

**TOP SECRET**

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DIA and DOS review(s) completed.

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FAR EAST

1. Comment on changes in South Korean army command:

The appointment on 14 February of General Chong Il-kwon as South Korean army chief of staff and the concurrent transfer of General Paik Sun-yop to command the 1st Field Army formalize command changes planned by President Rhee since September.

The establishment of a tactical field army reflects Rhee's eagerness to obtain tactical, if not strategic, control over his military establishment, and could be the first step toward the South Korean army's withdrawal from the UN Command. It also emphasizes Rhee's inclination to follow policies independent of American influence.

Chong has reportedly said several times that he would not obey an order to carry out independent military action. The army may become increasingly involved in domestic politics, since Chong has political ambitions and extensive affiliations with pro-Rhee politicians.

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SOUTHEAST ASIA

2. Little information available to French on Viet Minh dispositions:

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French information on Viet Minh movements and intentions in northern Laos remains fragmentary.

[Redacted] and there is insufficient information to indicate whether the Viet Minh will attack Luang Prabang.

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The American army attaché in Saigon also states that the French have little knowledge of enemy dispositions. He adds that information on French Union forces has been very scarce in the past two weeks and that the French have apparently placed all attachés in the category of newsmen. [Redacted] just back from Hanoi and Luang Prabang, however, has told him that the French withdrawal to Luang Prabang was a debacle and that General Cogne had "guardedly confirmed this."

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3. French military chiefs visiting Saigon take defeatist attitude:

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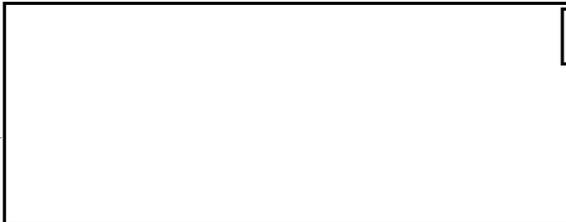
The American embassy in Saigon reports that members of the French joint chiefs of staff now visiting Indochina took a disturbingly defeatist attitude toward the

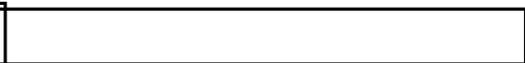
Indochina war. General Fay, head of the French air force, obviously regarded continuance of the French effort as futile. General Le Blanc, chief of staff of the French army, stating that France should use its officers and troops for NATO, appeared even eager to sum up reasons why the war could never be won.

Comment: American field observers recently commented that it is apparent that a negotiated peace is now regarded by the French as the inevitable solution to the war, and the only question remaining is the timing of negotiations.

4. Increase in number of Viet Minh trucks reported:

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 although Chinese aid figures are incomplete for recent months, the Viet Minh has received "many" new trucks and now has between 1,000 and 1,500.

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Comment: During the past year there has been a considerable improvement in Viet Minh transport capabilities, with the number of trucks rising from an estimated 450 in mid-1953 to about 800 toward the end of the year. The continuing increase in the number of trucks received from Communist China will enable the Viet Minh to handle greater amounts of Chinese aid, which is still estimated at the relatively low rate of 1,000 tons monthly.

NEAR EAST - AFRICA

5. Iran's new oil adviser optimistic over Abadan production facilities:

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Torkild Rieber, newly appointed oil adviser to the Iranian government, reports after a visit to Abadan that the

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equipment there is in surprisingly good condition and that Iran's oil production could exceed the prenationalization level in two years. The cost of restoring the Abadan plant is placed at between \$25,000,000 and \$30,000,000 over a two-year period. From 400 to 500 foreign technicians would also be required. Rieber was impressed with the Iranian technicians and believes that a substantial number of them could be used in high positions.

He believes that after 12 months an annual rate of 15,000,000 tons of crude oil and 5,000,000 tons of refined products can be reached. After 24 months the annual rate could be 20,000,000 tons of crude and 20,000,000 tons of refined products.

Comment: Rieber's estimate of 40,000,000 tons per year after two years contrasts with the 33,000,000 tons achieved by peak AIOC production in 1950. It is not likely that markets could be found for such a large amount within two years without cutbacks by other Near Eastern producers.

Iranian anticipation of oil sales of this magnitude is likely to cause adverse reaction in Tehran to any plan which envisages a more gradual return of Iranian oil to world markets.

6. Comment on appointment of new Libyan prime minister:

The appointment of Muhammad Saqizli, chief of King Idriss' royal council, as prime minister of Libya is likely to increase the difficulties for the United States in negotiating a Libyan base agreement. There is no indication that Saqizli will give forceful direction to the weak federal structure, suffering from rivalry between the two major provinces, Cyrenaica and Tripolitania.

Retiring prime minister Muntasser, a leading Tripolitanian and the ablest figure in Libyan politics, long at odds with the king, is now the potential leader of a strong opposition. His replacement by a prominent Cyrenaican apparently represents an increase in the power of the king and can be expected to encourage separatist sentiment and dissension in the more politically conscious and important province of Tripolitania. American military interests are largely confined to this province and, accordingly, added Cyrenaican influence in the federal government will not facilitate base negotiations.