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14 January 1952

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Correction to

CURRENT INTELLIGENCE BULLETIN

(issue of 13 January 1952)

Please change last sentence in first paragraph of article 1, page 3,
to read:

Of this number, 500 proceeded to Tunghsing.

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NO CHANGE IN CLASS.
DECLASSIFIED
CLASS. CHANGED TO: TS S C
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AUTH: HR 70-2
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DOS review(s) completed.

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[REDACTED]
13 January 1952

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CURRENT INTELLIGENCE BULLETIN

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S U M M A R Y

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WESTERN EUROPE

7. Comment on the possibility of an East German currency reform (page 7).
8. [Redacted]
9. Portugese army and navy officers seized in plot against government (page 8).

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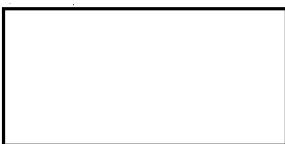
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FAR EAST

1. Newly arrived Chinese troops reported north of Tonkin border:

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Over 15,000 fully equipped troops, mostly of North Chinese origin, arrived at Fangcheng, on the China coast just north of the Indochinese border, toward the end of December [redacted]

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[redacted] Of this number, 500 proceeded across the border
~~into Tonkin. to Tungsing.~~

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Comment: This report supports other intelligence concerning unusual Chinese Communist activity in this locality, and indicates a growing threat to Moncay, the only border post still under French control. It is not unusual, however, for northern Chinese to be stationed in the southern provinces.

2. Britain plans limited changes in Malayan administration:

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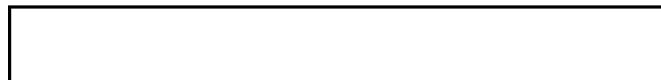
The British Government plans to improve the existing machinery for combatting Communist terrorism in Malaya as a result of Colonial Secretary Lyttelton's recent visit, but contemplates no basic policy changes.

The role of the police in maintaining local security will be emphasized, and an effort will be made to recruit more local Chinese for this service. The office of Commissioner General in Southeast Asia will be retained, although a decision regarding the tenure of its controversial incumbent, Malcolm MacDonald, has not yet been made. The new High Commissioner for Malaya will probably be a military man "with good political sense," who will be assisted by a deputy for political affairs.

The US Embassy in London comments that the proposal to appoint a Deputy High Commissioner indicates Britain's awareness of the essential role political reform must play in restoring stability in Malaya.

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Comment: Failure to use local Chinese to any great extent in police operations against the Communist guerrillas has given the Malayan Chinese a "left-out" feeling, and has encouraged many of them to think that their interests lie with the guerrillas, almost all of whom are Chinese, rather than with the British.

SOUTH ASIA

3. India concerned over Communist threat to Nepal:

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An Indian intention to participate in the re-organization and training of the Nepalese Army and in the defense of Nepal against possible outside aggression emerged in the discussions between the Indian and Nepalese prime ministers in New Delhi 6 to 9 January. The conversations included the questions of air and land surveys of the Tibetan-Nepalese and Nepalese-Indian borders, military and police measures to ensure the security of Nepal, road and airfield construction in Nepal to facilitate the dispatch to strategic areas of Indian troops, and Indian and Nepalese treaty relationships with Tibet.

The Nepalese Prime Minister, however, told US Ambassador Bowles that he is not alarmed over increasing Communist activities in Nepal and that Chinese Communists in Tibet still represent no threat to his country's security.

Comment: The agenda for the prime ministers' conversations strongly suggests that India has become acutely aware of recent Communist-inspired developments in both Nepal and Tibet.

In view of the Nepalese Prime Minister's apparent attitude, there is a real danger that Communist organizations in Nepal will become so well entrenched and their lines of supply and communication with India and Tibet so well established that neither the Indian nor Nepalese government will be able to suppress them if and when they desire.

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NEAR EAST - AFRICA

4. Iran opens new negotiations for Soviet sugar:

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[Redacted]

Prime Minister Mossadeq has told the US Ambassador that Iran must arrange immediately to obtain 100,000 tons of sugar in 1952. Discussions are going on with the Soviet Union whereby the latter is to furnish 60,000 to 70,000 tons of sugar in exchange for all the rice, dried fruit, cotton and other agricultural products which Iran can spare.

Mossadeq admitted that such a deal would mean that the Soviet Union would absorb a large proportion of the country's exports which would be "extremely unhealthy for Iran." However, Mossadeq continued, any government which did not provide adequate supplies of important items such as sugar could not long survive.

Comment: The mass of Iranian peasants and workers, who so far have been little affected by Mossadeq's policies, could be expected to react sharply to the curtailment of sugar.

The loss of sugar imports from Britain apparently has created a serious situation from which the USSR could profit. Early this month, however, the USSR refused to deliver 6,000 tons of sugar to Iran because the latter could not furnish the 200 tons of raw cotton required under the current barter agreement.

5. Lebanese UN delegate urges better Western cooperation in Near East:

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[Redacted]

Charles Malik, Lebanese delegate to the UN General Assembly meeting in Paris, recently told American Ambassador Jessup that the key to a solution of Near Eastern problems was unanimity among the United States, Britain, and France. Malik maintained that half of the difficulties arising in the Near East were caused by the Western powers not pulling together and that even where Western coordination had been achieved at the top level, problems arose from the rivalry or friction among the Western representatives in the field.

Noting that the Egyptian press exerts considerable influence throughout the Near East, Malik suggested that methods might be found for circulating American viewpoints through Egyptian newspapers.

Comment: The difficulty of achieving Western cooperation in the field was noted recently by the American Minister in Damascus. He warned that efforts by French or British representatives to promote their own national interests in the Near East might seriously hamper the achievement of Western objectives in the area, particularly efforts to gain Arab support for the Middle East Command proposals.

6. Italian Government likely to oppose British recruitment of labor for Suez:

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British officials are seeking 14,000 semi-skilled Italian laborers in addition to a small number they have already brought to Suez. Britain anticipates opposition on the part of the Italian Government which does not want to antagonize the Egyptians.

Italy is aware of its inability to protect its nationals if serious trouble develops in Egypt. Foreign Secretary Eden was told during his visit to Italy that the latter will follow an "independent" course but will not take an anti-British position.

Comment: Italy wishes to avoid any Egyptian antagonism, which might adversely affect not only Italians in Egypt, but in other Moslem countries where they are an important minority.

Britain earlier expressed its doubts about the success of recruiting a somewhat smaller number of Italians to work in the Suez canal zone. The difficulty in replacing the semi-skilled Egyptian workers is a key problem in keeping the Suez base operative.

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WESTERN EUROPE

7. Comment on the possibility of an East German currency reform:

Rumors of an impending currency reform in East Germany continue to circulate in Berlin and to depress--despite its recent recovery--the value of the East German mark. Although these rumors have been denied by the East German Office of Information, reports of a secret project for printing new Eastmarks and the admission of a spokesman of the East zone bank of issue that new bills may be substituted in the "indefinite future" for old bills are not likely to quiet fears that some reform may be in prospect.

American authorities and Berlin Central Bank officials view these rumors with great reserve and suggest the strong possibility that speculators interested in depressing the value of the Eastmark may be responsible for these stories. It should be noted, however, that currency reform accompanied by partial confiscation would provide the East German Government with one method of maintaining recent extensive price reductions, of preserving the value of the Eastmark, and of declaring that the economic barrier to unification has thus been removed.

Some attempts have already been made to soak up excess purchasing power by increasing working hours without increasing pay, and by efforts to divert a percentage of gross wages into reconstruction loans. Such measures, however, might be insufficient if, as alleged, East German citizens violate regulations by continuing to hold large cash quantities of Eastmarks. Refusal of the East German Government to convert cash holdings in excess of authorized amounts could effectively remove a potential inflationary threat to the new price ceilings.

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9. Portuguese army and navy officers seized in plot against government:

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The Portuguese security police on 8 January raided the Lisbon headquarters of the opposition National Civic Organization and arrested ten army and navy officers on charges of plotting to overthrow President Graveiro Lopes. The police claim to have seized documents that will substantiate the charges.

The officers involved, all of whom are either retired or in the reserve, previously had been convicted of complicity in the 1947 revolutionary plot and were recently granted amnesty by the Salazar government. All had actively supported unsuccessful opposition candidate Admiral Quintao Meireles in the 1951 presidential elections.

Comment: Bad feeling, aroused in the 1951 campaign by the tactics of Meireles' followers in publicizing scandals involving high government officials, may have inspired these arrests. The timing may indicate the government's desire to prevent a repetition of these tactics when NATO meets in Lisbon next month. The police have kept the National Civic Organization under observation since last August, but reportedly had not acted because of insufficient evidence.

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