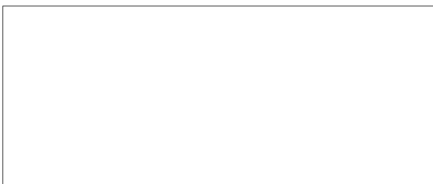


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26 January 1956 ^{1.3(a) (1)} 3.5(c)



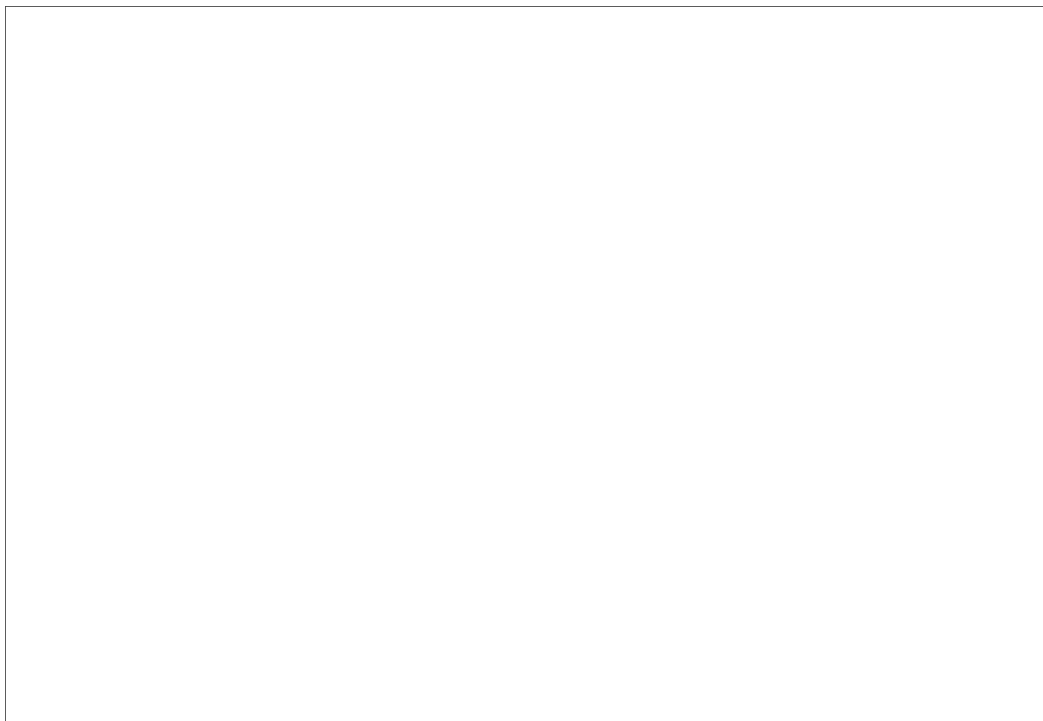
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~~CONFIDENTIAL~~

1. SIGNS OF POUJADISM IN ITALY

The recent Convention of Small Industries held in Rome was the setting for a full-scale airing of the accumulating grievances of

Italian businessmen against the "anti-private enterprise orientation" of the Segni government, according to the American embassy in Rome. Two cabinet members were hooted down during their speeches. The chief points of attack were the government's fiscal and credit policy, social security payments, new overtime laws, and inadequate customs rebates.

Comment Discontent among Italian small businessmen may cause them to be sympathetic to protest movements along the lines of the Poujade movement in France. Poujadist groups have been founded in Rome, Naples, Milan and Bologna, and Poujade reportedly intends to visit Italy in the spring. Local elections are scheduled to be held in early summer.

Otto Strasser, former Nazi leader recently returned from exile to Germany, apparently hopes to establish a similar movement among German extremists and reportedly plans to meet Poujade soon.

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2. SECURITY SITUATION IN SOUTH VIETNAM

The Viet Minh is apparently scoring a considerable success in its alliance with the Hoa Hao rebels in southwest Vietnam. By using the Hoa Hao it is able to carry on military activity against the South Vietnam government and at the same time avoid open violation of the Geneva terms.

Since Hoa Hao-Viet Minh co-operation was initiated last fall, a general improvement in Hoa Hao tactics and combat effectiveness has been noted. In a clash with the Hoa Hao on 13 January, the Vietnamese army suffered its heaviest casualties in any single action since the end of the war in 1954, with 61 killed and missing, including a battalion commander. The Vietnamese army now has some 35,000 troops deployed against an estimated 3,800 Hoa Hao.

The Viet Minh's association with the Hoa Hao is only one facet of the Communist effort against Diem. Subversion and infiltration are equally important.

The Viet Minh may make a special effort to interfere with the national assembly elections in South Vietnam on 4 March. It has already called for a boycott of these elections. the Viet Minh has issued orders that the election be "sabotaged."

THE ARAB-ISRAELI SITUATION

[redacted] 25 January)

Only minor shooting incidents have been reported on the Arab-Israeli borders. [redacted] an Israeli patrol action against the Arab Legion on 22 January, which [redacted] may have been in reprisal for an earlier incident in which two Israelis were killed. [redacted]

[redacted] Egypt has publicly announced that Israeli aircraft over the gulf area would be fired on, and [redacted] stated that antiaircraft fire had been directed at a plane in this area. [redacted]

[redacted] Tel Aviv notes that a bill has been introduced into the Israeli parliament to increase the deficiency appropriation for defense from the equivalent of \$14,000,000 to \$28,000,000. [redacted]

[redacted] Egypt now has 150 T-34 tanks. (This estimate is approximately correct.) [redacted] Israel was at a point of "extreme desperation" and that preventive war would be the best way out were it not that Israel cannot afford to antagonize world opinion by such action. [redacted]

BIWEEKLY SUMMARY
12-25 January 1956

THE TAIWAN STRAIT

**Report of the IAC Current Intelligence Group
for the Taiwan Strait Problem**

1. During the period the Chinese Communist and Nationalist ground forces in the Quemoy area engaged in a series of artillery exchanges. On 19 January, the Chinese Communists fired almost 3,000 rounds, the heaviest day's shelling since 22 September 1954. This heavy firing probably was in retaliation for earlier Nationalist shellings or it may have been related to the Nationalist troop rotation in the Quemoy area. No particular significance is attached to this heavy Communist shelling. [redacted]

2. [redacted]
[redacted] the Wuchiu Islands, midway between Matsu and Quemoy, be evacuated because of their negligible value and indefensibility. The Wuchius are garrisoned by 480 guerrillas. President Chiang Kai-shek may concur in this action, although for political and psychological reasons he has been opposed to giving any more islands to the Communists. [redacted]

3. The rotation program between Quemoy and Taiwan has bogged down due to many difficulties in both areas. This rotation was to be completed between November 1955 and mid-March 1956. However, the replacement of only one of the five divisions has been completed and the rotation of the next division may now be delayed until sometime in March. [redacted]

4. Although four of the new coastal airfields are considered serviceable, aircraft are not yet permanently stationed on the new airfields in East China. Chenghai airfield, near Swatow, may have been used for an overnight refueling stop by jet fighters from Canton, and Nantai, near Foochow, [redacted]
[redacted]
[redacted]

5. [redacted]
[redacted]

[REDACTED]

6. [REDACTED] during the months of November and December, a total of 40 Chinese Communist LCM's arrived in the Shanghai area. The arrival of these craft, which accommodate 90 troops each, will considerably increase Chinese Communist amphibious capabilities in the East China area.

[REDACTED]

7. [REDACTED] 13 amphibious transport vehicles operating in the Peiling Peninsula area northwest of Matsu. Seven of this type were sighted [REDACTED]

[REDACTED]

8. In recent propaganda comment on the Geneva ambassadorial talks, Peiping has charged the US with an effort to "finalize" its "occupation" of Taiwan and to cover up its activities designed to maintain tension in the area. On 25 January a Chinese Communist broadcast contained the vague threat that the US "must bear the consequences" if it persists in "dragging out" the ambassadorial talks. An implication that the talks would continue, however, was contained in a Peiping broadcast of 20 January which proclaimed that "the Chinese people do not fear US dilatory tactics. . . although the US dragged out the Korean armistice talks for two years, [REDACTED] still had to sign the armistice agreement." [REDACTED]

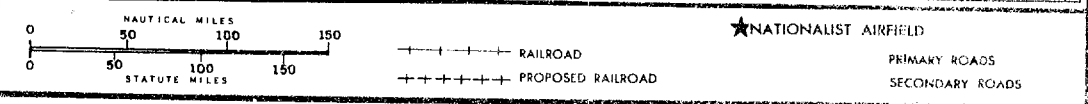
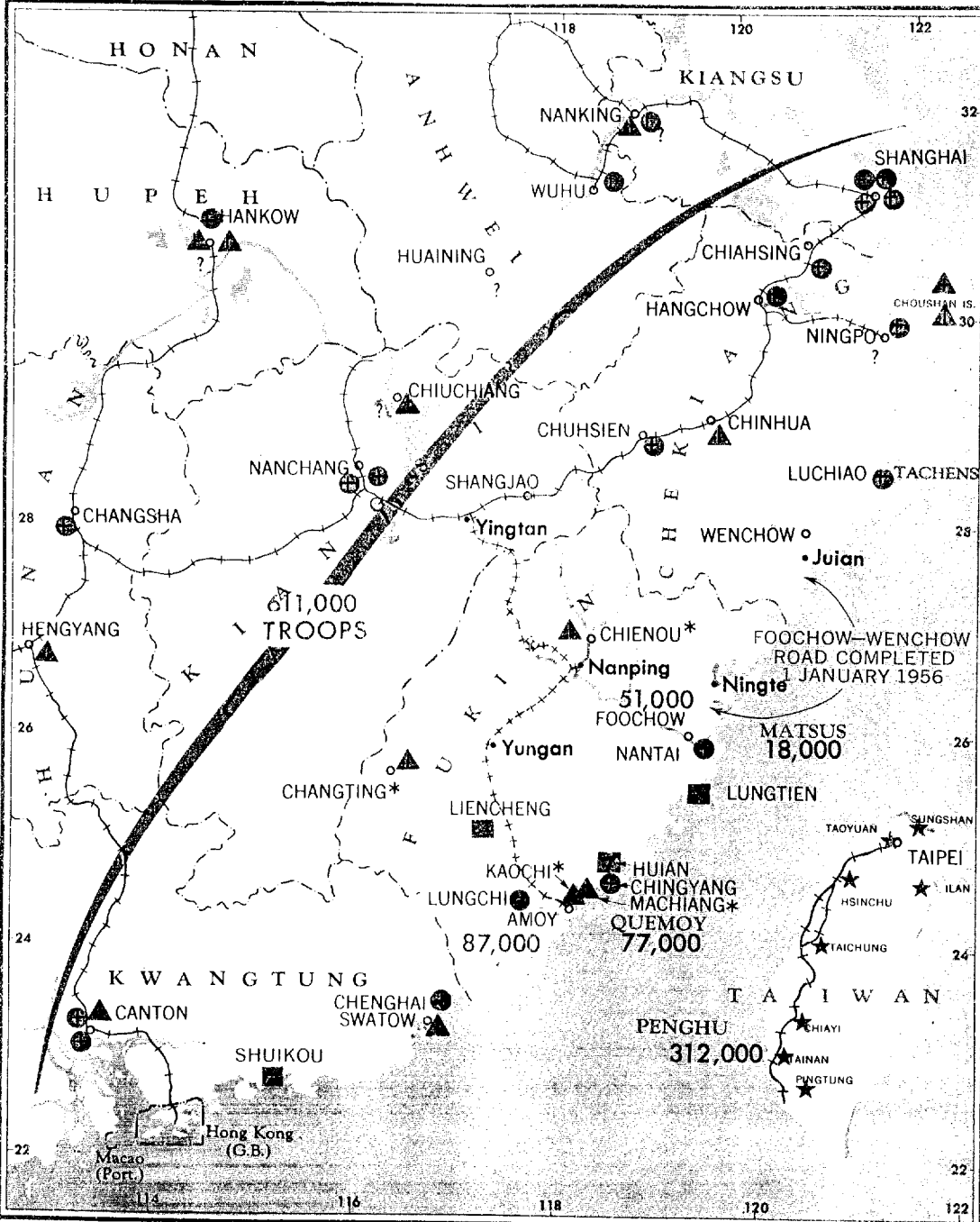
9. The offshore islands received no unusual propaganda attention in Chinese Communist radio broadcasts, other than a broadcast of 18 January addressed to the officers and soldiers on Quemoy and Matsu noting the anniversary of the Communist seizure of Ichiang and encouraging defection.

The Communists have increased their use of artillery to deliver propaganda leaflets on the Quemoy. This has proved sufficiently successful to cause the Nationalists to make plans for increasing the political indoctrination of troops in this area. [REDACTED]

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TAIWAN STRAIT SITUATION 26 JANUARY 1956

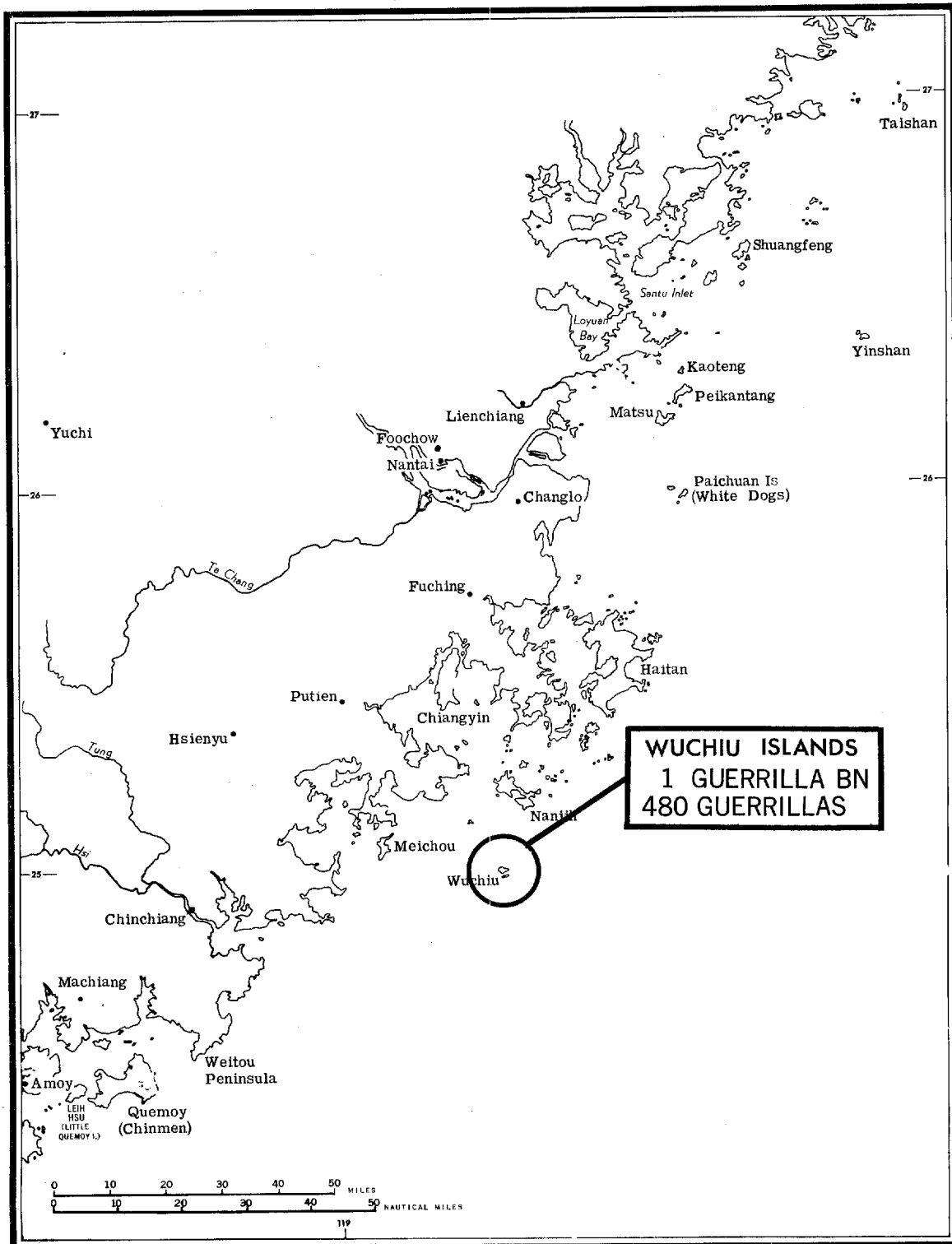
CHINESE COMMUNIST AIRFIELD LEGEND:			USABILITY			
DESIGNATIONS	PRIMARY AIRFIELD CONSIDERED MOST IMPORTANT IN AREA WITH PREPARED RUNWAY GENERALLY 5000 FEET OR LONGER.	SECONDARY AIRFIELD AUXILIARY OR EMERGENCY BASES OR FIELDS OF LESSER IMPORTANCE. RUNWAYS GENERALLY LESS THAN 5000 FEET.	+	1	?	■
	ACTIVE BASE FOR MILITARY & CIVILIAN AIR-CRAFT. SOME BASES USED BY PISTON TYPES MAY BE USABLE BY JETS	● OPERATIONAL	▲	MIG-15 MIG-17 TU-4 IL-28	TU-2 IL-10 LA-9(11) IL-2 ETC.	UNKNOWN
INACTIVE BASES CAPABLE OF USE BY AIRCRAFT	● SERVICEABLE	▲	* FIELDS NOT CONSIDERED CAPABLE OF SUPPORTING SUSTAINED OPERATIONS AT PRESENT.			
CURRENT STATUS UNDETERMINED	UNKNOWN					



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26 JANUARY 1956

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