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20 December 1956

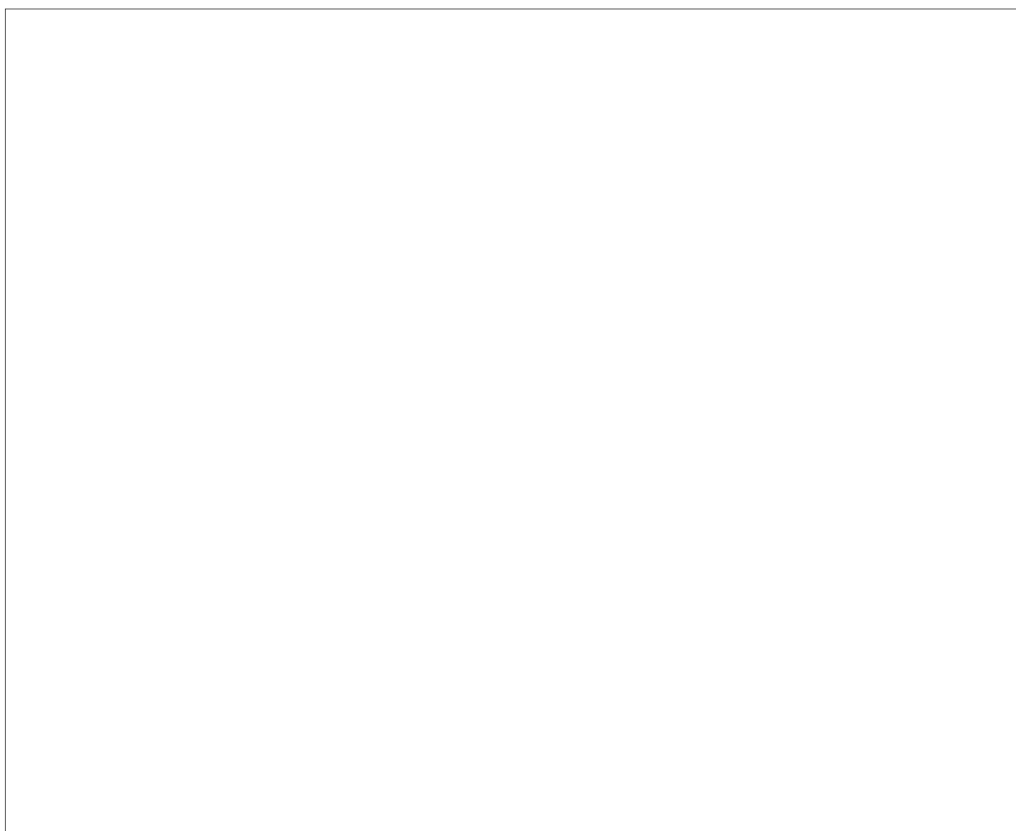


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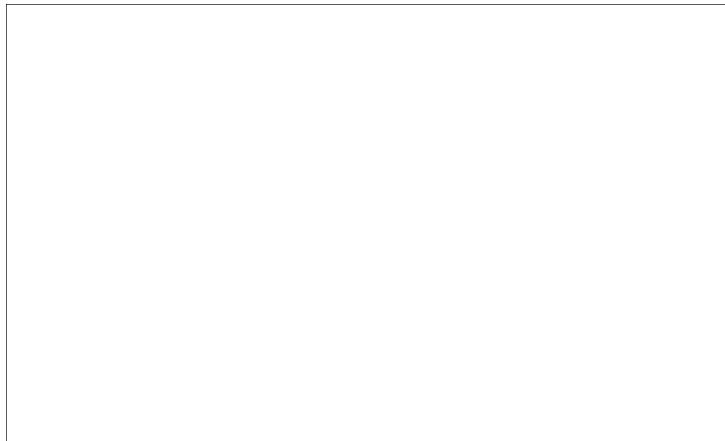
**CURRENT
INTELLIGENCE
BULLETIN**

DOCUMENT NO. 5
NO CHANGE IN CLASS. X
DECLASSIFIED
CLASS. CHANGED TO: TS S 2009
NEXT REVIEW DATE: _____
AUTH: HR 70-2
DATE: 12-27-79 REVIEWER: _____

**OFFICE OF CURRENT INTELLIGENCE
CENTRAL INTELLIGENCE AGENCY**



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1. ARAB STATES POSSIBLY PREPARING TO ASSUME SUBSIDY FOR JORDAN

[REDACTED]

A Jordanian mission is preparing to go to Cairo to discuss a subsidy for Jordan from the Arab states, [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] Other information indicates that Prime Minister Nabulsi will head the mission, which will also visit Riyadh and Damascus. [REDACTED]

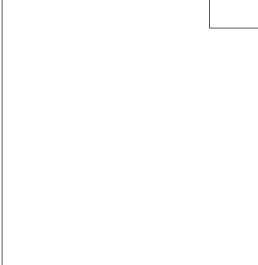
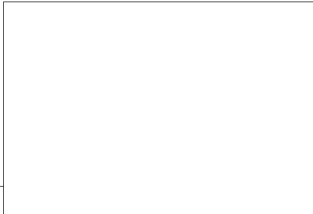
[REDACTED] Cairo has been in contact with Nabulsi through Egyptian intelligence channels to request that abrogation of the Anglo-Jordanian treaty be postponed until departure of foreign troops from Port Said and to reaffirm Egypt's willingness to assist Jordan at any time.

Recent moves to accentuate Jordan's dissociation from Iraqi influence and consolidate the position of ultranationalists in the government appear designed to meet preconditions for receipt of Arab aid. Readjustment of Jordan's traditionally close relations with Iraq has progressed rapidly since the beginning of December. Iraqi troops were withdrawn from Jordan on 11 December at Jordan's request, while Syrian and Saudi Arabian troops remained. On 18 December Jordanian authorities [REDACTED] returned to Iraq the arms and ammunition which Iraq had previously contributed to the Jordanian army and national guard. Cairo was advised a short time later that Jordan's King Hussain had agreed that "necessary steps would be taken" for withdrawal of the Iraqi ambassador in Amman.

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2. BOLIVIA'S NEW ECONOMIC STABILIZATION PROGRAM MAY PROVOKE CRISIS



The Bolivian economic stabilization program, promulgated on 15 December, has led to sharp increases in the price of consumer goods and may touch off serious popular unrest and a political crisis, including the resignation of President Siles Zuazo. Siles, on 18 December, asked Ambassador Drew for the US reaction in the event he stepped down in favor of Vice President Chavez, who, he explained, had better relations with Congress and the powerful Bolivian Workers' Central. Drew comments that "in view of Siles' unpredictable mystique and the extreme tension he is undergoing, one cannot guess what he will do." The cabinet has already resigned to avoid further questioning by left-wing deputies who oppose the stabilization program.

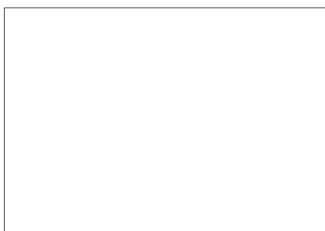
The stabilization plan, which is backed by credits of the International Monetary Fund and US government agencies, is intended to check inflation. Initially supported by key labor and political leaders, it will bring about sweeping changes in the Bolivian wage and price structure, with the Bolivian worker probably bearing the greatest hardship in the initial phases of implementation.

Juan Lechin, leftist president of the Senate and head of the Bolivian Workers' Central, has withdrawn his support of the program, and other labor leaders may follow suit on grounds that it is prejudicial to the interests of the laboring class.

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3. ISHIBASHI COMMENTS ON US-JAPAN RELATIONS



Tanzan Ishibashi, Japan's prime minister-designate, has indicated in press interviews that he regards the maintenance of "closest ties" between Japan and the United States as essential. He stated, however, that this does not mean "blind subservience" to the United States, since "occupation" attitudes still persist, and a lack of understanding of Japanese and Far Eastern conditions has caused many American mistakes. He intends to "argue heatedly" with Washington until there is mutual understanding and co-operation.

Ishibashi has been cautious in discussing his policy toward Communist China. The press believes that he will work for expanded trade, but will not seek early restoration of formal diplomatic relations with Peiping. Ishibashi himself states that he will try to solve the Communist China issue "with the full co-operation and leadership of the United States."

Comment

Ishibashi's press interviews may have been designed to allay American suspicion of his policies, and to correct impressions which resulted from his "misunderstandings" with the American occupation authorities.  expect him to make an early approach to the United States to set a definite date for the withdrawal of American forces stationed in Japan under the US-Japan security treaty. 

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4. IMPLICATIONS OF BEN-GURION'S REFUSAL TO RETURN GAZA TO EGYPT

Israeli premier Ben-Gurion's public announcement that "in no circumstances" would Israel permit Egypt to reoccupy the Gaza strip will give Moscow added ammunition in its campaign to urge Egyptian intransigence over a Suez and Sinai solution. Soviet statements to Egyptian officials have stressed that Israel would not be content to return to the status quo ante.

Although Ben-Gurion's statement leaves open the possibility of the transfer of Gaza to an authority other than Egypt, Moscow will undoubtedly renew its propaganda attacks on Israel, possibly making further strong official warnings to Tel Aviv. The USSR probably would oppose turning over the area to UN forces, which it would term a violation of Egyptian sovereignty.

Egypt has not claimed the Gaza strip as Egyptian territory, but has occupied it since the Arab-Israeli war of 1948-49. While Ben-Gurion's statement technically does not change the official Israeli position on the disposition of Gaza, it makes clearer Tel Aviv's growing determination to incorporate the strip into Israel.

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5. LAOTIAN PREMIER AND PATHET CHIEF OUTLINE SETTLEMENT

[REDACTED] [REDACTED] Souvanna said that in a few days he would ask the assembly to approve Souphannouvong's entry into the cabinet. Souphannouvong indicated that in return he would disavow publicly any connection with outside powers or ideology, and renounce all control over the Pathet Lao forces, which would then pass under royal government control. One month from the date of this declaration, according to Souvanna, the whole settlement, including restoration of royal authority over the two provinces, would be completed.

Comment Souphannouvong's promises, though probably not sincere, will almost certainly assure assembly approval of a coalition cabinet. The form of the settlement as outlined by Souvanna appears to meet the conditions reportedly posed by the cabinet and the deputies in Souvanna's Nationalist Party.

The Viet Minh, who have closely followed the course of negotiations in Vientiane, consider formation of a coalition government before elections an important objective. Their approval of a settlement along these lines [REDACTED]

[REDACTED] instructed the Pathet representatives in Vientiane to build support among assembly deputies for the Souvanna Phouma government. [REDACTED]

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6. BRITAIN TO OFFER SINGAPORE FULL SELF-GOVERNMENT

The British Colonial Office has decided to offer Chief Minister Lim Yew Hock, now in London, full self-government for Singapore, [redacted]

[redacted] the British realize their new plans entail calculated risks, but believe there would be considerable advantage for the locally elected governments of both Singapore and the Federation of Malaya in being publicly dissociated from Britain.

Under the proposed arrangements, internal security would be a local responsibility but with both Britain and the Federation of Malaya participating in a purely advisory internal security council. The Singapore government would recognize Britain's right to maintain military bases in the colony, and Britain would retain the right to rescind the constitution in the event the Communists threaten to take over.

Comment Self-government talks broke down last May when Britain demanded that it retain control over internal security matters. Lim can be expected to accept the current proposals, or at most request only minor changes.

London wishes to strengthen Lim, whose performance against the Communists in Singapore has exceeded all expectations, by giving him the credit for having achieved Singapore's independence. The British may also believe it necessary to establish some formal basis for their military position at Singapore because long-term political trends there will move against them. By retaining the right to intervene, Britain would still limit Singapore self-government in a manner not envisaged for Malaya.

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7. BURMESE ATTITUDE ON ECONOMIC RELATIONS WITH THE SINO-SOVIET BLOC

Comment on:

[REDACTED] Burma, which recently took a strong political stand against the Soviet Union because of its intervention in Hungary, is still showing reluctance to expand its economic relations with the Communist

Orbit except on a cash basis. [REDACTED]

[REDACTED] Rangoon's instructions [REDACTED]

[REDACTED] to its ambassador in Peiping to discourage the North Korean chargé who had previously proposed that the two countries open trade negotiations.

The ambassador was informed that Rangoon was reluctant to enter into such relations with North Korea if they were to be conducted on a barter basis. [REDACTED]

[REDACTED] Burma's "hard experiences" with the East European Satellites in this connection and [REDACTED] Rangoon was now even unable to meet commitments for cash sales of rice, Burma's chief export. Burma's dissatisfaction with Sino-Soviet barter arrangements is indicated by the fact that although Burma is committed on paper to export up to 50 percent of its rice available for export to the bloc this year, it has endeavored to keep such exports to a minimum.

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