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SOVIET UNION**1. Comment on possible Soviet bloc military appointments:**

[Redacted] Recent information suggests that Marshal I. S. Konev and Army General A.I. Antonov, members of the Soviet military delegation at the current Warsaw conference, will be appointed commander and chief of staff, respectively, of the proposed unified Soviet bloc military command.

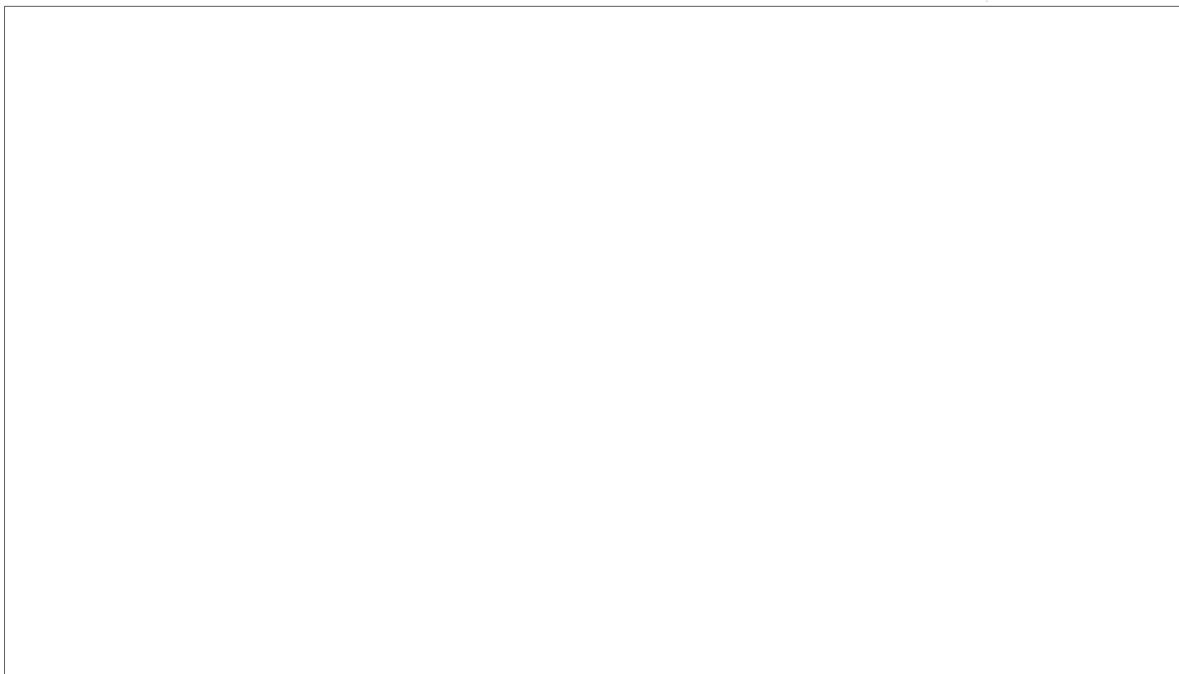
The Moscow censor has passed Western news stories alleging that Konev is to be the new commander. At the Elbe veterans' reunion in Moscow on 12 May, Marshal Sokolovsky parried the question, "Is it to be Konev?" by saying "NATO commander Gruenther is going to be pleased with our choice."

Konev and General Gruenther had many official contacts in Austria in 1945, when Konev was chief of Soviet forces in Austria and Gruenther was deputy chief of American forces there.

Antonov's probable appointment is suggested by the fact that on 12 May he addressed a closed session of the conference on problems connected with the establishment of a combined command. Among other assignments, he served as a deputy chief of the Soviet General Staff from 1943 to 1947, and for several months in 1945 he was chief.

Konev and Antonov are among several commanders of border military districts in the western USSR who were replaced and returned to Moscow in recent months. Konev was recently identified as deputy minister of defense. Antonov's present assignment is not known. [Redacted]

2. Soviet leaders stress policy change and readiness to negotiate:



Comment: Soviet leaders

[redacted] desire to arrange an East-West detente and to contrast this position with the alleged American "policy of strength." Bulganin followed a similar line at the October Revolution celebration last year.

While the USSR suffers from economic weaknesses, particularly in the fields of agriculture and labor productivity, they can hardly be termed critical.

3. Comment on redisposition of Soviet naval units:



The move on 13 May of two Soviet Sverdlov-class light cruisers and four new destroyers from the Baltic probably is a redeployment to augment the relatively weak surface forces of the Northern or Pacific Fleets.

Four light cruisers and 33 destroyer-type vessels are presently in the Northern Fleet; two heavy cruisers and 45 destroyer-type vessels are in the Pacific Fleet.

In late March two floating drydocks capable of servicing Sverdlov-class cruisers left the Black Sea, reportedly for Petropavlovsk in the Far East. The move of these docks to the Far East suggests that the cruisers leaving the Baltic may ultimately be assigned to the Pacific Fleet. The immediate destination of the warships, however, is believed to be the Northern Fleet.

FAR EAST

4. New crisis with Rhee over aid anticipated in June:

[Redacted]

Economic Aid Co-ordinator Wood expects "acrimonious controversy" and a major crisis in South Korean-United States relations to develop during economic discussions planned for June. He reports that President Rhee is counting heavily on this conference and expects it to produce, at a minimum, a fixed hwan-dollar exchange rate for at least one year.

Wood believes that Rhee will insist on fixing the value of the hwan far above its actual value. This would hamper anti-inflation efforts and greatly stimulate the black market and windfall profits.

Comment: Rhee's belief that a permanent exchange rate will cure South Korea's inflation problem--a theory not shared by his own officials--was one of the issues which delayed for four months implementation of this year's \$700,000,000 aid program.

Rhee has already announced publicly that a fixed rate will become effective 1 July. Other reports indicate he plans to demand 90 percent of all American aid allocated to the Far East in fiscal 1956.

5. Large oil-drum loadings at Shanghai may be for Fukien airfields:

[redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]

Barges were being loaded with oil drums
at almost every oil wharf in Shanghai in
early May, [redacted]

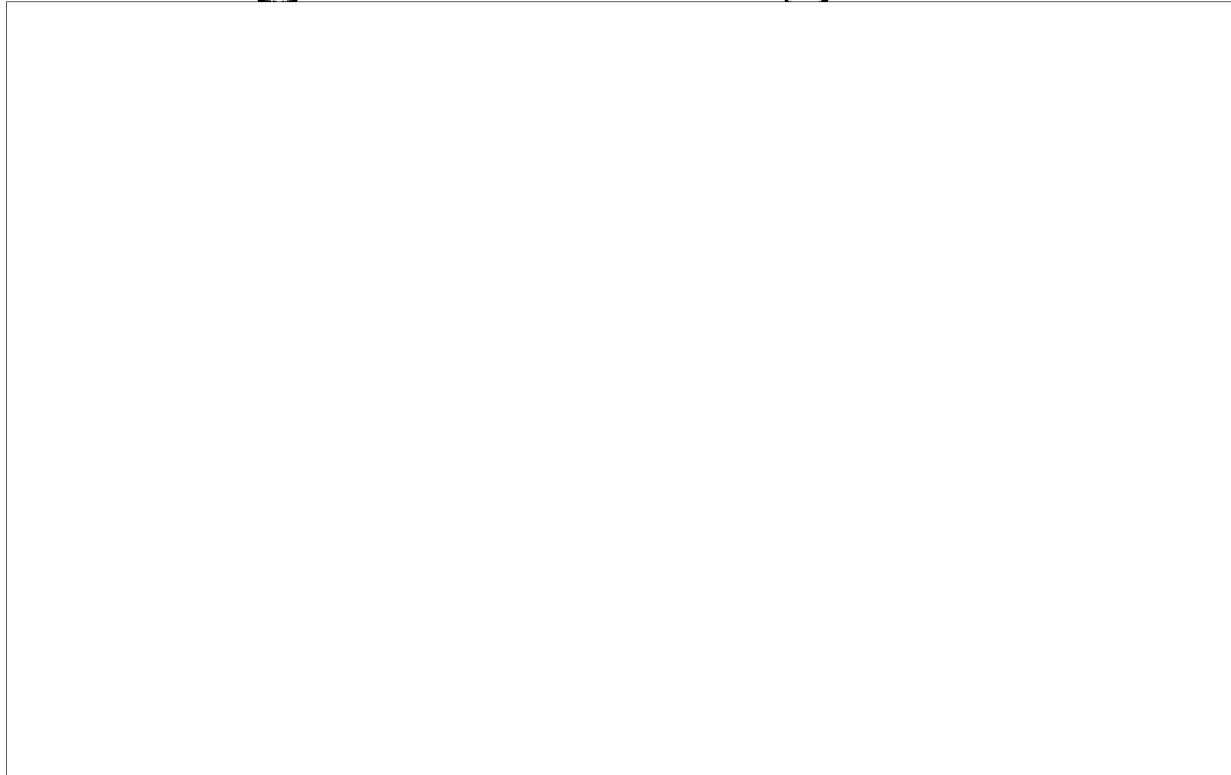
[redacted] possible that the Chinese Communists are using oil
barges to supply fuel to airfields in the Chekiang-Fukien areas,
moving by inshore routes and probably at night.

Comment: Shanghai, where most of East
China's oil storage facilities are located, would be the normal
source for fuel deliveries to airfields nearing completion in the
coastal areas opposite Formosa. In view of the difficulties of high-
way transport to these fields, the Chinese Communists may well
attempt to supply these new installations by sea.

[redacted]
[redacted]
[redacted]
there is a substantial movement
of full and empty drums between Shanghai and points up the Yangtze
River, both to deliver petroleum products upstream and to pick up
vegetable oil for delivery to Shanghai. [redacted]

SOUTH ASIA

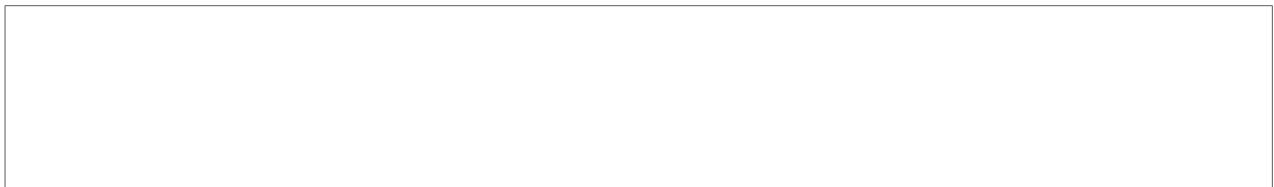
6. [redacted]



NEAR EAST - AFRICA

7. USSR assigns military attaché to Lebanon and Syria:

The American embassy in Beirut reports that, according to the chief of staff of the Lebanese army, the Soviet Union is assigning a military attaché to Lebanon who will also cover Syria. He will have two assistants stationed in Beirut, with presumably at least the same number in Damascus.



Comment: The timing of these assignments emphasizes Moscow's interest in the present uncertain situation in Syria. These assignments are part of a Soviet program to accredit attachés to non-Orbit countries previously without such representation. During 1954, Soviet service attachés were assigned for the first time to Belgium, Egypt, Greece, India, the Netherlands, Pakistan, and Yugoslavia.

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8. Yugoslav official reassures West on scheduled meeting with Soviet leaders:

[Redacted]

Yugoslav foreign minister Popovic emphasized on 13 May to the American ambassador in Belgrade that the meeting scheduled for the end of this month between a Soviet delegation including Khrushchev, Bulganin, and Mikoyan and the top leaders of the Yugoslav government in no sense implied a fundamental change in the Yugoslav policy of cordial relations with Western countries. He interpreted the holding of the meeting in Belgrade as a victory for the Yugoslav policy of firmness in the face of Soviet threats, which was made possible by the support Yugoslavia had received from the West.

Stating that Belgrade's efforts paralleled those of the West, Popovic said that full equality of rights and non-interference in the internal affairs of the other nation would be the basis of the meeting, in which Yugoslavia hoped to probe the sincerity of Soviet intentions. The only item of the agenda revealed by Popovic was the question of practical matters relating to "normalization" of relations between Yugoslavia and the USSR.

Popovic was evasive on the question of who proposed the meeting. The American, British and French ambassadors are inclined to believe it was the USSR.

Comment: This dramatic Soviet gesture is at the least intended to impress all Europeans with the sincerity of the Soviet desire for a reduction of world tension.

The high level of the Soviet delegation and its willingness to travel to Belgrade suggest that the USSR has strong hopes of creating much closer ties with Yugoslavia, which might go so far as intimate co-operation between the two Communist parties and a mutual security treaty between Moscow and Belgrade. Moscow probably calculates that even if such far-reaching results cannot be attained, the visit will yield greater Yugoslav neutrality, both through a change in Belgrade's foreign policy and through increased Western suspicion of Tito.

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Molotov's absence from the delegation is probably accounted for by a belief that his presence would irritate the Yugoslavs because of his direct connection with the Soviet break with Tito.

Yugoslav officials have repeatedly stated that Soviet leaders have been seeking Belgrade's return to the Cominform, but they have insisted that the USSR must be disabused of the idea that Yugoslavia will surrender any independence in its foreign policy.

A meeting of the two Communist nations "at the summit" will probably strengthen Yugoslavia's tendencies toward a neutral position and make Belgrade even more unwilling to expand its military connections with the West. It is doubtful, however, that Tito would be willing to withdraw from the Balkan alliance or break his other Western ties in return for a Soviet security treaty.