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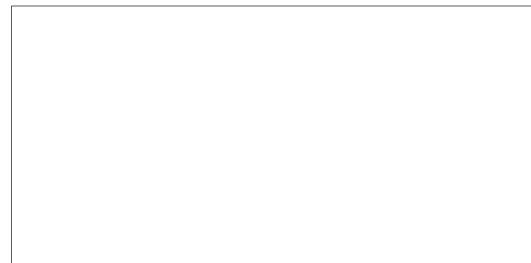
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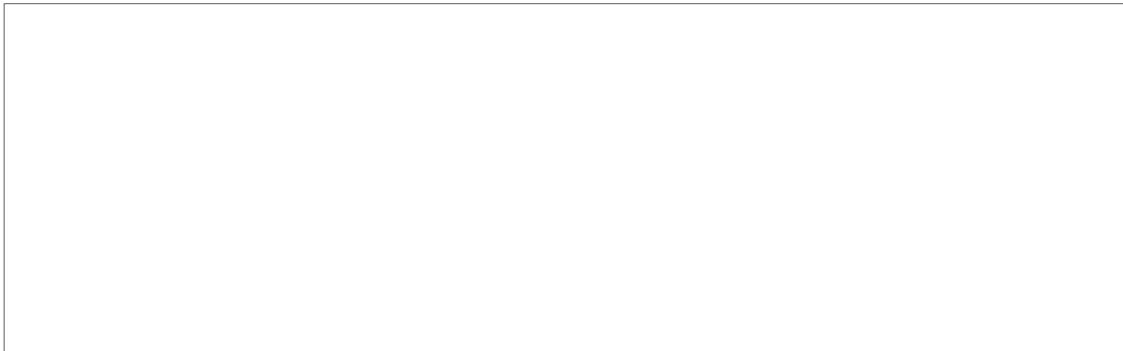
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CURRENT INTELLIGENCE BULLETIN



Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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GENERAL**1. Molotov implies Communist China will release American fliers:**

[Redacted] Foreign Minister Molotov gave the impression to Indonesian ambassador Subandrio, who raised the question with him about a week ago, that the American fliers held by Communist China would eventually be released. Molotov added that "we released our prisoners," apparently referring to the Americans recently turned over to American authorities in Berlin.

Comment: In mid-December the Soviet delegation at the UN was reported to have told other delegations that the Soviet Union was "unhappy" about the Chinese action and was using its influence to get Peiping to release the fliers. Moscow probably considered that the Chinese action detracted from the USSR's conciliatory pose.

Chou En-lai's statements to UN secretary general Hammarskjold indicated that Peiping might release at least some of the 15 American airmen within the next few months if there were no attempt to "intimidate" the regime. It is possible, however, that the Chinese Communists intend instead to hold the airmen for unofficial bargaining, seeking American compromises on larger questions in exchange for the airmen's release.

SOVIET UNION**2. Soviet journal clarifies line on heavy industrial development:**

[Redacted] The lead editorial in the latest issue of Party Life, journal of the central committee of the Communist Party, is seen by the American embassy in Moscow as the clearest indication yet that there has recently been serious high-level discussion of the relative priorities to be accorded various sectors of the economy. The editorial suggests that the recent press emphasis on the high priority to be accorded heavy industry has disappointed hopes for increased supplies of consumers' goods.

The editorial may constitute a warning that opposition to this formula is inadvisable, since it criticizes those who do not support or co-operate with a number of policies of the Soviet government. It singles out for attack the idea that "development in all possible ways of heavy industry is now in contradiction with the economic laws of socialism." Several prominent theoretical writers are identified as holding erroneous views.

Comment: This editorial appears to confirm earlier speculation that divergent points of view on economic priorities, noted in Pravda and Izvestia in late December, reflected high-level discussion and possibly controversy regarding such priorities. Any implicit contradiction between the "new course" policies and the requirements of continued rapid development of heavy industry has now apparently been resolved.

Any downward revision of "new course" plans for 1955 resulting from such agreement would probably be relatively small and limited to manufactured consumers' goods, since the Soviet press has continued to emphasize the importance of both agriculture and housing.

SOUTHEAST ASIA

3. Serious disturbances foreseen if South Vietnam's private armies are demobilized:

A French officer in contact with Trinh Minh The states that the dissident Cao Dai leader is deeply disturbed over American plans to support only a reduced Vietnamese national army. He is said to fear that nonsupport of his troops and those of other sect leaders will result in their breaking up into bandit groups to prey upon the countryside.

The French officer has proposed instead that the United States also give assistance to an auxiliary force composed of troops from these private armies in order to keep them from banditry and to provide a "screening force" while the nucleus of a national army battle corps is being trained.

Comment: Trinh Minh The and some other sectarian army leaders have recently made overtures to have their troops integrated into the Vietnamese army. Although this would solve the immediate problem of troop pay, previously met in part by the French, the Diem government must find a more permanent solution if it is to avoid serious disturbances after the reduction of the military establishment.

NEAR EAST - AFRICA

4. Comment on Arab League crisis:

[redacted] the Iraqi and Egyptian governments are about to engage in what may develop into the bitterest test of strength in the Arab world since World War II.

The struggle has been precipitated by Iraq's decision to conclude a defense treaty with Turkey "in the very near future." Iraq thus challenges Egyptian leadership of the Arab League and disregards the league's ban against Arab collaboration with Western defense planning.

Iraq shows no sign of backing down on its defense decision despite the strong hostility of Egypt and Saudi Arabia. The king, crown prince and six ex-prime ministers of Iraq have indicated their support of the position taken by Prime Minister Nuri Said.

Egypt has summoned an emergency meeting of the Arab League for 22 January to consider the situation. At the same time Cairo's press and radio are conducting a campaign to unseat Nuri Said.

[redacted]
There is little likelihood that the league meeting will resolve Iraqi-Egyptian differences, especially since Nuri has refused to attend the meeting.

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5. Comment on possible dynastic struggle in Libya:

[redacted] of behind-the-scene political maneuvers among the Libyan tribes by members of the Sharif branch of the royal family, as well as by Salah Buweisir, leader of the parliamentary opposition, suggest that a grave dynastic struggle may erupt in Libya in the near future.

[redacted] King Idriss. [redacted] has been generally co-operative with the United States and Ben Halim has been outspokenly friendly.

EASTERN EUROPE

6. East Germany reportedly will claim jurisdiction over Western commercial use of air corridors:

[redacted] The East German Foreign Ministry reportedly concluded during the latter part of 1954 that the Soviet grant of sovereignty had given East Germany jurisdiction over its air space and that agreements for commercial use of the air corridors into Berlin would have to be negotiated between the governments of East Germany and the Western countries concerned.

The ministry is also reported to have determined, however, on the basis of its study of the effects of sovereignty on the status of the Western powers in Berlin, that

the Western allies have a right to maintain a garrison in West Berlin and to use the air corridors for military transport to supply this garrison.

Comment: Any attempt by East Germany to assert jurisdiction over the air corridors would probably be aimed primarily at forcing Western diplomatic recognition. It is believed that several countries, such as the Scandinavian and Benelux states, would be receptive to East German proposals to conclude reciprocal air agreements, though they would seek to negotiate on a nongovernmental level.

7. Serious cattle disease reported in East Germany:

[Redacted]

An outbreak of a serious cattle disease which is believed by West German veterinarians to be rinderpest is reported in the northeastern and southern parts of East Germany.

Comment: According to the West German press, the East German government has admitted the presence of a virus disease but has denied that it is rinderpest, a highly contagious and usually fatal cattle disease.

Although a conclusive diagnosis is not yet possible, there is considerable evidence that the disease is rinderpest. This disease, if not quickly eradicated, would probably result in severe restrictions on international trade and commerce. In this event, it is considered likely that Soviet bloc propaganda would accuse the United States of biological warfare against East German livestock. An official East German broadcast of 3 December, in reporting that a cattle disease which frequently resulted in death of the livestock had broken out in the Leipzig area, blamed it on "our opponents." (Concurred in by OSI)

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WESTERN EUROPE

8. West German Socialists reportedly will drop opposition to Paris accords after ratification:

[Redacted]

Erich Ollenhauer, chairman of the West German opposition Social Democratic Party (SPD), has stated [redacted] that the SPD will feel forced to drop its opposition to the Paris accords once they are ratified and to urge young men to comply with remilitarization laws.

[Redacted]

Ollenhauer is reported to have indicated that SPD efforts after ratification of the Paris accords will be directed toward achieving a "democratic" defense establishment and full citizenship rights for conscripts.

Regarding the Paris accords, Ollenhauer has preferred to see no constitutional argument against ratification and Herbert Wehner, SPD foreign policy adviser, has commented that the objections to the accords do not represent constitutional issues.

Comment: Although the SPD does not seriously hope to block ratification of the Paris accords and is in fact planning to exert positive influence on implementing legislation, the party is not likely to cease its propaganda against rearmament. The Socialists are trying to make an indelible impression on the West German public that they oppose rearmament because it will result in an end to all hopes of reunification. They intend to make this their major issue in the 1957 elections.

LATE ITEM

9. Large concentration of boats noted near Tachens and Matsus:

[Redacted]

Some 2,000 boats were observed on 20 January near the Tachen Islands and another group of more than 1,000 boats was seen in the vicinity of the

Matsu Islands to the south,

No unusual concentration was noted near the Quemoys.

Comment: The reported concentrations may merely represent fishing fleets. The Chinese Communists are dependent on such craft, however, for major amphibious operations, and the sightings may indicate preparations for another invasion.

Meanwhile, Peiping radio has appealed directly to General Liu Lien-i, Nationalist commander in the Tachens, to give up, promising him and his troops good treatment if they defect. General Liu's morale has been reported to be very low.