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SECURITY INFORMATION

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CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Trade Union Plenum criticizes Soviet railway operations: The Seventh Trade Union Plenum convoked recently in Moscow sharply berated two of its prominent speakers, Minister of Rail Transport Beshchev and Rail Trade Union Central Committee Chairman Cherednichenko, for glossing over shortcomings.

While emphasizing the housing lag, the apparent real concern of the Plenum was directed at deficient rail operations, possibly centered on vital links serving the Transsiberian railway. Veiled references to accidents on the Gorky and Ufa sectors disclosed the fact that responsible officials have recently been either penalized or tried in court.

The Embassy is of the opinion that the Plenum in effect warned top railroad administration and labor chiefs to get results, or expect further and more drastic penalties. (S Moscow Weeka 50, 14 Dec 51)

Comment: These warnings recall similar criticism levelled at the railways last summer and imply that the anticipated improvement in railway operation has not been realized.

2. Turkmen and Tadzhik cotton deliveries on schedule: The Tadzhik and Turkmen Republics announced fulfillment of their cotton delivery plans on 17 and 18 December, respectively. Tadzhik deliveries were said to be 40,000 tons greater than at the same date last year, while Turkmen deliveries were reported in excess of 1950 by some 32,000 tons. (C Moscow 1074, 22 Dec 51)

Comment: Embassy Moscow believes that, considering their present delivery rate, the Soviets may be able to announce plan fulfillment by 10 January 1952. This situation is in contrast to that obtaining in Uzbekistan, where the cotton harvest was said to have been delayed by faulty work organization and non-payment of earnings due the harvest workers.

3. BULGARIA. Joint Soviet-Satellite maneuvers reportedly planned for January: [REDACTED] combined winter maneuvers of the Soviet Fleet, Bulgarian Air Force, and Rumanian Army are scheduled to take place early in January, 1952. Plans for these maneuvers are said to have been drafted by Bulgaria, Rumania, and Soviet staff officers

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at a meeting held in Stalin (Varna) during November. [REDACTED]

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Comment: So far as is known, no large-scale inter-Satellite or Soviet-Satellite military maneuvers have heretofore been held.

4. CZECHOSLOVAKIA. Seventh Army reports that missing American soldier knowingly entered Czechoslovakia: US Seventh Army headquarters states that it can be "reasonably assumed" that Private Charles X. Wood of the American constabulary knowingly entered Czechoslovakia on 12 December. Tracks presumably made by Wood led across the border past clearly defined border markers to a farmhouse, where other tracks joined them. Members of a Czech border patrol allegedly claimed that an American soldier was taken into custody about noon on 12 December and was being sent to Prague. (S Heidelberg 60, 22 Dec 51)

Comment: On 15 December the US Embassy in Prague asked the Czechoslovak Foreign Ministry to find out whether Private Wood is in Czech custody.

5. CZECHOSLOVAKIA-HUNGARY. New reports suggest possibility of early currency reform in Czechoslovakia: A Czech source has reported to the US Embassy in Prague that a rumored monetary reform may take place in the near future. The source added that Hungary is printing new Czech currency and that the Czech Finance Secretary is working overtime. Hungarian currency printers and other printers have been confined to their plants since 19 December, according to persistent unconfirmed reports reaching the US and British Legations in Budapest. (C USARMA Prague 723, 18 Dec 51; C Budapest 443, 22 Dec 51)

Comment: There is more likelihood of a currency reform in Czechoslovakia than in Hungary, on the basis of present evidence. In the last few months there have been persistent rumors of an impending Czech monetary reform to liquidate excess purchasing power by a new banknote issue or to place the Czech crown on a ruble basis. Excess purchasing power has been built up in both countries by a lack of consumer goods caused by concentration on heavy industry. Both countries have attempted to meet the problem of increasing money supply by considerably raising free market prices and increasing production norms.

6. POLAND. Large number of cranes observed moving eastward through Poland: The US Military Attache in Warsaw reports that on 20 December an east-bound Soviet train with three passenger and an unknown number of flat

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cars was seen at Rembertow/Warsaw. The flat cars were loaded with 51 cranes mounted on Gaz truck chassis. One of the passenger cars had a tank, a red star, and the number 4 painted on the side. All of the equipment appeared to be used. (S Warsaw, MAT 224-51, 21 Dec 51)

Comment: The Gaz truck is similar to the US 2½ ton truck. Cranes mounted on such trucks could be used as wreckers or for the loading and hoisting of heavy ammunition such as bombs. It is not clear from this report whether or not the train would move on through Poland to the USSR, or would unload at some point in Poland.

7. YUGOSLAVIA. Purge of peasant members in the Croatian Communist Party reported: An official report submitted by the Croatian Politburo reveals that 881 members and 526 candidate members of the Party on the Croatian collective farms have been expelled since last spring for "developing the mentality of independent peasants."

The report admitted that the party had failed to capture the imagination and the loyalty of the collective farmers during the critical period, but had won the struggle to preserve the collective farms. (U NY Times, 21 Dec 51)

Comment: Local party members and leaders are generally vulnerable to popular pressures from below as well as to charges of deviationism when peasants become "uncooperative with the regime." Thus, regardless of their attitude, they make ideal "scapegoats."

This revelation of "disloyalty" on the part of party members on collective farms may be intended as a warning to local party members, reflecting party anticipation of increasing "trouble in the countryside" this spring.

8. Yugoslavia refuses to support revision of the Italian peace treaty: The Yugoslav Government has given a negative reply to the Italian note requesting a revision of the Italian peace treaty. The reply, which was conciliatory in tone, stated that although Yugoslavia appreciates the fact that most of the peace treaty clauses no longer correspond to present conditions, certain important issues remain outstanding between the two countries and, for this reason, Yugoslavia feels obliged to "adjourn" consideration of the revision for the moment. (R Belgrade 824, 21 Dec 51)

Comment: Foreshadowing this rejection was a recent statement by Edvard Kardelj, Yugoslavia's Foreign Minister, to the effect that a

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revision of the Italian peace treaty was unthinkable to the Yugoslavs without a previous solution of controversial questions, namely the Trieste problem, between the two countries, and without the creation of an atmosphere of "mutual peace-loving confidence."

The timing of the Yugoslav refusal, however, may further prejudice the success of current Yugoslav-Italian talks on Trieste.

9. Yugoslav political interests conflict with military requirements: Ambassador Allen in Belgrade comments that in the event of a war, the Yugoslav Government is concerned lest Allied forces occupy Albanian territory and determine the political future of the country.

In his conversation with Ambassador Allen, General Popovic remarked that in the event of a war political as well as military considerations might be involved in any action against Albania. He did not elucidate upon this remark, but mentioned that the Yugoslav Army could take care of Albanian land forces with ease.

Previously Marshal Tito, in answer to a question by Admiral Gardner as to what type of naval assistance he would require, had pointed out that the most useful service of the Sixth Fleet would be to deny the Adriatic Sea and Albanian ports to the enemy. (TS Belgrade 822, 20 Dec 51).

Comment: Popovic's remarks reflect the continued interest of the Yugoslav Government in establishing a dominant position in Albania in the event of war.

10. Tito attacks Western critics who question capabilities of Yugoslav Army: Marshal Tito, in a two-hour speech celebrating the formation of the Yugoslav Army, criticized Western observers "who speak of the Yugoslav army as a primitive unit capable of fighting only guerilla warfare in the Bosnian mountains." The Marshal refuted this "absurdity" by citing World War II partisan operations which, he claimed, engaged 580,000 Axis troops.

The Marshal attacked "those in the West who for several reasons do not want the Yugoslavs to receive heavy armaments. Rather, in the event of war, they would have us bleed in the mountains as we did in the early years of the past war, perhaps this time for some other interests, as a weak, unarmed mass which at the decisive moment would be incapable of preserving its freedom, independence, and its socialist reality." (U FBIS Ticker, 21 Dec 51)

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Comment: Fears that Yugoslavia may not get its "deserved share" of heavy armaments, as a result of "Western misconceptions" regarding the ability and role of the Yugoslav army, undoubtedly contribute to the sensitivity of the regime to criticism of its army and its proper wartime role.

In addition, and perhaps of greater importance, is the deep-seated distrust among Yugoslav Communists of Western political objectives in the Balkans in the event of a major war.

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SECTION 2 (EASTERN)

- 25X1C 1. EGYPT. Government reaffirms its unyielding attitude: The Egyptian Government, [redacted] will refuse to consider any British proposal unless Britain first recognizes Egypt's full rights in the Sudan and agrees to evacuate the Suez immediately. [redacted] 25X1C

25X1C [redacted] the Egyptian Government intends to make it a criminal offense for any resident, including foreigners, to help the "occupying troops."

The Prime Minister was officially informed that the Palace will not object to any project proposed by the government. The Foreign Minister has told the Prime Minister that in the event of a showdown Egypt could rely on the USSR. [redacted] 25X1A

Comment: It appears that the Egyptian Government, spurred on by the anti-Western Foreign Minister, is now promoting a local stiffening of attitude, despite the desire of some officials, including the King, for a negotiated settlement.

The projected law is so drawn as to apply to any laborers the British bring in to counter the Egyptian labor boycott of the canal zone. Two Egyptian employees of the British Embassy have recently been beaten by thugs and then jailed on charges of "insulting the government." The government meanwhile has returned all the property and funds of the extremist Moslem Brotherhood following a three year seizure.

2. LEBANON. Fear of revival of foreign spheres of influence in Near East: A Lebanese parliamentary leader has expressed his concern over reports that the British and French have reached an agreement to end their rivalry in the Near East. He believes that many Lebanese will regard this as a step toward the reestablishment of foreign spheres of influence.

The US Minister in Beirut comments that one of the greatest Lebanese fears is the possible revival of a French sphere of influence. He warns that while "large power cooperation in the Near East is essential," the US must be "very careful not to be jockeyed into the position of appearing in the eyes of people of the Near East to support colonialism or spheres of influence." (S Beirut 616, 19 Dec 51)

Comment: Fears of foreign spheres of influence were voiced in late November by the Syrian Chief of Staff, who saw the Middle East Command proposals as a possible vehicle for a revival of French supremacy in Syria. More recently it was rumored that he executed his recent coup in Syria with French support.

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3. AFGHANISTAN. Troop movements to avert possible tribal clash: The murder in Kabul of a Jaji tribesman and his son, reportedly by a chieftain of a Pushtu tribe, has caused the Jaji tribe to threaten to take the law into its own hands in revenge. The Prime Minister of Afghanistan, who has great prestige with the tribes, has persuaded the Jajis not to act for a few days. In the meantime, it is reliably reported that 4800 Afghan troops were moved on 16 December to Gardez, near the Jaji tribal area, about 75 miles south of Kabul. (C Kabul 294, 18 Dec 51)

Comment: The importance of the tribes in the relatively primitive society of Afghanistan makes tribal disputes and blood vengeance disturbing to the stability of the country. The situation presumably can be controlled by the Afghan Army, which has demonstrated its ability to deal with regional disorders in the past.

4. INDONESIA. Chinese-Indonesian trade negotiations no longer in progress: When questioned by US Ambassador Cochran on the possibility of a trade agreement with Communist China, Foreign Minister Subardjo stated that no trade negotiations are in progress. He said the original Chinese approach was dropped last June after Indonesia adhered to the UN embargo on tin and rubber. (C Djakarta 899, 21 Dec 51)

Comment: There have been repeated indications of illegal shipments of rubber from Indonesia to Communist China via Macao. Some of these transactions may have involved the cooperation of individual Indonesian officials, thereby inspiring rumors of a secret agreement or a prospective agreement with Communist China.

5. Government seizes military equipment on second Dutch ship: The Indonesian Government has issued instructions to Djakarta port authorities to proceed with the seizure of military equipment on a Dutch ship which entered port on 18 December, refusing to accept the Netherlands explanation that this was a routine shipment for renewing ordinary supplies and equipment in West New Guinea. (S Djakarta 886, 20 Dec 51)

Comment: Military police removed an arms shipment destined for West New Guinea from a Netherlands merchant vessel on 9 December. A semi-official news agency reported that the government based its action primarily upon a 1949 Indonesian ordinance which specifically prohibits transportation of arms to any part of Indonesia without a permit. Indonesia considers West New Guinea part of its territory and therefore governed by the terms of this ordinance.

Indonesia's seizure of the arms shipments and its justification

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thereof represent the first official effort to implement its claim to New Guinea. However, although Indonesian action has imposed an added strain on Dutch-Indonesian relations, there is little likelihood that these incidents in themselves will endanger current informal talks on New Guinea and the Round Table Conference agreements being conducted by the two governments in The Hague.

- 6. Police arrest North Sumatra Communist leader: On 14 December police arrested Sidartojo, head of the Indonesian Communist Party in North Sumatra.

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Comment: Sidartojo apparently was designated to lead the party in North Sumatra after the arrest of Adjitorup, the Commissar for North Sumatra, last August. Since the government security sweep at that time, Sidartojo and other Communist leaders have been in hiding.

- 7. THAILAND. Early rebellion predicted: A "shooting revolt" directed against the military clique led by Generals Phao and Phin is predicted

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The action "may be expected in the near future"

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"the coming coup d'etat" will not take place before 31 December. "Fighting is anticipated when the coup occurs."

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Comment: Royalists, followers of former Premier Fridi, recently ousted civilian leaders, and various elements of the armed forces are strongly opposed to the present ruling clique. It is not possible to identify which of these factions or combinations thereof are plotting an early coup. The present government commands sufficient armed strength to suppress any revolt against it if none of the factions comprising it defects.

- 8. INDOCHINA. Chinese invasion of Indochina held unlikely: The British Defense Coordinating Committee for the Far East concluded on 14 December that the Chinese Communist forces on the Indochinese border had been considerably strengthened. The Committee decided, however, that overt intervention by the Chinese in Indochina was unlikely in the near future. (S Singapore 692, 21 Dec 51)

- 9. French suffer prestige loss in Catholic area: Recent events have caused Franco-Vietnamese forces to lose "much face" in the heavily Catholic Phat Diem area and it is "very dangerous" there, according to a

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Vietnamese bishop from that locality. He further stated that when the Franco-Vietnamese forces reentered the town they subjected the inhabitants to many indignities and that anti-French feeling was running high. (S Hanoi 406, 22 Dec 51)

25X1C Comment: The French have been extremely reticent concerning action at Phat Diem, which is located near the southern apex of the Tonkin perimeter. [REDACTED] the Viet Minh in mid-December, with the apparent complicity of the population, thoroughly infiltrated the town, surprised the defending forces, and captured sizeable quantities of arms before withdrawing.

10. 25X1C Chinese Communists again reported preparing to invade Indochina: [REDACTED] report variously that Chinese Communist forces near the Indochina border are:

(1) awaiting orders to enter Indochina,

(2) being organized into a "volunteer" force of 250,000 troops for an invasion of Indochina, and

(3) scheduled to invade Indochina, as well as Burma, in the spring of 1952. [REDACTED]

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Comment: Several recent reports have forecast a Chinese Communist invasion of Indochina--as a "volunteer" force or in Viet Minh uniforms--in the period from late December 1951 to spring 1952. Similar reports from similar sources in the past 18 months have been repeatedly disproved by events. Recent reports of a great augmentation of Chinese Communist forces in the area remain unconfirmed. There is good evidence of increasing material aid to the Viet Minh from China, but no strong indication of an imminent Chinese Communist invasion.

11. 25X1C BURMA. Chinese Communist forces on Burma border reportedly strengthened: [REDACTED] Chinese Communist forces on the Burma border have been increased since the end of the rainy season, possibly in preparation for "the invasion of Southeast Asia." [REDACTED]

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Comment: There is no evidence of a significant reinforcement of Chinese Communist troops near the Burma border since the end of the monsoon season in September. Since summer 1951 Chinese Communist forces in the area have remained at a strength of 30,000 to 40,000, constituting a substantial striking force for a possible operation in Burma.

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12. CHINA. Railroad construction in northwest accelerated: According to Peiping radio, the deadline for completion of the railroad from Tienshui to Lanchou in China's Northwest District was advanced from June 1953 to the end of 1952. (R FBIS Peiping NCNA, 18 Dec 51)

Comment: Construction of this 230-mile railroad, begun in 1950, has been delayed by a shortage of steel rails, diversion of laborers to the Korean war, and mountainous terrain. The Communists claim that trains are now operating to a point about 40 miles west of Tienshui. It is doubtful, however, that regular service is maintained west of Sian, about 200 miles east of Tienshui.

service east of Tienshui was irregular and that landslides and tunnel cave-ins were common. These observers did not board a train until they reached Sian.

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13. KOREA. CINCFE accepts three CCF rocket launcher regiments in Korea: In view of corroborative evidence, Far East Command now accepts the presence in Korea of at least three CCF rocket launcher, "Katyusha," regiments of unknown subordination.

One recent CCF officer prisoner claimed first hand knowledge of a CCF "Katyusha" division consisting of two Katyusha regiments and two anti-aircraft regiments. The prisoner reported that a Katyusha regiment consists of two firing battalions of twelve 132mm rocket launchers each. (S CINCFE Telecon 5481, 22 Dec 51)

Comment: The presence of these Soviet-developed weapons should augment considerably the overall strength of Communist artillery in Korea.

14. Two North Korean VI Corps divisions may be inactivated: Far East Command reports that the 18th and 19th Divisions of the North Korean VI Corps have been inactivated and their respective personnel have been allocated to the North Korean II and III Corps. Recently captured prisoners from the II and III Corps, claiming to be former members of VI Corps units, state that the 18th Division of 7,541 men was allocated to the II Corps and the 19th Division with 4,782 men went to the III Corps. (S CINCFE Telecon 5481, 22 Dec 51)

Comment: This report lends additional credence to previous reports of the deactivation of the North Korean VI Corps (Daily Digest, 20 Dec 51, Item 2) and to previous indications of the North Korean Army's inability to maintain the flow of replacements.

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Peng Te-huai allegedly reports on Korean war: [REDACTED] Peng Te-huai, the Chinese Communist "Volunteer" Commander-in-Chief, advised the "Chinese Communist Central Government" that

- a. Communist propaganda had succeeded in lowering the morale of UN troops,
- b. by 5 December two-thirds of the "foreign Communist troops in Korea" were evacuated and their place taken by Chinese Communist troops, and
- c. most of the South Korean guerrillas and agents in North Korea had been wiped out.

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[REDACTED]

Comment: Communist anti-morale propaganda in Korea is believed to be relatively ineffective. It is true, however, that during the past few months the Communists have launched an extensive anti-guerrilla campaign with a considerable degree of success.

The reference to the "evacuation" of foreign troops is similar to a previous report received [REDACTED] alleging that Soviet, Czech and Polish troops were to be evacuated to Manchuria.

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While, conceivably, the considerable number of Soviet personnel may be withdrawing to Manchuria, there is no confirmed evidence of such a move. No Caucasian military personnel--other than Soviet--have ever been conclusively identified in Korea.

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SECTION 3 (WESTERN)

1. GERMANY. French and British still reluctant to halt German interzonal trade: The French and British High Commissioners in Germany have suggested that HICOM permit the West Germans certain new exports to East Germany under the partially suspended interzonal trade pact, asserting that some trade must be maintained as a bargaining point in influencing the USSR to halt restrictions on West Berlin trade. The suggestion was shelved after McCloy refused to agree to any such concessions, emphasizing that the US was alarmed over the moderation of the Allied stand on East-West trade.

Discussing the current small air-lift in Berlin, McCloy indicated that, after February, the US would be unwilling to help finance the air-lift, and suggested that the Germans might have to finance it themselves. (S Berlin 845, 21 Dec 51)

Comment: The French and British desire to make certain concessions may arise partly from the fact that Soviet harassing measures in Berlin have been relaxed during recent weeks. Their principal harassing tactic at present is their handling of export permits, resulting in delays harmful to Berlin firms. Interference with parcel post shipments is continuing, although it has been sharply reduced since early November.

2. West German ratification of Schuman Plan seen: Local US officials feel that ratification of the Schuman Plan by the West German Bundestag is now "virtually ensured by a considerable margin." Approval of the Plan by the Foreign Affairs Committee on 18 December has cleared the way for final parliamentary action early next month. (R Bonn 810, 20 Dec 51)

Comment: The action of the committee followed a rebuff to the Chancellor from the Lower House on the issue last week. A steering committee, aroused at the Chancellor's high-handed attempts to force consideration of the Plan before Christmas, voted to postpone floor debate until after the Christmas recess. This committee vote had, according to local US representatives, the "somewhat sheepish concurrence" of members of the government coalition, who broke ranks after a member of Adenauer's party, allegedly slightly intoxicated, supported the opposition's plan to postpone consideration.

3. West Germans may reduce demands for equal status in arms production: In discussing German security controls with the US High Commissioner, Chancellor Adenauer stated that he still wants all German arms production regulated by the European Defense Community, since this arrangement precludes discrimination against West Germany. The US High Commissioner proposed,

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however, that the Federal Republic enact legislation prohibiting the manufacture of atomic, biological and chemical weapons, guided missiles, airplanes and certain naval craft, with all other German arms production being exclusively controlled by the European Defense Community.

Adenauer reacted favorably to this by indicating that if other Community nations persisted in rejecting his view, he would consider the proposal, provided that German scientists be permitted to participate in atomic research in other countries, and that the aircraft restriction be withdrawn.

The US High Commissioner feels that these two conditions are reasonable in the light of the German political situation and that Adenauer will negotiate on this basis. (S Bonn 80L, 19 Dec 51)

Comment: The current negotiations over German arms restriction have bogged down on French demands for stringent controls of German arms manufacture. The American proposal could break this deadlock since it may offer French negotiators enough restrictions to placate public opinion.

The French are particularly concerned about the revival of a German heavy weapons industry. American policy makers would like to see such a revival, with some restrictions, because they feel full use must be made of German industry if Europe is to be adequately rearmed. Since under this proposal the European Defense Community would control all German arms manufacture, that body might later work out a compromise between these two positions.

4. West Germans want defense contribution removed from contractual agreement: At the first meeting of the Bonn working group on the German financial contribution to Western defense, the German representatives stated that their contribution should be made direct to the European Defense Community budget; EDC should pay the German bill for Allied forces in Germany, thus obviating the need for a contractual agreement convention on this matter; and the Bonn discussions should be transferred to the Paris EDC negotiations in order to avoid an unmanageable overlap.

The Allied representatives disagreed with these views, citing among other things that the Bonn discussions deal with many facets of the problem which the EDC meetings cannot cover. (S Bonn 829, 20 Dec 51)

Comment: The hard attitude adopted by the Germans in the early phases of these discussions may be for bargaining purposes since Chancellor Adenauer recently instructed that all Contractual Agreement conventions be concluded by 15 January. The Germans are determined, however, to avoid making a direct contribution to the Allied Forces since this resembles occupation costs.

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5. FRANCE. Communists make no attempt to defy governmental ban. The French Communist Party made no attempt to defy the government's ban on a mass meeting scheduled for the eve of the National Peace Assizes 22-23 December. (C Paris 3753, 22 Dec 51)

Comment: The strong police measures taken on 9 December to prevent an Algerian nationalist demonstration in Paris, as well as the notably poor showings made by Communist front organizations during the past year, may have deterred the Communists from risking their prestige on a show of force at this time.

6. French Government faces new crisis on Tunisian policy: The French Government is in a precarious position with regard to its Tunisian policy. Rightist parties are attacking Foreign Minister Schuman for being too liberal toward the Tunisian demands, while the Socialists and independent leftists are harassing the government for not making more rapid progress toward liberalizing the Tunisian regime. (C Paris 3748, 21 Dec 51)

Comment: Faced with such hostile extremes, the government might find it difficult to survive a serious incident in Tunisia.

7. France has difficulty in selecting new Resident General for Tunisia: French-Tunisian relations are now so strained that the nominee to succeed the present Resident General in Tunisia is unwilling to undertake the task. Among other possible candidates, the two most obviously qualified are Socialists, who are unlikely to accept the post because of the Socialist objection to the Cabinet's rejection of all Tunisian demands. (C Paris 3655, 20 Dec 51)

Comment: The pressure on the Government from French "colons" in Tunisia has resulted in the dismissal of the last two Residents General. Because of strong opposition in France on the part of liberal groups, as well as the three-day protest strike called by the nationalists for 21-23 December, the government may have difficulty now in selecting a man to fill the post. Native tension is presently so great that any untoward incident is likely to cause a riot. Although the French maintain sufficient military and police forces in the area to quell any disturbance, bloodshed would prolong native hatreds.

8. ITALY. Italians favor Soviet resolution for blanket admission to United Nations: Italian representatives at the UN have recommended to US representatives that the best means of achieving Italian membership is to support the Soviet resolution favoring acceptance of all applications now pending, with the exception of Korea and Vietnam, hoping that the Soviet candidates would fail to receive the necessary votes in the General Assembly.

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US representatives stressed the fact that in the past the US has strongly favored consideration of each applicant on its own merits, but they declared that the Department would give the Italian suggestion "most careful consideration." The US delegation further pointed out that the position of the UK and France on this issue was not clear, and that the position of nationalist China presents real difficulties in view of the fact that opposition to admission of Outer Mongolia might cause the Chinese to veto the whole resolution.

The Italians agreed not to proceed with any particular program without prior consultation with the US. (S Paris DELGA 799, 22 Dec 51)

9. VATICAN. Vatican international policy objectives reported: The Vatican reportedly fears that defense activity in the United States will develop into military expansionism, with politics receiving greater emphasis than ethics. With regard to specific aspects of US policy, the Vatican reportedly feels that the continued occupation of Japan is immoral, that the support of the Tito regime is wrong, and that the American stand on Israel will discredit Christianity.

The Vatican's policy objectives in the US are (1) to defend peace by encouraging "defensive militarism" only and not unconditional rearmament and by supporting "neutralists" if necessary, and (2) to conduct an anti-Communist ideological campaign "with Christian systems, forces and principles, recognizing the primacy of the religious over other Western ethical elements."

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Comment: The Vatican would like to see Japan strengthened sufficiently to act as a firm anti-Communist bulwark in the Far East. Vatican publications in the recent past have criticized the United States' retention of the Ryukyu Islands. The Holy See considers the problem of Church-State relations in Yugoslavia unresolved and has announced that the conditions of Archbishop Stepinac's recent release are unsatisfactory. The Vatican continues to urge the internationalization of Jerusalem and seeks to increase its influence among the Arab bloc.

US economic and military attempts to contain Communism are probably supported by the Vatican. The Pope appears to be seriously concerned, however, over the possible effects of the all-out armaments race between the East and West.

10. NETHERLANDS. Satisfactory settlement of Dutch-Indonesian problems appears difficult: The co-chairman of the Netherlands delegation to the Dutch-Indonesian talks at The Hague has stated that the atmosphere is less favorable than last week, when he considered it possible to "find a satisfactory

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basis for discussions." He told the chairman of the Indonesian delegation that the Dutch would find it difficult to continue formal negotiations if there are more such incidents as the seizure of arms on a Dutch ship destined for West New Guinea and the temporary arrest of Dutch nationals and Indonesian employees of the shipping company.

Negotiations are temporarily stalemated pending the formal Dutch reply to the Indonesian note requesting that New Guinea also be included on the conference's agenda. (S The Hague 619, 19 Dec 51)

Comment: Dutch-Indonesian relations are now being discussed informally at The Hague, and negotiations are expected to be finished by the end of January. Indonesia is insisting that it be given sovereignty over West New Guinea, but there is yet no indication of a change in the Dutch policy to retain interim control over the area. The Dutch will be extremely reluctant to grant Indonesia's financial and economic demands.

11.

Stikker reiterates fears concerning European Defense Forces: Netherlands Foreign Minister Stikker has stated his continued support of the European Defense Community concept, but fears that the conference discussions now going on tend to place NATO and the Atlantic Community concept in the background while bringing the continental community view more to the foreground. He added his concern regarding Benelux cooperation in foreign affairs should one of the partners be unwilling to be associated with the European Defense Community. Such a development probably would lead to Benelux disassociation from the defense plan. (S The Hague 631, 22 Dec 51)

Comment: The Netherlands has indicated continual fears of French domination on the continent. None of the Benelux countries is expected to back out of the EDF conference before the end of January, however, when the outcome of the discussions will be known.

12.

LUXEMBOURG. Luxembourg indicates position on steel exports to Soviet bloc: A Luxembourg Foreign Office official has stated that, because his country probably will not receive any US economic or military assistance, there was some question of the extent to which needed imports of Russian manganese and Czech malt in exchange for Luxembourg steel should be sacrificed. He added that failure to obtain Soviet manganese would reduce Luxembourg's steel industry's contribution to the defense program. Furthermore, Orbit payments are made in advance and in dollars. (S Brussels 853, 21 Dec 51)

Comment: Luxembourg is slated to receive US military assistance on a limited scale.

It is believed that important quantities of steel will continue to be shipped illegally to eastern Europe in view of the long-established

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relationship between Luxembourg producers and their steady customers in Satellite countries. Considerable amounts of these exports are licensed to the US and deflected to the Soviet bloc.

13. UNITED KINGDOM. British press supports government position on European Federation: Commenting on the recent "stream of articles on European integration" in the responsible British press, the American Embassy in London estimates that the general effect has been to confirm the government's stand that Britain cannot become an active participant in any European federation. Such respected leaders of opinion as the London Times and the Manchester Guardian insist that closer unity of the democracies must be in terms of the whole North Atlantic community rather than of Europe alone; and the Observer is the only important newspaper which thinks that Britain's position in the Atlantic community would be enhanced by joining a European federation. (R London 2792, 19 Dec 51)

Comment: On the related but much narrower question of a British troop contribution to the European Defense Force, there is some evidence that public opinion may be tending toward a slightly more favorable position. Several weeks ago a Manchester Guardian editorial advocated a token troop contribution, and the British Gallup Poll last week announced that 46 percent of those polled favor British participation in a European Army under terms which are not quite clear in the reports presently available. British opinion has, however, consistently emphasized the distinction between functional cooperation and constitutional ties with the continental nations.

14. DOMINICAN REPUBLIC. Three Guatemalan members of Quetzal crew pardoned: The three Guatemalan members of the Quetzal crew (see OCI Daily Digests 24 Aug 51, 29 Nov 51, and 11 Dec 51) have been freed by a pardon decree of President Trujillo and delivered to the Uruguayan Charge, who will accompany them to Guatemala. (U Ciudad Trujillo 123, 23 Dec 51)

Comment: The Guatemalan Government had been waiting for the liberation of her seamen by Trujillo on 23 December, the next amnesty date, in accordance with the promise made to the mediating Government of Uruguay. The two Dominicans in the crew, Captain Alfredo Brito and his cousin Alcides Brito, were acquitted on 12 December following the appeal of the case.

There was speculation that the Dominican Republic might resolve the entire affair with a Christmas gesture by also releasing the five Cuban seamen. It is believed that if Trujillo sets the Cubans free, whether under pardon or amnesty release, Cuba will probably consider the case closed. Should the pardon not be applied to the Cubans, it is reported that the Cuban Government plans to break relations with the Dominican Republic, since it feels that no other recourse has been left to it from the standpoint of national dignity and necessity to placate popular feeling.

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SECTION 2 (EASTERN)

1. CHINA. Imprisoned Americans reportedly moved to Peiping: A diplomatic official who recently left Peiping reports that "about 29" Americans who have been imprisoned in Communist China were recently moved to Peiping. The source believes that this transfer may lead to the release or deportation of these Americans, possibly as a result of recent representations made on their behalf by foreign diplomats in Peiping. (S S/S Hong Kong 1975, 20 Dec 51)

Comment: Although the source claims that this development is a matter of "general knowledge" to the diplomatic corps in Peiping, this report is unconfirmed. There has been no evidence to date that the representations of foreign diplomats have induced Peiping to release imprisoned Americans or even to mitigate its treatment of them. The prospect for all foreigners imprisoned in China remains bleak.

2. EGYPT. King anxious to remove present government: King Farouk has become progressively more angry with the Wa'fd party and the way in which it has consistently outmaneuvered him since the abrogation of the Anglo-Egyptian treaty. He is determined to remove the present government as soon as an occasion presents itself on which he can act without arousing popular opinion against the crown.

As a prerequisite to such action, however, Farouk requires indications from the British that they would be ready to settle with a successor along lines sufficiently acceptable to the Egyptian people to make such a government's position tenable. (S S/S Cairo 904, 18 Dec 51)

Comment: The British Government has instructed its Ambassador in Cairo to urge Farouk to install a new government but has not offered any new proposals for a settlement. There seems to be little likelihood that the British will accept the conditions required for action by Farouk. The return of the Egyptian Foreign Minister from the UN sessions in Paris will again give greater support to the extremists and make it more difficult for elements interested in a negotiated settlement to achieve a compromise.

SECTION 3 (WESTERN)

3. FRANCE. French maintain basic position on security controls: Although the French have made certain concessions, they continue to insist that security controls over German armament production be handled by contractual arrangement with Bonn rather than through the European Defense Community. The French spokesman at the three-power security-controls talks in Paris claims

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that Foreign Minister Schuman's position before the National Assembly will be "precarious" and approval of the Defense Community treaty very doubtful if the French Government cannot give assurance that the Germans will be bound by safeguards outside the treaty. The US Embassy in Paris believes that the French intend no further concessions and that their preoccupation with their parliamentary situation is "by no means unwarranted or exaggerated."

If, at the 27 December meeting of the foreign ministers of the European Defense Community, Schuman cannot persuade Adenauer to accept a contractual arrangement, the UK representative at the security-control talks will suggest to his government that the High Commissioners exert pressure on Adenauer to accept Schuman's proposal. (S S/S Paris 3751, 22 Dec 51)

Comment: Since all members of the European Defense Community will enjoy equal status, the French believe that security controls must be imposed on Germany before it is admitted to the organization.

Last spring the Germans indicated that they would accept whatever arms production limitations the French proposed. In view of the short time remaining before the Lisbon NATO meeting, it is possible that Adenauer will accede on this point, although his parliamentary situation is almost as difficult as Schuman's.

4. UNITED KINGDOM. British providing new labor supply for Suez base: The British War Office considers the labor supply the chief difficulty in keeping the Suez base operative. The War Office is dubious as to the success of the current approach to Italy in an attempt to recruit 11,000 semi-skilled workers, but is willing to try anything to escape the expensive alternative of sending British labor to the canal zone. Plans to bring in 4,000 to 5,000 semi-skilled Maltese, Cypriots, and other British subjects by May are already being implemented.

The War Office expects that the unskilled labor requirement will be filled before May with workers drawn mainly from the British African colonies and Mauritius. (TS S/S London 2790, 18 Dec 51)

Comment: In proceeding with these plans, the British government is following the War Office judgment that the Suez base can be kept operative, despite the contrary opinion of the British Embassy in Cairo. The War Office has apparently abandoned an earlier estimate that the Egyptian laborers would soon return.

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