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FAR EAST

1. Russian proposal strengthens China's position in Sinkiang:

3.3(h)(2)

Comment: The central government in China has traditionally held only nominal control over Sinkiang, which is considered within the Soviet sphere of influence. Recent developments, however, indicate that Peiping is trying to extend its authority in the area. Customs offices in Sinkiang have been brought under Peiping's direct jurisdiction, and the special currency which circulated in the province is being exchanged for regular Chinese currency. The clearing of trade transactions through Peiping will further strengthen the Chinese position in this border area.

2. Rift develops between De Lattre and Vietnamese Premier:

3.3(h)(2)

General de Lattre told US Minister Heath that Premier Huu has been financing an anti-De Lattre campaign among French politicians, has arrogated too much power to himself, and has failed to push the development of the Vietnamese army. De Lattre clearly indicated that he would seek, at Huu's expense, to strengthen the position of Bao Dai as the dominant Vietnamese political figure.

Comment: This situation illustrates the complexity and instability of Vietnamese politics. There are three "chiefs" -- Bao Dai, Huu, and De Lattre -- none of whose responsibilities has been clearly defined. De Lattre is the real repository of power but must maneuver behind the scenes to avoid offending Vietnamese sensibilities.

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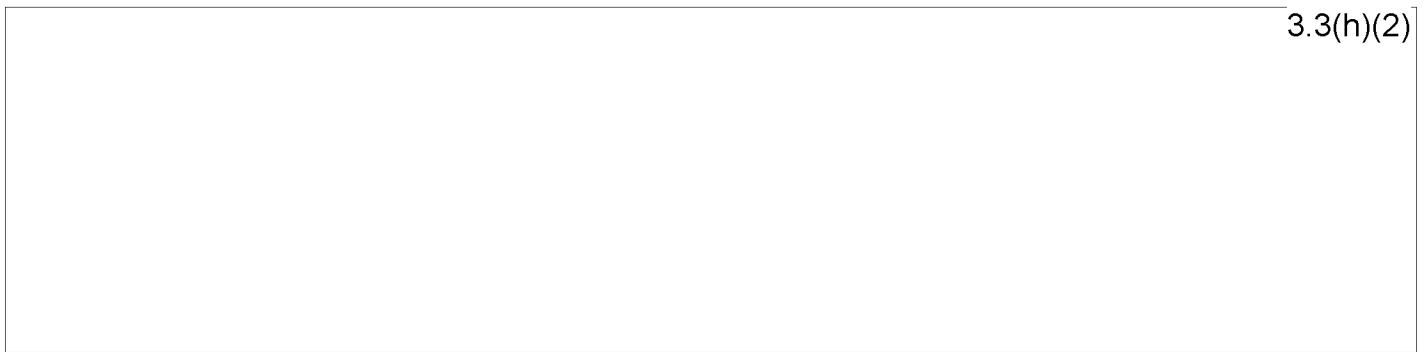
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NEAR EAST

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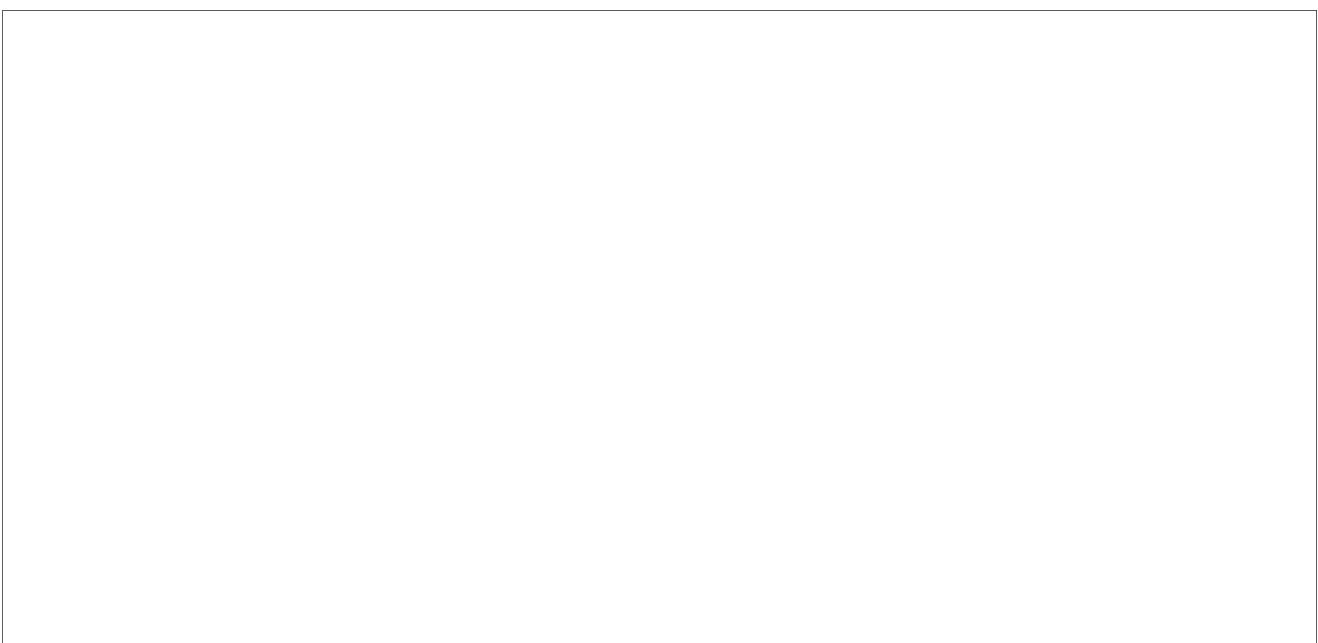
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3.3(h)(2)



5. Egyptian King pessimistic over developments in Egypt:

3.3(h)(2)

The Egyptian King informed the US Ambassador on 24 October that he was extremely pessimistic over developments and that it looked as if Egypt was "headed for real trouble from which only the Communists would profit." The King was bitter over British actions in the Suez canal zone, stating that the UK was making it impossible for him or any Egyptian government to accept a satisfactory solution of either the defense problem or the Sudan question. He stated that only the US was in a position to find reasonable solutions to the difficulties, and he urged that the United States and Britain do nothing to worsen the situation.

The King further advised the Ambassador that he had ordered Egyptian soldiers to resist any move to force them out of the canal zone. He also stated that, in a recent secret meeting, members of the fanatic Moslem Brotherhood had sworn to assassinate thirteen men, including himself and the Prime Minister. The King intimated that, while he favored Egypt's participation in an Eastern Mediterranean defense scheme, inflamed sentiment did not permit optimism.

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3.3(h)(2)

EASTERN EUROPE

7. Yugoslav Politburo member may be dropped:

3.3(h)(2)

A Yugoslav Politburo member, Franc Leskovsek, who was recently removed from his governmental post, may soon be dropped from the Politburo.

According to US Embassy sources in Belgrade, two close collaborators of Leskovsek have been arrested, one for criticizing Yugoslavia's economic policies and the other on charges of Cominformism. These arrests suggest that Leskovsek's removal from his governmental post was partly inspired by security considerations. The Embassy believes that he and his collaborators are guilty of violating discipline by refusing to accept party decisions.

Comment: The removal of Leskovsek from the Politburo would mark the first break in the top party leadership since the Tito-Cominform rift, and would be tangible evidence to substantiate recent reports of differences within the Politburo over the government's policies on internal reforms and aid from the West. There is no evidence, however, that Leskovsek's removal would seriously disrupt the unity of the party.

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WESTERN EUROPE

8. Allies to suspend interzonal trade if Berlin harassing continues: 3.3(h)(2)

The Allied High Commission has decided to suspend interzonal German trade if Soviet and East German authorities do not within a week satisfactorily carry out previous assurances that

~~harassing measures in Berlin would cease.~~ Meeting with West German Economics Minister Erhard, the High Commission pointed out that the Allies, in permitting signature of the trade pact on 20 September, had demonstrated good faith which has not been reciprocated by the USSR.

Erhard stated that, since East and West Germans had on 23 October reached agreement on schedules for deliveries of the iron and steel shipments urgently needed by East Germany, there would now be greater inducement for the East Germans to fulfill their oral promises. He therefore urged the Allies to give the East Germans a week before applying countermeasures.

Meanwhile, shipments of steel to East Germany were suspended as of 24 October.

Comment: Although French and British authorities had earlier been unwilling to go so far as to suspend interzonal trade, they appear to have been persuaded to change their stand because of recent more flagrant violations of the oral agreement to cease certain interferences with Berlin trade. The recent ~~East~~ German seizure of Steinstuecken, the small outlying community of the American sector of Berlin, has further demonstrated the Soviet intention to continue harassing tactics in the vulnerable city.

9. French more amenable to German NATO membership:

3.3(h)(2)

The attitude of the French NATO Deputy Alphand and his counselor on the question of German membership in NATO has "softened" considerably in recent weeks. They feel nevertheless that

~~early raising of this question might swing the balance against French ratification of the European Defense Forces treaty, which will be difficult to obtain in any event.~~ Alphand expects the Germans to demand NATO representation soon, and he sees no logical basis on which to refuse the demand.

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Comment: In early September for the first time a French Foreign Office spokesman predicted that France would accept German participation in NATO, possibly in the summer of 1952, or some six months after the Germans agree to a defense contribution. Timing now seems to be the most important consideration and, since the Germans will probably accept unofficial assurances on eventual NATO membership, it is unlikely that they will adopt a stand which would threaten French ratification of the European Defense Forces treaty.

3.3(h)(2)

11. Swiss may reconsider their neutrality in event of war:

3.3(h)(2)

The American Minister to Switzerland reports that the Swiss Undersecretary of State told him that "Swiss neutrality today means only that, immediately in the event of outbreak of war in Europe, the Federal Council would have to consider whether such neutrality was any longer possible."

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Comment: This Swiss intimation that their neutrality is not what it seems is the second approach made to US officials on this subject within the last three months, and may in part stem from an anxiety to obtain adequate equipment from the West to overcome military deficiencies. Some of the Swiss military favor closer liaison with the Western powers. In addition, the Swiss have shown themselves to be increasingly in favor of the West in recent months. On the other hand, the Swiss public still appears firmly dedicated to the principle of neutrality.

3.3(h)(2)

12. Portugal views Egyptian crisis with alarm:

A spokesman for the Portuguese Foreign Ministry has officially informed the US Embassy that his government envisages the complete collapse of Britain's prestige in all of Africa if the British are compelled to withdraw from Egypt and the Sudan as a result of the "unilateral Egyptian action." He stated that a British withdrawal would have extremely harmful effects in strategic French North Africa.

Comment: The Lisbon government views each fresh outbreak of African nationalism as a threat to Portugal's rule over the third largest colonial empire in Africa. There is, at present, no appreciable independence movement in the major Portuguese possessions of Angola and Mozambique. The Portuguese fear, however, that a retrenchment of British and French interests would automatically set the stage for an eventual attack on Portugal's position by various critics throughout Africa.

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