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ED

16 June 1954

Copy No.

3.3(h)(2)  
3.5(c)

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**CURRENT INTELLIGENCE BULLETIN**

DOCUMENT NO. 19 ✓  
NO CHANGE IN CLASS. ✓  
 DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 2010  
AUTH: HR 70-2  
DATE: 2/1/80 REVIEWER:

**Office of Current Intelligence****CENTRAL INTELLIGENCE AGENCY**~~TOP SECRET~~

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~~TOP SECRET~~**FAR EAST****1. South Korea resumes embargo against Japan by subterfuge:**

[Redacted]

South Korean firms have been threatened with a denial of credit facilities at the Bank of Korea and blacklisting by the Korean procurement agency if they purchase in Japan, according to the American embassy in Tokyo. Japanese manufacturers and traders are receiving letters from Korean agents stating that they cannot make contracts with them whether FOA-financed or otherwise.

The embassy comments that the Rhee government gives only lip service to competitive bidding. This increases the cost of the Korean aid program, and prevents American aid dollars from supporting the Japanese economy as well as rehabilitating Korea.

Comment: In March, President Rhee imposed a complete boycott on purchases from Japan, including those utilizing American aid funds. He later ostensibly abandoned the embargo when American officials pointed out that such discrimination was contrary to the United States' aid legislation and canceled a contract on which Japan was not allowed to bid.

It has been anticipated that Rhee's objection to the American "build-up" of Japan would lead him covertly to circumvent American policy. [Redacted]

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3. Tri disturbed over Ely's evasiveness on Tonkin plans:

Governor Tri of North Vietnam told the American consul in Hanoi that he has obtained little satisfaction from General Ely on French plans for regroupment in the delta, particularly in the southern area. Tri is considerably disturbed over the possibility that any delta sector may be abandoned or that Hanoi may be evacuated.

Meanwhile the American army attaché in Saigon has received reports [redacted] the desertion rate among Vietnamese army units and militia in the Tonkin delta has never been higher. In addition, [redacted] the French can now count on the loyalty of only [redacted]

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three percent of the delta villages.

Comment: Previously reported French plans, which envisage concentrating French units in the north of the delta and giving Vietnamese troops responsibility in the south, would be tantamount to abandoning the southern delta area to the Viet Minh. The Viet Minh may be expected to take advantage of any French withdrawal by increasing its subversive activities among the Vietnamese populace and military and intensifying its attacks against local units.

4. American chargé reports strong feeling against return of Bao Dai to Vietnam:

American chargé McClintock in Saigon reports that General Alessandri, military adviser to Bao Dai, and General de Langlade, a high French staff officer, both expressed opposition to the return of Bao Dai to Vietnam. The British ambassador echoed the view of General de Langlade that Bao Dai's return "would do more harm than good."

The chargé emphasizes that all these views were volunteered, and adds: "The hour has passed when his return would make any difference except possibly further to complicate our task."

Comment: Bao Dai is apparently all too willing to comply with advice that he not return to Vietnam, and has repeatedly found reasons of his own for not doing so. It is doubtful, however, that he is willing to forego his powerful and highly profitable position as chief of state. Unless he is willing to resign, he will be in a position to cause at least as much damage to the Vietnam government by sporadic meddling from France as he could if he returned.

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## WESTERN EUROPE

5. Comment on the founding of All-German People's Movement:

The founding on 14 June of the All-German People's Movement on German reunification by Jakob Kaiser, a Bonn cabinet minister, reflects further growth of neutralist tendencies in West Germany, fed by increasing doubts about the EDC.

For the first time since the inception of the Federal Republic, such a movement is receiving support from prominent conservative leaders of West German public opinion.

Influential persons in the press and radio, who have been favorably disposed toward Adenauer, may be affiliated with the organization, which has reportedly received contributions from the nonpartisan West German Federation of Trade Unions. Additional funds are expected from various industrialists.

The orientation of its supporters suggests that this new organization is independent of any influence from East Germany.

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