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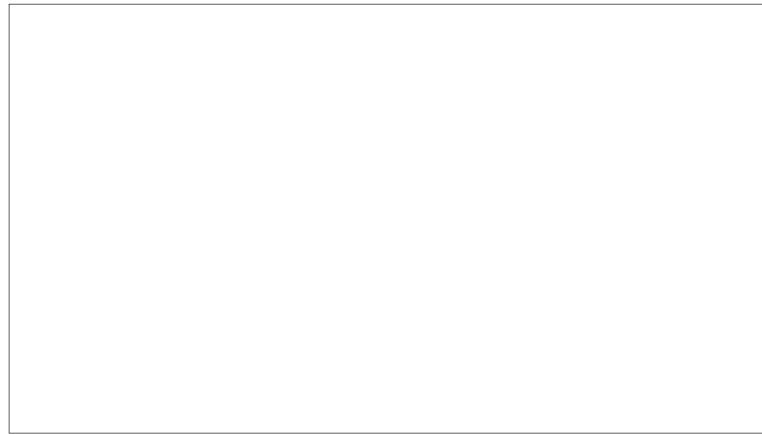
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CONTENTS

✓ 1. NATO COUNTRY REACTIONS TO ANNOUNCED BRITISH
TROOP REDUCTION [] (page 3).

✓ 2. SOVIET OFFICIALS COMMENT ON GERMAN PROBLEM
[] (page 4).

✓ 3. SIX EUROPEAN COUNTRIES AGREE ON EURATOM AND
COMMON MARKET TREATIES [] (page 6).

✓ 4. ETHIOPIA AND SUDAN AGREE ON DEFENSE PACT
AGAINST EGYPT [] (page 7).

5. ARAB REPORTS OF ISRAELI TROOP CONCENTRATIONS
REMAIN UNCONFIRMED [] (page 8).

6. THAI TRADE DELEGATION RECENTLY IN PEIPING
[] (page 9).

✓ 7. FRENCH ECONOMIC MISSION TO COMMUNIST CHINA
POSSIBLE IN MARCH [] (page 10).

8. SAUDI ARABIA PROCURES MATERIAL FOR ALGERIAN
REBELS [] (page 11).

9. KEY BOLIVIAN LEADER FORESEES POSSIBLE STRIKES
AND RIOTS [] (page 12).

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1. NATO COUNTRY REACTIONS TO ANNOUNCED BRITISH TROOP REDUCTION

Comments of leading deputies from all parties in the West German Bundestag have revealed no great concern about the impact of announced cutbacks of British forces in the Federal Republic, according to the US embassy in Bonn. Chancellor Adenauer, however, was reported more disturbed than Defense Minister Strauss, who has prepared German opinion for this type of development by emphasizing the importance of "modern weapons" to a smaller force. Adenauer's coalition deputies believe the Socialist opposition will not profit greatly from the announcement.

The French have voiced concern over the substance of the British proposal, and feel that the cutback in British air strength is too drastic. The Dutch are alarmed at the effect of the action on their own defense build-up, and feel it should be phased to correspond to planned increases in German strength. The Belgians feel, however, that it would be a long time before West Germany could fill the void if the British withdrawals are followed by further European and later American defense reductions.

2. SOVIET OFFICIALS COMMENT ON GERMAN PROBLEM

On 15 February Alexandre Alexandrov, first secretary of the Soviet embassy in Bonn, asked a German acquaintance what the West German reaction would be to a suggestion that the Bonn and Pankow governments announce their provisional status and possibly their readiness to withdraw from the Warsaw pact and NATO, [redacted] Such an announcement, Alexandrov said, could be followed by a request from the United States and the USSR that the two German governments consult on preparing a constitution for a reunited Germany.

Alexandrov said, "We should finally get rid of the idea that statements by Pankow reflect genuine political aims or convictions." He added that the Pankow regime could not survive if Bonn convinced Moscow that the West will not use a reunited Germany for military deployment against the USSR. He said the concept that the USSR wished to make use of Germany was obsolete since the East and West are now equal in atomic guided missiles.

Both Alexandrov and S. M. Kudryavtsev, counselor of the Soviet embassy, expressed the view that Foreign Minister Gromyko would make new moves, "especially as to Germany," [redacted]

Comment The hint that the East German regime would present no obstacle if Bonn and Moscow reach agreement is unusual, even in informal Soviet approaches. With reunification a major issue in the campaign for the September Bundestag elections, Soviet spokesmen can be expected to promote the idea that reunification is possible in an attempt to discredit Adenauer by forcing him to reject Soviet proposals, and making it appear that his government is preventing reunification.

A suggestion that the two Germanies get together would not depart from previous Soviet and East German

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proposals. Moscow probably expects, however, that Adenauer could not accept such a formula because of his often repeated refusal to countenance any negotiations with East Germany that could be construed as recognition of equality.

3. SIX EUROPEAN COUNTRIES AGREE ON EURATOM AND COMMON MARKET TREATIES

Comment on:

Decisions taken on 18 and 19 February by the foreign and prime ministers of Belgium, Luxembourg, France, Germany, Italy and the Netherlands, which are already joined together in the Coal-Steel Community, have evidently cleared away the remaining obstacles to the signature of the EURATOM and common market treaties sometime in March.

The compromise agreements worked out--which must yet be elaborated in detail following ratification--are the product of very hard last-minute bargaining and reflect primarily a determination not to disagree. This is particularly the case with respect to the agreement on a five-year "trial" association of overseas territories with the common market and their joint economic development. Inclusion of French and Belgian African territories was achieved despite grave doubts about the political implications and a last-minute warning from London that this would prove a major obstacle to the projected free trade area linked with the common market.

Prospects for ratification are favorable. The other countries will probably delay action pending French approval, but Premier Mollet hopes to have the National Assembly act before the Easter recess. A favorable vote in the Bundestag is expected by June or July. While the Dutch have strong misgivings about the treaties, no serious difficulties are expected in the Netherlands or in Belgium, Luxembourg, and Italy.

4. ETHIOPIA AND SUDAN AGREE ON DEFENSE PACT AGAINST EGYPT

Ethiopia's emperor has approved the text and accepted the obligations of a mutual defense pact with the Sudan, according to the Sudanese prime minister. The emperor does not consider this a propitious time for signing the pact, however, for fear of its effect on relations with the Arab states, particularly Egypt. The emperor informed the prime minister that he nevertheless considered both countries to be bound by the pact.

The prime minister told Ambassador Pinkerton that he was sure that if Egypt had been successful against Israel in Sinai, the Sudan would have been next on Nasr's list.

Comment	A defense pact reflects the common fear of Egypt felt by both Ethiopia and the Sudan. Addis Ababa is angered by Egyptian propaganda and subversive activities among Ethiopia's Moslem inhabitants. Successive Sudanese prime ministers have indicated their irritation with Egyptian interference.
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**5. ARAB REPORTS OF ISRAELI TROOP CONCENTRATIONS
REMAIN UNCONFIRMED**

Comment on:

[redacted] information "confirming the presence of large Israeli concentrations in the northern and central sectors" opposite Syria and Jordan, and that Israel was carrying out a partial mobilization. Despite this and similar earlier reports [redacted]

Israeli concentrations were not substantiated [redacted] on both sides of the Syrian-Israeli border up to noon on 17 February.

[redacted] Israeli call-ups and troop movements on the night of 18-19 February, but such activity is not confirmed. [redacted]

[redacted] Both the Syrians and the Jordanians have exhibited considerable nervousness over Israeli intentions.

Israeli strength has remained since December at about 80,000, consisting of 55,000 army troops and 25,000 in the paramilitary Nahal units which man the border settlements. Of the army personnel, only 25,000 are believed in combat units, with 7,500 each in the Northern and Central Commands and 10,000 in the Southern Command.

6. THAI TRADE DELEGATION RECENTLY IN PEIPING

The Burmese embassy in Peiping

issued transit visas to four members of an "unofficial" Thai trade delegation which had been in Peiping for over a month and which had been awaiting Chou En-lai's return. The delegation claimed it was there with the knowledge and consent of the Thai government, and that it was seeking to arrange the exchange of Thai rice for Chinese Communist consumer goods and light industrial machinery. While no contracts had yet been signed, the Thais indicated optimism that agreement could be reached prior to their departure for Bangkok via Kunming and Rangoon on 18 February.

The delegation was anxious to prevent the US from learning of its Peiping visit. It expressed the belief that Sino-Thai relations are gradually becoming normalized through such unofficial contacts, although outright recognition must await Peiping's entrance into the UN.

Comment Bangkok has been discreetly moving toward normal relations with Communist China. In response to growing domestic pressures, the Thai government lifted its embargo on nonstrategic trade with China last June. While the Phibun regime continues officially to discourage trade with the bloc, it has tacitly condoned--and on occasion probably covertly sponsored--unofficial contacts with Peiping.

7. FRENCH ECONOMIC MISSION TO COMMUNIST CHINA POSSIBLE IN MARCH

Paris is planning to send a 20-man economic mission headed by Senator Henri Rochereau to Communist China for a one-month visit as soon as the Chinese Communists grant visas.

Rochereau has verbal assurances that the visas will be granted, and the French hope to arrive ahead of a West German business mission which reportedly plans to leave soon.

The French are not optimistic about obtaining large orders, but are hopeful of getting Peiping to accept a permanent French trade mission without diplomatic recognition by France.

Comment

Rochereau, who led the economic mission to Communist China in early 1956, has been trying to arrange a second trip since last fall. He has been reported as primarily interested in discussing political questions with the Chinese on behalf of French foreign minister Pineau.

Peiping would probably welcome the visit in the hope that it would encourage groups in other free world countries, notably Japan, to bring added pressure against strategic controls. However, Peiping is still not likely to permit establishment of a permanent French mission in China unless the Chinese are granted reciprocal rights in France.

8. SAUDI ARABIA PROCURES MATERIAL FOR ALGERIAN REBELS

[redacted]
[redacted]
the Saudis have contracted for an unknown number of jeeps of Belgian origin for delivery to the Algerian rebels. The purchase contract apparently was signed on 14 July 1956 when an initial payment was made, with a delivery deadline of 6 June 1957. [redacted]

Comment

This is the first report of the use of Saudi Arabian procurement facilities on behalf of the Algerians. Such services are normally performed by the Egyptians, while Saudi Arabia and other Arab states supply necessary funds. It is also the first indication that motorized equipment may be going to the Algerian rebels.

French authorities in Algeria are concerned over the greater number of arms reaching Algeria. Press sources claim that French forces are capturing only 30 percent of the arms involved in this traffic.

**9. KEY BOLIVIAN LEADER FORESEES POSSIBLE STRIKES
AND RIOTS**

Comment on: [redacted]

Juan Lechin, key Bolivian labor and political leader,

[redacted] feared serious trouble--possibly in March but not later than

May--unless adjustments were made in the US-sponsored economic stabilization program, promulgated on 15 December 1956 and apparently successful thus far. Lechin said that if labor benefits are not improved, miners and other wage earners, spurred on by Communist agitators, would probably engage in strikes and riots which could result in the overthrow of the government and assumption of power by the Communists.

Bolivian Communists and pro-Communists appear to be influential in local mine unions and have played a leading role in some strikes and in labor criticism of the stabilization program. They do not appear, however, to be capable of taking over the government.

Other predictions of trouble in March by Bolivian officials have suggested that the leftist civilian militia would play an important role in opposition to the army. Lechin said, however, that the militia was no threat to anyone because it lacked ammunition and most of its arms were in the hands of rural workers who are least hit by rising costs.