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29 July 1952

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Copy No. 53

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CURRENT INTELLIGENCE BULLETIN

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DOCUMENT NO. 8
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 18 Dec 79 REVIEWER:

Office of Current Intelligence

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CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Bonn unlikely to approve unofficial trade "agreement" with Peiping:

[redacted] [redacted] [redacted]
OSTAG, an association
of German businessmen who attended the
Moscow Conference, has submitted to the
Economics Ministry the text of a trade "agreement" reached with
representatives of Communist China.

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[redacted] since the agreement reflects
the predominant interest of China in items on COCOM's strategic
commodity lists, there is not the slightest possibility that the govern-
ment will approve the agreement in its present form. Furthermore,
[redacted] doubts whether any agreement could be concluded under existing
circumstances.

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Comment: According to the Peiping radio,
Chinese imports from West Germany were to include tool-making
and other machines, chemicals, pharmaceuticals, and textiles. The
Communists have not publicly indicated whether their willingness to
accept nonstrategic goods like textiles is conditional on Bonn's ap-
proving the sale of the machine items.

FAR EAST

2. Portuguese Consul comments on border clashes at Macao:

[redacted]
The Portuguese Consul in Hong Kong reports
that border clashes at Macao on 25 and 26
July, in which several Portuguese-African
troops were wounded and an estimated 15
Chinese Communist troops killed, climaxed
repeated provocations by the Chinese which had previously caused
several less serious incidents.

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The Consul believes that these incidents have not been sanctioned by the Communist authorities in Canton, who are said to be sending investigators. The Communists have not exploited the most recent incident, as local Portuguese feared, as a pretext to cut off food supplies from Macao.

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4. French Commander seeks support for fall offensive in Indochina:

Ambassador Heath in Saigon reports that the principal purpose of French Commander in Chief Salan's trip to Paris next week is to persuade officials there to send him the transport aircraft and crews necessary for offensive operations outside the Tonkin delta this fall and winter. Letourneau, whose full backing of such a request is needed, is reported not yet convinced of the value of Salan's plan for an offensive.

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The American Ambassador, commenting on the apparently increasing inclination of the French Cabinet to conduct only a holding operation in Indochina, believes it imperative that the initiative be wrested from the Viet Minh. He concludes that a military stalemate will in the long run set the stage for ignominious negotiations with the Viet Minh.

Comment: The British Minister in Saigon noted recently that Letourneau, during his recent trip to Singapore, had unfavorably impressed British officials with his lack of a "victory psychology."

NEAR EAST - AFRICA

5. Senior Syrian army officers reportedly demand civilian government:



A group of field grade officers reportedly presented Syria's military dictator, Colonel Shishakli, with an ultimatum on 23 July demanding a return to civilian government and the removal of the ban on political parties,

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[redacted]

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Comment: There have been recent reports of army dissatisfaction with the Shishakli regime, allegedly over the forced retirement of certain senior officers. There is no evidence, however, that Shishakli has lost control of the situation.

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7. Eritrean nationalist movement reported increasing:

The Eritrean nationalist movement, which is opposed to the aims of both Ethiopia and the West, is growing, [redacted]

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[redacted] The nationalists are attempting to prevent the Eritrean-Ethiopian

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federation proposed by the UN, which they view as union in disguise, because under the proposed constitution the real power would rest with the Ethiopian Emperor's representative in Eritrea.

Moslem discontent reportedly stems from the fear that top positions in the future Eritrean government will go to members of the Coptic group. There is accordingly some local agitation to resubmit the Eritrean problem to the United Nations.

Comment: According to the United Nations resolution, Eritrea is to become an autonomous province under the Ethiopian Crown by 15 September 1952. The US Consul in Asmara has also recently reported local dissatisfaction.

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WESTERN EUROPE

8. Bonn requests cheap air service to Berlin:

[Redacted]

West German authorities, disturbed by the increasing molestation of Berlin-bound travelers, have asked the Allied High Commission to arrange for increased commercial air service to West Berlin at rates which approximate the fare for rail transportation.

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Comment: This request was touched off by the arrest and detention of several West German travelers by East German authorities for no accountable reason. Since these travelers had valid Allied interzonal passes, this action constituted a clear threat to the free access to Berlin by West German citizens.

Soviet authorities have from time to time held up groups of travelers at border check points because of some "new" interpretation of interzonal pass regulations. The latest such incident was on 26 July.

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