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SUMMARY

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FAR EAST

1. Rhee orders propaganda support for talks with US:

[redacted] President Rhee has ordered his diplomatic representatives in Washington, New York, and Tokyo to "take steps to promulgate widely" the Korean position in the forthcoming US-South Korean negotiations.

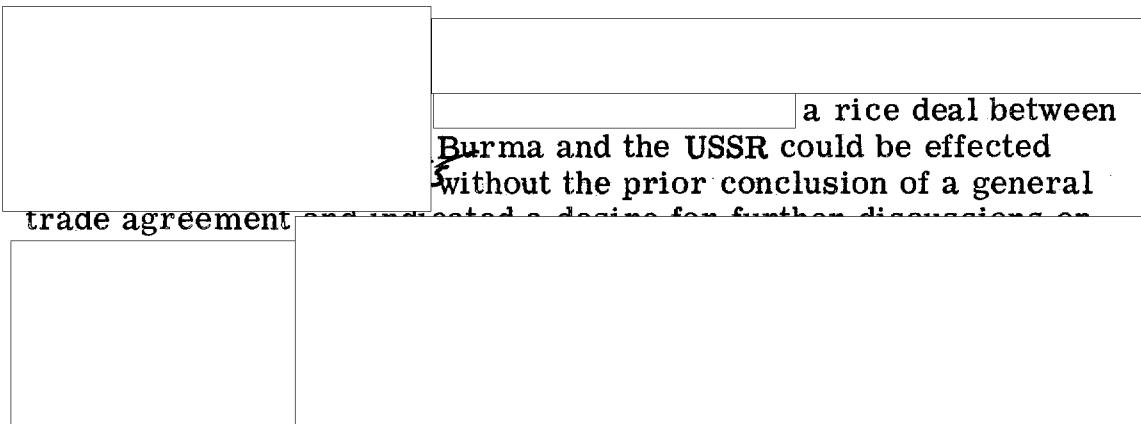
The missions were instructed to agitate for increased South Korean military forces or the withdrawal of the UN Command, a fixed exchange rate, a major share of Asian aid, and termination of the armistice. They were also told to support the Korean position against Japan. [redacted]

[redacted] Comment: The withdrawal of the South Korean diplomatic mission from Japan reportedly was the subject of an inconclusive four-hour meeting of top South Korean military and political leaders on 30 May. Withdrawal of the mission would dramatize Rhee's opposition to building up Japan as the anti-Communist bastion in the Far East.

A South Korean economic-military mission is now en route to the United States for discussions. Rhee has already launched a press attack against the United States and Japan, promoted demonstrations before the American embassy, and organized anti-Japanese rallies.

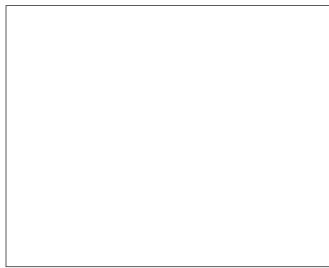
These activities are reminiscent of those conducted during the protracted aid negotiations last year. [redacted]

[redacted]
He is also expected to demand a "permanent" exchange rate of about 350 hwan to the dollar, against a realistic rate of about 600-1.

SOUTHEAST ASIA**2. Soviet ambassador in Peiping inquires about Burmese rice:**

Comment: The Burmese trade mission which went to Moscow last winter to conclude a rice deal was deeply offended by what it regarded as shabby treatment and broke off negotiations in January.

Peiping, on the other hand, has gained good will as well as a toe hold in Burma's economy by its well-timed purchases of a substantial quantity of rice. This message suggests that the USSR may be now willing to accept Burmese terms in the interest of promoting its influence in Burma.

WESTERN EUROPE**3. French see USSR using trade to press for German neutralization:**

French officials in Moscow and Paris fear the USSR will switch trade and ship-construction contracts from France to West Germany as part of a policy designed to neutralize Germany.

The French economic counselor in Moscow recently discussed with Soviet trade officials the failure of the USSR to show an interest in concluding contracts for ten ships included in the 1954 French-Soviet trade agreement. He was told that the USSR was now interested only in ships capable of 17.5 knots and that "other Western countries" were willing to furnish vessels of this speed.

Comment: The reported Soviet position may be a tactic similar to those used in the past when a COCOM country has refused to furnish embargoed items. COCOM restrictions on ship exports are still under review, and the USSR may hope to increase the dissension on this issue among COCOM members.

Some French officials are becoming increasingly skeptical about the possibility of expanding trade with the USSR and are expected to seek an explanation for the abrupt decline in Soviet orders since December 1954. At that time Paris had feared the decline was Soviet retaliation for the Paris agreements, but a general drop in Soviet imports from the West has since become apparent.

The USSR's own economic situation permits it to make only limited trade offers in Western Europe. It probably believes that it must now seek to achieve its foreign policy objectives more through West Germany than France. (Concurred in by ORR)

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4. Yugoslav vice president Kardelj believes USSR will make concessions to relax tensions:

[redacted] Yugoslav vice president Kardelj [redacted]

[redacted] expects some positive results from the present meeting of Soviet and Yugoslav leaders. Since he is convinced the Soviet leaders really want peace, he believes the Big Four meeting may likewise lead to a relaxation of tension. He said the road would be long and hard but eventually the USSR would make concessions.

From discussions to date, Kardelj thinks the USSR will not press for the neutralization of Germany or for a belt of buffer states, but for some progress with Molotov's European security plan.



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