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SOVIET UNION

1. American embassy comments on possible split in Soviet leadership:

The American embassy in Moscow reports substantial differences between the party paper, Pravda, and the government paper, Izvestia, in their extensive coverage of the anniversary of Stalin's birthday. While signed articles in both papers contained certain points in common, Pravda repeatedly emphasized the need for growth of heavy industry and touched on the people's welfare only incidentally. Izvestia emphasized consumers' goods and the people's welfare, and mentioned heavy industry only in passing.

The embassy comments that the striking difference in press treatment would appear to reflect a possible division in the leadership over the exact course of action the Soviet government should take when actually confronted with West German rearmament. The embassy considers it logical that differences on this subject would result in debate over the priority of heavy versus light industry as part of the central issue relating to the effect which an increase in military production and expenditures would have on domestic economic policy.

Comment: For the past 30 years policy differences among the Soviet leaders have not been reflected in the Soviet press. If this is now the case, it suggests that impending decisions with regard to Germany have caused serious differences among the top Soviet leaders, with the result that a unified approach to the problem has not been arrived at.

2. Indications of TU-16 jet medium bomber production at Kuibyshev:

Comment: [redacted]

[redacted] the TU-16, which can be compared to the B-47, is being produced at one or both aircraft plants at Kuibyshev.

Previously, production of the TU-16 had been indicated only at Kazan, where an estimated peak rate of 24 per month could be produced. Initiation of series production at either one of the Kuibyshev plants would provide an additional capacity for manufacturing 18 jet medium bombers per month when maximum production is reached.

Re-equipment of TU-4 piston medium bomber units with TU-16's was begun early this year. To date, two regiments--both in the western USSR--have converted to the TU-16. [redacted]

FAR EAST

3.

4. Peiping sidesteps discussing Burmese Communists with U Nu:

[Redacted]

Burmese premier U Nu told newsmen in Rangoon on 20 December that during his conversations in Peiping, Chinese Communist leaders professed ignorance of the existence of three leaders of the insurgent Burma Communist Party. U Nu stated that the Kachin renegade Naw Seng had also been discussed, but he declined to reveal what was said.

Comment: This is the first indication that despite apparent satisfaction with the general results of his trip, U Nu was disappointed over the Chinese Communist position on specific questions. His public reference to Peiping's professed ignorance of the three Communist leaders may have been intended to play down their importance and to have a possible adverse effect on Burmese Communist morale.

Of the three individuals in question, Thakin Than Tun is internationally known as the leading Communist in Burma; the other two are reported to have entered China a year ago for training. Naw Seng has been in China for several years, where he is reported to have organized under Communist auspices a Kachin guerrilla force estimated to number about 1,500 men.

SOUTHEAST ASIA

5. Chinese-Indonesian agreement on dual nationality reached:

China and Indonesia had reached agreement on the renunciation of Chinese nationality by those Overseas Chinese in Indonesia who wished to adopt Indonesian citizenship. A joint declaration of principles is likely to be issued in the next day or two. The status of Overseas Chinese who do not desire Indonesian citizenship will be dealt with in subsequent negotiations.

Comment: China's past insistence on the principle of dual nationality has been a major irritant to Southeast Asian countries, and the abandonment of this principle will be viewed favorably by these countries. Indonesia in particular has been pressing for an agreement for the past two years in order to clarify the status of Overseas Chinese before proceeding with the country's first elections.



NEAR EAST - AFRICA

6. Iraqi prime minister stalling on Middle East defense:

Iraq's prime minister Nuri Said told Ambassador Gallman on 21 December that he needed "clarification" on how far the United States and Britain would go beyond their NATO commitments before he could sign any defense agreement with Turkey. He declared his ultimate hope for a regional defense pact based on the collective security provisions of the UN charter.

Nuri said that he was not prepared to sign any kind of defense agreement when Turkish prime minister Menderes visits Baghdad on 6 January. He stated that Egypt's opposition made it difficult for Iraq to sign a pact with Turkey now unless it were joined by the United States and Britain. He added that until there was a more stable internal situation in Egypt, Syria, and Iran, it was difficult for him to deal with those countries.

Gallman comments that Nuri is "obviously stalling" and that the conversation was "inconclusive."

Comment: Nuri's current statements, contradicting his previous ones reported by Gallman on 7 December, are in line with his usual maneuvering and bargaining. He apparently hopes to obtain the same kind of assistance and guarantees accorded Turkey and Pakistan.

7.

EASTERN EUROPE

8. War-scare rumors reported in Prague and Bucharest:

[REDACTED]

War-scare rumors are reported to be current in two East European Satellite capitals. Western diplomatic sources in Czechoslovakia and Rumania have been informed there are rumors of imminent call-ups of Satellite reserves, movement of Soviet troops, and increased civil defense precautions. However, these sources have seen no evidence to support the rumors.

[REDACTED] the rumors are part of the present political barrage being raised against the rearmament of West Germany.

9. Shipment of Soviet military equipment into East Germany reaches new peak:

[REDACTED]

Rail shipment tabulations made by Headquarters, US Army, Europe, indicate that the total number of Soviet military cargo vehicles arriving in East Germany from January 1954 through November is larger than the total for any previous full year since World War II. Incomplete totals indicate the arrival of 16,500 cargo vehicles, as compared with the return to the USSR of only 6,000 worn-out vehicles. In addition, 500 tanks, substantial numbers of armored scout cars and personnel carriers, and artillery have arrived, with relatively small outgoing shipments reported.

US Army, Europe, believes this year's replacement and maintenance program is intended to modernize

and augment the equipment strength of Soviet forces in Germany, substantially increasing their mobility and firepower.

Comment: The very large excess of arrivals over departures may indicate a build-up in the motor transport holdings of Soviet units or stockpiling of vehicles. It is known that some new trucks have been turned over to the East German armed forces.

LATIN AMERICA

10. Forceful attempt to oust Costa Rican regime may be imminent:

"Internal trouble" in Costa Rica is nearing, according to Nicaraguan president Somoza. The expected outbreak, he told Ambassador Whelan on 19 December, will be a purely domestic affair, and there will be no invasion and no "overt" acts by Nicaragua or any other country.

Regarding Nicaragua's dispute with Costa Rica, Somoza said he would demand Costa Rican president Figueres' resignation and abstention from politics as the price of a settlement.

Figueres, who now expects the long-rumored attempt against him to be in the form of an internal uprising, has reportedly decided to declare war on Nicaragua immediately upon the initiation of violence, in the expectation that this would assure prompt American intervention on his behalf.