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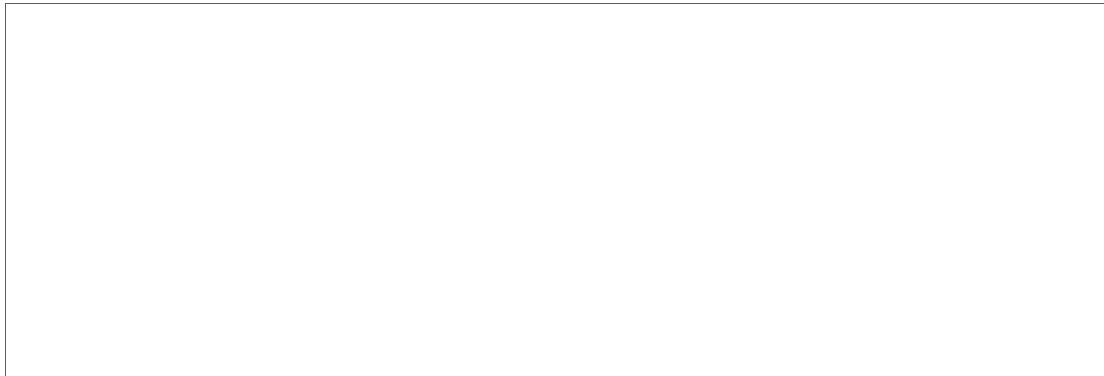
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SUMMARY

SOVIET UNION

1. Soviet cruisers possibly engaged in atomic defense exercises (page 3).

FAR EAST

2. Private Japan-North Korea fisheries pact reported (page 3).

SOUTHEAST ASIA

- 3.
4. French say they will not recognize authority of Saigon "Revolutionary Committee" (page 5).

SOUTH ASIA

5. Comment on Afghan-Pakistani situation (page 6).

EASTERN EUROPE

6. Hungary reportedly may stage trial to support retention of Soviet troops (page 7).

THE FORMOSA STRAITS (page 8)

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SOVIET UNION

1. Soviet cruisers possibly engaged in atomic defense exercises:

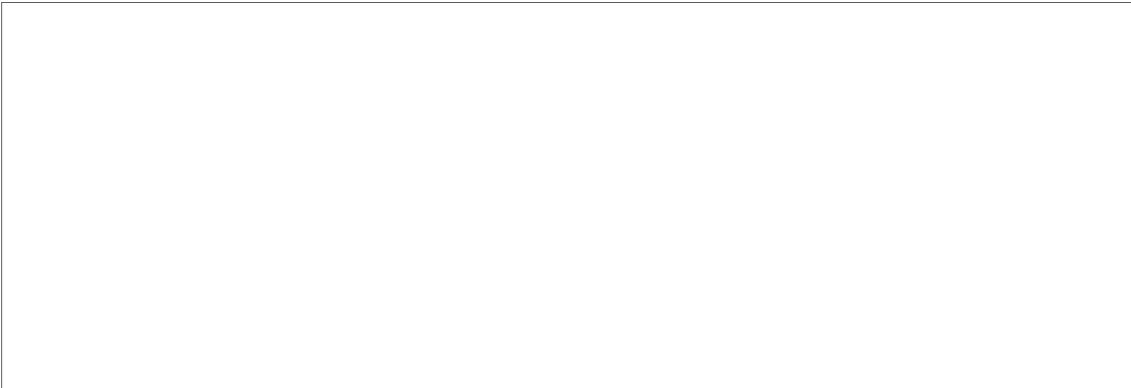
A Soviet Sverdlov-class cruiser was sighted recently in Danzig Bay emitting a high-pressure spray, probably of water, which covered the ship from bow to stern. The spraying lasted for approximately 30 minutes.

Comment: These are the strongest indications that extensive atomic defense measures are being taken by units of the Soviet fleet. The first suggestion of Soviet experimentation in the decontamination of warships was reported on 9 April 1954 when major warships were reported washed down in Odessa harbor by a vessel resembling a fireboat. In August and September 1954 [] a cruiser in Neva Bay, Leningrad, with hoses crudely rigged over the entire ship. A Soviet fleet newspaper suggested on 9 January 1955 that atomic defense training had been extended to naval shore installations.

(Concurred in by OSI)

FAR EAST

2. Private Japan-North Korea fisheries pact reported:



Comment: This proposal fits in with the over-all Communist peace offensive toward Japan, but may also have an economic basis, as evidenced by the special efforts of the North Korean regime to modernize its fishing industry. The Japanese government is unlikely to approve the arrangement because of the probability of retaliation by South Korea, whose trade is important to Japan.

Despite the unofficial nature of the reported pact, President Rhee will undoubtedly seize upon it to further his current propaganda campaign against Japan, aimed at reducing Japan's share of the American aid program for the next fiscal year.

SOUTHEAST ASIA

3.

4. French say they will not recognize authority of Saigon "Revolutionary Committee":

[Redacted]

French officials in Paris state that they will not recognize any action by the Saigon "Revolutionary Committee" or any similar body to change the form of government in South Vietnam.

Ambassador Dillon comments, however, that French officials at all levels are more concerned with restoring the American-French entente on Indochina than with any specific policy questions. The French have stated categorically that they have no intention of taking any steps to reduce the authority of Premier Diem's government.

Comment: Paris is eager for a face-saving solution which would obviate the need for French military involvement. The Foreign Ministry is emphasizing rumors of Communist influence over the "Revolutionary Committee" in the hope of undermining the standing of this group. If Bao Dai should be deposed and no disorders ensue, however, Paris will probably accept the fait accompli.

Diem himself favors constitutional change at the instance of an elected assembly. His ambassador in France has stressed to American officials the importance of a conciliatory policy toward France, and the official Vietnamese radio on 3 May broadcast a strong plea for French-Vietnamese amity.

SOUTH ASIA

5. Comment on Afghan-Pakistani situation:

[Redacted]

The proclamation on 4 May of a state of emergency in Afghanistan, and Foreign Minister Naim's official request on the same date that the United States mediate Afghan-Pakistani disputes brought to a head by the attack on the Pakistani embassy in Kabul on 30 March, suggest that Kabul is giving way under heavy diplomatic and economic pressure applied by Pakistan.

Afghanistan has received a Pakistani ultimatum foreshadowing a rupture of diplomatic relations and closure of the country's sole outlet to the sea if Pakistan's demands are not met by 15 May. Afghanistan is also suffering its first shortages of such essential commodities as aviation gasoline and cement. Thus, the government is faced with the decision of giving in to Pakistan and probably of dismissing Prime Minister Daud, or ultimately of turning to the USSR for large-scale assistance when the economic situation becomes intolerable.

The request for American mediation and Naim's accompanying dissertation on Afghan friendship and the need for American military and economic aid in preparing for the collective defense of the Near East indicate that Kabul is not now willing to throw in its lot with the Soviet Union.

Though official statements of the king and top Afghan officials contain no hint of giving in to Pakistan's demands, the government has failed to gain support for its cause from any other nation. The request for American mediation therefore appears to be a last-minute maneuver to avoid having to make an immediate decision.

[Redacted]

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EASTERN EUROPE

6. Hungary reportedly may stage trial to support retention of Soviet troops:

Andrew Marton, a Hungarian formerly employed by the Associated Press in Budapest, will be brought to trial in the near future on charges of conspiracy

and military espionage,

The legation fears that one of its former Hungarian employees arrested at the same time may be tried with Marton in an effort to implicate the American mission. Such a trial might be timed to coincide with the establishment of the Soviet-Satellite defense bloc, to "prove" the existence of an American-directed conspiracy sufficiently important to necessitate the maintenance of Soviet troops in Hungary.

Comment: For the past three months a campaign of increasingly virulent anti-American propaganda has been under way, reaching peaks at the 4 April Liberation Day and May Day celebrations. A trial implicating the American legation would fit into this campaign.

The last show trial in Hungary involving the American legation was that of Archbishop Grosz in 1951.

THE FORMOSA STRAITS

Report of the IAC Current Intelligence Group for the Formosa Straits Problem

This report is based on information received in Washington up to 1100 hours 5 May 1955.

1. The Chinese Nationalists are reluctant for "political reasons" to abandon the Wuchiu Islands. They have decided to send a regular army reconnaissance battalion to occupy these islands until 30 June at which time it would be relieved by a reliable guerrilla unit presently in training. This has been approved by Chief, MAAG Formosa who previously recommended that the Wuchius either be abandoned or that the unreliable 600-man guerrilla unit there be replaced by a regular army unit.

The Nationalist decision avoids a recent CINCPAC proposal that the Wuchius and possibly other similar islands be abandoned because of their limited military value. [redacted]

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