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GENERAL

1. Eden sees Berlin meeting as test of Soviet attitude:

Foreign Secretary Eden sees little chance of settling the question of free all-German elections during the Berlin conference,

[redacted] He hopes, however, that disagreement on one point will not prevent discussion of others, and that the renewed East-West contacts can be maintained after the conference.

Comment: Eden's views as reported here are compatible with Churchill's attitude that, at a minimum, the meetings may reveal what the Malenkov regime is thinking on a variety of subjects.

2. Summary of possible Soviet position at Berlin passes censors:

Soviet censors passed an Associated Press dispatch from Moscow which described the probable Soviet position at the Berlin conference as follows: (1) unalterable opposition to EDC and rearmament of West Germany within the framework of Western defense; (2) opposition to internationally supervised all-German elections; (3) support for a provisional all-German government; (4) a demand for the elimination of American bases abroad; (5) rejection of security guarantees and an emphasis on the Franco-Soviet pact as a better idea for real security; and (6) support for a five-power conference and perhaps a five-power peace pact.

Ambassador Bohlen notes that the mere fact that the report passed Soviet censorship does not assure its accuracy but does lend it additional weight. He believes that the only deletions from the dispatch, references to exclusion of the United States from Europe, resulted from a Soviet desire to avoid attracting attention to this point rather than from inaccuracy of the statement.

Comment: Both diplomatic hints and Soviet propaganda have indicated that the Soviet position at the Berlin conference will follow the above lines.

3. Latin American bloc opposed to early resumption of UN General Assembly:

According to the chief Colombian delegate, a Latin American caucus on 18 January agreed that a General Assembly debate on Korea was inadvisable under conditions which threatened a clash between India and other members over interpretation of the armistice agreement.

The Colombian delegate said he felt that a direct approach to the Indian delegation concerning Latin American opposition to a recall of the assembly in February might influence New Delhi to request postponement until April. Then, he said, the "atmosphere might be more conducive to general debate."

Comment: The Latin Americans may also prefer postponement until April in order to avoid a conflict with the Tenth Inter-American Conference scheduled to open in Venezuela on 1 March.

With the opposition of the Latin American bloc and most of the UN members with troops in Korea, India's chances of getting 31 votes in favor of a recall in February are very slim.

SOVIET UNION

4. MVD to regain forced labor and other economic functions:

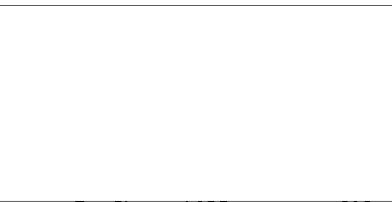
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Comment: The productive units of the MVD, which had been in charge of many large economic development projects, were transferred to various ministries of the government in March 1953. These transfers left the MVD with only police and intelligence functions, and thus drastically reduced its ability to influence economic matters in other ministries.

The return of some economic functions to the MVD at this time suggests that it was stripped of its forced labor and productive functions primarily as a result of the power struggle which developed after Stalin's death. Now, with Beria purged and the ministry under strict party control, the MVD may resume many of its former functions as an important economic organ of the government exploiting forced labor.

SOUTHEAST ASIA

5. French report Viet Minh artillery near Dien Bien Phu:



According to the American army attaché in Saigon, the French now believe that the Viet Minh has one artillery regiment in position in a ravine west of Dien Bien Phu, and that there are three battalions of 12.7mm anti-aircraft artillery, with a total of about 54 weapons, in the immediate vicinity.

French headquarters states it is "confirmed" that 37mm antiaircraft units with a total of perhaps 15 weapons are moving westward toward Dien Bien Phu. They add that from 3,000 to 10,000 37mm shells are stored at Tuan Giao, some 20 miles northwest of Dien Bien Phu. No antiaircraft fire has yet been observed near the French outpost, however, and no 37mm fire has been noted anywhere in Tonkin.

Comment: The Viet Minh reportedly has been moving two regiments of 75mm and 105mm howitzers toward Dien Bien Phu since late December, and the unit reported west of the town is believed to be one of these. The French have believed that the enemy would not attack until these units are in position.

[redacted] has been contradictory regarding the Viet Minh's possession of 37mm antiaircraft artillery, which might be a serious threat to French air supply and attack missions.

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6. French request more American aid for stepped-up air effort:

[redacted] Premier Laniel on 18 January requested enough additional American aid to increase the French air potential in Indochina by about 30 percent. In justification, he cited the expansion of operations against the Viet Minh to two new areas, Dien Bien Phu and central Laos, which has increased the burden on the French air force.

Specific requests were made for reinforcement of two B-26 groups now in Indochina from 16 to 25 planes each and for retention of the 12 C-119 transport planes already on loan to the French. He also asked for 25 more B-26's to constitute a third group of bombers and for approximately 400 American ground personnel to service transport and bomber aircraft. It is expected that the Americans would serve on a temporary basis and in a civilian capacity.

Comment: American air force observers have frequently reported waste in French handling of American aircraft, arising from a serious shortage of maintenance personnel.

7. Comment on surrender of Karen insurgent leader:

The reported surrender on 18 January of Brigadier Kyaw Lay and nearly 200 Karen insurgents to the Burmese government is the second largest defection in five years of strife. Kyaw Lay,

[redacted] is the highest ranking Karen leader to give himself up.

[redacted] this surrender was probably motivated by the drop in morale caused by loss of territory following the departure of Chinese Nationalist troops which had been operating in Kyaw Lay's theater. If this defection should encourage further large-scale capitulations, the Burmese government would have largely overcome its strongest military opponent.

There is still no indication, however, that the principal Karen leaders are prepared to stop fighting. [redacted]

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NEAR EAST - AFRICA

8. Rumors may prevent Iraqi-American military aid agreement:

Ambassador Berry in Baghdad says that the United States may be losing its chance to negotiate the military aid agreement requested by Iraq last March. He notes that Prime Minister Jamali has been forced by his opponents to disclaim any such agreement and any interest in a Middle East command. Berry observes that rumors based on newspaper stories picture Iraq as "chained to the West" through a military pact with Turkey and Pakistan.

Comment: Recent reports emphasize Jamali's precarious political position and his increasing sensitivity to ultranationalist sentiment. His difficulties may be increased by Saudi Arabia's rejection on 15 January of the American draft military grant aid agreement.

WESTERN EUROPE

9. Bonn demands reduction of East German police prior to all-German elections:

In commenting on Western policies for the Berlin conference, West German government officials have declared that the East German people's police must be reduced before free all-German elections are held. These officials feel that the presence of the well-armed East German force would intimidate the populace during and after any elections, and that it must be cut to the size of the 10,000-man West German border police beforehand.

Comment: Bonn has previously maintained that a reconstitution of the East German government based on free elections would be sufficient to protect the Soviet zone populace during the formative period of the unified government.

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10. French and German leaders reportedly fear US may adopt peripheral defense strategy:

The American embassy in Paris reports that Premier Laniel and Foreign Minister Bidault are much concerned over the possible withdrawal of American and British forces from the Continent. Laniel intends to take up the matter with the United States immediately after the Berlin conference.

Comment: Fears of a peripheral strategy leading to a withdrawal of American forces from Western Europe were revived following Secretary Dulles' warning in December of a possible policy reappraisal.

11. Paris apparently preparing public for dispatch of more troops to Indochina:

According to the American embassy in Paris, Jacques Fauvet's article on 18 January in Le Monde on French policy in Indochina was encouraged by government sources to prepare public opinion for the news that more men must be sent to that area. The article stated that Defense Minister Pleven has decided to reinforce the French air force there.

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The embassy believes that this news will provoke new sentiment for complete withdrawal. Although Pleven and Finance Minister Faure reportedly wish to end the conflict as soon as possible, Fauvet stated that there are no supporters in the cabinet for a policy of abandonment.

Comment: Pleven told the American ambassador in Paris last week that he will try to fulfill Navarre's request for 300 officers and 1,800 noncommissioned officers. Combat, an anti-NATO Paris daily, has already seized on the new Vietnamese government's demand for complete independence as additional proof that there are no reasons left for France to stay in Indochina. Domestic pressure will probably be cited by the French delegation at Berlin in any plea for American and British forbearance if the Soviet delegation makes overtures on Indochina.

12. De Gasperi reportedly sees no threat of early Communist take-over in Italy:

[Redacted] [Redacted]
ex-premier De Gasperi believes that Americans exaggerate the Communist peril in Italy, and that any possible Communist take-over would be a matter of years, not of weeks or months. He feels that the Italian Communists cannot be fought by repressive police tactics, but that "strong men" should be put in the Foreign Trade and Labor Ministries.

[Redacted]
The secretary general of the Italian Foreign Ministry told Ambassador Luce during a recent discussion that communism is "not as dangerous in Italy as you Americans seem to believe but is too strong for the government to act effectively against at this time."