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GENERAL**1. Comment on Vyshinsky's remarks to Japanese delegation in Moscow:**

[REDACTED]

Soviet deputy foreign minister Vyshinsky's statement to a Japanese Diet delegation that the USSR hopes to establish formal diplomatic relations with Japan "as soon as possible" is the most specific high-level Soviet pronouncement of Moscow's intentions to improve relations with Japan.

Since Stalin's death, the Soviet Union has returned more than 1,400 of an estimated 14,500 Japanese prisoners, thereby making a gesture toward improved relations. It has recently been using economic and cultural approaches as means of gradually encouraging the Japanese to move toward an accommodation with the Orbit.

Japanese Foreign Ministry officials, when advised of Vyshinsky's remarks, reiterated that a peace treaty was a prerequisite for expanding relations. There are indications, however, that Japan is reappraising its foreign policy in the light of general Asian developments and that sentiment for loosening ties with the United States is growing. [REDACTED]

2. COCOM agrees on major relaxation of strategic trade controls:

[REDACTED]

Revisions in the international export control lists agreed on in the COCOM review of the past three months will go into effect on 16 August. The controls on trade with Communist China will not be changed at this time, but will be discussed at an early Consultative Group meeting.

Controls over exports of merchant ships could not be agreed on by the Consultative Group and will be considered again on 7 September. Although all COCOM countries are committed to improved transit trade controls, a definite deadline for adoption has not been set. Several delegates stressed that their governments would be reluctant to adopt such controls unless they were applied to all COCOM members.

Comment: The decisions of the Consultative Group will reduce the number of items on the export control lists by about 50 percent. In addition several items will be subject to less stringent controls.

The adoption of improved transit trade controls has long been blocked by several COCOM countries, and their commitment to adopt them is apparently not firm.

FAR EAST

3. Japanese fishing interests threaten to challenge Rhee line:

Japanese fishing interests warned the American embassy in Tokyo on 20 July that something must be done quickly to settle the dispute with South Korea over the Rhee line.

They pointed out that President Rhee's visit to Washington was an opportune time for the United States to intervene in their behalf. At the same time, they are planning to launch full-scale operations within the Rhee line, despite the risks, and will call on Japanese naval forces for protection.

Comment: This appears to be primarily a threat designed to hasten American mediation. The Japanese government opposes any resort to force, preferring to wait until Japanese military power is sufficient to impress the Koreans with the desirability of finding a solution.

The Japanese Foreign Ministry, meanwhile, speculates that General Hull's return to Washington during Rhee's visit may indicate among other things an American attempt to improve Japanese-Korean relations.

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4. Chinese Communist bombers and fighters may be moving to Suichi in South China:

[redacted] as many as 23 Chinese Communist piston-engine bombers, believed to be light TU-2 types, and an undisclosed number of LA-11 conventional fighters have moved south to the Canton area from bases in East China between 17 and 20 July. A transport aircraft, apparently one which accompanied the movement, flew on 20 July from Canton to an airfield on the Leichou Peninsula opposite Hainan Island, possibly the one at Suichi. This suggests that the ultimate destination of the bombers and fighters may be Suichi.

Comment: Construction of the airfield at Suichi, reported to be one of the largest in China, may now have been completed. The runway, between 8,000 and 10,000 feet in length, was not paved in May, however.

It is possible the planes now believed moving to Suichi are naval aircraft. The base at Suichi would be ideal for naval air units. They could be expected to conduct patrols in the South China Sea and the Gulf of Tonkin, and to participate in air-sea exercises with Chinese Communist naval units at Canton and Hainan.

SOUTH ASIA


5. Ceylon unlikely to join Southeast Asian security pact:

[redacted] The present temper of the Ceylonese press, parliament and public opinion makes it unlikely that Ceylon would join a collective security pact for Southeast Asia at this time, according to Ambassador Crowe. Moreover, Ceylon's attitude toward the pact would probably be neutral rather than favorable, and the possibility that it might join later would depend largely on the attitudes of the other Colombo powers. The government itself, however, is "not unsympathetic."

Comment: Of the five Colombo powers--India, Pakistan, Ceylon, Burma and Indonesia--only Pakistan can be expected to adhere initially to a Western-sponsored collective security pact.

NEAR EAST - AFRICA

6. Oil consortium agreement with Iran appears near:

 The British Foreign Office understands that chief consortium negotiator Page hopes shortly to take to London an aide memoire embodying the points of agreement between the consortium and the Iranian government, according to Ambassador Aldrich. If approval by the principals of the eight companies involved is forthcoming, Page will return to Tehran to initial the document.

Announcement of the consortium-Iran agreement will be made after Page's return to Tehran. Following that, the agreement will be put in proper form for signing and presentation to the Majlis after it reconvenes on 24 August.

Comment: All phases of the oil agreement appear to be on the verge of completion except for the separate British-Iranian compensation negotiations.