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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: MAY 26 1951

- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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*Army, DIA, DOS and USAF
reviews completed*

SECTION 1 (SOVIET)

- "C" USSR. USSR Presidency May Tie Up UN Security Council Operation During June. In planning for Soviet Presidency of the UN Security Council in June, the USUN delegation anticipates that the SC may be tied up in a prolonged wrangle over the Chinese representation issue. The US delegation urges the precaution of ensuring the necessary votes, particularly UK support, to reverse Soviet rulings, even though Malik (USSR) can tie up the SC by refusing to put his challenged rulings to a vote. The US delegation notes that SC attention may be needed during June for problems concerning Palestine (Syrian-Israeli border dispute), Kashmir, and possibly Iraq. [REDACTED] **COMMENT:** During the Soviet Presidency in August 1950, Malik successfully tied up SC consideration of the Korean crisis. However, the General Assembly subsequently provided that the GA will make recommendations for maintenance or restoration of international peace and security if the SC fails to exercise its primary responsibility in that field.
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- "B" EASTERN EUROPE. BULGARIA. Report of Soviet Troops in Northeastern Bulgaria Refuted. The US Army Attache in Ankara reports that [REDACTED] 25X1
[REDACTED] from Silistra, Bulgaria, have denied the "eye-witness" claims [REDACTED] 25X1
25X1 [REDACTED] (Daily Digest, 18 May 1951) that Soviet troops have entered that area. [REDACTED] confirmed, however, the departure of the 31st Bulgarian infantry regiment which had previously been stationed in Silistra.
25X1 [REDACTED] **COMMENT:** The report of the entrance of Soviet troops into Silistra was one of several claiming the arrival of Soviet troops and material in Bulgaria during April. The reported arrivals in Bulgaria came via Bulgarian and Rumanian Black Sea ports. Confirmation of these reports is still lacking.
- "B" CZECHOSLOVAKIA. Border Guard Officer Threatens To Use Arms Against Future Border Violators. According to the US Political Adviser in Heidelberg, a Czechoslovak SNB (Border Guard) and four SNB NCO's held a conference with responsible German border authorities to protest the violation on 4 May of the border by four American soldiers. The spokesman of the SNB deputation is quoted in the Bavarian State Border Police report as saying "As of now, all similar border violations shall be prevented by the use of our arms. 25X1
25X1 If the Americans want to have a war they may get it." [REDACTED]
25X1 **COMMENT:** Although this statement is probably only irresponsible bravado on the part of the SNB, the seriousness which the Czechoslovak Government attaches to the incident is revealed by the strong protest which was handed Ambassador Briggs on 21 May. The statement should also be viewed in relation to the deteriorating relations between the US and Czechoslovakia as a result of Radio Free Europe broadcasts and the Oatis case.

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"B" HUNGARY. Members of Upper and Middle Classes Being Evacuated From Budapest. Approximately 1,000 families from the former aristocracy, high army ranks and civil service of former administrations have recently been evacuated from Budapest. Reportedly the persons deported are given 24 hours notice and are permitted to take only hand baggage with them. Although it is believed that they are being sent to small rural towns, it has also been alleged that they are being sent to concentration camps. [REDACTED]

25X1 [REDACTED] COMMENT: Similar deportations have taken place in Bulgaria (since 1947) and in Poland (about a month ago). Recent official concern with the shortage of housing in Budapest suggests that this may be the reason for the evacuations. An additional factor would be the desire to eliminate these groups for security and political reasons. A 1939 law grants exceptional powers in time of war or imminent threat of war, including eviction from certain communities of those persons whose stay "may be considered objectionable from the point of view of public order, security, or of some other important government interests."

"C" POLAND. Plans Revealed for Development of Recovered Territories. In a recent speech Hilary Minc, Poland's Chief economic planner, unveiled plans for the extended economic and agricultural development of the former German territories now under Polish administration. According to Minc new copper production from the area would meet domestic requirements, coking and chemical plants would be constructed as would a synthetic fiber factory and a nitrate compound plant. Facilities in the Port of Stettin would be expanded. In the agricultural phase, emphasis is to be placed upon livestock breeding. In order to overcome the manpower shortage in the recovered territories, a new campaign for resettlement will be undertaken. [REDACTED]

25X1 COMMENT: From time to time during recent months reports have been received which would indicate that some steps have already been taken along the lines described by Minc. Construction on a power plant southeast of Katowice to supply additional power to the upper Silesian industrial areas has been announced. Another large power station is planned for Bychow to supply power to Stettin and lower Silesia. Work has already been done on expanding some of the dock facilities in Stettin. In the past the Government has met with poor success in its efforts to gain settlers for the recovered territories because of the unwillingness of the Poles to move into a region which they still regard as only a temporary part of Poland. While it is not clear from Minc's speech whether or not this development plan is part of the current six-year plan, lack of manpower will undoubtedly delay the fulfillment of the plan for the development of the recovered territories.

"C" Politburo Decision May Indicate Collectivization Trouble. The Politburo of the Polish Communist Party has announced its decision to dissolve the District Committee of the Gryfice District in eastern Stettin Province for violations of the Party line and abuse of authority. The entire resolution to dismiss the Gryfice District Committee is couched in general terms and gives no specific reason for the action, but does

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portray the Party as the beneficent protector of the rights of the people.

[REDACTED] **COMMENT:** It seems likely that there have been abuses against the peasants in this area to such an extent that either the formation of agricultural production cooperatives or the actual sowing of crops has been severely affected through peasant intransigence. By its decision the Politburo probably hopes to eliminate the principle source of peasant complaint and also give itself the aura of an interested and just leader of the people.

"B" ROMANIA. More Stringent Control of Manpower Being Effectuated. The Rumanian Council of Ministers has announced the creation of a General Directorate of Labor Reserves for "the recruiting and organized distribution of the labor reserves... according to the necessities of the national economy." The US Legation in Bucharest reports that the great majority of the victims of "wholesale lay-offs" ranging between 20 and 40% of white-collar workers in Government offices, factories, and business enterprises have been unable to find other employment. At the time of dismissal they were informed that they would be permitted to retain their ration cards for one month.

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[REDACTED] **COMMENT:** The Rumanian regime used government employment as a bid for mass support in the early stages of consolidation of its power. Mass dismissals suggest that the regime no longer considers popular support necessary and that these former employees can now be utilized more effectively as unskilled workers on construction jobs. Inability to secure employment will rapidly force this group to accept whatever assignments the Directorate may make.

"A" YUGOSLAVIA. Differences in Yugoslav Politburo Over Development of New Type Socialism. Ambassador Allen in Belgrade has learned from a [REDACTED] that a fairly well-defined difference of opinion has developed in the Yugoslav Politburo over the question of the speed with which Yugoslavia should change its existing pattern of political economy, based originally on the Soviet system, to a new indigenous type of socialism which all Yugoslav leaders hope to develop. A more theoretical and idealistic group, led by Djilas and Pijade, feels that Yugoslavia should move rapidly towards the type of economic, though not political, structure favored by British left wing Laborites. This group favors drastic decentralization and the withering away of the bureaucratic state. The second group, composed of Kardelj, Rankovic, Kidric, and Gbanjak, favors a more nationalistic approach and advocates a slower tempo in the evolution of Yugoslav socialism. It tends to cling to the existing Soviet-based system and is less impressed by ideological theorizing. Tito, who has not been active in recent debates, is said to lean towards the second group. Ambassador Allen believes that a compromise solution will be reached, with Tito casting the deciding vote whenever he decides to show his hand.

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[REDACTED] **COMMENT:** The gradual development of a new type of Socialism in Yugoslavia, which has been evidenced by recent changes in the Yugoslav governmental apparatus and the increasing contacts of Yugoslav leaders with Western socialists, may well have resulted in differences of opinion

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in the Yugoslav Politburo. In recent months the Yugoslav Government has introduced several reforms which ostensibly strengthen the power of the local governments at the expense of the central authority. Under the existing Yugoslav Communist system two lines of control have actually existed -- the Federal Government and the Communist Party. By eliminating many of the powers of the Federal Government, Yugoslav leaders probably hope to abolish much of the duplication and bureaucracy which has existed. None of the reforms to date, however, has basically changed the Marxist-Leninist orientation of the Government or weakened the authority of the Party.

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SECTION 2 (EASTERN)

"B" SYRIA-ISRAEL. Syria Alarmed Over Israel's Non-compliance with UN Resolution. Prime Minister el-Azm informed US Charge Clark in Damascus on 26 May that the Syrian Government takes a serious view of Israel's non-compliance with the UN Security Council resolution which calls for a stoppage of Israel's drainage work in the Lake Hule demilitarized zone. (See OCI Daily Digest, 2 May 51). El-Azm stated that while Arab hopes had been initially raised by the Security Council action, the newly-found Arab confidence in the UN was fast ebbing away. El-Azm also stated that he is under the impression that General Riley, the chairman of the UN Truce Supervision Organization, concurs with Israel's interpretation of the Security Council measure that the drainage work need only be halted on the Arab-owned lands even though the resolution clearly indicates that all the work in the entire demilitarized zone must stop. When Clark referred to the many difficulties facing General Riley and urged that Syria continue to follow a policy of moderation in regard to the border dispute, el-Azm agreed but warned that popular feeling in Syria was becoming dangerously aroused. Clark comments that the Embassy believes the general situation in regard to the border dispute will deteriorate unless swift action is taken to obtain Israel's full compliance with the Security Council resolution. [REDACTED]

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COMMENT: Initial Arab satisfaction with the terms of the 18 May UN Security Council resolution has been reflected by reports from several of the Arab capitals. The possibility certainly exists, however, as US Charge Clark indicates, that if Israel does not fully comply with the UN measure, Arab confidence in the UN will again be shaken and new Arab criticism of the US and UK may then appear.

"B" IRAN. Iranian Government Rejects the International Court's Note on the Oil Issue. Iran refused again today to recognize the jurisdiction of the International Court of Justice in the Government's dispute with the UK over nationalization of Iran's oil industry. Deputy Premier Hossein Fatemi announced that the Iranian Foreign Office rejected a notification from the World Court of the complaint lodged there Saturday by the Anglo-Iranian Oil Company and the UK Government. Foreign Minister Kazemi has informed the Court that Iran would not send a representative for any hearing on the matter. [REDACTED] COMMENT: The Government's rejection of the Court's note is consistent with its previous

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rejection of the Oil Company's request of 8 May for arbitration by the International Court of Justice as provided in the 1933 concession. Premier Mossadegh is determined to go ahead with oil nationalization and although the Oil Commission is willing to discuss with the Company implementation of the oil nationalization law, he regards its implementation as entirely within the jurisdiction of the Iranian Parliament.

"B" INDONESIA. UN Embargo vs. Prompt Indonesian Request for Additional US Exports. An official government statement declares that Indonesia will honor the UN embargo of strategic materials to Communist China by adhering to the trade pattern which existed before the embargo was recommended. According to Foreign Minister Subardjo, this pattern included no rubber shipments to China. Both Subardjo and Ambassador to the US, Ali, stressed to US Ambassador Cochran, however, the unhappy results of the embargo to Indonesia and stated that a new approach would be made to the US for consumer goods. Ambassador Ali stated that he feared Communism would grow in Indonesia as a result of the drop in rubber prices and the consequent lowering of living standards. Cochran replied that Indonesia had done almost nothing toward suppressing Communism since the achievement of sovereignty and that disorders had reached their height during the past few months when the greatest profits were being obtained from rubber and economic prosperity generally was rising. He said everything possible was being done to justify legitimate and reasonable Indonesian requests for US products. [redacted]

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"B" BURMA. Main Body of KMT Forces Reported to be Still in Burma.

US Embassy Rangoon reports that [redacted] the main body of Chinese Nationalist troops in Burma has not reentered Yunnan, but has been moving into the Northern Shan and Wa States where it may join forces with an additional 4000 anti-Communist guerrillas which have been collected by the local Sawbwas (chieftains). This reported movement coincides with information obtained in Bangkok [redacted]

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[redacted] expressed doubt that these troops will risk destruction by moving into Yunnan, although US Embassy Rangoon comments that the possibility still exists that the Nationalist objective is Kengma, Yunnan. [redacted]

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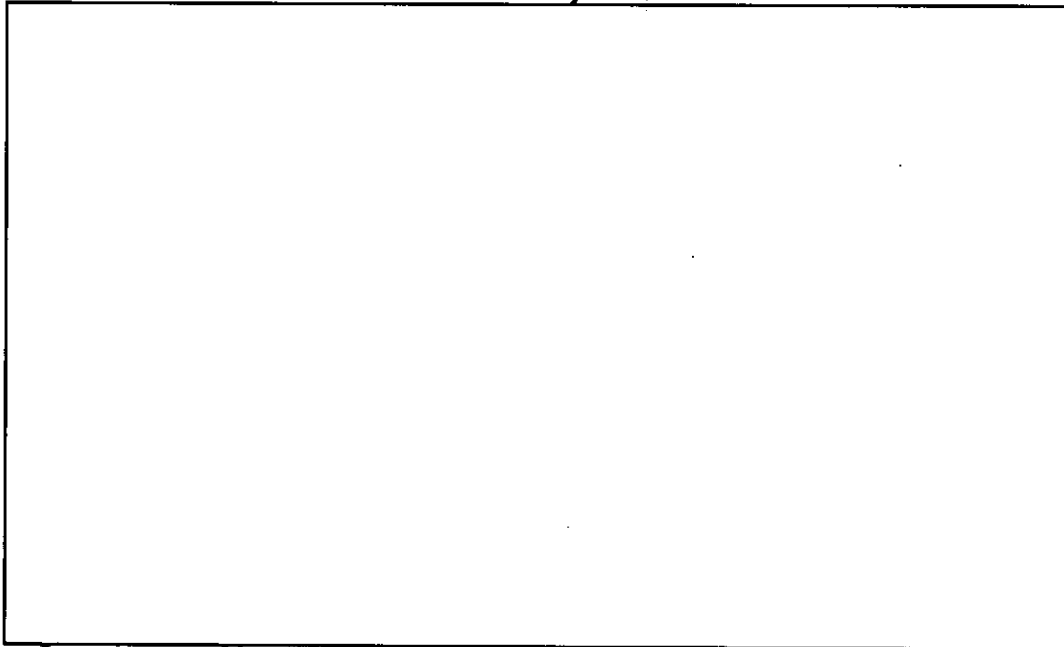
COMMENT: While the Chinese Nationalists in Burma are apparently on the move, there is no reliable evidence that they have made any serious effort to return to Chinese territory.

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"B" KOREA. Four-engined Enemy Aircraft Sighted South of the Yalu River. A delayed report from the US Far Eastern Air Force reports an 11 May sighting of an enemy aircraft believed similar to a B-29 flying in the Haeju area of northwest Korea. The aircraft was kept in sight for five minutes. FEAF comments that there have been previous reports of four-engined aircraft flying into Chinese Communist bases in Northern China and Manchuria, but this is the first time an aircraft of this size has been reported so far south of the Yalu River. FEAF evaluates the aircraft as a B-29 or a TU-70.

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"C" KOREA. Considerable Number of Communist Prisoners Taken. A combat intelligence report details the capture of 3,012 Communist prisoners during the period 27-28 May. The majority of these prisoners were Chinese taken northwest of Chunchon.

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COMMENT: This latest report brings the total of enemy prisoners taken, since the UN counteroffensive began on 24 May, to 4,200. While no breakdown is yet available, it is believed that more than half of the prisoners taken are Chinese. The large number of Chinese taken northwest of Chunchon are believed to be members of two cut-off enemy battalions, who offered to surrender on 27 May. Since the total number of Chinese prisoners taken up to mid-May has been less than 4,000 this latest "bag" may have some significance as an indicator of lessening Chinese Communist morale.

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"C" KOREA. Chinese Communist Reportedly Relying on Captured Materiel
For Supporting Weapons. [redacted]

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[redacted] region of North Korea reports that Chinese Communist propaganda in early May stressed the fact that supporting weapons for the present offensive would be American equipment captured from the ROK and UN forces. [redacted]

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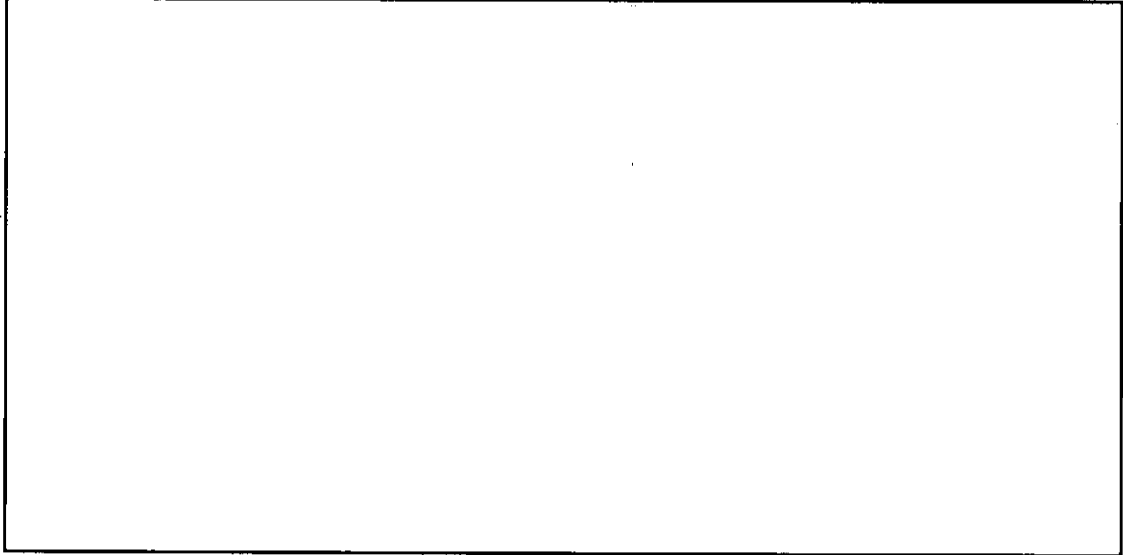
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COMMENT: If this report is true, these Communist statements would contradict previous enemy statements alleging that heavy supporting weapons - artillery, tanks, and air - were to be supplied by the USSR.

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SECTION 3 (WESTERN)

"B" FRANCE. "Independent" Communist Rally Reveals Nothing New. The first public meeting of the Independent French Communist Movement was held in Paris 25 May. No further light was shed on the program and organization of this new group, but the adjournment was disorderly because a tear-gas bomb was thrown in the midst of a rush on the platform as the speakers filed out. Darius LeCorre and other ex-Communists explained at some length their reasons for breaking with the Stalinists, but also declared that the movement should not be confused with Titoism. The movement is apparently attempting to wrest control over labor from the French Communist Party (PCF), which it labelled a tool of Russian diplomacy. 25X1

COMMENT: If the disorderly adjournment was the work of the PCF, this is its third use of rowdiness to combat the deviationists. Although there are yet no indications that the movement has attracted much of a following, its activities appear to be of serious concern to the PCF, which may be expected to continue to employ harassing tactics against it.

"C" AUSTRIA. Comments on the Election of Theodor Koerner. Austria's presidential election was apparently decided by a surprising division in the sentiments of the League of Independents, a rightist organization whose candidate was eliminated in the first balloting three weeks ago. Just before yesterday's run-off election the League announced its decision to leave its members free to vote for either the conservative People's Party candidate Gleissner or Socialist candidate Koerner, and the League's head printed a statement that he personally would support Gleissner. The Communists, on the other hand, backed Koerner (who is strongly anti-Communist). Gleissner and Koerner had polled approximately the same percentages in the 6 May balloting, so that if Gleissner added the Independent vote of 15% while Koerner picked up the Communist vote (5%), Gleissner would win easily. The outcome, however, gave Gleissner only 48%, and Koerner 52%. That the Independents did not throw their support to the conservative candidate suggests that they were resentful at having failed to reach an agreement with the People's Party on post-election benefits, possibly including a Cabinet post.

"C" SWITZERLAND. Parliament Receives Bill for Obligatory Construction of Air Raid Shelters. The Federal Council, the executive branch of the Swiss Government, has sent a bill to Parliament which would make obligatory the construction of air raid shelters in every town over 2,000 population during the next six years. The cost of this program would be met by the Federal, cantonal, and communal governments as well as by individual property owners. The implementation of this measure would have inflationary effects under present conditions because of the already tight labor and materials market. 25X1

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[REDACTED] COMMENT: The Swiss Government has been encouraging the construction of air raid shelters for some time. It is apparent, however, that the government feels a more positive program of air raid protection must be carried out in view of an increasingly serious international situation. In view of the heavy rearmament program the Swiss are undertaking, this bill will probably be modified considerably before adoption.

"B"

LATIN AMERICA. Lombardo Toledano Describes WFTU-CTAL "Anti-Point Four" Plans. In a press conference on 16 May Vicente Lombardo Toledano described the recent Latin American agricultural and transport workers conferences (see OCI Daily Digest, 28 Apr 51, 14 May 51) as part of a world-wide WFTU "anti-Point Four" program. In opposition to Point Four, which, according to Lombardo, is directed at "helping" underdeveloped countries by exploiting their resources, the WFTU program aims at "really helping" these countries in terms of their own national interests rather than the interests of international monopolies. In addition to the recent agricultural and transportation conferences already held, Lombardo stated that "the WFTU, through its professional departments has organized similar regional conferences of workers in mining, metallurgy, electrical services, etc."

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[REDACTED] COMMENT: Organized labor in Latin America is not, in general, controlled by Communists, and the regional conferences will have little immediate or direct effect on Latin American labor activities. However, continued financial and organizational support from the WFTU (of minor significance in the past) will help the Communists to increase their prestige and expand their operations. Communists, whether in positions of leadership or not, represent a significant stimulus in almost all countries where an organized labor movement exists, and by concentrating on general labor objectives and anti-US nationalist sentiments they may be able, directly or indirectly, to increase and coordinate anti-US activity in vital industries and services.

"C"

GUATEMALA. Arbenz Administration Faced with Communist Labor Threat. The US Embassy in Guatemala City reports that representatives of all major Guatemalan labor groups met on 23 May and set up an organizing committee for a unified central labor organization, as planned at the recent transport workers' conference presided over by Louis Sallant, Secretary General of the WFTU (World Federation of Trade Unions). The Embassy believes that the organization will probably be responsive to Communist inspiration or direction and will present a serious challenge to the de facto control of the country's economy by the government. "The Arbenz administration is thus clearly faced with the potential problem of controlling or being controlled."

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[REDACTED] COMMENT: Communists and left-wing extremists have increased their influence in Guatemala since the inauguration of President Arbenz on 15 March. The administration has, thus far, accommodated itself to left-wing political pressures and cooperated with the Communist sponsored international transport workers' conference. This conference undoubtedly increased the prestige

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of the Communist labor leaders in Guatemala, and evidence suggests that the Guatemalan labor movement may be among the first to benefit from the WFTU's new policy of increased financial and organizational support to Latin American affiliates.

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SECTION 2 (EASTERN)

"B" GREECE-TURKEY. Dutch Position on Inclusion of Greece and Turkey in NATO.
At a meeting of the North Atlantic Treaty Organization (NATO) delegates, the Netherlands delegate stated that he needed to know how the situation differed from that of last summer before he could expect new instructions from his government on the admission of Greece and Turkey into NATO. He felt that the NATO delegates were not sufficiently informed as to the present status of Mediterranean security plans and, since these have an inquiry bearing on the Greek-Turkish question, he requested that an inquiry be made of the Standing Group on this matter. He further stated that hasty action would be interpreted as submission to US dictation, and that adherence of Greece and Turkey would give the pact an "aggressive aspect", and would help Communist anti-NATO propaganda. 25X1

COMMENT: In the event that the importance of including Greece and Turkey into NATO is brought out more clearly, the Netherlands and others of the small countries may modify their positions.

SECTION 3 (WESTERN)

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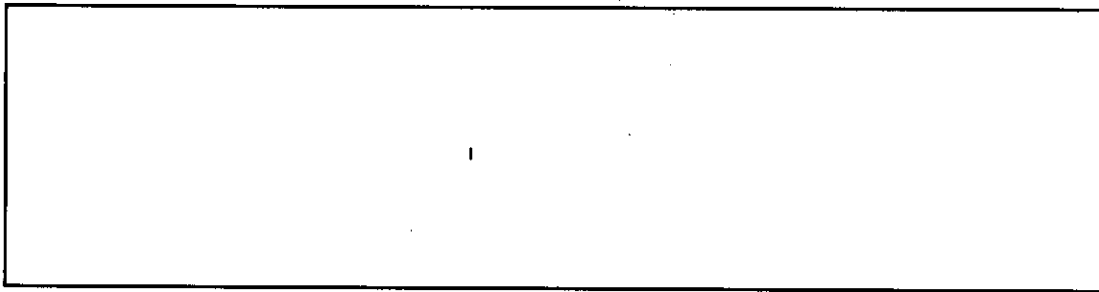
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