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29 June 1954

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Copy No.

80

3.5(c)
3.3(h)(2)

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 30
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 2/11/80 REVIEWER:

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL**1. Comment on conclusion of Nehru-Chou talks in New Delhi:**

[Redacted]

It is unlikely that a formal mutual friendship or nonaggression pact will result from the talks between Chou En-lai and Nehru in New Delhi. The heavy emphasis

placed by both leaders on the preamble to the 29 April Sino-Indian treaty on Tibet as an example for other nations to follow indicates that this treaty is considered sufficient. The preamble laid down the principles guiding the relationships between the two countries as mutual respect for each other's territorial integrity, nonaggression, noninterference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

Nehru's own belief in these principles may encourage him to think that Chou is sincere in his professions of devotion to them, and Nehru may therefore be increasingly critical of Western objections to any Communist-supported settlement terms for Indochina.

It may be noted, however, that while reiterating respect for territorial integrity, China has not yet recognized the Indo-Tibetan boundary claimed by India and still claims parts of Kashmir, Assam, and northern Burma. Furthermore, in stating that coexistence is possible and that an Indochina settlement should aim at the creation of free, democratic, unified, and independent states, not subjected to foreign intervention, Chou has left the way open for such "nationalist independence" movements as Ho Chi Minh's to develop without interference. This portion of the communiqué is similar to public and private statements made by Chou at Geneva, aimed at gaining control of Vietnam, neutralizing Laos and Cambodia, and frustrating any efforts to develop a Southeast Asian defense alliance.

[Redacted]

2. French and Viet Minh at Geneva apparently expect early agreement on Vietnam:

The acting chief of the French delegation at Geneva met with the Viet Minh delegate on 25 June in what appears to be the first of a series of private conversations on "political and larger questions." The Communist official was described as very "agreeable" and anxious to reach agreement with the least possible delay.

The French representative is reported to have spoken of the necessity of retaining the Haiphong "enclave" and the question of "leaving the line as far north as possible."

In response to the Viet Minh spokesman's bid for an early interview with Mendes-France, the French delegate replied that such a meeting could be arranged when their talks reached agreement and the ministers returned to Geneva.

Comment: This conversation suggests that both parties expect an early agreement on a cease-fire in Vietnam. It also suggests that this agreement will provide for Communist control of the greater part of Vietnam, including all the delta except a small enclave.

3. Possibility of prearranged cease-fire with Viet Minh suggested:

[redacted] who was briefed by the French on the truce meeting scheduled for 29 June north of Hanoi drew the conclusion that "everything had been arranged" and that an agreement would be signed on that date. He cited reports from newspapermen who visited Nam Dinh on 27 June that long convoys of supplies and equipment were proceeding north over roads which ten days ago had been heavily mined and under frequent mortar fire and that the French were even removing electric fans from their offices.

Furthermore, [redacted]

[redacted] both French and Vietnamese units are evacuating all heavy equipment from the Thai Binh, Phat Diem and Bui Chu sectors of the southern delta, in addition to Nam Dinh. The evacuation, to be completed by 1 July, is being facilitated by currently secure conditions along the withdrawal routes. Rumors have circulated in this region that meetings have already taken place at a point north of Hanoi between high military authorities of both sides to rule on "partition of zones."

4. USSR presses Afghanistan to accept further economic aid:

[redacted] The Soviet embassy in Kabul has presented the Afghan government with a 70-page list of economic aid projects, and is applying constant pressure to get items on the list accepted, according to the American embassy.

[redacted] the USSR and Afghanistan have actually concluded the agreements for the construction of a gasoline pipeline, a hard-surfaced road and additional oil storage facilities.

The Afghan foreign minister has stated that he is aware of the dangerous implications of the Soviet offers and, although under great pressure, has accepted only the least objectionable projects.

Comment: Moscow demonstrated its willingness to give economic and technical aid to South Asian countries in late 1953, but in no instance has it pressed so energetically as in Afghanistan--particularly since the conclusion on 2 April of the Turkish-Pakistani agreement.

SOUTHEAST ASIA

5. French position in southern Annam threatened:

[Redacted]

Recent French-Vietnamese troop withdrawals from An Khe and Song Cau in southern Annam suggest an "Operation Atlante" in reverse, according to the American army attaché in Saigon (see map, p. 7). There is a strong possibility that the port of Qui Nhon will also soon be evacuated.

French-Vietnamese forces, while retreating from An Khe, lost upwards of 500 men and over 200 trucks when attacked by two enemy battalions, the attaché states. The headquarters of a French mobile group "disappeared."

Comment: "Operation Atlante" was begun last winter by General Navarre to clear large areas of southern Annam. At one time, about 20 battalions were committed.

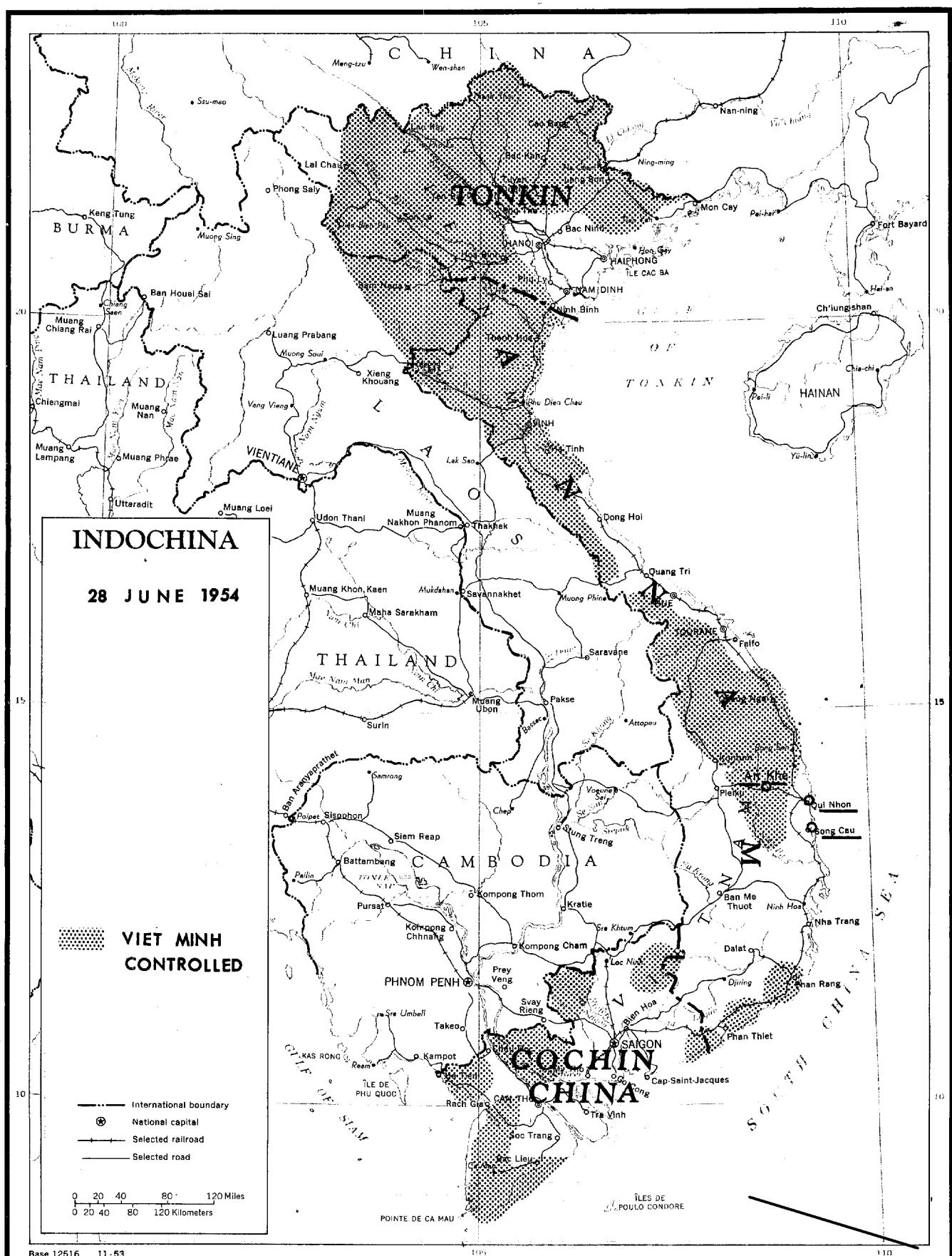
A concentration of about 16 Viet Minh battalions in southern Annam has gradually increased pressure on French forces in this area until French influence over even small sectors is problematical.

NEAR EAST - AFRICA

6. Israel continues to reject basic idea of Jordan River valley plan:

[Redacted]

Eric Johnston, special ambassador to the Middle East, reports that Israel refuses to accept the main point of the American plan for the development of the Jordan River valley--the use of Jordan waters only in the Jordan valley. He says, however, that the Israeli representatives put forward various counterproposals, which indicated a clear intention to negotiate--particularly on individual projects.

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Comment: Israel is determined to achieve control of the Jordan River, primarily in order to irrigate the Negev desert south of the Jordan valley.

The readiness of the Israeli government to continue negotiations probably reflects unwillingness to bear the onus for defeating the American proposal.

Johnston and the Arab Technical Committee in Cairo publicly announced on 25 June their agreement on the use of Jordan water in the Jordan basin only.

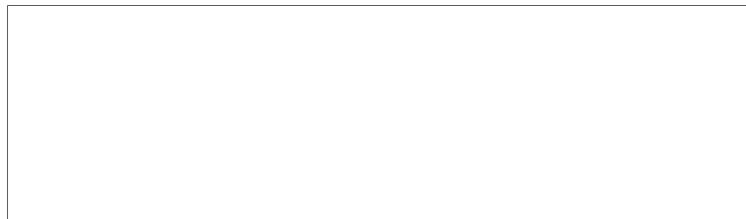
7. Saudi king decrees termination of Point IV program:

[Redacted]
King Saud has signed a decree terminating the Point IV program in Saudi Arabia, according to Ambassador Wadsworth.

Wadsworth was informed on 27 June by Deputy Foreign Minister Yusuf Yassin that termination would become official with written notification from the Foreign Ministry.

Comment: Wadsworth was first told on 1 June of the Saudi government's desire to cancel Point IV--a move in line with its increasingly anti-American policy.

8. Moroccan sultan may soon be removed:



Comment: A change of sultans would probably temporarily lessen the tension in Morocco, but it would not alone settle the long-standing differences between the nationalists and the French over autonomy and eventual independence.

Arafa is unsatisfactory to both the nationalists and the French. Moulay Abdullah, the second son of Ben Youssef, has been repeatedly suggested as a compromise successor to Arafa.

EASTERN EUROPE

9. Joint Soviet-Rumanian Bank discontinues activities:

Comment: The dissolution of Sovrombank suggests that other joint companies, although probably not the uranium mining company, will be returned to Rumanian ownership. However, the USSR will undoubtedly maintain control of the Rumanian economy through less obvious methods.

[redacted] the joint Soviet-Rumanian companies were being dissolved by the USSR in order to give a greater appearance of equality to Soviet-Satellite economic relations. [redacted]

[redacted] a recent meeting of the Council of Mutual Economic Assistance (CEMA) had included discussion of the possibility of organizing a pool along the lines of the Schuman Plan to control Orbit steel and oil industries.

WESTERN EUROPE

10. Premier Scelba hopes for Trieste agreement by 15 July:

[Redacted] Hope for a Trieste agreement by 15 July is the basis of Premier Scelba's new parliamentary "grand design," he told Ambassador Luce in Rome on 26 June.

If the present London talks produce a satisfactory settlement by that time, Scelba said, he plans to use the month remaining before the usual 15 August parliamentary recess to bring about ratification of EDC and of the pending military facilities agreement with the United States. His design includes the threat of a special session in the heat of August to force speedy ratification.

Scelba gave Ambassador Luce a formal assurance that he would sign the facilities agreement "within 24 hours" after a Trieste solution is announced. If the Trieste question is still unresolved in September, he said, parliamentary action on the other two matters would be far less certain.

Comment: [Redacted]

[Redacted] Rome is still negotiating several points in the proposals the United States and Britain recently handed to Italy as a basis for a Trieste settlement. Scelba's remarks, though showing new optimism, still display his determination to make important policy decisions dependent on a Trieste agreement. [Redacted]

LATIN AMERICA

11. New military government of Guatemala reportedly outlaws Communist Party:

[Redacted] The military junta which assumed control of the Guatemalan government on 27 June has outlawed the Communist Party, according to the Guatemalan radio, as reported from Tegucigalpa on 28 June. The new government is headed by a military junta consist-

ing of Colonel Carlos Enrique Diaz, former chief of the armed forces, Colonel José A. Sanchez, former defense minister, and Colonel Elfego Monzon.

The insurgents led by Castillo Armas have denounced Diaz as a usurper and Diaz has proclaimed his intention to continue military efforts against Castillo Armas. However, discussions are being held in an effort to establish terms for a settlement mutually acceptable to the two groups.

Leaders of three of the pro-Communist political parties which backed the Arbenz administration have called on their members to give united support to Diaz.

Comment: It would appear that the Guatemalan government is attempting by the maneuver of ousting Arbenz and outlawing the Workers' Party to remove the stigma of Communism from the government and thereby take from Castillo Armas the reason for his campaign. Most of those calling for support of the new government have long pro-Communist records.

There are unconfirmed reports that the younger army officers are dissatisfied with the triumvirate and may seek opportunities to unseat Diaz.