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14 November 1953

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State Department review completed

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S U M M A R Y

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SOUTHEAST ASIA

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SOUTHEAST ASIA

3. Chinese Communist threat to Burma reported:

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The Chinese Communists have stationed three divisions in the Burma Road border area, and Burmese forces have moved into the northern Shan States to meet the threat,

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Comment: Three divisions of the Chinese Communist 14th Army for two years have straddled the Burma Road from the border to Tali, the army's headquarters 150 miles to the north. The presence of Chinese Nationalist forces has been a standing invitation for Peiping to intervene in Burma, but there is no convincing evidence that the Communists are preparing to do so.

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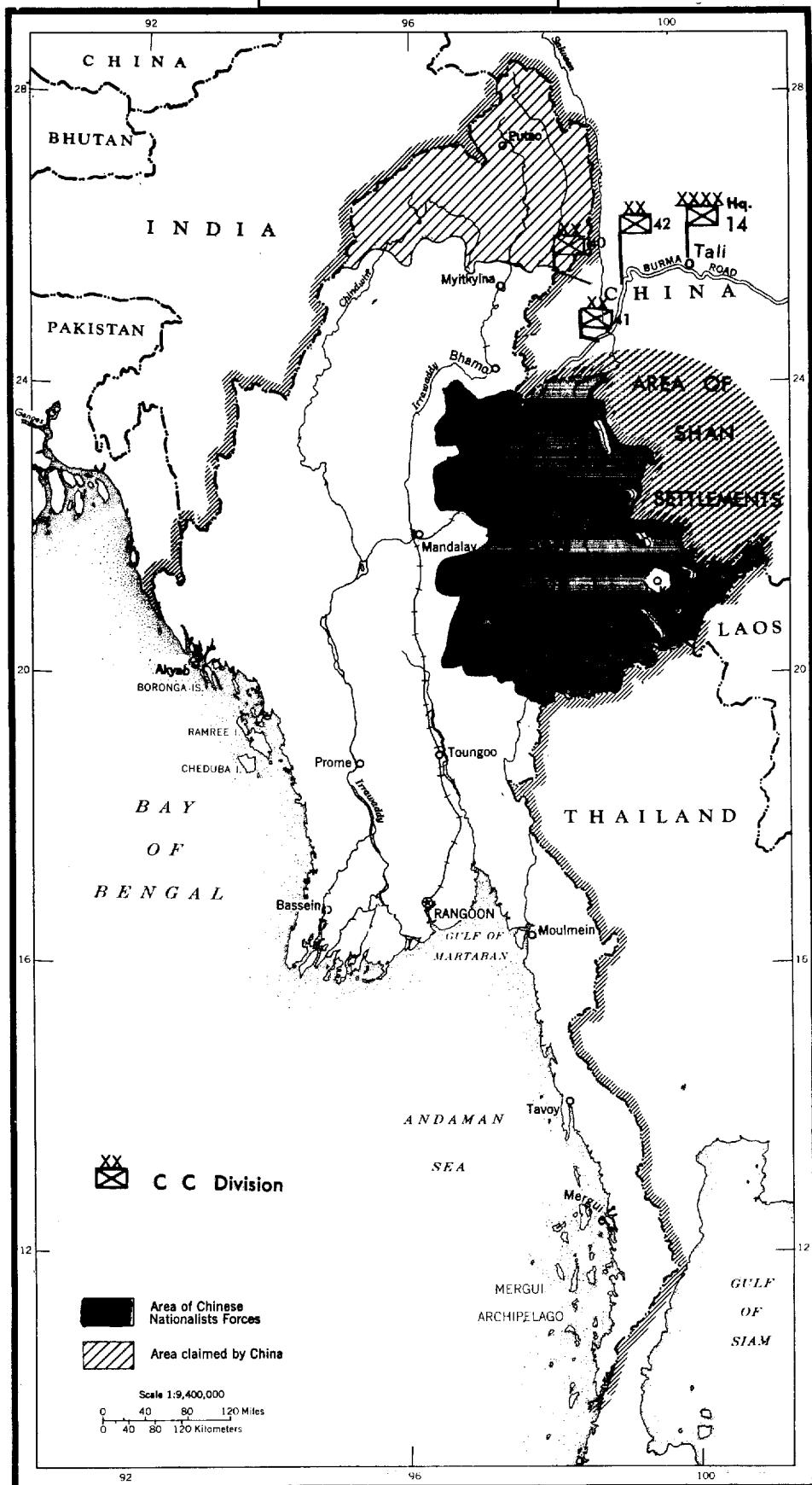
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[redacted] there is widespread dissatisfaction with the Burmese government among the Shans, who number over 1,000,000 and are the second largest minority group in Burma. The Communists have often been reported to be exploiting this attitude.

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5. Viet Minh extends control over delta villages:

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[REDACTED]

The number of villages in the Tonkin delta securely held by French and Vietnamese forces decreased by 20 percent from January through September of this year, according to administrative officials of the provincial government. The number held by the Viet Minh increased by nine percent and there was also an increase in the number under fluctuating control. In September, 1,361 villages were secure, 1,959 were insecure, and 2,245 were in enemy hands.

Comment: These statistics provide yet another illustration of the Viet Minh's success in extending its control within the French defense perimeter.

Tonkin administrative officials reported last February that the number of villages held by the Viet Minh had doubled between 1951 and 1953.

## EASTERN EUROPE

6. Soviet Union may reduce trade with Finland:

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[REDACTED]

The USSR has refused thus far, in current trade negotiations, to conclude contracts for over \$18,000,000 worth of engineering products, mainly wood processing machinery, offered by Finland, on grounds that prices are too high. Preliminary

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reports on the trade agreement, signature of which is expected next week, indicate that Finnish deliveries of ships, sawn timber and pre-fabricated houses conform generally to basic quotas. In addition Finland has secured a reduction of 115,000 tons in wheat imports from the USSR.

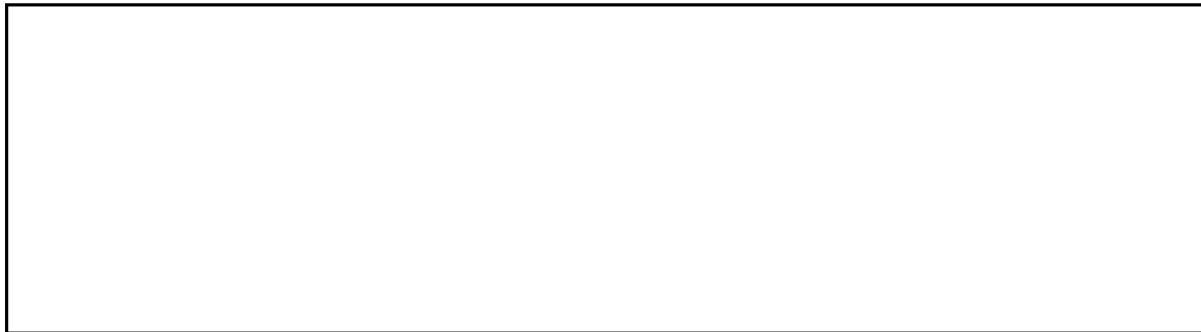
A Finnish trade delegate did not rule out the possibility that Moscow might be attempting to depress Finland's metal industry for political purposes.

Comment: A reduction of \$18,000,000--some 12 percent of Finnish exports to the USSR--would cause great hardship to Finland's metalworking industries, which were expanded after the war to pay reparations to Russia and which are largely dependent upon Orbit markets. Depressed world markets have already deprived Finland of its important timber sales to the West.

A 12 November Soviet decree suggests that the USSR's motivation for reducing its imports of wood-processing machinery is primarily economic. The decree indicates that the industry's immediate need is apparently not more wood-processing machinery but the better utilization of logging equipment, a strengthened labor force and improved transportation.

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8. Rome reportedly would accept Trieste solution proposed by US last May:

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[Redacted box]

The Italian ambassador to France, currently in Rome in connection with the Trieste question, told Ambassador Luce on 12 November that the plan suggested by the United States in May 1953 would be generally acceptable to Italy as a definitive solution.

The ambassador added that Premier Pella fears the United States and Britain will be intimidated by a Yugoslav threat to walk out of the conference unless Tito's demands are met. Yugoslavia, according to the Italian ambassador, will demand the Slav hinterland in Zone A, without concessions to Italy in Zone B, and will also demand the construction of a separate port and corridor to the sea.

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The Italians hope that the United States and Britain will realize that a separate Yugoslav port would be uneconomic and that a Yugoslav corridor would be a future source of trouble.

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