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30 June 1953

US OFFICIALS ONLY

Copy No. 67

3.5(c)

CURRENT INTELLIGENCE BULLETIN

8
DOCUMENT NO. _____
NO CHANGE IN CLASS.
11 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2001
AUTH: HR 70-2
DATE 12-21-79 REVIEWER:

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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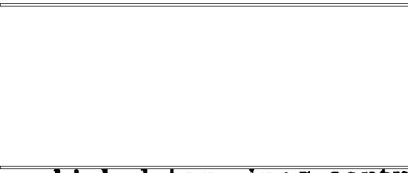
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~~TOP SECRET~~~~SECURITY INFORMATION~~**GENERAL**

1.

3.3(h)(2)

2. French official to recommend continuation of China Committee after Korean truce:



In view of the continued hostilities in Indochina, 3.3(h)(2) the chief of the economic section of the French Foreign Ministry will urge his government to support continuation of the China Committee, which determines controls on Western exports to Communist China, beyond the date of a Korean truce.

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Comment: The French have in the past been reluctant to accept American requests for more stringent controls on exports to Communist China. Several European members of the China Committee have indicated that they expect a relaxation of the economic sanctions against Communist China after a Korean truce.

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SOVIET UNION

3. Comment on attendance of top Soviet leaders at opera:

Malyshev's appearance at the Bolshoi Theatre on 27 June with eleven of the fourteen members of the party presidium suggests that he has replaced L. G. Melnikov as a presidium alternate.

Melnikov was severely criticized and his ouster as first secretary of the Ukrainian Communist Party was announced on 13 June. Malyshev, now minister of Transport and Heavy Machine Building, is an important member of the technical bureaucracy. He was elected to the 36-member party presidium at the 19th Party Congress in October 1952 and released when it was drastically reduced after Stalin's death.

It may also prove significant that L. P. Beria and M. D. A. Bagirov were missing. The latter may be in Azerbaijan, where he is chairman of the Council of Ministers and head of the party bureau.

FAR EAST

4. Rhee believed stalling to obtain additional concessions:

The vice chairman of the South Korean National Assembly told American officials on 26 June that President Rhee knows there

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will be an armistice and that his present tactics are designed to wring more concessions from the United States. The vice chairman said that he was attempting to get the assembly into a relatively neutral position so that it could take "independent action" if Rhee is unable to reach an agreement.

American officials believe from this that the assembly might be prepared to set Rhee aside if a final break between South Korea and the United States appears imminent.

Comment: In the current talks Rhee has constantly voiced new demands, while making no corresponding commitments. He may be expected to continue this strategy. It would be very difficult at this time for the assembly to oust Rhee or to influence him regarding the truce negotiations.

5.

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SOUTHEAST ASIA

6. Bao Dai will seek Vietnam army build-up:

Bao Dai told Ambassador Heath on 25 June that he will not press for constitutional changes at the July meeting of the High

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Council of the French Union but will seek French help in building the Vietnam army into an effective fighting force. When that is achieved, Vietnamese relations with France can be settled on the basis of "something like equality."

Subsequently, High Commissioner Gautier praised Bao Dai's realism in discerning that demands such as the king of Cambodia is making only result in French reluctance to continue military and financial sacrifices in Indochina.

Comment: Bao Dai's strategy is to use the army not only as an eventual counter in bargaining with the French but to assure his own power within Vietnam. By not asking for political concessions now, he can secure the support of the French and thereby undercut his rival, Premier Tam, who recently demanded revision of the French-Vietnamese agreements.

NEAR EAST - AFRICA

7. Caffery denies near split between Nagib and Egyptian officers:

Ambassador Caffery in Cairo denies that there is a near split between General Nagib and Colonel Nasr, leading member of the Revolutionary Command Council. Caffery reports that Nasr dominates the council, which still treats Nagib with deference.

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There have also been sharp differences of opinion regarding the timing of the proclamation of the republic; however, the officers finally let Nagib have his way. Current differences center on their opposition to Nagib's desire for a palace, an increase in salary and a new title, but Caffery does not anticipate a "real fight" within the group.

Comment: Events have not yet clearly revealed the behind-the-scenes situation in the council.

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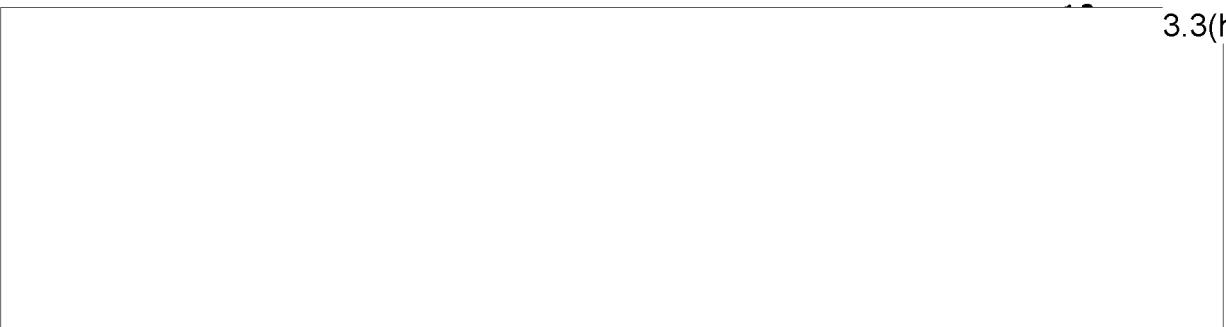
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EASTERN EUROPE

8. Czech security police alerted following German disturbances:

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Comment: This is the first evidence that any Satellite government has taken special security precautions as a result of the German disturbances. The Czech government was apparently less fearful of an uprising among the indigenous Czech population than among the German minority which it has recently been making new efforts to assimilate.

No additional security measures have been noted in the areas inside Czechoslovakia which were the scene of serious disturbances early in June.

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9. Severe Rumanian food shortage reported:

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[redacted] the food situation in Rumania has "reached a degree of extreme urgency which has not been seen since 1944." The price of corn, the main staple of the Rumanian peasant, is extremely high.

[redacted] a resentful popul[redacted]ation is accusing the Rumanian authorities of piling up food reserves in order to effect a show of abundance during the World Youth Festival scheduled for early August or to be able to put food on sale at new prices after a currency reform.

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Comment: Last year's particularly bad crop failures are largely responsible for the present shortage of staple food-stuffs in Rumania. Basic shortages probably will continue to exist until the grain harvest in August and September, and public resentment is apparently widespread.

10. Comment on resignation of Finnish cabinet:

The resignation of Premier Kekkonen and his coalition cabinet on 29 June because of the inability of the Social Democrats and Agrarians to agree upon urgent economic reforms will increase Finland's problems.

The economic crisis has developed because rising industrial production costs have priced Finnish goods out of the world market, thus creating a threat of widespread unemployment this winter. Failure to resolve the crisis within the next two to three months would probably result in a Communist gain in the communal elections on 4 October and weaken Finland's ability to resist possible Soviet overtures to increase the volume of trade exchanges. Approximately one third of Finland's foreign trade probably will be with the Soviet bloc in 1953.

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