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SECURITY INFORMATION

10 December 1951

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**DAILY DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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**DIA and DOS Reviews Completed**

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SECTION 1 (SOVIET)

1. USSR. Soviet lumber output raised by piece-work pay system; A broadcast for the workers of the Khabarovsk Krai lumber industry stated that considerable success had been achieved in the six months since the adoption of a multiple-function timber brigade. One of the major factors contributing to this success was described as the new labor pay system which "fully satisfies the interests of the workers, and plays a predominant part in the fulfillment and overfulfillment of a plan by each lumber worker." Extensive research was said to have demonstrated to the members of the brigade the vast advantages of a pay system and wage scale established on the basis of piece work. (R-FBIS, 6 Dec 51).

2. Soviet official approaches Sweden regarding German unity: In conversation with an [redacted] the First Secretary of the Soviet Embassy in Stockholm stated that Scandinavia should be interested in the unification of Germany, and that the Swedish Social Democrats should exert pressure on the German Social Democrats to achieve this objective. [redacted]

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Comment: The report indicates a new approach in the continued Soviet effort to confuse West German thinking on the unity issue and to forestall German rearmament. The West German Social Democrats have already taken a firm stand on the unity issue by maintaining that the door should always be left open for unity discussions.

3. Finnish and Swedish Communists may support idea of an independent Nordic Alliance: Finnish and Swedish Communists are reportedly being mobilized to support the idea of an independent Scandinavian Defense Alliance, and the recent Nordic Peace Congress in Stockholm is said to have been part of the Communist build-up. The Finnish Communist newspapers, Vapaa Sana and Tyokansan Sanomat, recently printed articles stressing the idea of an independent Nordic bloc, and stating that the Swedish and Finnish people must assist the Danes and Norwegians to break away from the Atlantic Pact. [redacted]

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Comment: A previous report states that the Soviet Union favored an independent Scandinavian Alliance. As yet, however, there has been little concrete example of Communist activity in this field and it is doubtful that the alliance project will have much popular appeal.

4. CZECHOSLOVAKIA. Communist Party prepares to purge Slansky followers: President Gottwald and Premier Zapotocky, on 6 December, warning the Central Committee of the Communist Party of Slansky elements within its ranks, said that the fight against "hostile elements" and "enemy agents" was not ended by the removal of Slansky and that further steps were necessary.

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The Central Committee took steps to overhaul Party cadre. A new Party Control Commission was elected and it was decided to restore the membership of the Presidium of the Central Committee to 30 - the number of members prior to the September reorganization. In addition Vaclav Kopecky, Minister of Information, and Antonin Novotny, former Party secretary of the Prague district and a secretary of the Presidium, were appointed members of the Party Politburo. (R-FBIS, Prague, 7 Dec 51).

Comment: In his five years as Secretary-General of the Party, Slansky had ample opportunity to install officials loyal to him throughout the organization. The personnel shake-up in the Control Commission, whose duty it is to take steps against deviators and slackers within the Party, is significant. Of seven new members, only two have been on the Commission since it was created in November 1948. One of the 1948 members, Jarmila Taussigova, was expelled from the Party at this meeting.

5. Stepped-up military activity observed in Slovakia: The US Military Attache in Prague was impressed by the step-up of military activity which he observed on a recent field trip through Slovakia. Training centers and barracks seemed to be more fully occupied than they did when he made a similar trip six months before. Units appeared to be conducting intensive basic training of recruits. In addition, there were indications confirming the reactivation of the Czechoslovak Fourth Division. (S-MA Prague 718, 4 Dec 51).

Comment: The call-up of recruits on 1 November explains intensive basic training. The apparent failure to release classes scheduled for demobilization, and the return of units from summer maneuver areas would account for expanded use of barracks facilities.

Increased military activity may reflect expansion of the Czechoslovak Army which occurred during the past year. Reactivation of the Czech 4th Division is a further indication of the expansion of the Czech Army since it had been previously reported inactivated and its personnel distributed to bring unit strengths closer to table of organization schedules.

6. Czechoslovakia requests air landing rights in Belgium: Czechoslovakia has requested landing rights in Belgium for a weekly Prague-Brussels flight of the Czech Airlines via Copenhagen and Amsterdam. The Belgian Foreign Office told US officials that the Czechoslovak request, which is based on the Reciprocal Aviation agreement of 1937, would probably be granted, because the government feels that there are no valid treaty grounds for denial and desires to maintain existing Belgian service to Prague. US authorities have requested the Belgian and Danish Governments to deny landing rights to the Czechoslovak Airlines. (S-Brussels 774, 791, 4 and 6 Dec; S-Copenhagen 423, 7 Dec 51).

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Comment: Pending settlement of the Oatis case and related problems, the State Department is anxious to retain the full force of the ban on Czech overflights of Western Germany by keeping Czech air communications with Western Europe severed.

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7. FINLAND. Communists reported stepping up illegal activity: A report from [redacted] the activity of the Finnish Communist Party has given rise to anxiety among members of Finland's strongly anti-Communist Social Democratic Party. The [redacted] points out that the legal activity of the Finnish Communist Party has remained the same as before, but that there is a definite feeling that they have started something illegal. Because the nature of the suspected illegal activity is known to so few people, it has been impossible to uncover it. However, the [redacted] states that during the past six months illegal travel by Finnish Communists has increased. [redacted].

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Comment: The Social Democrats are the strongest active anti-Communist force in Finland. They have infiltrated the Finnish Communist Party and are continually on the alert to illegal anti-Finnish Communist activities. A feeling of anxiety on the part of the Social Democrats is not to be taken lightly.

There is only fragmentary evidence, however, indicating that the anxiety of the Finnish Social Democrats might be justified. This includes the formation last summer of a motorized courier service.

8. POLAND. Troop movements in Poland difficult to detect: The US Embassy in Warsaw, basing its comments on the observations of the Service Attaches of the Western diplomatic missions, points out that a large movement of troops through Poland, including Russian troops, might well take place unobserved by the Western missions. In support of this view the Embassy reports that Polish troops returned to their regular barracks from summer maneuver areas almost undetected by the Service Attaches, despite the fact that the attaches travel almost constantly throughout Poland. The troops probably were transported by special trains and thus escaped surveillance.

The Embassy also states that the railroads in Poland are in a remarkably good state of repair and are given constant attention by the Polish authorities. Roads, while not of the best, are described by the Embassy as being kept in a good state of repair, particularly the main arteries. In conclusion, the Embassy states that Soviet communications through Poland are being maintained in good order. (S-Warsaw Desp #131, 16 Oct 51).

Comment: The general observations on the condition of transportation facilities in Poland are believed to be correct.

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There is fragmentary evidence that the USSR may be increasing the security of transit operations on the Polish railroads. Moreover, because of the limited facilities available to the Western Attaches and the fact that there are three main rail lines through Poland from the USSR to Eastern Germany, it is likely that a Soviet troop movement through Poland would escape detection.

25X1C

9. RUMANIA. Soviet police detachment arrives in Rumania: [redacted] a special Soviet police detachment of 2,000 men, headed by a Russian major general, recently arrived in Rumania. All members are Soviet citizens and know Rumanian very well. They are always in civilian clothes and have orders to give warnings of manifestations against the regime. [redacted]

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Comment: Evidence of strengthened Soviet control of Rumania lends credence to this report. Continuing resistance against the government may account for the arrival of the Soviet police detachment.

10. TRIESTE. Yugoslav officials in Trieste expect no settlement: The members of the Yugoslav economic delegation in Trieste recently predicted that it is most probable that the status quo in Trieste will prevail. One delegate stated that Yugoslavia could not give up any portion of Trieste to Italy because the Yugoslav people have not forgotten the Italian occupation of Yugoslavia.

In a broadcast interview on 2 December, Branko Babic, leader of the pro-Tito Party in Trieste stated that Trieste Slovenes desire not even the smallest part of the Free Territory to come under Italy again.

Field Comment: The similarity of the Babic statement and that expressed by the Yugoslav economic delegation may indicate the Yugoslav Party line. [redacted]

25X1

Comment: There is no evidence that either Yugoslavia or Italy sincerely desires a settlement of the Trieste issue at this time.

11. YUGOSLAVIA. Delegates to attend Fifth Session of Danube Commission in Rumania: Yugoslavia is sending a delegation headed by the Yugoslav Charge in Moscow, Dragoje Djuric, to the fifth session of the Danube Commission which begins on 10 December at Galati, Rumania.

In the meantime, Yugoslav authorities are drawing up rules of navigation for the Yugoslav sector of the Danube. These rules will include all those provisions which the Yugoslavs proposed but the majority rejected without justification at last June's session of the Commission and will not contain provisions of the voted rules which are contrary to the spirit and letter of the Convention. (R-FBIS Ticker - Belgrade in English Morse to Europe, 6 Dec 51).

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Comment: The Yugoslav delegation walked out of the fourth session of the Soviet-dominated Danube Commission in June because the session refused to adopt Yugoslav proposals and proceeded to adopt new amendments which denied the right of states to investigate accidents which occurred within their territorial waters.

Subsequently, the Yugoslavs explained that they were not withdrawing from the Commission but declared that they would draw up their own rules of navigation. The Yugoslav delegation will probably present these new rules to the Danube Commission this month. As these rules will undoubtedly be rejected by the Cominform states, a Yugoslav attempt to implement them may result in additional tensions in the Balkans.

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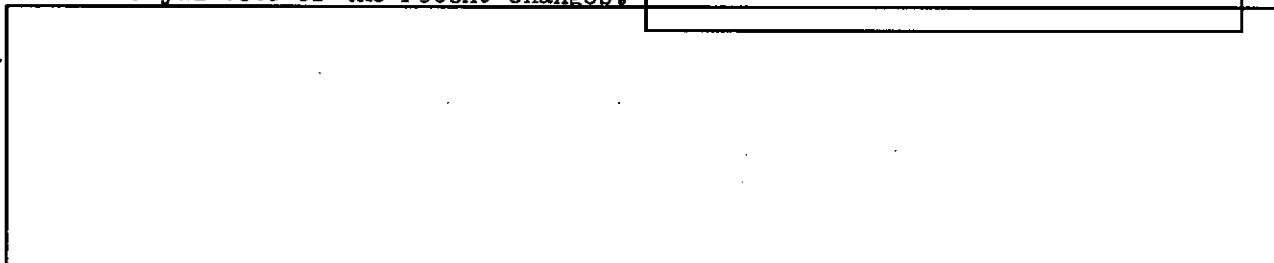
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SECTION 2 (EASTERN)

1. THAILAND. King legalizes coup government: The King of Thailand on 7 December signed a royal proclamation legalizing the government which emerged from the 29 November coup d'etat. The proclamation also approved the restoration of the 1932 constitution (although the King intimated that certain modifications were in order) and accepted the provisional national assembly appointed by the coup government. (U Press Ticker, 7 Dec 51)

Comment: This action by the Thai King removes concern over the possibilities of an early abdication or a serious constitutional crisis arising out of a royal veto of the recent changes.

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2. Former Premier said to be plotting overthrow of present government: [redacted] states that (1) the new Thai Government is more corrupt than its predecessor and will probably not last long, (2) the exiled former Premier Pridi is now in northern Thailand planning a coup d'etat and has agents in the government, and (3) Pridi is in contact with the Malayan Communist Party and has the support of the Chinese Communists of Thailand and the Viet Minh-supported Cambodian rebels. (C Singapore 650, 7 Dec 51)

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Comment: The strong military government of Thailand should endure for the foreseeable future. Pridi's whereabouts have been variously reported by numerous sources over the past year, but his actual sanctuary has never been reliably established. Numerous reports have also linked him with one or another Communist group.

3. INDONESIA. Indonesian President seeks US support on New Guinea question: During a conversation between President Sukarno and the US Ambassador to Indonesia, the former expressed a hope for American support on the New Guinea issue. Sukarno explained that if the pending Dutch-Indonesian conference fails to solve the New Guinea question he anticipates a unilateral denunciation of the Union by Indonesia; he said he could not predict "to what level the sentiments of the populace might rise."

The US Ambassador observes that should Indonesia resort to unilateral

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action and incur the ill will of the western world, a "strong reciprocal reaction might be expected" from Indonesia. Such a reaction could involve the loss of Indonesia as a link in the eventual Pacific security chain, and the loss to the United States of Indonesia's genuine and growing friendship. (S Djakarta 817, 6 Dec 51)

Comment: Netherlands-Indonesian discussions on the disposition of New Guinea are expected to end in an impasse. In such an event, leftist and nationalist elements in Indonesia will press for abrogation of the Union and other Dutch-Indonesian agreements, which would create serious economic problems for both Indonesia and the Netherlands.

4.

Communist Party in North Sumatra plans to resume activity: Sidartojo, a member of the Central Committee of the North Sumatra Communist Party, expects to make a trip through North Sumatra in December and January to select a cadre of some thirty persons from Communist-affiliated political, labor, and agricultural groups. This cadre will be responsible for forming "a new pro-Communist mass organization" in North Sumatra. Communist members in the area are currently passive as a result of the security roundup. [REDACTED]

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Comment: The security sweep in North Sumatra was fairly thorough and, by removing a number of Communist leaders, temporarily broke down the Communist hierarchy and working relations among various Communist organizations. A redesignation of responsible persons is therefore probably necessary at all levels of the Communist movement.

Sidartojo himself has apparently been assigned to replace Jusuf Adjitorop, North Sumatra Communist Commissioner, who was arrested in the government security sweep.

5. CHINA/INDOCHINA. Chinese Communist troops reportedly enter Indochina: The US Consulate General in Hong Kong reports that six columns of newly-recruited and trained Chinese troops wearing Viet Minh uniforms crossed the border into Indochina. The number of troops involved is not known.

The source of this report, [REDACTED] [REDACTED] may for personal reasons have a tendency to exaggerate the Chinese Communist threat to Indochina. (S Hong Kong 1836, 6 Dec 51)

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Comment: Numerous reports have alleged the overt participation of Chinese Communist troops in the Indochina hostilities. All are unconfirmed.

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6. CHINA. Chinese Communists allegedly control island between Indochina and Bornea: [redacted] the US Assistant Naval Attache in Singapore reported that the Chinese Communists are using Spratly Island, located about halfway between Saigon and North Borneo, as a smuggling base. He stated that junks transporting oil are met two sailing hours off Spratly Island by Chinese Communist motor torpedo boats which escort the junks to the island. (S ASTALUSNA Singapore, 0807Z, 6 Dec 51)

Comment: Smuggling of oil in small vessels from Southeast Asia to South China probably occurs, but the use of Spratly by the Chinese to support this smuggling is unconfirmed.

7. British vessel supplied with bunker fuel at Hainan Island port of Yulin: The British-flag Arundel Hill, 7133 GT, while en route to Canton probably with a load of cotton from India, ran short of fuel and was diverted to Yulin for bunkers. The vessel was expected in the Pearl River estuary on 7 December, according [redacted] the source of this report. (S ASTALUSNA Hong Kong, 0625Z, 7 Dec 51)

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Comment: The use of Yulin by western-flag shipping has heretofore been limited to vessels loading iron ore for export. Yulin is not included in the Communist list of South China ports open to foreign trade and shipping.

8. Peiping stresses austerity program: Mao Tse-tung's call for "increased production and austerity" is beginning to produce a new nationwide campaign with the usual pattern of meetings and exhortations designed to keep the people at a high pitch of emotional tension. Although the austerity campaign is linked with the current Korean conflict, the Peiping People's Daily points out significantly that it is not merely a "temporary means of solving certain difficulties, but is the basic way of building the people's state."

In carrying out the austerity program, party members will be expected to set an example of simple living, economize in the use of materials, and reduce bureaucratic delays. (S Hong Kong 1791, 30 Nov 51)

Comment: In compliance with the austerity directives, government bureaus in China are now publicizing their efforts to curtail expenditures and increase working efficiency. Land taxes have been raised, and the drive for "voluntary" contributions by the people is being vigorously pressed.

9. Nationalists look for increased US aid. At meetings of the Economic Stabilization Board in Taipei on 8 and 15 November, the possibility of in-

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creased American aid to balance the Nationalists' 1952 budget was considered. One suggested solution to the deficit problem was an increase of 20 million dollars in US economic aid. The diversion of 10 percent of military aid funds to the economic field was also proposed as an alternative possibility.

ECA representatives on the board opposed these suggestions, which they stated did not appear realistic at this time. (S ECA Taipei Memos MCW-1490 and MCW-1491, 27 Nov 51)

Comment: Projected American economic aid to Nationalist China for the fiscal year 1952 is in excess of 80 million dollars; the military aid figure is about 200 million dollars. Although supplemental appropriations later in the year to increase aid to Nationalist China are possible, ECA officials want the Nationalists first to exhaust all other means for balancing the budget.

10. KOREA. Continued ROK opposition to cease-fire arrangements manifested: Recent reports from the US Embassy in Pusan reflect a renewal of the strong but recently dormant ROK opposition to any cease-fire agreement. A National Assembly resolution condemned any permanent partition of Korea, urging the UN to achieve an "independent unified democratic Korea." Meanwhile, an official press release, alluding to the recent Communist proposal for neutral inspection teams, proclaimed the ROK's "unalterable opposition" to any arrangement which would bring into Korea additional unfriendly national representatives, i.e., from the USSR or its satellites. In the same vein, two demonstrations in Pusan, one by North Korean refugees and the other by university students, were ostensibly spontaneous, but the Embassy feels that they were probably officially inspired. (U Pusan 529, 5 Dec; R Pusan 530, 5 Dec; R Pusan 540, 6 Dec 51)

Comment: The opposition of South Koreans to a division of Korea, in the event of cessation of hostilities, has been constant. War weariness and a growing realization of the inevitability of the continued division of Korea, however, are mitigating this attitude somewhat.

11. Communist air activity continues to expand southward: On 8 December, 16 unidentified aircraft believed to be MIG-15's were sighted at 45,000 feet over Seoul.

UN aerial observers report that the main street of the North Korean port city of Haeju, only 75 air miles from Seoul, has been heavily paved and is wide enough for a runway. On 7 December a UN reconnaissance aircraft observed nine swept-wing aircraft on this new airstrip. These aircraft were not seen during later reconnaissance. (S CINCPAC Telecon 5445, 9 Dec 51)

Comment: Both of these incidents reflect the growing boldness of the enemy in expanding his aerial operations southward.

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## SECTION 3 (WESTERN)

1. GENERAL. Continued sizable flow of strategic materials to Orbit foreseen for 1952: The US delegation to the current Coordinating Committee negotiations on strategic exports believes that in 1952 exports to the Soviet bloc, which are subject to quantitative controls, may be limited to one-tenth of the participating countries' total exports to the Orbit. Previously, it had been estimated that strategic items would account for possibly one-third of total exports to the East.

The delegation assumes that the total exports will reach a value of 510 million dollars, compared to 535 million in 1950. These estimates do not include "illegal" trade. (S Paris 3359, 5 Dec 51)

Comment: The estimates of strategic exports do not take into account items such as tin, rubber, and ships, not covered by the Committee's restrictions. During the first six months of 1951, moreover, even embargoed items, valued at nearly 3 million dollars, were permitted to enter the Orbit as exemptions under embargo agreements.

Furthermore, illegal or "unrecorded" trade will be largely in strategic materials and will supply the Soviet bloc additional imports which are likely to equal in value the 1952 export total assumed above.

2. GERMANY. West debates defense cost with Adenauer: The Allied High Commissioners in Germany plan to meet with Chancellor Adenauer on 14 December to discuss the question of a West German contribution to western European defense. An effort will then be made to convince the Chancellor of the reasonableness of the Allied request for 3.2 billion dollars for the next year and to offset the campaign waged by Finance Minister Schaeffer against the size of the contribution. (S Bonn 641, 6 Dec 51)

Comment: Schaeffer, representing the reactionary wing of Adenauer's government, has always been hostile to Allied economic policies in Germany. Although backed by German financial interests, he has no widespread popular support.

3. German Party pursues chauvinism to preserve unity: Ultrnationalism was the keynote at the recent convention of the German Party, which is part of Adenauer's coalition. Despite the neo-Nazi tenor of the gathering, however, party chairman Heinrich Hellwege, leader of the moderate wing, seemed to be in full control.

Prior to the convention, Hellwege had privately told US officials that his party had to sound nationalistic in order to keep its members from

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defecting to the self-avowed Nazi-like Socialist Reich Party. (C Bonn 627, 5 Dec 51)

Comment: Although Hellwege's control seems unthreatened at the moment, it is significant that the extremists must be courted in order to preserve party unity. This may force the party still more to the right and embarrass the Adenauer coalition. This rightist trend will be strengthened by the reported accession of seven Bundestag delegates of the Bavarian Reconstruction Party, another rightist radical organization, and by the likely accession of members of the Socialist Reich Party if, as is probable, this party is outlawed.

4. West German rightists cooperate with the East Zone National Front: An unconfirmed report alleges that members of the neo-Nazi Socialist Reich Party (SRP) discussed matters of common concern with several East German National Front representatives in a series of meetings last August. [redacted] the SRP received substantial campaign funds from them. [redacted] 25X1C  
28 Nov 51) [redacted] 25X1A

Comment: This is the first report of any consequence that East German Communists have been cooperating with and financing West German right-wing extremists. There have been indications, however, that the SRP has been in close liaison with the German Bruederschaft, another rightist group, which has had confirmed contacts with East Zone Communists. It is anticipated that eventually there will be more direct cooperation between extreme organizations of the left and right in Germany for the purpose of weakening the Federal Republic's stability. Intermittent Communist-Nazi cooperation occurred on a number of occasions during the Weimar Republic era.

5. Plan to double size of border police is vetoed: Officials of the West German Ministry of Interior are pessimistic about the future of their plan to increase the size of the federal border police from 10,000 to 20,000, because of the refusal of the Finance Ministry to sanction the move. The Interior Ministry is still convinced that doubling the force is necessary to ensure adequate forces for real emergencies. The Finance Ministry insists, however, that anticipated defense costs rule out the increase and maintains that once the Germans are participating in the EDF, the security of the Federal Republic will be adequately guaranteed. (C Bonn 609, 4 Dec 51)

Comment: Lehr has for some time tried to raise a large security force. The Finance Ministry decision deals another blow to his

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attempts to secure control of the principal West German security forces, rather than to permit any future force to come under the embryonic Defense Ministry. When the opposition of individual states hampered the formation of the 30,000-man mobile alert police force authorized by the Allies in late 1950, Lehr succeeded in establishing the partially militarized border police as a substitute, and has planned since then to increase that force.

6. FRANCE. Fleven government threatened on ratification of Schuman Plan: The US Embassy in Paris estimates that the Fleven government "should be able to muster a narrow majority" for the vote of confidence on the Schuman Plan on 11 December. Although this vote will be taken on a motion by non-Gaullist rightists to return the treaty to committee for further study, rather than on the question of ratification, Fleven made it plain that approval of this motion would amount to rejection of the Plan. (C Paris 3429, 8 Dec 51)

Comment: Assembly approval of this motion would be an important step toward cooperation of rightist coalition elements with the Gaullists as well as a serious blow to the centrist coalition on which the present Cabinet is based.

7. FRANCE-LIBYA. French tactics are delaying Libyan independence: Declaration of Libyan independence may be delayed by French Foreign Office insistence that France retain a paramount position in the Fezzan and that French financial contributions be earmarked for the Fezzan. French intransigence is preventing the transfer of powers necessary to effect Libyan independence, which must be accomplished by 1 January 1952. (S Tripoli 242, 6 Dec 51)

Comment: Ever since the fourth UN General Assembly established a deadline for the formation of a united, independent Libyan state, the French have sought to retain, if at all possible, their hegemony in southwest Libya, known as the Fezzan.

Although of minor importance economically, the French consider the Fezzan to be strategically important as a relay point for air traffic between France, central Africa, and Madagascar, and politically important as a means of consolidating the frontiers of French North, West, and Equatorial Africa.

8. AUSTRIA. Communist gains recorded in labor elections: Unofficial reports on the shop-stewards election at the nationalized United Iron and Steel Company, Austria's largest enterprise, show a considerable

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shift in strength from the extreme right to the extreme left. Compared with 1949, the Socialists now have 20 mandates (one gained), the Communists 14 (eight gained), the Union of Independents (VdU) 13 (six lost), and the People's Party one. The Communist press has hailed the results as a landslide victory. (P Vienna 1961, 7 Dec 51)

Comment: Since the current works councils elections will continue until spring, it is too early to draw conclusions as to their final outcome. More disappointing than the failure of the Socialists to do better in the elections which have so far taken place is the success of a number of unity or "nonpartisan" tickets. These successes are regarded by the Communists -- in some cases rightly -- as Communist victories, largely because they suggest a weakening of the Socialists' traditional hold on Austrian labor. After a victory by such a unity ticket in the Eisenerz iron-mining districts of Styria last week, a 24-hour strike ensued in support of Communist demands for a workers' bonus and wage increases.

9. NETHERLANDS. Dutch see Western European support for German admission to NATO: The Dutch Foreign Minister believes that all NATO members except France would approve the admission of Germany to NATO in a status of full equality. He has stated that this is the only means by which the West can gain Germany's cooperation in European defense.

The Foreign Minister fears that, as a condition of all-German elections, the USSR would insist on a simultaneous vote on neutrality, for which sentiment in Germany "appears to be growing at an alarming rate." (S The Hague Unnumbered, 6 Dec 51)

Comment: Though West Germany will probably be willing to enter the European Defense Community without being a member of NATO, it will probably expect membership after a relatively short time.

There is no evidence that sentiment for neutrality is growing in West Germany.

10. ITALY. Italians seek to reconcile differences on European Defense Force: Prime Minister de Gasperi will attend the Council of Europe to help retrieve the Council's prestige and to reconcile at the highest policy level the outstanding differences on the creation of a European Defense Force. The Secretary-General of the Italian Foreign Office has been given the task of "working on the Benelux countries." (S Rome 2545, 6 Dec 51)

Comment: The creation of a politically united Europe remains one of the principal objectives of Italian foreign policy. The role of arbitrator which the Italians are assuming with regard to the problem

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of the creation of a European defense force is another instance of the objectivity which the Italians wish to maintain in their foreign policy relations.

11. Communist and Vatican-sponsored press agree in opposing release of Stepinac: The press organs of both the Italian Communist Party and the Vatican lay organization, Catholic Action, have attacked Marshal Tito for his recent "conditional" release of Archbishop Stepinac from imprisonment. The Communists declare that the freeing of the Archbishop is an "insult" to the heroic Yugoslavs who fought against Hitler. Catholic Action objects because Stepinac is going "from one prison to another." An editorial in the semi-official Vatican newspaper pointed out, with examples, that persecution of the Catholic Church in Yugoslavia is not confined to the Stepinac case. (R Rome 2571, 7 Dec 51; FBIS, Reuters, Rome, 6 Dec 51)

Comment: The Vatican has insisted that release of Stepinac without, as was the case, restoration of full freedom to carry on his ecclesiastic duties, did not represent the complete rehabilitation demanded and did not represent any easing of "the painful situation of the Church in Yugoslavia." Referred to after his release as "former Bishop," Stepinac himself told press correspondents: "No government can deprive me of my rank."

The Italian Communist charges reflect those previously made by the Yugoslav Government to the effect that Stepinac had been a party to Nazi persecution of Yugoslav patriots.

12. SPAIN. US position regarding Spanish pyrites shipments to Orbit: Contrary to a recent statement in this publication (see OCI Daily Digest, 30 Nov 51), pyrites are on the US embargo list of strategic materials. Therefore, the Department of State has instructed the US Embassy in Madrid to protest Spanish shipments of iron pyrites to East Germany. The Embassy is to point out that such shipments are contrary to the spirit of Spain's certification under the Kem Amendment since the European Satellites are largely dependent upon pyrites for the strategically important production of sulphuric acid. While aware of the Spanish dilemma -- the Spanish must either send the nearly 30,000 tons of pyrites still due East Germany under previous barter agreements or else forfeit scarce dollars -- the US contends that Spain's moral obligation to prevent shipment overrides other restrictions. (Factual data from: C to Madrid 435, 3 Dec 51; C to Bern 701, 4 Dec 51; C Madrid 541, 23 Nov 51)

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13. UNION OF SOUTH AFRICA. Government threatening withdrawal from UN on South-West Africa question: Secretary for External Affairs Forsyth has informed the US Ambassador that the Union continues determined to refrain from participation in the UN Trusteeship Committee while the South-West Africa issue is being discussed, and will consider withdrawing from the UN itself if the Committee action goes "too far." (C Pretoria 155, 6 Dec 51)

Comment: The government's current defiance of the UN Trusteeship Committee is fully supported by South African public opinion. Both the Nationalists and the Opposition refuse to recognize South Africa's international obligations in South-West Africa, and resent what they consider to be UN interference in South Africa's domestic affairs. This resentment is further aggravated by the fact that the UN is again about to consider the treatment of Indians in the Union.

Although the threat of voluntary withdrawal from the UN has been voiced from time to time, it is not likely to be carried out, since the Union already has complete control of South-West Africa.

14. ARGENTINA. Government may request new whaler to carry Iranian oil: According to rumors, the Argentine Government has asked the Compania Argentina de Pesca to offer its newly-completed whale factory ship, the Juan Peron, for carrying Iranian oil. The Juan Peron, reportedly the largest ship of its kind in the world, is designed to operate as an oil tanker when not in use during the whaling season. Reportedly, the company's president is strongly opposed to such a proposal. (U Belfast Desp 106, 1 Nov 51)

Comment: The Juan Peron has 10 cargo oil tanks capable of carrying 25,000 tons of petroleum and bunkers with a capacity of 3,080 tons. There are no further indications that the government would like to use this ship to carry Iranian oil. The ship could possibly be employed more advantageously on shorter runs within the western hemisphere.

Should Argentina decide to purchase Iranian oil, one ship would not appreciably affect Iran's financial situation, but it might serve to further Iran's intransigence in the Anglo-Iranian oil dispute.

15. Government organizes industrialists and businessmen: The Argentine Government has announced the formation of the "General Economic Confederation," to be composed of 150 delegates from chambers of commerce and trade and industrial organizations. The Confederation's basic objectives are to support and coordinate all efforts to improve and increase production, to cooperate more closely with labor, and

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to give positive support to the government's aims. (R Radio Buenos Aires, 6 Dec 51)

Comment: This new organization will strengthen the government's control over commerce and industry and will serve to tighten Peron's control over the country. At present labor, press, radio, schools, and welfare activity are all government-controlled; congress is dominated by Peronistas; and the policies of the provinces are coordinated with federal policy through Peron's monthly meetings with provincial governors.

16. GUATEMALA. Arms purchases will strengthen army: At least part of a consignment of surplus arms and ammunition ordered by the Guatemalan Government from an Italian surplus arms dealer was reported en route to Guatemala in October. The Guatemalan Military Attache in Italy also hopes to obtain twenty Macchi fighter aircraft from the same dealer.

Comment: The receipt of these arms will help to strengthen the army and may, in turn, strengthen the personal political position of President Arbenz vis-a-vis extremists of the left and right. The acquisition of fighter aircraft, although unlikely, would improve the morale of the air force and would increase its relatively insignificant capabilities.

Guatemalan attempts to purchase surplus Spitfires from the Italian Government earlier this year were unsuccessful due to US intervention (see OCI Daily Digest, 3 Jul 51). The Italian Government is evidently allowing the export of arms in small quantities, despite the fact that Italy is prohibited by the Peace Treaty from possessing arms in excess of its own military needs. This is another indication of the increasing Italian disregard for the Peace Treaty.

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10 December 1951

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Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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SECTION 2 (EASTERN)

1. EGYPT. New British restrictions increase Egyptian animosity: The new series of restrictions imposed by British military authorities in the Suez Canal area have again resulted in a reduction in Egypt's oil supplies.

The US Ambassador in Cairo warns that, while he appreciates the current difficulties of the British which have led to imposition of these restrictions, Egyptian animosity toward the British "has risen to such a white heat that a real explosion seems inevitable." (S, S/S Cairo 825, 5 Dec 51).

2. INDONESIA. French Ambassador concerned over Dutch-Indonesian difficulties: The French Ambassador to Indonesia observed to US Ambassador Cochran that the Netherlands Government did not seem sufficiently aware of the danger to its economic interests in Indonesia which may result from the position it is taking on West New Guinea. He thought the Netherlands was being even more stubborn than usual. He termed the manner in which Australia had intervened in the manner as genuinely stupid.

The French Ambassador was pessimistic about the entire continent of Asia, feeling that eventually it may all be lost to Communism. (C, S/S Djakarta 822, 7 Dec 51).

3. JAPAN. Prominent Indian visitor criticizes Japan: According to US Political Adviser Sebald, Dr. J. C. Kumarappa, President of the All India Village Industry Association, in a press interview in Tokyo reportedly criticized Japan as a "cheap copy of the West." The Indian, who recently completed a tour of Communist China, added that the Chinese people in general pity Japan as a tool of American imperialism. Speaking of Japanese rearmament, Kumarappa asserted that it will lead Japan to destroy itself. (C, S/S Tokyo 1205, 5 Dec 51).

Comment: Such comments by a leading Indian economist play into the hands of the left-wing Socialist leader Suzuki in his opposition to all phases of joint US-Japan security planning. Kumarappa's comments to a certain extent parallel the attitude displayed by the Indian Mission in Tokyo, whose representatives have encouraged the Japanese Socialists. While this attitude may be intended to win Japan to a more neutral position in Asia, Indian cooperation with the Socialists has irritated the Japanese Government.

4. Yoshida denies Diet to be dissolved in spring: The Premier, through a Liberal Party spokesman, on 4 December denied recent predictions by the Lower House Speaker and of other politicians that the Diet will be dissolved next spring. A determination was voiced to carry on until January 1953, when

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the four year terms of the Lower House members expire, as provided by the Constitution. The Political Adviser believes that the Yoshida statement suggests he has no intention of stepping down from the Premiership at present. (R, S/S Tokyo 1307, 5 Dec 51).

Comment: Rumors have claimed that Yoshida desires to retire after the peace treaty becomes effective. The Opposition parties, recent depurged politicians who are eager to return to power through Diet elections, and an internal Liberal Party clique eager to oust Yoshida are all putting pressure on the government to hold elections sooner than January 1953. These factors, combined with the Party's present popularity, which should enable it to return to power, may create conditions conducive to new elections six to ten months earlier than the date fixed by the Constitution.

SECTION 3 (WESTERN)

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6. British Southeast Asia officials approve UK policy toward Communist China: The recent conference of top British representatives in the Southeast Asian area agreed that British policy toward Communist China remains sound, according to a reliable report received by the US Consul-General at Singapore. The conference recommended a high-level approach to Washington to develop joint means of counteracting the widespread impression of a widening gulf between the US and Britain as a result of their disagreements over policy

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toward Communist China. (S, S/S Singapore 648, 7 Dec 51).

Comment: This report provides further evidence discrediting recent speculations that the Churchill government may be considering basic changes in British policy toward Communist China. However, further tactical adjustments may be expected, such as the recent Foreign Office decision to emphasize hostile criticism of the Peiping regime in British propaganda to Malaya and other areas where this may seem useful.

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