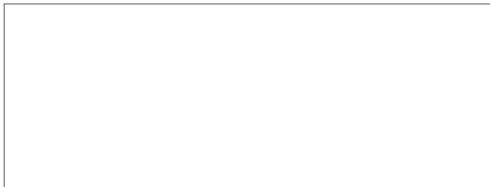


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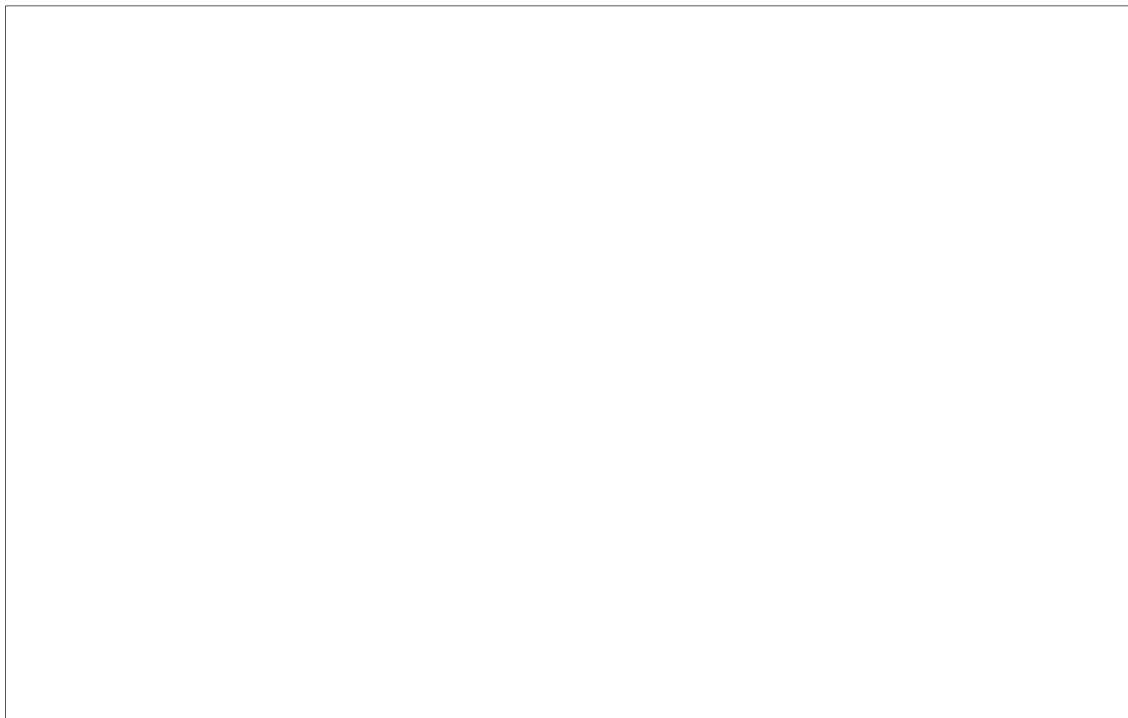


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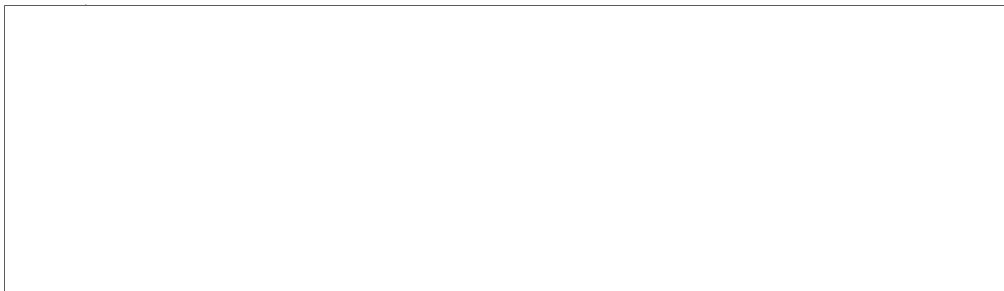
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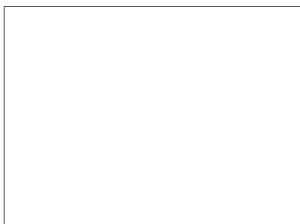
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THE ARAB-ISRAELI SITUATION
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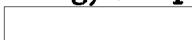
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1. SHEPILOV'S IMPENDING VISIT TO EGYPT



Soviet foreign minister Shepilov's visit to Cairo on 18 June probably is intended by Moscow as a reaffirmation of Soviet support for the Arabs. Shepilov will also visit Syria.

Shepilov may press for Egyptian acceptance of the Soviet offer to finance the Aswan High Dam. A year ago, when arms negotiations between Egypt and the West were faltering, Shepilov negotiated the Czech arms deal in Cairo.  (Concurred in by ORR)

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2. BOHLEN COMMENTS ON TITO VISIT TO MOSCOW



Ambassador Bohlen reports that Tito during his visit has maintained the posture of a chief of state of an independent country and has refrained in his public statements from references to party matters. The Soviet leaders have treated this as a state-to-state visit in their public statements. At the negotiating table, however, Khrushchev, as party first secretary, has been seated as head of the delegation rather than Bulganin as chief of government.

A member of the Yugoslav delegation told Bohlen the Yugoslavs, although finding the Soviet leaders "dogmatic," had been impressed by their frankness, particularly in discussing their past mistakes. He told Bohlen that the two countries were very close on the German question, both favoring a rapprochement between the two German states, which he believed would be facilitated by some changes in the East German structure. He implied that in the Moscow talks so far there had been somewhat greater divergencies on certain other questions, possibly, according to Bohlen, the question of Satellite relations.

Bohlen notes that Shepilov has not figured prominently in the visit and is obviously outside the inner group. In view of Molotov's participation in the talks, Bohlen is becoming convinced that Molotov was replaced as foreign minister by common agreement or at his own request. He may have wished to avoid playing before Tito the role of mere technician which he as foreign minister has played in high-level negotiations during the past year.


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3. SUSLOV'S TRIP TO HUNGARY MAY DETERMINE RAKOSI'S FUTURE



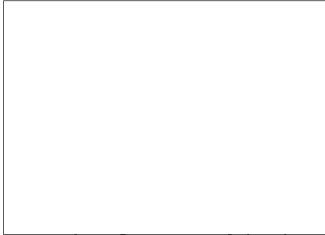
The arrival of Soviet presidium member Suslov in Budapest on 7 June coincides with a Hungarian central committee meeting reportedly convoked to discuss the problem of party factionalism. Suslov may be on a mission to settle Hungarian party first secretary Rakosi's future position. Suslov is believed to be responsible for relations with foreign Communist parties and reportedly was present at the Bulgarian central committee plenum which ousted Chervenkov. Rakosi, like Chervenkov, has been a target of Tito's criticism.

Rakosi has apparently retained power in the face of strong internal opposition only through open Soviet endorsement. His continued inability to cope with factionalism, and possibly demands by Tito in Moscow, may have forced a change in Soviet plans. 

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4. JAPANESE EXTEND LIMITED RECOGNITION TO SOVIET MISSION



The Japanese government has granted Soviet mission chief Sergei Tikhvinsky "limited recognition" as Moscow's official representative in fishery matters only. Tikhvinsky's reported acceptance of this status will open the way for the Japanese fishing fleet to obtain Soviet licenses for operation in Soviet restricted waters beginning 15 June, but it merely defers settlement of the larger question of relations with the USSR.

Japan, under the terms of the fishery pacts recently concluded in Moscow, is committed to restore diplomatic relations with the USSR. The principal political conflict which has developed in Tokyo centers on timing and method for resuming relations--whether to adopt the Adenauer formula of an immediate exchange of diplomats without a peace treaty or to attempt to negotiate a treaty.

Unexpected opposition within the government party, arising primarily from the former Yoshida faction, appears to have convinced the Hatoyama government that a drive for immediate relations might split the party. The cabinet decision to continue to seek a treaty and not abandon Japan's claims to the Southern Kurils apparently was made in recognition of popular coolness toward "selling territory for fish."

Prime Minister Hatoyama's faction has deferred the Japanese-Soviet issue until after the upper house elections in early July. Most Japanese, however, regard the resumption of diplomatic relations as inevitable.

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5. AUSTRIAN RECOGNITION OF COMMUNIST CHINA REPORTED IMMINENT

[redacted] the
Austrian Foreign Ministry reportedly
told [redacted]
[redacted] in early June
that Austrian recognition of Communist China is imminent.
The Austrian ambassadors in Washington and London are
said to have been instructed to submit to Vienna their recom-
mendations on timing and their estimates of probable Ameri-
can and British reactions.

Comment

Foreign Minister Figl told [redacted]

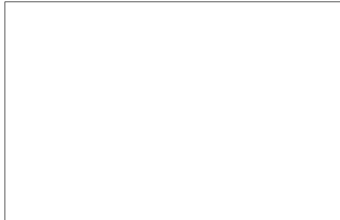
[redacted] last December that Austria
could not afford to "get out in front" and there would be no
question of Austrian recognition of the Peiping government
until such time as China's status had been regulated by the
United Nations. Since that time, however, the question has
evidently been under further consideration in the Foreign
Ministry, where there has been pressure for recognition from
trade circles as well as from the Austrian ambassador in Mos-
cow.

[redacted] press
reports of the recent relaxation of controls on deliveries to
China by British colonies evoked an immediate reaction from
the Austrian Ministry of Trade and that Austrian interest in
China trade is "particularly acute" now in view of the expected
departure on 22 June of an Austrian trade delegation to China.

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6. ASSASSINATION THREAT REPORTEDLY CAUSED RHEE TO CANCEL ADDRESS



President Rhee failed to make his scheduled Memorial Day address on 6 June, reportedly because he had received information that he and Assembly Speaker Yi Ki-pung were in danger of assassination.

Comment

President Rhee's action reflects the atmosphere of tension which has prevailed in South Korea since the election. Vice-President-elect Chang Myon is also reported being heavily guarded.

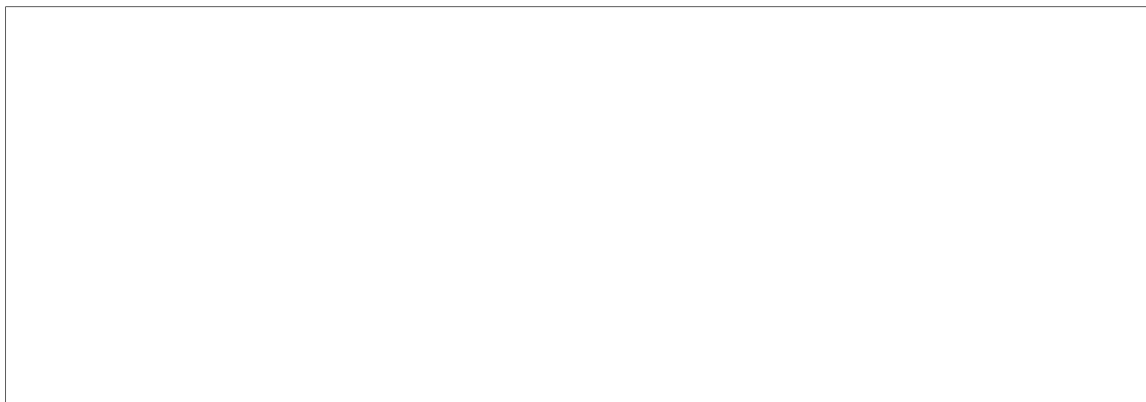
Opposition assemblymen have demanded an investigation into the alleged use of bribes to secure the re-election on 8 June of Yi Ki-pung, Rhee's defeated vice-presidential running mate, as speaker of the assembly. The national police, which may also be investigated by the assembly, []



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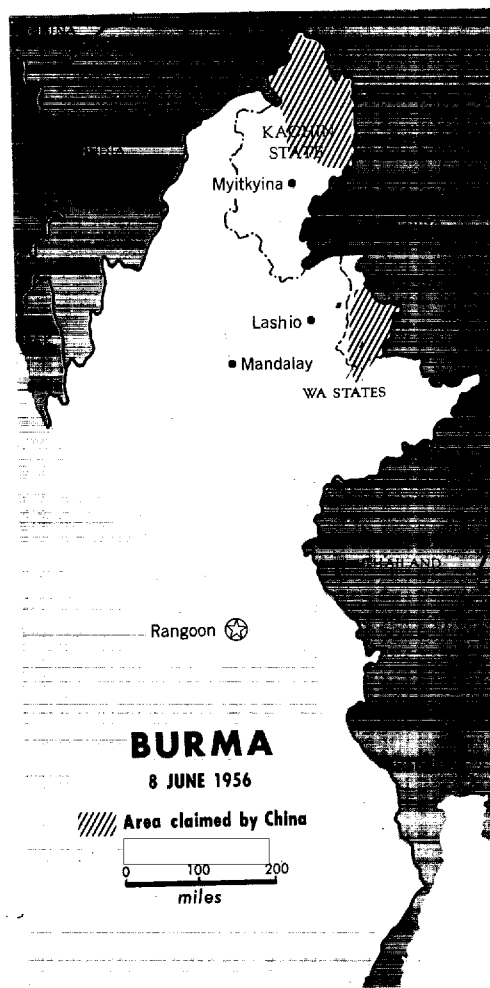
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7. BURMESE REBUFFED BY CHINESE COMMUNISTS ON BORDER ISSUE



Comment Chou's refusal to accept the present boundary line and his rebuff of Burmese premier U Nu's request in February for a boundary commission are the clearest indications thus far that Peiping plans to hold its boundary claims in reserve as a lever to influence Burmese policy.

Chinese Communist maps show a large portion of the Kachin State as well as the Wa States to be Chinese territory. For the



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past year Rangoon has sought a settlement of the boundary, apparently in the hope of capitalizing on the Chinese Communist campaign to convince the Burmese of China's peaceful intentions. The disappointment expressed by Rangoon points up the development of Burmese disillusionment with Chinese Communist professions of "peace and coexistence." U Nu has complained of Chinese Communist and Soviet intervention in Burmese political affairs.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 8 June)

Israel has made an official protest to the UN Security Council over Egypt's continued blockade of the Suez Canal. The Israeli delegate to the UN stated that Egyptian authorities were detaining a Greek ship, the Panngia, which was bound from Haifa to the Gulf of Aqaba port of Eilat. The delegate said that this was of "special gravity at a time when the Security Council has just reaffirmed once again the need to re-establish full compliance with the general armistice agreements." Last February Israel imposed censorship on reports of Egyptian detention of another Greek ship on a similar trip, apparently to avoid an international political debate on the blockade at that time. This protest suggests that Israel, which indicated dissatisfaction with the recent Security Council resolution, intends to try to keep the Arabs on the defensive diplomatically and to continue to press for a settlement of the basic problems left unsettled by the Hammar-skjold mission.

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