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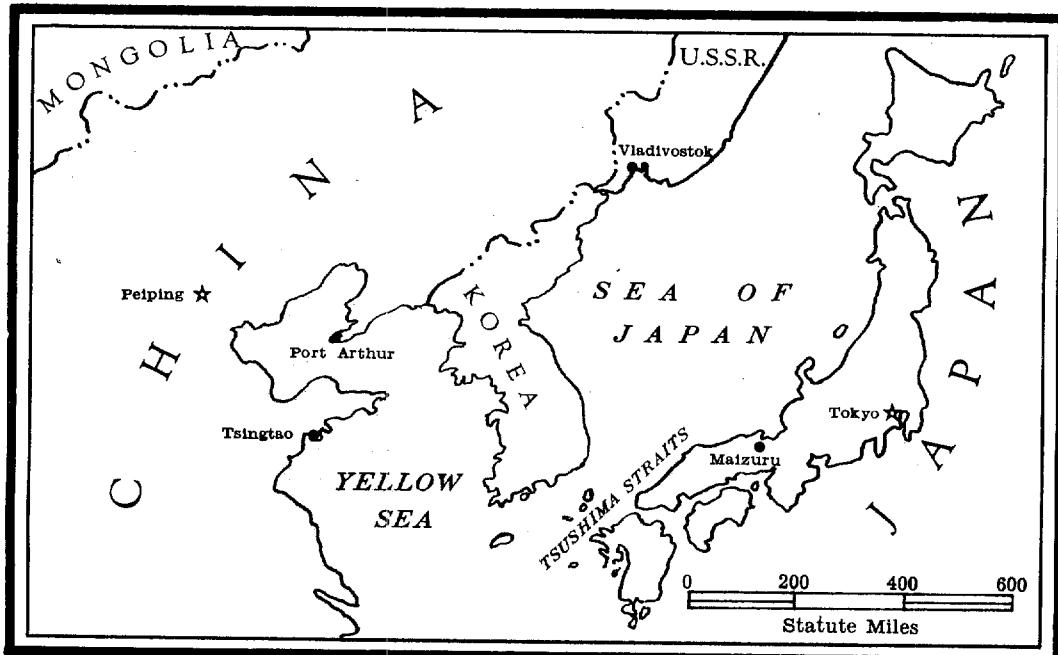
GENERAL**1. Communist China may receive six more Soviet naval vessels:**

Six Soviet minesweepers or patrol craft which accompanied the second convoy of American lend-lease vessels being returned to Maizuru, Japan,

proceeded south through the Tsushima Straits, probably en route to a Chinese port.

Comment: The arrival of these ships at a Chinese port would be a strong indication that they will eventually be transferred to the Chinese Communists. Soviet warships turned over to China previously have included at least two destroyers and seven submarines. Two other destroyers and four more submarines arrived at Tsingtao [redacted] apparently to be transferred to the Chinese.

Soviet naval strength at Port Arthur prior to the turnover of that base was believed to have included three submarines, two subtenders, 24 motor-torpedo boats, and six mine-sweepers. Since none of these vessels has returned to the Soviet Union, at least some of them may have been transferred to the Chinese.



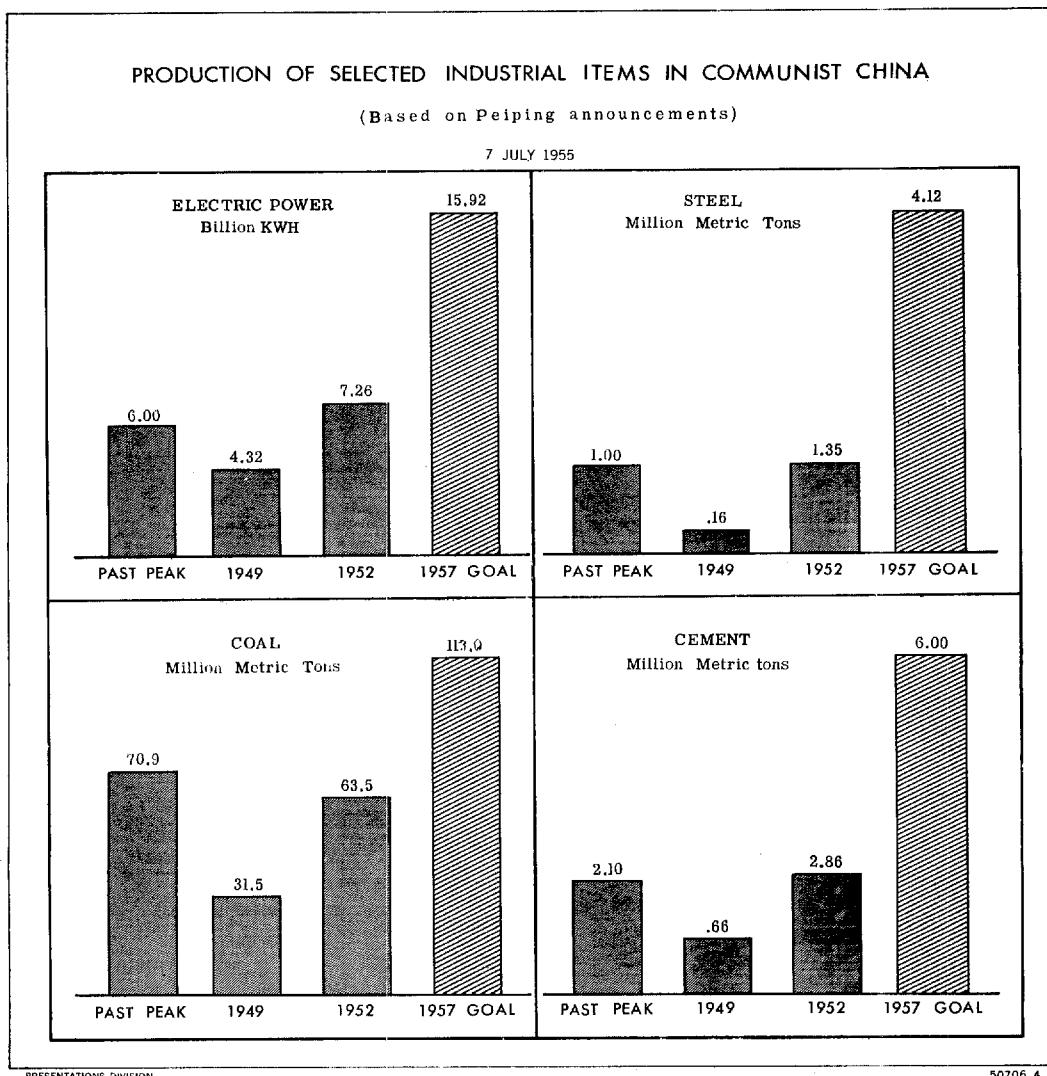
PRESENTATIONS DIVISION

7 JULY 1955

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~~TOP SECRET~~**FAR EAST****2. Comment on Communist China's first Five-Year Plan:**

The announcement for the first time on 5 July of the outline of China's recently revised first Five-Year Plan, begun in 1953, indicates that Peiping does not consider the difficulties of the past two years in agricultural production sufficiently serious to lower the ambitious goals it has for industrialization. The plan appears feasible, although the attainment of some of the goals depends on the procurement of scarce heavy industrial equipment from the USSR.

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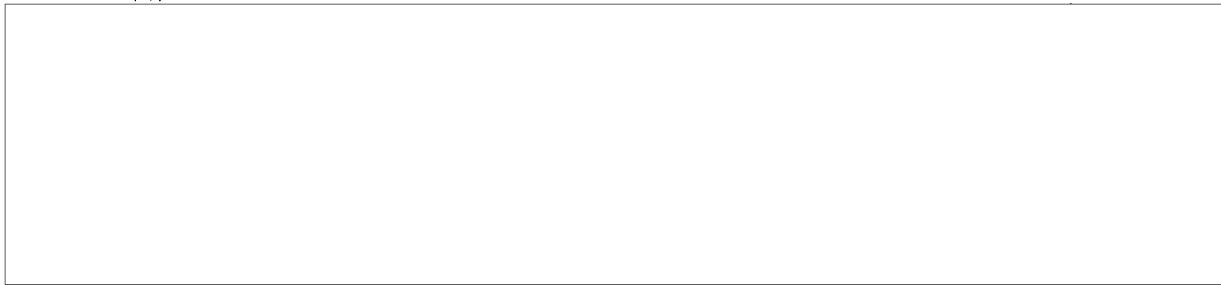
The goal for increasing agricultural production by 1957 over 1952 has been reduced from 30 percent, as announced in 1953, to 17.6 percent. Even this lower figure cannot be reached, however, unless a larger percentage of investment resources is allocated to agriculture.

The Five-Year Plan calls for an increase in gross value in total industrial output of 98.3 percent over 1952. This would require an average annual increase of only 9 percent from 1954 to 1957, as compared with the announced increase of 33 percent in 1953 and 15 percent in 1954.

By 1957 China plans to begin, with Soviet aid, the development of atomic energy for economic purposes. In January the USSR offered to help China and several Satellites develop atomic energy for peaceful purposes, an offer that Peiping has since publicized on several occasions. [redacted] Prepared by ORR)

SOUTHEAST ASIA

3. Nehru said to view US-Cambodian agreement as Geneva violation:



Nehru was said to feel that "any vehement denunciation" of the pact "would only provoke America to utterly disregard the Geneva agreement." He also felt, however, that the United States, unless condemned for its action in Cambodia, would "take bolder strides" with respect to Laos.

Comment: Although this report may exaggerate Nehru's views somewhat, an Indian Foreign Ministry official gave Ambassador Cooper the impression on 4 July that India would consider the American-Cambodian pact a violation of the Geneva agreement.

The Foreign Ministry official said the International Control Commission would have to make a decision against the pact unless the United States issued a declaration clarifying its wording and defensive intent. He indicated that India's final decision would probably not be made until Nehru returned to New Delhi about 12 July.

EASTERN EUROPE

4. Comment on Satellite attendance at American diplomatic receptions on 4 July:

Receptions held by American diplomatic missions in Poland, Czechoslovakia, and Hungary on 4 July were unusually well attended by Satellite and Soviet representatives, whose behavior was also unusually cordial.

This, together with the attendance of ranking Soviet presidium members at the American embassy reception in Moscow, suggests that the Satellite officials acted under specific instructions from the USSR. Their attendance and behavior at the receptions contrast sharply with the virulent anti-American propaganda which has characterized the recent and numerous "spy" trials in the Satellites.

The American legation staff and other Western diplomats in Budapest were "stunned" by the unexpected "onslaught" of Soviet bloc diplomats and top-level Hungarian officials. Among those in attendance at the reception were party first secretary Rakosi, two deputy prime ministers, and the foreign minister. This was Rakosi's first appearance at a Western diplomatic reception since 1948.

The legation comments that the unexpected turnout, the largest for a Western reception in years, was particularly surprising in view of the American boycott of celebrations on Hungarian National Day in April.

The Czech delegation attending the reception in Prague, although "typically more cautious than their Soviet mentors," included for the first time in several years a fairly high-level group headed by the foreign minister. Soviet bloc mission chiefs were also present, including the Hungarian ambassador, who had initially declined but who apparently later received orders to attend. The American embassy notes that attendance at the Canadian reception on 1 July was similar, but that the British reception for the queen's birthday on 9 June had been virtually boycotted.

In Warsaw, a larger number of Polish officials than usual made an appearance and the atmosphere at the reception was "cordial." [redacted]

WESTERN EUROPE

5. Comment on proposed Italian cabinet:

[redacted]

The cabinet formed by Italian premier-designate Segni will likely receive parliamentary approval, but would appear to have little chance of surviving for more than a brief period. While the cabinet could be expected to continue Scelba's pro-Western foreign policy, it would face a continuing stalemate on domestic reforms.

Segni's major problem will be to maintain parliamentary support for a shaky coalition of diverse elements. He has secured the full backing of his own Christian Democratic Party only at the price of giving the Finance Ministry and other important portfolios to members of the party's right wing. These right-wingers would thus be in a position to co-operate with the Liberal Party to block measures supported by the reformist elements in the Labor, Budget, Agriculture, and Public Works Ministries. Furthermore, Christian Democrats and minor parties alike have become increasingly uneasy in alliance with each other, and the patience exercised by these groups during Scelba's 16 months in office has worn thin.

Some of the opposition parties, such as the Monarchists and Nenni Socialists, will probably adopt a wait-and-see attitude in parliament until they discover whether Segni will seek their support.

LATIN AMERICA

6. Cuban revolutionary attempt may be imminent:

A revolt, preceded by an attempt to assassinate President Batista, may occur in Cuba before mid-July, [redacted] [redacted] The revolt may have some military backing.

[redacted] there may be some disturbances as a result of the "aggressive" language of ex-president Carlos Prio Socarras in announcing his plans to return to Cuba by the middle of July.

Comment: [redacted]
[redacted] and the army probably remains loyal to Batista.

Since the Batista regime granted a political amnesty on 7 May, Cuban security authorities have increased repression of the opposition, and on 16 June they ordered the arrest of Prio and 16 others as "terrorists." The return of Prio, whose regime was overthrown by Batista in March 1952, would almost certainly lead to public demonstrations, but these would probably not threaten the present administration.

WEEKLY SUMMARY
(30 June-6 July 1955)

THE FORMOSA STRAITS

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

1. The Formosa Straits area has remained generally quiet. In a clash between Chinese Communist and Nationalist jet fighters on 4 July, one Nationalist plane was damaged. On the same day, Communist jet fighters attempted to intercept two photo reconnaissance planes, but both escaped.

2. There has been no change in the status of the five Chinese Communist airfields under construction in the coastal area. Nantai, Lungtien and Chenghai are still considered serviceable but as yet unoccupied. However,

probably indicates an intention to occupy these new airfields in the near future.

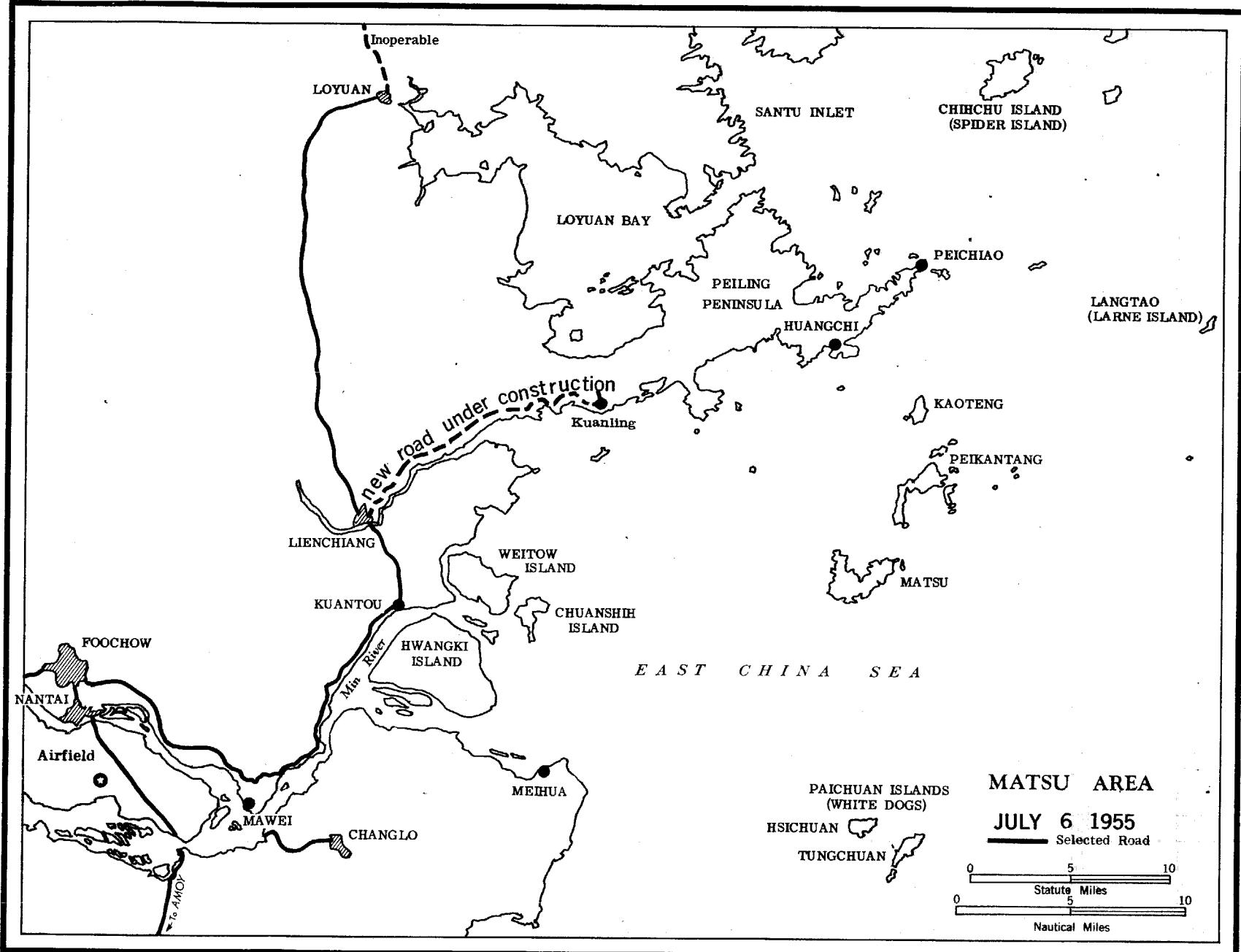
3. The chances for shooting incidents will be considerably increased with the commitment of Nationalist F-86's to the Formosa Straits area. The F-86's will act in the role of cover for slower fighter/bomber and reconnaissance types over the Fukien coastal area. The first class of Nationalist F-86 pilots now are considered fully combat ready and are considered highly proficient in day combat ability.

4. Aerial photography of 30 June reveals that the Communists have started construction of a road which will connect the Peiling Peninsula just north of the Matsu Islands with the main road network in the Foochow area. As Communist forces on the peninsula are now dependent on water routes for reinforcements and logistic support, completion of this road will ease Communist logistic problems on the peninsula.

5. Chinese Communist naval units are continuing their program of training activity and logistic support in and around the Peiling Peninsula. Minor Communist naval units in the Amoy area were also observed conducting amphibious exercises on a small scale, including surface firing exercises at a towed target.

6. Taipei press reports have alleged that "Red China will shortly stage a gigantic landing maneuver in the Chou Shan group with some 400 planes and more than 1,000 warships and armed vessels taking part."

7. Peiping has continued to denounce "evasive" US statements on the prospect of Sino-American negotiations. Secretary Dulles' press conference of 28 June was interpreted by Peiping as indicating that the US does not want direct talks with Communist China to "ease tension" but wants instead to "interfere in China's domestic affairs" by discussing the "liberation" of Formosa--a subject described as "none of America's business." Peiping reaffirmed its objections to any international negotiations which would include the Chinese Nationalists and to negotiations of any kind over a "cease-fire"--a question said not to exist since "China is not at war with the US and has no intention of going to war against the US."



FORMOSA STRAITS SITUATION

Primary roads _____
Secondary roads _____NAUTICAL MILES
0 50 100 150
STATUTE MILES
0 50 100 150Railroad
Proposed railroad

COMMUNIST AIRFIELD LEGEND

PRIMARY SECONDARY
 ● ▲ OPERATIONAL
 ● ▲ SERVICEABLE
 ● ▲ UNKNOWN
 ■ UNDER CONSTRUCTION

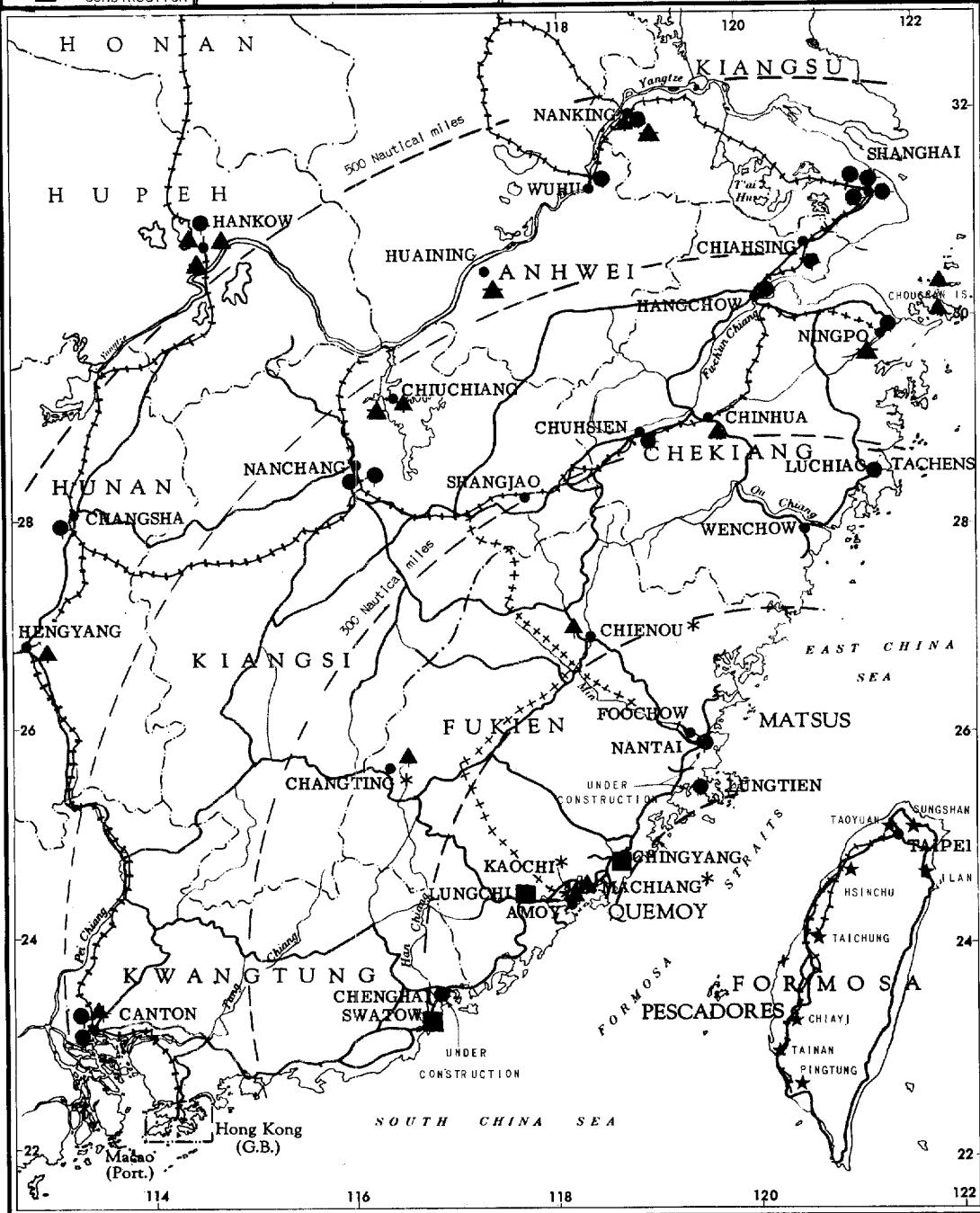
USABILITY

- + MIG-15, MIG-17, TU-4, IL-28
- | TU-2, IL-10, LA-9/11, LI-2, ETC.
- UNKNOWN
- * FIELDS NOT CONSIDERED CAPABLE OF SUPPORTING SUSTAINED OPERATIONS AT PRESENT.

DESIGNATIONS

- PRIMARY: CONSIDERED MOST IMPORTANT IN AREA, WITH PREPARED RUNWAY GENERALLY 5000 FEET OR LONGER.
- SECONDARY: AUXILIARY OR EMERGENCY BASES, OR FIELDS OF LESSER IMPORTANCE - RUNWAYS GENERALLY LESS THAN 5000 FEET.
- OPERATIONAL: ACTIVE BASE FOR MILITARY & CIVILIAN AIRCRAFT. SOME BASES USED BY PISTON TYPES MAY BE USEABLE BY JETS.
- SERVICEABLE: INACTIVE BASES CAPABLE OF USE BY AIRCRAFT
- UNKNOWN: CURRENT STATUS UNDETERMINED.

★ NATIONALIST AIRFIELD

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