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~~TOP SECRET~~**SUMMARY**

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3.3(h)(2)

2. De Lattre again exhibits antagonism toward US economic aid to Indo-china:



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US Minister Heath in Saigon reports that, while General de Lattre's "apparent new policy" of respecting Vietnamese aspirations and his support for the creation of a truly National Army is intelligent and beneficial, De Lattre has, however, evidenced increased determination to exclude "foreign" (i. e., American) influence from French-Viet relations. De Lattre

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is particularly suspicious of the ECA program, and any mention of US economic aid in Indochina in the leading French language newspaper (which is controlled by the French High Commissariat) is now strictly prohibited. The first unpleasant public incident between Heath and De Lattre took place recently when the general, in the presence of several other officials, told Heath there would be more housing for US military aid personnel in Saigon "if you would get rid of some of your ECA men and your American missionaries."

Comment: The developing ECA program in Indochina has already evoked enthusiastic response from the Vietnamese in those areas where it has been applied and promises in the future to be a vital factor in undermining the prestige and influence of Ho Chi Minh's movement. De Lattre's previous criticisms of ECA have been interpreted as resulting from temporary pique, but it now appears that he actually possesses a deep-seated antagonism toward US economic aid.

3. Indonesia claims its trade policy will depend upon UN decision:

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Comment: Although it is likely that Indonesia would nominally adhere to a UN-recommended embargo, primarily because it does not wish to prejudice its opportunity to obtain US assistance, it would not impose the stringent measures necessary to prevent its rubber from reaching China.

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NEAR EAST

4. Pakistan will send troops to Korea if US supports it against India and Afghanistan:

Prime Minister Liaquat Ali Khan of Pakistan has assured the US Ambassador in Karachi of his government's willingness to provide one division of troops for service in Korea

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if the US is prepared to support Pakistan against India in the matter of Kashmir and against Afghanistan in the matter of Pushtoonistan. The Prime Minister stated that the US should commit itself to his country's support just as it asked Pakistan to make a decision that, in his opinion, would constitute an irrevocable tie to the West.

EASTERN EUROPE

5. Tito seeks tanks and artillery from the West:

In reply to a query regarding Yugoslav arms aid talks in Washington between the US, UK and France, the Department of State has informed the US High Commissioner in

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Germany that the talks are based on arms requirement lists submitted by Yugoslavia to the US and UK. The lists include light and medium artillery, tanks, and other items. The Department can find no evidence that the Yugoslav decision to inform the US and UK of Yugoslav military requirements was based on an estimate that hostilities are imminent.

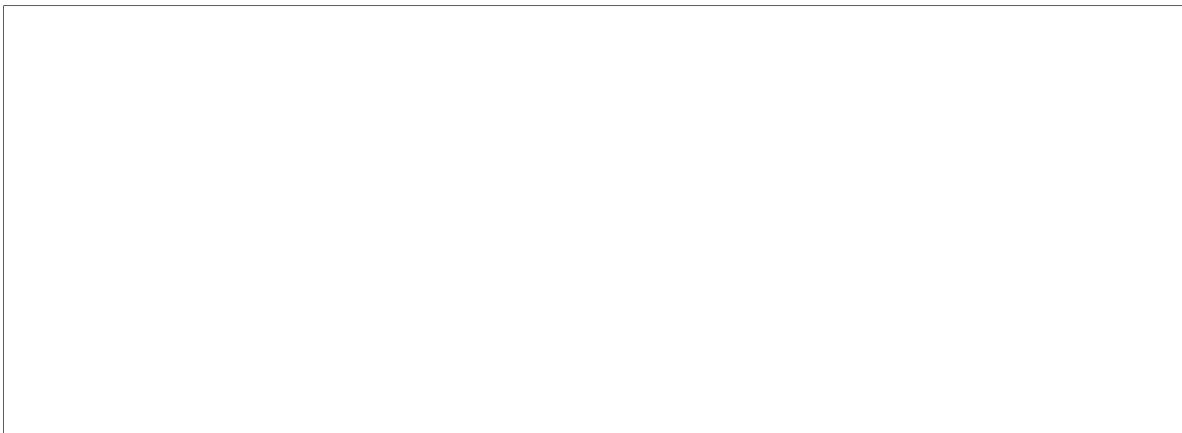
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WESTERN EUROPE

7. People's Party exploits Communist support of Socialists:

US High Commissioner Donnelly in Vienna states that the Communist decision to support Socialist candidate Koerner in the run-off presidential election on 27 May represents 3.3(h)(2) the most skillful Communist effort to date to drive a wedge between the Socialist Party and its coalition partner, the conservative People's Party. The Socialist Party re-

sponded to the Communist maneuver by instructing its officials to reject every Communist offer of cooperation in the Koerner campaign. Nevertheless, the People's Party press is playing up the "Marxist danger" and has termed the Communist decision a "momentous clarification," intimating that the Socialists deliberately chose a candidate who was acceptable to the Communists.

Comment: The People's Party, although well aware that the Socialists do not want Communist support, is unwilling to abandon a propaganda theme that has been effective in the past. Communist support cannot elect Koerner, if, as expected, People's Party candidate Gleissner picks up the large minor party vote that went to the rightist candidate in the 6 May presidential election. However, the strain put upon the present coalition Government will be very great.

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8. Austrian export control effort assessed:

[Redacted]

US Legation and ECA officials in Austria report the Austrian Government is co-operating effectively with the US in controlling East-West trade and, given the

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limitations imposed by the Soviet occupation, has gone as far as possible in thwarting Soviet economic penetration of Austria and in denying the USSR strategic materials. The Austrians must be circumspect in their efforts to control this trade because of the ever-present possibility of Soviet retaliation, which could result either in the partition of Austria or in restrictions upon shipments from the Soviet zone to other parts of Austria. Only a small number of items subject to embargo are produced in Austria, but the USSR would retaliate immediately if the action were taken to control transit shipments originating in other Western countries, and furthermore, the Austrian Government has no controls over the exports of the Soviet authorities and plants. In matters of trade, Austria has been conceding to Eastern Europe only what has been necessary to obtain essential Austrian imports (principally coal) and to maintain the Eastern markets for Austrian goods that do not sell in the West. US officials declare that the continued orientation of Austria's trade toward the West will gradually further curtail Austria's dependence upon the East for raw materials and markets.

Comment: Although the Austrian Government doubtless tries to control trade with the East, its ability to do so is limited because of the predominance of Soviet influence in Austria. Soviet firms not only produce large quantities of 1-B items in Austria, but Soviet-controlled shipping companies in Vienna are actively engaged in buying up required items throughout Western Europe and sending them East.

9. De Gaulle's Course expected to aid Communists in 17 June elections:

[Redacted]

As the French electoral campaign opens, the comparative apathy of the electorate promises to hurt all parties except the

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Communists. The Right, however, is expected to show "substantial gains," presumably at the expense of the Center. If all non-Communist parties formed electoral alliances, they could obtain the majorities necessary to eliminate Communist representation, but De Gaulle has ruled out this possibility by refusing to allow his party's candidates to affiliate with other parties. Since this decision will actually reduce the number of seats De Gaulle can expect to win, he is evidently more anxious to undermine the strength of the Center than to decrease Communist representation. Both the Gaullists and the Communists, by ignoring the Center in their respective campaigns, hope to attract those middle-of-the-road elements which could be expected to vote for one extreme in protest against the other.

Comment: A gradual trend toward the Right in French politics has been observed since 1947, and De Gaulle's Rally of the French People can be expected to become a major party in the next Assembly at the expense principally of the centrist Popular Republicans. The Communist Party, whose strength has shown little or no decline in Assembly by-elections, is likely to benefit from the growing inflation. Electoral reform was intended to reduce Communist representation sharply, but its effect has been largely counterbalanced by De Gaulle's injunction against electoral alliances.

LATIN AMERICA

10. Military junta ousts Bolivian President:

[Redacted]
President Urriolagoitia has left Bolivia following the military coup of 15 May, and a military junta has installed General Ballivian as President and Minister of Defense.

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Comment: It has been expected that a military junta would take over the Bolivian Government in order to counter the anticipated revolutionary activity of the Nationalist Revolutionary Movement. Additional incentives for effecting the coup at this time were probably: (a) the increasing public comment in favor of permitting the Nationalist Revolutionary Movement to assume power, and (b) the return from exile of a MNR labor leader who directed the violent strikes at Catavi in 1949 and who, the junta fears, may again incite violence among the miners. The junta is expected to attempt to maintain the normal flow of tin to the US.

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