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20 May 1952

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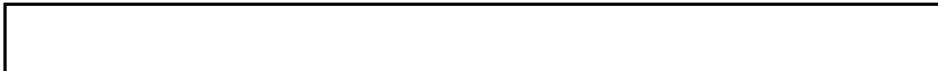


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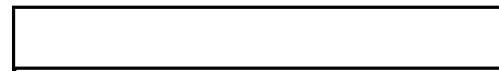
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CENTRAL INTELLIGENCE AGENCY



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State Department review completed

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GENERAL

1. Moscow Embassy comments on Pravda treatment of Koje incident:

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Ambassador Kennan believes that Pravda's treatment of the Koje incident as a lead editorial is significant as an indication that Communist negotiators in the Korean truce talks may have been instructed to hold out for a return of all prisoners of war. Such prominent space is rarely devoted to an external subject, and then only when it is a matter of immediate and considerable concern.

In comparison with Malik's statement of last June, Kennan believes that Pravda's editorial indicates the Kremlin's determination to agree to an armistice only on Communist terms since it is now "talking from strength" and even a stalemate in the talks affords it an opportunity for a further military build-up.

FAR EAST

2. Three Chinese battalions reportedly move into Tonkin:

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[redacted] received "probably reliable" information that a Viet Minh regiment near Lao Kay, in the northwest border region of Tonkin, has been reinforced by three "friendly" battalions. The US Legation believes that "friendly" means Chinese Communist.

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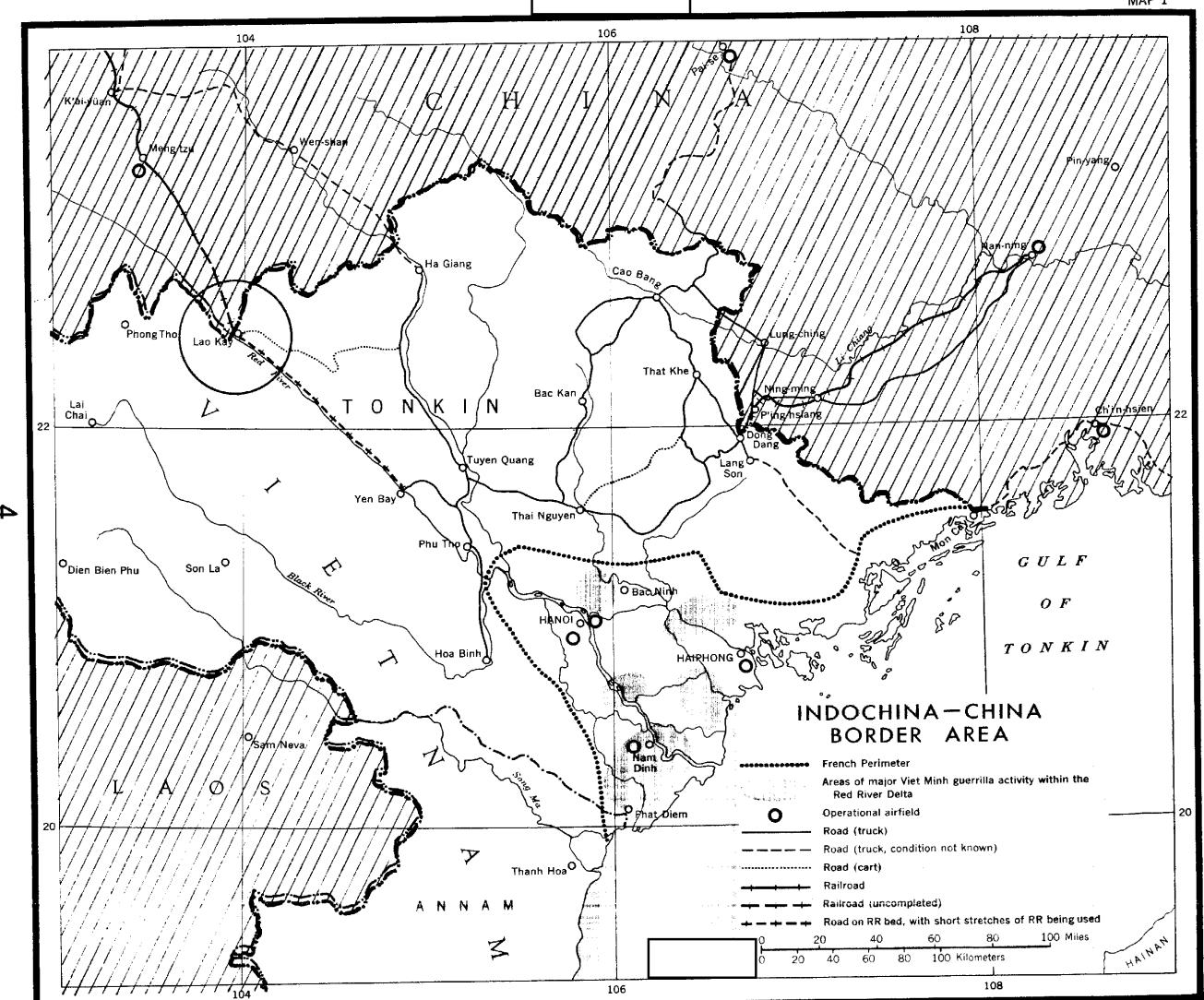
The commander in chief of French forces in Indochina, General Salan, told the American Minister that he was not worried over the report, which he described as unconfirmed.

Comment: A brief Chinese Communist incursion into the same area a year ago produced speculation that the forces involved were the vanguard of an invasion, were foraging for opium, or were engaged in an intelligence mission. The units withdrew after a short time.

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MAP 1

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3. French reportedly working with Chinese guerrillas across Indochina border:

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A French officer [redacted] is seeking to arm Chinese guerrillas in Yunnan as a means of relieving Viet Minh pressure in the "Lao Kay area," [redacted]

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Comment: This is the first report since last October on such French activities. At that time the American Consul in Hanoi reported "recent signs" of French interest in using Chinese Nationalist troops interned in Indochina for trans-border intelligence work. [redacted]

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A reported 1,500 ex-Nationalist troops have been living as bandits in the mountainous regions east and northeast of Lao Kay; groups of them have occasionally engaged Viet Minh forces.

Under Marshal de Lattre, the French were careful to undertake no action, such as the arming of Chinese Nationalists, which might provoke the Chinese Communists.

NEAR EAST - AFRICA

4. USSR protests omission of oil from Iranian trade agreement:

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[redacted] The Soviet Union has protested the omission of petroleum from the list of products to be exported by Iran under the still pending renewal of the Iranian-Soviet trade agreement. The

Iranian official who reported this to the American Embassy believes that the protest was designed to counterbalance the recent Iranian-American military aid agreement.

The official said he doubted the USSR's assertion that it could transport the oil from the Persian gulf by tanker; he added, however, that the Council of Ministers favored including petroleum in the list.

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Comment: This is the first report from an official source that the USSR is negotiating for Iranian oil. Although inclusion of oil in the list would be in line with the Soviet policy of stimulating Mossadeq's intransigence on the oil dispute, the conversation may represent merely another effort by Iran to force aid from the United States.

EASTERN EUROPE

5. Tito voices pessimism over bilateral solution of the Trieste problem:

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Marshal Tito has informed Ambassador Allen that his government, although seriously disturbed by the London agreement giving Italy a larger role in Trieste, continues to favor a bilateral territorial solution. Tito added, however, that he was not optimistic over the result of any Italo-Yugoslav negotiations, and that he could not take the initiative in resuming such talks.

According to Tito, a de facto solution of the Trieste problem, with Zone A gradually being absorbed by Italy and Zone B by Yugoslavia, would not meet Yugoslav requirements unless legitimate Yugoslav interests in Zone A were satisfied and further Italian irredentist claims were renounced.

Ambassador Allen believes that although its position on Trieste has hardened considerably, Yugoslavia might accept a territorial settlement if accompanied by assurances against further Italian demands.

6. Secret Bulgarian-Yugoslav contacts reportedly broken off:

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The French Minister to Sofia, according to the American Embassy in Athens, believes that contacts were established between the Yugoslav Legation in Sofia and Bulgarian

Premier Chervenkov during April, and later broken off, presumably without concrete result.

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The fact that the reported high-level Yugoslav-Bulgarian contact could successfully have been effected even for a brief period of time is considered by the French to be "highly significant in itself."

Comment: The French Minister previously reported that some element in the Bulgarian Government had been in clandestine contact with the Yugoslav mission in Sofia regarding the formation of a neutral south Slav bloc. A report from the American Embassy in Paris described the French Foreign Office as "leaning toward the view" that the Bulgarian Government, or some element in it, was trying to "do a Tito."

LATIN AMERICA

7. Argentina appears interested in trade agreement with the USSR:

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[Redacted] Argentine delegates to the Moscow Economic Conference discussed with Soviet officials a possible trade agreement which would provide for the exchange of leather, wool, casein, tungsten, and beryl for Russian machinery,

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Comment: It was reliably reported last December that Argentina and the USSR were planning to conclude secret trade negotiations "in the near future." Delegates returning from the Moscow Economic Conference stated that the USSR was primarily interested in Argentine wool.

Direct trade between the two countries has heretofore been negligible.

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8. Revolutionary plot in Cuba reported:

Rumors have been circulating in Cuba of revolutionary action to take place within the next few days, possibly on 20 May. These include reports of a plan to assassinate Batista during the 20 May celebrations of the fiftieth anniversary of Cuba's independence.

Comment: Rumors of an impending revolution in Cuba have been increasing during recent weeks. There is no reason to believe that the Batista regime does not have sufficient military support to thwart any armed attack.