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~~TOP SECRET~~

~~TOP SECRET~~

3.5(c)

SUMMARY**GENERAL**

1. France and Portugal not ready to accept Greece and Turkey in NATO (page 3).

~~FR, PORTUGAL,
GREECE, TURKEY~~**FAR EAST**

2. Communists' most recent attack concludes (page 3). ~~KOREA~~
3. Soviet tankers make periodic oil deliveries to Tsingtao ~~CHINA, CHINA~~
4. Comment on Chinese Communist intent to increase ~~CHINA, BURMA~~
traffic on Burma Road (page 5).
5. Mixed reaction in Japan to US-Japanese economic co-~~JAPAN, US~~
operation plan (page 5).
6. De Lattre believes he can successfully oppose a Chinese ~~CHINA, TAIWAN, HAINAN, ISRAEL~~
Communist invasion of Tonkin (page 6).
7. New coup d'etat plot is reported in Thailand (page 7). ~~THAILAND~~

NEAR EAST

8. Iran pressing for early control over oil company (page 8). ~~IRAN, UK~~
9. French official reports increased French prestige in ~~EGYPT, ISRAEL~~
Syria (page 9).

WESTERN EUROPE

10. Opportunity seen for closing Soviet repatriation missions ~~USSR, AUSTRIA~~
(page 10). ~~US, FR~~

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3.5(c)

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

GENERAL**1. France and Portugal not ready to accept Greece and Turkey in NATO:**

To clarify the French position in regard to the inclusion of Greece and Turkey in NATO, the French Embassy in Athens has explained that France recognizes the need for some form of security guarantee for Greece. The Embassy stated that France is now studying the problem

3.3(h)(2)

and that, while participation in NATO is not excluded, the final French decision must wait until after the French elections. Meanwhile, the Secretary General of the Portuguese Foreign Office has stated that his government does not favor the inclusion of Turkey and Greece in NATO as long as Spain is excluded.

Comment: Foreign Minister Schuman has stated that France favors integration of Greece and Turkey into the Western defense system, but that for the time being the French hesitate to incorporate the two Mediterranean countries in NATO because of Scandinavian opposition and also to avoid additional provocation of the USSR. The French are probably concerned also lest NATO become unwieldy as the result of extending its commitments to areas which lend themselves less readily to a unified defense, but both France and Portugal can be expected eventually to accept the US viewpoint.

FAR EAST**2. Communists' most recent attack concludes:**

The US Far East Command reports its estimate, based on present indications, that the second phase of

3.3(h)(2)

~~TOP SECRET~~

3.5(c)

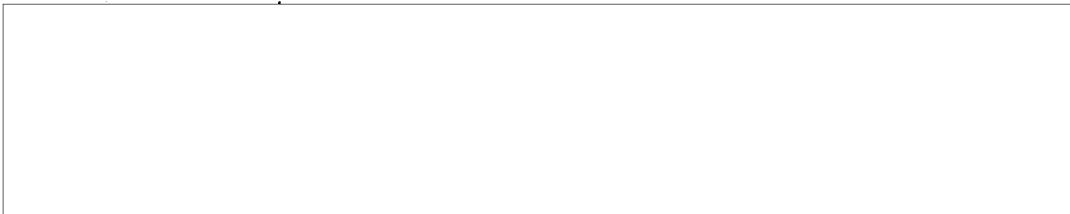
~~TOP SECRET~~

3.5(c)

the enemy's Fifth Offensive has, as a result of heavy casualties, ended in failure. FECOM further comments that there are no immediate indications pointing to early resumption of the enemy offensive and that it may take the enemy from eight to ten days before it can be resumed.

3.3(h)(2)

3. Soviet tankers make periodic oil deliveries to Tsingtao:

3.3(h)(2)

Comment: These are believed to be the first tankers to deliver oil from the USSR to a Chinese port other than Dairen. These tankers are delivering about half of all petroleum products imported into China Proper (not including Manchuria). Most of the other half comes from the USSR by rail through Manchuria. Unless rail shipments have dropped considerably, the use of Soviet tankers significantly improves China Proper's oil position, although current imports are still believed insufficient to meet both military and civilian requirements.

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

4. Comment on Chinese Communist intent to increase traffic on Burma Road:

~~Chinese Communists may try to counter Western embargo efforts by routing their imports via Burma.~~

3.3(h)(2)

3.3(h)(2)

Routing shipments over the Burma Road would entail disadvantages to the Chinese because of (a) the high cost of transport over the highway, (b) the very limited carrying capacity of the road (probably less than five percent of China's current imports), and (c) the long distance from the road's terminus in Southwest China to the main areas of need in the north and northeast. With Western nations banning the export of many strategic items to Communist China, however, the Chinese are expected to consider pressing the Burmese to permit increased traffic over the Burma Road -- taking full advantage of Burma's anxiety to avoid provocation of the Communists on its borders. Although the Burmese are not likely to allow the Chinese unlimited use of the Burma Road, Communist military intimidation would probably elicit concessions entailing increased transshipment over the road of some items, particularly those not specifically covered by the UN embargo resolution.

5. Mixed reaction in Japan to US-Japanese economic cooperation plan:

3.3(h)(2)

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

3.3(h)(2)

Comment: Japan has considerable idle industrial capacity which the Japanese hope will be utilized both to assure continued economic stability in Japan and to complement the Western industrial effort. The announced program, while falling short of Japanese expectations, nevertheless was welcomed in many of its aspects (e. g., the opportunity to participate in US economic programs in Southeast Asia, the assurance that US credits would be available, and indications of a lack of desire to discriminate against Japanese shipping.)

6. De Lattre believes he can successfully oppose a Chinese Communist invasion of Tonkin:

In conversation with US Minister Heath in Saigon, General de Lattre stated that, taking into consideration

3.3(h)(2)

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

his scheduled reinforcements from France, he could successfully oppose the Viet rebels plus 50,000 Chinese "volunteers," providing an attack did not come before October. With respect to an invasion after October, he hopes that, with the outside assistance of four infantry divisions and an aircraft carrier (all from unnamed allies), he will be able to repulse a Chinese attack of up to 150,000. Owing to terrain factors, De Lattre believes this is roughly the maximum attacking Chinese force that might be expected. He stated that if the outside assistance he envisions is not forthcoming, he would fall back on Cochinchina.

De Lattre stated his belief that the recent US-UK-French conference at Singapore, which he attended, removed any doubt in the minds of the US and UK delegates as to the extreme importance of the military campaign in Indochina. He admitted that several thousand Chinese Communists were serving with the Vietnamese rebels in Tonkin, but reported no indication of organized Chinese units there.

7. New coup d'etat plot is reported in Thailand:



3.3(h)(2)

Comment: Since 1932, changes of governments in Thailand have frequently been effected by coups d'etat. While there is no recent information to confirm

~~TOP SECRET~~

3.5(c)

3.5(c)

~~TOP SECRET~~

this report, the Thai Navy has always been antagonistic toward the Phibun regime and would probably assume leadership in plans to remove Phibun and his chief supporters whenever a favorable opportunity is presented.

NEAR EAST

8. Iran pressing for early control over oil company:

[Redacted]

On 24 May, the Iranian Finance Minister informed the Anglo-Iranian Oil Company that, unless it appointed a negotiator by 30 May,

3.3(h)(2)

Iran would be left with no choice but to act in accordance with the nationalization legislation. More detailed data concerning Iranian intentions are contained in an unconfirmed parliamentary oil committee "blue print" for action which has reached the British Embassy in Tehran. This reported Iranian plan provides for: (1) establishing an Iranian managerial board to direct the oil industry; (2) taking over the AIOC administrative offices in Tehran and then in Abadan; (3) offering a two year contract to most of the British technicians now employed by the AIOC; and (4) progressively assuming control of the production and refining units. Meanwhile the UK Foreign Office is giving careful consideration to a conditional acceptance of the Iranian request of 20 May for the appointment by the company of a negotiator to help implement the nationalization bill. Foreign Office officials suspect that Iran might not agree to a conditional acceptance; however, they feel that any other British action might either make negotiation impossible or prejudice the UK position.

Comment: The Finance Minister's statement does not necessarily mean that Iran would take over the company immediately, inasmuch as the nationalization law passed on 30 April provides a maximum of three months to arrange for implementation. Serious differences

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

have apparently arisen in the parliamentary oil committee, but the radicals seem to be definitely in control. If the "blue print" as outlined above indeed represents the government's plan, there remains little basis for negotiation, as the amount of participation left the British under the plan would be unsatisfactory to them.

9. French official reports increased French prestige in Syria:

3.3(h)(2)

Comment: French culture is still the predominant foreign influence in Syria as well as in Lebanon, and French diplomatic officials have been attempting to regain, to some extent, the strong political position they previously had in the Levant before World War II. Reports of an improved French position in Syria have occurred at the same time that French influence has suffered a setback in Israel. The Israelis recently objected to the presence of two French officers at the Mixed Armistice Commission meetings, and they have indicated their belief that the French attitude on the Israeli-Syrian border dispute is too pro-Syrian.

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

WESTERN EUROPE

10. Opportunity seen for closing Soviet repatriation missions:

[Redacted]

The US High Commission in Vienna believes that a favorable situation has been created for Western Allied action to terminate the Soviet re-

3.3(h)(2)

patriation missions in the western zones of Austria, as the mission in the US zone has just been caught using two displaced persons for espionage. Without connecting the termination with the espionage case, High Commissioner Donnelly intends to inform the Soviet High Commissioner on 25 May that the mission in the US zone must be withdrawn by 8 June. The British have been informed, and have agreed to proceed with termination of the mission in their zone at the end of the current Paris negotiations. Donnelly will urge the French to take parallel action at an early date.

Comment: In March, Donnelly proposed joint tripartite action to terminate the Soviet missions, which have completed their legitimate functions and now operate mainly as intelligence and propaganda agencies. The French, who were unwilling to take action at that time, may fall into line if the US and British have already proceeded independently. The USSR may be expected to retaliate.

~~TOP SECRET~~

3.5(c)