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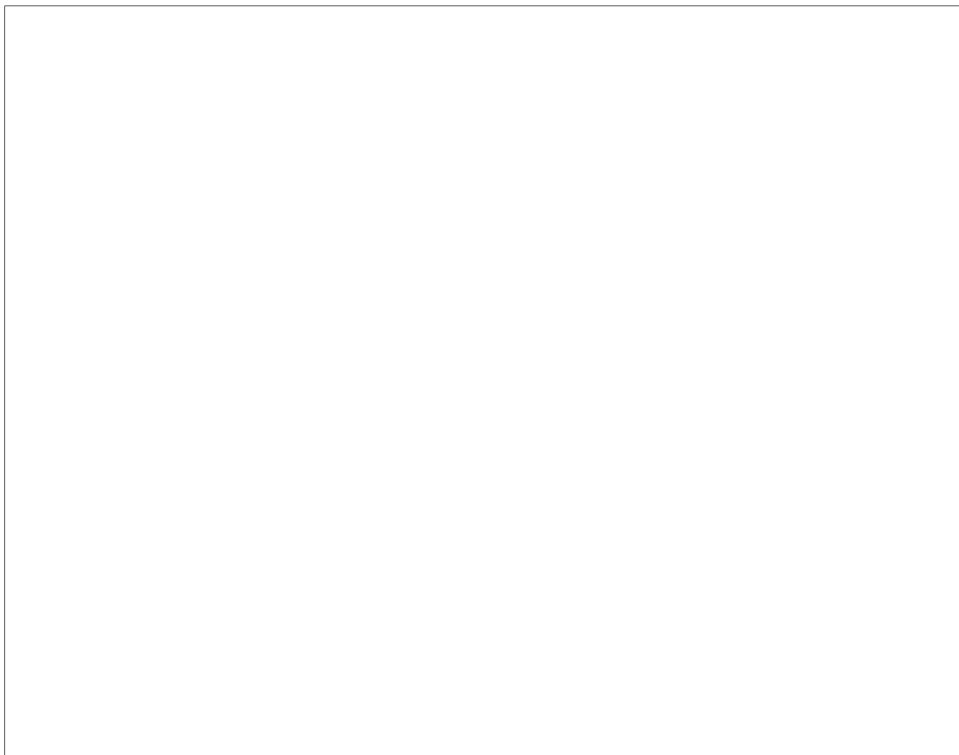
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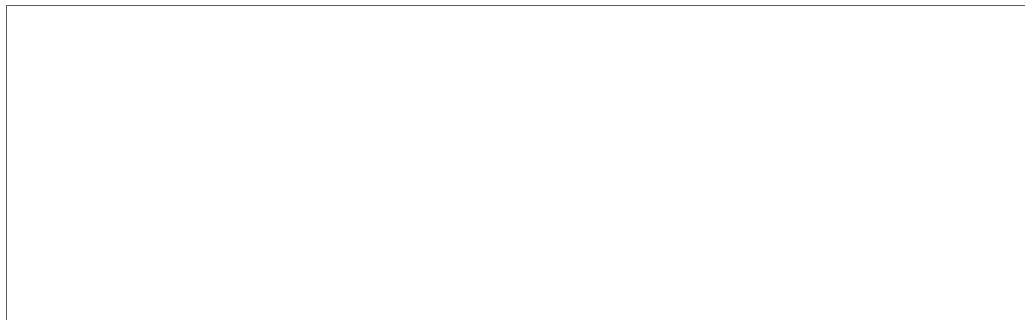
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~~TOP SECRET~~



**CONTENTS**

1.

[Redacted]

2. **SOVIET VESSEL EN ROUTE TO CHINA REFUSED BUNKERS AT SINGAPORE** [Redacted] (page 5).

3. **NEW INCIDENT BETWEEN SOUTH KOREAN AND CHINESE COMMUNIST VESSELS IN YELLOW SEA POSSIBLE** [Redacted] (page 6).

4. **STRUGGLE FOR POWER IN SOUTH KOREA ACCENTUATED BY ASSASSINATION OF CIC CHIEF** [Redacted] (page 7).

5. **ARGENTINA REPORTEDLY OFFERED MIG-15'S BY USSR** [Redacted] (page 8).

6. **CAMBODIAN CROWN PRINCE RE-EMPHASIZES NEUTRALISM ON RETURN FROM PHILIPPINES** [Redacted] (page 9).

7. **COMMUNIST CHINA TO BUILD COTTON MILL FOR BURMA** [Redacted] (page 10).

~~TOP SECRET~~ [ ]

8. SINO-CEYLONESE RICE DEAL CUTS CEYLON'S PURCHASES FROM BURMA [ ] (page 11).
  
9. COMMENT ON SHAH OF IRAN'S VISIT TO INDIA [ ] (page 12).
  
10. INDIA'S NEWLY ANNOUNCED FIVE-YEAR PLAN [ ] (page 13).
  
11. USSR TO PLAY MAJOR ROLE IN TECHNICAL TRAINING FOR INDIA AND BURMA [ ] (page 14).
  
12. EUROPEAN INTEGRATION DRIVE FACES TWO CRUCIAL ISSUES [ ] (page 15).

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**THE ARAB-ISRAELI SITUATION**

[ ] (page 16)

~~TOP SECRET~~ [ ]

~~TOP SECRET~~



11 Feb 56

Current Intelligence Bulletin

Page 4

~~TOP SECRET~~

~~TOP SECRET~~

## 2. SOVIET VESSEL EN ROUTE TO CHINA REFUSED BUNKERS AT SINGAPORE



### Comment

This is the first hindrance encountered by Soviet vessels recently re-entering the Europe-China trade. An 18-month withdrawal followed the Chinese Nationalist seizure of the Soviet tanker Tuapse in June 1954. The British refuse bunkers to all vessels carrying strategic goods to Chinese Communist ports.

Of the eight vessels currently en route to China, two which are reportedly carrying non-strategic cargoes are already proceeding through the South China Sea to North China ports. They will pass north of the Philippines and within 200 miles of Taiwan--the shipping lane used by the intercepted Tuapse.

The Belomorcanal will probably attempt to procure bunkers in Indonesia to avoid a long tow.  
(Prepared by ORR)

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**3. NEW INCIDENT BETWEEN SOUTH KOREAN AND CHINESE  
COMMUNIST VESSELS IN YELLOW SEA POSSIBLE**

**Comment**

[redacted] South Korea may plan new incidents with Chinese Communist fishing vessels on the high seas. [redacted] only three South Korean coast guard vessels are now operating in the Yellow Sea, but four more at Pusan will be ready for sea by 8 February. The South Koreans may be striving to put a maximum number of patrol ships at sea by mid-February.

South Korea would exploit any incident with Communist fishing vessels inside the unilaterally proclaimed "Rhee Line"--in this area over 100 miles offshore--as a violation of the armistice and a threat to its national security. President Rhee would thereby hope to involve the United States.

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#### 4. STRUGGLE FOR POWER IN SOUTH KOREA ACCENTUATED BY ASSASSINATION OF CIC CHIEF

Comment on:

The recent assassination of South Korea's counterintelligence chief has brought into the open a struggle for power between two opposing groups for control of the country when President Rhee dies. It is probable that the contending groups will use the investigation of the murder in an attempt to eliminate their competitors.

A moderate, pro-American triumvirate composed of Army Chief of Staff Chong, Defense Minister Sohn and Liberal Party president Yi Ki-pung, although dependent on President Rhee's continued support, currently appears to control the principal elements of power.

American military officials comment that the investigation could still "turn in any direction" and hit prominent persons.

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**5. ARGENTINA REPORTEDLY OFFERED MIG-15'S  
BY USSR**



**Comment**

There is no confirmation of the Soviet offer. [redacted]

[redacted] Argentina has ordered 60 small piston-engine aircraft from Czechoslovakia and was offered Czech jet planes, but there is no confirmation of this jet offer.

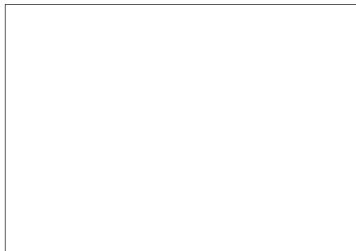
The USSR would probably like to sell some of its obsolescent MIG-15's. The "heavy bombers" mentioned [redacted] likely would be IL-28's, a light jet bomber type which the USSR is selling to Egypt.

[redacted] (Concurred in by ORR)

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## 6. CAMBODIAN CROWN PRINCE RE-EMPHASIZES NEUTRALISM ON RETURN FROM PHILIPPINES



[Redacted] Prince Sihanouk's visit

to the Philippines may have strengthened his tendency toward neutralism. Sihanouk's statements in Manila and on his return, as well as official press accounts of the visit, strongly emphasize Cambodia's neutrality. On his return he also criticized pressure allegedly exerted in Manila to induce Cambodia to join SEATO.

The Cambodian press also reported that Sihanouk, before the Philippine Congress, justified his forthcoming trip to Peiping by stating he could not "as head of a nation of 5,000,000 reject friendship proffered by the head of a nation of 600,000,000."

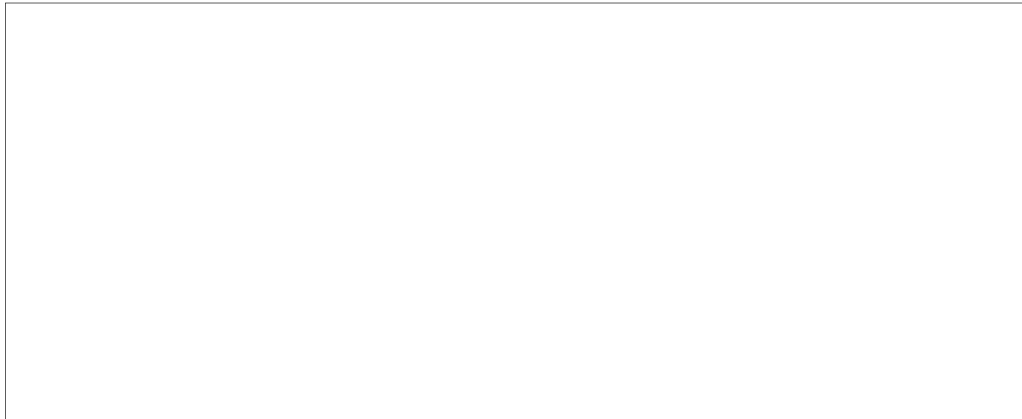
### Comment

Sihanouk has in the past acknowledged Cambodia's dependence on Western aid for its defense, but he has lately been at pains to build up his reputation as a neutral. He has, moreover, tended to look at Thailand and South Vietnam as completely responsive to American influence and may have formed a similar opinion of the Philippines. [Redacted]

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**7. COMMUNIST CHINA TO BUILD COTTON MILL  
FOR BURMA**



**Comment**

This mill, first offered to the  
Burmese more than a year ago,  
will be the first complete industrial installation to be  
built in Burma by a Communist country. It will also be  
Communist China's first export of a complete factory.



 Burma is planning to  
ask the USSR to expand a steel mill already under con-  
struction and to build a fertilizer plant when a high-level  
Soviet mission comes to Rangoon in May. (Prepared  
jointly with ORR)

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## 8. SINO-CEYLONESE RICE DEAL CUTS CEYLON'S PURCHASES FROM BURMA

### Comment on:



Ceylon's decision to reduce rice purchases from Burma this year from 200,000 to 100,000 tons is possible because of its acquisition, under the Sino-Ceylonese rice-rubber agreement, of 250,000 tons of rice from Communist China.

Rangoon's disappointment over the loss of substantial cash sales of rice to Ceylon may offset Burma's gratitude for Peiping's barter purchases of 150,000 tons of surplus Burmese rice a year. One third of this rice was diverted by China to Ceylon last year, and 100,000 tons will probably be diverted this year, despite Burmese objections.  (Concurred in by ORR)

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## 9. COMMENT ON SHAH OF IRAN'S VISIT TO INDIA


The Shah of Iran, who is scheduled to arrive in India on 16 February, will probably be welcomed cordially despite Prime Minister Nehru's strong opposition to the Baghdad pact, of which Iran is a member. Nehru has long sought to extend India's influence over the Middle East and is unlikely to spoil this opportunity to reiterate his neutralist principles at the same time that he expresses his dislike of military agreements which, he feels, are dividing the peoples of Asia.

The Shah, who personally made the decision to join the Baghdad pact, will not be persuaded to abandon it. He has already expressed his desire to make several "forceful" speeches in India to counteract the statements of Bulganin and Khrushchev. However, the Shah may be sufficiently impressed by Nehru to develop some doubts as to the wisdom of Iran's adherence to the pact.

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## 10. INDIA'S NEWLY ANNOUNCED FIVE-YEAR PLAN



The first official draft of India's Second Five-Year Plan, published on 9 February, indicates that Nehru's government is determined to keep its goals high despite criticism that by doing so it will ensure the failure of the plan. Total investment expenditure is now anticipated to be the equivalent of about \$15,000,000,000. Government investment plans have been raised from an original figure of \$9,000,000,000 to about \$10,000,000,000 and private investment is expected to amount to nearly \$5,000,000,000.

Despite all efforts to secure the maximum quantity of finances possible, the plan still envisages a large gap between available resources and plan targets, \$2,500,000,000 of which will be met by deficit financing. For an additional \$1,600,000,000 the government now sees no possible source of funds. It admits that this \$1,600,000,000 can be filled only by aid from international agencies and foreign governments over and above the quantity they are now expected to contribute.

In addition to problems of financing, India faces shortages of administrative and technical personnel, the relative complexities of expanding heavy industry under the new plan as compared to the simpler task of increasing agricultural production under the first plan, and the difficulties of encouraging private investment and making use of small savings.

It apparently has already been conceded that one politically important original aim--that of ending unemployment--will be impossible to achieve, though the government hopes that unemployment figures can be kept at their present level. 

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## 11. USSR TO PLAY MAJOR ROLE IN TECHNICAL TRAINING FOR INDIA AND BURMA

[ ] Soviet sponsorship of technological institutes in Rangoon and Bombay will give the USSR an opportunity to influence economic and technical practices in South Asia. These new institutes will be the most advanced in that part of the world and will give the USSR influence over

the education of the new Indian and Burmese technical elite. Both countries are suffering from an acute shortage of technicians and administrators adequately trained to direct economic planning--especially industrialization.

The USSR, through UNESCO, will provide technical assistance and equipment to the value of about six million rubles (\$1,500,000 at official rates) for the proposed Western Technological Institute in Bombay, which will be opened in mid-1957, according to the official Indian information service. The USSR also will provide the Indian institute with 15 Soviet professors for five-year terms, translators to prepare English versions of Soviet technical literature, and training facilities for 20 Indian teachers in the USSR.

[ ] the USSR plans to furnish similar facilities and, apparently, personnel for the institute it is to construct in Rangoon, which was planned outside United Nations channels. The Burmese institute, like the one the USSR is to construct in India, will accommodate about 1,000 students.

The Indian project appears to have been worked out between India and the USSR early last year. The amount allocated for it is almost double the expenditure originally anticipated when the project was approved last November within the framework of the UN Expanded Technical Assistance Program for 1956. (Concurred in by ORR)

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## 12. EUROPEAN INTEGRATION DRIVE FACES TWO CRUCIAL ISSUES

Comment on:

The 11-12 February meeting in Brussels of the foreign ministers of the European Coal-Steel Community (CSC) countries may provide the first opportunity for the six governments to face up to two crucial problems which are now confronting the current effort to get the proposed

**EURATOM** and common market projects under way.

The major problem is defining the interrelationship between the two projects. Most of the CSC countries tend to regard them as a package deal. It is generally believed, however, that French foreign minister Pineau will be able to give a firm commitment only on **EURATOM**. The other foreign ministers anticipate reduced parliamentary support for the **EURATOM** project if it is divorced from the common market.

The second problem is the mounting opposition, primarily in France, to the proposition that **EURATOM** members should renounce the right to make nuclear weapons. Proposals are being made that weapons programs should be renounced unilaterally, or that **EURATOM** should rule on proposed military uses of nuclear fuels. It is not certain, however, that these formulas would prove acceptable.

The current integration drive could founder on these two problems unless they are resolved either at the Brussels meeting or at the projected meeting in March of the six governments.

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**THE ARAB-ISRAELI SITUATION**  
(Information as of 1700, 10 February)

Members of the security and foreign affairs committees of the Israeli parliament, including members of the dominant Mapai party, on 7 February reflected increasing apprehensions "amounting almost to hysteria" over new press reports of Egyptian possession of Soviet IL-28 bombers, [redacted]. The government was accused of "fiddling while Rome burns" and "lack of preparedness." [redacted]

Syria is prepared to exchange the four Israeli prisoners it holds for the 39 Syrians held by Israel, according to UN truce supervisor Burns. Syrian chief of staff Shuqayr also told General Burns that the army is still under orders to prevent Syrians from fishing in Lake Tiberias, that Syria does not and will not interfere with Israeli fishing there, and that he is willing to pull back military outposts 250 meters if Israel agrees to keep its police boats the same distance from the shore. [redacted] these encouraging signs may indicate that Shuqayr has convinced army extremists that Syrian interests would be best served by early compliance with the Security Council resolution. Syria's apparent change of heart may also represent an attempt to appear co-operative at a time when Syria wants quick United Nations action should Israel resume work on the diversion canal at Banat Yacov. [redacted]

[redacted]

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