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SECURITY INFORMATION

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USSR

1. Baku catalytic plant believed in production:

[Redacted]

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Comment: The catalytic cracking refinery in Baku, a unit of Plant No. 229, which has been under construction for several years, is believed to be starting production of B100/130 octane aviation gasoline, generally used by Soviet long-range bombers. Another catalytic cracking plant is under construction in Baku.

The annual capacity of the completed plant is estimated at 135,000 metric tons of aviation gasoline, about equal to each of the two Lend-Lease plants at Gurev and Orsk. An additional plant may possibly be in operation in Grozny and another is being completed in Krasnovodsk. Two other catalytic cracking refineries, in Kuibyshev and Ufa, are still under construction.

FAR EAST

2. Possible high-level Sino-Soviet conference at Peiping:

[Redacted]

Between 28 February and 4 March, 16 LI-2 transports converged on Peiping from various points, including Irkutsk, Dairen, Mukden, and Chengtu, West China. Special requests for weather reports, [Redacted] and the number of both Russian and Chinese transports indicate that the passengers were important officials. The evidence points to a high-level Sino-Soviet conference.

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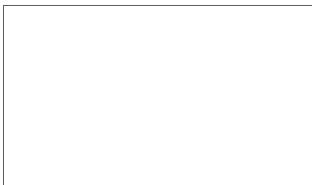
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Comment: Recent Chinese and Soviet propaganda has charged that the UN desires to expand hostilities. Such propaganda, while suggesting Sino-Soviet preparations for this development, does not indicate whether Moscow and Peiping hope to prevent an expansion of hostilities or have determined to provoke it.

3. Burmese suspicion of the United States and Britain revealed:



The Burmese Foreign Ministry warned its Ambassador in Peiping that the United States and Britain are "playing a deep game" with the Chinese Nationalists in Kengtung, and that their "obvious aim" is to provoke Communist

China and frighten Burma into aligning itself with the West.

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The Burmese Government therefore opposes the British suggestion, which it believes was instigated by the United States, of a UN investigation of the Nationalist problem. It fears that such action might be "subservient to the US" and a cloak for an inquiry into Communist activities along the Sino-Burmese border.

The Ambassador was informed that it was essential, in the prevailing delicate situation, to preserve good relations with China. He was requested to remind the Peiping regime of Burma's neutrality, stressing its refusal to accept American military aid under the Mutual Security Assistance program.

Comment: This is the most authoritative statement yet available outlining the official Burmese attitude on the Chinese Nationalist problem.

4. Political showdown in Thailand reportedly imminent:



Promulgation of the new Thai constitution and the simultaneous resignation of the cabinet, scheduled for 8 March, will precipitate a showdown between Police Director General

Phao and Assistant Army Commander Sarit,

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Premier Phibun, according to this report, will not be reappointed, because Phao is allegedly backing his father-in-law, Army Commander Phin, for the Premiership. Sarit favors Seni Pramote, a prominent royalist.

Comment:

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Friction between the Phao and Sarit factions, which together control Premier Phibun's government, has been frequently reported for months. To date, an overt clash has probably been prevented by a systematic and apparently satisfactory allotment of the various economic and financial opportunities for unrestricted exploitation by the two groups.

NEAR EAST - AFRICA

5. Yemen continues to seek closer understanding with the USSR:

The Yemeni Minister to London has informed the Imam that he discussed with his Soviet colleague the question of obtaining Soviet support and "paved the way for a mutual understanding." The Yemeni Minister believes that

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the Russians have been considering a renewal of the 1928 Soviet-Yemeni Treaty, as well as the possibility of sending a trade delegation, "or something similar," to Yemen.

Comment: The Imam on 8 February had asked his Minister in London to contact the Russians regarding a "mutual understanding."

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6. British and Turks fear new Egyptian disturbances:

[Redacted]

British troops in the Suez Canal area, who would be called upon to occupy the delta region in case of a breakdown of public order in Egypt, have again been put on a 24-hour alert owing to British fears that disturbances may reoccur.

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The Turkish Ambassador in Cairo believes that the British are "overplaying their animosity to the Wafd Party which may backfire in the end and even produce chaos in the country." He added, however, that Turkey still supports the British position in Egypt.

Comment: Underneath the outward calm which Prime Minister Hilali is maintaining under martial law is the continuing possibility of violence induced by the Wafd Party. In spite of the strong Palace support for the Premier, it is an open question how far Hilali can go against the well-organized and well-entrenched Wafd.

7. French plan on Suez Canal operations interests British:

[Redacted]

According to the French Ambassador in London, the prospect of a resumption of Anglo-Egyptian negotiations and the possibility that British troops might eventually evacuate Egypt have increased British Foreign Office interest in a French plan for assuring uninterrupted traffic through the Suez Canal. The French propose that all interested powers should determine now what international action to take under UN auspices in the event that local disturbances in Egypt disrupt traffic.

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The Ambassador points out that the maritime powers using the Canal would be at the mercy of the Egyptian Government if disturbances should break out after the withdrawal of British troops, since Egypt might be incapable of restoring order in the Canal area.

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Comment: The recent lessening of tension between the British and the Egyptians in the Canal zone diminishes the immediate need for an international plan to assure uninterrupted use of the Suez Canal.

EASTERN EUROPE

8. Czechoslovakia postpones purchase of electrolytic copper:

[Redacted]

Metalimex, a Czech metal import company, has informed a British firm that it will not be in the market for an offer of 1,500 tons of electrolytic copper until the middle of March, although it finds the offer interesting. 3.3(h)(2)

Comment: This refusal is further evidence of a reduction in Czech buying caused by the lack of hard currency reserves. This shortage was previously reflected in a December message in which the Ministry of Foreign Trade stated that purchases of goods in India were being slowed down by a lack of foreign exchange. The terms of the current British offer are reasonable; at any time in 1951 the Czechs probably would have met them.

WESTERN EUROPE

9. Italy to make counter-proposal on Trieste issue:

[Redacted]

Italy, having rejected Yugoslavia's proposal for a joint administration of the entire Free Territory of Trieste, now plans to suggest that a general plebiscite be held in both zones to determine the territory's ultimate nationality. [Redacted] 3.3(h)(2)

[Redacted] The Italian Foreign Office believes this proposal will be unacceptable to Yugoslavia and will therefore provide an easy escape from further negotiations at this time. 3.3(h)(2)

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Comment: The plebiscite proposal is an attempt by the Italian Government to give the impression both to the West and to the Italian people that it is actively working for a solution of the Trieste issue. The Foreign Office's estimate of its chances of being accepted by Yugoslavia confirms previous indications that Italy does not desire a settlement now.

10. US observers analyze forthcoming Italian elections:

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[Redacted]

The American Embassy in Rome reports that the prospect for "democratic" success in the Italian local elections scheduled for 25 May in southern Italy is "fairly good" in most large cities, including Naples. In Rome, however, the strength of those pro-government parties which are willing to be linked in a common electoral list is insufficient to give a "safe" margin, because the Democratic Socialists and the Republicans are still reluctant to be associated even indirectly with the Monarchists.

Comment: The local elections are particularly useful as harbingers of results in the national elections, planned for late this year or early 1953. Observers believe that even if the Democratic Socialist leadership decided to enter an electoral alliance with the government parties and Monarchists, their party following would in many cases refuse.

LATIN AMERICA

11. Czechoslovakia shows interest in Guatemalan situation:

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Comment: The Czech Commercial Attaché in Mexico and his superiors in Prague have shown interest in Guatemala for at least two years. Some arms of Czech origin were distributed by a Czech representative in Guatemala last October.

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