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CENTRAL INTELLIGENCE AGENCY



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GENERAL

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2. Trial of US fliers in Hungary believed ordered by Moscow:

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The US Legation in Budapest, in view of the announced decision of the Hungarian Government to try four American fliers recently forced down by Soviet military aircraft in Hungary, feels that only a direct approach to the highest level of the Soviet Government can influence the course of events. The Legation is of the opinion that Moscow gave the orders to try the crew and feels that appropriate instructions from Russia could result in the Hungarian court considering the confinement to date as adequate "punishment" of the fliers.

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Comment: The decision to bring the fliers to trial on charges of premeditated espionage is completely contrary to previously established Orbit policy of returning such military personnel. This action reflects the great seriousness with which the USSR regards the Mutual Security Act as a threat to the stability of the Satellite regimes.

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FAR EAST

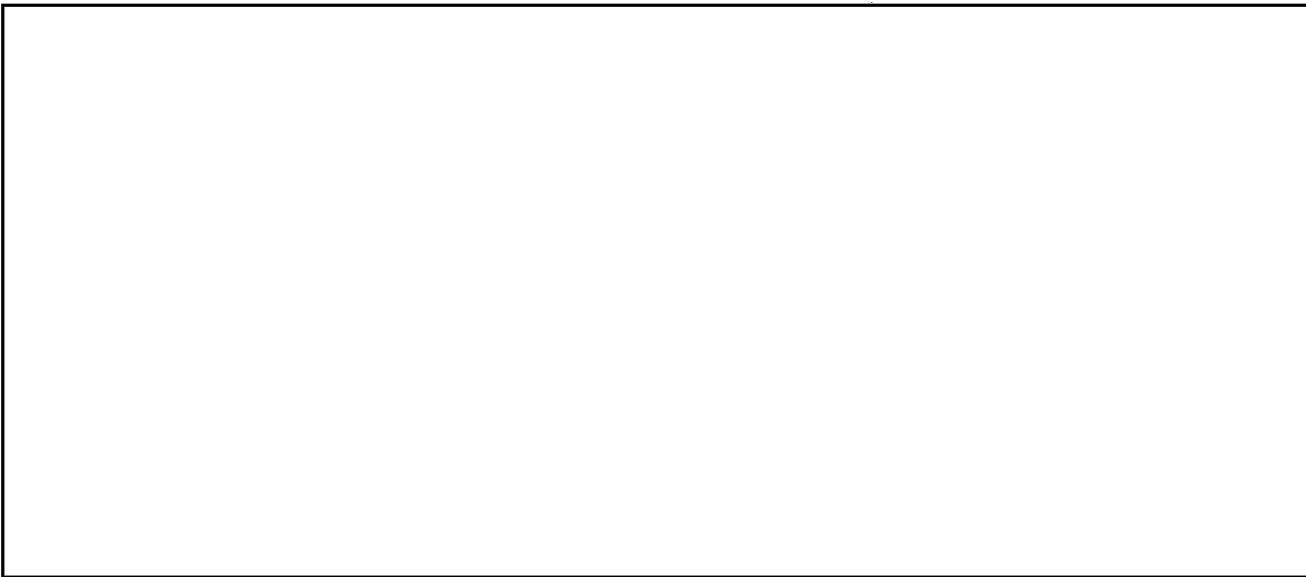
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SOUTH ASIA

5. Comment on failure of Graham's Kashmir mission:

The failure of Dr. Frank Graham, United Nations Representative for India and Pakistan, to bring about a settlement in the Kashmir dispute "at this stage" is likely to create widespread unfavorable public and press comment in Pakistan. The UN has, in the past, been bitterly assailed by Pakistani spokesmen for its failure to pin the blame on India.

The new Pakistani Prime Minister, even more cautious than his predecessor, may be expected to exert strong pressure to maintain order in Pakistan despite a vociferous press.

The Graham report of no settlement, with no attached criticism, will be given a favorable reception in Indian Government circles, which do not wish the Kashmir dispute to become an issue in the present Indian elections to be concluded in January 1952. Despite periodic conciliatory gestures, India has given most observers the impression that it does not wish a compromise in Kashmir since it expects ultimately to acquire all of it.

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NEAR EAST - AFRICA

6. Lebanese fear revival of foreign spheres of influence in Near East:

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A Lebanese parliamentary leader has expressed his concern over reports that the British and French have reached an agreement to end their rivalry in the Near East. He believes that many [redacted] Lebanese will regard this as a step toward the reestablishment of foreign spheres of influence.

The US Minister in Beirut comments that one of the greatest Lebanese fears is the possible revival of a French sphere of influence. He warns that, while "large-power cooperation in the Near East is essential," the US must be "very careful not to be jockeyed into the position of appearing in the eyes of people of the Near East to support colonialism or spheres of influence."

Comment: Fears of foreign spheres of influence were voiced in late November by the Syrian Chief of Staff, who saw the Middle East Command proposals as a possible vehicle for a revival of French supremacy in Syria. More recently it was rumored that he executed his recent coup in Syria with French support.

EASTERN EUROPE

7. Yugoslav political interests conflict with military requirements:

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[redacted] Ambassador Allen in Belgrade comments that, in the event of a war, the Yugoslav Government is concerned lest Allied forces occupy Albanian territory and determine the political future of the country.

In a recent conversation with Ambassador Allen, General Popovic remarked that in the event of war political as well as

military considerations might be involved in any action against Albania. He did not elucidate upon this remark, but mentioned that the Yugoslav Army could take care of Albanian land forces with ease.

Previously Marshal Tito, in answer to a question as to what type of naval assistance he would require, had pointed out that the most useful service of the US Sixth Fleet would be to deny the Adriatic Sea and Albanian ports to the enemy.

Comment: Popovic's remarks reflect the continued interest of the Yugoslav Government in establishing a dominant position in Albania.

WESTERN EUROPE

8. French maintain basic position on security controls:

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Although the French have made certain concessions, they continue to insist that security controls over German armament production be handled by contractual arrangement with Bonn rather than through the European Defense Community. The French spokesman at the three-power security control talks in Paris claims that Foreign Minister Schuman's position before the National Assembly will be "precarious" and approval of the Defense Community treaty very doubtful if the French Government cannot give assurance that the Germans will be bound by safeguards outside the treaty. The US Embassy in Paris believes that the French intend no further concessions and that their preoccupation with their parliamentary situation is "by no means unwarranted or exaggerated."

If, at the 27 December meeting of the foreign ministers of the European Defense Community, Schuman cannot persuade Adenauer to accept a contractual arrangement, the British representative at the security control talks will suggest to his government that the High Commissioners exert pressure on Adenauer to accept Schuman's proposal.

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Comment: Since all members of the European Defense Community will enjoy equal status, the French believe that security controls must be imposed on Germany before it is admitted to the organization.

Last spring the Germans indicated that they would accept whatever arms production limitations the French proposed. In view of the short time remaining before the Lisbon NATO meeting, it is possible that Adenauer will accede on this point, although his parliamentary situation is almost as difficult as Schuman's.

9. West Germans want defense contribution removed from contractual agreement:

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At the first meeting of the Bonn working group on the German financial contribution to Western defense, the German representatives stated that their contribution should be made direct to the European Defense Community budget; EDC should pay the German bill for Allied forces in Germany, thus obviating the need for a contractual agreement convention on this matter; and the Bonn discussions should be transferred to the Paris EDC negotiations in order to avoid an unmanageable overlap.

The Allied representatives disagreed with these views, citing among other things that the Bonn discussions deal with many facets of the problem which the EDC meeting cannot cover.

Comment: The hard attitude adopted by the Germans in the early phases of these discussions may be for bargaining purposes, since Chancellor Adenauer recently instructed that all contractual agreement conventions be concluded by 15 January. The Germans are determined, however, to avoid making a direct contribution to the Allied Forces, since this resembles occupation costs.

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