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17 October 1953

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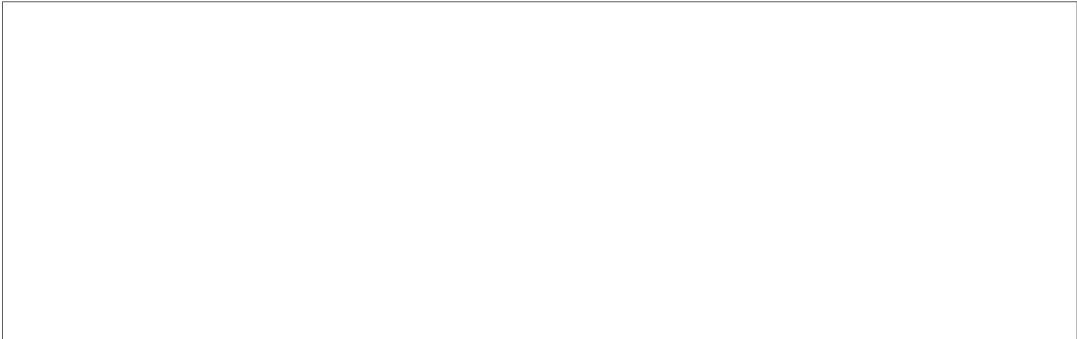
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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GENERAL**1.**

3.3(h)(2)

SOVIET UNION

- 2. Large-scale air defense exercise noted in southern Kamchatka area:**

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Comment: The nature of this exercise indicates that it may have been designed to simulate an American attack against the key naval and air base at Petropavlovsk on the outer Soviet Far Eastern perimeter, the closest strategic target to advanced US bases in Alaska and the Aleutians.

The proficiency displayed in this exercise reflects the build-up of Soviet early warning and intercept capabilities in the Kamchatka area, which has included the equipping of two fighter regiments with jets within the past year.

3. Soviet Union offers special blends of motor gasoline for export:



During the past six months the Soviet Union 3.3(h)(2) has offered to sell non-Orbit countries motor gasoline of higher octane than it manufactures for its own use. The specifications of the gasoline have varied with each offer to meet local market conditions. Offers of special blends, even in limited quantities, show a serious Soviet intent to enter a new export market.

Comment:

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[redacted] there was at least a temporary shortage of petroleum in the USSR and a resultant decrease of allocations to the internal Soviet economy. Most gasoline sold for public consumption in the Soviet Union varies from 60 to 66 octane; in the United States it is approximately 85 to 90 octane.

Over-all Soviet bloc petroleum exports, largely fuel oil, amounted to roughly two million metric tons in 1952 and have been increasing considerably this year. Soviet export prices have generally been at the world market level or slightly below.

SOUTHEAST ASIA

4. Comment on resolution passed by Vietnam 'National Congress':



The resolution of the Vietnamese "National Congress" rejecting participation in the French Union while approving an alliance with France for a period to be determined by Vietnam

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may push Bao Dai into an uncompromising position similar to that of the king of Cambodia.

The congress is an ad hoc body called by Bao Dai to designate a list of persons from which he would select advisers for forthcoming negotiations with the French. Its resolution has no legal force and goes beyond the congress' severely limited terms of reference.

If Bao Dai supports the resolution, there is a prospect of increasingly bitter relations between his government and France. His position in Vietnam relative to his political rivals, however, is such that he can scarcely repudiate such a strong and authoritative expression of Vietnamese nationalism.

SOUTH ASIA

5. Britain concerned over proposed American military grant to Pakistan:

According to the American embassy in London^{3.3(h)(2)} the British government is very concerned over the American proposal to grant military aid to Pakistan, and would probably be reluctant to use its good offices to mitigate any Indian reaction.

The embassy reports that a Commonwealth Relations Office paper on the subject states that the Indian reaction will probably be sharp and that the proposal is awkwardly timed in relation to both Kashmiri and Korean developments.

Comment: Britain has sought to avoid even the appearance of favoritism or preference in giving military assistance to India and Pakistan, for fear of further complicating intra-Commonwealth relations.

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NEAR EAST - AFRICA

6. Comment on Israeli reprisal raid on Jordanian village:

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[redacted]

The Israeli attack on a Jordanian village on 14 October is provoking unusually strong local reactions but is not likely to lead to new Arab-Israeli hostilities. Jordanians have been so angered that the foreign minister told the American charge in Amman that the Western powers must "do something drastic" to forestall panic.

This attack and other recent unprovoked Israeli actions make peace settlements impossible in the foreseeable future. This situation, in the opinion of the charge in Amman, precludes any Israeli-Jordanian agreement to discuss the water-development project as envisaged by Eric Johnston's mission which is en route to the Near East.

WESTERN EUROPE

7. Pella disturbed over parliamentary reaction to Trieste situation:

[redacted]

Discussing the Trieste question with Ambassador Luce on 15 October, Italian premier Pella expressed concern over the parliamentary and public reaction to the current tripartite conference in London. Pella predicted a government crisis in Rome if there were any announcement or impression from London that the 8 October plan had been abandoned in whole or in part or was in effect plain partition.

Pella stated that any indication that his government had accepted a de facto Zone A - Zone B solution would cause its downfall. He added that if Tito was not bluffing in his threats, Italy "would defend itself."

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Meanwhile, however, the American army attache in Rome reports that the Italians are less tense and have made fewer military preparations in the Trieste border area than they did in early September. [redacted] no reserves have 3.3(h)(2) been recalled, and leaves have not been cancelled.

Comment: The Trieste question will almost certainly be raised when Pella addresses the Senate on 19 October, closing the debate on the foreign affairs budget.

8. Danes affirm intention to deliver tanker to USSR:

[redacted] Danish foreign minister Hansen on 15 October 3.3(h)(2) handed Ambassador Coe a note affirming that the tanker constructed for the USSR will be delivered on 21 October. The note stated that delivery was necessary in order to avoid political friction or possible interruption of Denmark's vital trade with the Soviet bloc. It expressed the hope that Washington would weigh these factors and grant exception to the Battle Act as in the case of the first tanker.

Comment: This 13,000-ton tanker is the second of the two contracted for in mid-1948 for delivery before the end of 1953. Although COCOM controls prohibit the sale of tankers to the Orbit, the Danes claim exemption from this limitation on the grounds of their prior commitment.

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