Declassified ir	n Part - Sanitized		Release 2013/11/27 : SECRET	CIA-RDP79T00975A000	800030001-2
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· · · ·		· · · ·		23 July 1952	50X1
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CURRENT INTELLIGENCE BULLETIN

DOCUMENTANO. 5
NO CHANGE IN CLASS. OX
CLASS CHANGED TO: TS S C NEXT REVIEW DATE: 2009 AUTH: HR 70-2
DATE SOLT 9 REVIEWER: 50X
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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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FAR EAST

2. Vietnamese Cabinet lacks cohesion:

The Vietnamese Cabinet is torn by feuds between key ministers and by resentment at Prime Minister Tam's reluctance to delegate responsibility to subordinates,
Tam allegedly

intends to rely on French advisers assigned to the various ministries.

<u>Comment</u>: Since Tam has the strong backing of French officials in Saigon, he should be able during the immediate future to continue in office despite his widespread unpopularity and the maneuvers of his political enemies. It is clear, however, that with a disorganized cabinet he will not be able to conduct a vigorous campaign against the Viet Minh.

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SOUTH ASIA

3. Communist-front organizations in Pakistan renounce politics:

Two Communist-front organizations, the Pakistan Trade Union Federation and the Pakistan Progressive Writers' Association, have issued statements admitting past errors in policy and stating that hence-

forth they would confine themselves solely to trade union activities and literary pursuits.

<u>Comment</u>: The above statements appeared shortly after the release from jail of all but two of the top Communist leaders in Pakistan and less than a month after the Indian Communist Party allegedly received new policy instructions from abroad.

The statements suggest that the Communist Party of Pakistan is being reorganized and revitalized following the return of its leaders. The withdrawal of front-organizations from political activity presumably indicates recognition of an immediate need to increase popular support, which is more easily obtained when there is no police repression.

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NEAR EAST - AFRICA

5. Comment on Mossadeq's return to power:

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The reappointment of Mossadeq as Iran's Prime Minister destroys any hope for an early solution of the oil problem. Prior to his resignation on 16 July, Mossadeq requested that he be given extraordinary powers to cope with the deteriorating economic situation. He also asked the Shah to appoint him Minister of War as well as Prime Minister.

Mossadeq's known desire to limit the influence of the Shah and the army suggests that he will now attempt to strengthen his position further. In addition, the International Court's decision on 22 July that it is not competent to rule in the Anglo-Iranian oil dispute will heighten Mossadeq's intransigence and his popularity in Iran.

Mossadeq is a self-proclaimed constitutionalist. His unwillingness to compromise on the oil issue, however, as well as his desire to restrict the army and the court and his increasing inclination toward dictatorial action, offers little hope for an improvement in the country's affairs.

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6. Yugoslavia invites Greece to participate in joint naval exercises:

Greek Defense Minister Mavros has informed Ambassador Peurifoy that the Greek Navy has been invited to join Yugoslav naval forces in maneuvers scheduled for late August. The

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Greek Government is withholding its reply until it can obtain an official American reaction. According to Ambassador Peurifoy, the Greeks are "highly elated" over this Yugoslav overture.

<u>Comment</u>: Greek officials have in the past exhibited unwarranted optimism over Yugoslav readiness to enter into mutual defense talks, and Marshal Tito has made it abundantly clear that he will sign no formal defense pacts. If Mavros' statement is true, however, this request for joint naval exercises would be concrete evidence of Yugoslavia's willingness to assume an active role in regional defense planning.

EASTERN EUROPE



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WESTERN EUROPE

8. West German officials suggest active defense preparations be started now:

West German Finance Minister Schaeffer and 50X1 "Defense Minister" Blank have suggested that barracks be built now for the use of the German troop contingents in the European army.

They propose that the barracks be constructed ostensibly for American use, but paid for by the Germans.

Both officials expressed concern that formation of German units might later be delayed by the lack of quarters.

<u>Comment:</u> Although the West German Government must facilitate its troop build-up by planning its defense production schedules, any such action as they suggested would probably bring sharp French criticism.

Until the European Defense Treaty is finally ratified, the West German Government will not have the legal right to proceed with overt defense preparations.

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