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25 June 1954

[Redacted]

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Copy No.

80

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 27
NO CHANGE IN CLASS.
|| DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 2/1/80 REVIEWER: [Redacted]

[Redacted]

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

[Redacted]

STATE review completed
DIA review(s) completed.

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GENERAL

25X1A 1. USSR protests to US against seizure of Soviet tanker:

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The Soviet government charges, in a note handed Ambassador Bohlen on 24 June, that the seizure of the Soviet tanker Tuapse south of Formosa "could be carried out only by naval forces of the United States" (see map, p. 4).

In the note, the USSR further states that it "expects" the United States to take measures for the "immediate" return of the vessel and "insists" that the "responsible American personnel" be severely punished and that measures be taken to prevent such incidents in future.

The Soviet government concludes that "it will be forced to take appropriate measures to guarantee the safety of navigation of Soviet merchant vessels in this region."

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25X1A 2. New Delhi reported surprised by Chou visit:

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The Indian government apparently was taken by surprise by Chou En-lai's "sudden acceptance" of its five-week-old invitation to visit New Delhi, according to British acting high commissioner Middleton. N. R. Pillai, secretary general of the Indian Foreign Ministry, told Middleton on 22 June that he had no idea what Chou and Nehru would discuss.

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Approved For Release 2004/03/15 : CIA-RDP79T00975A001600270001-4

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Middleton and Ambassador Allen believe that Chou's main objective may be to charm Nehru and to convince him that "everyone except the United States is able to get along with Red China." In addition to the major topics of Korea and Indochina, Allen sees Nepalese-Chinese relations as a possible subject for the talks.

Comment: Chou was scheduled to arrive in New Delhi late 24 June and depart on 26 or 27 June. Nehru can be expected to try to get wider assurances of Peiping's peaceful intentions than those embodied in the 29 April Sino-Indian agreement on Tibet, and the talks may include discussion of a general Asian nonaggression pact. The two men have never met.

In his dealings with foreigners, Chou for years has exploited his reputation for "reasonableness" and "sincerity," and he is likely to impress Nehru even more strongly than he apparently has British foreign secretary Eden. [REDACTED]

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FAR EAST

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3. Yoshida terminates efforts to merge Japanese conservatives:

[REDACTED] Prime Minister Yoshida told Ambassador Allison on 23 June there is no point in continuing efforts to bring about a merger of the conservative Progressive and Liberal parties. While Yoshida was willing to accept the risk of a possible defeat in an election for the presidency of the new party, he and his followers could not agree to Progressive demands that the prime minister not be a candidate.

Foreign Minister Okazaki the same day told Allison he anticipates that as a result of Yoshida's decision, about 18 Progressives will withdraw from the party and form a "political club" in the Diet. While not officially allied with the Liberal Party, this group will vote with it, thus giving the government a "definite, but not comfortable" majority.

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[REDACTED]

Yoshida intends to reorganize his cabinet in July and, according to Allison, is completely confident he will then have the political situation under control.

Comment: Formation of the "political club" would mean little more than confirmation of the present Progressive Party split, which has in fact existed since April. Its independent status leaves it outside Yoshida's control, and foreshadows continued conservative factionalism and a weak government.

SOUTHEAST ASIA

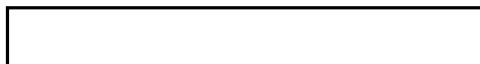
25X1A **4. Ely alarmed over deterioration of Vietnamese army:**



General Ely has indicated his deep concern over the present status of the Vietnamese army. In a special note to the American ambassador in Paris, the French commander in Indochina stated that Vietnamese army morale was "zero," defections were occurring in increasing numbers, and that some so-called battalions were at less than half strength and had only one officer. In Ely's view, the army's over-all effectiveness may soon be "negligible."

Ambassador Dillon believes this information will result in French pressures to implement the O'Daniel training mission at once.

Comment: Although individual units of the Vietnamese army have at times performed creditably in combat, numerous reports substantiate Ely's pessimistic assessment. One reliable French official in Saigon said two days ago that this army not only was of no value to the defense of Vietnam but was in fact a "danger" to the country.



5. Early commitment of Viet Minh battle corps elements in Tonkin delta indicated:

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[redacted] One regiment of the Viet Minh 304th Division is believed to be moving into a southern province of the Tonkin delta, [redacted] 25X1

[redacted] In addition, another regiment of this division is apparently in the process of relieving a regiment of the 325th Division now operating in the southern delta.

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[redacted] about 70 75mm recoilless rifles were recently received by the Viet Minh from China, and six multibarreled rocket launchers were received on 22 June.

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Comment: The movement of these regiments of the 304th Division would constitute the first commitment in the Tonkin delta of divisional elements which participated in the fighting at Dien Bien Phu.

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[redacted]

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6. Viet Minh bids for coalition government in Laos:

[redacted] The Viet Minh delegate to the Geneva conference, in a very "amiable" conversation with the Laotian delegation on 23 June, suggested a settlement for Laos which would apparently involve Laotian recognition of both the Communist-sponsored "Free Lao movement" and its military forces and lead to a coalition government.

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[redacted] Viet Minh delegate Dong "seemed to agree" that Viet Minh forces should be withdrawn and the French allowed to keep treaty military bases, although French military personnel would be reduced to "minimum figures." He was persistent in questions about military ties with the United States.

[redacted]

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Dong suggested that the Laotian government might give some government jobs to members of the "Free Lao movement," thus creating a government of "national union." He then mentioned that some "temporary arrangement" might be made for administering those regions of Laos where Communist military forces are located. The Laotian delegation, although "worried," agreed to ask their premier to meet in the immediate future with his half-brother, who is head of the "Free Lao movement."

Comment: For several days the Communists at Geneva have been implying the possibility of a Viet Minh withdrawal from Laos and Cambodia in exchange for neutralization of those states. They have continued to insist, however, that there are native "resistance movements" in both states which must be recognized.

As regards the relative value of the two "resistance movements," the Communists have indicated on three occasions recently that they might be willing to sacrifice the one in Cambodia for recognition of the one in Laos. In fact the Communist position in Laos is much stronger, as approximately 15,000 Viet Minh troops control much of northern Laos, while 7,000 in Cambodia control only small areas.

7. Indonesian Communists infiltrating government party:

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[REDACTED] A newly announced parliamentary roster of the Indonesian National Party, which controls the government, includes one person formerly listed as a member

representing the Communist Party and another who had been a member of SOBSI, the Communist labor federation. Ambassador Cumming points out that these changes in the parliamentary line-up add weight to his suspicion that the Communists are carrying on a program of infiltration into other parties.

Comment: This is the first firm evidence of Communist infiltration of the National Party. The government depends on Communist votes for its parliamentary majority. No known Communist is, however, a member of the government.

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In addition to their possible planting of undercover members in parliament, the Communists have recently assigned overt high-ranking party leaders to two of their allotted seats, apparently in order to give these individuals the prestige and immunity that parliamentary membership provides.

NEAR EAST - AFRICA

25X1A 8. Iraq prepares ground for adherence to Turkish-Pakistani pact:

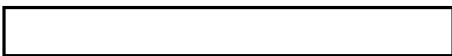


In a conversation with Chargé Ireland, Iraqi foreign minister Jamali said that he will set the stage for the adherence of Iraq and Iran to the Turkish-Pakistani pact by visiting Tehran late in August in order to settle outstanding Iraqi-Iranian differences.

Jamali said that a new Iraqi government, committed to the pact, would be formed in the fall on the basis of a new bloc. It would include followers of Nuri Said, who would probably be prime minister, and of Saleh Jabr, leader of the Umma Party, and political independents. Jamali added that this plan has been approved by the palace and Jabr, and that he hopes to obtain Nuri's approval.


Comment: Jamali is preparing the inflammable Iraqi public for acceptance of the pact. He was successful in doing this in the case of the American-Iraqi arms aid agreement of 21 April. His caution is born of the experience in 1948 when the revised Anglo-Iraqi treaty was violently repudiated by the unprepared Iraqi politicians and public.

Iran is not prepared either militarily or psychologically to join the pact at this time. Any effort in the near future to induce Iran to join the pact is accordingly doomed to failure.



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WESTERN EUROPE25X1A **10. Italian government moderates Triestine resolution on partition:**

 Although the Italian political adviser in Trieste was unsuccessful in his attempts to block a Communal Council resolution opposing any partition of the Free Territory, the measure passed on 22 June was watered down considerably, as a result of his influence. The resolution was passed with center and rightist party support, while the leftist parties abstained.

American political adviser Higgs, who notes there is overwhelming popular opposition to partition, believes that the parties agreed to the weakened resolution because they now consider division of the territory inevitable.

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Comment: The actions of the Italian political adviser give a positive indication that Rome, which has been trying to represent council sentiment as favoring temporary partition, is trying to assist the current London talks by promoting a favorable atmosphere in Trieste.

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LATIN AMERICA

11. Comment on the situation in Guatemala:

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Only limited and relatively unimportant territory has thus far been occupied by the rebel forces of Castillo Armas, and the cities of Puerto Barrios and Zacapa remain under government control,

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[Redacted] local recruiting by the Castillo forces is slow.

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[Redacted]

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Meanwhile, there appear to have been no wholesale desertions from the Guatemalan army and key commanders apparently remain loyal. Rebel air activity has, however, seriously weakened army morale and the army has yet to prove itself in a major engagement.

The chief of staff of neighboring El Salvador informed the American army attaché on 22 June that 2,500 trained army reserves had been called to active service. President Osorio told

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the American ambassador on 23 June that he was "not too confident" of Castillo Armas' success. He said that if Castillo fails, Guatemala will probably invade Honduras. "If a general Central American war develops," he said, "naturally El Salvador will participate."

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12. Uruguay opposes further planning for OAS meeting on Guatemala:

[REDACTED] In response to a demarche by Ambassador McIntosh on 22 June, Uruguayan foreign minister Pittaluga expressed strong opposition to going ahead with the plans, made prior to the current Guatemalan crisis, for an Organization of American States (OAS) meeting on Guatemala on 7 July. He said that Uruguay may revoke permission to use Montevideo as a site.

Pittaluga stressed the "impropriety" of holding such a meeting while the Guatemalan government is "fighting for its life." He also said that the resolution proposed by Washington might violate the Security Council's resolution of 20 June asking UN members not to aid either side.

Comment: Since the beginning of hostilities in Guatemala, ten countries have agreed to go through with the original proposal, and one of these--Panama--has stated it may propose modifications. A two-thirds majority, or 14 votes, is necessary for action in the 21-member OAS.

Anti-American and pro-Guatemalan rioting and other demonstrations in Uruguay, Chile, Argentina, Mexico and Honduras--none of which countries is included in the ten mentioned above--may increase pressure for having any full OAS meeting discuss threats to hemisphere security in general rather than the particular Communist threat in Guatemala.