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~~TOP SECRET~~**GENERAL**

1. Comment on publication of Soviet proposals in secret London disarmament talks:

Soviet publication of complicated and detailed accounts of the latest Soviet proposals in the UN Disarmament Subcommittee meetings apparently is intended to establish a Soviet propaganda position in anticipation of a breakoff of the talks.

While this clear violation of the secrecy agreement was undoubtedly timed to influence the final debates on the Paris agreements in the French Council of the Republic, Moscow's principal motive probably was to demonstrate a contrast between the "sincere purposes" of the Soviet Union and what it charges are Western efforts to use the talks to conceal war preparations.

The resolution introduced by Gromyko on 18 March apparently will be the USSR's final position in the current talks. It is actually a synthesis of Vyshinsky's proposals to the UN General Assembly of 30 September 1954 and the 18 February Soviet statement which formed the basis of Gromyko's initial position at the London talks.

This latter proposal was unacceptable to the West. Gromyko abandoned it on 11 March and suggested that the conference should return to the Soviet proposals of last September which accepted the French-British proposals of June 1954 as the basis for discussion.

SOUTHEAST ASIA

2. Burmese operation against Chinese Nationalist guerrillas held endangered:

The Burmese army has suffered initial setbacks severe enough to endanger its entire operation against the Chinese

Nationalist guerrillas along the Thai border, according to information from the American consulate in Chiengmai. Guerrilla agents, who are said still to have free access to northern Thailand, are openly jubilant and even boast that they will take Kengtung, about 75 miles north of the current fighting.

The American embassy in Bangkok believes that at best Burmese forces can now win face-saving victories. It fears the Burmese may blame their lack of success on Thai duplicity.

Comment: For the past three years the Burmese government has regarded the Chinese irregulars as the chief threat to its security and has committed approximately a fourth of the Burmese army to the current operations.

Failure of the campaign would probably lead to a reversal of the trend toward improved Thai-Burmese relations and might even result in a renewal of Burmese charges of American responsibility for the presence of the armed guerrillas in Burma.

3. Ceylon may raise UN membership problem at Bandung:

Comment: Ceylon is not a member of the United Nations. Other nonmembers invited to Bandung are Communist China, Japan, North and South Vietnam, Jordan, Nepal, Libya, Cambodia, and Laos.

All but Communist China and the two Vietnams have been endorsed for membership by the General Assembly but vetoed by the Soviet Union.

EASTERN EUROPE

4. Yugoslavs see no advantage in Balkan pact link with NATO:

The Yugoslav ambassador in Ankara has informed the Turkish Foreign Ministry that his government sees no advantage in linking the Balkan pact and NATO. Belgrade believes such a link would accomplish nothing because Greece and Turkey already belong to NATO, and because Yugoslav relations with the large powers are developing satisfactorily outside of NATO.

Secretary General Birgi of the Turkish Foreign Ministry observed to the Yugoslav ambassador that this seemed to constitute a change from previous Yugoslav agreement to develop a modus operandi with NATO. Birgi told the American embassy, however, that he was encouraged by the invitation to Premier Menderes to visit Yugoslavia on 4 May, which presumably indicated Belgrade's willingness to discuss the matter.

Comment: During negotiations for the Balkan alliance last summer Belgrade suggested to the Greeks and Turks that it would agree to some informal arrangement for further co-operation and planning in conjunction with NATO.

Belgrade's opposition to becoming linked with NATO is probably motivated by the belief that its independent position, which has enabled it to do business with both East and West, would be damaged.

5. Disunity in Hungarian Communist Party reportedly threatens Rakosi's control:

Serious disunity in the Hungarian Workers' Party leadership is making it difficult for party leader Rakosi to remove Premier Nagy from office, according to a reliable source of the American legation in Budapest. Nagy reportedly refused to appear before the central committee meeting in early March to defend himself against accusations of "anti-Marxist

rightist deviation," or to recant. In this he is said to have the support of a majority of party members.

The legation believes the factors behind the regime's failure to remove Nagy are his strong stand, his popularity, and Moscow's desire to avoid the impression that a struggle for position is being waged.

The Yugoslav minister to Hungary reports that party committee elections are being held in the provinces to try to weed out Nagy's supporters.

Comment: The same leaders who unanimously supported Rakosi's denunciation of Nagy on 4 March had last October enthusiastically endorsed Nagy's liberal program while Rakosi remained silent. The long delay in replacing Premier Nagy, who has made no public appearances since 23 January, lends support to the reports of serious differences in the party.

Although Soviet leaders are reported to have prevented Rakosi from taking severe measures against Nagy, it is unlikely that Rakosi's control of the party will be successfully challenged since he is apparently backed by Moscow.

WESTERN EUROPE

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THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington up to 1100 hours 25 March 1955.

1. No significant military activity has been reported.

2. The shipment of approximately 13,000 Chinese Nationalist filler personnel--predominantly native Formosans--to the Quemoy group during March has brought the units there to full strength of 68,000 troops, thus considerably increasing the Nationalist capability for defense of these islands. The morale of these fillers, who have had four months of basic training, is reported as good. This movement, along with the movement of 2,400 troops recently sent to the Matsu group, represents the first use of Formosans away from their home. [redacted]

3. A possible reflection of Chinese Communist difficulty in distributing POL products within China, especially in the Formosa Straits area, is the modification now in progress in Shanghai of an LSM to transport bulk kerosene. Although China has been receiving large quantities of kerosene, which may be jet fuel, the lack of a railroad to the coastal region of the Fukien province and the danger of capture of large tankers has precluded the movement of significant amounts of POL into the Formosa Straits area. [redacted]

4. [redacted]

jet fighter aircraft

are operating there. Liuchou is the base of the 26th Air Division, which is composed of two regiments of LA-11 piston fighters. Any reequipment of this division with jet fighters would enhance Chinese Communist defensive capabilities in southern China, but would have little effect on Chinese Communist capabilities in the Formosa Straits. MIG's from Liuchou would have to stage through at least one other field to carry out attacks against the Matsus or Quemoy. [redacted]

