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ED

1 December 1954

[redacted] 3.3(h)(2)  
3.5(c)

Copy No. 80

## CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 29  
NO CHANGE IN CLASS.   
 DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 2010  
AUTH: HR 70-2  
DATE: 7/1/80 REVIEWER: [redacted]

[redacted]

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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~~TOP SECRET~~**GENERAL**

1.

**FAR EAST**

2. South Korean government uses force to undermine US aid agreement:

South Korean national police, undoubtedly at the direction of President Rhee, used intimidation and beatings at an auction on 29 November to restrict free bidding for American dollars as authorized under the United States-South Korean aid agreement, Ambassador Briggs reports. Accordingly, one half of the

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[Redacted]

dollars offered were bid for at the old official and highly unrealistic rate of 180 hwan to the dollar and the remainder at rates far less than recent market quotations, which have ranged from 500 to 700 hwan to the dollar.

The United States has rejected the bids and has scheduled a new auction for 2 December.

[Redacted]

Comment: South Korean officials had previously indicated they wished to renegotiate the whole question of the hwan-dollar exchange rate if the provisions written into the aid agreement proved unsatisfactory.

[Redacted]

## SOUTHEAST ASIA

### 3. Comment on joint Burmese-Viet Minh communiqué:

[Redacted]

The joint communiqué issued by Burmese premier Nu and Ho Chi Minh on 29 November enhances the initial propaganda victory gained by the Communists when Nu decided to stop in Hanoi but not in Saigon en route to and from Peiping.

The communiqué affirms the applicability of Chou En-lai's five principles to relations between Burma and Vietnam and is far more explicit than the Ho-Nehru statement made at the time of the Indian premier's stopover in Hanoi. Its wording differs little from that normally used by sovereign powers which recognize each other, and its tone strongly suggests Burma's tacit endorsement of the Viet Minh's claim to speak for all of Vietnam.

Despite the tone of the communiqué and Nu's warm public remarks in Hanoi, it is unlikely Burma will

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formally recognize the Viet Minh in the near future. Prior to Nu's departure for Hanoi, the Burmese government took the position that recognition of either the Viet Minh or the Diem government before the 1956 Vietnam elections would be premature.

4. Hoa Hao spokesmen complain of interference by French and Vietnamese authorities:

[redacted] [redacted] the French are stirring up Hoa Hao-Cao Dai friction in order to weaken the Diem government.

[redacted] a recent jurisdictional conflict between the forces of the two sects resulted when a French colonel ordered Hoa Hao forces to occupy a position at the same time that another French commander was ordering Cao Dai troops to occupy the same position.

[redacted] Diem is organizing Catholic "militants" into a personal army which he intends to use against the sect.

[redacted] 1,500 Tonkinese "militants" had already been settled with their families in Hoa Hao areas.

**Comment:** The recent dismissal of General Hinh removes the principal source of friction between the government and the army. Abundant opportunities will remain, however, for the incitement of strife between the government and the various political groups of South Vietnam. Certain French officials had attempted earlier to discourage a rapprochement between Diem and the sects, and they may renew their efforts along this line.

To the extent that Diem is able to bring the army under his control, the sects will probably become increasingly fearful of government efforts to deprive them of their autonomy.

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## SOUTH ASIA

5. Nehru condemns Indian Communists:

[redacted]

Prime Minister Nehru, in a speech on 28 November, made his strongest public attack on the Communists since he took office, according to the American embassy in New Delhi. While Nehru's main attack was directed against Indian Communists, he made it clear that he considers both Soviet and Chinese Communism to be unsuitable for India.

Nehru said that in spite of India's unparalleled achievements, Indian Communists, who are professional troublemakers, have failed to see the progress in their own land and look instead to the USSR and China.

The embassy believes the most plausible explanation for the timing of the speech is that it was the opening gun in the election campaign in Andhra state, where the Communists are strong.

Comment: This speech is consistent with the position held by Nehru for some time. There are indications, however, that his anti-Communist feelings have been intensified by his recent visit to China--as illustrated by his linking of Communist China with the USSR as a source of inspiration for Indian Communists.

## NEAR EAST - AFRICA

6. Egypt may release Israeli ship and crew seized in September:

[redacted]

Foreign Minister Fawzi has told Ambassador Caffery that "in all probability" Egypt will announce within the next few days the release of the ten-man crew of the Israeli ship Bat Galim "for lack of evidence" to support the murder charge placed against them. The crew, accused of killing two Egyptian fishermen as their ship approached Suez, has been held since the ship was seized on 28 September when it attempted to pass through the Suez Canal from the south.

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Fawzi added the ship would "probably" also be released on condition that it does not pass through the canal.

Comment: Egypt apparently hopes by such action to forestall further UN Security Council consideration of the Bat Galim case and the related question of freedom of navigation through the Suez Canal. The council is expected to resume hearings on the case on 3 December.

Israeli officials have clearly indicated that Israel intends to force the issue of free passage of the canal. It is thus unlikely that Israel would accept release of the ship without recognition of its right to transit the canal.

#### WESTERN EUROPE

##### 7. De Gaulle seen taking moderate stand on Paris accords:

Ambassador Dillon reports that a member of General de Gaulle's staff doubts the general will advise his supporters in his 4 December speech to vote against the Paris accords. Nevertheless, the general believes the Soviet Union's "psychopathic fear of German rearmament" makes any action on it dangerous without prior East-West talks. He is convinced, according to his aide, that France should continue the search for an arrangement with the Soviet world through "normal diplomatic channels or other means," in order to avert "impulsive Russian action."

Comment: If De Gaulle does recommend French-Soviet talks prior to ratification of the Paris accords, some Gaullists, whose support Mendes-France is now counting on for ratification, are expected to vote against the accords. There are indications, however, that in such a case, the Popular Republicans, who now oppose ratification for tactical party reasons, would then vote for it.

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