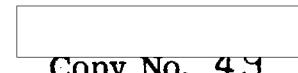


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SECURITY INFORMATION

9 February 1952



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Copy No. 49

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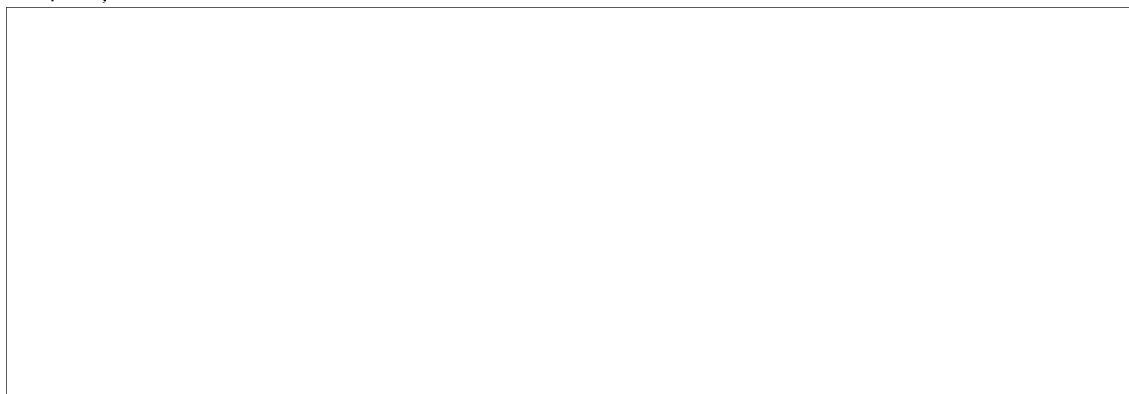
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CENTRAL INTELLIGENCE AGENCY



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GENERAL

1. Growing friction with Europeans over Battle Act expected:

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[redacted]

The United States delegate to the Coordinating Committee on East-West trade believes that American policy under the Battle Act is likely to cause "considerable commotion," possibly with serious effects on cooperation by other participating countries. He was recently obliged to submit a modified statement on trade controls after the original submission was severely criticized by all the other delegates.

The European delegates objected to the "paternal tone" of the first American statement and accused the United States of trying to impose a unilateral interpretation of what has been agreed upon. They also objected to the emphasis on the quid pro quo principle and warned of the effect which the denial of American exports to friendly countries would have on COCOM agreements.

FAR EAST

2. Communist and Nationalist Chinese clash in Yunnan:

3.3(h)(2)

3.3(h)(2)

[redacted] Vientiane, the capital of Laos, to Saigon on 15 January stated that engagements between Chinese Communists and Nationalists had occurred in the region of Kenghung, Yunnan, and that the Nationalists reportedly were victorious.

Comment: Kenghung is located in the small strip of southern Yunnan which divides Burma and Indochina. If [redacted] true, the Nationalists in question probably entered China from the eastern tip of Kengtung in Burma. Last summer [redacted] a force of 1000 to 1500 troops in that region which was operating independently of General Li Mi. [redacted] conditions were unsettled on the China side of the Sino-Burma boundary, with Nationalist troops roaming at will throughout the area.

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3.3(h)(2)

4. Rhee scores unexpected by-election victory:

[redacted] Government intervention, reports Ambassador Muccio, may have occurred to some degree in the recent ROK by-elections, in which supporters of aging autocratic President Rhee made nearly a clean sweep. Seven pro-Rhee candidates were successful in the contest for eight vacant National Assembly seats, despite a hotly contested campaign waged by the opposition Democratic Nationalist Party.

3.3(h)(2)

Comment: While the success of the pro-Rhee candidates may have been partly due to actions of the ROK police under Rhee's notorious Home Minister "Montana" Chang and to Youth Corps "goon squads," Rhee's prestige played the major part in the victory.

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The National Assembly has been locked in a power struggle with the President for a long time. Recently there has been some speculation that Rhee's chances for reelection to the Presidency have decreased. This manifestation of popular support, however, should create a considerable desire to climb on Rhee's bandwagon prior to the Assembly's election of a new president this June.

SOUTH ASIA

5. Indian requirements for American food grains in 1952-53:

3.3(h)(2)

The Planning Commission in New Delhi estimates that for the year beginning 1 July 1952, India will require from the United States 2,180,000 long tons of food grains in addition to quotas allotted to it under international agreements.

Of this total, the Indian Food Ministry has earmarked funds to purchase 778,000 tons. In order to conserve dollar exchange, the Planning Commission has suggested that another 675,000 tons, worth 65 million dollars, be granted to India under an aid program similar to that recently advocated by US Ambassador Bowles. No suggestion has yet been made about financing the remaining 727,000 tons, which would cost approximately 70 million dollars.

Comment: The United States and the Communist Orbit are the two sources best able to supply India with the needed food supplies. Indications are that the United States will receive the first request for a grant or loan of most, if not all, of the 135 million dollars worth of grain for which India has not already allocated funds.

In 1951, while the United States was considering an Indian request for 190 million dollars worth of American grain, the USSR and Communist China achieved a propaganda victory by offering grain at reduced prices to India and by making delivery prior to the arrival of the first American food ship.

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This year the Communist Orbit is in a position to repeat last year's performance and has already indicated its willingness to do so. Furthermore, Indian Communists have recently shown unexpected strength in the national elections in the food-deficit states of southern India; unlike last year they are now in a position to debate food issues in both state assemblies and the national Parliament.

NEAR EAST - AFRICA

6. Iran may close foreign cultural offices in Tehran:

3.3(h)(2)
The Iranian Government is seriously considering the closing of foreign cultural and information offices in Tehran, as well as the provinces.

Although the government has assured the US Embassy that the order closing provincial offices was aimed at the British and Russians, not at the United States, the Embassy believes that extension of this policy to Tehran would indicate an anti-foreign policy rather than one simply anti-British or anti-Soviet.

Comment: The Iranian Government's policy of obtaining public support through the promotion of anti-British sentiment has already led it to take increasingly severe measures against foreign activities. The need to continue such a policy as well as the growing xenophobia which it has helped create may well induce the government to take further steps against foreigners.

7. Israel expresses interest in closer military ties with the West:

The Israeli Foreign Minister has informed General Eisenhower that Israel is directly interested in the proposed Middle East Command because Arab hostility has isolated the Jewish

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[redacted] state from neighboring countries. He pointed out that Israel's trained manpower reserves and expanding industrial potential would be very useful to the West. He suggested that his country should be given a separate and special position in the Middle East Command which would guarantee Israeli territory against any Arab threat.

3.3(h)(2)

The Israeli Prime Minister has also proposed to Britain that "concrete plans might well be initiated now" to establish closer Anglo-Israeli ties. The British Embassy in Washington has informed the Department of State that Britain may soon send an exploratory mission to Tel Aviv to discuss matters of strategic interest to both countries.

Comment: This is the clearest indication to date that the Israeli Government actually desires closer alignment with the West. Strengthened Western ties would assure Israel protection against any Arab threat as well as Western help in solving its desperate economic problems.

8. Greek Government plans arrest and exile of dangerous subversives:

[redacted] Greek authorities are preparing a list of 150 Communists and other subversives for arrest and exile in the near future. The list includes some persons who have been released recently from prison. The government hopes this action will isolate the more dangerous elements.

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Comment: The program appears designed not only to increase internal stability but also to refute opposition charges of government laxity in screening the political prisoners it has released since taking office.

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EASTERN EUROPE

9. Defections alarm Czechoslovak Embassy in London:

The Czech Embassy in London in late January requested its Foreign Office to permit the immediate return to London of Czech Ambassador Ullrich, who was then attending the UN sessions in Paris.

3.3(h)(2)

On 23 January, following the first defection, Ullrich authorized the First Secretary to establish a board of inquiry to grill all Czech employees of the Embassy.

3.3(h)(2)

WESTERN EUROPE

10. Lisbon preparations for NATO meetings marred by rumors of intra-government split:

Persistent rumors of serious disagreements between the followers of President Lopes and Premier Salazar are given credence by the Brazilian Embassy in Lisbon, which cites as an instance of government uneasiness the recent arrest of prominent opposition leaders, monarchists, and even persons recently connected with the regime.

3.3(h)(2)

The Embassy stresses the possible consequences of this unrest in view of the approaching meeting of the North Atlantic Council in Lisbon.

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Comment: There has been no indication of direct conflict between President Lopes and Premier Salazar, although there is disagreement among their followers over foreign policy and the question of military influence in the government. While Salazar consented to General Lopes' candidacy for president for the sake of party unity, he may be concerned about the recent policy of ruthless suppression of opposition activities allegedly sponsored by extremist military elements.

Although the opposition is unlikely to be able to create serious disturbances, the forthcoming NATO conference in Lisbon could have serious repercussions in Portugal. The government, which may be called upon to modify still further its position on Portugal's defense role, would then have to enlist the support of the "nationalist" elements. These share Salazar's fears that Portugal, at the insistence of Defense Minister Santos Costa, has already made more concessions than were necessary.

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