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23 May 1953


Copy No. 50

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CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 43

NO CHANGE IN CLASS.

++ DECLASSIFIED

CLASS. CHANGED TO: TS S C

NEXT REVIEW DATE:

AUTH: HR 70-2

DATE: 12-21-71

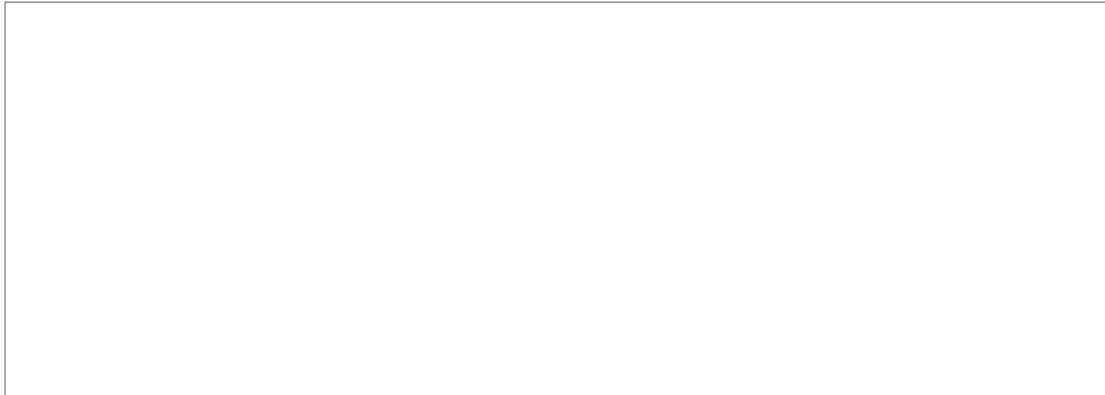
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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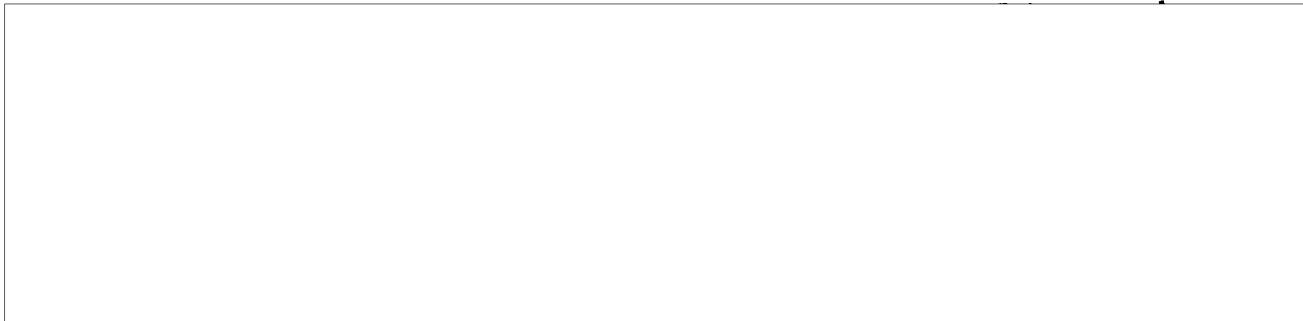
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GENERAL

1. India urges support for Communist proposals on Korea:

Comment: India apparently is actively attempting to win France, and possibly other countries, to its point of view. This suggests that unless the UN Command submits a new proposal meeting the Indian point of view, India, as a future member of the five-power neutral commission, will be inclined to vote in favor of the Communist position in the hope of achieving a quick settlement after the armistice of Korean and Far Eastern problems.

SOVIET UNION

2. Greeks speculate on improved relations with Moscow:

The scheduled return to Moscow of Soviet charge Tchernichev, reported by the Greek press, has led to speculation in Athens that the USSR, in line with the current peace offensive, may be seeking to improve diplomatic relations with Greece either by raising the rank of Tchernichev or replacing him with an ambassador.

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Comment: Tchernichev has been in Athens since 1946, and has been charge since 1949.

The resumption of Soviet-Greek relations on an ambassadorial level has been rumored for several weeks, and two Greek statesmen stated, following Stalin's death, that the time for this

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was ripe. Moreover, Soviet diplomats in Moscow, Athens and Washington have made unusually friendly diplomatic gestures toward Greece during this period.

Some improvement in Soviet-Greek relations is also reflected in current trade talks between Greece and the USSR and some Satellite countries which, according to the Greek radio, are proceeding "particularly" well.

3. Step-up of Soviet consumer goods production indicated:

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Increased output is to be realized through the "broadest use" of local raw materials and scrap from heavy industry.

Comment:

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the new Soviet regime, following the amnesty decree and large price cuts, now intends to step up the production of consumer goods. Such action would be in line with the previous attempts of the new leaders to portray themselves as more liberal than Stalin.

With sufficient allocations of raw and scrap materials, local industries would be able to overcome many long-standing shortages of consumer goods.

SOUTHEAST ASIA

4. Vietnam premier to exploit France's devaluation of piaster:

Premier Tam informed the American charge that he was elated by France's unilateral devaluation of the piaster, notwithstanding his 3.3(h)(2)

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public protests. The French action had united Vietnamese opinion behind the government to an unprecedented degree, he believed, thus enabling him to move forward with a program leading to complete independence.

Tam further said that since the French had acted without consultation, he was now in a position to tell them that he could act without consultation.

Comment: While Tam did not have the reputation of being a strong nationalist before he became premier, he has since been increasingly critical of French authority. The present situation unquestionably gives him a chance to press for greater independence.

5. Laotian premier critical of Thai security measures:

[Redacted]

In a conversation with the American charge in Vientiane, the premier of Laos angrily accused the Thai government of deliberately bungling its security measures which were to have controlled the several thousand pro-Viet Minh Vietnamese in Thailand. As a result, he said, over 500 of them recently crossed into Laos.

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The premier not only wrote off Thailand as a source of military support in the event of a renewed Viet Minh campaign, but stated that Thailand might become a base for Communist attacks against Laos.

The American charge told the premier it would be unfortunate if Thailand and Laos did not compose their differences before a Viet Minh offensive begins next fall.

Comment: The Thai government has been slow to follow through on announced police measures against local Viet Minh adherents, possibly in the hope that they will voluntarily re-enter Laos. The difficulties of the problem are illustrated by the implied admission of the Laos government that it has been unable to police its own side of the frontier.

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6. Li Mi's attitude on troop evacuation from Burma causes concern:

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Ambassador Sebald in Rangoon warns that General Li Mi's demand for a general cease-fire prior to the withdrawal of his troops from Burma may defeat the efforts of the mixed committee considering their evacuation. The ambassador doubts that the Burmese would agree to such a condition, although they have indicated a willingness to consider a truce in limited areas.

Sebald warns that Burmese leaders are fully prepared to raise the problem in the United Nations again, probably with less restraint, unless the Chinese Nationalists abide by the UN resolution calling for the disarmament and withdrawal of the troops.

Comment: Previous reports indicate the Burmese are willing to issue a cease-fire order covering those troops in a position to be evacuated. They say, however, they will not cease operations against scattered Nationalist units.

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7. Burmese plan for evacuation of Nationalists reported:

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points,

The Burmese representatives to the mixed committee have been instructed to have no dealings with Li Mi and to insist on the air evacuation of all of his troops under Burmese supervision from several widely scattered

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The American embassy in Rangoon comments that this information reflects a Burmese misconception of the American position that the removal of the Nationalist "hard core" will reduce the problem to manageable proportions, and that it indicates an unrealistic assumption that the Nationalist troops can be induced to assemble under Burmese control prior to evacuation.

Comment: There are already strong indications that the Chinese Nationalists will not seriously cooperate with the committee, and the Thai have expressed a determination to keep all Nationalist weapons if the troops are evacuated through Thailand. Burmese insistence on the acceptance of this impracticable plan would further jeopardize a solution of the problem.

NEAR EAST - AFRICA

8. Iran offers France large discount on oil purchases:

Prime Minister Mossadeq has offered France a 45 percent discount on purchases of Iranian crude oil and refined products during the next five months,

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government is suffering very keenly from its isolation," adding that "if our world-wide commitments permit us to, it would be most advantageous for us" to help Iran break out of its isolation.

Comment: There is no indication that the French government, which has a substantial interest in the British-controlled Iraq Petroleum Company, will buy Iranian oil in the absence of an Anglo-Iranian oil settlement.

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in view of the very critical French balance-of-payments position, there is little likelihood that France would risk incurring British displeasure when French participation in four-power talks is being considered.

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10. Egypt reportedly to wage war of nerves against British:

Nagib's Revolutionary Command Council is prepared to play a "waiting game" on the question of the Suez canal in the belief that time is against the British, [redacted]

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[redacted] The regime reportedly intends to continue a policy of restraint and is taking special measures to ensure public security.

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The regime, however, will also wage a "not so cold war" of nerves against the British in Egypt.

Comment: A "war of nerves" against the British could seriously endanger the Egyptian government should the mobs get out of control.

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WESTERN EUROPE

12. Comment on the French cabinet crisis:

Foreign policy considerations are expected to play an important role in ending the present French cabinet crisis. The Gaullists are likely to approve decree powers for any government in which they are represented, but their objections to the EDC will first have to be given greater recognition.

While the readiness of 30-odd Gaullist deputies to accept the EDC precludes insistence by the group as a whole on abandoning the treaty, the current pressure for four-power talks will strengthen tacit understanding among most National Assembly deputies to postpone parliamentary action.

In any case the immediate problem of the government will still be to find a financial program that will reduce the current deficit with a minimum of political discord.

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SECURITY INFORMATION**13. France may circumvent COCOM in trade negotiations with USSR:**

The economic director of the French Foreign 3.3(h)(2) Ministry, Pierre Charpentier, recently told American officials in Paris that he had been instructed to negotiate the best possible trade agreement with the USSR without subsequent reference to COCOM. He asked for early American approval for France to export six cargo ships and more than 2000 tons of lead, as he anticipated a Soviet request for these commodities which are quantitatively restricted.

Charpentier justified the request on the basis of France's "general" need for Soviet exports. Trade discussions, he said, are tentatively scheduled to resume on 2 June.

Meanwhile, the French ambassador in Moscow has informed Ambassador Bohlen that Soviet officials there, although they believe an important expansion of trade is possible, have not emphasized strategic goods.

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