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E.D.

27 May 1954

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Copy No. 80

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 2
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 2/1/80 REVIEWER: A rectangular redaction box located below the review date.

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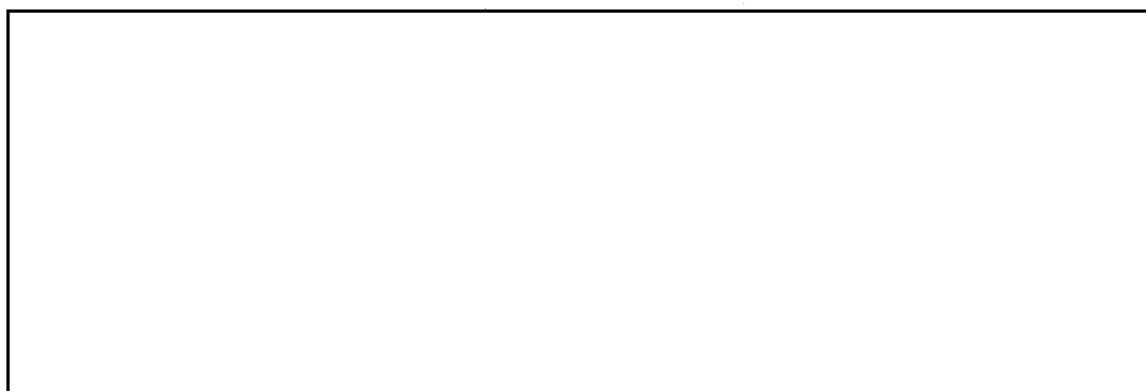
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DIA review(s) completed.

Office of Current Intelligence

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CENTRAL INTELLIGENCE AGENCY



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GENERAL

- 25X1A 1. Rhee infuriated by Pyun's 14-point plan at Geneva:

[REDACTED] President Rhee was infuriated by Foreign Minister Pyun's "unilateral" presentation of the 14-point proposal at Geneva on 22 May, [REDACTED]

Rhee maintained he had been "crossed up" by Pyun, and threatened to recall him and publicly repudiate the plan. He later changed his mind in view of the probability that the Communists will reject the plan.

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[REDACTED] The American delegation believes that an agreed 16-nation plan cannot be achieved and that Pyun's proposal must stand despite its unrealistic demands for Chinese troop withdrawal in advance of a UN withdrawal. The delegation hopes to focus attention on the Communist rejection of the authority of the UN, and expects the conference to break off on this point next week.

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- 25X1A 2. Communists propose partition of Vietnam, Laos and Cambodia:

[REDACTED] The American delegation at Geneva believes that the Viet Minh cease-fire proposal made in the restricted session of 25 May is a "clear bid for partition" of Vietnam, Laos and Cambodia.

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The Viet Minh delegate proposed the "re-adjusting of areas under control of each state... taking into account the actual areas controlled, including population, and strategic interests." The Communist spokesman was explicit in demanding that a cease-fire include arrangements for "Khmer and Pathet Lao," the Communist-contrived regimes in Laos and Cambodia.

Comment: This Viet Minh proposal is a further indication that the Communists are not prepared to make substantial concessions to obtain a cease-fire at this time.

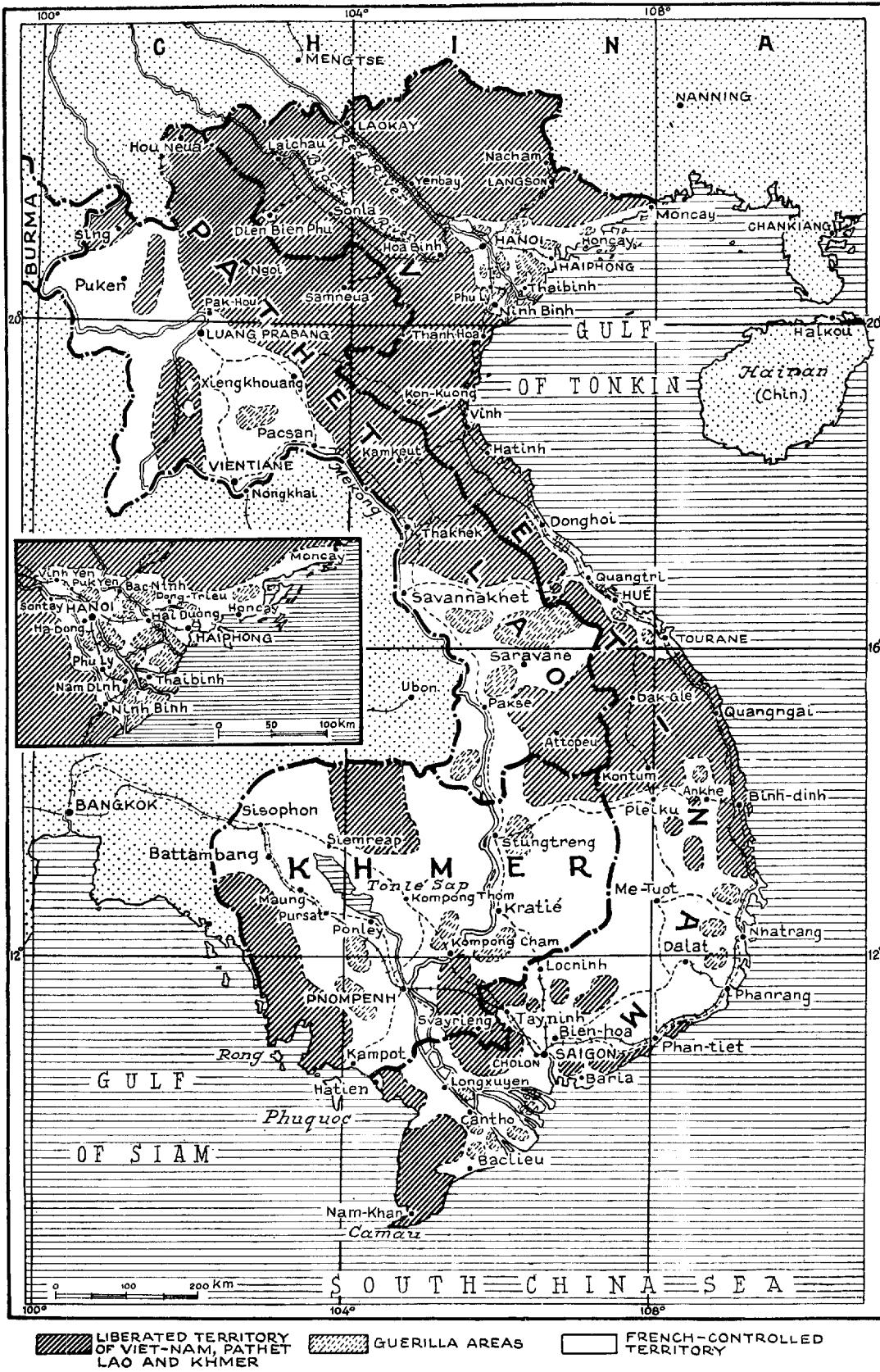
Forthcoming Communist terms on partition may reflect a recent Chinese Communist map reprinted in the Soviet New Times on 15 May (see map, p. 6). The map shows the Viet Minh as holding most of Vietnam, about half of Laos and parts of Cambodia.

25X1A 3. India increasingly concerned over Communist gains in Indochina:

Indian thinking is moving slowly away from the idea that the Indochina war is purely colonial and is becoming more aware of the danger of further Communist approaches to India's borders, according to Ambassador Allen in New Delhi. Allen believes three factors are responsible for this shift: (a) the force of events; (b) mild British coaxing; and (c) the concern voiced at the Colombo conference by other Asian states--notably Burma.

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Comment: It is probably true that Communist successes in Indochina are causing increased concern in New Delhi. It is doubtful, however, that this will lead to an early stiffening of



LIBERATED TERRITORY OF VIET-NAM, PATHET LAO AND KHMER GUERRILLA AREAS FRENCH-CONTROLLED TERRITORY

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India's attitude toward the Communists. India can be expected, rather, to press more eagerly for a quick Indochina settlement which would allow the Communists to retain their present gains, in the hope that they would be satiated or somehow contained in the future.

SOVIET UNION

4. Bohlen comments on possible policy differences between Malenkov and Khrushchev:

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Ambassador Bohlen notes indications of policy differences among the top Soviet leaders. A comparison of speeches in the Supreme Soviet suggests to Bohlen that Malenkov is inclined

to take a more sober and realistic view of the international situation than Khrushchev, and that a similar difference can be noted on domestic problems.

Since Stalin's death the Soviet leadership has embarked on a series of domestic programs which appear to be difficult, if not impossible, to implement simultaneously. Bohlen believes the top leaders may doubt the ability of the Soviet system to support all these measures, and that differences may exist as to which parts of the program should be readjusted or sacrificed to others--perhaps partly because of differing estimates on the possibility of a serious crisis in foreign affairs arising out of the Indochinese situation.

Bohlen considers that, given the nature of the Soviet system, when differences on policy become sufficiently acute, a contest between rival factions with the eventual elimination of one or the other automatically ensues. However, he warns that it is too early to form any firm conclusions as to the full significance or possible consequences of Khrushchev's steadily increasing prominence. He feels the Soviet leaders must surely realize the great danger that a power struggle would, under the present circumstances, constitute for their entire system.

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5. Soviet IL-28's probably redeployed to East German bases: 25X1A 25X1

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[redacted] confirmed the presence of at least 20 IL-28's and revealed 24 POL trucks, 39 other trucks and two trains at the airfield.

The number of IL-28's and units indicated is similar to the number there prior to the general withdrawal of IL-28's from East Germany in mid-1953

25X1 as many as 30 IL-28's have reappeared in East Germany for short periods on several occasions [redacted] This time, however, the apparent arrival of ground crew personnel as well as planes at Werneuchen and the extensive logistical activity there suggest the IL-28's will stay in East Germany for a more extended period.

In addition, the strength of the IL-28 forces in Hungary has doubled during the past month. In the mid-1953 shift, one of the two IL-28 divisions in Hungary was also withdrawn to the USSR.

FAR EAST

- 6. Yoshida to seek US assurances against Japanese economic debacle:**

Prime Minister Yoshida on his visit to Washington in early June will seek assurance that the United States will take any necessary action to stabilize and strengthen Japan if its economy should deteriorate dangerously. A high Finance Ministry official and a former minister of finance will precede Yoshida to the United States to lay the groundwork for gaining such an assurance.

The Finance Ministry official informed the US embassy in Tokyo that Yoshida will not emphasize obtaining an American loan.

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Comment: American bankers in Tokyo were recently approached for a loan by close Yoshida advisers who hoped that such American action would bolster Yoshida and his Liberal Party. The negative response this approach elicited may have prompted a shift in Yoshida's approach.

The topics to which Yoshida will reportedly address himself during his world tour suggest that Japan is reassessing its world position and its ties with the United States. The relative economic advantages to be gained from various possible courses of action will be a powerful influence in determining Japan's decision.

7. Chinese Communist offshore island operations reported intensified:

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[redacted]

MIG-15's

based on the mainland are flying regular patrol missions over the area around Shihpu on the Chekiang coast, north of the Tachens, and seem determined to protect it from aerial attack and reconnaissance.

Meanwhile, the Nationalist air force is reported to believe that the Nationalist navy will not "stand and make a fight" in the Tachen area, and that the region is in "imminent danger."

Comment: The increased air patrols near Shihpu suggest that the Communists may be preparing for intensified operations against offshore islands.

The Nationalist air force view of navy intentions is the first indication of possible dissension in the armed forces since the current island campaign began. In the first few days of operations, the navy showed surprising aggressiveness against Communist naval forces, but in the face of superior Communist air power and lacking substantial air support from Formosa, the navy has lapsed into a less aggressive role.

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SOUTHEAST ASIA

8. Major Viet Minh attack in delta believed possible by 15 June:

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[redacted] believes that the Viet Minh will be in a position by 15 June to launch an all-out attack against French Union forces in the delta.

The redeployment of Viet Minh troops from Dien Bien Phu is apparently proceeding faster than the most recent French estimates fore-saw. These estimates anticipated that leading

elements of the Viet Minh forces would reach the delta area about 10 June and the main body about 20 June.

As of 25 May the French reported that elements of the Viet Minh 351st Artillery Division were approaching an assembly area at Tuyen Quang, north of the delta. The bulk of the 304th, 308th and 312th Divisions was well east of Dien Bien Phu (see map, p. 11). Two of the three regiments of the 316th Division were still in the Dien Bien Phu area.

9. Bao Dai may name new prime minister:

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[redacted] Bao Dai is seriously contemplating the appointment of the prominent Catholic layman Ngo Dinh Diem to replace Premier Buu Loc, [redacted]

[redacted] If Diem assumes the premiership, his main task will be to conduct internationally supervised elections, possibly after negotiations to this end with the Viet Minh.

The American embassy in Saigon comments that Diem's integrity, though unwelcome to many Vietnamese politicians, might be a real asset to the Vietnam government, although he lacks dynamism.

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Comment: Bao Dai has long been hostile toward Diem, but appears to have drawn closer to him in the past few weeks. He has appointed Diem's brother as his personal representative at Geneva.

As a member of Vietnam's most influential Catholic family, Diem is a figure of some importance in Vietnamese politics, but his personal qualifications as a leader have been discounted by many Vietnamese. He lacks Buu Loc's experience and skill as a negotiator.

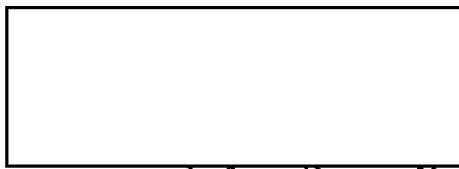
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NEAR EAST - AFRICA

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25X1A 11. Syria may legalize Communist Party:



there is
a strong possibility that the Communist Party
in Syria will be permitted to function legally--
for the first time since it was outlawed in 1947--
before the parliamentary elections this summer.

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[redacted] the Communists are planning to publish two
newspapers in Syria.

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[redacted] A Lebanese Communist weekly, which has recently begun to appear in Damascus, is now being openly read by party members.

Comment: The present caretaker government has permitted Communists considerable freedom of activity. If this policy continues, Khalid Bakdash--the leading Communist in the Arab world--will probably run for parliament in the elections now scheduled for August. There is no acknowledged Communist in the parliament of any Arab country.

WESTERN EUROPE

12. Comment on French denials that Saar agreement reached: 25X1A

[redacted] Public denials by French government spokesmen that a Saar agreement was reached last week at Strasbourg result from a tug of war between pro- and anti-EDC elements in the cabinet and Foreign Ministry. Each side seems to fear that an immediate announcement of a Saar settlement would weaken its position.

Deputy Foreign Minister Schumann told Ambassador Dillon on 22 May that the agreement reached by Vice Premier Teitgen and Chancellor Adenauer two days earlier could not be considered "final." Under present circumstances, he stated, the French cabinet might reject any accord publicized prior to the Socialist party congress on 29-30 May. The congress is expected to approve enforcing party discipline in the National Assembly vote on EDC. Schumann is certain that the present French cabinet will then approve a Saar settlement and proceed to ask for assembly debate on EDC. [redacted]

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LATIN AMERICA

13. Honduran government asks American assistance against Communist threat:

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The Honduran government informed the American embassy on 23 May that it is "unable to guarantee the lives and properties of nationals and foreigners against the imminent threat of international Communism." It asked that two American warships stand off the north coast "to be ready for any emergency."

Several carloads of the arms which arrived in Guatemala from the Orbit on 15 May are reported on a railroad siding near the Honduran border.

Comment: Communist agitation has prevented settlement of the general strike, involving 35,000 workers, which has paralyzed the Honduran north coast region for the past three weeks. The situation is considered explosive. The Honduran government could probably not enforce martial law.

Agitators from Guatemala are reported to be encouraging the strikers and providing them with weapons.

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