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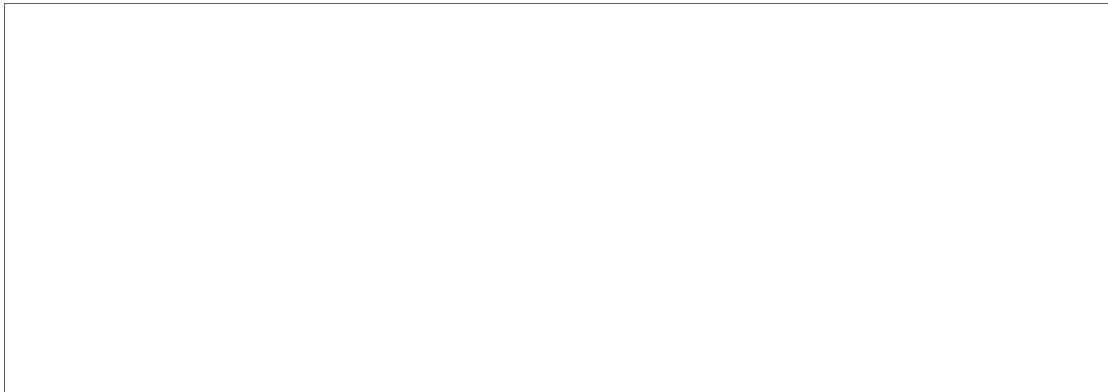
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GENERAL

1. Japan to establish diplomatic relations with Vietnam:

[redacted] The Japanese government has decided to accept Vietnam's offer to establish formal diplomatic relations, according to Ambassador Allison. A Foreign Ministry official told the American embassy in Tokyo on 24 August that a note announcing Tokyo's readiness to exchange ministers had been sent to Saigon.

Since the Japanese acted on their own initiative and from a desire to contribute to "keeping Vietnam on our side," Allison feels Tokyo would be receptive to suggestions regarding assistance to the Vietnamese government.

Comment: The action indicates Tokyo's willingness to incur the displeasure of Peiping, which seems likely to claim that Japanese recognition of Vietnam, like relations with the Chinese Nationalists, is a major obstacle to better Sino-Japanese relations. Japanese recognition should add to the prestige of Vietnam and encourage Southeast Asian nations to recognize the new regime.

The Vietnamese prime minister has close personal ties with Japan. Like many Vietnamese nationalists he probably looks on the development of Japan-Vietnam trade as a means of reducing Vietnam's dependence on the artificial trade pattern with France. Vietnam is sorely in need of technical aid which Japan could presumably provide.

FAR EAST

2. South Korea to press for assumption of command over Korean front:

[redacted] [redacted] the South Korean army assume command over the Korean front, now that the United States and other allies are withdrawing their troops.

Comment: Of South Korea's 20 divisions, all under Eighth Army control, 12 now occupy the major portion of the front. Completion of the American withdrawal program by the end of the year will leave two United States divisions in Korea.

The above proposal is an attempt to cut the control of the United States in Korea in proportion to its troop reduction and is probably aimed at eliminating Eighth Army Headquarters, which has had an inhibiting influence on some of Rhee's contemplated actions. It would place South Korean forces in an improved position from which to make threats of unilateral action and may presage an eventual attempt to withdraw Korean forces from the United Nations Command.

SOUTHEAST ASIA

3. Indonesian defense minister plans shifts in army commands before elections:

Air Marshal Suryadarma told the American air attaché in Djakarta on 25 August that Defense Minister Iwa plans to transfer several army territorial commanders who he feels have remained too long in their present areas and need experience in other parts of Indonesia.

The American army attaché comments that Iwa's real reason for the proposed shift is his desire to weaken the control of the present commanders over the troops before the elections in 1955. In the most critical area, West Java, it is reported that a strong anti-Communist leader--Colonel Kawilarang--will be replaced by a comparative unknown.

Comment: The army attaché has also reported rumors in Djakarta that Kawilarang would resist any order for his transfer. The anti-Communist army commanders, particularly

Colonel Kawilarang, have provided the principal retarding influence on the government's leftist tendencies.

A report of 17 August, however, stated that inertia pervaded the Indonesian army and that anti-Communist elements in it were capable of only token resistance to the disruptive moves of pro-Communist Defense Minister Iwa.

NEAR EAST - AFRICA

4. Nasr counting on extensive American aid:

Egyptian prime minister Nasr is counting on receiving at least \$50,000,000 in American economic aid this year and an equal amount of military aid. [redacted]

Comment: According to present allocations, Egypt will be offered \$20,000,000 in economic assistance and an equal amount of military aid. [redacted]

Nasr's disappointment in the extent of American aid, after two years of anticipation, together with extremist opposition to the Suez settlement, may lead him again to threaten to adopt a neutralist position as a lever in bargaining with the West. [redacted]

WESTERN EUROPE

5. Defeatism and anti-Americanism reported growing in West Germany:

[redacted] the
EDC impasse, plus the defections of Otto John and Schmidt-Wittmack to the East, is bolstering a latent belief of many West Germans that a totalitarian system will eventually defeat democracy.

[redacted] there is a definite anti-American and antidemocratic trend in the Federal Republic, particularly among student groups, which proclaim that the Germans must deal with Moscow. The Germans are rapidly losing faith in Europeanization, and the Christian Democratic Party fears it will lose substantially to rightist parties in the forthcoming state elections.

[redacted]

Comment: Barring French acceptance of EDC, the sentiments described will persist and deepen until Chancellor Adenauer is able to devise a new and workable pro-Western policy.

6.

7. Mendes-France reported sacrificing EDC to Soviet interests:

[redacted] [redacted]
French premier Mendes-France told Molotov and Chou En-lai at Geneva in July that France would not ratify the present EDC treaty even at the risk of splitting the Western bloc, and that he planned to propose amendments making the treaty acceptable to France and compatible with Soviet security interests. In return, France gained a favorable settlement in Indochina and was assured of a favored trade position in Indochina, China, and the rest of the Orbit.

Prior to the Brussels meeting this month, Vyshinsky reportedly assured Mendes-France in Paris that the USSR was ready to take joint countermeasures with the French in Germany if German military forces were raised in the American and British zones.

Comment: Rumors of such a deal at Geneva have been revived as a result of the Brussels deadlock.

While Mendes-France assured the French National Assembly in his report on the Geneva conference that the USSR had not sought a European settlement, he told Ambassador Dillon that Molotov had hinted at a deal. The premier has publicly committed himself to the acceptance of German rearmament; however, he has avoided a decision on timing.

LATIN AMERICA

8. Guatemalan situation reported worsening:

[redacted] Guatemalan junta president Castillo Armas is showing "little political sense," is ignoring his collaborators of previous days, and is surrounded by "highly suspicious opportunistic persons," [redacted] Castillo reportedly still distrusts Colonel Monzon, believing that he was responsible for the revolutionary attempt of 2 August.

[redacted] certain government figures and other anti-Communists are facing a dilemma. They feel they can support Castillo up to a certain point, but that a break with him might play into the hands of the army or possibly the Communists.

Comment: Castillo possesses popular appeal but little organized support of unquestioned loyalty. He is seeking to establish his personal control of the army, through the re-assignment of officers and the integration of his loyal followers, and thereby reduce his dependence on Monzon, the only regular army representative on the three-man junta.