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4 October 1953



3.5(c)

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3.5(c)



Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



3.5(c)

~~TOP SECRET
SECURITY INFORMATION~~

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

1. Swiss firm making large copper delivery to China (page 3).

FAR EAST

2.
3.

3.3(h)(2)

SOUTHEAST ASIA

4. Laos outlines position for Paris negotiations (page 4).

EASTERN EUROPE

5. Increased Orbit food and clothing shipments to East Germany reported (page 5).

WESTERN EUROPE

- 6.

7. French point out advantages of five-power talks (page 6).
8. French reveal flexibility on economic aspects of Saar issue (page 7).
9. Ex-Gaullist leaders see French approval of EDC (page 8).

3.3(h)(2)

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3.5(c)

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~
SECURITY INFORMATION

GENERAL

1. Swiss firm making large copper delivery to China:

A series of shipments of copper products to Communist China has been made by a Swiss firm during 1953. Deliveries of copper and brass plates to the Polish port of Gdynia for transshipment to China between 11 May and 18 July totaled 605 tons. A bank in Zurich was paid the equivalent of \$686,000 in Swiss francs on this contract on 9 March.

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Comment: Most other Western European and Latin American countries embargo exports of copper to Communist China. Reports from China of scrap drives and copper shortages indicate that this valuable industrial metal is in short supply.

FAR EAST

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3.3(h)(2)

- 3 -

~~TOP SECRET~~

4 Oct 53

3.5(c)

~~TOP SECRET~~

SECURITY INFORMATION

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SOUTHEAST ASIA**4. Laos outlines position for Paris negotiations:**

The Laotian prime minister has informed the American charge in Vietiane that his government will follow Cambodia's example and, in the forthcoming Paris negotiations,

3.3(h)(2)

- 4 -

~~TOP SECRET~~

4 Oct 53

3.5(c)

~~TOP SECRET~~
SECURITY INFORMATION

will seek greater judicial and military autonomy. The military plan includes setting up a Laotian general staff officered by French personnel. The American charge comments that lack of any officer above the grade of captain "compels Laos to be reasonable." The charge reports, however, that during Senator Mansfield's visit, the prime minister attempted to obtain guarantees, apparently to be used as a lever against the French, that the United States would carry on the Laotian aid program if it were dropped by France.

Comment: The Laotian government has been less troublesome in negotiating with the French than Vietnam or Cambodia because of its inherent weakness and its vulnerability to the Viet Minh. As in the other two countries, there is a desire to minimize French control through closer relations with the United States.

EASTERN EUROPE

5. Increased Orbit food and clothing shipments to East Germany reported:

[REDACTED] Poland has been directed by Moscow to stop 3.3(h)(2) exporting butter, eggs and poultry to Italy and to ship these items to East Germany instead, [REDACTED]

Comment: East German premier Grotewohl has stated that Hungary, during the rest of 1953, is scheduled to send more than the planned \$2,750,000 worth of goods, mainly shoes, textiles and foodstuffs.

The fact that the Satellites are called on to increase shipments of items in unusually short domestic supply indicates the urgency with which the East German situation is viewed by Soviet leaders. Such export requirements are adding to the difficulties facing these Satellites in implementing their policy of more consumer goods for their people.

~~TOP SECRET~~

~~TOP SECRET~~
SECURITY INFORMATION

WESTERN EUROPE

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7. French point out advantages of five-power talks:

The most important point in the Soviet note of 28 September was the suggestion of five-power talks to ease world tensions, in the opinion of French vice premier Paul Reynaud, who told Ambassador Dillon that the cabinet had shown general sympathy for his views. Reynaud has little hope that such negotiations would be successful but thinks they would "unmask the real intentions of Communist China in the same manner that the Russians' intentions regarding Germany had now been unmasked."

3.3(h)(2)

- 6 -

~~TOP SECRET~~

3.5(c)

4 Oct 53

~~TOP SECRET~~
SECURITY INFORMATION

No attempt should be made to drop the subject of a four-power conference, he said, but he believes that "no one in France" any longer sees any chance for success in such talks.

Comment: While the French government no longer needs to press for talks on Germany as a precondition for further progress on its European policies, it evidently believes that every effort should be made to determine Chinese Communist intentions as a means of strengthening popular support of its revised Indochina policy.

8. French reveal flexibility on economic aspects of Saar issue:

A French Foreign Ministry official informed the American embassy that Paris may wish to revert, in the economic discussions of the Saar problem, to the report of Van Der Goes, Dutch delegate to the Council of Europe Assembly. While this does not mean that the French would agree to transform their economic union with the Saar into a simple trade treaty, the officer believes they might "accept a treaty of economic cooperation, limited in time."

3.3(h)(2)

Comment: The Van Der Goes report, which was the basis of a general resolution adopted by the Council of Europe Assembly on 25 September over strong German protests, called for conversion of the French-Saar economic union into a 50-year treaty of economic cooperation. In the debate on that resolution, the French emphasized that the union with the Saar must be maintained until succeeded by a broad European customs and currency union.

There have been inconclusive indications that the Germans would come forward with specific proposals for safeguarding France's special interests in the Saar by means other than the present economic union.

- 7 -

~~TOP SECRET~~

4 Oct 53

3.5(c)

~~TOP SECRET~~
SECURITY INFORMATION**9. Ex-Gaullist leaders see French approval of EDC:**

Ex-Gaullist leaders, including two cabinet ministers, told American embassy officials in Paris that while they continue to oppose the EDC treaty, they now expect it to pass by a narrow margin. Ambassador Dillon believes their major efforts are now aimed at watering down the European Political Community and delaying full implementation of EDC through some compromise formula.

3.3(h)(2)

They further stated that since Adenauer's victory many French deputies feel that a merely negative position on EDC is no longer possible and are in favor of some positive policy.

Comment: There have been strong indications that Paris has approached The Hague and Bonn with a proposal to prolong full implementation of the EDC treaty over several years. The ex-Gaullists are pressing hard for a full-scale National Assembly debate on European integration prior to the 20 October foreign ministers meeting on the political community in The Hague.

- 8 -

~~TOP SECRET~~

4 Oct 53

3.5(c)