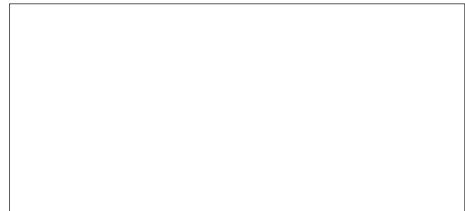


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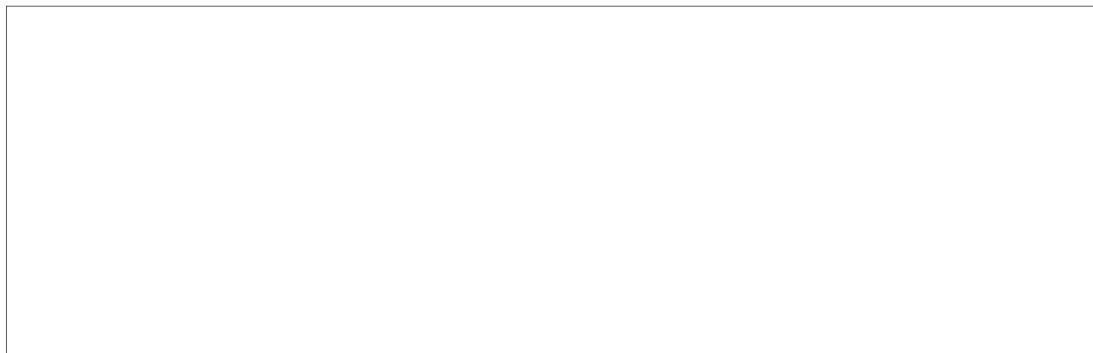
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State Dept. review completed

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CONTENTS

**1. COMMENT ON THREAT TO FAURE GOVERNMENT
OVER MOROCCAN POLICY (page 3).**

**2. COMMENT ON CZECH PLANS TO REDUCE TROOP
STRENGTH (page 4).**

**3. PATHET LAO REPORTEDLY PLANS "GENERAL
OFFENSIVE" STARTING 1 SEPTEMBER (page 5).**

**5. PEIPING SEEN TRYING TO JEOPARDIZE BURMA'S
PROSPECTS FOR US LOAN (page 7).**

THE FORMOSA STRAITS (page 8)

1. COMMENT ON THREAT TO FAURE GOVERNMENT OVER MOROCCAN POLICY

Premier Faure's rapid trip from the Aix-les-Bains conference to Paris on 24 August was an attempt to placate conservative deputies who are threatening to withdraw support if he makes "important concessions" to Moroccan nationalists. Some deputies have demanded the recall of parliament. Before the National Assembly adjourned for the summer, the leaders of this group had warned Faure that they would overthrow him in October if he replaced Sultan Ben Arafa.

The right-wing parties are not unanimous on this question, and the mounting public pressure for an agreement with the Moroccan nationalists will probably oblige Faure to risk the loss of much of his conservative support. He can, however, count on Socialist Party support to offset any loss on the right over a liberal program for Morocco.

Because national elections must be held no later than next June, a sizable proportion of the 208 deputies who have attacked Faure on the Moroccan issue would probably be reluctant to overthrow his government now. This would either risk another Mendes-France cabinet or else put in a conservative premier such as Pinay, who would be a better target than Faure for the Mendes-France faction.

In any event, the assembly would have to be recalled to force Faure out of office at this time. Constitutionally, the assembly can be recalled only by the premier, by the assembly's steering committee, on which all parties are represented proportionally, or by the written request of a majority of the 627 deputies.

A special cabinet meeting will probably be held within a week, and the position of Foreign Minister Pinay will likely be decisive. If Pinay backs Faure on a program acceptable to the Moroccan nationalists, the premier will probably be able to put it through without serious parliamentary difficulties.

2. COMMENT ON CZECH PLANS TO REDUCE TROOP STRENGTH

The Czech government's announcement of 24 August that it intends to cut its armed forces by 34,000 men before the end of the year is probably designed to strengthen the propaganda value of the recently announced Soviet troop reduction plan. This Czech move may soon be followed by similar announcements from the other Eastern European Satellites.

While the planned reduction would mean an 18-percent cut in Czech armed strength, it would not appreciably diminish the Soviet bloc's overall military capabilities.

Czechoslovakia has long been faced with a labor shortage, especially in agriculture, and the release of 34,000 troops from military service may ease this problem.

3. PATHET LAO REPORTEDLY PLANS "GENERAL OFFENSIVE" STARTING 1 SEPTEMBER

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[redacted]
Pathet Lao forces have been ordered to begin a "general offensive" in the two northern provinces of Laos on 1 September, [redacted]

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[redacted]
the Pathets' tactics will be to cut off all royal army posts, provoke fire by the defending units, then counter with full-scale attacks. [redacted]

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Comment

Pathet military pressure on government outposts in the two northern provinces has increased sharply during the past two weeks. The Communists' objective is apparently to consolidate control of these provinces while negotiations continue and then to present the government with a fait accompli.

The American army attaché in Vientiane has noted a marked improvement in Pathet Lao capabilities. He reports that the concentration of almost one third of the Laotian army in the Muong Peun area of Sam Neua Province increases the likelihood of large-scale combat, for which the royal army is not prepared either in leadership or logistically.

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5. PEIPING SEEN TRYING TO JEOPARDIZE BURMA'S PROSPECTS FOR US LOAN

The Burmese government issued a license in early August for the export of 3,000 tons of rubber to Communist China at a price reportedly

10 percent above the world market price, according to information received by the American embassy in Rangoon. The embassy believes that Peiping is clearly trying to jeopardize Burma's eligibility, under the Battle Act, for a loan from the United States.

Premier Nu has thus far refused to halt the rubber deal, despite the warnings of his private American economic advisers. These advisers believe Nu is under considerable Chinese Communist pressure.

Comment

As Peiping is assured adequate supplies of high-grade rubber from Ceylon under a long-term contract, its effort to buy Burmese rubber at unusually high prices would appear to be for the purpose of disrupting Burmese-American relations. Burma has exported no rubber to Communist China since 1953.

**BIWEEKLY SUMMARY
(11-24 August 1955)**

THE FORMOSA STRAITS

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

1. Chinese Communist military activity opposite the Nationalist-held offshore islands has remained at a low level, with only routine activity reported. Within the past two weeks, five small Chinese Nationalist Army reconnaissance raids against the mainland have demonstrated a more aggressive attitude than in the past.

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2. Three of the new airfields on the East China coast previously reported as serviceable (Nantai, Lungtien, and Chenghai) are now considered unserviceable because of recent rain and flood damage. Moreover, it now appears that the runways were constructed of clay-bound crushed rock instead of concrete as was originally estimated. At the present time, no accurate determination can be made as to when any of the six coastal airfields now under construction will be completed. As the present monsoon season probably will extend through late September or early October, it is unlikely that the runways can be made serviceable before that time.

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6.

the Chi-

nese Communists are developing a new coastal supply route to the Foochow area which will minimize the risk of interdiction by Chinese Nationalist naval forces. Small freighters and motor junks have been moving south along the Chekiang and Fukien coast on a protected inshore route into the Santu and Loyuan Bays, just north of the Matsus. From Loyuan Bay supplies can be transferred over a recently built road to Foochow by truck.

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7. The arrival of a battery of four 155mm. guns on Matsu has increased Nationalist artillery capability there. These guns have sufficient range to reach the Peiling Peninsula, along which the Communists have emplaced at least 16 artillery pieces of unknown caliber.

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8. Peiping's propaganda on the Formosa Straits has remained at a very low level. There has been no further propaganda discussion of the renunciation of force concept.

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