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SECURITY INFORMATION~~

18 February 1953

Copy No. 55

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CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 40NO CHANGE IN CLASS. DECLASSIFIED

CLASS. CHANGED TO: TS S C

NEXT REVIEW DATE: 2009

AUTH: HR 70-2

DATE: 19 Dec 79 REVIEWER:

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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FAR EAST

1. New unit in South China may be 42nd Army from Korea:

[redacted] the Chinese Communist 42nd Army, which withdrew from Korea about 10 November, has arrived in South China. There are indications that the components of this army are located in an area east of Canton occupied by the 44th Army before its recent move to Korea.

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Comment: This report is the best indication to date of a Chinese Communist intention to bring battle-trained troops from Korea to South China. As several armies have recently moved from that area to Korea, additional replacements from Korea are expected to arrive in South China in the near future.

2. Peiping announces \$10 billion budget for 1953:

Communist China's 1953 budget, announced [redacted] in a 16 February statement, totals an equivalent of nearly \$10 billion at the official rate of exchange, or almost \$7 billion at free market rates. Projected revenues will equal expenses. "National defense" expenditures are to constitute 22.38 percent of the total, according to the statement.

3.3(h)(2)

Comment: Although the 1953 budget calls for two to three times the estimated annual expenditures prior to the Korean war, it does not differ appreciably from estimated budget figures in 1952. The expanded 1952 budget resulted in some inflationary pressures, and Peiping was forced to devalue its currency by about 10 percent late in the year. Despite this evidence of strain, the economy continued fairly stable, and there was no imminent threat of runaway inflation.

This is the first time that Peiping has announced total government revenues and expenditures in absolute figures.

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~~TOP SECRET~~**3. Chinese Nationalist commander in Burma to be recalled for consultation:**

General Li Mi, commander of Chinese Nationalist forces in Burma, is being recalled to Taipei for consultation. Chiang Kai-shek reportedly feels that he must reserve his decision on the possible withdrawal of the troops until he has talked with Li.

Comment: Chiang has been informed of the United States Government's view that the Nationalist troops should be withdrawn from Burma. In the opinion of the American Ambassador in Rangoon, any further delay in their withdrawal will seriously jeopardize relations between the United States and Burma.

It is questionable how much control Li Mi still exerts over his widely scattered 7,000 to 10,000 troops.

NEAR EAST - AFRICA

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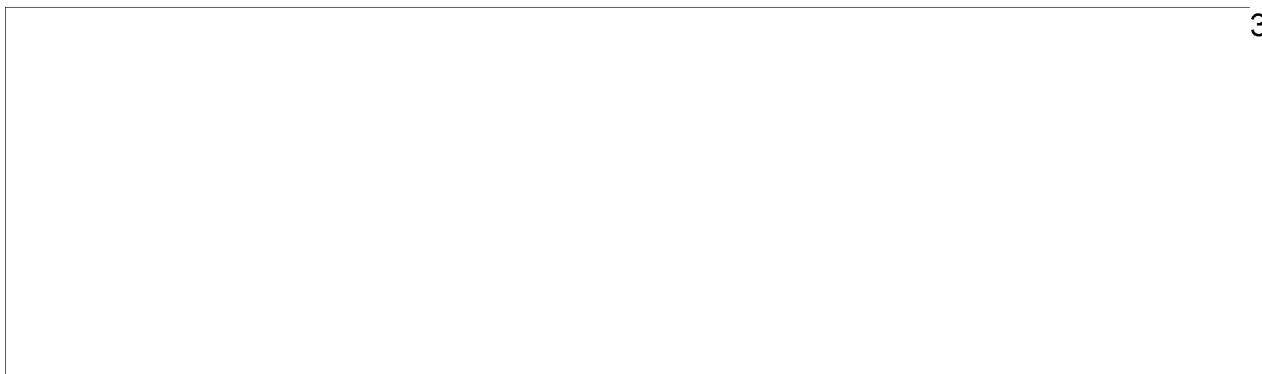
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3.3(h)(2)**5. Heavy Tudeh infiltration of Iranian Air Force reported:**
General Guilanshah, chief of staff of the
Iranian Air Force, recently advised the
American Embassy that more than 250
noncommissioned officers in the air force

3.3(h)(2)

technical brigade are suspected of Tudeh activity. Three were arrested
on 8 February and charged with giving the Soviet Union information on
air force plans for action in case of internal disorders.Guilanshah wants to purge all the suspected
Tudeh members, but he can get no action from the army chief of staff,
who must approve all air force orders.**Comment:** 3.3(h)(2)The American Consulate in Tabriz reported
in late January that there had been widespread arrests of local army
officers and enlisted men for suspected Tudeh activity.**6.** 

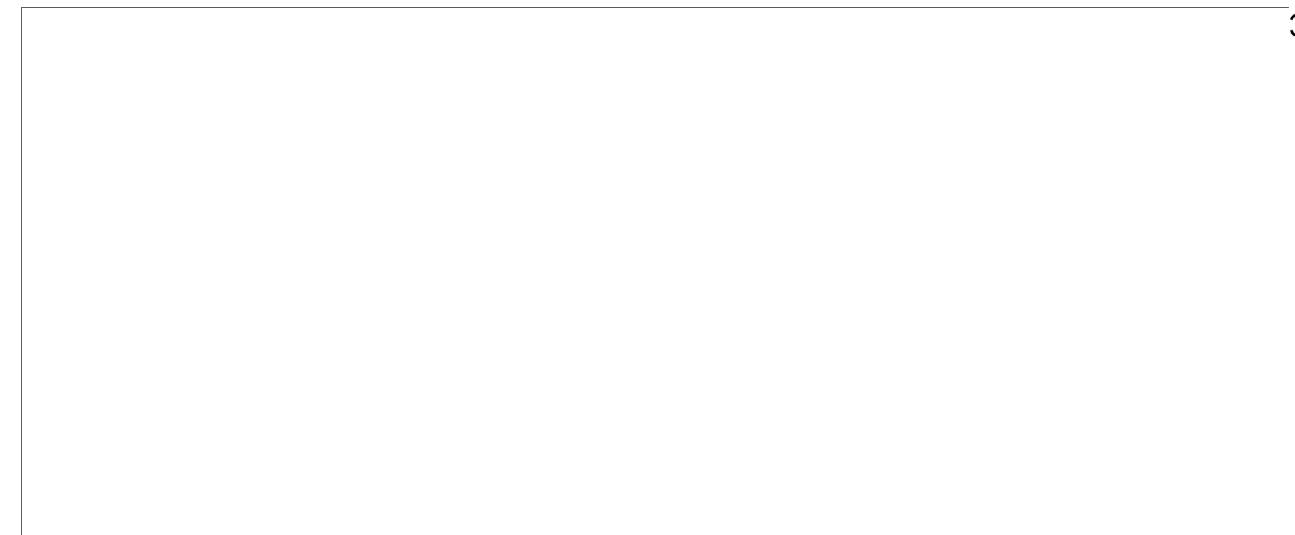
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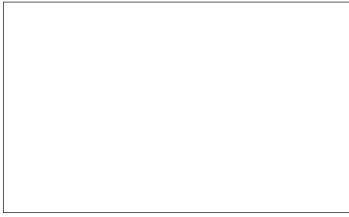
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7. Sudanese leaders enthusiastic over Anglo-Egyptian agreement:



The Sudanese are enthusiastic over the recent Anglo-Egyptian agreement, and many leaders have expressed the belief that the United States was responsible for the settlement, according to the American Liaison Officer in Khartoum.

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The officer adds that Wing Commander Zulfikar Sabri, an Egyptian representative in Khartoum, has a fair chance of obtaining Sudanese political support for an election plan which would lead to a coalition government of the major parties.

Comment: This is the first clear indication that the agreement, which was well received in the Arab League states, has gained the strong support of the Sudanese themselves. The present atmosphere augurs well for an orderly transition to independence, even though many complex problems still remain.

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WESTERN EUROPE

8. East Germans reportedly preparing for mass-production of MIG-15's:

The East German Aeronautical Research Institute at Prina has reportedly received complete plans for the manufacture of the MIG-15 jet fighter and is working on the translation of the blueprints into German and the designing of factory equipment for mass production.

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Soviet General Lukin and Dr. Bruno Baade, an East German aeronautical engineer formerly employed in a research center in the USSR, recently selected plants appropriate for manufacturing aircraft and components.

Comment: Baade, a capable engineer and administrator, is said to be under consideration for the future post of East German Air Minister. [] reports of the construction of air- 3.3(h)(2) craft factories and jet engine plants were received last summer. Jet engine manufacture was to have started at Ludwigsfelde on 1 January 1953.

MIG-15's are being produced in Czechoslovakia, and assembly of components produced in the Soviet Union is reportedly about to begin in Poland.

9. EDC delegations expect ultimate acceptance of modified French protocols:

The consensus of the chiefs of the EDC delegations is that their governments will accept the French-proposed protocols to the treaty in modified form "after difficult negotiations," and that France will probably try to prolong them. The delegates agree that the letter of the treaty has been generally observed in the protocols, but the "European spirit" of the treaty weakened.

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Ambassador Dunn in Paris reports that French military and conservative elements seem to believe that delay in ratification favors France and that the United States has no choice but to rely on France as the keystone of European defense.

Comment: Those elements in France which had been willing to accept EDC from fear of a German national army under American sponsorship are reconsidering in view of recent American assurances that no alternative to the EDC is envisioned.

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