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19 February 1956

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Copy No. 103

CURRENT INTELLIGENCE BULLETIN

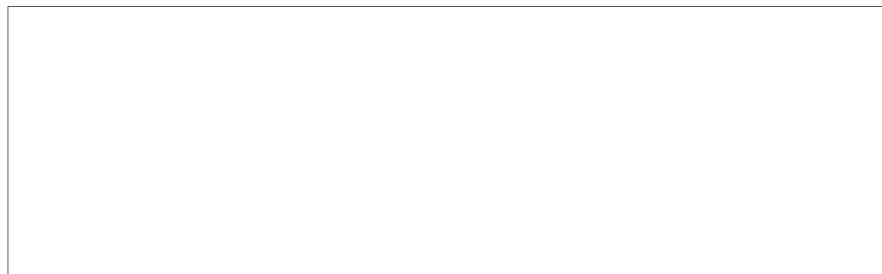
DOCUMENT NO. 27
NO CHANGE IN CLASS
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 14 Jan. 80 REVIEWER:

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY



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Approved for Release: 2019/10/21 C03161844



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CONTENTS

1. MIKOYAN'S SPEECH TO THE 20TH PARTY CONGRESS
[redacted] (page 3).
2. ATTEMPTED REVOLUTION IN PERU [redacted] (page 5).
3. SAUDI TERMS FOR OPENING TALKS UNACCEPTABLE
TO BRITISH [redacted] (page 6).
4. BRITAIN MAY PERSUADE INDIA NOT TO PURCHASE
SOVIET AIRCRAFT [redacted] (page 7).
5. PARIS SEEN IN WEAK POSITION IN NEGOTIATIONS
WITH MOROCCO [redacted] (page 8).
6. SOVIET AMBASSADOR DENIES USSR IS HOSTILE TO
ISRAEL [redacted] (page 9).
7. CHINESE COMMUNIST AMBASSADOR LEAVES PAKISTAN
[redacted] (page 10).
8. MAINTENANCE OF STABILITY IN SOUTH KOREA MAY
BE INCREASINGLY DIFFICULT [redacted] (page 11).

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THE ARAB-ISRAELI SITUATION

[redacted] (page 12)

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1. MIKOYAN'S SPEECH TO THE 20TH PARTY CONGRESS

First Deputy Premier A. I. Mikoyan's authoritative elaboration of the major points in Khrushchev's central committee report to the 20th Party Congress confirms his position as one of the top three or four leaders in the Soviet Union today.

Mikoyan expanded somewhat on those aspects of Khrushchev's speech which dealt with Soviet foreign policy. Although the speech was mild in tone, he pointedly warned that the USSR now possesses the means for delivering atomic and hydrogen bombs to "American cities." He admitted that a large-scale war with these weapons would bring about great devastation, but insisted that "the outdated and pernicious regime of capitalism" would be destroyed rather than "mankind and its civilization."

In his treatment of Stalin, Mikoyan went further than the other speakers at the congress in downgrading the former dictator. For the first time, Stalin's dicta on ideology have been explicitly attacked, with the result that his Economic Problems of Socialism, published in 1952 shortly before the 19th Party Congress, is no longer to be considered an authoritative guide to action by the Communist Party.

Decrying the cult of Stalin, Mikoyan reechoed the call for a new party history, and the content of his remarks suggests that the vindication of some Old Bolsheviks purged by Stalin might be undertaken in the new volume.

Mikoyan charged that "disproportions" exist between the supply of goods and the population's financial resources, thus admitting the existence of serious inflationary pressures in the Soviet economy. His remedy for

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this situation is that further price reductions will be made only when warranted by an increase in supply.

Mikoyan also criticized Soviet economists' work on both the West and the USSR. Those studying capitalism were accused of picking out specific unfavorable statistics for propaganda purposes. In another reversal of long-standing policy, he deplored the liquidation of the Institute of World Economy and World Politics, which was broken up by Stalin in 1947 when Eugene Varga used its podium to express a realistic view of capitalist achievements. Although Khrushchev in his speech had repeated the standard line on the "coming crisis of capitalism," the Soviet leadership is apparently dissatisfied with it and is seeking a more objective economic and historical analysis. [] (Prepared jointly with ORR)

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2. ATTEMPTED REVOLUTION IN PERU

The dictatorial regime of General Odria appears for the moment to be withstanding another attempt to overthrow it. Although the rebel forces under General Marcial Merino Pereira still hold the jungle city of Iquitos on the upper Amazon, the revolt has not spread to military garrisons in the capital or other important cities.

It will probably be at least three more days before troops, reportedly sent part way from Lima to Iquitos by air on 19 February, will be able to reach Iquitos. Unless these troops are supported by air action--which the government is apparently not willing to do at this time--it is unlikely they will be able to recapture the city.

On 19 February the American army and air attachés estimated that the government's task force would be unsuccessful and that Odria would be ousted in two weeks. A day earlier, the American ambassador in Lima had reported that the government was displaying indecision on what course to follow to retake Iquitos. The ambassador believed that the longer the indecisive situation existed, the more likely it would be that the Odria government would fall.

Meanwhile, Odria is using the revolt as a pretext to crack down on all opposition forces. By widespread arrests, including those of several conservative politicians and the editor and staff members of an important opposition newspaper, Odria is alienating many segments that have supported him in the past.

By imposing a state of siege on 16 February, Odria postponed beyond the 3 March deadline the selection of his candidate for the June presidential elections. Under the constitution, he is not able to succeed himself. If it should appear that Odria does not intend to permit a relatively free election, sufficient other military elements may defect to oust him.

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3. SAUDI TERMS FOR OPENING TALKS UNACCEPTABLE TO BRITISH

Saudi Arabia has agreed to open direct talks with Britain provided the situation which existed in the Buraimi oasis region before the arbitration attempt last fall is restored.

Comment

British rejection of the Saudi terms would encourage King Saud to take the issue to the UN Security Council, where he expects American support. London probably hopes eventually to reach a settlement by offering the Saudis territory elsewhere in Trucial Oman.

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4. BRITAIN MAY PERSUADE INDIA NOT TO PURCHASE
SOVIET AIRCRAFT

Reports from the press [redacted]

[redacted] suggest that Britain will be able to persuade New Delhi not to purchase Soviet military aircraft and to reject a Soviet offer to establish a factory in India for construction of Soviet-type aircraft. [redacted]

[redacted] key civil and military authorities continue to be opposed to Indian dependence on the USSR for spare parts, instructors, and technicians.

India, which already manufactures British Vampire jet fighters under contract, is in the final stages of negotiating with Britain for a plant to construct Gnat jet fighters and is discussing the purchase of Canberra jet bombers. Since Britain now seems willing to put a higher priority than previously on aid and deliveries to India, New Delhi is unlikely to purchase or manufacture Soviet fighters. The picture regarding bombers is less clear, but appears to favor Britain rather than the USSR. [redacted]
(Concurred in by ORR)

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5. PARIS SEEN IN WEAK POSITION IN NEGOTIATIONS WITH MOROCCO

American ambassador Dillon in Paris anticipates that the Moroccans will hold a clear advantage in the negotiations with the French

[redacted] which formally began in Paris on 15 February because Paris is almost completely unprepared. On 15 February a French spokesman stated that a negotiating team for working sessions scheduled to begin on 22 February had not yet been named. Dillon attributes this difficulty to the unwillingness of prospective candidates to commit political suicide by participating in the "dissolution of the French empire."

Comment

Since last fall Paris has repeatedly expressed its readiness to go ahead with the Moroccan negotiations. Unpreparedness at this late date suggests that the Mollet government, though possessed of well-intentioned liberal views on North Africa, lacks the strength to push through its announced policy.

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6. SOVIET AMBASSADOR DENIES USSR IS HOSTILE TO ISRAEL

The Soviet ambassador to Israel assured Foreign Minister Sharett [redacted] that the USSR has no hostility toward Israel, [redacted]

[redacted] He explained that after the conclusion of the Baghdad pact, which was directed against the USSR, Moscow gave aid to those Arab countries which opposed the pact.

The Soviet ambassador also declared that the USSR is closely concerned with conditions in this area, that it would not agree to the intervention of only the three Western powers in the Arab-Israeli dispute, and that such intervention must be made only through the United Nations.

Comment

Khrushchev, in his 29 December speech to the Supreme Soviet, charged that Israel had pursued a hostile policy toward its Arab neighbors "ever since it came into being" and that the "imperialist powers" were using Israel as a tool to exploit the wealth of the Arab people.

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**7. CHINESE COMMUNIST AMBASSADOR
LEAVES PAKISTAN**

Comment Following Pakistan's prompt response to Soviet premier Bulganin's recent offer of a trade pact and coming before the proposed visit of Pakistan's premier and foreign minister to Peiping, these departures may presage further Sino-Soviet bloc political and economic overtures to Pakistan. The Chinese Communists apparently hope to dramatize their desire for more cordial relations with Pakistan and may send new staff members more competent in economic and technical aid matters.

Han has served in Karachi since September 1951. He will probably be replaced by an official of higher rank.

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8. MAINTENANCE OF STABILITY IN SOUTH KOREA MAY BE INCREASINGLY DIFFICULT

[Redacted]

President Rhee will find maintenance of control through his policy of balancing power among the cliques supporting him increasingly difficult, in the opinion of Chang Kyong-kun, an influential former vice minister of national defense and home affairs.

Over the past few months, strength within the government has been concentrated into two major groupings. Chang, who is associated with the currently dominant pro-American faction, including Defense Minister Son Won-il and Liberal Party leader Yi Ki-pung, considers that the political dislocations which have followed the 30 January assassination of the army counterintelligence chief have created "a very dangerous time for Korea." Chang believes the assassination was part of a last-ditch effort by the elements of the rival faction associated with former prime minister Yi Pom-sok to bid for political power.

The possibility that Rhee will attempt to avoid blaming either faction for the assassination--which would dislocate the political balance he tries so carefully to maintain--is suggested by his implications to an American newsman on 16 February that he would blame the Communists instead. It is unlikely, however, that this disposition of the problem would long be acceptable to influential Koreans of either faction, since Communist involvement was generally discounted within 24 hours after the murder [Redacted]

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 19 February)

There is still a possibility that Israel will resume work this spring on the Banat Yacov diversionary canal, despite the statement by Prime Minister Ben-Gurion on 14 February that the project had been "shelved," according to the American embassy in Tel Aviv. Israel intends to assure for itself the right to divert and use Jordan River water. The embassy believes Israel would prefer to gain this assurance by negotiation, but if this is not possible, Israel is likely to take unilateral measures to complete the diversionary canal in the Israeli-Syrian demilitarized zone during the coming season.

In elaborating on Ben-Gurion's recent statement, Foreign Minister Sharett told Ambassador Lawson on 16 February that there has been no change in Israeli policy. If there are prospects in the next few weeks of an agreement on the Johnston Jordan Valley development plan, Sharett said, Israel will not "act precipitiously" but does not intend to "waste another season." If no agreement is in sight by the end of February, he added, work will be resumed when weather permits. The rainy season usually ends in the latter part of April. [redacted]

In Syria a closed session of parliament was held on 15 February to discuss an "expected Israeli attack on Syria." The local press speculated that the formation of a "war cabinet" was under consideration. The embassy in Damascus reports that the popular and official feeling in Syria is that Israel intends to resume work on the Banat Yacov project and that hostilities will break out. [redacted]

[redacted] Israel moved two paratroop companies to Safad, about [redacted]

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10 miles west of Banat Yacov, presumably in readiness for a commando-type raid on Syrian positions which might open fire if work is resumed in the demilitarized zone.

The Egyptian military attaché in Syria told the American army attaché that Israel, if it opened an attack on the Arab states, would make its principal objective the defeat of Egypt, after which the other Arab states would collapse. The Egyptian attaché says Egypt has moved some units into advanced positions and that he believes Israeli units are likewise stationed in positions near the Egyptian and Syrian borders.

In Cairo on 18 February Prime Minister Nasr told Ambassador Byroade he had urged the Syrians to be calm. However, if the Israelis should proceed to divert the Jordan and, as a consequence, enter Syrian territory, Egypt would have to support its ally. Nasr stated publicly on 19 February that he expects Israel to open an offensive "any day or night."

In Beirut the Lebanese foreign minister on 17 February told the Parliamentary Foreign Affairs Committee, "we shall enter the war at the side of Syria and Egypt if Israel diverts Jordan waters." The committee then unanimously recommended that the Lebanese government express its thanks to the USSR for its condemnation of Israel over the Lake Tiberias incident. The foreign minister has already called on the Soviet minister and expressed his government's appreciation.

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