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SUMMARY

GENERAL

1. Stalin's reported views on Italian politics (page 3).

SOVIET UNION

2. Stalin reported in excellent health (page 3).

FAR EAST

3. Comment on Peiping's possible reaction to British decision on former Chinese aircraft (page 4).
4. French official in Indochina expresses deep pessimism (page 4).
5. British official disturbed over situation in Thailand (page 5).

50X1

WESTERN EUROPE

7. West Germany decides to develop nonstrategic trade with Orbit (page 6).

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GENERAL

1. Stalin's reported views on Italian politics:

In his recent interview with Italian Socialist leader Nenni, Stalin expressed particular interest in the possibility of the defeat of De Gasperi in next year's election and the introduction of a left-wing government. Stalin reportedly declared that Nenni's idea of a neutralized Italy protected by a US-USSR guarantee was out of the question, but suggested that an Italian-Soviet nonaggression pact was a suitable goal.

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Because of Italy's strong Communist party and strategic position, and because of the Soviet view that resistance to Communism in the Mediterranean area generally may be shaken by events in Iran and North Africa, the Kremlin, Ambassador Kennan believes, hopes to use Italy for driving a wedge into the Atlantic Pact nations.

Kennan ascribes the intense Soviet interest in Nenni to a possible Moscow preference, should a Socialist-Communist combination win the spring elections in Italy, that Nenni take over as premier while the Communists consolidate their position.

Comment: Currently the De Gasperi center coalition has the support of about 51 percent of the electorate, the Socialists and Communists 37 percent, and the rightist factions 12 percent.

SOVIET UNION

2. Stalin reported in excellent health:

According to Ambassador Kennan, Nenni gained the impression at his recent interview with Stalin that the Soviet leader is in excellent physical and mental health and well abreast of the political situation in Italy. Nenni ridiculed rumors that Stalin did not exercise complete authority over the Politburo. The Italian considered Malenkov to be Stalin's most likely successor.

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FAR EAST

3. Comment on Peiping's possible reaction to British decision on former Chinese aircraft:

Peiping's reaction to the British decision to award the 40 aircraft impounded at Hong Kong to the Chennault-Willauer interests is expected to be prompt. Last year when the Hong Kong government requisitioned a 15,000-ton oil tanker claimed by both Communists and Nationalists, Peiping retaliated by requisitioning the Chinese properties of the British Asiatic Petroleum Corporation.

At the present time, Peiping can increase its already exorbitant financial demands against British firms and thus hinder the plans of these firms to settle all claims and withdraw from China.

4. French official in Indochina expresses deep pessimism:

The top French civil official in Tonkin, Lamarque, has told the American Consul in Hanoi that Letourneau has accomplished nothing since his return to Indochina and that his lack of leadership has rendered hopeless the task of the remaining French civil officials.

The French official also stated that Bao Dai was "for nobody but Bao Dai" and that it had long been obvious that he was a failure.

Comment: This criticism of Letourneau has been expressed by other sources. While most French officials have little respect for Bao Dai, they still believe he is useful as an intermediary for dealing with the Vietnamese leaders.

5. British official disturbed over situation in Thailand:

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In a conversation with American officials in Singapore, the British Ambassador to Thailand expressed discouragement over the internal situation in that country. He fears that it will become increasingly difficult to keep Thailand in the Western bloc

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While conceding that Police Director General Phao is a "strong-arm" opportunist, the Ambassador believes that he is the best of present Thai leaders.

Comment: The ruling clique has been systematically plundering the Thai economy, and certain members, including General Phao, have reportedly been in contact with Peiping and local Communists.

The American Embassy in Bangkok has repeatedly expressed grave doubts as to General Phao

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WESTERN EUROPE

7. West Germany decides to develop nonstrategic trade with Orbit:

The West German Economics Ministry has informed the Allied High Commissioners that the Federal Republic has decided to develop as much trade as possible with

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the Soviet bloc, without, however, violating COCOM or Battle Act restrictions. Bonn will attempt to negotiate trade agreements with the countries with which it does not now have them, and where unsuccessful, it will try other methods.

The American High Commissioner's office in Bonn believes that this decision was motivated by the desire of business and government circles to regain traditional markets, and may also be ascribed to a partial propaganda success of the Moscow Conference and to the anticipation of a contraction of Western markets.

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