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27 February 1957

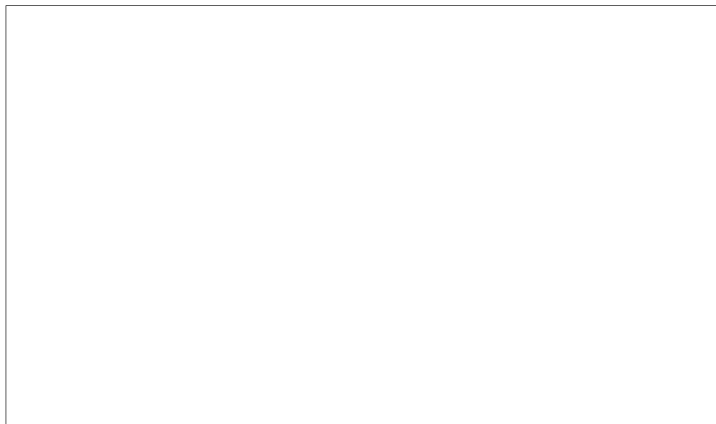
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1. ARAB "SUMMIT" MEETING REPORTED PROCEEDING
SMOOTHLY

[REDACTED]

The meetings of the four Arab chiefs of state in Cairo on 25 February were concerned mainly with the question of Israeli withdrawal and the United States' reply to the memorandum requesting clarification of the American proposals on the Middle East, [REDACTED]

The talks reportedly were dominated by King Saud, who made a full presentation of the discussions he held with American officials, and by Nasr, who questioned the king closely on the American attitude toward Israel. [REDACTED] "considerable unanimity" had been achieved, and it was hoped to issue a concluding communiqué on 27 February. [REDACTED] the general tenor of the communiqué to be moderate and "favorable to the West."

King Saud himself informed Ambassador Hare earlier that the initial two-hour meeting had been "very successful," and that the outcome of the conference "looked very favorable." [REDACTED] Nasr has said, "We sent Saud as the Arabs' ambassador to Eisenhower; he has returned as Eisenhower's ambassador to the Arabs."

[REDACTED]

2. EGYPTIAN FOREIGN MINISTER DEPRESSED OVER UN DEVELOPMENTS

[REDACTED] Egyptian foreign minister Fawzi informed Ambassador Hussein on 25 February that he had made reservations to leave the United States in the next few days "if nothing new develops."

In reply to Hussein's suggestion that Nasr might not let him leave, Fawzi said, "What am I going to say or do? I have finished, I am tired, I am not able, I haven't vigor... one's endeavors are like writing on water!"

In answer to Hussein's query over developments in the UN, Fawzi stated, "They are trying to find a legitimate way out so they do not have to undertake sanctions." He added that even if a resolution beneficial to Egypt were obtained, "immediately thereafter they will issue resolutions, or will try to, on Aqaba, on Gaza... they will start the squeeze one after the other." [REDACTED]

Comment

Fawzi seems particularly depressed over his inability to obtain better relations with the United States. His pessimistic analysis of the possible trend of developments, probably shared in Cairo, is likely to increase Nasr's opposition to any compromise.

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3. ATTEMPTED SOVIET "SABOTAGE" OF POLISH ECONOMIC MISSION TO US REPORTED

[REDACTED] [REDACTED]

[REDACTED]

[REDACTED] Poland has had great difficulty circumventing "indirect Soviet sabotage" of its efforts to obtain economic assistance from the United States. [REDACTED]

[REDACTED]

[REDACTED] The USSR hopes that the mission will fail, counting on a persistent belief in the United States that Gomulka is still an uncompromising Communist. American reaction to Tito's planned visit, [REDACTED] has reinforced this hope. [REDACTED]

Comment

This is the first direct reference [REDACTED] to Soviet "sabotage" in connection with Western aid to Poland. Like other statements by regime spokesmen stressing the critical need for credits and supplies from the West, these remarks are doubtless intended to encourage a responsive attitude in the United States.

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4. PEIPING PRUNES MILITARY SPENDING



The director of the Rear Service Department of the Chinese Communist armed forces has announced that, in accordance with the policy of reducing military expenditures to provide funds for economic construction, the 1957 operational fund for his department would be cut by one third.

Comment

This announcement does not establish an across-the-board reduction for the military forces, but may indicate that one will be made. The Rear Service Department is the central supply organ of the Chinese armed forces. A cut in military appropriations for the year would be in keeping with a general paring of Chinese Communist appropriations for 1957, except in industrial construction projects, where Peiping hopes to maintain last year's level of investment.

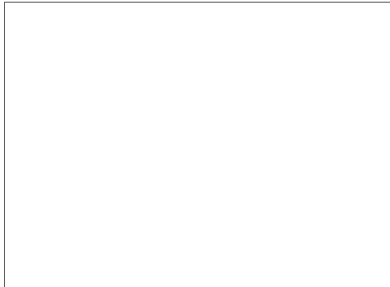
Last December party units in various of the armed services launched austerity campaigns. The party committee in the navy suggested that it was both necessary and possible to reduce naval expenses, postpone some naval construction projects and save money in support of economic construction.



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5. HUNGARY INCREASES PRESSURE ON US LEGATION

Comment on:

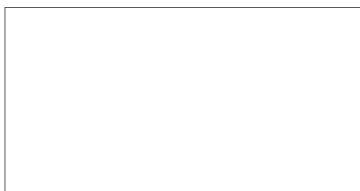


The Hungarian government's demand for the recall of American minister Edward T. Wailes unless he immediately presents his credentials to the Kadar regime presumably is part of an increased effort to isolate and discredit the American legation in Budapest. The arrest of Hungarians leaving Western missions, attacks on Cardinal Mindszenty now in asylum in the American legation, and the continued attempt by regime newspapers to connect American officials with the Hungarian revolution suggest the possibility of a Stalinist-type show trial involving the United States.

The request for Wailes' recall, in the form of a note presented to American officials on 22 February, termed his failure to present credentials since his arrival in early November a "delay untenable in international law," and asserted that Mr. Wailes was carrying on official activities which "in their present form" were "irreconcilable with international practice."

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6. ARRESTS OF INDONESIAN OPPOSITION LEADERS REPORTED SCHEDULED FOR 28 FEBRUARY



The arrest of Indonesian leaders opposed to Sukarno's new concept of government is scheduled for 28 February, according to Masjumi and Socialist Party sources. Masjumi chairman

Natsir is ill and, without his leadership, the party is reported confused and demoralized. The offices of the Masjumi daily Abadi have been stoned.

The American ambassador in Djakarta comments that whether the arrests are made or not, a campaign to instill fear in the opposition is obviously already under way. It apparently began with the recent arrest of rank-and-file Masjumi members by the government and has now been taken over by student and guerrilla groups under the direction of the Communist Party and other leftist elements. The campaign is having the effect of cowering Moslem leaders, but it runs the risk of provoking retaliatory violence.

Comment

Political parties opposed to Sukarno's concept appear unlikely to attempt strong resistance and Sukarno may not feel the necessity for widespread arrests. Should the arrests be made, however, counteraction probably would be limited to spontaneous and isolated violence by anti-Communist youth and veteran groups. Since the recent arrests and reassignments of its key anti-Communist personnel, the army is not likely to take independent action.

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7. YEMEN PLANS GUERRILLA WARFARE IN ADEN PROTECTORATE

Comment on:

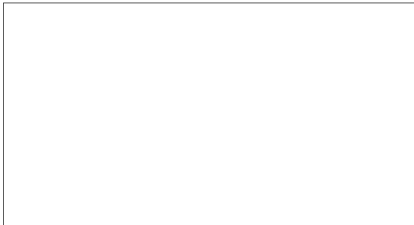
[REDACTED] The Imam of Yemen recently outlined [REDACTED] his design for increasing harassment of British authority in Aden Protectorate. In the opinion of the Imam, "guerrilla warfare is truly more harmful to Aden than anything else!" [REDACTED]

The Imam envisages a program of ambushes, hit-and-run raids, and terror which the British, even with reinforcements, will be hard-pressed to combat effectively. Such a terror campaign would probably also aim at winning over restless tribesmen and intimidating protectorate rulers who have treaty relations with Britain.

Against this background, Yemeni-British contacts in London over possible talks to settle the boundary dispute appear a Yemeni maneuver to gain time and mislead the British. [REDACTED]

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**8. EGYPT QUERIES COMMUNIST CHINA ON
MILITARY EQUIPMENT**



Egypt asked [redacted]
[redacted] for "further details"
on the performance and price of 57-
and 75-mm. recoilless rifles.

Comment

China manufactures such artillery
and probably has new and used stocks
which could be furnished to Egypt.

Egypt's diplomatic recognition of
Peiping last May stemmed largely from Nasr's desire to
keep an arms channel open in case of a UN arms embargo
to the Middle East. Last December China affirmed its
readiness to give "all possible aid and to supply Egypt with
equipment except for tanks and heavy arms."

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9. BONN CONSIDERING EARLIER ELECTIONS BECAUSE OF CHRISTIAN DEMOCRATS' GROWING POPULARITY



The election for the West German Bundestag may be held in July rather than on 15 September, according to Christian Democratic Union (CDU) floor leader Rasner. He told the American embassy in Bonn that a continuation of the rise in CDU popularity in the next public opinion poll would favor the early date. The final decision will be made by Chancellor Adenauer on his return from his vacation about 17 March.

Comment The Federal Republic's constitution empowers the government to hold these elections on any Sunday or holiday between 9 July and 9 October.

The Social Democratic Party (SPD) registered gains in opinion polls and local elections last fall, but has now fallen behind the CDU. SPD leaders fear the government's social legislation and Strauss' modified re-armament program will leave the party no distinctive policy with which to appeal to the voters.