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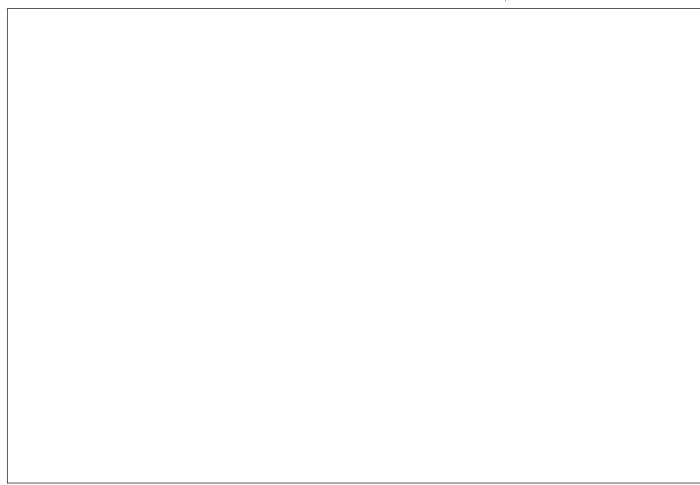
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1. FURTHER DELAY IN FORMATION OF FRENCH GOVERNMENT SEEN

Comment on:

The American embassy in Paris estimated on 29 May that the current French political crisis would last another week or more, with a minority government more likely to result than one including either Socialists or Independents. Socialist spokesmen told the embassy on 30 May that they would prefer a coalition led by the Popular Republicans, including the Independents, but they do not completely exclude the possibility of Socialist rather than Independent participation. The Socialist National Council meeting to decide this question is likely to be held on 2 June.

A Paris press report of 30 May stated President Coty, reportedly "bitter" over the political parties' inability to agree on a new government, fears for the future of workable democracy in France and is considering a call to General De Gaulle "for consultations" if the crisis continues another two or three weeks. This reported attitude may at least have the effect of leading intransigent factions to modify their current positions.

The embassy points out that underlying factors not yet fully recognized by most deputies and certainly not by the general public are operating to force "radical treatment" in the near future. The embassy cites (1) the urgent need for new fiscal measures which would sharply undercut industrial expansion and could have early and explosive reactions in both labor and political fields; and (2) dawning awareness among some moderate leaders that France must make political concessions on its North African problems despite the unyielding nationalist attitude of many influential Frenchmen.

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2. SITUATION ON TAIWAN

Ambassador Rankin reports that on the evening of 27 May two minor incidents took place in Taipei. In one, a crowd of about 200 stoned the house of an American official; in the other, a crowd of 50 to 60 stood in front of the house of an American shouting and making critical comments, but no damage was done. On 30 May an American MAAG sergeant, driving his car in the rain, struck and killed a Chinese woman pedestrian in Taipei. The case is under joint Sino-American investigation and attempts are being made to prevent wide publicity.

American officials on Taiwan agree that the situation remains serious, but that a recurrence of serious rioting is unlikely.

Chiang Kai-shek has requested Foreign Minister Yeh to express his personal concern to Ambassador Rankin over public suggestions that an influential agency or person was behind the riots. Chiang stated that the intimation was shocking and inconceivable. He assumed Chiang Ching-kuo was believed the person responsible, and asserted that if this were the case, Ching-kuo would have been acting against the interests of the state and himself.

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3. LEBANESE ELECTION SITUATION

Comment on:

Despite an opposition call for a general strike in Beirut on 31 May, most shops were open and quiet prevailed throughout the city following the bloody political riots of 30 May. Army units are patrolling the streets.

[redacted] authorities have closed five pro-Egyptian opposition newspapers. Ex-prime minister Saib Salam, who is under arrest in the hos-

pital, has declared a hunger strike until the Solh government resigns. Approximately 100 persons, including many Syrians and Palestinians, have been arrested following the rioting. The large number of Syrians and Palestinians involved strengthens suspicions of Egyptian complicity. The riots were against the Chamoun-Solh government, but were not anti-Western.

Reports are circulating in Beirut that the commander of the Lebanese army and main prop of the present government, General Chehab, is wavering in his loyalty toward President Chamoun. Such rumors may be inspired in an effort to cause dissension among government supporters. There is no evidence to support these rumors and, in fact, Chehab's forcefulness in suppressing the rioting indicates that he is strongly on the side of law and order.

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**4. SYRIA NEGOTIATING COMPREHENSIVE ARMS
RE-EQUIPMENT CONTRACT WITH USSR**

Comment on:

The USSR may have agreed to provide sufficient military goods to re-equip Syria's armed forces completely, as it did in the case of Egypt last January.

[redacted] the USSR has agreed to this in principle, and on 23 May the Syrian government was requested by its arms mission in Moscow to furnish for submission to the USSR a "final list" of Syrian army requirements for the remainder of this year. The Syrian negotiators in Moscow reported that they planned to "submit a complete order for all our needs" in the second half of July.

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5. SOVIET VESSEL OFF-LOADING ARMS IN YEMEN

Reference:

A Soviet vessel, carrying 3,600 tons of bloc arms, arrived in the Yemeni port of Salif on 25 May. Unloading is to be completed by 1 June.

[redacted] this cargo for the most part was "light materials"--presumably small arms and ammunition. He recommended that it be off-loaded at night to avoid the "taking of pictures from Kamaran"--a British-occupied island opposite the port.

[redacted] "heavy arms" should now also be sent inasmuch as the Czech mission which arrived during the first week of May to prepare the port for arms deliveries had completed its work. [redacted]

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6. PROSPECT OF RENEWED VIOLENCE ON CYPRUS INCREASES

Rejection by Great Britain of Archbishop Makarios' request for bilateral negotiations on the Cyprus issue may lead to a new anti-British campaign on the island, including a resumption of violence by underground EOKA. The American consul at Nicosia reports that propaganda activities have been stepped up by EOKA's political branch, by the Greek-Cypriot press and by Athens radio, and that slogan-painters are again at work.

In rejecting the archbishop's offer, London stated it was always willing to discuss the Cyprus problem "with Cypriot representatives of whom Makarios might be one."

According to Ambassador Allen, the British attitude is based on a belief that Makarios' prestige is diminishing, a view with which Allen disagrees completely.

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**7. USSR INSTRUCTS SATELLITES TO IMPROVE
RELATIONS WITH TITO**

Moscow

[redacted] advised the Satellite Communist parties to attempt "for the time being" to improve relations with Yugoslavia and the Yugoslav Communist Party "in spite of ideological differences," [redacted]

[redacted] Moscow will continue from time to time to express its ideological differences with Belgrade but that the campaign against Yugoslavia will be moderate in tone. They interpret the new instructions as reflecting Khrushchev's absorption in internal economic problems and "consolidation of his power."

Comment

Tito may have been referring to such instructions when he stated on 25 May that the Soviet leaders had insisted that the Satellite parties "treat Yugoslavia a little differently and give up their unprincipled attacks," in spite of unresolved ideological issues. Further signs of such a new policy are the planned visit to Belgrade of Czechoslovak premier Siroky in the second half of June and the recent moderation of Albania's propaganda attacks on Tito, despite the recent defection of an Albanian party central committee member to Yugoslavia.

The Yugoslavs probably still believe that there are differences within the Soviet leadership on the tactics to be used in Eastern Europe, with Khrushchev standing for a more conciliatory approach. A Yugoslav journalist recently remarked that Khrushchev with all his faults is still "the most positive man in the USSR."

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COMMENTS ON INTERNAL SITUATION

[redacted] described the Polish situation as a "form of stabilized chaos" wherein "a little flare-up in some small place can lead to a big explosion in a big place." [redacted] the crux of the Polish problem is the economic situation.

[redacted] Gomulka was having some difficulties in asserting his control over the party and that local functionaries were ineffective against worker actions such as the many strikes [redacted] feared that government failure immediately to improve the consumer goods supply after an announcement of American aid would further anger the populace. [redacted]

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9. OTHER COUNTRIES EXPECTED TO FOLLOW BRITAIN'S DECISION ON CHINA TRADE CONTROLS

Reference:

Britain's abandonment on 30 May of the China differential in strategic trade controls is likely to be followed in the near future by similar action on the part of West Germany, Italy, Portugal, Denmark and Norway. Japan and France may follow suit but at a later date for political reasons.

Belgium and Luxembourg "reserve the right of freedom of action if a new situation arises as a result of Britain's action."