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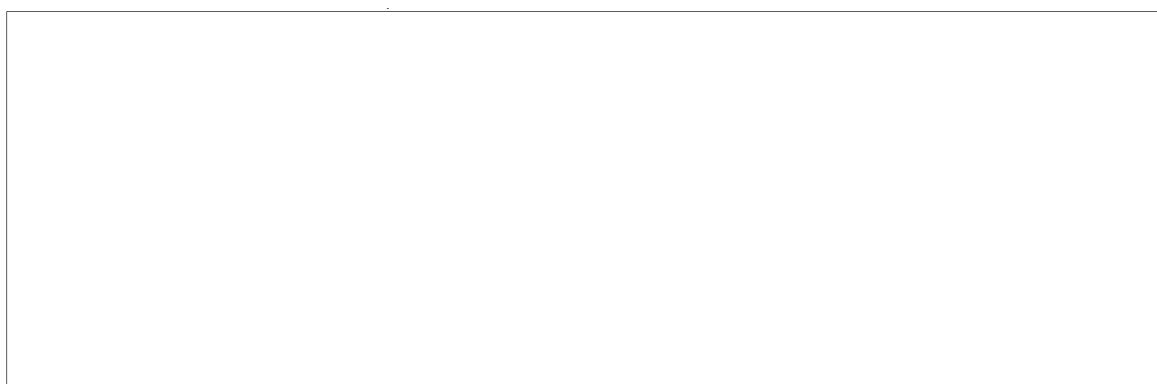
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Dept. review completed

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SOUTHEAST ASIA

1. Comment on Sukarno's departure for Mecca:

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President Sukarno left on 18 July on a three-week pilgrimage to Mecca. He may have decided not to postpone his pilgrimage, which he planned more than a year ago, because he expects no major change in Indonesia's army-cabinet crisis. He may, however, be making use of the opportunity to leave the country temporarily lest he lose further prestige in unsuccessful efforts to resolve the situation.

Should the Ali cabinet fall during the president's absence, Vice President Hatta would probably order it to remain in office as a caretaker government until Sukarno returns on 8 August. The army and the political opposition would like as a successor government a cabinet appointed by the president, instead of one selected by parliamentary procedure.

The army is reported to have rejected the government's offer for solving the army-cabinet impasse. Although Prime Minister Ali is said to have wished to resign in this event, Sukarno's serious objections may cause Ali to attempt some other solution.

NEAR EAST - AFRICA

2. [redacted] pressure expected in Morocco:

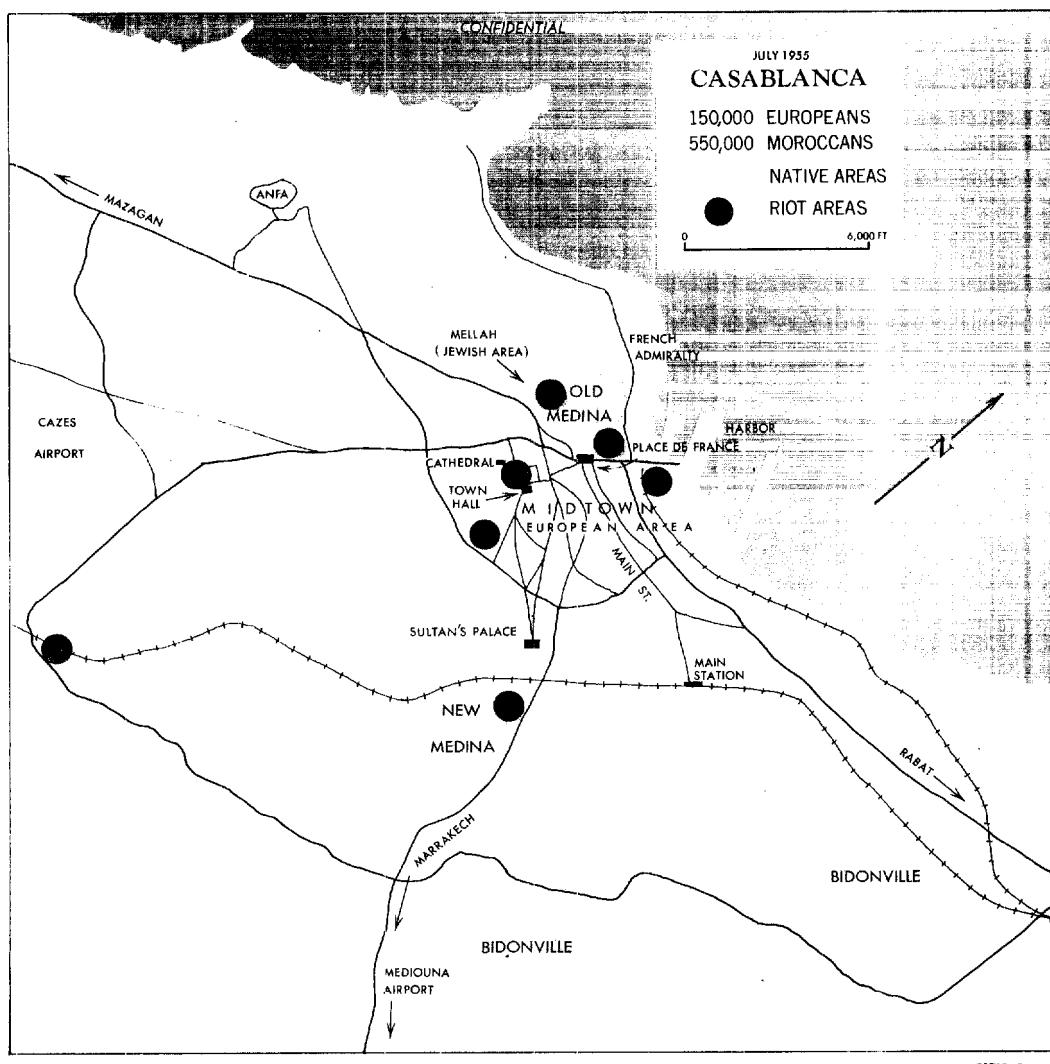
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[redacted]

Military measures taken in Casablanca may avert a massacre, but the troop transfers leave other areas of Morocco unprotected and increase the danger of riots there, according to the American chargé in Tangier.

[redacted]

pressure is to be expected until the French either return former sultan Mohamed ben Youssef or agree to a dynastic solution acceptable to him.



The chargé comments that the unprecedented savagery of these racial riots will not soon be forgotten, and the ability of the French and Moroccans to live together in Casablanca has been impaired.

EASTERN EUROPE

3. Hungary may cite "NATO danger" as pretext for Soviet troop reinforcements:

The American chargé in Vienna suggests that plans to deploy American troops from Austria to northern Italy may be

used as a pretext for a Hungarian request to the USSR to add troops evacuated from Austria to the forces now in Hungary.

The chargé believes that Hungary's intent is indicated by reports from escapees who tell of petitions being prepared for a spontaneous invitation to Soviet troops to remain. He also cites a Hungarian press report of 7 June that Soviet troops could remain under the Warsaw agreement and Soviet reinforcements from Austria are justified to defend Hungary's frontiers "as long as American troops remain in the vicinity of Hungary."

There is evidence to suggest that some elements of Soviet occupation forces in Austria will return to the USSR, while unsubstantiated reports suggest that the remainder will be reassigned elsewhere within the Soviet bloc. Fragmentary indications have been reported of preparations in Hungary to receive Soviet troops and additional Soviet civilian personnel.

Premier Bulganin announced at Geneva on 18 July that the Soviet Union plans to demobilize the troops it withdraws from Austria after the state treaty comes into force. He urged that the Western powers do the same.

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5. Comment on Bulganin's opening statement at Geneva:

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Premier Bulganin's opening statement at the Geneva conference indicates that the USSR intends to give primary emphasis to the interrelated issues of European security and disarmament, on which Bulganin made a number of new proposals. The premier obviously would not reveal his hand completely at the first meeting, and his generally worded proposals leave many basic questions unanswered.

Bulganin's proposals for the first stage of a European security plan--mutual pledges by the countries involved not to use force and a freezing of armed forces in foreign territories at their present strength--involved an acceptance of NATO but would cost the USSR no more than the West.

Bulganin did not make it clear whether the second stage--establishment of a European security system, withdrawal of all foreign troops from Europe and abolition of NATO, WEU, and the Warsaw pact--should be achieved by predetermined degrees or at any fixed time, or whether agreement on it in principle was a prerequisite to the first stage. Troop withdrawal would apparently be a prerequisite to the European and general arms limitations he envisions.

The most striking omission from the security plan is the role of Germany. Bulganin did not mention any limitation on German troops, and the USSR has not yet asked for a voice in controlling Bonn's rearmament. Bulganin made German unification clearly subordinate to European security and did not spell out how unity could be achieved "step by step."

Bulganin proposed that the conference endorse an agreement setting force limits for all countries presumably without waiting for agreement on the prohibition of atomic weapons. For the first time he suggested specific force limits of 150,000 to 200,000 men for smaller countries.

The demobilization of Soviet forces to be withdrawn from Austria and the "corresponding" reduction of Soviet ground forces, announced by Bulganin, would represent only a token reduction in Soviet military strength. Soviet forces in Austria are estimated at only 31,000 army troops and an authorized air strength of 232 aircraft. Bulganin's proclamation, however, would well-nigh preclude the retention of major units from Austria in the Satellites where they would almost certainly be detected by the West. There have been indications in recent weeks of small advance elements from Austria being transferred to western Hungary.

Bulganin's acceptance of President Eisenhower's renewed invitation to join the UN atomic pool suggests an attempt to display a conciliatory negotiating position.

Later in the conference the Soviet Union will probably make specific proposals for conferences on trade and Far Eastern problems, only briefly mentioned by Bulganin. His endorsement of direct talks between the United States and Communist China does not exclude the possibility of a larger conference. The USSR continues to exclude flatly discussion of international Communism and the Satellites.