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SECURITY INFORMATION

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1 March 1952

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Copy No. 49

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 6
NO CHANGE IN CLASS.
DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2009
AUTH: HR 70-2
DATE: 12-19-21 REVIEWER: [Redacted]

[Redacted]

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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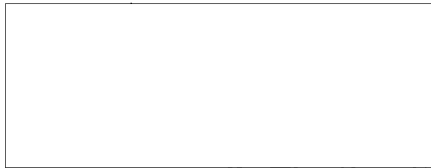
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FAR EAST

1. Soviet diplomat predicts early Korean armistice:

In discussing prospects for a Korean armistice, Soviet Deputy Foreign Minister Zorin recently remarked to the Swedish Ambassador that an armistice agreement is not unlikely and "will occur soon." The Swedish Ambassador remarked that in previous conversations Zorin had depreciated chances of armistice agreement "because the Americans didn't want it."

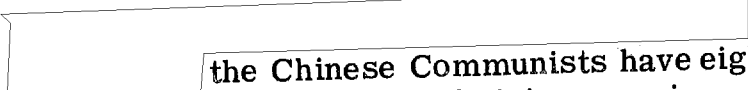
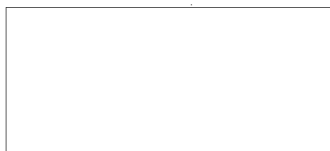
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Comment: Although Soviet spokesmen have previously expressed optimism regarding the outcome of the cease-fire talks, Zorin's remark is the only recent expression of such a Soviet attitude. This sanguine approach might be deemed particularly appropriate in conversations with representatives of neutral nations. On the other hand, Communist statements and propaganda continue to emphasize obstacles to an agreement, such as the UN's alleged use of bacteriological warfare.

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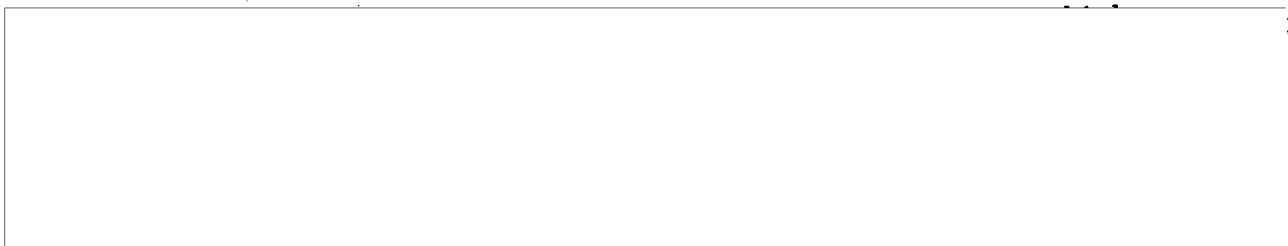
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~~TOP SECRET~~3. Eight airborne divisions reported in China:

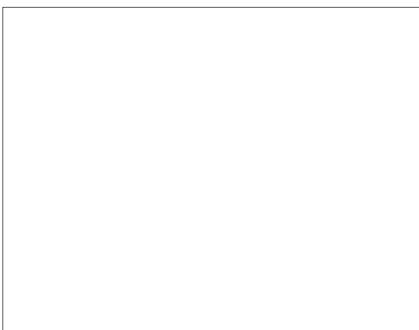
the Chinese Communists have eight airborne divisions. Two divisions are in Manchuria, two in Kwangsi Province near the Indochina border, and four in east and central China.

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4. Rumors of French-Viet Minh negotiations denied:

French Foreign Office officials flatly deny that France is considering negotiations with the Viet Minh. There have been many reports in Paris papers that Minister of Associated States Letourneau, who has just completed a survey mission in Indochina, had implied such a policy change.

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The American Minister in Saigon reports that Letourneau's comments, both public and private, showed no tendency to consider such negotiations.

Comment: Letourneau is reported to have stated that France would not refuse to negotiate with the Viet Minh, but would not take the first steps.

While a minority of the non-Communist deputies in the French National Assembly are convinced that France must face the question of a withdrawal from Indochina, the Assembly voted overwhelmingly on 29 February in favor of the government's motion to carry on the war.

The American Military Attache in Paris believes that the recent deterioration of the military situation in Indochina will soon force the French Government to reconsider its policy.

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SOUTH ASIA

5. Communists implicated in East Pakistan demonstrations:

[REDACTED] Communist connections with the East Pakistan demonstrations which began 21 February are proved by documents seized in local raids in Dacca. Both West Pakistani and Indian Communists are implicated.

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Four members of the East Bengal State Assembly and five Communist professors were among those arrested. According to the American Consul in Dacca, the next three days will probably decide whether or not the local government remains in power.

Comment: Recently the Pakistani Prime Minister told the Bengali-speaking East Pakistanis that Urdu, the language of West Pakistan, would be the official language of the country. This touched off a controversy which resulted in a general strike on 21 February and intermittent public demonstrations in Dacca, capital of East Pakistan, during subsequent days. The situation is aggravated by the feeling of the East Bengalis that the national government in Karachi ignores their culture and interests.

While the local government may have difficulty in maintaining itself, there is no question as to the central government's ability to maintain its authority.

NEAR EAST - AFRICA

6. Iranian Air Force officers implicated with Tudeh:

[REDACTED] The [REDACTED] has shown a list of 102 Tudeh suspects among Air Force personnel, including 16 junior officers. The documents implicating these men were found in the house of an Air Force lieutenant, a Tudeh member.

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Comment: In view of the ineffectiveness of Iranian intelligence, it is probable that Tudeh penetration of the armed forces has made somewhat more progress [redacted]

[redacted] It is known that several of the government's agencies, including the Ministries of Justice, Education and Post and Telegraph, are heavily infiltrated.

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7. British military dubious about future of Suez Canal base:

[redacted] The British Ambassador in Cairo and the British military authorities in the Canal zone are agreed that the cooperation of Egyptian authorities and the friendship of the Egyptian people, both considered necessary for the successful operation of the British bases, do not now and probably never will again exist.

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Comment: Until recently British military authorities have held that the Suez Canal bases could be maintained even in the face of considerable Egyptian opposition.

British plans for the defense of the Middle East are still based on the transformation of the British base into a Middle East Command base and the maintenance of British troops in Egypt as part of the Allied force.

WESTERN EUROPE

8. French tactics on German security controls jeopardize accord:

[redacted] French representatives in Bonn have reopened the question of restricting West Germany's arms-producing capacity, since they believe that the controls to be established under the European Defense Community are inadequate.

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The US High Commissioner states that raising this question again could jeopardize the progress made so far. Both he and the British representative oppose consideration of capacity controls, and desire to limit current discussions to the specific weapons to be barred.

Comment: Although the recent Foreign Ministers' meetings produced a general solution to the West German arms restriction problem, agreement was not reached on certain weapons categories which are now being discussed by the Allied High Commissioners. Except for atomic, biological, and chemical weapons, no restrictions were placed on arms-producing capacity.

9. West Germans speed mobilization plans:



West Germany's embryonic defense ministry is drafting preliminary plans for the conscription of the 400,000 men who will make up Germany's contribution to the European Defense Force.

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The planning office, headed by Theodor Blank, is preparing a conscription law similar to that of the United States to present to Parliament immediately after ratification of the European Defense Community treaty by all participating countries. Actual enactment of the legislation would require another 60 days, but would not delay the voluntary recruitment of officers and cadres.

The German contingents are expected to be at full strength two years after the system is inaugurated.

German officials estimate with "moderate pessimism" that the European Defense Community treaty will be in force by autumn. Signature of the treaty is considered possible by the middle or end of March, and it is hoped that the German contracts will be signed in April. Government leaders do not expect the question of constitutionality of rearmament to delay mobilization.

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10. Belgium views French financial situation as critical:

[REDACTED] Belgian Prime Minister van Houtte has stated that Belgian government and business circles are alarmed because the French financial position is "visibly crumbling." Noting France's pivotal position in NATO, he stressed that that country's "incapacity to manage its economy" was damaging its defense effort.

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As a result of the French debit position in the European Payments Union, Belgium expects further French trade restrictions.

Comment: Pressure from entrenched speculative interests and a deepening distrust of the franc are precipitating an early economic collapse. The underlying causes of this trend are the highly unfavorable foreign trade balance and the burdensome defense commitments in Europe and Indochina.

While some political compromise postponing a showdown on revenues will probably permit replacement of the Faure government by another middle-of-the-road coalition, this solution would prevent realization of the 1952 military program.

The tightening French restrictions on EPU imports will provide a major stimulus to the chain reaction of measures by European countries against the trade liberalization program. This trend may soon preclude the steady rise in European production essential to meet rearmament goals.

11. Italian businessmen call for open stand on Moscow Economic Conference:

[REDACTED] Certain Italian business interests want the government to take an open stand on the Moscow Economic Conference. So far the government has officially ignored the conference and discouraged attendance. Foreign Office officials now favor allowing certain anti-Communists to attend so that they can refute Soviet propaganda regarding the conference.

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Comment: The Italian Confederation of Industry was invited to the Moscow conference several months ago. This is the first information received regarding the attitude of Italian business interests toward the conference.

In January Communist chief Togliatti opened the Italian Communist drive in support of the conference with charges that the government's policy of curbing trade with Eastern Europe was preventing solution of the problems of Southern Italy.

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