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SECURITY INFORMATION

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~~TOP SECRET~~
SECURITY INFORMATION

~~TOP SECRET~~**SUMMARY****GENERAL**

[redacted] 3.3(h)(2)

USSR

2. Comment on US plane missing in Far East (page 3).

FAR EAST

[redacted] 3.3(h)(2)

5. MacDonald warns Burmese of growing Communist threat (page 5).
 6. Indonesian Government may submit New Guinea issue to UN (page 5).

NEAR EAST

7. British concerned over rumors of US mediation in Iranian oil dispute (page 6).

[redacted] 3.3(h)(2)

WESTERN EUROPE

9. French Government's anti-inflation measures inadequate (page 7).
 10. Italians favor return of their forces to Trieste (page 7).
 11. Italians prepared to proceed with European Defense Forces without Benelux (page 8).

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[redacted] 3.5(c)

~~TOP SECRET~~

[redacted] 3.5(c)

~~TOP SECRET~~

3.5(c)

3.3(h)(2)

GENERAL**USSR****2. Comment on US plane missing in Far East:**

An announcement on 23 November in the Moscow press that the Soviet Government had awarded two navy fliers the Order of the Red Banner for "exemplary fulfillment of their service duties," recalls the granting of similar awards shortly after the Baltic plane incident in April, 1950. At that time the same decoration was awarded to four Soviet air force lieutenants "for excellent fulfillment of their duty."

It is almost certain that the present decorations were given in connection with the missing US navy bomber which Deputy Foreign Minister Gromyko claimed had violated the Soviet border 100 miles east of Vladivostok on 6 November. As was the case in 1950, no details of the actions meriting the award were furnished.

- 3 -

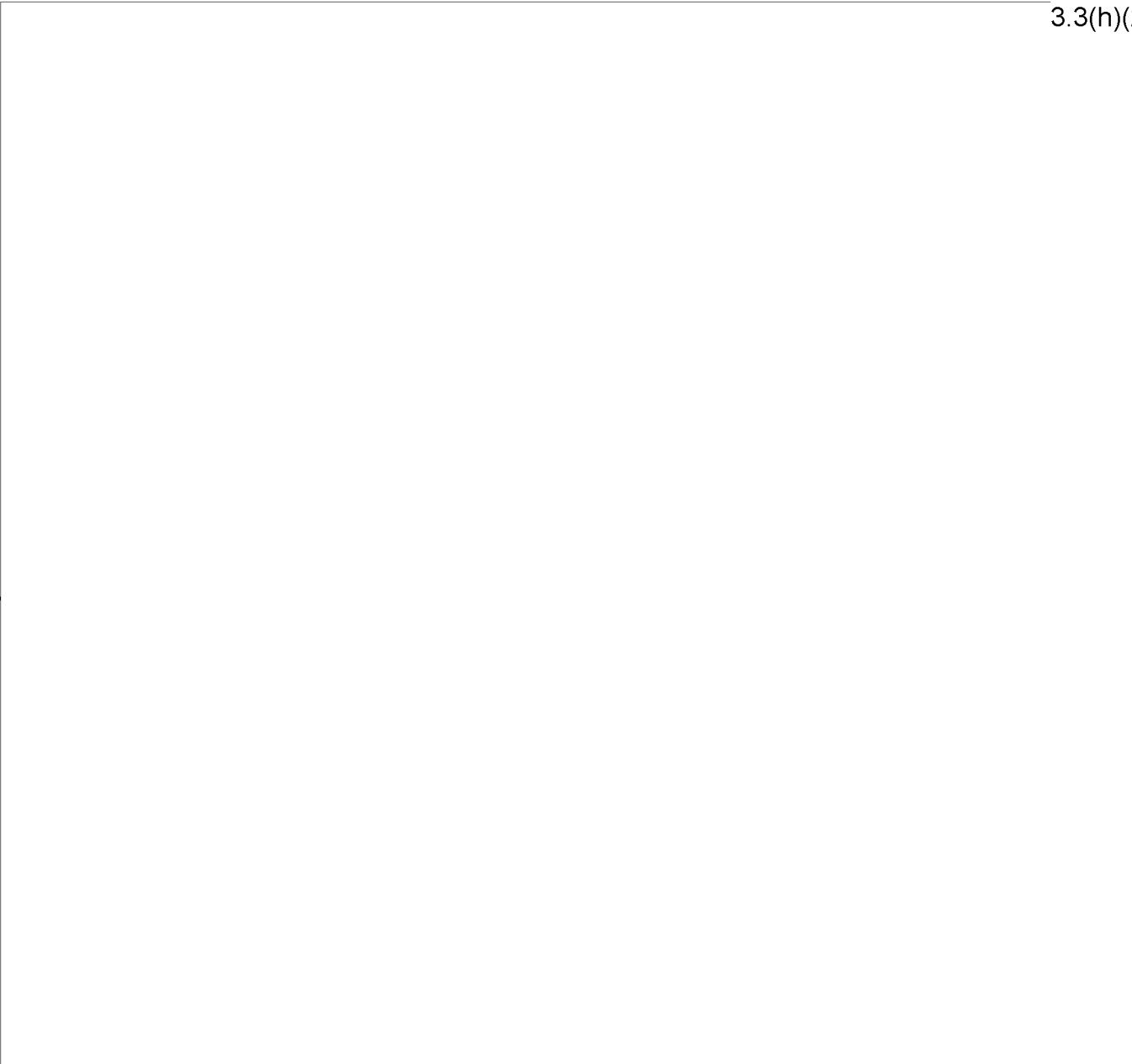
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3.5(c)

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FAR EAST

3.3(h)(2) 

- 4 -

~~TOP SECRET~~ 

3.5(c)

~~TOP SECRET~~5. MacDonald warns Burmese of growing Communist threat:

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[Redacted]

Malcolm MacDonald, the British Commissioner General in Southeast Asia, during a recent visit to Rangoon attempted to arouse the apprehensions of Burmese leaders to the internal and external Communist pressures which now seriously menace their regime. He urged the Burmese to undertake strong measures to defeat the Communist insurgents and specifically recommended steps to improve the training and morale of the Burmese armed forces and a settlement of the Karen problem. MacDonald felt that Burmese officials, although outwardly responsive to his ideas, were not as concerned as the situation appeared to warrant.

Comment: It is doubtful that the Commissioner General has been successful in shaking the widespread Burmese complacency toward Communism and stimulating Burmese authorities to more vigorous efforts to suppress Communist activities. The continuing deterioration of the Burmese Government's political and military position will tempt the influential pro-Communist faction of the Socialist Party to seek the removal of moderate leaders and assume complete control of the government.

6. Indonesian Government may submit New Guinea issue to UN:

3.3(h)(2)

[Redacted]

If the New Guinea question is not settled through bilateral Dutch-Indonesian negotiations, Indonesia may place the issue before the UN. Although the Cabinet may wish to take a moderate stand on the New Guinea issue, such a position would be used by left-wing groups as an excuse to force its fall.

Comment: Communist and left-wing groups both inside and outside Parliament have consistently tried to relate the New Guinea issue to general dissatisfaction over Dutch-Indonesian agreements signed in 1949. The Indonesian Cabinet has been proceeding cautiously in the current New Guinea crisis and, although indicating that it may be forced to dissolve the Netherlands-Indonesian Union, probably prefers less

~~TOP SECRET~~

~~TOP SECRET~~

3.5(c)

drastic action. Should the renewal of bilateral negotiations with the Dutch prove impossible, the Indonesian Government may attempt to avoid both international and domestic complications by placing the New Guinea issue before the UN.

NEAR EAST

7. British concerned over rumors of US mediation in Iranian oil dispute: 3.3(h)(2)

[redacted] British officials in Tehran, alarmed by Iranian press reports that Mossadeq will continue to discuss the oil problem with the US Ambassador, have intimated their hope that the stories are unfounded. The Ambassador comments that the British are "extremely anxious" that Prime Minister Mossadeq should return to Iran, not only empty-handed, but without any prospects for further negotiations. 3.3(h)(2)

Comment: [redacted]

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British sentiment, already strong in Iran, will probably increase as Mossadeq blames the British for the country's economic difficulties. It is unlikely that any successor to Mossadeq would be able to effect any settlement of the oil dispute which could be construed as appeasement of foreign interests at Iranian expense.

3.3(h)(2)

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

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WESTERN EUROPE

9. French Government's anti-inflation measures inadequate:

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The ECA Mission in Paris agrees with Bank of France officials that the credit controls recently adopted will not check the inflation in France unless they are supplemented by steps to stop the rise of wages and prices and to clarify the outlook for the 1952 budget.

Comment: The government's narrow margin in the 20 November vote of confidence makes the adoption of adequate anti-inflation measures more than ever unlikely. Unless such measures are taken soon, however, the inflation will gather considerably more headway before firm announcements of a prospective budget and US dollar aid program can be expected to help bring the situation under control.

10. Italians favor return of their forces to Trieste:

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An official of the Italian Foreign Office recently told the US Ambassador, in a "purely informal" conversation, that any disadvantage of a settlement of the Trieste question might be compensated through retention of some troops in Trieste under another "Leghorn arrangement." The Ambassador emphasizes that in any Trieste settlement, an announcement that Italian troops would immediately enter the area would undoubtedly help greatly in countering popular resentment in Italy over loss of territory to Yugoslavia.

~~TOP SECRET~~

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~~TOP SECRET~~

3.5(c)

The US Ambassador in Belgrade believes that from the Yugoslav point of view, there is no reason to hesitate in assuring the Italian Government that American and British forces will leave Zone A of the Free Territory if the Italians and Yugoslavs reach an accord. He feels the Yugoslavs might secretly prefer that the troops remain, but could hardly take this position openly.

Comment: There have been indications that the Italian Government attaches great importance to a termination of the Allied administration of Trieste and desires Italian forces to be installed there.

11. Italians prepared to proceed with European Defense Forces without Benelux:

[redacted] The Italian representative to the European Defense Forces conference has expressed to the US representative a considerable anxiety over the recent adverse Benelux reaction to the developments at the Paris conference and asked what the "US intended to do about it?"

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The Italian official states that if the Benelux countries withdraw from this project, the important thing is "to get on with European integration," which implies that Italy would continue with Germany and France in an effort to integrate their armed forces. He believes that the achievement of this objective would simultaneously solve the German problem and give the youth of Europe a positive ideal for which to fight.

Comment: The views of this official indicate that the Italian Government is concerned lest integration of European Defense Forces be delayed and is anxious for the US to take more vigorous action to encourage such integration.

~~TOP SECRET~~

3.5(c)