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3.5(c)

3.5(c)

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

3.5(c)

~~TOP SECRET~~

~~TOP SECRET~~**SUMMARY****FAR EAST**

3.3(h)(2)

2. Chinese Nationalists reported to have entered South China (page 3). *CHINA, BURMA*

**NEAR EAST**

3. Soviets reportedly attempting to gain Patriarchate of Armenian Church (page 4). *USSR, ARMENIA*

**EASTERN EUROPE**

3.3(h)(2)

5. No immediate renewal of Berlin blockade expected (page 5). *GERMANY, USSR, US*

**WESTERN EUROPE**

6. New alliance of right-wing French parties further weakens center (page 6). *FRANCE*  
 7. Inter-ministerial differences hamper scope of Italian rearmament (page 7). *ITALY, USSR*  
 8. Italy urges Western initiative in Middle East (page 7). *ITALY, SPAIN, TURKEY, GREECE*  
 9. Franco may be planning move to forestall Madrid strike (page 8). *SPAIN*

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3.5(c)

- 2 -

~~TOP SECRET~~

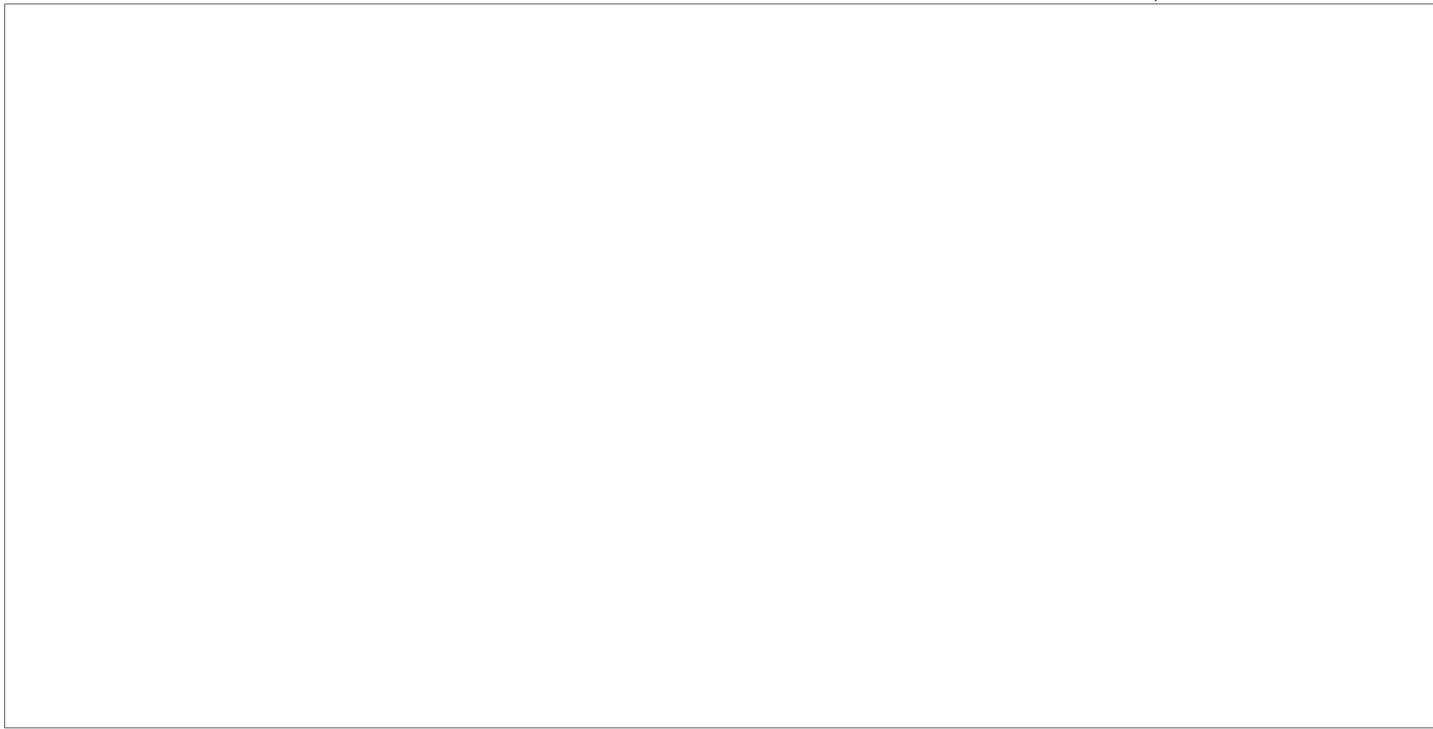
3.5(c)

~~TOP SECRET~~

3.5(c)

3.3(h)(2)

FAR EAST

**2. Chinese Nationalists reported to have entered South China:**

The Chinese Nationalist Charge in Bangkok has informed the US Embassy there that all Nationalist troops formerly in Burma have now moved into Yunnan Province, China, crossing the border

3.3(h)(2)

farther northward than originally planned in order to avoid a concentration of Chinese Communist troops. The Chinese Charge comments that if the Nationalists are attacked by the Communists, they will "probably take to the hills in Yunnan."



3.3(h)(2)

- 3 -

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~**NEAR EAST****3. Soviets reportedly attempting to gain Patriarchate of Armenian Church:**

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[Redacted]

According to the US Charge in Beirut, in January the Armenian Patriarch, who is reportedly on the point of death, nominated Archbishop Atchabahian of Beirut as his successor -- a choice that is believed to be acceptable to the majority of anti-Soviet groups within the local Armenian Church, whose council is charged with the responsibility of appointing a new patriarch. The Charge states that two Soviet Armenian agents have reportedly been active in attempting to develop a plan to have the present patriarch declared senile and incapable of heading the church and thus, presumably, creating an opportunity for the appointment of a pro-Soviet patriarch. On 16 May, the Lebanese President told the US Charge that he would ask the Director General of the Surete to make a thorough investigation of Communist attempts to win over the patriarchate of the Armenian Church.

Comment: The Soviets have long been attempting to penetrate the Armenian Church and have used former Armenian residents of Lebanon who were encouraged to migrate to Soviet Armenia a few years ago. Any successful penetration of the Armenian Church by the Soviets would prove an effective means for extending Communist influence in the Near East because of the considerable number of Armenians living in this area.

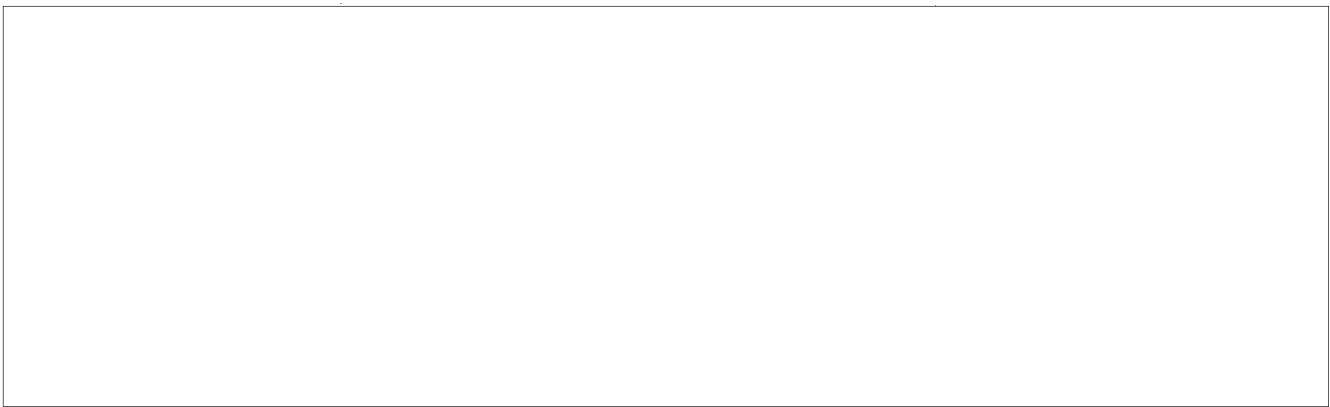
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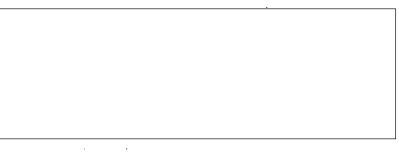
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3.5(c)

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**EASTERN EUROPE****5. No immediate renewal of Berlin blockade expected.**

3.3(h)(2)



The Commander-in-Chief of US Air Forces in Europe estimates that a renewal of the Berlin blockade, as a separate and distinct operation rather than as part of other and more complex operations, is unlikely in the near future. Am3.3(h)(2) the advantages to the USSR of such an operation, the US Air Force in Europe cites the difficulty involved in US reinstitution of the airlift in view

of other commitments and of substantial Soviet capabilities to interfere with an airlift by means short of war. Noting the absence of positive intelligence regarding Soviet intentions in this matter, it concludes that such an airlift *a blockade* is unlikely because of (a) Berlin's stockpile of five months' supplies; (b) the Soviet expectation of a retaliatory embargo on all shipments to Eastern Germany from the West, probably destroying any chance of fulfilling the East German five year plan; and (c) the probability that 200 four-engine aircraft, the number used in the previous airlift, could be produced or procured without withdrawals from Korea.



consider a reimposition of the Berlin blockade unlikely before the end of 1951.

3.3(h)(2)

- 5 -

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

3.3(h)(2)

[redacted] the USSR would probably be unwilling to impose another blockade now, primarily because this would (a) interfere with its present drive against West German remilitarization and other East-West issues, (b) jeopardize the success of the coming World Youth Festival in Berlin, and (c) require sacrificing Berlin as a main transshipment point.

## WESTERN EUROPE

6. New alliance of right-wing French parties further weakens center:

3.3(h)(2)

[redacted] According to the US Embassy in Paris, a new alliance of Right of Center parties, the "Union of Independents, Peasants and National Republicans," has been formed for the purpose of creating a bloc

in the next Assembly large enough to "stand up to De Gaulle" and "treat" with him on equal terms. The Embassy comments that the new group will be able to do this only if it can conclude a firm alliance with the Radical Socialists, the only other important non-Gaullist party on the Right, and that the Radicals are likely to decide upon a loose bond with the new grouping when their congress meets this week-end. Popularly known as the "Fourth Force," this new political alliance is viewed by some observers as sounding the death knell of the "Third Force" coalitions that have governed France since 1947 and have steered a middle course between Communism and Gaullism.

Comment: This development, together with De Gaulle's recent order that his party's candidates may not form electoral alliances with other parties, increases the likelihood of a major shift to the Right in the new Assembly to be elected 17 June. The two largest "Third Force" parties, the Popular Republicans and the Socialists, will have fewer seats in the new Assembly than has been anticipated; and it will probably prove impossible to construct a government excluding the Gaullists.

~~TOP SECRET~~

3.5(c)

~~TOP SECRET~~

3.5(c)

7. Inter-ministerial differences hamper scope of Italian rearmament:

3.3(h)(2)

[redacted] the difference in economic philosophy between Italian Minister of Commerce Togni, who favors a corporative economy, and Treasury Minister Pella, who favors a free enterprise system, is preventing the formulation of a definite economic policy and is delaying the development of a rearmament program commensurate with Italian capabilities.

The former Minister of the Treasury Corbino attributes Pella's persistent opposition to rearmament to his "accountant's mentality" and to the fact that he is a "neutralist." Corbino comments that, in his opinion, the present Italian supplemental military budget should be considerably increased and that dollar aid should be sufficient to avoid the necessity of reducing consumption by lower income groups.

In the meantime, the announcement that about half of the \$71 million ECA funds recently released to the Italians would be used to purchase new materials for Italy's defense effort is expected to encourage the Italian defense effort and to counter Communist charges that rearmament means inflation.

Comment: Corbino's views support previous estimates of US observers to the effect that Italy's rearmament effort is below Italian capabilities and its economic policy is inconsistent. This is the first indication that Treasury Minister Pella is a "neutralist"; if true, this would be damaging to US security interests in Italy. Pella's apprehensions over the effects of rearmament also spring from an overriding fear of inflation.

8. Italy urges Western initiative in Middle East:

[redacted] An official of the Italian Foreign Office has stated that the Italian Government is concerned over the deterioration of political conditions in the Middle

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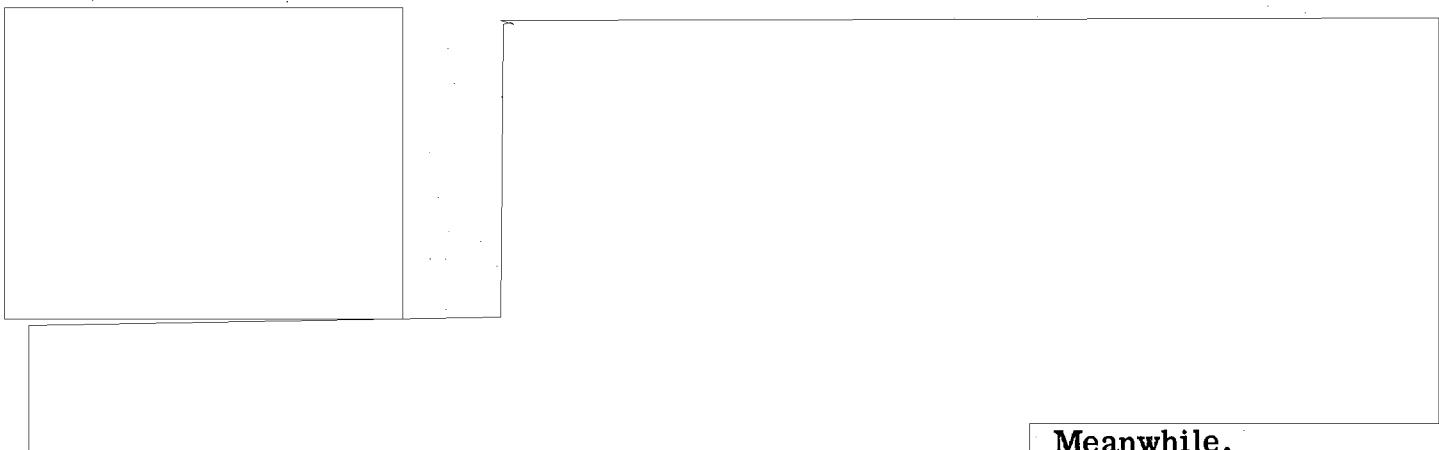
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East, particularly as a result of developments in Iran, and believes that a Western initiative should be taken to reverse the present trend. He indicated that the Italian Government would be satisfied with either the inclusion of Turkey or Greece in NATO or with a separate security arrangement for the Mediterranean, the latter having the advantage of holding out hope to other countries such as Egypt for eventual inclusion.

Comment: Italy is becoming increasingly concerned at what it regards as the lack of political initiative in the West in contrast to the Soviet bloc. It has been a long-standing objective of Italian foreign policy to integrate Turkish and Greek defense more closely into Western defense arrangements in order to protect Italy's exposed eastern flank. The Italian Government will therefore firmly support US efforts to have Greece and Turkey included in the North Atlantic Treaty Organization.

9. Franco may be planning move to forestall Madrid strike:

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Meanwhile, the US Embassy in Madrid remarks that the series of editorials in the 17 May government-controlled newspapers warning of the "dire consequences" of protest strikes appears to be a deliberate attempt to intimidate the Madrid populace.

3.3(h)(2)

Comment: There has been an unusual crop of rumors regarding contemplated cabinet changes during the past several months. Franco could well consider this the appropriate moment to make some dramatic pronouncement designed to assuage momentarily the current wave of popular discontent.

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3.5(c)