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Approved For Release 2004/07/08 : CIA-RDP79T00975A001300220001-2

SECRET

7 October 1953

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[Redacted]

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Copy No. 67

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 22

NO CHANGE IN CLASS.

DECLASSIFIED

CLASS. CHANGED TO: TS S C

NEXT REVIEW DATE: 2009

AUTH: HR 70-2

DATE: 20/12/79. REVIEWER: [Redacted]

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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ARMY, DOS and DIA review(s) completed.

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GENERAL

1. Brazilian-Czech trade agreement to include iron ore:

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[Redacted] In the virtually completed negotiations for a one-year trade agreement with Czechoslovakia, Brazil has agreed to grant export licenses for \$2,000,000

worth of iron ore, according to the Foreign Ministry. Licenses for 60,000 tons at \$17.50 per ton have already been granted.

Comment: Iron ore, though embargoed by the United States for export to the Orbit, is not a Battle Act item. Comparison of the offer with the US price of \$13.50 per ton will give fresh impetus to the Communist-inspired agitation in Brazil, even in high government circles, for expansion of commercial and diplomatic relations with the Orbit.

Both Czechoslovakia and Poland have normally filled their requirements of high-grade iron ore in Sweden, but have been experiencing difficulties this year and are attempting to obtain alternate sources of supply.

SOVIET UNION

2. USSR allegedly favors East-West conferences:

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[Redacted] The USSR favors both the Korean political conference and a meeting of foreign ministers at Lugano, but does not want to attend either on the present American terms, according to a Polish UN delegate. He told an American delegate that each conference should have two phases: discussion of terms of reference, followed by substantive negotiations.

The Polish spokesman stated further that the Soviet Union hopes the United States will accept the inclusion of "two or three neutral states" at the Korean conference but that Vyshinsky is not closing the door to a conference from which such neutrals would be excluded.

The USSR continues to favor a meeting between the "US and Soviet chiefs of state," the terms of which should be negotiated on the basis of "mutual agreement between the two parties."

Comment: The Polish representative's remarks suggest that the Soviet Union will attempt to postpone or avoid serious negotiations on Germany and Korea while maintaining the appearance of favoring East-West negotiations.

FAR EAST

3. Chinese Nationalist interception of Polish tanker occurred east of Formosa:

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[Redacted]

The Chinese Nationalist Ministry of National Defense reports that the interception of the Polish tanker Praca was made by an air force plane about 120 miles east of the southern tip of Formosa on 4 October. The aircraft halted the ship by repeatedly diving at it while a destroyer was directed to the scene to escort it back to Formosa.

Comment: Previous Nationalist interceptions have been only in the Formosa Strait and have merely inhibited coastal shipping between minor mainland ports. This interception, the first east of the island, reveals that the Chinese Nationalists may intend increasingly to harass international shipping, which has always avoided the Formosa Strait.

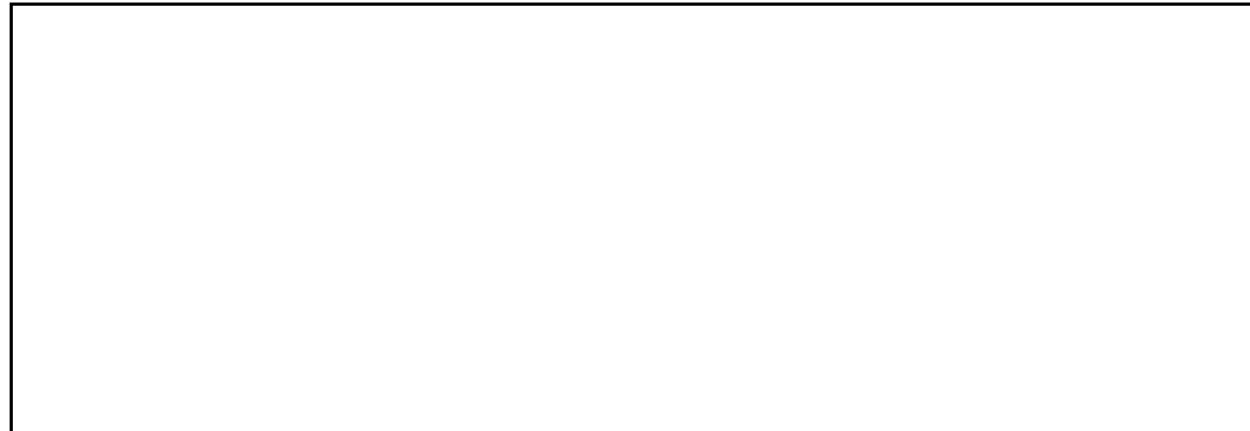
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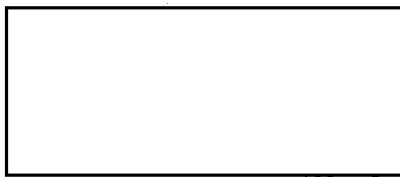
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5. French air drop near China border was to support guerrilla units:

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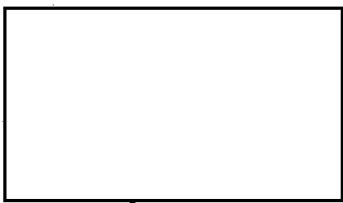
According to a senior French official in Hanoi, the purpose of the air drop on 3 October near Lao Kay, a supply point in the vicinity of the China border, was to strengthen guerrilla forces rather than to destroy enemy dumps. Eighty heavily armed and specially trained non-French technicians were parachuted to work with 1,500 to 2,000 guerrillas who had converged on the drop area.

Comment: The French have heretofore never fully exploited the potential of guerrilla operations in the enemy rear. Their effort along this line was severely limited last year following the loss of all but one of their posts in the tribal area of western Tonkin.

NEAR EAST - AFRICA

6. Shah approves reorganization of Iranian army:

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The shah has approved the reorganization of Iran's army into five corps with headquarters at Tehran, Mehabad, Kermanshah, Shirza, and Birjand, according to the US army attache in Tehran. The plan calls for nine light infantry divisions, four independent infantry brigades, and three armored divisions.

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The US army mission in Iran believes that the shah intends to command the First Corps, which will have its headquarters at Tehran and will include one armored division.

Comment: This reorganization is designed to increase the shah's control over the army, which Mossadeq as prime minister had attempted to undermine. As commander of the First Corps, the shah would be better able to resist any attack on his political position.

WESTERN EUROPE

7. French minister planning attack on EDC on constitutional grounds:

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[redacted]
Edmond Barrachin, ex-Gaullist and minister of state for constitutional revision in the French cabinet, told the American embassy that he plans to lead an attack on the EDC treaty on the grounds that it contravenes the constitution. He is convinced that sufficient votes can be marshaled in the upper house of parliament to call for a decision by the National Constitutional Commission.

Comment: An adverse decision by the commission, composed of the presidents of the two houses and ten other members elected by but not from the two houses of parliament, would make ratification dependent on revision of the constitution by the Assembly. This would take a minimum of three months, after which Assembly action on EDC ratification would have to begin again.

LATIN AMERICA

8. British troops sent to Guiana because of doubts of police reliability:

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[redacted]
The British government decided to send troops to British Guiana because of evidence that the colonial police could not

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be relied on in the face of intensified Communist-led efforts of the Progressive People's Party to take control of the colony.

The British saw a developing threat to the colony's security in the increased visits of known Communists to the colony as well as in the recent sugar strike and a general strike attempt organized by members of the colonial cabinet, in which the party has a majority.

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