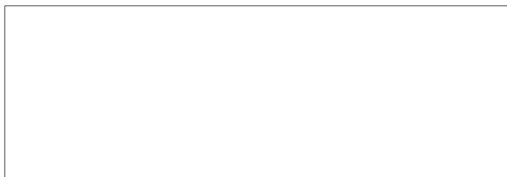


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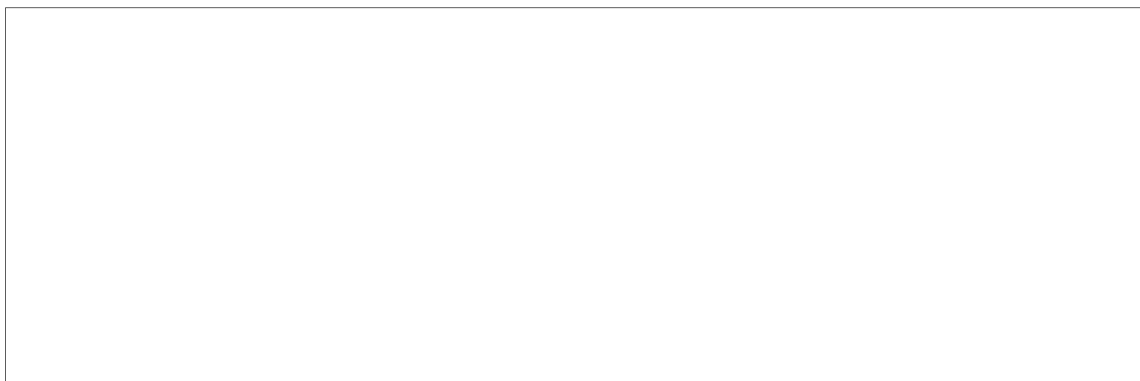
CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 66
NO CHANGE IN CLASS
 DECLASSIFIED
CLASS. CHANGED TO: TS S C
NEXT REVIEW DATE: 2010
AUTH: HR 70-2
DATE: 8 Jan 80 REVIEWER: 



Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY



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FAR EAST**1. Comment on purge of two Chinese Communist leaders:**

[REDACTED] Peiping's communiqué of 4 April on the Chinese Communist Party conference of 21-31 March confirms the fall of two Chinese Communist Party leaders who had once been high in Mao Tse-tung's favor but have been out of the news for more than a year.

The expulsion from the party of politburo member Kao Kang and organization chief Jao Shu-shih is the first serious disciplinary action known to have been taken by Mao since 1938. Their fall results from a methodical "reorganization" of the party begun in 1951 and a drive, started in early 1954, to eliminate dissension among the party leaders.

Both Kao and Jao, who had been regional leaders in Manchuria and East China, respectively, before taking important posts at the national level, were apparently guilty of trying to build "independent kingdoms." It is not believed that either fell as a result of disputes over military policy.

[REDACTED]

SOUTHEAST ASIA**2. Comment on left-wing gains in Singapore elections:**

[REDACTED] The victory of left-wing elements in the Singapore elections on 2 April presages increased difficulties for the government in carrying out anti-Communist measures. The new Singapore legislative assembly, in which elected members for the first time outnumber appointed members, will probably be more sympathetic toward student and labor groups, over which the Communists are exercising increasing influence.

The Labor Front won 10 of the 25 elected seats, and is expected to form a minority government. It has

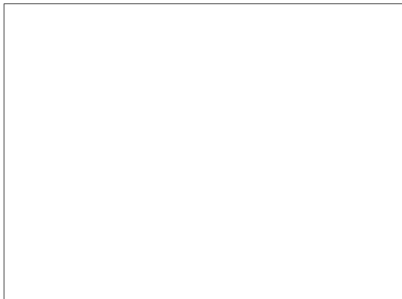
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demanded an investigation of emergency security laws, with a view toward their repeal or revision. The Front will be supported in this by two other groups--the apparently Communist-supported People's Action Party and a Malay-Chinese alliance, which together won six seats. Final decisions on defense, finance and internal security, however, will remain in the hands of the governor.

Elections next July in the Federation of Malaya--which is administered separately from Singapore--are expected to result in government difficulties throughout Malaya, since leading federation parties are also talking of revising emergency laws and extending amnesty to the Communist terrorists.

SOUTH ASIA

3. Comment on Afghan-Pakistani situation:



The anti-Pakistani demonstrations in several Afghan towns between 30 March and 1 April will probably force the royal family to decide within the next few days whether to discipline Prime Minister Daud, who is also a member of the family, or to surrender to him on the Pushtoonistan question.

Pakistan's insistence that the formal apology and promise of compensation for the looting of the Pakistani embassy in Kabul on 30 March are inadequate also lends some urgency to the decision on Daud.

Though Kabul probably cannot accede to all of Karachi's demands, the government has forbidden further demonstrations and has announced that demonstrators will be fired on.

Daud's influential uncles, Shah Wali Khan and Shah Mahmud Khan, have condemned his actions and are said to have predicted that he will be dismissed. Daud's brother,

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Foreign Minister Naim, seems to have been genuinely surprised and angered by the week-end rioting. The king, who was absent on a hunting trip on 30 March, presumably also opposes Daud's actions.

The government is probably aware that if Daud continues as prime minister, additional unrest within Afghanistan, as well as armed clashes with Pakistan, may be expected.

NEAR EAST - AFRICA

4. Iranian prime minister-designate expects short term in office:

Minister of Court Ala, designated by the Shah to become Iranian prime minister upon Zahedi's resignation, has stated that he would do little more than install a cabinet before leaving for Europe for medical attention, according to the American embassy in Tehran.

Minister of Finance Amini, who is Ala's choice for prime minister, would be acting prime minister during Ala's absence.

Comment: Ala's tenure as prime minister is likely to be short and to be marked by the increased activity of all political factions, as well as greater participation of the Shah in government affairs.

Amini, who handled the recent oil negotiations with conspicuous success, would be in line for the premiership if he performed satisfactorily during Ala's absence. He would, however, be handicapped by the opposition of many influential politicians.

5. France to continue selling arms to Israel:

France will continue to sell arms to Israel in line with its policy of maintaining a "balance of strength" between Israel and the Arab states.

The Foreign Ministry said its sources show that the Arabs are now militarily superior to Israel. Furthermore, this superiority will become "more pronounced" in 1955, since Britain plans to send more arms to the Arab states and the United States has undertaken a program that "will double" Iraq's military potential.

Comment: There is a growing split between France on the one hand and Britain and the United States on the other over arms shipments to the Middle East.

France wants tripartite policy aimed at maintaining a numerical equality in armaments between Israel and the Arab states. The United States and Britain, however, have urged that other factors must be taken into consideration.

There is some reason to believe that France is making shipments to Israel without informing the tripartite Near East Arms Co-ordinating Committee. This committee was set up to make certain that the sale of arms to the area would not result in an arms race or a military imbalance which might lead to hostilities.

EASTERN EUROPE

6. Soviet ambassador discusses "normalization" with Tito:

Soviet ambassador Valkov's interview with Tito on 28 March was devoted entirely to the question of "continued normalization" of Yugoslav-Soviet relations, according to a statement by Yugoslav deputy foreign secretary Micunovic to the British ambassador in Belgrade. Valkov

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reportedly urged acceptance of a Soviet invitation for a parliamentary delegation to visit Moscow, and Micunovic believes that his government will adopt a "positive attitude."

American ambassador Riddleberger reports that Yugoslav foreign secretary Popovic is telling foreign diplomats that the conversation was about the Pravda article which answered in mild terms Tito's 7 March speech attacking Soviet handling of normalization. Riddleberger observes that there is considerable speculation in Belgrade that Valkov brought "soft answers to Tito's complaints."

Comment: Valkov's sudden trip to Moscow following Tito's criticisms of Soviet "normalization" tactics and his return to Belgrade just before the interview with Tito suggest that Yugoslav complaints were an important topic. The recent editorial exchange between Moscow and Belgrade indicated that the USSR desired to improve further Yugoslav-USSR relations.

Belgrade's acceptance of the Soviet invitation for an exchange of parliamentary delegations would be consistent with its professed desire of pursuing a policy of "active coexistence."

WESTERN EUROPE

7. Raab reported to fear partition of Austria if treaty negotiations fail:



Austrian chancellor Raab, who is scheduled to leave for Moscow on 11 April, has ambitions to be "the man who got the Russians out of Austria," according to

Ambassador Thompson in Vienna.

Thompson understands that Raab believes if he does not achieve a treaty "on this round," Austria will probably be partitioned. Raab thinks that even if he has to pay too high a price for a treaty, he can later renege on his agreements.

Thompson notes that Raab apparently believes Austrian ambassador Gruber in Washington is inaccurate

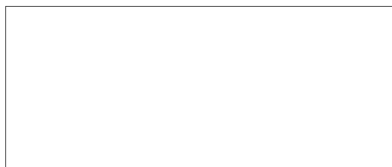
when he presents the United States as opposed to four-power guarantees of Austrian neutralization.

Comment: Top-level Austrian officials assert that the Austrian delegation will make no commitment in Moscow, but will explore the nature of neutralization and anti-Anschluss guarantees desired by the USSR.

The delegation, nevertheless, could make clear Austria's tendency to accept such guarantees.

LATE ITEM

8. Paris wants Diem's powers limited immediately:



In a note delivered to American chargé Achilles in Paris on 2 April, the French government states that "the Diem government must without delay become more widely based or give place to another." The note enumerates Diem's failures since he has been in power, and says he has alienated the "great majority of political, military and spiritual forces" in Vietnam.

The French secretary of state for the Associated States had told Achilles on 1 April that the French government was convinced the "Diem experiment" had failed and that the idea of finding a solution now through strengthening the Diem government was completely unrealistic.

Comment: In the note the French considerably exaggerated Diem's weaknesses, possibly to suit their apparent decision to make every effort to bring about his removal. General Ely's recommendation that Bao Dai invite Diem and the sect leaders to Paris may be designed to further such an aim.

The French have long distrusted Diem, and there is evidence that some French officials have been plotting with anti-Diem elements. Paris now fears as well that Diem's actions will involve France in civil strife in Indochina, a situation which any French government will avoid at all costs for domestic political reasons.

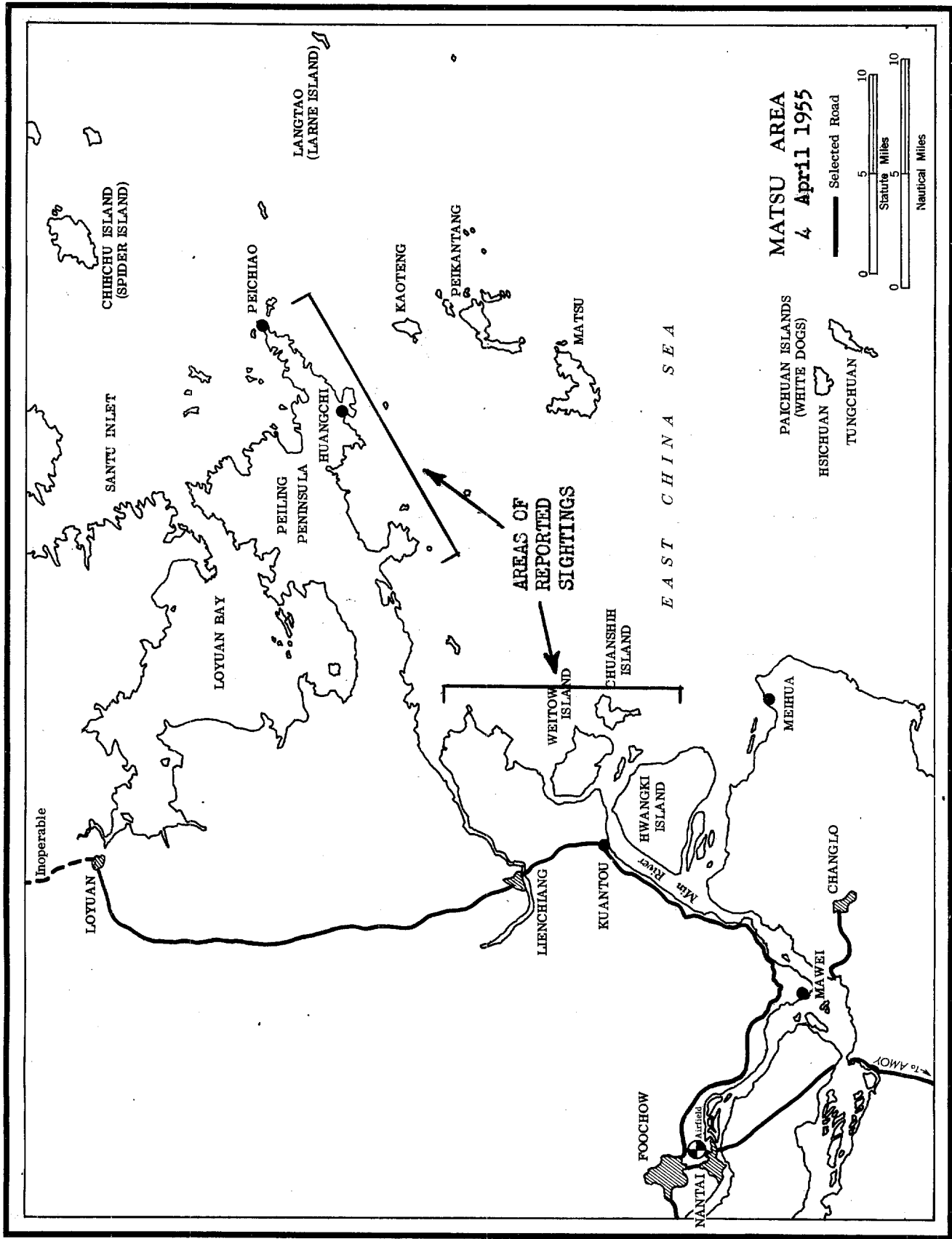
THE FORMOSA STRAITS**Report of the IAC Current Intelligence Group
for the Formosa Straits Problem**

This report is based on information received in Washington up to 1600 hours 4 April 1955.

1. The Chinese Nationalists have reported sighting 39 Chinese Communist vessels at sea in the Peiling Peninsula - Min River estuary area on 3 April. The sighting report included six to 11 LST's, sufficient for the initial lift of an assault force of 15,000 to 30,000 troops against islands of the Matsu group.

Although this report is not completely accepted, it is viewed with concern. If true, it would mean that the Chinese Communist navy had, on station opposite the Matsu Islands for the first time, amphibious lift sufficient to launch successfully an attack.

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