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GENERAL

- 1. Burmese trade negotiations with Communist China and USSR reportedly well advanced:**

The American ambassador in Rangoon was informed by the Burmese ambassador to Moscow that the general principles of a Soviet-Burma agreement had already been settled and that the entire arrangement would soon be made public.

3.3(h)(2)

3.3(h)(2)

Comment: The unusual rapidity with which negotiations have proceeded since the Burmese first broached the possibility of trade to Moscow and Peiping on 8 October reflects the Sino-Soviet interest in expanding political influence in Southeast Asia through commercial ties.

The two Burmese ambassadors are influential members of the ruling Socialist Party. They are noted for their anti-Western bias and will support those in government who favor expanded relations with the Orbit.

FAR EAST

- 2. Thimayya says Nehru confused and indecisive over Korean prisoner issue:**

General Thimayya informed Ambassador Briggs on 22 December that Prime Minister Nehru appeared to be getting more confused and indecisive over the release of Korean prisoners. According to Thimayya, the prime minister's messages had become "misty" in recent days compared to the clear understanding and full support they had previously shown.

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Thimayya said he had made it clear to his government that failure to release the prisoners would inevitably provoke riots and a mass breakout, forcing the Indian troops to kill hundreds or surrender control and stand humiliated before the world. He was greatly concerned over Krishna Menon's presence in New Delhi at this critical time.

Comment: The Indian foreign secretary told Ambassador Allen on 22 December that in the absence of a UN directive or a new agreement between the Communists and the UN Command, the Indian custodial force might simply declare itself no longer competent to hold the prisoners after 22 January and might allow them to go where they please.

3.3(h)(2)

[redacted] India's indecision therefore probably is over the manner of release and the desirability of gaining the sanction of the United Nations in advance, rather than over whether the prisoners should be held beyond 22 January.

SOUTHEAST ASIA

3.

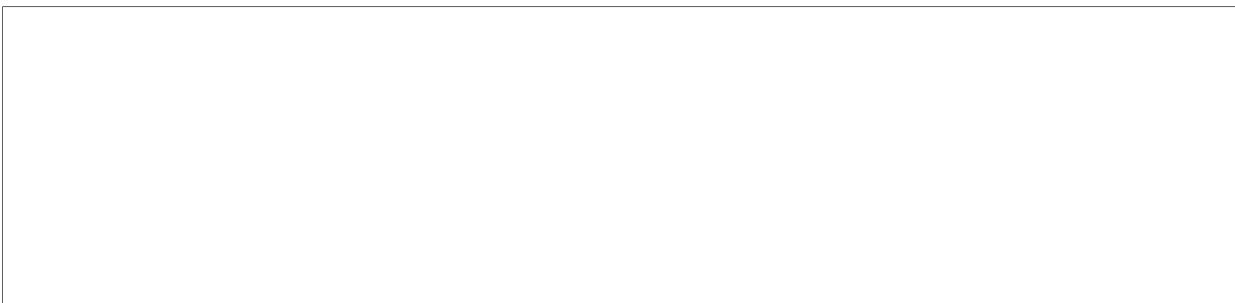
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3.3(h)(2)



SOUTH ASIA

4. Britain informs India of nature of contemplated American military aid to Pakistan:

On 18 December Foreign Secretary Eden told the Indian high commissioner in London that contemplated American military aid to Pakistan apparently involved no bases, that it seemed to consist merely of a gift of \$25,000,000 in military aid, that this could not materially alter the strength ratio of the Indian and Pakistani armies, and that India would do well to play down the matter.

3.3(h)(2)

The British Commonwealth Relations Office subsequently told an American embassy officer that it was prepared to repeat these views as occasion warranted.

Comment: Indian diplomatic representatives in both London and Washington have now been officially apprised of the nature or quantity of aid contemplated, and on the latter point India may be even better informed than Pakistan. Continued official Indian agitation on the subject accordingly seems to be willful misrepresentation for the purpose of preventing any aid whatever from reaching Pakistan.

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NEAR EAST - AFRICA

5.

Iranian oil agreement will reduce Arab oil income^{3.3(h)(2)}

3.3(h)(2)

Comment: Even after agreement is achieved, Iranian oil would be permitted to return only slowly to world markets. Therefore, if the present expansion of the oil market continues small, temporary cutbacks in Arab oil production are the worst that can be expected.

Exaggerated Arab fears, however, may result in sharp Arab pressure on the oil companies not to reduce their local production.

6. Turkey to grant Libya financial aid:

3.3(h)(2)

Comment: The Libyan Development Agency is an international organization responsible for Libya's economic development programs. A minimum annual contribution of 10,000 pounds is required for membership, which now includes Britain, France, Italy and Turkey as well as Libya. American economic assistance to Libya is handled through the Point IV program.

3.3(h)(2)

WESTERN EUROPE

7. French stand on EDC not resolved by presidential election:

The election to the French presidency of the relatively obscure Rene Coty, member of the conservative Independent Republicans and vice-president of the upper house of parliament, leaves unresolved the underlying differences over EDC which have almost hopelessly divided the National Assembly. Coty was probably picked because in his 30-year parliamentary career he has avoided strong stands on controversial issues and has taken no public position in the present contest over EDC ratification.

Prior to the establishment of the Council of Europe in May 1949, however, Coty played an active though not a prominent part in the "European Movement," the "umbrella" organization of various groups interested in furthering European unity; he is still listed as head of the Movement's French parliamentary group. In February 1949 he represented Paul Reynaud at the organizing conference in Brussels which voted, among other things, for a resolution to invite West Germany "forthwith" to join the new community of Europe.

While this was before there was any question of German rearmament, as late as the fall of 1952, when Coty was a member of the French delegation to the Council of Europe, he impressed an American observer in private conversation as "reasonably enthusiastic for a Frenchman" in support of the Community of Six.

On the other hand, however, there is some doubt as to Coty's present attitude toward the EDC, since part of his support in yesterday's election came from rightist deputies who had rejected earlier candidates because they were too closely associated with the defense community. (*Unclassified*)