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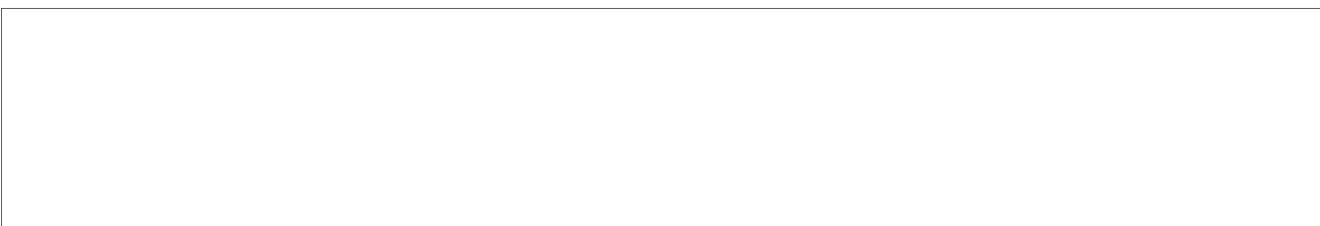
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SOVIET UNION

1. Soviet ocean-going tanker tonnage doubled since 1952:

[redacted] three new tankers were added to the Soviet merchant fleet in June and July and [redacted]; another tanker was delivered last December. All four of these Soviet-built ships are believed to be of the 7,961-gross-ton Leningrad class.

Comment: The addition of these ships brings Soviet tonnage of large ocean-going tankers to a level roughly double that of mid-1952. Since then, ten large tankers with a combined gross tonnage of over 80,000 tons have been put into service. Two of these were acquired from Denmark; the other eight were constructed in Soviet yards. Two additional tankers, presumably also of the Leningrad class, are now under construction.

FAR EAST

2. Comment on Japanese reaction to Peiping's new overtures:

[redacted] Japanese reactions to recent Communist overtures indicate that the trend toward regularizing relations with Peiping has reached a new stage. The Japanese government on 3 August for the first time officially granted permission for Communist Chinese to visit Japan. A Chinese Red Cross mission was given authority on that day to enter, and on the following day the Foreign Ministry is reported to have decided to grant entry to Peiping trade representatives.

Sentiment for closer relations with the Communist bloc has broad political support in Japan for economic reasons. In addition, Communist success in the Indochina settlement has given fresh impetus to the already strong popular enthusiasm for working relations with mainland China.

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Japan can be expected to propose an exchange of trade representatives to which Peiping would respond favorably. Such a response would strengthen the belief of influential Japanese leaders that Japan can deal advantageously with the Communists and that it should become the bridge between the West and Peiping.

3. Central China's largest city threatened by rising Yangtze River:

The swollen Yangtze River, which appeared to be leveling off two weeks ago, rose four inches on 4 August to a point two-and-one-half feet above any past record at Hankow, according to Radio Peiping. Moreover, swollen tributaries were expected to cause further rises.

Tungting Lake, normally an overflow reservoir for Yangtze floodwaters, is full and has begun to flow back into the Yangtze. Peiping on 4 August described what appeared to be desperate attempts to hold back the flood threat in the middle reaches of the Yangtze River and particularly to save the city of Hankow, and its million inhabitants.

Comment: If the dikes surrounding Hankow fail to hold, Central China's most important industrial, commercial and transportation center will be paralyzed.

Peiping is silent on the extent of the flood damage. While admitting that the flood threat has been the worst the Yangtze Valley ever experienced, Peiping as recently as 2 August was insisting that flood damage had been limited by the regime's dike-building and other flood-control efforts.

SOUTHEAST ASIA

4. Viet Minh expected to have representative in French headquarters in Saigon:

Pham Ngoc Thach, a Viet Minh official in Cochinchina, will soon be named Viet Minh representative to the French commissariat

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general in Saigon, [redacted]

The embassy comments that such a move would be consistent with Viet Minh policy of dealing with the French and ignoring the Vietnamese government.

Comment: Thach is a well-known Cochinchina leader, expert in dealing with Westerners, and ostensibly a non-Communist. He would be a logical Viet Minh choice for such a job. [redacted]

The French will be under strong pressure to accept a Viet Minh representative if they carry out their tentative plan to assign one of their own to the Viet Minh in Hanoi. Official representation would enhance the Viet Minh's prestige in the south. [redacted]

5. New firmness noted in Philippine foreign policy:

[redacted] Ambassador Spruance in Manila reports that the foreign policy views of the ultra-nationalist Senator Recto and President Magsaysay and his advisers are moving closer together. Their thinking now converges on the urgency of collective defense against Communism; the requirement that Manila know exactly what it can expect from the United States under the Mutual Defense Treaty before committing itself to SEATO, and the unequivocal right of self-determination for Asian countries.

On the last point, Magsaysay's foreign affairs adviser, reversing an earlier Philippine position, told an embassy officer the government was not satisfied that Laos and Cambodia were really independent and did not now plan to recognize them.

Comment: The Philippines is at present committed only to participate in an exploratory conference on SEATO and is pressing for an ironclad American guarantee to defend the islands before making further commitments.

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SOUTH ASIA

- 6. Six nations protest Indian "aggression" against Portugal's possessions:**

[redacted] Spain, South Africa, Belgium, Luxembourg and Chile have protested or agreed to protest the invasion of Portugal's Indian possessions by "volunteers" based in India, according to statements from the Portuguese Foreign Ministry. The ministry has also urged the United States to publicize American efforts to persuade India to refrain from violence.

Comment: In addition to the five countries listed above, Brazil has publicly expressed its solidarity with the Portuguese position.

These protest actions will probably have no effect on India. Nehru presumably believes that no major Western power is willing to risk offending India while it is chairing the Indochina truce supervision commission.

WESTERN EUROPE

- 7. French government presses for Soviet oil imports:**

[redacted] The French government's oil administration asked the French Oil Refinery Association [redacted] to place orders for 550,000 tons of Soviet crude oil during the year ending 1 July 1955, [redacted]

[redacted] The oil administration said it was dissatisfied with the price of Middle East crude and would insist on the introduction of other crudes into the French market.

Comment: [redacted]

[redacted] The 1953 trade agreement with the USSR provided for the import of 400,000 tons of Soviet petroleum and petroleum products.

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Premier Mendes-France is eager for increased trade with the Orbit as one way of relieving France's international payments position, particularly in view of the anticipated drop in dollar aid for Indochina. The search for cheaper raw materials to lower French production costs will probably be intensified as part of the premier's drive to make French prices more competitive in world markets.

LATE ITEM

8. East Germany accepts President's flood relief offer:

[redacted] On 5 August, Soviet high commissioner Pushkin forwarded to Ambassador Conant a letter from East German premier Grotewohl expressing readiness to accept

President Eisenhower's offer of flood relief. The letter proposed further discussion of the forms of assistance and methods of organization.

Comment: In accepting the offer, the Communists probably felt that they had more to gain from an appearance of reasonableness than from an outright rejection, especially since last year's negative reply to a similar offer led to the Berlin food program which embarrassed the regime.

The negotiations on the relief plan provide the East Germans with an opportunity to emphasize their sovereignty. They probably hope to negotiate directly with the United States in working out the details, and in case of difficulties will blame the United States for the failure of the negotiations. As recently as 31 July, East Germany's leading newspaper called the flood offer "a sinister offer of help" and suggested that the relief action was a cover for rehabilitating America's "badly torn network of agents."

The only other Satellite that has responded to the American offer is Rumania, which expressed gratitude but explained that aid was not needed.