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SECURITY INFORMATION~~

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GENERAL

1. Comment on Stalin's interview with Argentine Ambassador:

Stalin's granting of one of his rare interviews to the new Argentine Ambassador is the first-known top level Soviet effort to exploit the differences between the United States and Latin American nations caused by the sharp rise in economic nationalism and a wider acceptance of neutralist policies in that area. Stalin's personal attention possibly foreshadows a greater interest in Latin America, to which Soviet diplomacy has previously given relatively little attention.

Argentina is a suitable focal point for divisive efforts because of Peron's advocacy of neutralism and his efforts to substitute Argentine for United States leadership in the Western hemisphere.

FAR EAST

2. Army rotation between Korea and South China indicated:

Numerous troop trains carrying heavy equipment were seen moving north from Canton in December and January,

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Almost equally heavy troop movements from the north were observed arriving in Canton during the same period.

Comment: These reported troop movements support indications in [redacted] that a large-scale troop rotation between Korea and South China is underway. The armies believed to be leaving Korea are probably superior in equipment and training to those moving from South China.

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SOUTHEAST ASIA

3. Communist subversive activity increases in Malaya:

Reports of increasing Communist subversive activity in Malaya, particularly among trade unionists, laborers, and lower middle-class groups, have been confirmed by High

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Commissioner Templer in Singapore. Although there is no evidence as yet that this activity has reached disturbing proportions, Templer admitted that the efficiency of government intelligence in detecting and opposing subversion is still "well below" desired standards.

Comment: Increased subversive activity by the Communists in Malaya and a corresponding noticeable decrease in terrorism since mid-1952 apparently reflect Communist directives issued late in 1951. Templer is aware of the threat inherent in the changed Communist tactics and has particularly emphasized the need to improve intelligence efforts since his arrival in Malaya a year ago.

NEAR EAST - AFRICA

4. Iran expresses interest in Middle Eastern defense:

Iranian Foreign Minister Fatemi told Arab diplomatic representatives in Tehran on 2 February that he hoped Iran would be consulted before they took any action on Middle Eastern defense.

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The Jordanian Minister in Tehran, who reported this to Ambassador Henderson, said that Fatemi did not indicate what position Iran would take concerning such an organization.

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Comment: Despite Iran's pro-Western orientation, its neutralist foreign policy would not permit it to sign any agreement such as the proposed Western-backed Middle East Defense Organization. Iran has previously expressed an interest in taking a more prominent position in Middle Eastern affairs, however, and it might be interested in a purely regional defense pact.

5. Saudi Arabian King favors moderation toward West Germany on Israeli reparations:

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Comment: King Ibn Saud traditionally exerts considerable influence in the Arab world. His moderate attitude, which is similar to the conciliatory position unofficially adopted by Egyptian leaders, may partly account for the fact that Bonn and Arab representatives are making some progress in their current trade negotiations.

Barring a violent popular reaction to the expected Bundestag ratification, Arab League opposition to the West German action will probably result only in a face-saving boycott against certain German firms dealing with Israel, rather than in a general Arab boycott of West Germany.

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6. British evacuation of Suez bases would reportedly threaten canal operation:



Suez Canal Company officials are concerned over future efficiency of the canal if British evacuation is not preceded by a joint defense

agreement permitting Western troops to remain in the canal area.

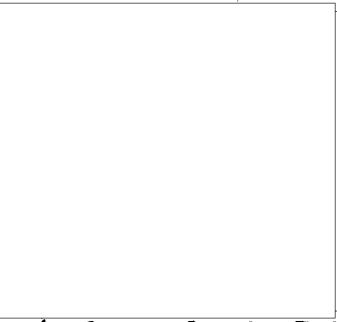


The officials of the company reportedly believe that its key European personnel, remembering past disorders, will refuse to remain.

Comment: This is the first indication that European employees of the international Suez Canal Company would leave their jobs if British troops were to evacuate the canal area.

Egyptian Government relations with the company have been generally good. Its employees represent various nationalities; many have spent their entire careers with the company and would be reluctant to leave.

7. Anglo-Egyptian agreement on Sudan may be in sight:



The Egyptian Foreign Minister is prepared to sign an agreement on the Sudan, embodying British compromises on the Governor General's authority in the southern Sudan and on the transfer of administrative posts to Sudanese officials if one additional small change is made. The British

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Ambassador in Cairo, who reported this, has recommended to the Foreign Office that the Egyptian suggestion be accepted.

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The proposed agreement states that the Governor General may act to safeguard the interests of the southern Sudan subject to the approval of the international advisory commission. In addition, the Sudanese Parliament may incorporate safeguards on the southern Sudan into the constitution with the approval of Britain and Egypt.

WESTERN EUROPE

8. Italian Government to press for early EDC ratification:

According to the Italian EDC delegate, Prime Minister de Gasperi intends to seek immediate ratification of the EDC treaty and the lower house may act favorably within three weeks. However, there is considerable opposition to this throughout the Italian Government. De Gasperi reportedly believes that the best way to achieve early agreement on the French-proposed protocols is for the other EDC countries to proceed with ratification at once.

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The Italian delegate states that the Dutch and Belgian EDC representatives have agreed to press their governments for immediate ratification.

Comment: In view of the expected delay in Italian parliamentary approval of the electoral bill, which has precedence over the EDC bill, passage of the latter is likely to be delayed.

Belgian and Dutch government spokesmen have recently stated that their parliaments will not proceed with ratification until France takes action.

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LATIN AMERICA

9. Rift between Bolivian government and police rumored:

The carabineros in La Paz have turned against the government, and the civilian militia is being mobilized, according to rumors

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Comment: In the April 1952 coup, the carabineros, or police, were probably the decisive force in defeating the army and overthrowing the previous government. Recently there have been indications of government-police friction.

The civilian militia, which serves the Bolivian National Revolutionary Movement (MNR) government and outnumbers the carabineros more than two to one, is composed mainly of workers who have been armed ever since the coup.

Bolivia's political instability continues despite partial alleviation of its economic difficulties by recent United States and British tin purchases. Disgruntled rightists of the Revolutionary Movement and the Socialist Falange are reportedly planning revolts.

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