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11 September 1951

3.5(c)

Copy No. *c1 - 9*

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. *65*

NO CHANGE IN CLASS.

 DECLASSIFIED

CLASS. CHANGED TO: TS B C

NEXT REVIEW DATE: *2001*

AUTH: HR 70-2

DATE *7-12-71* REVIEWER

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

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FAR EAST

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3. UK seeks to forestall Burmese appeal to UN over Chinese Nationalists in Burma:

[Redacted]

US Ambassador Key in Rangoon reports that his British colleague, acting under instructions from the UK Government, is attempting to dissuade the Burmese Government from making a complaint to the United Nations about the continued presence of Chinese Nationalist troops in northeast Burma.

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Comment: The Burmese had originally intended to present the problem to the UN on 6 September, but postponed action to avoid conflicting with the San Francisco conference. Ambassador Key has been assured by the Burmese that he will be notified before any such action is taken.

The UK no longer exercises sufficient influence over Burma for its representations to be effective in this matter.

3.3(h)(2)

4. Burmese Ambassador to Peiping implies US supporting Chinese Nationalist troops in Burma:

[Redacted]

According to a French Press Agency report from Hong Kong, the new Burmese Ambassador to Communist China stated that the Chinese

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Nationalist forces under General Li Mi which were recently driven out of Yunnan into Burma were controlled by the Nationalist Embassy in Bangkok. He also asserted that it was possible the US was supporting these forces, as they carried arms and equipment of the latest US manufacture.

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5. Opposition to treaty ratification poses threat to Indonesian cabinet: 3.3(h)(2)

Although the Indonesian cabinet authorized signature of the Japanese peace treaty, it did so after a split vote — with the National Party, Indonesia's second largest party, in opposition.

The National, the Socialist and the Christian parties, and all leftist groups, have subsequently stated that they definitely oppose ratification of the treaty. The National Party has intimated that it will withdraw from the cabinet if the treaty is ratified.

Comment: Even without the support of the National Party and other opposing groups, the government has sufficient parliamentary support on this issue to obtain ratification of the treaty. However, the cabinet is primarily a National Party-Moslem coalition, and if the former carries out its threat to withdraw from the cabinet if the treaty is ratified, the government will fall.

SOUTH ASIA

6. War tension in Pakistan appears to have slackened:

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A considerable relaxation of tension in Pakistani public feeling regarding Indian-Pakistani relations is reported by the US Military Attaché

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in Karachi. Both India and Pakistan have reinstated military leaves. The US Consul General in Lahore, who toured the frontier areas at the end of August, has also reported that the populace is much calmer than it was several weeks ago.

Comment: The somewhat relaxed atmosphere may represent a natural let-down after almost two months of excitement and anxiety. Floods and the current monsoon would seriously hamper any major military operations. However, until there are sizeable troop withdrawals from the frontiers, the threat of war continues.

NEAR EAST

7. British decide to ask Shah to remove Mossadeq:

3.3(h)(2)

The British Ambassador in Tehran has been instructed to recommend to the Shah the replacement of Prime Minister Mossadeq, preferably with Seyyid Zia. The ambassador has also been asked to state that in the near future the UK may find it necessary to take steps to protect its own economy against the effects of the situation in Iran.

The Department of State, when consulted by the British beforehand, expressed doubts as to the wisdom of such a direct request to replace Mossadeq, especially with Seyyid Zia. It has, however, instructed Ambassador Grady in Tehran to say nothing to the Shah that might discourage his compliance with the British request.

Comment: While the British have been anxious for some time to have Mossadeq replaced by a more amenable Prime Minister, they have not hitherto gone so far as to make formal representations to the Shah.

The economic measures, which the British have now announced, include the cancellation of the Anglo-Iranian agreement by which the UK converts Iranian sterling holdings into dollars, the cutting off of all British supplies of "scarce goods" to Iran, and the imposition of the same licensing procedures on exports to Iran that are currently applicable to Communist countries.

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WESTERN EUROPE

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8. Schumacher incensed at failure of Harriman to confer with him:

[Redacted]

Dr. Kurt Schumacher, leader of the Social Democratic opposition, has told associates that W. Averell Harriman's failure to confer with him on his latest trip to Bonn is one of the most serious blows he has received at the hands of the Americans.

Schumacher stated that, in his opinion, the US Department of State is too friendly with the French, and under French influence. He asserted that he would never agree to a project for German army contingents under French leadership.

Comment: Schumacher has made frequent charges, largely for public consumption, that the Allies or the government have failed to consult him on important matters. At the present time, with key negotiations on contractual arrangements and rearment under way, he may exert very effective pressure in opposition to US policy.

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