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14 October 1951

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Copy No.

47

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. NO CHANGE IN CLASS.

NOT ASSIGNED

CLASS CHANGED TO: TS S C 2001NEXT REVIEW DATE:

AUTH: HR 70-2

DATE REVIEWER:

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

 3.5(c)~~TOP SECRET~~

~~TOP SECRET~~**S U M M A R Y****FAR EAST**

1. French report no Chinese Communist units in Indochina (page 3).

NEAR EAST3.3(h)(2)**WESTERN EUROPE**

3. Britain and France request deferment of statement on German unity (page 4).
4. Delay in Allied counter-action in Berlin favored (page 5).
5. French financial dilemma may force retrenchment in Europe or Indochina (page 5).
6. France refutes right of UN to investigate Moroccan question (page 6).
7. US-Spanish military talks may be reaching stalemate (page 7).

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3.5(c)

- 2 -

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

FAR EAST

1. French report no Chinese Communist units in Indochina:

3.3(h)(2)

[redacted] has informed the US Military Attaché in Saigon that it has not been able to identify any Chinese Communist units in Indochina except a motor transport detachment operating supply trucks across the border. However, the presence of Chinese military advisers and instructors down to and including the platoon level has been confirmed.

The Attaché emphasized that no evidence of any kind available to him indicates the presence of regular or irregular Chinese Communist combat units within Tonkin.

Comment: Reports of the entry of Chinese military formations into Indochina are numerous and persistent. However, the above statement [redacted]

[redacted] would seem to refute them.

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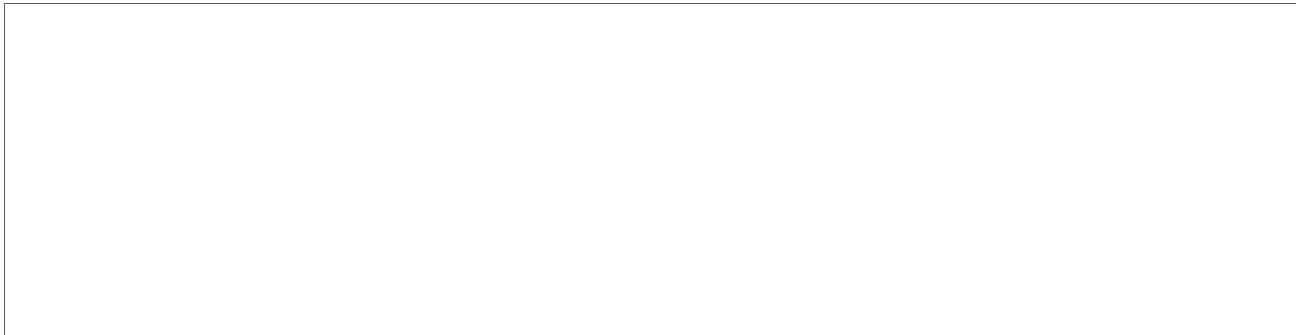
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3.5(c)

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3.5(c)

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WESTERN EUROPE

3. Britain and France request deferment of statement on German unity: 3.3(h)(2)

The British and French foreign offices as well as the US High Commission in Germany have all recommended that a proposed US statement on German unity be deferred. French Foreign Minister Schuman feels that Chancellor Adenauer is handling the situation capably, and that any three-power declaration would be used by the West German parliamentary opposition as well as by the Communists as an indication of dictatorial interference by the Western powers in German affairs. British Foreign Secretary Morrison asserts that the statement should be given further study in light of its possible effects upon Western policy toward the East; and High Commissioner McCloy believes that it must be very carefully presented in order to avoid the impression that the Allies are subordinating German unification to the question of Germany's integration with the West. All three agree that any statement should be coordinated with Chancellor Adenauer.

- 4 -

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

4. Delay in Allied counter-action in Berlin favored:

3.3(h)(2)

Commenting on the increasing evidence that the East Germans are not complying with the conditions agreed to at the time of the signing of the interzonal trade pact, High

Commissioner McCloy states that the British, French and West Germans are reluctant to take any counter-action at this time. In the event any steps are taken against continued East German restrictions on Berlin trade, the French and British seem to favor a progressive application of pressure before considering outright stoppage of interzonal trade.

Comment: Although the East Germans agreed orally on 20 September, when the trade pact was signed, to lift various harassing measures in Berlin, their only compliance has been a reduction of the highway tax. Obstruction of trade permits and interference with parcel post shipments are continuing, although apparently on a somewhat reduced scale. The important Rothensee canal lock remains closed.

Reluctance of the British, French, and Germans to take counter-action may arise partly from the belief that the net effect on the West Berlin economy of these harassing measures has been less serious than was originally feared and that the Communists can impose more damaging restrictions at any time.

5. French financial dilemma may force retrenchment in Europe or Indochina:

3.3(h)(2)

If the burden of the war in Indochina forces France to curtail its NATO commitments, the French may demand that the proposed German contribution to Western defense be

correspondingly reduced to prevent its exceeding their own. The French are anxious, nevertheless, to have the Germans carry an equitable share of defense costs in order to avoid a deterioration in the French balance-of-payments position with Germany, and they are seeking ways to secure

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

additional German financial commitments outside of a direct defense contribution.

The French may be tempted to cut their non-European obligations in order to insure a larger German contribution. This would lead to a progressive deterioration in the French position in Indochina, and would give rise to renewed pressure for a negotiated settlement with Ho Chi Minh.

Comment: The West Germans presumably will refuse to assume additional financial burdens, particularly if they interpret the French plan as a scheme to release French resources in the interests of colonialism.

The French Government hopes to patch together a 1952 military budget bolstered by substantial US aid for both France and Indochina. In view of the worsening French economic situation, however, it is increasingly doubtful that the National Assembly will accept the government program.

Since even the most optimistic estimates on the Indochina struggle call for expanded expenditures for at least two years, the possibility of a negotiated peace cannot be entirely discounted.

6. France refutes right of UN to investigate Moroccan question:

3.3(h)(2)

The French Foreign Office intends to counter Egypt's presentation of the Moroccan independence issue in the UN General Assembly by declaring the UN "incompetent" to investigate this matter and refusing to carry out any UN resolution on the subject. According to a Foreign Office official, the French delegate will make "a complete statement" before the General Assembly showing that France is carrying out the provisions of the UN Charter and the Declaration of Human Rights.

~~TOP SECRET~~

~~TOP SECRET~~

Comment: Egypt introduced the Moroccan question in the General Assembly as a result of heavy pressure from both the Moroccan nationalists and the Arabs after efforts to obtain Brazil's mediation failed.

Despite repeated urging from US officials and demands from the Arab League, France has refused to adopt any concrete program aimed at greater autonomy for the Moroccans. French stubbornness will complicate the various problems of the Middle East, which sees the West as opposed to legitimate nationalist aspirations.

7. US-Spanish military talks may be reaching stalemate:

3.3(h)(2)

[redacted] [redacted] Latest reports from the US Ambassador in Madrid indicate that US-Spanish military talks may be approaching an impasse because Franco fears that US aid will be of a limited military nature only and that appreciable economic aid will not be forthcoming. In a recent statement to an official of a US news agency, Franco is reported to have mentioned \$200 million as a satisfactory beginning for the economic assistance he wants.

Comment: Franco's determination to require substantial economic aid as a quid pro quo for a US-Spanish military arrangement has been reported before and there is no indication that he will alter his views.

~~TOP SECRET~~

3.5(c)