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DIA and DOS review(s) completed.

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GENERAL**1. Soviet Union attempts to capitalize on Trieste dispute:**

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[REDACTED] The Soviet Union's demand that the UN Security Council try again to set up an international administration for the Free Territory of Trieste, together with the 12 October Soviet note, represents an attempt to capitalize on the dispute in the hope of thwarting a Trieste settlement and maintaining the pose of upholding peace treaties.

The Soviet note did not mention Yugoslavia, and Ambassador Bohlen in Moscow believes that the Soviet failure to print a Belgrade TASS dispatch giving Yugoslav reaction represents an effort to avoid appearing to support the Yugoslav position. The Soviet maneuver, simultaneous with the Yugoslav protest, may be intended to create suspicions in Allied quarters regarding Soviet-Yugoslav relations. Yugoslav delegates reportedly had attempted to dissuade Vyshinsky from making the proposal at this time.

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3. Allied officials in Trieste believe Tito not bluffing:

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[Redacted]

Yugoslav fears of Italian irredentism are genuine and Allied officials in Trieste do not underestimate the sincerity of Tito's threat to send troops to Zone A if Italian

forces enter that area, according to US political adviser Higgs in Trieste. He believes that Tito might still be willing to negotiate a final solution of the question and accept Italian administration of Zone A, but only if the zone is demilitarized.

General Winterton, commander of the Allied Military Government in Zone A, believes the chief of the Yugoslav mission in Trieste is seeking to avoid a head-on collision with the Italians after withdrawal of Allied troops.

Comment: One day before Tito's speech warning that Yugoslav troops would enter Zone A to oppose Italian troops, Assistant Foreign Secretary Bebler told the Turkish ambassador in Belgrade that Yugoslavia was considering such action. Subsequently, Yugoslav officials in Bonn and Rome have stated to US officials that Tito's warning was sincere.

Thus, in addition to its public threats, the Yugoslav government is making a concerted effort through diplomatic means to convince the West that it will use military force, if necessary, to prevent entry of Italian troops into Zone A.

Elements of two rifle divisions and one tank division may be in the process of moving toward the Trieste area. There is no confirmation, however, of the entry of reinforcements into Zone B.

4. Italian intelligence chief minimizes Tito's threats:

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[Redacted]

General Musco, chief of Italian military intelligence, told the American army attache in Rome on 12 October that he was confident Marshal Tito's threats were meaningless and that there would

be no Yugoslav retaliation against the entry of Italian troops into Zone A of Trieste.

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Comment: Musco's opinion contrasts with the opinions expressed by American officials in Trieste.

Italian Foreign Ministry officials have suggested that the United States and Britain might wish to retain military facilities in Trieste, apparently in the belief that the presence of Allied troops would act as a deterrent to Yugoslav actions.

FAR EAST

5. Chou En-lai favors solving Far Eastern questions separately:

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Chinese Communist premier Chou En-lai told [redacted] in Peiping in mid-September that Communist China wishes first to solve the Korean problem and then to discuss the questions of China's admission to the United Nations, Formosa, Indochina, "et cetera."

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Comment: The armistice agreement contains an "et cetera" in reference to conference agenda questions which was inserted after the UN Command had refused to include these questions explicitly. Chou's statement again suggests an intention to put forward the questions of China's seat in the UN and the status of Formosa at the Korean political conference.

Chou previously stated that Peiping did not wish to discuss Indochina at the same time as Korean issues. He is making it possible for this subject to be introduced later in the conference or, if the conference atmosphere is unfavorable, to be considered in a separate meeting.

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NEAR EAST - AFRICA

6. Britain asks Iran to consider resumption of diplomatic relations:

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The British desire that diplomatic relations with Iran be re-established and that ambassadors be exchanged was formally conveyed to the Tehran government on 11 October by the Swiss minister.

The Iranian foreign minister expressed doubt that public opinion was yet prepared for a resumption of relations and indicated that his government might prefer to wait until some advance toward an oil settlement made the move seem more justified.

Comment: Britain has been ready to resume diplomatic relations ever since Mossadeq's removal, but has been awaiting an Iranian initiative.

Prime Minister Zahedi told Ambassador Henderson on 10 October that a resumption of relations prior to an oil settlement would be exploited by the opposition as "proof" that he was controlled by the British and Americans.

WESTERN EUROPE

7. French propose major changes in draft Western note to Moscow:

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France has unexpectedly proposed that the draft Western reply to the Soviet note of 28 September be amended to de-emphasize the references to Germany and Austria and to invite the Soviet Union to discuss other subjects as well.

The American representative at the tripartite London meeting feels the French version might be interpreted as a Western proposal for talks to include the Indo-china question. He further states that Foreign Minister Bidault apparently hopes to use the proposed changes to combat pressure for five-power talks in the French cabinet.

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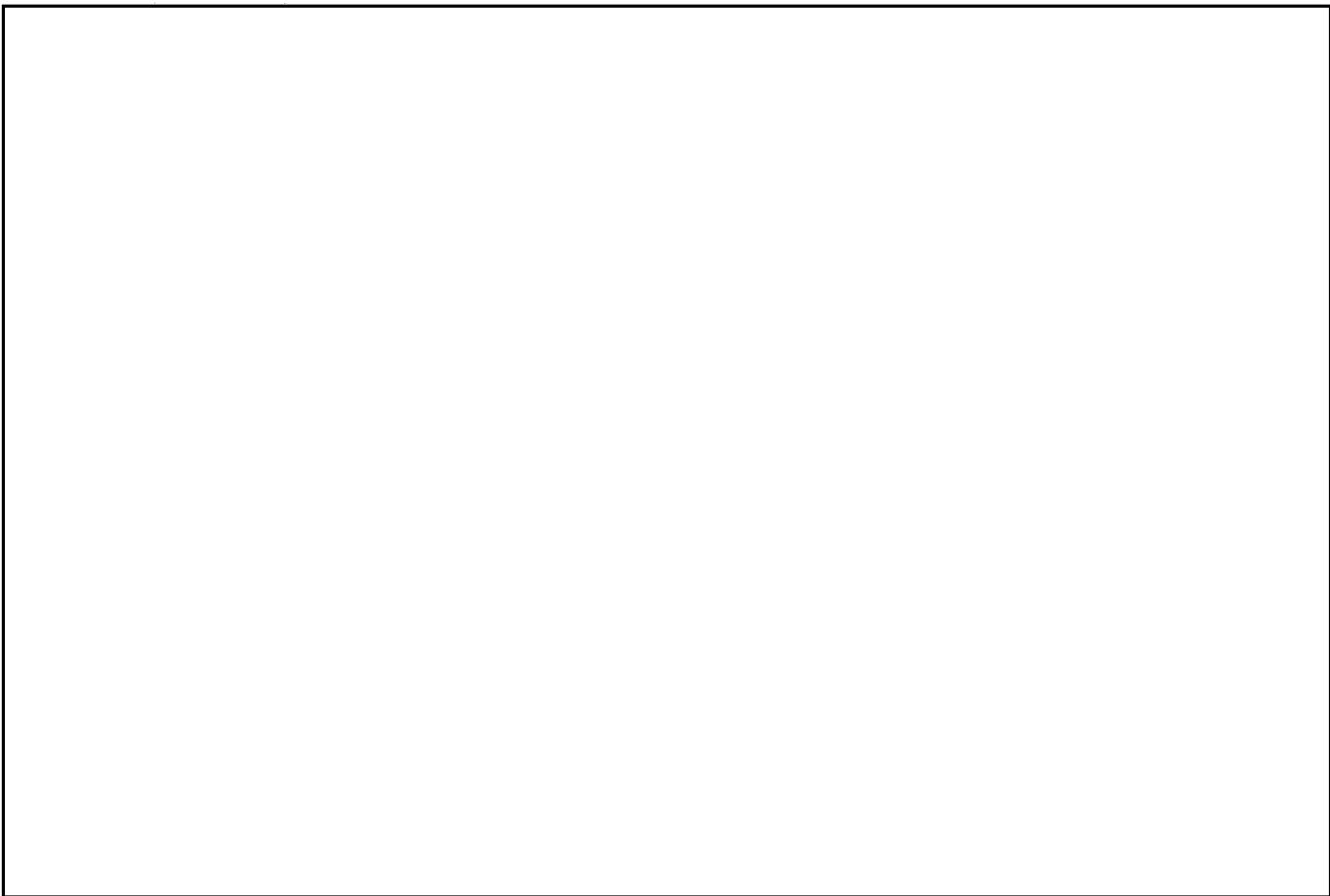
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Comment: While Bidault and Premier Laniel have denied that any decision has been reached, it is apparent that there has been increasing support in the French cabinet for Deputy Premier Reynaud's idea of five-power talks to end the Indochina war.

The French-proposed changes in the draft Western note would probably meet opposition from Chancellor Adenauer, who in the past has insisted that initial agenda items for any four-power talks should be the questions of free German elections and the formation of an all-German government.

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