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3.5(c)

~~TOP SECRET~~

~~TOP SECRET~~**SUMMARY****GENERAL**

[Redacted] 3.3(h)(2)

2. French and British cool toward UN trade talks with USSR (page 3).

SOUTH ASIA

3. Hindu-Moslem disorders may threaten peace in South Asia (page 4).

EASTERN EUROPE

4. Comment on Polish anniversary ceremonies (page 5).

WESTERN EUROPE

5. New restrictions placed on entry of East Germans into West Berlin (page 6).

[Redacted] 3.3(h)(2)

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[Redacted] 3.5(c)

~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

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2. French and British cool toward UN trade talks with USSR:

3.3(h)(2)

The UK representative on the Control Committee for East-West trade is strongly opposed to holding a 20 August meeting of the Economic Commission for Europe, to which the USSR has accepted an invitation. The UK representative

- 3 -

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

termed the Soviet acceptance a "clever propaganda device" calculated to provide the opportunity for dangling prospects of better living conditions before the Western European countries at a time when the UK balance of payments situation is deteriorating and export controls against the Soviet bloc are being tightened.

The French representative has indicated that his country would "keep in close touch" with the British on this matter.

Comment: The UK's vigorous opposition stems both from its recognition of the futility of any effort to expand East-West trade while the US position remains unchanged and from the government's fear that the dissident Bevan group would eagerly exploit the anticipated Soviet propaganda.

French cooperation with US East-West trade control policies has been more willing in the past year. Recently, France has resisted strong Polish demands for molybdenum and nickel, and has agreed only tentatively to give the Poles a limited quantity of aluminum in an effort to obtain desperately needed coal. Some French Government economists will be strongly tempted, however, to encourage increased imports of food and raw materials from the East. They would consider these as complementary to a larger volume of US-financed imports of consumer goods, an anti-inflationary measure now advocated by some French officials.

SOUTH ASIA

3. Hindu-Moslem disorders may threaten peace in South Asia:

Hindu-Moslem riots, rather than Indian and Pakistani military movements near Kashmir, constitute the greatest potential threat to peace in South Asia, according to the US Embassies in New Delhi and Karachi. Both embassies feel that communal disorders would spread rapidly

3.3(h)(2)

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and would be difficult to control once they had begun.

Comment: To date there has been little evidence that Hindu-Moslem riots were likely to occur as a result of Indo-Pakistani friction over Kashmir. Early in 1950, during a period of tension resulting from economic warfare, communal rioting broke out on a considerable scale. It was quickly and energetically suppressed, however, when both governments recognized how quickly it could lead to war.

EASTERN EUROPE

4. Comment on Polish anniversary ceremonies:

For the first time, the Polish National holiday ceremonies on 22 July were attended by many of the highest ranking Orbit notables. The presence of Zhukov and Molotov and the tenor of the latter's speech suggest that the occasion was used as a preliminary justification to Poland for new Soviet moves favoring East Germany.

Commemorating the occasion in a public address, Molotov stressed the benefits Poland has gained from its friendly post-war relationship with East Germany and particularly the USSR. He pointed out that these friendships enabled Poland to avoid following the deviationist path of Yugoslavia or reverting to its disastrous pre-war policy of playing Teuton against Slav. Molotov's reference to Yugoslavia appears to be more a warning to the Poles of what a Satellite should not do than a threat to Yugoslavia.

Zhukov's appearance in Warsaw, his first outside the USSR since 1946, may be connected with the USSR's new effort to stress peaceful cooperation with the West. During the last war Zhukov achieved much prominence and popularity in Russia, and in the immediate postwar period he was on good terms with the Western commanders in Berlin. Later the Kremlin relegated him to the obscurity of a comparatively unimportant military command in the interior of the USSR.

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3.5(c)

WESTERN EUROPE

5. New restrictions placed on entry of East Germans into West Berlin:

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The East German Minister of Interior has ordered that, effective immediately, all motor vehicles traveling between East Germany and East Berlin are forbidden to transit West Berlin en route.

Indications were also received that, after 20 July, international passes will be required for East German residents desiring to enter West Berlin. Local US officials state that these restrictions may be preliminary to the Communists' World Youth Festival scheduled to be held from 5-19 August in East Berlin.

Comment: These latest restrictions suggest that the planners of the forthcoming World Youth Festival are anxious to prevent a repetition of events at the 1950 Berlin Youth Rally, when large numbers of East German participants visited West Berlin despite Soviet efforts to prevent their exposure to Western influence.

Moreover, British officials reportedly believe that the new restrictions on motor travel may be a further Soviet attempt to combat the smuggling of illegal goods into West Berlin. The USSR cited such smuggling as the reason for their current restrictions against West Berlin's exports.

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3.3(h)(2)

- 7 -

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