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12 March 1957

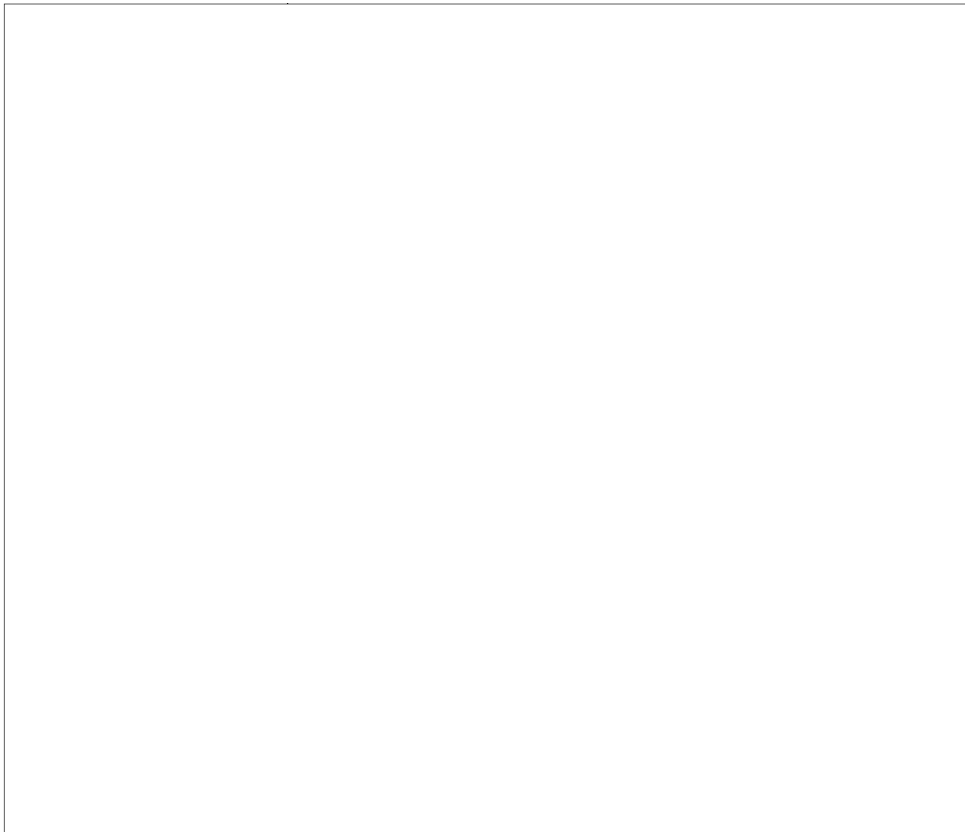
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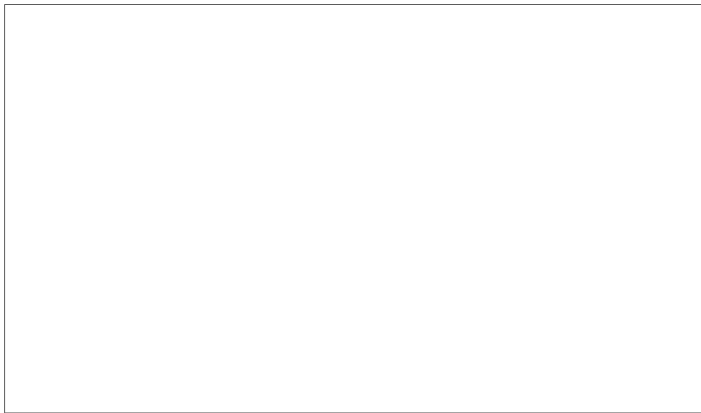
**CURRENT
INTELLIGENCE
BULLETIN**

DOCUMENT NO. 17
NO CHANGE IN CLASS.
IF DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2007
AUTH: HR 70-2
DATE: 12-27-76 REVIEWER:

**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**



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1. GAZA STRIP SITUATION

Comment on:

[redacted] Egypt's announcement that it intends to take over administration of the Gaza strip from the UNEF "forthwith" will have a most serious immediate impact on Israel, whose foreign minister stated

on 5 March that Egypt's return to Gaza "in any way, shape or form" would bring into force Israel's own "right" to move its forces back into the strip. In Israel's present temper, the Ben-Gurion government is likely at the very least to demand additional assurances from the UN and from the Western powers that such a development will not be permitted to occur.

[redacted] The Egyptians, who are not known to have any military forces in Sinai other than a few frontier force units at scattered points, are unlikely to attempt a forcible take-over. They will almost certainly seek to keep up or increase the tempo of demonstrations against UN control, which UN spokesmen in Cairo have asserted are exaggerated by Egyptian propaganda. To add to the UNEF's problems, Egyptian authorities apparently are hastening the return of refugees to the strip. [redacted]

[redacted] about 3,000 refugees had left El Arish for the Gaza sector that day and that the dispatch of a greater number was expected. It is probable that among these refugees are the agents who are promoting unrest and organizing public demonstrations in favor of Egyptian return to the strip.

In formally appointing an administrative governor of Gaza, the Cairo government appears interested in maintaining its position under the terms of the 1949 armistice agreement and may send its appointee into Gaza if

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only as a symbol. It may follow up its complaint to the UN secretary general over the UNEF's "opening fire" on civilians in Gaza by requesting that the UNEF withdraw to stations on both sides of the Egyptian-Israeli frontier. Israel has, however, already categorically rejected the suggestion that UN troops be stationed on its territory.

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2. THE SITUATION IN JORDAN

Comment o

Reports that formal termination of the Anglo-Jordanian treaty is imminent again raise the prospect of a new round of political maneuvering between King Hussain and the Jordanian government. The exchange of notes formally terminating the treaty reportedly is to take place between 12 and 15 March. The British ambassador in Amman has recommended acceptance of Jordan's offer of about \$12,000,000 for all British installations and equipment to be left in Jordan. Although the British had estimated that the

value of such items would be about \$37,000,000, the Jordanian offer will probably be accepted since there is no prospect of a more favorable settlement. Egypt and Saudi Arabia, according to Arab press reports, announced on 4 March that Jordan could "immediately" draw the funds pledged by those countries.

Despite his wish to obtain the resignation of ultranationalist Prime Minister Nabulsi, King Hussain himself is under growing pressure in connection with the nationalist-ridden army's reported design to take over the police--now one of Hussain's principal props. In addition, a new cabinet crisis has developed as a result of demands by leftist Minister of State for Foreign Affairs Rimawi that he be made foreign minister in Nabulsi's place. Despite this evidence of incipient left-wing moves to limit the power of the king, Hussain appears confident that he can successfully manipulate the splits and rivalries within the government. Hussain's reported hope to oust the Nabulsi government is described by the French consul in Jerusalem as "fraught with danger for the crown."

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3. RUMORS OF FRENCH MILITARY SUPPORT FOR ISRAEL

Comment on:

[Redacted]

[Redacted]

[Redacted] France would support Israel "to the hilt" if Egypt denies Israel passage into the Gulf of Aqaba or interferes in the Gaza strip. [Redacted] this support would go so far as to include "military assistance!"

[Redacted]

French foreign minister Pineau is reported to have told the National Assembly Foreign Affairs Commission on 7 March that Israel would have the right to legitimate self-defense under article 51 of the UN charter if its ships were not able to navigate freely in the Gulf of Aqaba.

[Redacted]

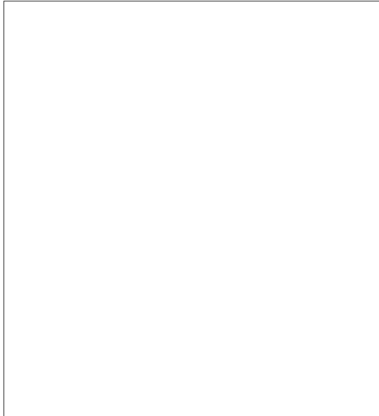
[Redacted] news and comment at the UN indicated that Israel and France, secretly supported by Britain, were preparing an attack against Egypt. Fawzi added that while those to whom he had spoken considered such "aggression" improbable, they conceded that the pressure of events in Israel might bring it about. [Redacted]

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4.. SITUATION IN INDONESIA

Comment on:



The reported decision of the Ali cabinet to resign on 13 March may have been precipitated by South Sumatra's break with Djakarta. The cabinet's resignation would immediately follow the scheduled announcement on 12 March of President Sukarno's latest version of his "nation-saving concept."

Sukarno is reported to have been negotiating with former vice president Hatta, who is both Sumatran and strongly anti-Communist, apparently to discuss his resumption of an official post. A working arrangement between the two would be difficult to achieve, however, in view of their opposing attitudes on Communist participation in the government and provincial autonomy.

Meanwhile, tension in East Indonesia is increasing between the territorial commander, Lt. Col. Samual, and the commander of a special army unit located in Samual's territory. The commander of this unit, made up principally of Javanese troops, is directly responsible to Djakarta. This commander has refused to recognize Samual's 2 March coup in the area, and the possibility exists that a countercoup will be attempted.

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5. SARIT MOVING TO CONSOLIDATE POSITION IN THAILAND

Comment on:

[REDACTED] [REDACTED]

General Sarit, presently the temporary commander in chief of all Thai military and police forces, appears to be making a strong effort to establish himself as the strong man of Thailand. Although he has repeatedly expressed his loyalty to Premier Phibun, [REDACTED] [REDACTED] he now has let it be known that he would back another man for the premiership unless he was satisfied by Phibun on a number of demands. Chief among these is a desire to assume permanent command of the armed forces, inclusion of more of his supporters in the new cabinet, and the complete elimination of police director general Phao's faction from public positions. With regard to Phao, Sarit is said to be planning to keep the emergency in force until he is sure that the police chief will not "try anything," and to arrest him if he does.

Phibun probably hopes to work out a new balance between the Phao and Sarit factions, in order to maintain his own position. For the moment, however, he appears to be acceding to Sarit's demands, and is reported to have stated that he would agree to Phao's removal.

[REDACTED]

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6. POLES FEAR NEW SOVIET PRESSURES

[REDACTED] Polish foreign minister Rapacki's recent visit to Moscow, ostensibly to sign a treaty concerning the Baltic Sea frontier, has aroused popular fears of renewed Soviet pressures on Poland. General opinion in Warsaw is that the actual purpose of his trip is a "more important and dangerous" matter. [REDACTED]

The Soviet ambassador to Poland has been in Moscow for more than a month, possibly to participate in the preparation of a new Polish policy, [REDACTED]

Comment

While so far Gomulka's concessions to the pro-Soviet faction of his party are in accord with his own views and his efforts to restore party unity, he would probably resist further Soviet demands, particularly any interference in Polish economic affairs.

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7. SOVIET GOLD SALES EXPANDED

Comment on: [redacted]

[redacted] During the first two months of 1957, Soviet gold sales in Western Europe reportedly totaled \$120,000,000, about two thirds of estimated Soviet annual gold production. In its peak year, 1953, the USSR exported only \$150,000,000.

The sales were about evenly divided between Swiss and British money markets. [redacted]

[redacted] most of the proceeds from the sales in London have been used to augment Soviet dollar holdings in the US. During the period of these gold sales, the USSR transferred over \$57,000,000 from its bank in London to New York accounts of Banque Commercial pour L'Europe du Nord, the institution handling most of the Eastern European Satellite foreign exchange dealings.

These transactions apparently result in part from Soviet agreement to provide the foreign exchange for the payment of East European debts to non-Communist countries. The USSR may be augmenting its US dollar balances in expectation of increased Satellite dollar purchases under Soviet foreign exchange loans. [redacted]

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8. SOUTH VIETNAM ANTICIPATES ACCELERATION OF VIET MINH TERRORISM

[REDACTED]

The South Vietnamese government has issued an alert against possible Viet Minh sabotage in the Saigon area, the American army attaché reports. According to a 4 March memorandum from chief of staff

General Ty, the government has been informed that the Viet Minh is considering a plan to destroy Saigon's electric power plant to facilitate other acts of sabotage and uprisings in the ensuing darkness. Government agencies were requested to take immediate steps to provide the facilities for generating emergency electrical power. [REDACTED]

Comment

The assassination attempt against President Diem last month, a suspected coup plot in the armed forces, and the recent increase in dissident activities have raised fears in Saigon that an organized terrorist campaign by the Viet Minh aimed at overthrowing the Diem government is developing.

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9. OVERSEAS CHINESE-VIETNAMESE RELATIONS

Comment on:



Saigon's last-minute extension by one month of the deadline for implementing a decree requiring all Chinese born in Vietnam to accept Vietnamese citizen-

ship appears to have only temporarily averted a serious crisis in South Vietnamese-Chinese Nationalist relations. Noncompliance with the nationality requirement, announced last August, has become a rallying point for passive resistance by the Overseas Chinese to various government decrees aimed at subordinating their economic and political independence to the Saigon government. Taipei, fearful that its failure to intervene would only benefit Peiping, has vigorously interceded on behalf of the Overseas Chinese in a vain effort to work out a compromise solution with Diem.

Diem, however, has shown no disposition to back down on his goal of "Vietnamization" of the local Chinese. Unless some "face-saving" solution is achieved before the new deadline of 8 April, rising agitation among the nearly 1,000,000 Chinese in South Vietnam could lead to communal violence.

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10. JAPANESE REACTION TO FAIRLESS COMMITTEE PROPOSALS FOR ASIA

Japanese press and trade circles are skeptical of the Fairless Committee proposals for an Asian common market, the American embassy in Tokyo reports.

The Asian common market proposal is felt to be premature because of Southeast Asia's lack of economic capacity and its political instability. Furthermore, there is some fear that regionalization of trade through various common markets would create economic blocs which would be detrimental to world and Japanese trade.

The Japanese favor co-ordination of economic aid programs, interpreting this to mean US-Japanese co-operation in Southeast Asian development. They cite the "long history of past Japanese failures" to evoke American interest in such a scheme, however, as evidence that no concrete developments are likely.

Comment

The Japanese are giving priority to re-establishing their economic position in Southeast Asia but are concerned lest an aggressive approach on their part be interpreted in Southeast Asia as an effort at economic domination.

The Japanese feel that the European Common Market will inevitably work to their disadvantage, and apparently have decided to oppose any restrictive aspects which develop.

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