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SECURITY INFORMATION

1 November 1951

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Copy No.

47

CURRENT INTELLIGENCE BULLETIN

DOCUMENT NO. 37  
NO CHANGE IN CLASS. X  
DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: 2001  
AUTH: HR 70-2  
DATE 12-12-79 REVIEWER: [Redacted]

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[Redacted]

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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## FAR EAST

1. Chinese Nationalists aroused over alleged statements of Japanese Prime Minister: 3.3(h)(2)

 Prime Minister Yoshida's reported statement before the Japanese Diet on 30 October that Japan would "gladly" negotiate a peace treaty with the Chinese Communists without the "slightest objection" has shocked the Chinese Nationalist Government, according to the US Charge at Taipei.

He reports that Yoshida's recent comments, indicating that Japan will make no early decision on the Chinese treaty question, are producing a highly embarrassing and unsettling situation in Formosa. This is damaging to the US aid program, is helping the Communists, and is giving the impression that "the Japanese are already throwing their weight around in the traditional manner."

Meanwhile, the Chinese Foreign Minister has requested US help in meeting charges that Yoshida's statements actually represent US policy and are "intended both as a direct Japanese and indirect US slap-down for the Nationalist Government."

Comment: There is as yet no official confirmation of Yoshida's alleged statement. In previous Diet speeches he has attempted to maintain a non-committal attitude on the Chinese treaty question, out of deference both to diverse international opinion and to domestic political opposition. He has officially assured the US, however, that the Japanese Government has no intention of concluding a bilateral treaty with the Communist regime.

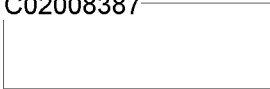
Despite the strong anti-Communist stand of the Japanese Government, the Nationalists remain skeptical of Japanese intentions and have repeatedly urged the US to intercede in their behalf.

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NEAR EAST



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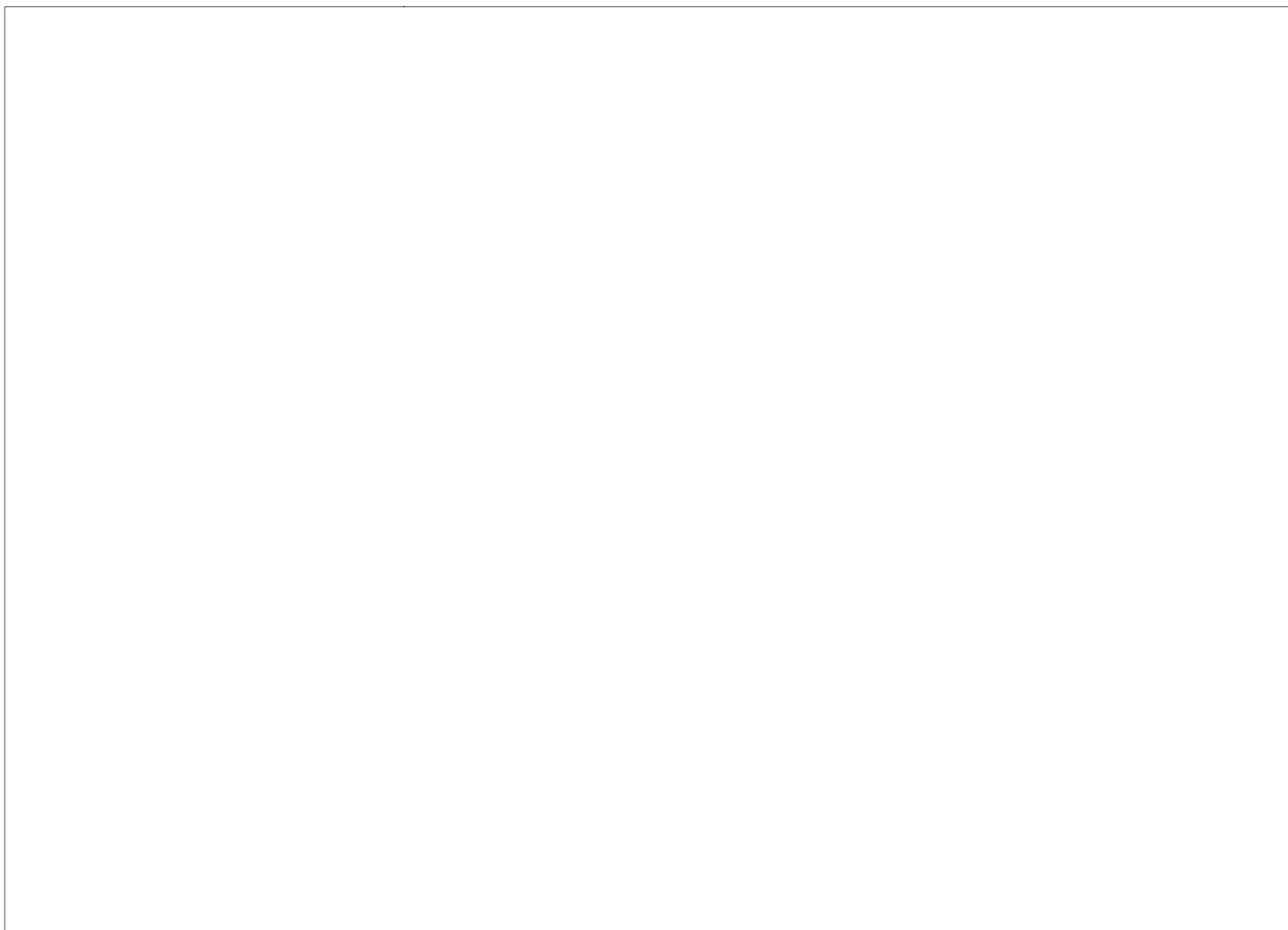


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5. New Greek Government not expected to last long:

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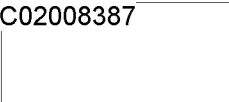


Liberal leader Venizelos accepted the post of Deputy Prime Minister and Minister of Foreign Affairs in the new coalition government against his better judgment. The US Embassy in Athens, which expressed this opinion, added that Venizelos obviously withheld some of the best of the Liberal Party members from cabinet posts, perhaps to use them in further maneuvers. The length of time that the new government remains in office will probably depend to a large extent on Venizelos' attitude.

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Comment:



 that the uneasy coalition government created on 27 October is not given a long life expectancy. New elections are expected within the next few months.

Meanwhile, continuing instability will prevent Greece from contributing significantly to NATO or the Middle East Command.

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**WESTERN EUROPE**

**7. Harassing of German interzonal trade continues:**

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The Allied Commandants in Berlin report that Soviet and East German authorities have still not demonstrated that they intend to comply with their

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oral agreement to cease interference with Berlin trade. The Commandants recommend that economic pressure be brought to bear on the East Zone.

Comment: The Allied High Commission decided on 24 October to suspend interzonal trade entirely if USSR and East German officials did not remove restrictions on Berlin traffic by midnight 1 November. As French and British officials had been reluctant, prior to the 24 October meeting, to stop interzonal trade; this counteraction may still be postponed pending a possible change in East German tactics.

Little trade has moved since the signing of the interzonal trade pact on 20 September. Although the West Germans appear to have shipped roughly three times as much to East Germany as they have received, the East Germans have shown considerable displeasure that key shipments, such as iron and steel, have been delayed.

8. Schuman anticipates French initiative for settling the Saar question: 3.3(h)(2)



French Foreign Minister Schuman has stated that the French Government might "begin exploring ground" in the coming months for a solution to the Saar problem and that he did not think the present arrangement could continue indefinitely. He hopes that the question will be settled before the 1953 Saar elections.

Schuman sees a definite possibility for solving the Saar problem "in the context of a federal Europe," with the territory enjoying a special status, perhaps as a trusteeship of the European community. He believes that some Germans, "including possibly Adenauer himself," favor such a solution.

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