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2 October 1951

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Copy No. 47

## CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 10NO CHANGE IN CLASS. 

11 DECLASSIFIED

CLASS. CHANGED TO: TS S C

NEXT REVIEW DATE: 2009

AUTH: HR 70-2

DATE 12/27/71REVIEWER: 

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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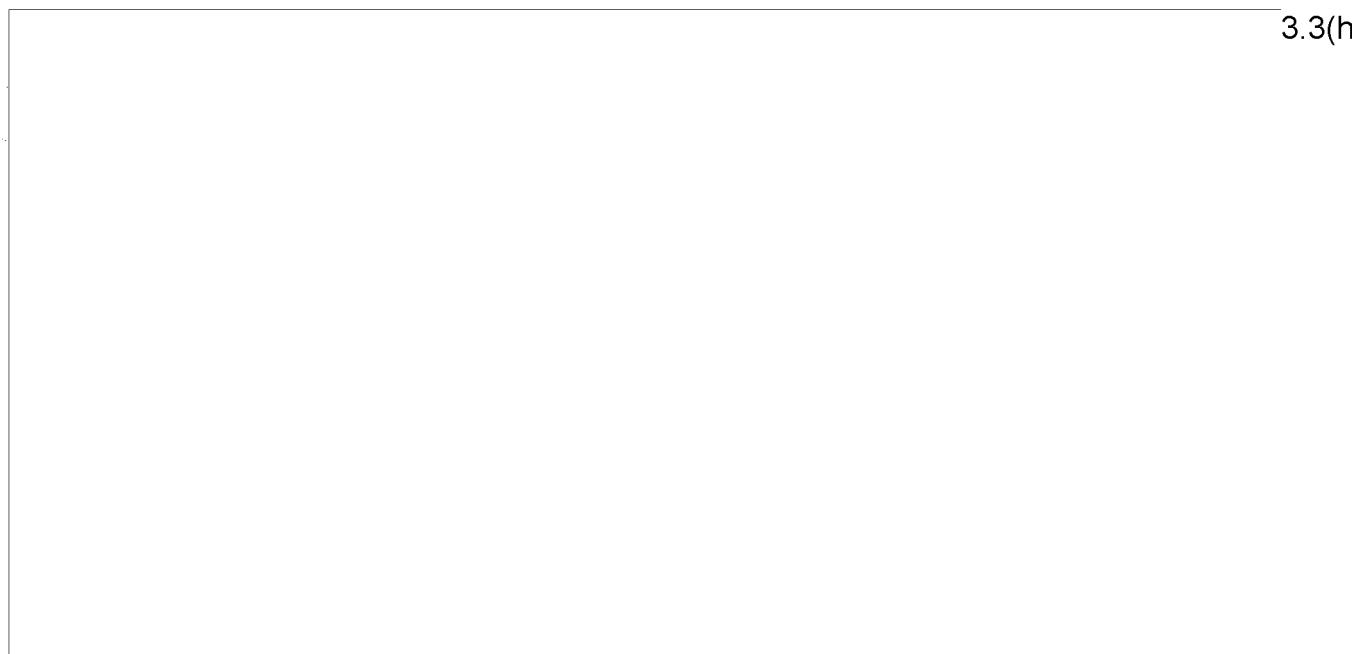
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## FAR EAST

2. French staff officer sees no end to Viet Minh rebellion:

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The chief of the French Bureau of National Defense in Indochina does not see how the Viet Minh can ever be defeated in the field unless they should commit "collective suicide" against French defenses. He believes that the threat to the Hanoi beachhead has been temporarily removed, but that the Viet Minh can go on recruiting indefinitely, while the French effort is approaching its financial, manpower, and materiel ceiling.

Comment: Although the fighting is now going against the Viet Minh, the French and the Vietnamese must create a dynamic Vietnamese army and administration to take advantage of this favorable trend. Progress has been slow, owing partly to materiel deficiencies and partly to mutual French-Vietnamese suspicion and recrimination.

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3. Chinese Communists conclude satisfactory arrangements to receive Indonesian goods:

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Comment: Indonesia prohibits the export of tires to any destination and has prohibited the export to China of strategic materials, including rubber, in consonance with the UN-sponsored embargo. Government controls are easily evaded, however, and shipment via Macao is standard procedure for items smuggled to the Chinese Communists. Recent reports allege that Macao officials are planning to make the Portuguese colony a more important transit base for strategic shipments to the Communists and are especially interested in stepping up shipments from Portuguese Timor, which adjoins Indonesian territory.

## NEAR EAST

4. Denunciation of Anglo-Egyptian Treaty increasingly favored in Egypt:

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Sentiment in Egypt favoring denunciation of the 1936 Anglo-Egyptian Treaty is increasing, despite the outward atmosphere of calm within the country. The US Embassy in Cairo reports that there is widespread skepticism in Egypt over the "new proposals" promised by the British and indeed considerable doubt whether the new

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prosals will be sufficiently liberal to counter the current anti-Western feeling in Egypt.

On 30 September the US Ambassador asked King Farouk to delay Egypt's abrogation of the treaty until the proposals could be advanced. Farouk replied that he could prevent Egypt from acting "for a brief space but not for long." The King added that he had told the Egyptian Government to prepare papers for abrogating the treaty, even though he hoped it would not be necessary to use them.

Comment: The successful implementation of the Middle East Command scheme -- the "new proposals" -- depends in large measure upon Egypt's approval of the plan. Once Egypt has taken the drastic step of abrogating the 1936 treaty, it will be difficult, if not impossible, to induce the Egyptian Government to consider a new defense scheme involving the present British base on the Suez Canal.

#### WESTERN EUROPE

##### 5. French and British contend expenses threaten Allied military strength in Austria:

The French and British commanding generals in Austria have again informed the US commander that the maintenance or reinforcement of their forces in Austria at the strength considered necessary will be imperiled unless an additional allotment to occupation costs is forthcoming from the Austrian Government. The US Legation believes that this argument will be used by French and British negotiators at the current tripartite discussions in Vienna.

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The Legation proposes, therefore, that French and British requirements be acknowledged as falling within the framework of European defense and the Military Assistance Program. Their needs could thus be met without imposing an additional burden on the Austrian economy.

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Comment: British and French requests for US support in a new approach to the Austrian Government on this question have heretofore been rejected on the grounds of overriding Austrian political and economic considerations. The merit of the procedure suggested by the US Minister is that US external assistance would not benefit the Soviet military establishment in Austria, which would share in any increase in Austrian occupation costs allocations. However, any overt association of Allied forces in Austria with the European defense program would be subject to Soviet charges that Austria is being brought into the "aggressive" North Atlantic Alliance.

## LATIN AMERICA

### 6. Comment on Argentine "army revolt":

Further information on the 28 September "army revolt" suggests that the government suppressed the beginnings of a weak revolt which it was convinced would fail because of the lack of army support. Since the most powerful army generals -- whose backing would be necessary to effect a successful coup -- were not involved in the plot, the army leadership apparently adhered to its agreement to support Peron through the elections if Senora de Peron withdrew her candidacy.

Peron's police have been aware of increased plotting among various military and civilian groups during the past several months, and in previous cases the government has neutralized any real threat by arrests or the shifting of army personnel. It is likely that in this instance, Peron's security measures were primarily calculated to reap propaganda benefits and identify his military opponents. The US Military Attaché in Buenos Aires was on 29 September, however, still not ready to discard the possibility that the government planned the entire incident for these purposes.

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