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SECURITY INFORMATION

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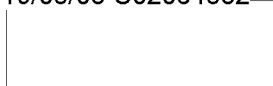
CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Sino-Soviet agreement on military equipment disclosed:

the Soviet Union agreed to supply weapons valued at 1.4 billion rubles (350 million dollars at the official rate of exchange) to Communist China between July 1951 and May of this year.

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The weapons include 500 artillery pieces, 290 medium tanks and armored vehicles, 780 fighter planes, 54 bombers, and anti-aircraft equipment.

China agreed to pay 1.15 billion rubles in raw materials, gold and foreign exchange during 1952. The remaining 250 million rubles are to be a Soviet credit to China covering the value of the planes supplied. The planes are to be returned to the USSR after the Korean conflict, with China paying for destroyed aircraft.

Comment: The report is quite plausible and fairly consistent with general information on the increased amount of Soviet military equipment available to China over the past nine months.

The alleged reimbursement terms -- 1.15 billion rubles or almost 300 million dollars during 1952 -- would put a heavy but not impossible burden on China. Its gold and foreign exchange resources are depleted, but revenues from current exports can be allocated for the purchase of military equipment. Total Chinese Communist revenues from exports in 1951 have been estimated at some 700 million dollars, the bulk coming from deliveries to the USSR and Orbit countries.

FAR EAST

2. Early Communist offensive in Korea possible:

Developments along the front in Korea may indicate Chinese Communist preparations for an offensive to take place some time after this week.

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[redacted] at least two armies may be moving up to the line, that some Chinese artillery elements have been displaced forward, and that command organization of forward artillery units has been changed to permit more effective tactical control. [redacted]

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These developments could also mean either a routine rotation of certain front line units or anticipation of a UN spring offensive.

Comment: Evidence is still too tenuous to establish firm conclusions on enemy intentions. Earlier reports of an impending attack indicated that a limited offensive might be planned for the eastern sector; recent enemy reconnaissance and target selection in the west, however, suggest that the offensive, if it materializes, will be on a broader front.

3. Viet Minh stresses guerrilla operations in Tonkin:

[redacted] The Viet Minh high command is striving to keep its infiltrated regiments in the Tonkin delta until the rainy season, when it is expected that the French will be forced to relax their pressure, according to a reliable source.

3.3(h)(2)

Viet Minh units north of the delta have the mission of diverting French troops from current clearing operations and may undertake a limited offensive to reduce the size of the French-held area.

Comment: The flooding of the delta during the summer rains, while curtailing the operations of both the French and Viet Minh, is more harmful to the French in that it handicaps their air and armor capabilities more drastically than it does the Viet Minh's guerrilla warfare.

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Recent reports state that the Viet Minh forces north of the delta, comprising more than two battle-worn divisions are regrouping.

4. Rival Communist factions in Burma agree to collaborate:



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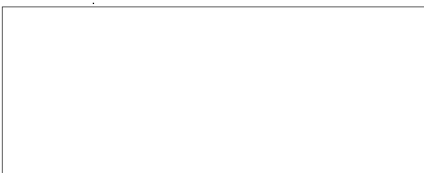
the chiefs of the two insurgent Communist parties in Burma have now composed their long-standing differences. An agreement reached in December calls for cessation of armed conflict, collaboration in fighting the government and efforts to merge into a single Communist party.

Comment: Personal rivalries rather than ideological incompatibility have in the past precluded collaboration or union of the two Communist groups.

Reports have been received that Communist China has specified a settlement of the factional dispute as a prerequisite for substantial material aid.

SOUTH ASIA

5. Indian Government agrees to continue negotiations on Kashmir:



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The Government of India has informed UN representative Graham that it is willing to continue negotiations on the Kashmir issue. It states that it has no objection to participation in the negotiations by Admiral Nimitz, plebiscite administrator designate, provided his impartiality in arranging for a subsequent plebiscite is not prejudiced.

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Comment: India's agreement to Graham's suggestion practically assures that negotiations will be continued. It does not necessarily increase the likelihood that they will be successful.

NEAR EAST - AFRICA

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6. Mossadeq accuses British of election interference:

Ambassador that despite British efforts to slow the elections and thus delay formal convocation of the Majlis, he hoped that a formal meeting could be held in about two weeks. He asserted that eighty percent of the deputies were the "choice of the people" and that in spite of British interference only a few "British stooges" have been elected.

3.3(h)(2)

Mossadeq stated that he did not know what attitude the new body would take toward his government, but that the Majlis would immediately be faced with making decisions of a very grave nature.

Comment: National Front rigging of the election has slowed the balloting and prevented assembly of the Majlis.

Mossadeq's anti-British diatribes suggest that he will continue to depend primarily upon this line to gain support for his policies. The new strongly pro-National Front Majlis may be expected to widen the gap between Iran and the West.

7. Egypt facing serious financial difficulties:

In spite of Britain's recent release of ten million pounds sterling to Egypt, Prime Minister Hilali Pasha faces a deteriorating financial situation. Egypt's rapid consumption of its sterling reserves at the rate of eight million pounds per month since 1 January places British currency "virtually in the category of hard currency" as far as Egypt is concerned.

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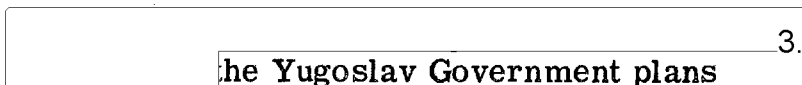
There is evidence already that the government's finances are facing an increasing strain because of the diminished international demand for Egyptian cotton, the burden of governmental subsidization of living costs, and the loss of income from taxes resulting from the general trade recession.

EASTERN EUROPE

8. Yugoslavia threatens annexation of Trieste Zone B:

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 The Yugoslav Government plans further integration or even annexation of Zone B of Trieste, if it becomes convinced that the current London talks on Italian participation in the administration of Zone A violate the relevant provisions of the Italian Peace Treaty.

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Comment: Yugoslav Assistant Foreign Minister Mates informed the American Charge on 1 April that his government, as a consequence of the London talks, might be forced to take still further steps formalizing the present division of the territory. Mates admitted that such an action would prejudice a satisfactory settlement of the problem.

9. Comment on 1952 Czechoslovak-Soviet trade agreement:



The 1952 trade agreement with the Soviet Union announced by Czech Minister of Foreign Trade Gregor on 8 April, will increase the strain on Czech industrial facilities and decrease the likelihood that Czechoslovakia can trade with the West, one of the baits for Western business men at the Moscow Economic Conference.

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Gregor states that total Czech trade with the USSR will be 25 percent higher this year than in 1951.

he overall value of such trade in 1952 will probably be 540 to 580 million dollars, or more than double that of 1948. Should this rate of development continue the total trade between the two countries will be considerably larger than the levels set in the four-year agreement of November 1950.

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Indications are that the commodity pattern will remain the same, with the Soviet Union exporting raw materials and semi-finished products and Czechoslovakia providing finished goods.

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