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FAR EAST

1. Comment on new South Korean Defense Minister:

On 29 March Radio Pusan announced the resignation of the ROK Defense Minister, Yi Kipong, and the appointment of his successor, Shin T'ae-yong.

The replacement of Yi Kipong, highly regarded both by the UN Command and by the ROK Army, was probably brought about by his increasing affinity for the Democratic Nationalist Party, President Rhee's political opposition. The choice of Shin T'ae-yong as his successor is unfortunate.

Shin, who rose to the rank of lieutenant colonel in the Japanese Army, became chief of staff of the ROK Army in late 1949. He was described by American military observers as an incompetent officer without strong convictions. In April, 1950, he was relieved upon the urgent request of former Minister of Defense Sihn Song-mo.

A political intimate of President Rhee, Shin was active during the US occupation of South Korea in a secret, terroristic and strongly nationalistic youth organization.

Shin's appointment continues the trend of filling the Rhee cabinet with mediocre but personally loyal ministers.

2. Communists report epidemic in North Manchuria:

A transport plane was scheduled to leave Peiping on 31 March and to proceed to Tsitsihar in northern Manchuria. The mission, [redacted]

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[redacted] was "to investigate the epidemic."

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Comment: Tsitsihar is much farther north than the areas of Manchuria which the Communists declare were violated by American biological warfare attacks.

[redacted] epidemics in Manchuria and China proper are widespread. Although [redacted] do not confirm the existence of epidemics on a scale unusual for China, [redacted] unprecedented attention by the Chinese to the epidemic threat.

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3. Prospects of businessmen in Shanghai bleak:

[redacted] that a "veritable frenzy" of accusations and confessions has seized Shanghai in recent weeks. There has been an "epidemic of suicides" and commercial life has practically stopped.

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The executives of French business concerns expect grave difficulties very soon. They anticipate imprisonment if foreign currency is not remitted to them to settle Chinese claims. These businessmen are "practically unanimous" in believing that they have no choice but to liquidate their enterprises in the best way possible and to leave China as soon as they can.

Comment: The current Communist campaign to discredit Chinese merchants and industrialists as a class is responsible for the "frenzy" reported above. Foreign businessmen are in disfavor both as businessmen and as foreigners, and most of them are reported to agree with the French estimate of their prospects.

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~~TOP SECRET~~**4. French industrialists may force withdrawal from Indochina:**

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[Redacted] French industrial and export interests may initiate a press campaign against the continued drain of wealth and manpower in Indochina if they fail to obtain substantial tariff preferences in the trade discussions scheduled to start 18 April with the Associated States. The Economic Counselor of the French High Commission, who has just returned to Saigon from Paris, is convinced that French troops would be withdrawn from Indochina within three months after the launching of such a press campaign by big business.

Minister Heath comments that extensive preferences for French interests would defer the development of stable political institutions in the Associated States and also further reduce the number of adherents to the Bao Dai government.

Comment: French business interests have supported the military effort in Indochina on the assumption that France would retain economic dominance when peace is established.

Even with business hostile, a complete withdrawal is unlikely for reasons of prestige. Nevertheless, a fettering of French economic activity in Indochina would probably result in determined efforts by France to arrive at a negotiated peace with the Viet Minh.

SOUTH ASIA**5. India allegedly fears for future of United Nations:**

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[Redacted] at discovering the extent to which the Indian Government intends to remain aloof from all international organizations and blocs, including the United Nations.

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illustrated this point by stating that no reference to the United Nations, similar to that included in the San Francisco pact, had been made in the preamble of the Indian draft of the proposed Indian-Japanese bilateral peace treaty. Indian representatives had explained the omission by stating that "the future of the United Nations was uncertain and that its existence could be only ephemeral."

Comment: India's policy of neutrality between East and West is well known, as is its active participation in UN affairs. The Indian draft treaty was obviously worded to avoid all possibility of offending Communist China and the Soviet Union;

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NEAR EAST - AFRICA

6. Former Iranian Prime Minister seeks US support:

[redacted] Former Iranian Prime Minister Ahmad Qavam has approached the American Embassy in Paris seeking US support should he be named Prime Minister. Qavam said that he does not want

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the premiership unless he is drafted by the Majlis and has the full confidence of the Shah and Parliament.

Comment: Qavam is the strongest candidate for Prime Minister outside the National Front and, despite his advanced age, he is one of the few able leaders in Iran. He is, however, distrusted by the Shah, who would be unlikely to approve him except as a last resort.

7. Britain and Egypt unable to agree on Sudan question:

[redacted] Egypt and Britain have made a little progress in their talks on the proposed defense of the Middle East, but the Egyptian Foreign Minister has reiterated that no real agreement is possible without British recognition of Farouk's title as King of the Sudan.

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The Foreign Minister issued what was "practically an ultimatum" that Britain give its answer on the Sudan by 1 April in order that Prime Minister Hilali might determine what action he should take in regard to the 18 May elections. The American Ambassador, however, intends to advise Egypt's officials not to insist on the 1 April time limit.

8. Libya not considering Arab League membership:

[redacted] Libya has no intention of joining the Arab League at this time, according to the American Minister in Tripoli. The Minister noted that 3.3(h)(2)
the King's speech at the opening of Parliament

contained friendly references to other Arab states, but no mention of the Arab League. When the American Minister commented on this omission, the King said that it was enough to know one's friends without joining an organization for that purpose.

Comment: While there is considerable sentiment among Libyans generally favoring Arab League membership, Libya resents the interference of the League, particularly of Egypt, in its domestic affairs.

Since the new Libyan Government recently invited the construction of American military installations in Cyrenaica and expressed interest in joining the proposed Middle East Command, King Idris may consider it more profitable now to strengthen Libya's ties with the West rather than those with the Arab countries.

WESTERN EUROPE

9. Cominform leader in Trieste rejects rapprochement with pro-Titoists:

[redacted] The leader of the pro-Yugoslav Communist Party in Trieste, Branko Babic, has proposed a rapprochement with Vittorio Vidali, leader of the Trieste Cominform party, [redacted] 3.3(h)(2)
[redacted] Vidali 3.3(h)(2)

appears to have rejected the proposal.

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Comment: This is the first instance of a Yugoslav approach to pro-Cominform leaders in Trieste for joint action against the pro-Italian elements. It has been reported recently, however, that the Babic party, which is small and ineffective, has been attempting to split the Cominform group by accusing Vidali of betraying the cause of an independent Trieste.

10. Possible Soviet moves in Berlin examined:

[redacted] Although American officials in Berlin believe 3.3(h)(2) that recent [redacted] reports of a Russian plan for another Berlin blockade were planted by the USSR as part of a "scare campaign,"

they anticipate increased harassing in Berlin at the time of West Germany's signing or ratification of the contractual agreements.

These officials doubt that the Russians will step up interference in Berlin at the present time, however, particularly while they are trying to attract West German sympathy for their unity and peace proposals.

Comment: Soviet harassing measures in Berlin have slackened in recent months, although the USSR is still causing some inconvenience by delaying the approval of export permits and by the occasional closing of some canal locks on the routes to Berlin.

11. Some influential Adenauer supporters favor delay in Allied-German negotiations:

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[redacted] Although Chancellor Adenauer wants the current negotiations on the contractual agreements and the European Defense Treaty to be concluded speedily, some of his coalition supporters, including right-wing Free Democrats and left-wing Christian Democrats, now want these discussions delayed.

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This small but growing group of influential politicians desires a complete exploration of the 10 March Soviet proposal before any steps are taken which might close the door on German unification. Certain important industrial circles, eager for markets in East Germany, are also showing signs of heightened interest in the Soviet unity offer.

The US High Commissioner observes that some parliamentary deputies may become more critical of the terms of the contractual agreements, feeling that their bargaining position has been strengthened by the Soviet offer.

Comment: The attitude of Adenauer's coalition members towards slowing the present negotiations will depend largely on the nature of the Soviet reply to the Allied note of 25 March. A reasonable Soviet offer for all-German elections may cause Adenauer difficulty in getting the contractual agreements accepted.

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