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17 January 1956

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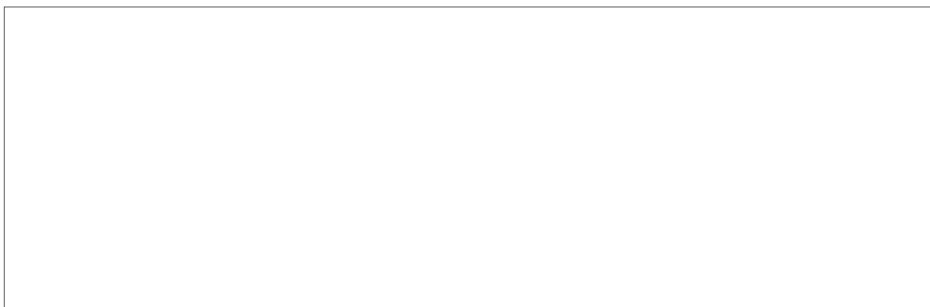
CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 53
NO CHANGE IN CLASS. 1A
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2-500
DATE: 17 JAN 1956 REVIEWER:

OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY

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Approved for Release: 2019/10/21 C03020484



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CONTENTS

1. SOUTH KOREAN ARMY PLANNING RAID ON CHINESE COMMUNIST POSITIONS [redacted]
(page 3).
2. MOSCOW MAY SEEK OIL CONCESSION IN LIBYA [redacted]
(page 4).
3. BURMA MAY ACCEPT SOVIET HELP IN ESTABLISHING INDUSTRIAL ENTERPRISES [redacted] (page 5).

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THE ARAB-ISRAELI SITUATION [redacted] (page 7)

1. SOUTH KOREAN ARMY PLANNING RAID ON CHINESE COMMUNIST POSITIONS

Korea,

The South Korean army is planning a raid on a unit of the Chinese Communist 16th Army in the central sector of the Demilitarized Zone in

According to the plan, the raiding group, wearing Chinese Communist army uniforms, is to infiltrate from one of the opposing South Korean division sectors, apparently to capture personnel. If the raiders are captured, the South Korean army will disclaim all knowledge and attribute their action to North Korean guerrillas.

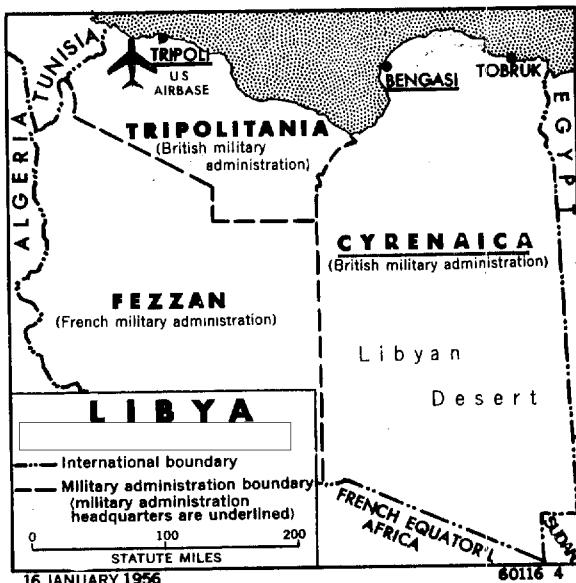
Comment

The planned raid appears designed to obtain prisoners for intelligence purposes rather than to provoke an incident.

Peiping has recently sought the return of captured personnel from South Korea and may in the future request the UN Command, which is responsible for South Korea's observing the truce, to intervene.

2. MOSCOW MAY SEEK OIL CONCESSION IN LIBYA

The new Soviet ambassador to Libya has indicated to the chairman of the Libyan Petroleum Commission that the USSR desires to apply for oil concessions in Libya, according to the American embassy in Tripoli. The Libyan petroleum law gives a country which holds a concession the right to establish and utilize airstrips and radio stations within the concession areas.



The chairman of the Petroleum Commission stated that it would be difficult if not impossible to refuse a Soviet application for concessions in Cyrenaica, in an area in which no other company has yet expressed any interest.

Comment

This demarche, made in the first weeks of Ambassador Generalov's assignment in Libya, suggests that Moscow intends to move quickly to establish a foothold. Generalov was ambassador to Australia at the time of the Petrov incident.

The USSR also has asked Libya, [redacted]

[redacted] to grant it exclusive rights to use one of the abandoned World War II airstrips in the vicinity of Tripoli for Soviet courier planes. Granting the USSR an oil exploration concession in eastern Libya will almost certainly result in Moscow's developing airstrips in the area, which may be a primary reason for the Kremlin's interest. (Prepared by ORR)

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3. BURMA MAY ACCEPT SOVIET HELP IN ESTABLISHING INDUSTRIAL ENTERPRISES

U Kyaw Nyein, Burmese minister of industries, told Ambassador Satterthwaite on 12 January that despite the risks involved, he was now convinced Burma should accept Soviet assistance in the establishment of industrial enterprises. Among the projects for which Soviet aid is anticipated are a steel mill and a fertilizer plant. Kyaw Nyein also indicated he had been pleasantly surprised by Communist China's performance in furnishing Burma a textile mill, and implied that Burma may seek Peiping's assistance in establishing a jute mill and a paper mill.

Kyaw Nyein, referring to negotiations with the International Bank, stated that Burma was disillusioned with the results achieved. He complained that the bank had discriminated against Burma and had, in fact, insisted on the denationalizing of a number of socialized industries. In justifying his position he said that Burma's present socialist government absolutely must go ahead with some industrialization, otherwise its supporters will turn to Communism.

Comment A high Burmese planning official had previously stated that Soviet assistance would be concentrated on agricultural and irrigation projects. A group of Chinese experts has been in Burma for some months in connection with a textile mill project.

Kyaw Nyein has been known as Burma's most strongly anti-Communist leader. His views expressed to Satterthwaite indicate that an important deterrent to increasing ties between Burma and the Sino-Soviet bloc has been removed. Soviet leaders will probably make every

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effort to soften up Kyaw Nyein further when he and Defense Minister Ba Swe--who is probably already inclined to favor closer ties with the Orbit--visit Moscow after Burma's parliamentary elections in April. The visit will be in response to an invitation from Premier Bulganin when the latter was in Rangoon last month. (Concurred in by ORR)

THE ARAB-ISRAELI SITUATION
(Information as of 1700, 16 January)

No significant military activity has
been reported.

