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SECURITY INFORMATION

7 June 1952

3.5(c)



[Redacted Box]

3.5(c)

Copy No. 53

CURRENT INTELLIGENCE BULLETIN



3.5(c)

DOCUMENT NO. 22

NO CHANGE IN CLASS.

DECLASSIFIED

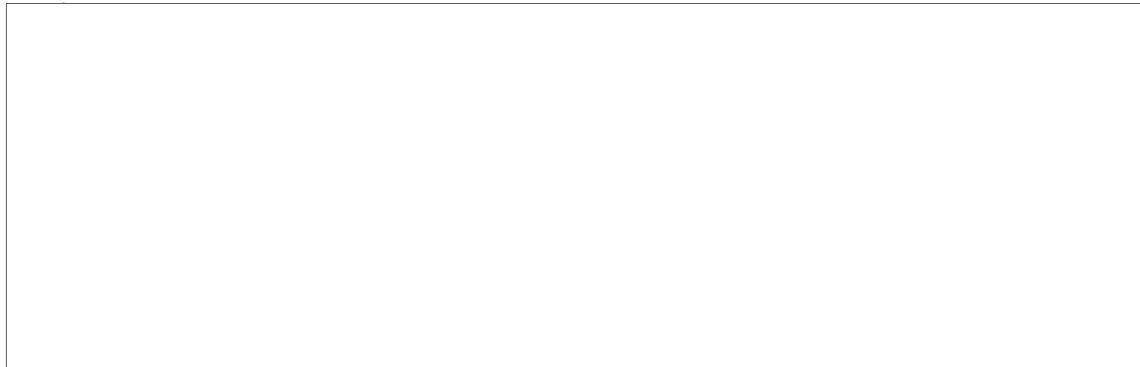
CLASS. CHANGED TO: TS S O

NEXT REVIEW DATE: 2009

AUTH: HR 70-2

Office of Current Intelligence DATE: 2 Dec 79 REVIEWER: [Redacted] 3.5(c)

CENTRAL INTELLIGENCE AGENCY



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## FAR EAST

1. Rhee may be replacing chiefs of staff:

American Charge Lightner reports the receipt of information that President Rhee is planning to replace all three chiefs of staff, and to conduct an extensive shake-up of the top levels of the South Korean Army.

3.3(h)(2)

A report that the President has directed the Army Chief of Staff to transfer six of his ranking officers suggests that Rhee is putting such a plan into effect.

Comment: Recent information has indicated that all three chiefs of staff have been alienated by Rhee's recent behavior.

2. Chinese Communist network appears to exist in Malaya:

evidence accumulated in recent months makes it increasingly clear that since the beginning of the terrorist campaign in 1948 a Chinese Communist network has existed in Malaya in addition to the Malayan Communist Party, which itself is preponderantly Chinese. There is considerable evidence of a clash of interests between the two groups and of concern and dissatisfaction among Malayan party members over their position.

3.3(h)(2)

Comment: The Malayan Communist movement is led by and predominantly composed of Malayan Chinese. The reported activity of Communists from China, who are more experienced and more reliable Stalinists than are the Malayan Chinese leaders, may indicate a Sino-Soviet effort to strengthen international Communist control over the Malayan Communist movement as well as to give it more expert direction.

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## NEAR EAST - AFRICA

3.

no possibility of US dropping Moroccan case before  
world Court.

3.3(h)(2)

[redacted] the United States  
 [redacted] is not in a position to discuss a compro-  
 mise settlement of the suit now before the International Court of  
 Justice regarding American treaty rights in Morocco.

3.3(h)(2)

[redacted] the United States will be forced to continue the case in view of  
 the pressures and threats of American importers in Morocco, who  
 originally forced the defense of treaty rights.

3.3(h)(2)

Comment: This legal case on American  
 treaty rights threatens to raise new obstacles to the United States  
 program for the construction of air bases in North Africa.

3.3(h)(2)

## WESTERN EUROPE

4. East Germans reportedly centralize control in "inner cabinet":

[redacted] East German "inner cabinet" with top East  
 German Communist Walter Ulbricht as  
 chairman has been organized directly under  
 the Soviet Control Commission to "coordinate measures for the pro-  
 tection of the German Democratic Republic." [redacted]

3.3(h)(2)

[redacted] Werner Eggerath, State Secretary for Coordination and  
 Control, is a member of the group.

3.3(h)(2)

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The first orders issued by the cabinet were reportedly to put the People's Police under Deputy Minister of Interior Johannes Warnke, and to start the recruitment of labor gangs for constructing barriers along the zonal border.

Comment: Premier Grotewohl announced last week the establishment of five economic coordinating agencies in East Germany. Eggerath's announced appointment as head of one of these agencies, plus his elevation from the presidency of Thuringia to cabinet rank, probably gives him extensive powers of control. The emphasis on economic coordination suggests that heavier armaments production is envisaged for East German remilitarization.

The reported consolidation of control in the hands of an "inner cabinet" of the most reliable and efficient Communists may be in preparation for granting the government ostensible full sovereignty.

5.

Britain may free

3.3(h)(2)

pound sterling:

Britain may soon free the exchange rate on the pound sterling,

3.3(h)(2)

The Conservative government is said to favor this move over direct devaluation, preferring not to take a step for which it criticized the Labor government in 1949.

Comment: Sterling has weakened in the last two weeks despite the extensive measures previously taken by the Conservative government to revive confidence in the pound. Failure of exports to rise is encouraging speculation that a new crisis is impending which will force Britain to take the drastic step of allowing the pound to seek its own level.

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**6. Czech delegates withdraw visa applications for Paris peace meeting:**

[redacted] to be held from 13 to 15 June in Paris, [redacted]

The Czech Foreign Office has withdrawn its application for 15 French visas for delegates to the "International Conference on the Peaceful Solution of the German Problem" scheduled

3.3(h)(2)

Comment: This report coincides with an announcement from Prague that a plenary session of the World Peace Council will be held in Berlin from 1 to 5 July. The Paris meeting may have been cancelled or merged with the Berlin session because the recent demonstrations culminating in the arrest of Duclos have created an atmosphere that is not conducive to Communist meetings in Paris.

3.3(h)(2)

The Council agenda for the Berlin meeting calls for discussion on the peaceful solution of the German and Japanese problems; the immediate cessation of the war in Korea; and the armaments race and the fight for peace. This agenda suggests that further pressure will be exerted against the ratification of the German agreements.

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