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GENERAL

1. Comment on Chou En-lai's departure from Moscow:

The conclusion of the basic Sino-Soviet agreements on Soviet economic and military aid to China is suggested by the departure from Moscow on 22 September of Chinese Communist Premier Chou En-lai. On leaving, he cited the published agreements on the Changchun Railway and Port Arthur, but emphasized that the talks had included "important political and economic problems."

Eight members of the Chinese delegation, including four top economic figures and two military leaders, still remain in Moscow, presumably working out the details of unpublished agreements. Similarly, the continued presence in Moscow of the Mongolian defense minister, following the departure of the Mongolian premier, suggests further discussion of a tripartite agreement involving Outer Mongolia.

FAR EAST

2. Effects of UN air offensive in Korea reported:

[redacted] The North Korean Army headquarters has issued a report stating that during the period from 23 June to 15 August UN air attacks caused three times as much damage as in the previous two years, [redacted]

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[redacted] The report stated that 52 cities and 520 villages had been completely or partially destroyed, with 9,000 civilians killed. The situation was allegedly discussed at a meeting of a Communist front organization charged with drafting propaganda to counter the air offensive.

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Comment: These are the first purported enemy statistics on the effects of the intensified UN air campaign.

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SOUTH ASIA

6. Comment on appointment of pro-Communist Indian delegate to
UN General Assembly:

The announced appointment of V. K. Krishna Menon to India's UN General Assembly delegation, like that of K. M. Panikkar as Indian Ambassador to Cairo, places a very influential pro-Communist in a strategic position.

Krishna Menon, who until recently was Indian High Commissioner in London, is violently anti-American and pro-Communist. A close confidant of Prime Minister Nehru, he was a member of India's UN delegation in 1946 and 1947 and reportedly advised his colleagues to vote with the USSR on such issues as disarmament.

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NEAR EAST - AFRICA

7. Cities Service intends to buy oil if Iranian-British negotiations break down:

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[Redacted] Cities Service president W. Alton Jones told Ambassador Henderson on 19 September that if Iranian-British negotiations break down, he intends to purchase "increasing quantities" of crude oil for Cities Service and other American companies.

He has not informed Mossadeq of this fact. He has, however, told Mossadeq that he will try to find American specialists to put the new lubricating plant into production. Jones added that he would try to find additional technicians in case Cities Service starts to buy oil.

Comment: Jones appears ready to risk legal action by AIOC and the disapproval of other major companies. Vigorous British diplomatic reaction may be expected if Jones begins to move Iranian oil.

8. Saudi Arabia protests flight of British aircraft over disputed area:

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[Redacted] Saudi Arabia has delivered a note to Great Britain protesting the flight of aircraft over the disputed Buraimi area, near the entrance to the Persian Gulf. The note maintains that the act violates Saudi Arabian sovereignty and threatens, unless such activities cease, that the case will be referred to the UN Security Council.

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Comment: Part of the Buraimi area is claimed by the British-protected Sultan of Muscat. On 15 September the British Charge in Jidda presented to King Ibn Saud a note protesting the presence of Saudi Arabian troops in the area and threatening that if they were not withdrawn, Great Britain would take the necessary steps "to protect its position."

9. British army chief favors evacuating troops from Suez base:

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[Redacted] Britain's Secretary of State for War, Brigadier Head, who conferred in the Suez Canal zone on 18 September with British Ambassador Stevenson, believes that all British troops, with the exception of "technical" and RAF fighter units, should be evacuated from the zone.

According to Ambassador Caffery, the low morale of the troops is a primary British consideration.

Comment: On 11 September General Sir Brian Robertson, commanding officer of the British Middle East Land Forces, informed an American official that to hasten a settlement with Egypt on the Suez problem, the British military might concede more than they should from a military viewpoint.

In the past Great Britain has rejected suggestions that even a token withdrawal should be undertaken in order to facilitate a settlement of the Anglo-Egyptian dispute.

WESTERN EUROPE

10. French Communists reportedly planning vigorous anti-American tactics:

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[redacted] Communist 50X1
activity against Americans in France will be renewed in October with progressively increasing vigor.

A propaganda effort to represent Americans as enemies of the French will be started in port areas and will lead up to a mass demonstration and a march on the American Consulate at Bordeaux. Plans for November and December call for French nationals to provoke more serious incidents with individual Americans and for the sabotage of American troop trains and equipment.

Comment: There is no other information to substantiate this report. The plan as reported would be a reversal of the trend in current French Communist policy, which since the failure of the May demonstrations has been to avoid direct action, to emphasize the workers' economic demands, and to employ united-front tactics.

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