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CENTRAL INTELLIGENCE AGENCY

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## FAR EAST

3.3(h)(2)

1. Embassy Moscow comments on Soviet policy in Southeast Asia:

In considering Soviet policy toward Southeast Asia and seeming Chinese Communist predominance in the area, the US Embassy in Moscow expresses doubt that the USSR has agreed to any formal demarcation of spheres of influence. In the embassy's opinion, it would be inconsistent with the nature of Stalinism to give free play to Chinese imperialism and independence and thus permit Communist China to become co-equal with the USSR in the world-wide Communist hierarchy.

However, the embassy believes that in practice the primary responsibility for operations and support of Southeast Asian Communist movements could have devolved upon the Chinese Communists. The Chinese enjoy geographical and tactical advantage and can utilize overseas Chinese colonies. Recalling the 1949 Asian World Federation of Trade Unions conference in Peiping, the embassy points out that the "liberation" program for Southeast Asia was mapped out with reference to the Chinese Communist pattern of an armed struggle with peasant support.

Comment: The USSR always prefers to avoid direct involvement in the "internal affairs" of other countries and, when possible, to work through indigenous Communist movements. Continuing Soviet interest in Southeast Asia is indicated by propaganda attention and by reports concerning Chinese Communist assistance to guerrilla forces in Indochina and Burma which frequently make reference to Soviet advisers.

2. Thailand interested in defense pact with US:

The US Embassy in Bangkok has been informed that Thailand's National Defense Council is considering a request to the US for a bilateral defense pact similar to those concluded with the Philippines, Australia and New Zealand.

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The embassy observes that should the Thai Government actually make such an approach, the US would be faced with the problem of avoiding an unsound military commitment without discouraging Thai confidence in the US. An American refusal possibly would undermine the Phibun regime, since its strength rests largely on the widespread conviction that it has the complete backing of the US.

## NEAR EAST

3. Comment on Iranian order to eject British oil technicians:

By ordering the departure before 4 October of the 300-odd British oil technicians at the Abadan refinery, the government of Prime Minister Mossadeq indicates its desire finally to end the period of uncertainty regarding their future status. The order contradicts earlier reports that the technicians would be allowed to remain in Iran if they signed individual contracts with the National Iranian Oil Company.

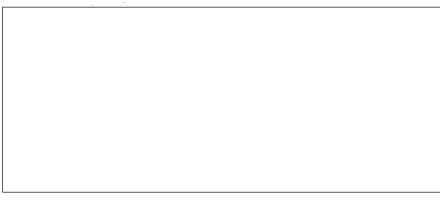
This move indicates that Mossadeq is still sufficiently strong to oppose the British, the Shah and the parliamentary opposition, which has recently shown signs of weakness and fear of assassination.

Indications now are that the British will leave peaceably and that their government will make no attempt to keep them in Iran. There is some possibility of trouble in the Abadan area if the British use warships in the evacuation of their nationals.

## WESTERN EUROPE

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4. High Commissioner McCloy comments on signing of interzonal trade pact:

 High Commissioner McCloy believes that the Western position would be strong in the event that it becomes necessary for the Allies to suspend the recently signed interzonal trade pact.

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He states that the USSR and the East Germans were made sufficiently aware that their present harassing measures in Berlin must cease as a condition for continued East-West German trade, despite the fact that nothing was agreed to in writing. McCloy adds that if the Soviet and East German authorities wish to reimpose restrictions, they will do so regardless of any promises or commitments, but at least they have been warned that such action may result in an Allied order to suspend interzonal trade.

Comment: So far, the East Germans have complied with the West's conditions only to the extent that they have reduced the tax on Berlin autobahn traffic. Interference with parcel post shipments continues, and there are indications of further delay in the promised reopening of the vital Rothensee canal lock.

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