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21 December 1957

Copy No. 138

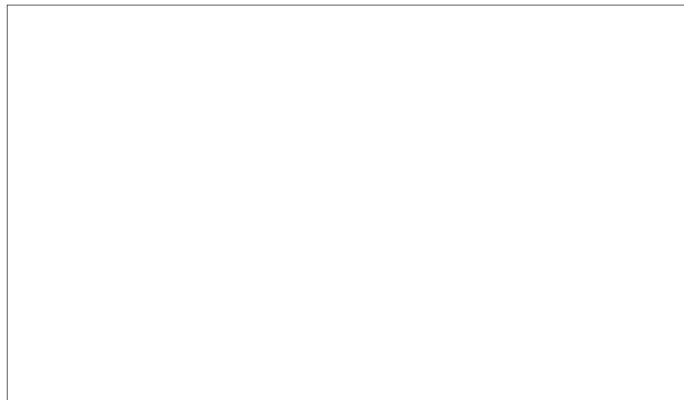
CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 42
NO CHANGE IN CLASS.
DECLASSIFIED
CLASS. CHANGED TO: TOP SECRET
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 1-4-80 REVIEWER: 1

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

~~TOP SECRET~~

Approved for Release: 2019/12/10 C03184087



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1. MOSCOW'S REACTION TO THE NATO CONFERENCE

The Soviet government has announced that it will make a full statement on the NATO conference communiqué during the current Supreme Soviet session. In its initial reaction, Moscow has continued to employ the general themes used in its massive propaganda campaign before and during the meeting.

TASS describes the NATO communiqué as reflecting the deep "contradictions" existing in the alliance, and claims that the meeting held up the specter of a Soviet threat in order to continue the American arms drive and the cold war. US policy is portrayed as contrasting sharply with Western European desires to work for peace. The "most conspicuous" element in the communiqué, according to one widely broadcast Soviet comment, is the "discrepancy" between the decision to set up missile bases in Europe and the call for further disarmament talks with the Soviet Union.

Comment

The Soviet government can be expected to maintain its adamant attitude that it will not participate in further sessions of the UN Disarmament Commission unless that body is "balanced" between the Western states and the Communist and neutralist powers. Moscow almost certainly hopes to avoid becoming involved in further detailed discussions of such facets of disarmament as control and inspection.

The Kremlin might accept a foreign ministers' conference, mainly to set the stage for a heads-of-governments meeting.

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2. SITUATION IN INDONESIA

Comment on:

An Indonesian government decree of 16 December, transferring the management of former Dutch estates to senior Indonesian employees, will undoubtedly work to the advantage of the Communists who led the drive in seizing these properties. Communist leadership of the major estate labor union, the domination of Indonesia's leading peasant organization,

and the party's victories in the 1957 Javanese elections guarantee the Communists a dominating position in the management of these estates. They will also exert a major influence in the national and provincial councils which have been set up by the government to administer the estates. From an economic standpoint, the transfer of management to inexperienced personnel can be expected to disrupt production and marketing and probably to cause considerable unemployment, thus further favoring Communist exploitation.

In Djakarta, a non-Communist labor leader has stated that the local Djakarta army command is allied with SOBSI, the Communist-dominated labor federation, and is ignoring efforts of Army Chief of Staff General Nasution to stall SOBSI's campaign to win control over Dutch enterprises.

The minister of shipping told parliament on 20 December that the government would use funds under the pending \$100,000,000 Soviet economic development loan to buy ships--especially Russian ones--to make up shipping shortages which are seriously aggravating Indonesia's current food scarcities. The USSR, however, would find it difficult to make ships available, and would be unlikely to permit the use of these funds for purchase of shipping outside the bloc.

3. MAJOR NEW SOVIET ARMS DELIVERIES TO
SYRIA UNDER WAY

Comment on:

"Russian ships carrying military equipment" were preparing to leave the Black Sea for Latakia suggests that shipment of the arms purchased by Syria under the \$25,000,000 arms agreement concluded in August of this year is under way.

Although the cargoes are not identified, they probably include the squadron of all-weather MIG-17 jet fighters and an unknown number of IL-28 jet light bombers which the USSR agreed in September to deliver before the end of this year.

4. SPANISH ARMY REQUESTS US EXPRESSION OF SUPPORT FOR IFNI OPERATIONS

Comment on:

The Spanish army is pressing for an official expression of US support in the Ifni hostilities with Moroccan irregulars, according to American military advisers in Madrid who were invited on 17 December to visit Ifni, presumably to give advice on tactics and equipment utilization. Spanish officers suggested that the United States acknowledge officially that Spain had been attacked in Ifni, and expressed the hope that the United States would also provide additional equipment for use in the area.

The officers said Spain has sent almost all its available troops to Ifni, except those supplied with American equipment. They added that if the situation in Ifni becomes serious, they will be obliged to use American equipment obtained under the Military Assistance Program.

The Spanish government has so far refrained from permitting the army to use its US-supplied equipment in the Ifni hostilities, presumably out of consideration for American efforts to maintain friendly relations with Morocco.

5. SPAIN REQUESTS EMERGENCY US ECONOMIC ASSISTANCE

Comment on:

Spanish Minister of Commerce Ullastres requested on 19 December that the United States consider an immediate allocation to Spain of \$30,000,000 from President Eisenhower's contingency fund. Ullastres claimed that Spain's gold, dollar, and European currency reserves were virtually exhausted. He also asked the United States to expedite Export-Import Bank loans for Spain.

Although Ullastres may have exaggerated Spain's economic predicament somewhat to dramatize the situation prior to Franco's talks with Secretary Dulles on 20 December, the burden of costly operations against Moroccan irregulars in Spanish West Africa poses a serious problem. Living costs in Spain have risen some 25 percent over the past year, and further inflationary pressures would probably result in widespread labor unrest.

6. SAUDIS DISCUSS MORE ACTIVE DEFENSE OF GULF OF AQABA AREA

Comment on:

Saudi frustration over growing Israeli use of the Gulf of Aqaba transportation route has apparently provoked consideration of a more active defense of Saudi air space against Israeli overflights. The

most recent irritant was the Israeli civil air line's announcement of a special flight to South Africa via the Gulf of Aqaba. Israeli air and sea reconnaissance of Saudi military posts along the gulf has also at times violated Saudi territory.

Saudi sensitivity to Israel's increasing use of the gulf will be intensified by a heavier movement of oil tankers commencing about 23 December, as a consequence of the recent completion of new petroleum storage facilities and additional pipeline capacity at Eilat. Despite pleas from some local commanders for action, the Saudis in the gulf area are believed still under standing orders not to fire unless fired on. King Saud, however, feels under continuing pressure to take an uncompromising stand against Israel's right to use the gulf route and has repeatedly indicated his desire to have the United States make some decisive move on the question. The Russians have encouraged Nasir to exploit the issue by pressing Saud to make a choice between the "Arab cause" and friendship for the United States.

7. JAPAN SENDING ECONOMIC INVESTIGATION TEAM TO EGYPT

Comment on:

Japan has accepted an Egyptian invitation to study possible Japanese participation in the Aswan high dam project and other industrialization programs.

A seven-man mission headed by Tatsunosuke Takasaki, former head of the Economic Planning Board, is expected to leave Tokyo about 3 January. Foreign Minister Fujiyama has instructed his embassy in Washington to obtain a copy of the World Bank report on the Aswan dam for the mission.

An Egyptian mission to Japan which recently returned to Cairo apparently was favorably impressed by Japanese dams. The Japanese also expect to study the possibilities of power generation, iron manufacture, and the development of oil and chemical industries. Japanese interest in economic cooperation with Egypt, however, appears to be limited to technical aid and the supply of heavy industrial equipment. Tokyo officials have indicated that Japan cannot extend financial aid, and the roving Japanese ambassador in the Middle East has concluded that trade with Egypt cannot be expanded beyond current levels because Egypt has few exports to offer.

8. CEYLON'S TRADE AND CULTURAL CONTACTS WITH SINO-SOVIET BLOC CONTINUE TO INCREASE

Comment on:

Trade between Ceylon and the Soviet Union may soon be facilitated under prospective trade and payments and economic cooperation agreements. A 16-man Soviet trade mission, headed by the deputy chairman of the State Committee for External Relations, is due in Colombo on 24 December. Al-

though the Ceylonese are reported to be impressed by the relatively high level of the members of the Soviet mission, the chairman is of a rank normally sent to negotiate such agreements.

The USSR in the past two years has made a number of informal offers to expand trade and assist in Ceylon's economic development program. The only results have been the visit to Ceylon of four Soviet agricultural experts and recent Soviet purchases of substantial quantities of Ceylonese tea. A trade agreement would provide the framework for broader Ceylonese-Soviet economic ties and possibly additional offers of Soviet aid to Ceylon.

Orbit cultural contacts with Ceylon are also expected to continue. A 75-man opera troupe from Communist China and a 40-man Rumanian "cultural show" are expected to arrive in early January.

**9. ARGENTINE STRIKE THREATENED ON
23 AND 24 DECEMBER**

Comment on:

The threatened strike of progovernment Buenos Aires commercial workers on 23 and 24 December could be exploited by Peronista and Communist labor elements seeking to create unrest during the period preceding the general elections on 23 February. The commercial federation, the largest single union in Argentina, has given the labor minister until 21 December to consider its demand for an emergency wage increase. The government had to suppress attempted Peronista-Communist general strikes in September and October by stern measures, including imposition of a temporary state of siege.

The commercial workers are demanding a continuation of special \$9.00 monthly wage supplements due to expire on 31 December, and an additional \$9.00 to meet increased living costs. The government's policy, while stressing more work for more pay, also emphasizes that wages should be privately negotiated and not officially decreed. The government may covertly condone the strike, not only to avoid decreeing admittedly necessary wage increases, but also to bolster the prestige of the commercial employees' leader in the face of intensified Peronista-Communist efforts to take over leadership.

There recently has been a revival of terrorism attributed to the followers of Peron. Pre-electoral strategy is reportedly being discussed by Peron and his chief cohorts at a meeting which commenced in Caracas on 20 December.