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SECURITY INFORMATION

5 January 1952

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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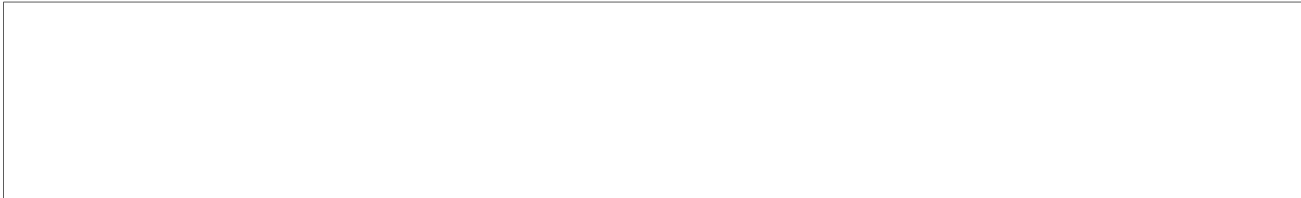
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FAR EAST**1. Intercepts itemize military shipments to Viet Minh:**

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Viet Minh in the Cao Bang area near the China border itemize quantities of military equipment "shipped in" between 11 and 25 December -- presumably from Communist China -- and other items "shipped out" from near Thuy Khau to a number of points closer to the Tonkin delta between 9 and 17 December. Among the shipments listed are 30,000 mortar shells; 1,000 rounds of "SKZ" ammunition; 9 tons of American and 53 tons of Soviet TNT; 79,750 pairs of cloth shoes; and 62,000 suits of clothing. (See Map, page 4).

Comment: Readable intercepts of Viet Minh logistic traffic began on 5 December and constitute the only fully reliable detailed information on this subject, although it has long been known that military supplies have been moving into Viet Minh areas from Communist China.

The munitions detailed in these messages might conceivably represent stock-piling in preparation for intervention by units of the Chinese Communist army, but there is no strong suggestion that this is the case. The Viet Minh has always placed great reliance on the use of mortars, as was evident during the month of December, which saw the longest period of sustained Viet Minh operations to date.

The "SKZ" is a 60 mm recoilless gun which has been manufactured in Viet Minh arsenals since early 1950.

2. Karens prepared to sign treaty with Communists in Burma:

The insurgent Karens reportedly are prepared to sign a treaty of alliance with the Burma Red Flag Communist faction in January unless they

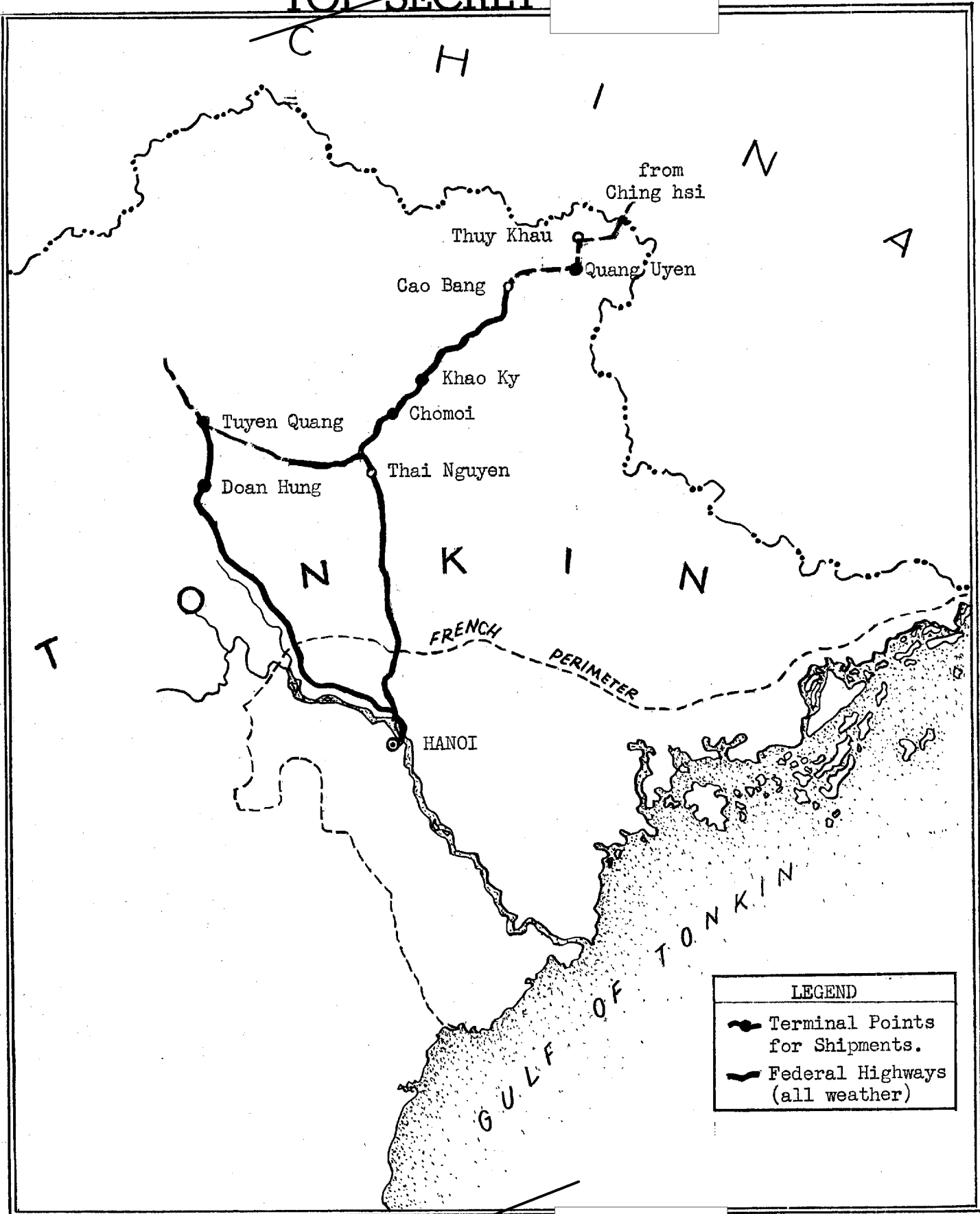
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LEGEND	
	Terminal Points for Shipments.
	Federal Highways (all weather)

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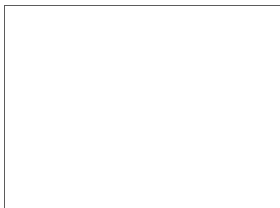
are guaranteed military assistance by "a foreign anti-Communist power." the treaty will ^{3.3(h)(2)} provide for a separate Karen state within a Communist-controlled Burma.

Rebel Karen leaders were further assured that the treaty would be approved by Thakin Than Tun, chief of the Stalinist or White Flag Burma Communist Party. Communist aid and propaganda may already have won over a majority of the Karens.

Comment: The Communists have been gaining Karen support as hopes for Western aid have faded. The Communists have also obtained Karen favor through the provision of arms, ammunition and food. An agreement of this nature, posing a serious threat to the Burmese Government, has been forecast by several previous reports.

NEAR EAST - AFRICA

3. Iranian-Czech oil conversations:



The Iranian Foreign Ministry has requested its ^{3.3(h)(2)} legation in Prague to inform it as soon as possible of the "investigations" and "conversations" about the amount of oil to be purchased by Czechoslovakia, the method of shipment, and the financial arrangements.

Comment: This definitely confirms previous reports and rumors that Czechoslovakia and Iran are considering an oil agreement. The message suggests that only preliminary negotiations have occurred.

4. Iraqi Prime Minister again proposes solution of Anglo-Egyptian dispute:



The Iraqi Prime Minister's latest proposals for ^{3.3(h)(2)} a settlement of the Suez dispute provide for a five-year alliance between Egypt and Britain,

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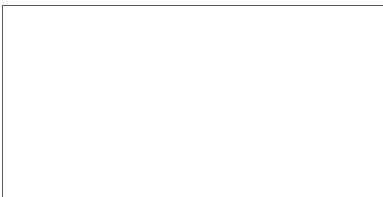
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but also include the complete evacuation of all British land forces within a fixed time. A joint British-Egyptian military storage base is to be established in the Canal zone, and a joint air force to be set up for the defense of the Canal. This information originates with the Iraqi Minister in Cairo.

The proposals also provide that the Sudanese be permitted freely to determine their future relations with Egypt and that Britain in no way attempt to influence the Sudanese against union with Egypt.

Comment: This and other versions of the Iraqi proposals appear to contain provisions which would be rejected by either or both of the two parties.

5. German officers in Argentina offer their services to Egypt:



A number of former German officers now living in Argentina have offered their services to Egypt, according to an Egyptian Embassy message from Buenos Aires. These German veterans are reportedly specialists in guerrilla tactics, sabotage, and communications. They are interested in a six months to one year contract and can travel only with Egyptian documentation. 3.3(h)(2)

The Egyptian Embassy in Buenos Aires has asked the Foreign Office in Cairo what action it should take in this matter.

Comment: In view of the encouragement given by the Egyptian Government to popular efforts aimed at forcing the British out of the Canal zone, it is possible that Egypt may authorize the hiring of these German officers. The necessity for providing the Germans with Egyptian documents probably results from Argentina's desire not to be connected with the actions of any Germans under Egyptian employ.

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WESTERN EUROPE

6. Comment on shake-up in Soviet High Command in Austria:

The American Joint Indications Committee in Austria attributes the current shake-up of Soviet occupation officials to Moscow's dissatisfaction with the Soviet High Command's failure to support the Austrian Communist Party. The Committee is concerned that the changes may bolster the party and increase the internal security problem in Austria.

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While speculative, this interpretation is supported by other evidence. Heretofore, the Soviet officials in Austria have extended neither respect nor trust to Austrian Communists although they assisted them on such occasions as the demonstrations in October 1950. Communist organizations have been criticized, and Communist leaders treated shabbily at public functions.

On the other hand, despite the general unpopularity of the Soviet occupation, personal relations between top Soviet and non-Communist Austrian officials have not been entirely unfriendly. That Moscow may be preparing to amend this policy in favor of closer cooperation with the Austrian Communists is suggested by the replacement of the relatively popular political adviser by Sergei Kudryavtsev who was connected with the Soviet espionage system in Canada in 1945.

7. Schuman expects French-German accord on security controls:

On the basis of a private discussion with German Chancellor Adenauer on security controls over armament production in Germany, French Foreign Minister Schuman revealed his belief that the French and German Governments will reach an agreement satisfactory to the US and Britain. In the meantime, Schuman does not favor further French-American-British conversations on this subject at the diplomatic level.

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Commissioner McCloy in Bonn feels that the French now seem prepared to adopt a more reasonable attitude on security controls.

Comment: Early in December, France had requested high-level tripartite conversations to decide on an acceptable Allied position on security controls, and the American Embassy in Paris later reported its opinion that the French had made their last concession on the issue. Schuman had hoped to obtain Adenauer's acceptance of a contractual arrangement on security controls during the Paris meeting of the Defense Community Foreign Ministers, but there is no indication that Adenauer has given in on this point.

A French-German accord on security controls would eliminate the main obstacle to speedy agreement on the European Defense Community and the whole problem of contractual arrangements.

LATIN AMERICA

8. Chile supports Bolivia in tin negotiations with US:

The Chilean Ambassador to the United States has told his Foreign Office that in accordance with previous instructions, he has worked to support the Bolivian Ambassador in the difficult tin negotiations with the Reconstruction Finance Corporation. 3.3(h)(2)

In a circular to its representatives in Latin America, the Bolivian Foreign Office reported that the President of Chile sent a letter to President Truman supporting Bolivia's position, and that other Latin American opinion is also favorable. The representatives were then instructed to renew their propaganda efforts against the RFC's intransigence.

Comment: Bolivia has stressed that its problem affects all of Latin America which is vitally dependent on the production of raw materials.

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