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ED

22 July 1954

Copy No. 80

3.3(h)(2)
3.5(c)

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 50
NO CHANGE IN CLASS.
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 3/1/80 REVIEWER

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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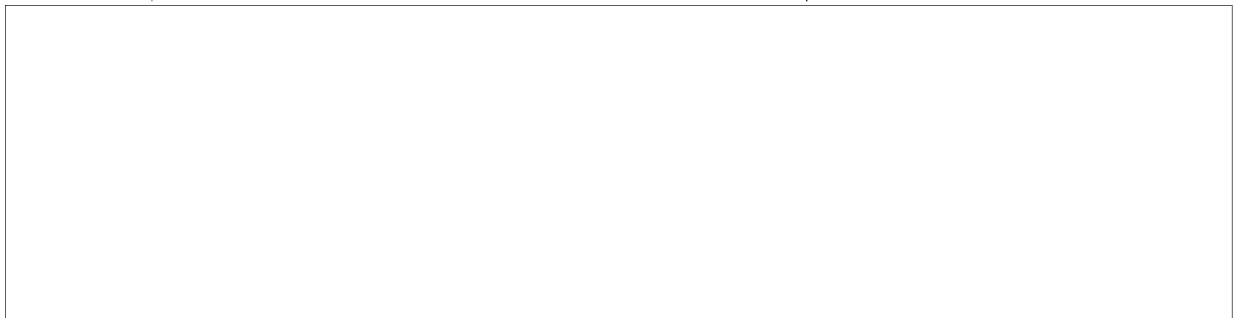
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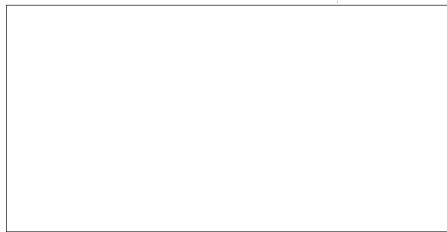
FAR EAST**1. Eight more IL-28 jet bombers to be ferried to China:**

These apparently are the first jet bombers to be sent to China since November 1953.

Comment: These planes would raise to about 140 the total number of jet bombers available to the Peiping regime, 23 of which would belong to naval air units.

Assignment of additional jet bombers to naval units would fit an apparent Sino-Soviet plan to strengthen and expand Chinese Communist naval aviation--a plan already partly implemented by the recent activation in North China of a second flight training school for the navy.

Meanwhile, the 80 piston-engine fighters and bombers of Peiping's two naval air divisions, both based in East China, have been assuming a more active role in air operations off the coast. Torpedo bombing training has been intensified, and fighter planes have successfully engaged Chinese Nationalist planes on several occasions in the past three months.

SOUTHEAST ASIA**2. Dislodging Viet Minh irregulars south of truce line will be formidable task:**

The existence of a Viet Minh military and administrative establishment along a 310-mile coastal strip south of Tourane will present a formidable obstacle to efforts by

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the Vietnam government to assert its authority over the non-Communist portion of Vietnam, according to the vice governor of central Vietnam. He points out that this area has been completely controlled by the Viet Minh for ten years. He is also frankly dubious that his 5,000-man guerrilla force can eliminate Viet Minh irregulars, who will continue to terrorize village authorities.

Comment: Present Vietnamese security forces are inadequate to the task of clearing Viet Minh irregular units in non-Communist Vietnam. Even the establishment of a strong government in non-Communist Vietnam--the first necessary step--would meet formidable obstacles prior to the holding of elections in July 1956, as called for in the cease-fire agreement.

NEAR EAST - AFRICA

3. Saudi minister urges firm stand on Onassis agreement:

Comment: According to the Onassis agreement, the Saudi government is pledged to give full legal support to implementation of the arrangement. ARAMCO, on the other hand, has indicated that it will refuse to comply with clauses of the agreement which contravene the company's exclusive concessionary right to transport Saudi oil.

[] They exert considerable influence on King Saud and, if they can persuade him to insist on implementation of the agreement without modification, a serious crisis in American-Saudi relations will probably result.

4. Israeli defense minister advocates tough policies:

[Redacted]

Minister of Defense Lavon, in a two-hour off-the-record discussion with news correspondents on 19 July, said Israel's policies must include: (1) building up the country's military strength, (2) resisting any measures by Western powers which would increase Arab military strength, and (3) continuing military retaliation for Arab border violations.

Lavon said that the present borders between Israel and the Arab states are irrational; he believes that they should not be regarded as unchangeable, although the Israeli government has no present intention of changing them by force. He hinted that the border armistice agreement with Egypt may become invalid if British troops are withdrawn from the Suez base.

Comment: Lavon exerts considerable influence in the government. His raising of frontier questions could inject explosive elements into the Palestine situation.

WESTERN EUROPE

5. West German Social Democrats may back third force line:

[Redacted]

Erich Ollenhauer, chairman of the West German Social Democratic Party, plans to introduce a resolution at his party's current congress calling for a national foreign policy supporting all measures designed to weaken both the American and Soviet power blocs,

Ollenhauer feels that a German contribution to Western defense would not improve West German security, and that security can be obtained only by a weakening of the two power blocs. He reportedly will demand that European Socialists collaborate closely with British Commonwealth Socialists, Indian prime minister Nehru, and African peoples seeking independence.

Comment: While the Social Democratic congress will probably sanction some form of West German rearmament outside EDC, a distinct party trend toward neutralism has apparently been given impetus both by diminishing West German faith in EDC and by decreasing fear of Soviet aggression.