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SUMMARY

GENERAL

1. Communist position on cease-fire in China area (page 3).

FAR EAST

2. Comment on Japanese reaction to recent Soviet overture (page 4).

SOUTHEAST ASIA

3. Comment on reported dissension in top rank of Burmese government (page 5).

SOUTH ASIA

4. Ceylon's prime minister considering visit to Peiping (page 6).

NEAR EAST - AFRICA

5. Iraq "will stand firm" on proposed pact with Turkey (page 6).

EASTERN EUROPE

6. East German officials reported highly disturbed at Soviet wooing of West Germany (page 7).

WESTERN EUROPE

7. Bonn considering neo-Nazi to head projected air force (page 8).
8. French upper house delays fixing date for Paris accords debate (page 8).

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GENERAL

1. Communist position on cease-fire in China area:

Chinese Communist Position

Chou En-lai's statements [redacted] left room for Peiping to accept an invitation from the UN Security Council to discuss the current situation in the Chinese offshore islands area, but also suggest that, if the Chinese Communists do attend, they are unlikely to compromise on any major matter.

[redacted] could not agree to participate until he knew the terms of reference, but he would welcome a discussion of American "intervention and aggression" against China. In view of the advantages that would seem to accrue to Peiping from an airing of its charges against the United States in the United Nations, and from an opportunity to gauge the degree to which the United States and its major allies are prepared to compromise, it seems possible that Peiping will decide to attend.

As regards the terms of a possible settlement, [redacted] Peiping would not agree to a cease-fire and would not distinguish between the minor offshore islands on one hand and Formosa and the Pescadores on the other. Chou emphasized that Peiping would not agree to any bargaining over the islands.

It had been speculated that Peiping might perceive certain advantages in agreeing to a cease-fire and to indefinite postponement of a Formosa operation--which the Chinese Communists do not appear prepared to undertake at this time in any case--in exchange for such concessions as control over the lesser offshore islands, reduction of economic pressures against the regime, and progress toward obtaining a seat in the United Nations. Although Chou has left an opening for a de facto agreement along such lines, his remarks indicate that a formal settlement in the near future is only a marginal possibility.

Soviet Position

[Redacted]

[Redacted] Molotov, while maintaining a Soviet posture of moderation in the affair, reiterated the validity of Peiping's claim to Formosa and charged all existing tension in the area was solely due to the "aggressive action of American forces and their support or use of Chiang Kai-shek and his clique." While Molotov did not completely rule out UN mediation, the Soviet press is charging that UN action sponsored by America's allies is simply a device for cloaking American intervention in internal Chinese affairs. This line leaves Moscow free to back Peiping in accepting or rejecting an invitation to the Security Council discussions.

The USSR also appeared to be attempting to isolate the United States on this issue.

[Redacted]

[Redacted]

This tactic was also indicated by the reported remarks of a Soviet delegate at the UN that if the United States had not taken congressional action toward unilateral guarantees on Formosa, the Pescadores, and related areas, Moscow would have supported UN action.

[Redacted]

FAR EAST

2. Comment on Japanese reaction to recent Soviet overture:

[Redacted]

The apparent reversal of the Japanese government's earlier position that a peace treaty is necessary before normal relations can be re-established with the USSR is an indication that Prime Minister Hatoyama may have overruled Foreign Minister Shigemitsu. Evidence that the Foreign Ministry is no longer in control of the situation is revealed by the fact that Hatoyama himself accepted the Soviet "note" on 25 January after Shigemitsu had refused to do so.

Shigemitsu announced on 29 January-- possibly at Hatoyama's insistence--that Japan would "consider" talks aimed at restoring diplomatic relations with the Soviet Union, if Moscow confirms that its recent approach is official. Hatoyama has been described by the press as eager to start talks as soon as possible. He has also reportedly stated that normalization of relations is a "prerequisite" to a settlement of territorial problems, rather than the reverse.

The Foreign Ministry is aware that in this reversal Japan will lose its bargaining position vis-a-vis the Soviet Union. Nevertheless, Hatoyama apparently views the talks as a popular election issue which may enhance his prestige. [redacted]

SOUTHEAST ASIA

3. Comment on reported dissension in top rank of Burmese government:

[redacted] Dissension among the top leaders of the Burmese government has increased since Premier Nu's return from Communist China. This dissension, if it continues, could endanger Burma's marked progress toward stability, which has been largely the result of general agreement on policy among Premier Nu and the two most influential leaders of the dominant Socialist Party, Minister of Industries Kyaw Nyein and Defense Minister Ba Swe.


Kyaw Nyein, the most outspokenly anti-Communist of the Burmese leaders, reportedly feels that Nu was too much taken in by the Chinese Communists and has chided the Burmese ambassador to Peiping, now in Rangoon, for encouraging Nu to assume a "peacemaker" role.

[redacted] Kyaw Nyein has threatened to resign following charges of graft made against him by the premier. He is also said to be in trouble with Defense Minister Ba Swe and other of his Socialist colleagues.

In any showdown, Nu's hand will be strengthened by the Burmese public's enthusiasm for his "accomplishments" in Peiping.

SOUTH ASIA

4. Ceylon's prime minister considering visit to Peiping:

 Prime Minister Kotelawala of Ceylon is considering accepting an invitation to visit Peiping. He told Ambassador Crowe in Colombo that the invitation was extended by Chou En-lai last October, following trade talks between Ceylon and Communist China. The ambassador believes Kotelawala wants to go to Peiping, probably after the Afro-Asian conference in April.

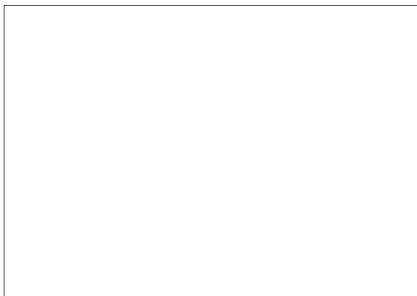
Comment: Kotelawala has insisted that Ceylon is interested in Communist China only as a market for rubber.



Peiping might press for the establishment of diplomatic relations with Ceylon, and perhaps also for the conclusion of a nonaggression understanding similar to those it has with India and Burma.

NEAR EAST - AFRICA

5. Iraq "will stand firm" on proposed pact with Turkey:

 Iraqi prime minister Nuri Said has given Turkish prime minister Menderes "categorical reassurances" that Iraq "will continue to stand firm" on its proposed pact with Turkey regardless of the outcome of the Cairo conference of Arab prime ministers, according to the secretary general of the Turkish Foreign Office.

Nuri Said plans to obtain general parliamentary approval early in February and to "finalize and sign the pact thereafter." He is expecting Turkish counterproposals to the Iraqi draft within the "next day or two."

The Turkish Foreign Office contemplates a text which will be more specific than the Turkish-Pakistani pact but less so than the Balkan pact. The Turkish chargé in Damascus told Ambassador Moose on 21 January that an unsigned draft agreed on at Baghdad during the Nuri-Menderes talks provided for, among other things, staff talks on mutual defense during peacetime, and consultation and free transit of war material in case of war.

Comment: Because of Nuri's firm control of the domestic situation, he seems to have been rendered immune to the current strong Egyptian-Saudi Arabian attack against him. The coming weeks are therefore the most propitious time for him to consummate the proposed agreement with Turkey.

EASTERN EUROPE

6. East German officials reported highly disturbed at Soviet wooing of West Germany:

[redacted] East German officials are highly disturbed at the recent Soviet move to end the state of war with Germany and especially at the possibility that diplomatic relations might be established between the Soviet Union and West Germany. Soviet ambassador Pushkin reportedly has informed the East German leaders that Moscow's declaration of peace was formulated suddenly by the central committee of the Soviet Communist Party and not by the Foreign Ministry.

As a consequence of this declaration, orders were given to discontinue harassment tactics against West Berlin and West Germany.

Comment: The developing Soviet emphasis on wooing West Germany probably has caused East German leaders to fear that Moscow might replace them with officials more acceptable to the West. East German leaders probably will resent any move which appears to deprive East Germany of its claim to represent all of Germany.

It would not be unusual for the party leadership rather than the Foreign Ministry to make the basic decision on this matter.

[redacted] strict controls at check points between East and West Germany, which were imposed in December, have recently been relaxed.

WESTERN EUROPE

7. Bonn considering neo-Nazi to head projected air force:



Former Luftwaffe major general Adolph Galland is being seriously considered as chief of the projected West German air force, according to Ambassador Conant.

Comment: There have been widely disseminated press reports that the controversial General Galland would head the projected West German air force.

Galland served until recently as a technical adviser to the Argentine air force, and is reported to have been very active in neo-Nazi groups conducting propaganda in Argentina against the Bonn government. He is also alleged to have made several trips to West Germany where he made contact with neo-Nazi groups. He is said to believe that a revival of nazism in Germany is both inevitable and desirable, and to feel that this objective can best be served by co-operation, at least temporarily, with the Western powers.

His appointment would tend to increase the domestic opposition to German rearmament.

8. French upper house delays fixing date for Paris accords debate:



Consideration of the Paris accords by the French Council of the Republic will be delayed several days beyond the

TOP SECRET

8 February date originally anticipated, according to the American embassy in Paris. The council has scheduled a North Africa debate for 8 February.

Mendes-France's personal spokesman assured American officials that the premier is "keenly aware" of the importance of speedy council action, and admitted that Mendes-France was slightly worried by his failure to get the council to set a specific date for the accords debate.

Center and rightist leaders are pressing for an amendment by the Council. This would require the National Assembly to take up the issue again.

Comment: Once the two bills on the accords are released from committee, the council will probably complete consideration within a week, and is still expected to approve the accords without change. There is growing interest among both Socialist and conservative senators in amending the bills, however. Such a move would automatically return the bills to the assembly, where final action could be postponed indefinitely.