

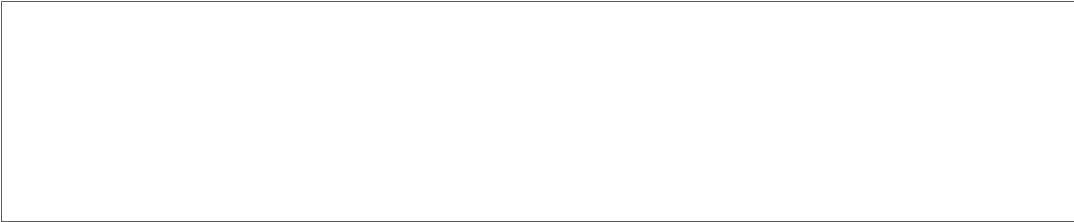
This report is divided into two parts:

The first consists of items on situations where developments may occur in the near future.

The second part consists of status reports on other important situations where critical developments are not expected immediately.

C O N T E N T S

PART I



TENSIONS INCREASE
IN CENTRAL AMERICA Page 6

The assassination of Panamanian president Remon has increased tensions in Central America.

PART II

STATUS REPORTS
ON OTHER SITUATIONS Page 8

- Prospects for Paris Agreements
- Soviet Reactions to Paris Ratification
- The Afro-Asian Conference
- Burma
- Hammarskjold in Peiping
- Chinese Offshore Islands
- "Liberation" of Formosa Plans
- Japan-Orbit Relations
- South Vietnam
- Possible Schism in Egypt's RCC
- Laotian Talks With Pathet Lao
- Arab-Israeli Dispute
- French North Africa

**SITUATIONS WITHOUT
SIGNIFICANT NEW DEVELOPMENTS Page 16**

- Anti-Soviet Emigrés
- Satellite Security Shake-ups
- Viet Minh May Challenge MAAG Personnel
- Viet Minh "Refugee" Movement
- US-South Korean Aid Agreement
- Possible ROK Moves Against NNIT
- South Korean Raids
- Indonesia
- Egypt and the Sudan
- Syria
- Finland
- British-Arab Oil Dispute
- Greece
- Chile
- Guatemala

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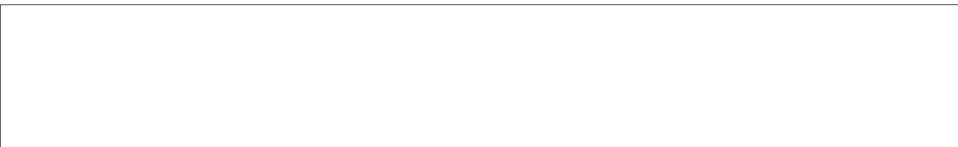
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TENSIONS INCREASE
IN CENTRAL AMERICA

The assassination of Panamanian president Remon has increased tensions in Central America.

The chief of the Venezuelan national security forces told the American embassy in Caracas on 3 January that he considers Remon's killing the prelude to further trouble in Central America. He also said that Remon had reported to Venezuelan president Perez Jimenez two months ago that Cuban gunmen were planning to kill both Perez and Remon.

The Venezuelan dictator and Nicaraguan dictator Somoza may use Remon's murder to "justify" intensified efforts to eliminate Costa Rican president Figueres.



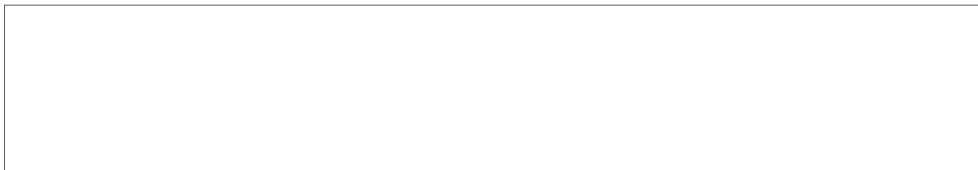
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In Panama itself, Remon's murder will probably introduce a new period of instability. José Ramon Guizado, the new president, will not be as strong as Remon was, and Communists and other opposition elements may try to exploit the situation by stirring up disorder and making other difficulties.

The American embassy in Panama City reported on 4 January that the Guizado government will sign the new agreement with the United States on the Canal Zone "without question." The president and his foreign minister admittedly fear that "material postponement after 15 January would be widely interpreted as a lack of United States confidence" in the new government.

Remon's assassins and their motives remain
unknown.

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CRITICAL SITUATIONS

Page 7

PART II

STATUS REPORTS
ON OTHER SITUATIONS

Prospects for Paris Agreements: The Paris agreements will probably be ratified by all the European signatory powers.

Following the French assembly's approval of the Paris accords, the French Council of the Republic will receive the bills on 11 January. The council must give them a first reading within the two-month period provided by the constitution, or before 11 March.

Although the council is expected to vote favorably on the first reading, changes in the text requiring further assembly concurrence could delay final action on the accords until June. An adverse vote would reopen the entire question of German rearmament in the assembly.

Failure of the negotiations--scheduled to begin on 17 January--for creating an arms production pool might influence the council to return the accords to the assembly. In such an event, Ambassador Dillon opines that they would be rejected. Agreement will probably be reached on the pool, however.

There will be some danger of the council's deliberately throwing the issue back to the assembly if Mendes-France is overthrown--as seems likely--before the accords are acted on by the upper house.

Mendes-France plans to visit Rome from 11 to 13 January, primarily to seek support for his proposal for a European arms production pool. The

Italians want broader discussions, to cover general East-West relations and Italian participation in development projects in French overseas territories. Mendes-France plans to return to Paris via Germany, where he will discuss both the arms pool and the Saar with Chancellor Adenauer.

None of the Benelux countries has as yet ratified, but all three expect to complete ratification by mid-February.

The final German Bundestag reading will take place at the end of January or the beginning of February. Action by the Bundesrat or upper house is expected in March. Ample majorities are certain on all the accords save the Saar agreement, which will have a slim majority in both houses.

The Italian Senate received from the Chamber on 28 December the draft law ratifying WEU and German entry into NATO. Consideration by the Senate Commission on Foreign Affairs will commence the latter part of January, with the floor debate scheduled the middle or latter part of February. Approval is expected despite the strong fight being made against WEU by the Communists and the Nenni Socialists.

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Soviet Reactions to Paris Ratification: Orbit commentaries on the French National Assembly's vote for ratification of the Paris agreements suggest that the USSR may postpone implementation of major countermeasures until it has had time to assess the results of the assembly's action and to appraise the prospects for final completion of the ratification process in Germany and France.

Moscow radio has pointed out that the Paris agreements still have to go through the French

Council of the Republic, and the Polish radio has declared that "the fight is not over yet."

The Soviet leaders have thus maintained wide freedom of action in the timing of any counter-measures they may take and are not committed to any irrevocable action in response to the completion of the first stage of the French ratification process.

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The Afro-Asian Conference: Most of the 25 countries invited by the five Colombo powers to attend an Afro-Asian conference in Indonesia next April will probably accept.

Peiping has responded with enthusiasm. The reactions of the Arabs and Africans have been mixed, but most of them will feel they should attend if others do. Thus far only Egypt has given evidence of attempting to develop a positive program of its own. The Egyptian foreign minister, confident of being supported by ten other countries, has said he will attempt to draw Indonesia and Nehru away from the Communists, avoid any semblance of recognizing Communist China, and "give a good push to the whole conference toward the Western way of thinking."

Japan, the Philippines, and Iran are inclined to participate, but have indicated a desire for American guidance before making a decision. Only Thailand has registered a negative reaction.

The Chinese Communists are expected to send a strong delegation to the conference, probably under Chou En-lai. The vague agenda, which lists only one common denominator--racial and colonial problems--is made to order for Peiping. The Chinese have already described the conference as directed toward

"enlarging the peace area," and Chou is likely to advance concrete proposals to further diplomatic, economic and cultural ties with the participating countries.

Unless some of the non-Communist countries are represented by equally dynamic personalities who are prepared with proposals of their own, Peiping is likely to steal the show.

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Burma: The Burmese role at the recent conference of the Colombo powers indicates that Rangoon is unlikely to oppose any forthcoming Chinese Communist proposal for closer Asian alignments. Burma's premier, who bore the news that Peiping wanted an invitation to the Afro-Asian conference, threatened that Rangoon would boycott the conference if the Chinese were not invited.

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Hammarskjold in Peiping: UN secretary general Hammarskjold arrived in Peiping yesterday to try to secure the release of UN personnel held by the Chinese Communists.

Hammarskjold was reported to be "deeply confident" while in London last week, despite the efforts of both American and British officials to discourage optimism.

Peiping's resumption this week of intensive propaganda on the "spy" case supports other indications that the Chinese Communists' first step will be to try to persuade Hammarskjold that they have a good case against all 13 American "spies." Peiping will probably produce these 13 on request.

It would appear to the interest of both Moscow and Peiping to conciliate world opinion by releasing at least the 11 airmen after making whatever case can be made against them. Peiping's propaganda, however, has suggested that, in the absence of Soviet intervention, the Chinese will hold the airmen for bargaining on several allegedly related grievances.

It thus seems likely that Peiping's second step will be to make a bid, through Hammarskjold, for American concessions on such issues as China's seat in the UN, American-Nationalist relations and operations, Chinese prisoners of the Korean war, and Chinese students and financial assets in the United States.

The Chinese may seek to keep interest in negotiations alive by freeing certain other American nationals whose alleged offenses are less serious than those charged against the airmen. For example, Peiping might choose to release the four other American airmen whom it admits holding and who are accused only of air "violation."

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Chinese Offshore Islands: There have been no significant clashes in the past week. The Communists continue, however, to increase their capabilities for future operations and have recently demonstrated their control of the waters north of the Tachen Islands. A build-up of facilities on Communist-held islands in this area could be the prelude to assaults on smaller islands in the Tachen group, for example, Ichiang or Yushan.

A new airfield may be under construction about 50 miles west of Swatow, due west of Formosa and about 150 miles south of the Quemoy.

Nationalist navy observers last month for the first time sighted torpedo boats in the Swatow harbor. These boats, operating from Swatow, could be used in sneak attacks on Nationalist vessels in the Formosa Strait.

Other Communist military activity along the coast has included small-scale training maneuvers and construction of defensive fortifications along the Fukien coast opposite the Quemoy and the Matsus.

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"Liberation" of Formosa Plans: Chinese Communist efforts to subvert Chinese Nationalist personnel may win important successes in the next few months.

Peiping made an offer to Nationalist armed forces on New Year's Day which included a promise of cash rewards for weapons, planes and ships delivered by defectors and which repeated previous offers of amnesty, land and jobs for defectors.

Meanwhile, it has been confirmed that Nationalist defectors played a role in the Wuchiu Island incident last November when, during a bombardment of the island by several Communist naval craft, a few members of the Nationalist garrison attempted to incite panic among the defenders and thus facilitate a Communist landing.

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Japan-Orbit Relations: For the first time in a Japanese election campaign, Communists other than domestic have voiced support for the Socialist Parties and will apparently work for a Socialist victory in the vote scheduled for 27 February. The Socialists are not expected, however, to win more than a third of the Diet seats.

The Chinese Communists have editorially endorsed the Socialist Parties, [redacted]

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The Communists recognize their own weakness at the polls, and would view the eventual establishment of a Socialist government, dominated by neutralists and infiltrated by Communist sympathizers, as a significant forward step.

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South Vietnam: The Binh Xuyen organization, which controls the police, may sabotage public utilities in Saigon if Premier Diem carries out his stated intention not to renew the Binh Xuyen's gambling concession when the contract expires on 15 January. If Diem should temporize with the Binh Xuyen, he would probably face new demands from the Cao Dai and Hoa Hao sects. Chances are that some "arrangement" will be worked out which will make it possible to avoid a showdown.

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Possible Schism in Egypt's RCC: Egypt's Minister of National Guidance Salah Salim's neutralist speech on relations with the West on 27 December may mark a schism in the Revolutionary Command Council, with Salim championing Arab solidarity in opposition to Prime Minister Nasr's policy of co-operation with the West.

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Salim, the most likely member of the council to become a serious rival to Nasr, has been the center of growing intracouncil dissension for some months.

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While Nasr would probably win a test of strength with Salim, the prime minister is likely to proceed more cautiously for the time being in moving toward closer relations with the West.

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Laotian Talks With Pathet Lao: Within the next few days the royal government will send a delegation to confer with representatives of the Viet Minh-backed Pathet Lao at a site chosen by the latter. The government had earlier insisted that the talks be held in the capital. Its concession on the site will give the Pathet Lao a psychological advantage and facilitate Viet Minh domination of the conference.

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Arab-Israeli Dispute: Israeli officials have indicated to Western diplomats that their government will continue to wage an unabated campaign in the United Nations for the right of Israeli ships to pass through the Suez Canal.

The bitterly anti-Israeli pronouncements of Egypt's Minister of National Guidance Salah Salim on 27 December, even though made without authorization of the Nasr regime, will aggravate the already strained relations between the two countries.

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French North Africa: Terrorism is on the increase in French Morocco, where there were 50 armed attacks last week. These were attributed in part to nationalist resentment against UN unwillingness to act on the Moroccan dispute.

The American consul general in Casablanca reports that he is "becoming increasingly concerned at the upsurge of terrorist and counterterrorist activity in Casablanca, and while the situation is not now alarming, it would become so if the present tempo and type of attacks continue."

In Tunisia, increasing nationalist impatience with the lack of progress in the negotiations on Tunisian self-government now under way in Paris threatens to lead to a renewal of nationalist non-co-operation and possibly terrorism.

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Note: There are no significant new developments to report this week on the following situations:

Anti-Soviet Emigrés

Satellite Security Shake-ups

Viet Minh May Challenge MAAG Personnel

Viet Minh May Close Hanoi Consulate

Viet Minh "Refugee" Movement

US-South Korean Aid Agreement

Possible ROK Moves Against NNIT

South Korean Raids

Indonesia

Egypt and the Sudan

Syria

Finland

British-Arab Oil Dispute

Greece

Chile

Guatemala

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