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GENERAL

1. Comment on declaration concluding Orbit conference in Moscow:

[redacted] The Moscow conference has produced no new proposals which might block French and German ratification of the Paris agreements. It was staged apparently to dramatize the Soviet thesis that the West will bear the entire responsibility for the consequences of rearming West Germany. As the final declaration states, this action will compel the Orbit states to take "joint measures with regard to the organization of their armed forces and command, as well as other measures equally necessary for the strengthening of their defense capacity."

The conference so far has failed to make any significant impression on French or German opinion, which has viewed the newly announced Orbit defense unity as merely an official admission of a long-existing situation. [redacted]

SOVIET UNION

2. Sverdlov class cruiser possibly constructed at Molotovsk yard:

[redacted] Two Sverdlov class light cruisers [redacted] were sighted in the vicinity of the Kola inlet in the Murmansk area on 2 October, [redacted] US naval headquarters [redacted] comments that one of the cruisers may have been constructed at the Molotovsk shipyard near Archangelsk, which had not been known to be engaged in major warship construction since World War II.

Comment: Prior to this sighting, only one cruiser of this class, the Alexander Nevskiy, was assigned to these waters. The Alexander Nevskiy was built at Leningrad and transferred to the Northern Fleet in the summer of 1953, [redacted]

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[REDACTED]

The reasons for concluding that the second cruiser was built at Molotovsk are (a) lack of evidence that any Soviet cruiser other than the Alexander Nevskiy has transited the Danish straits to join the Northern Fleet and (b) tentative evidence [REDACTED] that a cruiser construction program is under way at the Molotovsk yard. The participation of the Molotovsk yard in the production of Sverdlov class cruisers suggests strongly that the cruiser construction program, which had shown signs of tapering off, will be extended.

[REDACTED]

SOUTHEAST ASIA

3. French see need for early Indochina talks with US:

[REDACTED] New French-American talks on the political situation in South Vietnam will have to take place "within a matter of weeks rather than months," according to the personal spokesman of French minister for the Associated States Le Chambre.

The spokesman told American officials in Paris on 2 December that his ministry is convinced Vietnamese premier Diem must be replaced. His personal view was that the American policy of reducing the size of the Vietnamese army and the French expeditionary force is incompatible with support of Diem. He said he doubted that the Manila pact could provide an adequate substitute for a substantial expeditionary corps. He was unable to explain, however, how the maintenance of a large military force would be of value unless "a stand were taken" and the all-Vietnam elections scheduled for 1956 were avoided. He indicated that he still thinks the 1956 elections will provide the only "solution" to the Indochina problem.

Comment: There are indications that France may be trying to establish greater American responsibility for future developments in Vietnam. General Ely suggested

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to General Collins in Saigon on 30 November that the planned cuts in the Vietnamese army and the expeditionary corps made the United States and France equally responsible for the security of South Vietnam.

SOUTH ASIA

4. Additional changes in Nehru's cabinet are possible:

[redacted] Indian prime minister Nehru has dropped his idea of making V. K. Krishna Menon minister of defense and is now thinking of him as "minister of external affairs without portfolio," [redacted] Nehru is, however, meeting strong objections to Menon's appointment to any "central post." Some of the opposition comes from sources as high as Education Minister Azad, who acts as prime minister when Nehru is abroad.

Comment: [redacted]

[redacted] Nehru is trying hard to find a cabinet post for Menon. He will probably fail to get Menon a voting cabinet membership, but may well succeed in making him a minister without portfolio, with much of the prestige of a cabinet member, but without a vote.

Nehru obviously feels keenly the loss of the late food minister Kidwai's administrative talent and liberal-leftist companionship. This is illustrated by his bringing Pandit Pant, one of India's ablest administrators and most prominent Congress Party members, into the cabinet on 1 December and by his urgent desire to have Menon, another old friend, close to him.

NEAR EAST - AFRICA

5. Shah may remove Iranian prime minister:

[redacted] There is a strong possibility that the Shah will remove Prime Minister Zahedi soon after the monarch returns from the

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~~TOP SECRET~~ [redacted]United States in early February 1955, [redacted]
[redacted]

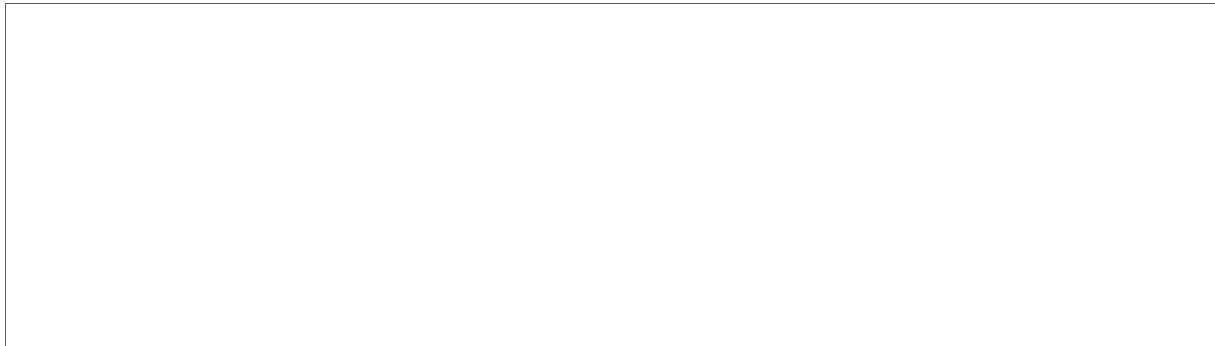
The Shah has stated that Zahedi must vigorously prosecute a program of social reform and the elimination of corruption. [redacted]

[redacted] however, the prime minister is not taking the anticorruption campaign seriously and the people around him are lining their pockets.

Comment: It has long appeared probable that Zahedi would not remain in office for any considerable period after settlement of the oil dispute. The Shah probably could replace him without difficulty, since the prime minister has little personal following.

EASTERN EUROPE

6. Hungary assigns military personnel to coal mines:



Comment: [redacted]

[redacted] the regime views the mounting coal deficits, which it has already acknowledged to be as serious as during the critical winter of 1953-54. While combat troops have previously been used as labor forces to assist in harvest, mine and construction work during periods of critical labor shortages, this is believed to be the first instance in the Satellites of such troops being assigned to civilian production for an extended period.

The Hungarian government has been consistently unable to attract adequate civilian labor to the coal mines notwithstanding the granting of increased benefits and bonuses.

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WESTERN EUROPE

7. Juin seen making bid for top control of French North Africa:

Marshal

Juin is pressing Premier Mendes-France for appointment as military commander for all French North Africa, a post the Gaullists want created. During an interview which he requested with Mendes-France on 30 November, Juin is reported to have insisted on complete political and military liberty of action for at least six months, with responsibility only to the premier.

Mendes-France is said to consider these terms unacceptable. The embassy believes, however, that if the truce in Tunisia goes badly, the government may be forced to buy Gaullist support in the National Assembly by acquiescing in some such proposal.

Comment: While resident general in Morocco in 1947-1951, Juin had control over all French military forces in North Africa. During this period he was known for his authoritarian rule, and in 1951 he unsuccessfully tried to unseat the then sultan of Morocco.

Terrorism in French North Africa would probably increase sharply if Juin were given a free hand in military and political affairs there for even a limited time. Tunisian nationalists in particular would consider such an appointment a complete reversal of Mendes-France's promises of autonomy. Adoption of the Gaullist proposal to create an over-all North African military command would also arouse widespread criticism in the French assembly, particularly from the Socialists and many Popular Republicans.

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