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~~TOP SECRET~~**SUMMARY****SOVIET UNION**

1. Molotov reported planning important talks in San Francisco (page 3).

FAR EAST

2. Rhee fears US may support opposition in presidential election (page 3).

SOUTHEAST ASIA

3. Saigon embassy analyzes situation in South Vietnam (page 4).
4. USSR to supply Burmese rice to Viet Minh (page 5).

NEAR EAST - AFRICA

5. Iranian-sponsored defense talks to be held in Iraq (page 5).
6. Turkish government fears opposition attacks on economic policy (page 6).

WESTERN EUROPE

7.

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8. Comment on Afghan-Pakistani mediation progress (page 8).

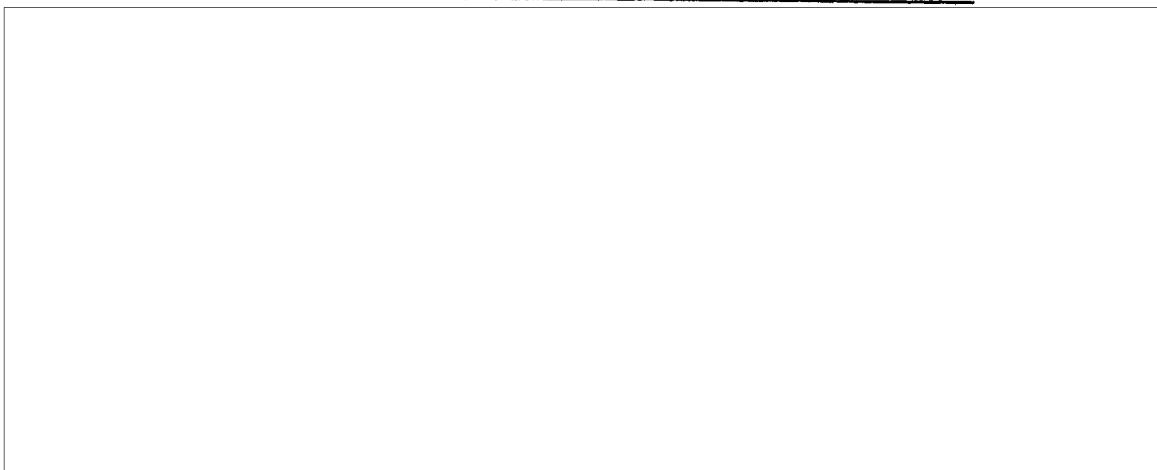
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SOVIET UNION

1. Molotov reported planning important talks in San Francisco:

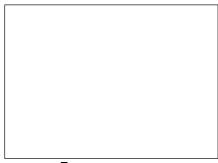


Comment: Soviet propaganda has not commented on what might be accomplished by the four foreign ministers at San Francisco, where they meet on 20 June in connection with the anniversary of the UN. It did quote French press opinion, however, that the meetings could help to dispel misunderstandings that have arisen over the summit talks.

The Soviet Union has asked for visas for 46 persons to go to San Francisco.

FAR EAST

2. Rhee fears US may support opposition in presidential election:



President Rhee has become increasingly concerned over the possibility that American authorities may support a candidate other than himself in the 1956 presidential elections, according to Eighth Army reports from Korea. The reports state that Rhee has ordered an investigation in Seoul and Manila of Ambassador Lacy, seeking information as to whether American support contributed to President Magsaysay's election in the Philippines.

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The Eighth Army comments that Rhee may feel he must now weigh the possible advantages of taking an extreme stand in the forthcoming US-South Korean aid negotiations against the possibility of antagonizing the United States to the point where it might work against his re-election.

Comment: Rhee has periodically expressed concern over alleged American support of anti-Rhee political factions. Opposition leaders in Seoul, who associate Ambassador Lacy's presence in Manila with the defeat of the Quirino administration there in 1953, have reportedly interpreted his appointment to Seoul as indicative of American dissatisfaction with the Rhee regime.

SOUTHEAST ASIA

3. Saigon embassy analyzes situation in South Vietnam:

The American embassy in Saigon believes Premier Diem is moving into the final phase of the effort to solidify his government's authority, a goal to which all other programs ~~herebefore~~ have been subordinated. At the same time, Diem is moving to establish a new base of legality for his government. Evidence of this is provided by the government's efforts to set up an electoral system, and there are indications that the Bao Dai "problem" may be dealt with by an early "referendum."

Diem is ready to move against the Hoa Hao rebels and probably anticipates that success in this effort will isolate the Cao Dai and render other organized opposition ineffective. American military observers estimate Hoa Hao armed personnel under the rebellious commanders General Soai and Ba Cut at 7,000 and 3,000 respectively. Because of logistic difficulties, these forces are considered to have only 30 to 40 percent of the combat effectiveness of the Vietnamese National Army, which now has 21,000 troops deployed in and near the Hoa Hao area. The embassy discounts the possibility of French resupply of the Hoa Hao rebels.

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The embassy believes that if the dissidents avoid large-scale engagements, their capabilities can be reduced to traditional small banditry by a three-month "starve-out" campaign. Otherwise, they can be reduced sooner.

4. USSR to supply Burmese rice to Viet Minh:

[Redacted]

Comment: Negotiations for the sale of 200,000 tons of rice to the USSR are nearing completion in Rangoon, [Redacted]

[Redacted] Apparently at least 20,000 tons of this amount is to be for the Viet Minh.

As a result of poor harvests, the 1954-55 rice supply has been from 700,000 to 900,000 metric tons in deficit.

NEAR EAST - AFRICA

5. Iranian-sponsored defense talks to be held in Iraq:

[Redacted]

Iranian acting prime minister Entezam has stated that Pakistan, Iraq and Turkey have agreed to meet with Iran for staff talks to be held in Iraq, presumably at Habbaniya, according to the American embassy in Tehran. The date of the meeting is yet to be agreed on.

According to Entezam, Iraq wants the United States and Britain to participate, or at least to send observers to the meeting.

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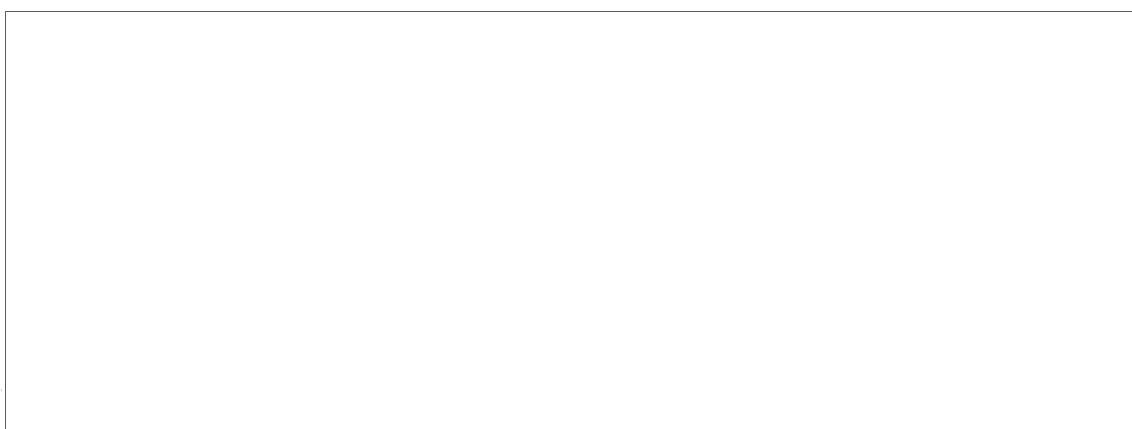
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Iran, however, seems to be proceeding on the assumption that only the four Middle Eastern states will attend.

Comment: The Shah suggested earlier that the talks should be held in Washington and should include the United States and Great Britain. He has apparently abandoned these plans but continues to be anxious for an early meeting to explore Middle East defense planning.

The British have tentatively decided against official participation but may send an observer.

6. Turkish government fears opposition attacks on economic policy:



Comment: Ankara has done everything in its power at home and abroad to create the impression that there is no domestic opposition to its economic program. It is making a vigorous effort to suppress any criticism of its policies and is apparently discouraging contacts between American officials and members of the opposition party.

The Turkish government is stimulating anti-American press campaigns to embarrass American officials, in the hope of forcing Washington to act favorably on its application for a \$300,000,000 loan.

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WESTERN EUROPE

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8. Comment on Afghan-Pakistani mediation progress:

[Redacted]

An investigation of the disturbances at the Afghan consulate in Peshawar, Pakistan, by a five-nation commission of Egypt, Saudi Arabia, Turkey,

Iran and Iraq would follow. According to the Cairo radio, Egypt's representative on the commission is scheduled to leave for Karachi on 6 June.

[Redacted]

The investigation by the five-nation commission will require time, and unforeseen blocks may still arise. The American embassy in Karachi, however, feels hopeful that the issue may be resolved in the near future.

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