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3.5(c)

~~TOP SECRET
SECURITY INFORMATION~~

~~TOP SECRET~~

3.5(c)

SUMMARY**GENERAL**

1. Comment on Soviet diplomatic break with Israel (page 3).
2. Peiping seeks insurance against confiscation of British machinery purchases (page 3).

SOVIET UNION

3. Further coordination of Soviet-Satellite armed forces suggested (page 4).

FAR EAST

4. Improved jet fighters reported in Manchuria (page 5).

SOUTHEAST ASIA

5. French commander comments on military situation in Indochina (page 5).
6. British told Indonesia will conclude rice-rubber agreement with Communist China (page 6).

NEAR EAST - AFRICA

7. Iranian tribes reported restive (page 6).
8. Egypt issues unrealistic strategic evaluation of Suez Canal (page 7).

WESTERN EUROPE

9. Austrian vulnerability to propaganda against strategic materials controls cited (page 7).
10. Britain to support tighter East-West trade controls (page 8).
11. EDC ratification linked to 50-year American commitment to NATO (page 9).

3.5(c)

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

GENERAL

1. Comment on Soviet diplomatic break with Israel:

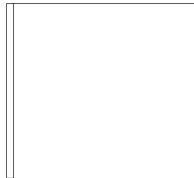
The bombing of the Soviet Legation in Tel Aviv provided the Kremlin with a convenient excuse for the break in relations which was preceded by violent Soviet propaganda attacks on the Israeli Government.

The expulsion of the Israeli diplomats from Moscow increases the likelihood that they may be implicated directly in charges of Zionist plotting. This would permit the "disclosure" of the hitherto missing high-level link between Zionist subversion inside the USSR and British and American intelligence.

Some of the Satellites may be expected to follow Moscow's lead in breaking relations with Israel.

While Israeli officials in past weeks sharply denounced recent Soviet anti-Zionism, they did not advocate breaking relations, chiefly because of the more than 2,500,000 Jews behind the Iron Curtain. Moscow's decision forces the Ben-Gurion government from its neutralist position and removes any bargaining power which might have accrued from such an attitude.

The Israeli Communist Party, some of whose activities have already been restricted, may be banned; a small hard core will in any event remain underground. Limited overt activity may be conducted by the left-wing splinter group which recently was expelled by the MAPAM party.

2. Peiping seeks insurance against confiscation of British machinery purchases:

A British company, acting for the official Chinese Communist purchasing agency, is seeking information on the cost of insurance

3.3(h)(2)

~~TOP SECRET~~

~~TOP SECRET~~

against confiscation of British-made machinery scheduled for future shipment.

[redacted] 3.3(h)(2)

[redacted] the insurance would cover shipments from February through July, with a total value of probably 500,000 pounds sterling.

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Comment: This insurance inquiry, like the acceleration of its purchasing activities in Western Europe, reflects Peiping's precautions against new interferences with its Western trade. In this particular case, the Chinese may be anticipating interception of the shipment by the Chinese Nationalists.

SOVIET UNION

3. Further coordination of Soviet-Satellite armed forces suggested:

[redacted] 3.3(h)(2)

Comment: This development represents another major step toward closer coordination of Soviet and Satellite military forces. In 1952 Soviet and Satellite air warning systems were integrated and common communications procedures were adopted by fighter units in this area.

~~TOP SECRET~~

~~TOP SECRET~~

FAR EAST

4. Improved jet fighters reported in Manchuria:

[redacted] The Chinese Communist Air Force planned 3.3(h)(2)
 the transfer in January of 72 MIG-19 jet
 fighters to two jet fighter divisions based
 in Manchuria, [redacted]

[redacted] the new aircraft were parked
 at airfields near Anshan and Mukden in December.

Comment: This is the first report indicating
 the presence of this improved jet fighter in Manchuria. MIG-19's have
 been reported at several locations in the Soviet Far East during the past
 month.

SOUTHEAST ASIA

5. French commander comments on military situation in Indochina:

[redacted] General Linares, commander of French 3.3(h)(2)
 forces in Tonkin, believes that the over-all
 situation in the delta is better than a year
 ago, but that the Viet Minh still have important
 attack capabilities. He does not expect the
 enemy to make a major move before 1 March.

Linares stated that the French stronghold
 at Nasan in northwest Tonkin would be held at all costs for psycho-
 logical reasons and in order to block a Viet Minh thrust into Laos.
 He also said he expected five or six new Vietnamese army battalions
 to be available each month, starting in June, and that these should free
 regular French forces for major blows, possibly outside the delta.

Comment: The commitment of five or six
 additional Vietnamese battalions each month would not be difficult, but
 reports of low morale in Vietnamese units already in Tonkin indicate
 that the effectiveness of new units would be highly questionable.

~~TOP SECRET~~

~~TOP SECRET~~

3.5(c)

Unless the French can re-establish their authority over northwest Tonkin, the static defense of air-supplied Nasan will immobilize several thousand first-class troops.

6. British told Indonesia will conclude rice-rubber agreement with Communist China:

[redacted] Indonesian Ambassador Subandrio in London 3.3(h)(2) informed the British Foreign Office on 10 February that his government felt it had no recourse but to conclude a rubber-rice con-

tract with Communist China similar to that which the Chinese recently negotiated with Ceylon. He said the fall in rubber prices and scarcity of rice presented Indonesia with no other alternative.

Comment: Subandrio's statement contradicts that made by the Indonesian Foreign Minister to Ambassador Cochran in Djakarta on 11 February that the plan to ship rubber to China had been abandoned.

NEAR EAST - AFRICA

7. Iranian tribes reported restive:

[redacted] The American Consul in Tabriz reports 3.3(h)(2) that Iranian Army morale in the sensitive northwestern province of Azerbaijan is visibly lower and that the black market in arms is considerable. Army officers also are disturbed by reports of tribal unrest. Despite new reports of Soviet agents among the Kurds, tribal leaders foresee no serious trouble in the near future but are generally pessimistic regarding the long-term outlook.

Comment: [redacted] 3.3(h)(2)
[redacted] the Kurds in Azerbaijan, as well as tribes in

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

other parts of Iran, are maneuvering to improve their position with respect to the Tehran government. There is no evidence, however, of plans for immediate widespread insurrection.

Although the army units are considered capable of controlling any localized revolt, the reluctance of provincial army commanders to undertake a widespread tribal disarmament program confirms other indications that the army could not control a nationwide revolt.

8. Egypt issues unrealistic strategic evaluation of Suez Canal:



The Egyptian Army Headquarters has issued an evaluation of the strategic importance of the Suez Canal to all Egyptian military attaches "for guidance."

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According to the evaluation, the canal would be valueless in time of war since its strategic importance depends on the security of navigation in the Mediterranean. The estimate concludes that the presence of British troops is "militarily useless" for the defense of the canal, which "can easily be undertaken" by the Egyptian Air Force.

Comment: The Egyptian emphasis on the canal alone overlooks the strategic importance that the West attaches to the existence of air and military facilities in this area. This basic difference in approach may complicate Anglo-Egyptian negotiations over the canal, which have reportedly achieved an initial success.

WESTERN EUROPE

9. Austrian vulnerability to propaganda against strategic materials controls cited:



Soviet and domestic Communist propaganda appears to be increasingly effective in dissuading the Austrian Government from

3.3(h)(2)

~~TOP SECRET~~

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cooperation in strategic materials controls. An attack by the Soviet Information Service last week on the Austrian "liaison officer" for East-West trade matters has resulted in his withdrawal from this work.

The Austrian Government is now considering turning the responsibility for trade controls over to a single inexperienced Foreign Ministry official.

Comment: There is mounting evidence of growing Austrian reluctance to assume the political risks and economic burdens of denying Orbit access to strategic materials. Requests for Battle Act exceptions are becoming far more frequent, many of them originating at the top level of the government.

10. Britain to support tighter East-West trade controls:

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The Foreign Office has informed the American Embassy of the British Cabinet's decision to back the adoption by the Coordinating Committee on East-West trade (COCOM) of both transshipment and financial controls. This decision was made despite considerable resistance from the Treasury and the Board of Trade, and the Foreign Office believes that Britain will actually institute such controls only if all other participating countries do likewise.

The American Embassy in London states that the cabinet's action will apparently open the way for the closest Anglo-American collaboration in COCOM for achieving a "really significant improvement in trade controls."

Comment: British and Dutch objections have hitherto been the main obstacles to American efforts to have such controls adopted by COCOM; the new British decision may be of material assistance in overcoming Dutch opposition to transshipment controls.

The projected controls are not, however, likely to be fully effective since they appear to be limited to transshipments by sea.

~~TOP SECRET~~

~~TOP SECRET~~11. EDC ratification linked to 50-year American commitment to NATO:

NATO Deputy Secretary General Van 3.3(h)(2)

Vredenburch believes that some European countries may make ratification of the EDC

treaty contingent on an American commitment to adhere to the North Atlantic Treaty for 50 years. He states that the United States could hasten ratification by such a commitment to reassure those EDC countries which have been concerned by the "differing time periods" of the two treaties.

Comment: A London Times editorial on the eve of the recent French Ministers' visit to London stated that if France wishes both treaties to last for 50 years, Britain should not object, but that all NATO members would have to agree.

The North Atlantic Treaty has no specific time limit, but some European countries have interpreted as a limitation the article permitting signatories to reconsider their membership after 20 years.

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