

ED

5 August 1954

Copy No. 80

3.5(c)

3.3(h)(2)

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 62
NO CHANGE IN CLASS.
LI DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 31/180 REVIEWER:

Office of Current Intelligence**CENTRAL INTELLIGENCE AGENCY**~~TOP SECRET~~

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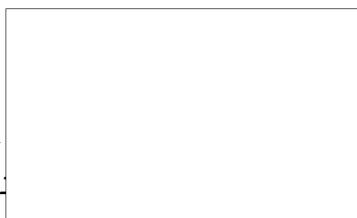
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GENERAL

- 1. Norway and Denmark protest agreement between Saudi Arabia and Onassis:**

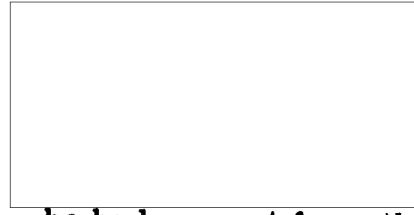


Norwegian and Danish ambassadors protesting the Saudi signature of the Onassis tanker agreement.

Comment: Aside from American representations, these are the first formal protests addressed to the Saudi government regarding the deal which gives the Onassis company virtually exclusive rights to transport Saudi Arabian oil. Italy is believed prepared to protest the agreement, and British foreign secretary Eden voiced his concern to the Saudi ambassador in late June. Other European countries with large shipping interests are also disturbed by the effect this agreement will have on world shipping.

These protests are unlikely to deter Saudi Arabia from implementing the Onassis agreement.

- 2. Indonesia plans to place New Guinea question on UN General Assembly agenda:**



Indonesia's permanent delegate to the United Nations informed the American delegation on 3 August of Indonesia's intention to place the New Guinea question on the agenda of the Ninth General Assembly. He intimated

he had support from the Asian-African group for including the item on the agenda. The delegate made it clear that raising the question in the General Assembly was a domestic political necessity.

Comment: Since Indonesia gained independence in 1949, President Sukarno and almost all other Indonesian leaders have tried to divert attention from their country's internal problems by inflammatory speeches demanding that the Dutch cede sovereignty over West New Guinea to Indonesia.

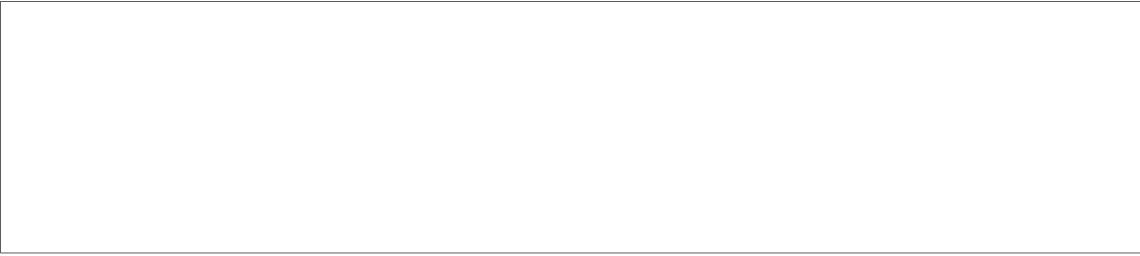
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Indonesia is expected to reopen the question of Netherlands New Guinea at the Netherlands-Indonesia talks which are about to be resumed at The Hague. Anticipating continued Dutch refusal to discuss New Guinea at The Hague, a leading member of the Indonesian delegation there stated that on 18 August, Indonesia will commence the "battle for West Irian."

Both the Netherlands and Indonesia have requested American support for their conflicting positions regarding New Guinea.

FAR EAST

3. Three Chinese Communist MIG-15 divisions apparently withdrawn from Yalu area:
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Comment: One of the three MIG units believed transferred from the Yalu area is the 17th Air Division, which is now based at Ningpo on the East China coast about 100 miles south of Shanghai. There is also some evidence that a second jet fighter division was moved to the Shanghai area in March. The identity and location of the third division are not known.

The withdrawal of the three divisions reduces Communist jet fighter strength on the Manchurian side of the Yalu to about 400, including 250 Soviet planes. Peiping's continued reduction of its once great jet strength in Manchuria had been expected. The apparent build-up of air power in East China, where MIG's now number between 200 and 250, directly threatens Chinese Nationalist islands in the coastal waters of the East China Sea.

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4. Comment on Yangtze River flood:

Despite a major disaster to food crops and homes, the Peiping regime is publicly asserting that it is successfully combating flood conditions and limiting their effects.

Unprecedented rainfall in the Yangtze valley this spring and summer--19 inches in June alone--has caused one of the worst floods of the century. In 1931, the worst previous year, an area of 100,000 square miles was flooded, damage was estimated at \$1.29 billion, and over 25,000,000 persons on farms were affected.

Although the regime's flood control activities of the past four years seem to have had some success--the city of Hankow which in 1931 was under water for a month appears to have been saved this time--it is believed that the Yangtze has overflowed its banks in enough places to make crop damage from floods nearly as severe as in 1931. The loss in food crops, which may reach millions of tons, will significantly increase the regime's financial and food problems and reduce the food available for export.

SOUTHEAST ASIA

5. Viet Minh violation of cease-fire agreement cited:

The French high command states that the Chinese have greatly increased their shipments of weapons and ammunition to the Viet Minh since the cease-fire agreement went

into effect on 22 July. Three hundred trucks are reported to have moved into Tonkin since then.

The French believe the Viet Minh is trying to accumulate the greatest possible quantity of materiel and equipment in Indochina prior to the arrival of neutral inspection teams.

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Comment: Other reports, none of which has been specific, have alleged that the Chinese have continued to send the Viet Minh large amounts of supplies after such shipments were banned by the cease-fire agreement.

The agreement on Vietnam provides for the establishment of international inspection teams at only two points along the Tonkin-China border (Langson and Lao Kay), but establishes mobile inspection teams to patrol the other areas of the borders. These inspection teams are believed to be inadequate to check border shipments, and it is expected the Chinese will continue to send equipment into Tonkin regardless of the cease-fire provisions.

NEAR EAST - AFRICA

6. Opposition uses Suez agreement to threaten Nasr regime:

According to Ambassador Caffery, Egyptian prime minister Nasr probably faces the toughest political fight of his career now that preliminary agreement on the Suez base has been reached.

Caffery states that the Moslem Brotherhood, the Wafd, and the Communists have opened a vigorous campaign to prevent signature of the final Suez agreement or at least force the government to hold general elections. He believes that General Nagib in his struggle with Nasr might be tempted to throw his weight behind such a campaign.

Comment: Recent reports of anti-Nasr demonstrations in Alexandria and of Moslem Brotherhood activities against the government reflect strong opposition to the Nasr regime despite the Suez "victory." Under these circumstances, government plans to initiate a firm domestic policy may lead to a serious internal crisis which would offer opposition groups an opportunity to undermine the regime.

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LATE ITEM

7. Comment on Soviet proposal for four-power conference:

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The Soviet note of 4 August, proposing a four-power foreign ministers' meeting in August or September, reveals the strength of the Soviet concern with the pending French debate on EDC ratification. It suggests that Moscow was disappointed at the widespread negative reaction in the West to its 24 July proposal for an all-European conference on collective security. Issued on the eve of Western efforts to agree on a joint reply to the earlier note, it appears to represent a move to maintain the initiative which the Kremlin probably calculated lay on the Communist side after Geneva.

The latest note proposes that the four foreign ministers discuss the calling of the all-European conference and "measures contributing to its success," a vague item which would open the door to a barrage of Soviet propaganda on the dangers of EDC and German rearmament. The note also proposes that the foreign ministers discuss the German question, and--mentioning past disagreement on the basic issues of unity and a peace treaty--recommends that first of all they consider several unspecified questions relating to Germany on which agreement would be possible.

Moscow appears to be reluctant at this time to rehash stale peace treaty proposals on which Soviet maneuverability is very limited. At new talks, Molotov is likely to repeat his Berlin conference proposals for various all-German committees on such matters as limitation of police forces, freer travel, trade and cultural exchange within Germany. A more extensive set of proposals on German matters may result from the current visit of East German deputy premier Ulbricht to Moscow.

The renewed Russian insistence on a conference is likely to evoke a more favorable French press reaction than did the note of 24 July, but there will still be disappointment in Paris that Moscow has not made more specific or original proposals. Premier Mendes-France now may be inclined to accede to pressure from the Assembly to postpone a showdown on EDC until after the summer recess.

British and German opinion too is likely to criticize the lack of concrete suggestions on Germany. Both governments, however, will probably find it necessary to act cautiously in opposing the Soviet proposal

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