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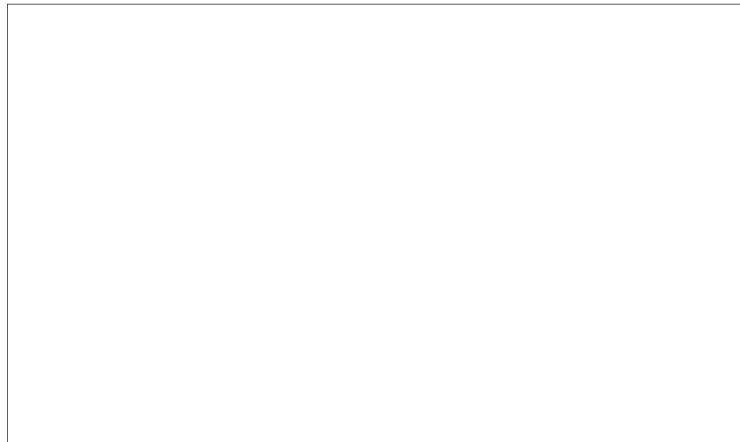
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THE TAIWAN STRAIT

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1. THE NEW FRENCH CABINET

Comment on:

Maurice Bourges-Maunoury's cabinet, invested on 12 June, contains many important holdovers from Mollet's government and is expected to carry out essentially the same policies. It is vulnerable on such issues as finances and Algeria, but it may last until autumn.

The retention of Robert Lacoste as minister residing in Algeria and the elimination of his opponents in the former cabinet probably indicate an intensified pacification effort, but Bourges-Maunoury has indicated that he intends to take a "new initiative" on Algeria. Administrative reform in Algeria, including the suppression of the office of governor general and decentralization of power, according to Bourges-Maunoury's statement to the assembly, will be followed by political reform aimed at the progressive establishment of regional political units. A debate on Algerian policy is likely within the next ten days when the government is expected to go before the assembly to request an extension of the extraordinary powers held by Mollet.

Bourges-Maunoury warned the assembly that he would seek new taxes--an issue which brought down the Mollet government--request another advance from the Bank of France, and dip into France's gold reserves at the end of June. Independent Party opposition to his financial program and Socialist Party demands for social progress, which Bourges-Maunoury has also promised, could hamstring efforts to assure early adoption of any effectual fiscal measures. This, in turn, could delay assembly approval of the EURATOM and Common Market treaties, which the new premier told the assembly he intends to seek before the summer recess.

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2. NEW CRISIS EXPECTED IN HAITI

[redacted] Army chief of staff Brigadier General Antoine Kebreau is planning to oust Haiti's self-proclaimed provisional president, Daniel Fignole, before 16

June, [redacted]. This plan is believed to have arisen from conflict between Kebreau and Fignole over control of the army and from a widespread belief that Fignole intends to proclaim himself permanent president on or before 16 June, the date most recently set for national elections.

If the planned coup is successful-[redacted]

[redacted] the most likely successor government would be a military junta led by Kebreau or a civilian junta in which he wields power.

Comment

Although Fignole, who is feared by the conservatives as a demagogue, has so far acted with moderation, his ouster has been freely predicted since he seized power on 26 May.

Any attempt by Kebreau to oust Fignole is likely to cause rioting on the part of Fignole's street mobs and possibly army enlisted men, the majority of whom are believed to be supporters of Fignole. Rioting could also be sparked by Fignole's opponents if he proclaims himself president.

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3. KING SAUD PLANNING EFFORT TO SPLIT SYRIA FROM EGYPT

Comment on: [redacted]

King Saud intends to spend large sums of money in Syria in order to bring about a change in policy there and draw Syria away from Nasr,

Saud reportedly considers that action inside Egypt to remove Nasr would not be likely to succeed and that Syria is the weak point on which to concentrate.

A serious intra-Arab row has developed as the Egyptian press and radio excoriate King Hussain and accuse him of "treachery" to the Arab cause.

The pro-Egyptian Asali government in Syria has joined in denouncing Jordan. Asali is reported to have called an emergency cabinet session on 11 June to consider the effects of the mounting dispute between Jordan and Egypt. These events may encourage moderate Syrian opposition members of the legislature to make a new attempt to bring about the fall of the left-wing Asali cabinet.

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4. SUKARNO'S PROPOSED NATIONAL COUNCIL WEIGHTED WITH NATIONALISTS AND LEFTISTS

Comment on: [redacted]

[redacted] The membership of Sukarno's 30-man national council, recently submitted to the Indonesian cabinet for approval, reportedly is heavily weighted with leftists, including some suspected Communists.

[redacted] two of 28 appointees so far named are Moslem, and the four Christian appointees are under the control or influence of Sukarno. At least nine are strong leftists or suspected Communists. The chiefs of staff of the three armed forces and several persons whose affiliations are as yet undetermined complete the list.

Sukarno reportedly selected the list in consultation with Hanafi, pro-Communist head of the Ministry for Rallying the People for Construction, who has been close to Sukarno for well over a year.

Cabinet resistance to some of the appointees can be expected. Although Sukarno has provided alternate choices in a number of instances, it is probable that he will ignore any such opposition and proceed to establish his council.

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**5. AFGHANS MAY ACCEPT WEST GERMAN OFFERS
FOR ECONOMIC DEVELOPMENT**

[Redacted] During a recent trip to West Germany, Afghan prime minister Daud discussed with company officials the possibility of the Siemens Company undertaking more hydroelectric projects in Afghanistan, [Redacted]

Comment

There have been numerous reports in recent weeks that Afghan officials have been dismayed by the prices asked by the USSR for the projects to be built under the \$100,000,000 Soviet loan. Several of the projects had been surveyed earlier by the Germans, and the Afghans were shocked when the USSR charged several times as much for resurveying the projects. Although the Afghans were reluctant to object at first, they reportedly decided to allow the USSR to construct only a part of the Kabul airport when it asked nearly twice the price asked earlier by the Germans.

West Germany has been interested for some time in resuming its prewar role in Afghanistan and concerned about the Soviet economic drive there. It reportedly plans to expand its technical assistance to \$1,250,000 and offer a loan of \$15,000,000. Siemens has had extensive experience in Afghanistan and recently completed the Sarobi hydroelectric project which more than doubled Afghanistan's generating capacity. While the credit terms it reportedly has offered are not as attractive as the Soviet terms, the Afghans may decide that this is more than offset by lower prices charged.

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6. SUHRAWARDY VISIT TO AFGHANISTAN APPARENTLY SUCCESSFUL

[Redacted] Prime Minister Suhrawardy's three-day visit to Kabul appears to have been successful, according to the American embassy in Kabul. The two nations have

agreed to exchange ambassadors, which were withdrawn following the mob attack on the Pakistani embassy in Kabul in March 1955, and to co-operate in the United Nations, which Pakistan believes will result in Afghan support for Pakistan's position on Kashmir. In addition, the countries agreed to develop closer economic ties, and agreements on land and air transit rights are to be negotiated in the near future.

In answer to Afghan prime minister Daud's statement that Pushtoonistan is the only problem remaining between the two countries, Suhrawardy pointed out that neither he nor any other Pakistani official could do anything about Pushtoonistan until after the general elections tentatively scheduled to be held in March 1958. [Redacted]

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S U M M A R Y**8 May - 12 June 1957***Report No. 104* THE TAIWAN STRAIT**Report of the IAC Current Intelligence Group
for the Taiwan Strait Problem**

1. Referring to increased artillery fire in the Quemoy area in May and to their firing on an unidentified ship near Quemoy on 31 May, Chinese Nationalist officials have asserted that there is increased tension in the Taiwan Strait area. However, neither the artillery fire nor the reported naval action is believed to reflect an actual increase of tension. The artillery fire in May is not regarded as excessive and was usually initiated by the Nationalists. The Nationalists, moreover, habitually fire on shipping in the Quemoy and Matsu area.

2. A flight of four US carrier aircraft was fired on by Chinese Communist antiaircraft artillery in the vicinity of Swatow on 12 June. Only slight damage occurred to one aircraft and no personnel were injured. The Chinese Communist action is believed to represent no more than a routine defensive measure against unidentified and presumably hostile aircraft in the Taiwan Strait area.

3. The Chinese Nationalists have been extremely critical of the British decision to relax controls on trade with Communist China and have warned American officials of the danger of an incident should British shipping attempt to enter Amoy or Foochow. In a Taipei broadcast of 7 June, the Chinese Nationalist foreign minister is quoted as warning that the policy of port closure will be maintained whether or not the British escort their ships with naval craft. Two and possibly three British-flag ships were fired upon while attempting to enter Amoy harbor in May, and six motor junks, which the Nationalists claim were of dual British and Chinese Communist registry, were captured near Swatow on 2 June. Further incidents of this type may be expected.

4. The Chinese Communists have confirmed earlier reports that the railway to Foochow will not be completed this year. They

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have announced that the line will be extended only 70 kilometers from Nanping in 1957. This construction would bring the line to a point below the rapids on the Min River and permit the easier transloading of supplies from the railroad to inland water craft for onward shipment to Foochow. [redacted]

5. Chinese Communist propaganda exploited the 24 May riots on Taiwan fully, although propaganda on this subject has subsided since the end of May. Peiping asserts that the riots were part of the "struggle against US aggression" which is fully supported by the people on the mainland. [redacted]

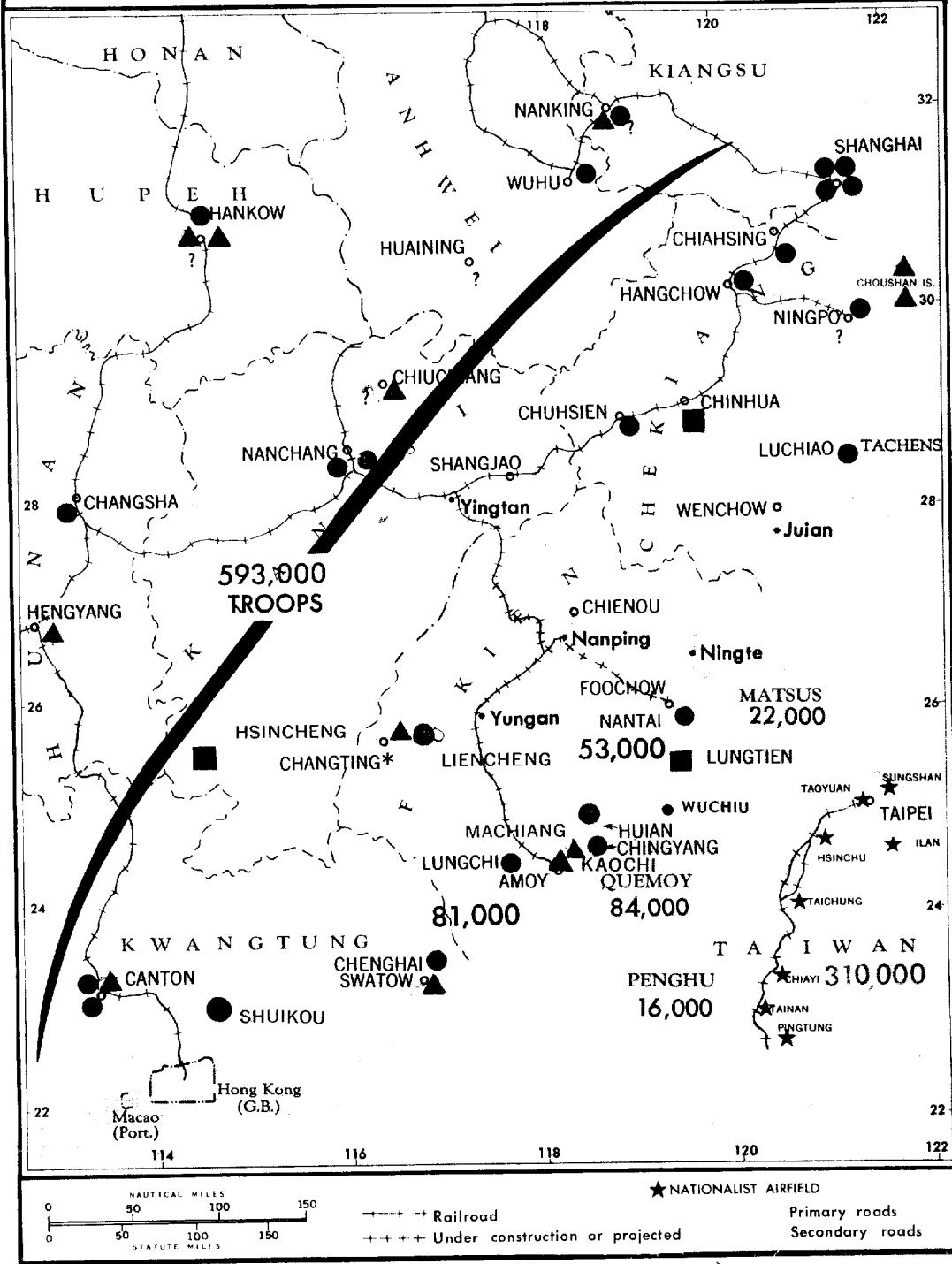
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CHINESE COMMUNIST AIRFIELD LEGEND: 12 JUNE 1957

CHINESE COMMUNIST AIRFIELD DESIGNATION - 12 JUNE 1957		
DESIGNATIONS	PRIMARY AIRFIELD CONSIDERED MOST IMPORTANT IN AREA WITH PREPARED RUNWAY GENERALLY 5000 FEET OR LONGER.	SECONDARY AIRFIELD AUXILIARY OR EMERGENCY BASES OR FIELDS OF LESSER IMPORTANCE. RUNWAYS GENERALLY LESS THAN 5000 FEET.
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
	MIG-15 MIG-17 TU-4 IL-28	TU-2, IL-10 LA-9/11 LI-2 ETC. UNKNOWN UNDER CONSTRUCTION
	* FIELDS NOT CONSIDERED CAPABLE OF SUPPORTING SUSTAINED OPERATIONS AT PRESENT.	

* FIELDS NOT CONSIDERED CAPABLE OF SUPPORTING SUSTAINED OPERATIONS AT PRESENT.



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