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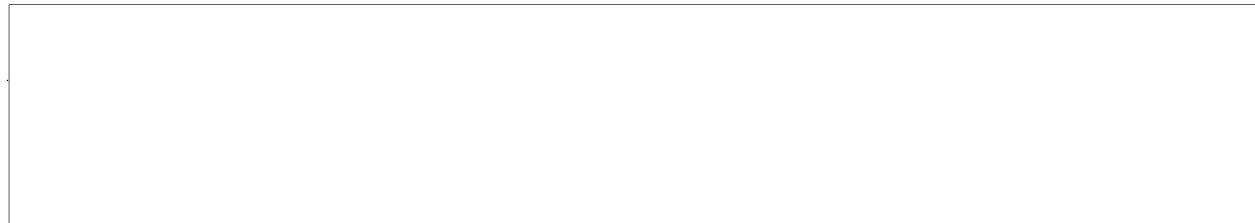
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GENERAL**1. Comment on Premier Bulganin's pre-summit statement to newsmen:**

[Redacted]

Bulganin read his pre-summit statement to the press while other leading members of the Soviet delegation--including Khrushchev--stood in the background as a demonstration of Soviet unity. It was moderate in tone and free of the usual threats and Marxist clichés. Bulganin asserted that the USSR is militarily strong, but he did not boast, as Soviet propaganda frequently does, that the USSR would crush the aggressor in any war. The statement was free of harsh attacks on the West, although Bulganin blamed the West for the cold war. The moderate tone was in line with other efforts to convince the world that the Soviet Union sincerely desires to reach agreements, and that any failures will be the fault of the West and particularly the United States. This was the main purpose of the statement.

In contrast to past propaganda accusing Western leaders of pessimism regarding what can be achieved at Geneva, Bulganin has now echoed Western statements by saying that "it is naive to think that we shall be able to solve all complex international problems at this conference."

Bulganin's statement reinforced previous indications of what the USSR will seek at Geneva: a European security system, disarmament, increased world trade, and additional conferences.

Bulganin once more indirectly warned against raising the Satellite issue by saying that a nation's social and state structure is its domestic affair. His brief reference to Soviet military strength, a familiar theme of recent propaganda, was intended to counteract the threat to the Soviet negotiating position posed by any possible Western conviction that Moscow approached the summit from a position of weakness and could successfully be pressed for concessions as the price for agreement.

[Redacted]

2. Bulganin may seek consultation with Adenauer during or after summit:

Premier Bulganin might request consultation with West German chancellor Adenauer during or at the close of the summit talks,

Comment: Bulganin, according to the press, declined to estimate the likelihood of his meeting Adenauer, when asked during the French reception in Moscow on 14 July.

Adenauer is not anxious for an early meeting with Soviet leaders. He will, however, be vacationing in the vicinity of Geneva during the conference. He could be counted on to consult fully with the Western allies about the advisability of meeting with any top Soviet leader.

SOVIET UNION

3. Production of Soviet submarines to increase:

Comment:

the current building program, already

the largest in peacetime history, has not yet met the requirement of Soviet naval planners.

The program begun in 1950 for building "W" and "Z" class long-range submarines had produced 107 vessels by the end of 1954. About 50 "W's" were delivered last year,

(Concurred in by ORR)

SOUTHEAST ASIA

4. Vietnam may seek early complete withdrawal of French military forces:

In the forthcoming Franco-Vietnamese negotiations in Paris, the Vietnamese will propose that France accept the principle of complete withdrawal of its armed

forces in South Vietnam,

They will also suggest that French troop strength be reduced to 30,000 by 31 January 1956 and that these be withdrawn by 31 March 1956 unless SEATO recommended the stationing of French troops on Vietnamese soil. French air and naval forces would be phased out by the end of 1956.

Comment: The French are likely to agree to complete withdrawal and may, in general, accept the proposed schedule for evacuation.

5. Negotiations with Pathet Lao resume with control commission present:

The royal government and the Pathet Lao have resumed political negotiations, for the first time in the presence of the International Control Commission. Representatives of the commission are also sitting in on lower-level military talks which are proceeding concurrently.

The government negotiators have been convinced by the Canadians that it would be wise to let the Pathets present their case regarding the disputed northern provinces with the International Control Commission present.

Comment: The prospect for any settlement through negotiations is poor. The Canadians argue, however, that the unreasonableness and insincerity of the Pathets will become clear to the Indian members and influence them in favor of the government. The acting head of the Indian delegation has told the Canadians that if no real progress is achieved by the end of July in settling the issue of the disputed provinces, he will join the Canadians in sending the problem to the participants in the Geneva agreement.

By a show of co-operation and several token concessions, the Pathets may succeed in further prolonging the fruitless negotiations.

6. Thai premier may be ousted soon:

the ruling military oligarchy had become dissatisfied with Premier Phibun. He implied that a move to oust him was imminent and professed to have strong backing for such a move.

Comment: While lacking armed support of his own, Phibun in the past has succeeded in staying in office because of his ability to exploit the rivalry between Phao and General Sarit, the Thai army chief. With the marked decline of the latter's position in the past few months, however, Phibun no longer enjoys this advantage.

Phibun's replacement--whether it be Phin or Prince Wan--would merely be a front man for Phao, who clearly is the dominant figure in the Thai government. The ambitious police chief can assume the premiership himself whenever he feels it is opportune.

Phibun's removal would not affect Thailand's orientation, since Phao and his followers have been committed to a policy of close ties with the United States.

7. Indonesian army leader foresees imminent fall of cabinet:

[redacted] [redacted] [redacted]
[redacted] [redacted] [redacted] he resigna-
tion of Defense Minister Iwa has not solved
Indonesia's army-government crisis. Premier Ali, he said, is "hanging on like grim
death." [redacted] [redacted] there
was a strong possibility that the cabinet
would fall before 17 July.

[redacted] [redacted] the fall of
the Ali government would not settle the "problem of President
Sukarno." The army territorial commanders are aware that for
some time Sukarno has been considering their arrest. [redacted]
fears that Sukarno may take such action to try to retrieve his pres-
tige and authority. In that case, the army is prepared to use force.
[redacted]

Comment: Prime Minister Ali has indicated that he will not resign unless the government offer which is now being studied by the army is rejected. Ali, with the support

of the Communists, still commands a parliamentary majority, and two small government parties which were considering withdrawing from the cabinet reportedly have now decided to continue their support.

Sukarno desires to retain Ali, and there is no indication that he has withdrawn his support. He lacks, however, military strength to enforce his will on the army. The military police are apparently supporting the army, while the national police and the navy have taken a neutral stand and the small air force is uncommitted.

LATIN AMERICA

8. Comment on Peron's reported resignation as party chief:

The timing of Argentine president Peron's reported resignation as head of the Peronista Party suggests army pressure both to reduce the Peronista Party's influence and to promote the new Christian Democratic Party.

The Christian Democratic Party, which announced its organization as a formal political party only three days ago, issued a manifesto on 13 July endorsing Peron's recent call for peaceful "coexistence" among all political parties. The manifesto stated that Christian democracy does not aspire to replace existing parties, but is designed to fill a void. In a statement apparently aimed at labor, the manifesto declared that it is absurd to think of returning to the social situation which existed before Peron.

In announcing his resignation, Peron is reported to have told Peronista congressmen that he would serve out his term as president but would not run for re-election in 1958. He said that the state of internal war was ended and that he would protect constitutional rights and allow freedom of the press.

Peron's resignation from the party leadership would probably reduce the Peronistas' prestige and might encourage resignation by various other members, especially those

who joined the party merely to retain their jobs. Greater freedom of the press has already been reflected in increased coverage of opposition statements and in the publication of scathing Catholic pastoral letters which were issued before the revolt.

Continuing uneasiness in Buenos Aires, the American embassy reported on 14 July, is indicated by the heavy military guard and the antiaircraft weapons and artillery maintained in the vicinity of Peron's residence. [redacted]