypt, suggests that there may be a rotation of various Soviet bloc technicians. The number of Egyptian naval personnel on the Krim suggests the possibility that they are to undergo training in the Soviet Union prior to Egypt's acquisition of submarines or possibly destroyers.

A Yugoslav vessel, believed to be the Celik, arrived in Alexandria on 17 May under heavy security precautions, and carried an undetermined number of motor torpedo boats on its deck. Yugoslavia previously delivered 12 motor torpedo boats to Egypt.

the Soviet freighter Smela, which had loaded at Odessa on 7 May, unloaded six tanks, 18 assault guns (probably 100-mm), 12 antiaircraft guns (probably 85-mm), three fire-control computers with spare parts, 9,000 submachine guns, 14 military vehicles, and 400 tons of ammunition at the Syrian port of Latakia. In addition, training planes (presumably the MIG trainers ordered from the Soviet bloc by Syria) arrived in Alexandria on 8 May. They will probably be used by Syrian pilots currently training in Egypt.

the Czech chief of staff had agreed to undertake a complete study of Syria's air defense and recommend necessary equipment. The increasing bloc interest in Syria's air defense, including the construction of a new military airfield at Aleppo, also raises a security problem for nearby NATO military installations in Turkey and Cyprus.