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1. USSR OFFERS STATUS QUO SETTLEMENT AS ALTERNATIVE TO BOLSTERING NATO STRENGTH

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Soviet Premier Bulganin's letters to President Eisenhower and to heads of other NATO governments together with recent private statements apparently are intended to undermine the rationale of American measures to increase NATO's strength and unity by offering the West a general political settlement based on the status quo.

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In a conversation on 4 December with the Swiss ambassador, Bulganin elaborated on Khrushchev's proposal of 3 December to a group of ambassadors for Western recognition of the status quo in Eastern Europe in exchange for a Soviet agreement not to attempt to overthrow capitalist regimes. Bulganin stated that the USSR was prepared to give assurances, on a reciprocal basis, against intervention in the affairs of capitalist countries. He suggested that such an agreement might cover a period of 12 or 15 years.

Bulganin denied that the Russians were engaged in a "sputnik diplomacy." He asserted, however, that they had achieved technological parity with the West and that East and West should therefore come to an agreement on the basis of the status quo. Soviet presidium member Mikoyan took the same line in a talk with the Swiss ambassador on 7 December, stating that East-West negotiations should be facilitated now that the USSR has reached parity in the technological field. He remarked that the USSR previously had suffered from an inferiority complex which had made negotiations difficult.

Although the Soviet leaders evidently believe their technological achievements will enable them to gain world recognition of the USSR's strategic parity with the West, it is unlikely that Moscow considers there has been a sufficient change in the balance of power to justify any radical shift in Soviet foreign policy. Bulganin remarked to the Swiss ambassador that although one side or the other might gain a temporary lead in some particular field, this could not change the basic situation.

2. BULGANIN LETTER TO NEHRU

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Soviet Premier Bulganin's 10 December note to Nehru probably was designed to add to Asian neutralist pressures on the West to agree to immediate suspension of further tests and to heighten Asian suspicions of Western defense moves likely to result from the NATO conference. As in the Soviet note to Japan delivered on 5 December, Moscow seeks to exploit Asian desires for a test ban.

In replying to Nehru's 28 November appeal to the USSR and the United States to cease nuclear tests and disarm, Bulganin asserted that test suspension is "now up to the governments of the United States and Great Britain." This emphasis on the USSR's willingness to cease nuclear tests by 1 January 1958 will focus critical Asian attention during the next two weeks on Western responses. While India, Japan, and Burma as well as other countries favor control and inspection procedures over future nuclear development, they are willing to see these measures instituted after the cessation of nuclear testing. Continued Western refusal to agree to a test suspension independent of other disarmament measures probably would disappoint many Asian and African nations.



**3. LACK OF PROGRESS IN WEST GERMAN MILITARY
BUILD-UP CRITICIZED IN NATO**

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In the course of the NATO Annual Review examination of West Germany's build-up plans, NATO representatives criticized Bonn's pleas of financial difficulties. The German representative stated that rearmament was unpopular with the West German public. The Standing Group representative pointed out that NATO military authorities were particularly concerned over the serious shortfall in the German army and air force and over the urgent need to increase the pace of the build-up.

The German representative expressed Bonn's firm intention to fulfill its NATO obligations, but pointed to the economic problems created by absorbing 10,000,000 refugees and increasing the defense budget by "leaps and bounds." The review committee chairman replied that refugees had been a net gain for Germany and that Bonn has large holdings of foreign exchange and gold. He also hoped that creation of a 12,000-man cadre for home defense would not impede the build-up of NATO forces.

Bonn has been extremely reluctant to commit itself to a long-range schedule for its NATO forces, and the considerable hedging during the examination indicates doubts on the advisability of investing large sums for conventional forces and equipment.

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4. ANTI-AMERICAN DEMONSTRATIONS PLANNED IN PARIS

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[redacted] Anti-American demonstrations may be held in Paris during the NATO conference. Pierre Poujade has called for "patriots" to gather at war memorials on 15 December "to protest American insolence."

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[redacted] the Gaillard government has made substantial concessions to labor which are expected to limit labor's willingness to go out on strike. Some support may be available, however, from Communist militants in response to the Communist party central committee's call for "dignified" demonstrations against NATO.

The Paris police will be particularly alert to forestall hostile demonstrations during the NATO discussions and will effectively curtail any minor manifestations of anti-Americanism. [redacted]

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5. IRANIAN PRIME MINISTER SAYS IRAN MAY ADOPT
NEUTRALIST POLICY

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Iranian Prime Minister Eqbal has suggested to an American embassy representative that Iran is contemplating a neutralist policy. Apparently continuing Iran's campaign to highlight its need for additional American aid, Eqbal said that unless there was an increase in such aid, Iran would have to re-evaluate its

Baghdad pact position, cut down its army, and apply the savings to interior economic development. He asserted the Russians were willing to give economic aid and even ships for the Iranian navy. Tehran, he said, believes it is gaining nothing from its pact membership and is in an exposed position with respect to the USSR. The prime minister also voiced suspicions regarding the motivation of Iraq and Turkey--both Baghdad pact members.

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7. INDONESIAN SITUATION

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[REDACTED]

Communist gains in Java have convinced Sumatran leaders that the only sensible course is to declare Sumatra independent,

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[REDACTED]

The military commander in Central Sumatra, Lt. Col. Hussein, has already taken steps to protect foreign business in his area and to see that revenues, which previously went to Djakarta, do not fall into Communist or central government hands.

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Hussein has ordered that Dutch enterprises be placed under the control of the provincial administration and that the tax on all exports be turned over to authorities in Padang, the provincial capital, rather than be remitted to Djakarta. In South Sumatra, army commander Lt. Col. Barlian has assured the local Stanvac manager that the Dutch in the province will be protected and that Dutch employees of Stanvac will not be forced to leave.

In Java, President Sukarno has made his first statement since the speech following the attempt on his life on 30 November. In a brief speech in Surabaya he said there would be no letup in the anti-Dutch campaign and apparently omitted any reference to illegal labor activities. He tied the campaign to Indonesia's demand for Netherlands New Guinea, stated that Indonesia faces "many hardships" in its battle to win the area, and said the country's aims are supported by a majority of the world's population including Communist China.

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