

TOP SECRET

10 September 1951

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DAILY DIGEST

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CENTRAL INTELLIGENCE AGENCY

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TOP SECRET

TOP SECRET

SECTION 1 (SOVIET)

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1. USSR. Alleged plan to attack Hokkaido 18 September 1951: [REDACTED] reports an alleged Soviet plan to attack Hokkaido immediately after the signing of the Japanese peace treaty, possibly 18 September.

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Far East Command comments that the actual plan of attack is within Soviet capabilities, although it is not considered to be the most expeditious or efficient. However, in one section of the plan a total attacking force of five divisions is envisaged, while in other sections it is indicated that 33 divisions will be used. Because of these contradictory figures and other questionable aspects, Far East Command considered that further investigation must precede a satisfactory evaluation. SCAP, however, concludes that the report contains enough factual information, particularly regarding order of battle, to warrant careful consideration. (TS Army to SD 07/1442Z, 7 Sep 51)

Comment: There have been reports that the Japanese Communist Party has for some months been using the threat of a Soviet attack on Hokkaido as part of its campaign against the peace treaty. This report's alleged origin -- from a member of the Soviet security police -- renders it suspect as a plant or a fabricated report.

2. Kirk sees Vishinsky on US citizens detained in Communist China: Ambassador Kirk talked with Soviet Foreign Minister Vishinsky on 6 September about a Department of State message urging the governments of the USSR and ten other nations to intercede with Communist China on behalf of US citizens imprisoned or forcibly detained in China.

Vishinsky remarked that the message had not been sent to the most important addressee, Communist China, stating that it was not necessary to have diplomatic relations in order to exchange direct messages. He believed that the US citizens in question were being given justice and said that inasmuch as this was a matter of Chinese internal affairs the Soviet Government "of course, could not intervene." However, the message would be considered.

Vishinsky complained about the US failure to recognize the "lawful" government of China and boasted that, without the presence of the American Seventh Fleet, the Chiang Kai-shek regime would be disposed of within an hour. (C SD Outgoing 220, 4 Sep; C Moscow 397, 6 Sep 51)

TOP SECRET

1

10 Sep 51

TOP SECRET

3. Soviet Union imposes security measures on travel of its diplomatic personnel: In order "to hinder foreign efforts at surveillance," USSR diplomatic and consular missions have been ordered to protect the itineraries of Soviet diplomatic travelers. [REDACTED]

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ported that these measures include making travel reservations and purchasing tickets only from the point of departure to the first stop on any trip. The Soviet embassy, legation, or consulate at that point will make the necessary arrangements for the next stage of the journey. The order reportedly stressed the importance of using the new method particularly in arranging journeys from the traveler's permanent post to other countries. [REDACTED]

25X1A

4. USSR returns power station to Austrian Government: Soviet representatives told Austrian Chancellor Figl last week that they were prepared to return the Donau-Ybbs-Persebeug power station to the Austrian Government and indicated their willingness to conclude a written agreement. Figl was told that the "Austrians are expected to be loyal and undertake completion of the power project."

Such action would provide an important precedent because the Russians have claimed since 1945 that the station was a part of German assets. The U.S. High Commissioner believes that the probable motive is to assure a power supply for east Austria and to lessen dependence on the western provinces for electric power. Figl informed Donnelly that the Government has no intention of finishing construction while the Russians remain in Austria. (S Vienna 914, 6 Sep 51)

Comment: The station and power site is included in an ambitious lower Danube hydroelectric project contemplated by the Austrians for some time. Figl's private assurances that construction will not be resumed is in contrast with published reports that the five-year development will go forward. Austria's expanding post-war hydroelectric industry has been largely concentrated in the Western zones of occupation. The Soviet authorities may expect that their conciliatory move will lead to allocation of ECA counterpart funds for construction in the Soviet sector.

5. EASTERN EUROPE. ALBANIA. Cabinet shift does not indicate purge of officials: The release of Mehmet Shehu as Interim Minister of State Control was announced on 7 September, along with the replacement of Minister of Agriculture Ilijas Reka and of acting Minister of Justice Manush Myftiu. Radio Tirana stated that Hysni Kapo was assigned to the Ministry of Agriculture to give further reinforcement to the agricultural sector of the Albanian economy. However, Reka was retained as

TOP SECRET

10 Sep 51

TOP SECRET

Deputy Minister of Agriculture. (R FBID, 7 Sep 51)

Comment: There is no reason to believe that the shuffle of Albanian Cabinet posts is an indication of a purge in the government. Mehmet Shehu still retains his more important position of Minister of Interior and Manush Myftiu apparently retains his post as a Vice Premier. Both Shehu and Myftiu were given their temporary ministerial assignments following a Cabinet shake-up in April 1951.

The appointment of Hysni Kapo, a Politburo member with long experience in political leadership, to the Ministry of Agriculture indicates that the socialization of Albanian agriculture will advance at an increased tempo.

6. CZECHOSLOVAKIA. Reorganization of Czechoslovak Communist Party increases Gottwald's powers: Secretary General of the Czechoslovak Communist Party Rudolf Slansky has been relieved of his duties and will not be replaced. His former duties will be turned over to Chairman of the Party Klement Gottwald. At the same time, a Politburo and an Orgburo (organizational secretariat) were set up. The seven members of the Politburo include Slansky and Gottwald, as well as other leading Communists. The Orgburo consists of Gottwald and the secretaries of the Central Committee. (R FBID, 7 Sep 51).

Comment: There is no evidence that the transfer of power from Slansky to Gottwald stems from "nationalist deviation"; in fact, all evidence indicates that both men have been loyal adherents of Moscow. The decentralization of power in the leadership of the Party follows Soviet expressions of dissatisfaction with conditions in Czechoslovakia. While Gottwald's power has increased at Slansky's expense, the establishment of a Politburo may preclude any such centralization of power as that previously held by Slansky.

Although before the war the Czechoslovak Communist Party was organized along traditional lines with a Politburo and an Orgburo, there had been no indications since the war of the existence of these two bodies.

7. TRIESTE. Hungarians threaten to suspend shipping through Trieste: The Hungarian trade forwarding agency Mased has sent a note to its local agent in Trieste stating that it will no longer consider Trieste a free port and will be forced to divert future shipments unless AMG officials permit a shipment of Hungarian aluminum foil enroute to Albania to proceed to its destination.

TOP SECRET

10 Sep 51

TOP SECRET

US Political Adviser Unger interprets the note as a threat to withdraw Hungarian business from Trieste and as a possible attempt to charge Allied Military Government officials with a violation of the peace treaty's free port provisions. Unger stated that Hungarian traffic during the first six months of 1951 was of some, though not vital, importance to the local economy and that it is impossible to gauge the seriousness of the Masped threat. (C Trieste 278, 6 Sep 51)

Comment: A 10 ton shipment of aluminum foil, which has numerous strategic electronic uses, has been held in Trieste since early July 1951, in accordance with a US-UK agreement to delay the shipment through Trieste of strategic items originating in the Soviet bloc destined for Albania. Interference with a shipment of Czechoslovak trucks last January and a Hungarian meteorological transmitter in July eventually resulted in their return to the countries of origin.

8. YUGOSLAVIA. Yugoslav version of last week's Rumanian border incident: A Yugoslav broadcast states that Rumanian frontier guards and military units on 5 September committed another armed provocation on the Yugoslav-Rumanian border. According to the Yugoslav account, Rumanian frontier guards fired on a group of twenty Yugoslav peasants peacefully working their field near the border. When a Yugoslav Commission appeared to investigate the incident, Rumanian military units opened fire for twenty minutes with heavy machine and tommy guns (R FBID, 6 Sep 51)

Comment: The Rumanians officially charged Yugoslavia with a "heinous attack" on Rumanian frontier guards. The Rumanians alleged that Yugoslav troops in "attack formation" were deployed for six hours, firing on Rumanian border guards.

9. Reorganization of Yugoslav Foreign Office reported imminent: The US Embassy Belgrade has learned from a well informed source that a reorganization of the Yugoslav Foreign Office is impending. Deputy Foreign Minister Vlahovic and Assistant Foreign Minister Mates are destined to remain in the Foreign Office with increased influence, while Assistant Minister Vilfan will be appointed Ambassador to India, and Assistant Foreign Minister Vejvoda will receive an unknown assignment.

The Yugoslav Government has also proposed to send Assistant Foreign Trade Minister Velebit as Ambassador to Rome, ostensibly to improve Yugoslav-Italian relations. Embassy Belgrade believes, however, that this requested appointment may have further significance since Velebit is rumored to oppose the economic theories of Boris Kidric, Yugoslavia's

TOP SECRET

10 Sep 51

TOP SECRET

chief economic planner. (S Belgrade 309, 7 Sep 51)

Comment: The reorganization of the Foreign Office as outlined appears to be a normal development. The Yugoslav Government has followed a practice of periodically assigning high officials in the Foreign Ministry to important posts in the field. The present Yugoslav Ambassadors to Washington and Paris were former Assistant Foreign Ministers.

Assistant Trade Minister Velebit is generally regarded as pro-Western and his appointment as Ambassador to Rome may be designed to promote better relations with Italy.

TOP SECRET

5.

10 Sep 51

TOP SECRET

SECTION 2 (EASTERN)

1. GREECE. Greek King promises to relinquish title of C-in-C: The Prime Minister of Greece has told the American Embassy in Athens that the King has promised to give up the title of C-in-C of the Armed Forces shortly after the elections. (S Athens 1045, 31 Aug 51)

Comment: The King's decision to wait until after the elections before resigning his position as C-in-C of the Armed Forces may put the palace in an extremely difficult position. Marshal Papagos, who is currently considered the leading candidate in the forthcoming national elections, is convinced that the palace and the government have been tampering with the army since his resignation as C-in-C. He has indicated that he will attempt to clean up the situation once he has won the elections and become prime minister. Accordingly, Papagos, if elected, may well attempt to use his position to force the King to resign as C-in-C.

2. IRAN. Iran contemplates requesting oil experts from UN: The Iranian representative to the current UN Economic and Social Council meeting in Geneva has queried the US delegate about the American attitude in the event that the UN complied with his request to run Iran's oil industry and employed US citizens for the job. Asserting that the Iranian representative in New York was being instructed to ask the UN to secure experts under the Technical Assistance Program, the Iranian added that if this request were not answered Iran planned to appeal to the General Assembly. (S Geneva 158, 7 Sep 51)

3. INDONESIA. Celebes guerrillas fail to respond to surrender ultimatum. Kahar Muzakar, leader of 4,000 guerrillas in the south Celebes, failed to respond by 3 September to the government's five-day surrender ultimatum, nor did more than 200 of his men take advantage of the government's invitation for them to report individually to the nearest military post. Government troop movements for military reinforcement in the Celebes continue. Although several light skirmishes have been reported, no large and coordinated anti-guerrilla operation has yet been launched.

The Information Ministry is conducting a propoganda campaign in larger towns and villages in the south Celebes to reinforce pro-government sentiment and to urge the people not to aid the guerrillas. (S USARMA Djakarta L 138, 5 Sep 51)

Comment: Considering the inefficiency of Indonesian troops as displayed in former incidents, the projected Celebes operation could easily become a long and costly one.

TOP SECRET

10 Sep 51

4. MALAYA. Dato Onn outlines aims of new party: Details of the aims and organization of the proposed "Independence of Malaya Party" (IMP) were released in Kuala Lumpur on 6 September by Dato Onn, the party's founder. The IMP will be formally inaugurated on 16 September with a program of self-determination and union of all Malaysians irrespective of race, creed or class. (R FBID Malayan Home Service, 6 Sep 51)

Comment: The formation of a party with political (as distinct from narrowly communal) aims is a revolutionary step in Malaya. Dato Onn, this policy's author, is generally considered the most energetic and enlightened of Malayan politicians.

5. THAILAND. Martial law lifted: The Thai Government on 6 September announced that martial law, which had been imposed on 30 June during the navy coup effort, was terminated. (Press ticker, Bangkok, 6 Sep 51)

Comment: With the lifting of martial law, the end of press censorship may be anticipated. This may also be followed by a flood of pro-Communist, anti-government propaganda. Charges that US equipment was used in suppressing the coup and that the US, through ECA and MAAG, is attempting to control Thai political, economic and military activities might be expected.

6. INDOCHINA. US-Vietnam ECA agreement signed: Representatives of the Vietnam Government and of the ECA mission in Indochina today signed an agreement covering economic aid, the first deliveries of which were made a year ago. Similar agreements will shortly be signed between Laos and Cambodia and the US. (R Press Ticker, 7 Sep 51)

Comment: The French authorities have been reluctant to see the conclusion of a purely bilateral pact between the US and Vietnam. On 28 June the French Government unexpectedly prohibited the signature of the agreed text on the ground that French Union protocol had not been complied with. Negotiation since that time has dealt with these objections and with textual changes subsequently proposed by the French.

7. CHINA. Russians reportedly plan to increase submarine fleet at Hainan: Two submarines have arrived safely at Hainan Island, [REDACTED] 25X1C
[REDACTED] Three more 1,000-ton submarines are scheduled to leave the Soviet Far East for Hainan soon. Russian staff officers, the informant says, plan to base two flotillas of eight submarines each in the Hainan area. (TS AA Taipei CTP 206, 4 Sep 51)

Comment: [REDACTED] no unusual military activity at Yulin, the most likely site for a submarine base on Hainan Island. However, two unidentified but presumably Soviet Submarines were sighted on 25X1C

TOP SECRET

10 Sep 51

TOP SECRET

25X1C

30 August [redacted] near Hainan. Because of limited port facilities at Yulin, it is not considered likely that the Russians intend at this time to base 16 submarines there.

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8. Peiping's views on further military operations reported: A [redacted] is allegedly the subsource of the following summary of Peiping's views on various possible military operations. Peiping proposes to emphasize "southward aggression," leaving northeastern Asian questions "largely" to the Soviets. Peiping regards the Korean conflict as a "sideshow," sincerely desires a cease-fire, and has been "warned" that Soviet air and naval aid will be provided only after a Korean settlement. Peiping "would prefer" to take action to gain access to valuable bases and resources in Southeast Asia, and is "especially fearful" of US aid to Thailand. (S [redacted])

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Comment: Much of the above, which appears to be based upon speculation rather than upon access to Peiping's planning, may derive from the pronouncements of the WFTU conference at Peiping in late 1949. The strategy outlined by the conference provided for extensive Chinese aid to the "liberation" movements of East Asia, most of which lie south of China. However, the thesis that Peiping views Korea as a "sideshow" appears emphatically disproved by events; Peiping's desire for a cease-fire is conjectural; and Soviet air and naval aid has been provided on a continuing basis. Eventual Chinese Communist military action against Southeast Asian nations has long been regarded as a probability; the source's extravagant statement regarding Thailand may derive from Peiping's continual denunciation of Thailand's conspicuous cooperation with the US.

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9. Peiping reportedly replacing Chinese Communist with Soviet texts. An [redacted] from Changsha reports that Mao Tse-tung's theoretical works have "almost disappeared" from indoctrination courses and have been replaced by translations of the writings of Marx, Lenin and Stalin. [redacted]

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Comment: This report is contrary to information from all other sources and is regarded as very doubtful. The later theoretical works of Mao Tse-tung -- which are Stalinist in orientation -- have been given enormous circulation inside and outside Communist China, and are at the top of Peiping's list of required reading. It is also true, however, that translations of the Communist fathers have also been widely disseminated in China, and the source may have been led by the appearance of such works in large numbers to overestimate their comparative status.

TOP SECRET

10 Sep 51

TOP SECRET

10. Chu Chia-pi rumored to have defected from Communists. The US Consul General at Hanoi forwards reports that Chu Chia-pi, well-known Communist guerrilla leader in Yunnan, defected from the Communists "several months ago." (S Hanoi 135, 6 Sep 51)

Comment: These reports -- or rumors -- are believed false. Chu Chia-pi, who defected from the Nationalists after World War II, became well-known as a guerrilla leader in Yunnan and has frequently been reported as playing a major role in Peiping's plans for assistance to Burmese Communist forces. Chu's defection at the time stated -- presumably to Li Mi's Nationalist forces -- would almost certainly have become known through the Nationalists.

11. Polish vessel en route to China with Pakistani cotton: Insurance underwriters in Hong Kong report that an insurance policy has been issued to cover the shipment of cotton from Karachi to Tsingtao on the Polish vessel Kilinski. Although premiums covering war risk to Tsingtao have been fully paid, the Polish master radiced that the destination has been changed to Whampoa in South China, near Hong Kong.

The major oil companies at Hong Kong have indicated that they will not bunker the Polish vessel, but the US Consul General believes that the ship may call at the colony as an empty ship, appealing for bunkers to return to Poland. (C Hong Kong 910, 5 Sep 51; C Hong Kong 942, 6 Sep 51)

12. CHINA/KOREA. Soviet air unit reportedly preparing to enter Korean War: The Third Division of the Soviet Air Force, equipped with jet aircraft, has been reportedly ordered to complete its transfer from Sakhalin to Dairen by 15 September. This division is to defend Manchuria and aid the "Volunteer Air Force" in the coming offensive in Korea. (TS AA Taipei CTP 206, 4 Sep 51)

Comment: A remarkably similar Chinese Nationalist report of late August alleged the transfer of a "Third Air Division" from Sakhalin to Mukden and Dairen to enter the Korean War as volunteers, "when the cease fire negotiations break down." No Soviet unit of this designation has been identified on Sakhalin, but movements of air units in this area could occur without detection.

13. KOREA. Additional indications seen of Communist offensive intentions: The US Far East Command on 7 September observes that "several attacks (one of regimental size supported by tanks) launched 6 September against friendly patrol bases along the west central front indicate increased sensitivity to UN patrol action and that the enemy is moving his counter-reconnaissance screen forward in this area." (S CINCFE Telecon 5130, 7 Sep 51)

TOP SECRET

TOP SECRET

Comment: The adoption of strong counter-reconnaissance measures prior to an offensive is standard tactical doctrine in all armies. An additional factor is seen in the presence of armor so far forward. The enemy has committed his armor only once before in his previous 1951 offensives (five tanks in an abortive attempt on 1 May).

14. Communists react to UN's charge of "Caucasian troops in Korea": A 6 September broadcast from Peiping labels the UN's statement that "Caucasian volunteers" are in Korea as a "nightmare creation of Van Fleet's fears." The broadcast concludes with the statement that the two Communist correspondents in Kaesong -- Winnington and Burchett -- are the only Caucasians in North Korea other than embassy personnel in Pyongyang. (U FBID, NCMA Peiping, 6 Sep 51)

Comment: The Communists' immediate reaction to this claim is interesting although no deduction can be made as to Communist motives. It is generally accepted that Soviet personnel are present in North Korean rear areas serving as advisers, technicians, and as anti-aircraft gunners.

15. Chinese Communist tactics in Korea: [REDACTED]

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General Peng te-huai visited the west central Korean town of Ich'on on 15 August. Peng planned to establish an advance command post there because "a drive against Seoul after the cease-fire negotiations break down" was to be launched from this sector. Similarly, the C-in-C of the Chinese Communist Air Force on 21 August visited Pyongyang, where an advanced air command post has been established. The source alleges further that "all airfields in North Korea are to be serviceable by the end of September." [REDACTED]

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Comment: While there is no confirmative evidence concerning these visits, it is highly probable that the Communist command will establish forward command posts prior to the next offensive. The town of Ich'on is well located for such a post. There are a number of indications that infantry and armored strength is being concentrated in the western sector in preparation for an attack along the approaches to Seoul.

No information is available concerning Chinese Communist air activities in Pyongyang. It is considered doubtful that the Communists could have all airfields in North Korea operational by the end of September.

16. South Korean inflation threat grows: Ambassador Muccio reports the receipt of a 5 September letter from the ROK Minister of Finance drawing Muccio's attention to the serious condition of ROK finances. It is pointed out that currency in circulation increased by 15 billion won

TOP SECRET

TOP SECRET

and that the ROK loaned over 36 billion won to the UN forces for military use during the month of August. This currency increase raised the commodity price index during the month from 2,682 to 3,067. The letter continues that if the "settlement for the loan be delayed, the current inflation might get out of the government's control."

Ambassador Muccio comments that the anticipated seasonal currency circulation rise during the harvest season, coupled with the already abnormal monthly increases, "may bring hyper-inflation unless every possible anti-inflationary factor is exploited to the fullest extent."

Another manifestation of acute ROK concern with the inflation crisis was the overwhelming National Assembly vote on 6 September to send a special economic mission to the US to obtain settlement of the outstanding loan to the UN military command. (S Pusan 235, 7 Sep 51; S Pusan 238, 8 Sep 51)

Comment: The burden of financing UN military purchases of native materials and labor during the Korean war has fallen heavily on the already weak ROK financial structure. UN aid goods are not yet arriving in sufficient quantities to absorb any material amount of the inflated ROK currency.

17. JAPAN. Anti-Communist bill reportedly under preparation: The Japanese press reports that a bill which will virtually outlaw the Japanese Communist Party is being prepared secretly in the Attorney-General's office. (R FBID, 6 Sep 51)

Comment: Sentiment on outlawing the party appears to be divided within the government, opponents pointing out that failure of the police to apprehend the missing Communist leaders indicates that the police are unable to cope with an underground Communist movement. The government, however, is expected to prepare permanent legislation to replace occupation-directed ordinances upon which the government is currently basing its anti-Communist activities.

18. Government depurges 10,649 former professional servicemen: The Japanese Government on 7 September announced the depurge of 10,649 more professional military of ranks up to army colonel and navy captain. The list includes 865 colonels. This is the fifth list of former servicemen to be depurged. Still remaining on the list are 40,000 gendarmes and some 10,000 former servicemen, including generals and admirals. Whether these purges will be cleared will be decided late next week. (R FBID Ticker Kyodo, 7 Sep 51)

Comment: The depurges of former officers may be contributing to the increasing discussion of rearmament as recently noted in Japan by CINCPAC.

TOP SECRET

TOP SECRET

SECTION 3 (WESTERN)

1. GERMANY. Allies map countermeasures in Berlin: Meeting in Berlin on 5 September, the Allied Deputy High Commissioners and Berlin Commandants discussed means of combatting the latest Soviet squeeze on West Berlin. They decided to dispatch a letter to Soviet authorities protesting interference with free Allied access to Berlin, and to instruct German officials to submit proposals on the imposition of a tax both on East German barges travelling in West Berlin canals and on East German vehicles travelling in Western Germany. The above countermeasures were to be implemented by 17 September at the latest if the USSR failed to remove its restrictions as requested.

They further decided the West should provide all possible assistance to alleviate Berlin transport difficulties, particularly with respect to perishable shipments such as milk.

The meeting was marked by French reluctance to adopt firm retaliatory measures. The French even suggested that the Allies permit the signing of an interzonal trade agreement between East and West Germany, but the US and UK representatives, in rejecting this suggestion, emphasized that such action would represent "a horrible loss of face for the West."

German officials from the Federal Republic and West Berlin who were called in to discuss the situation with the Allies showed little enthusiasm for firm countermeasures. (S Berlin 364, 7 Sep 51)

Comment: In applying its recent series of harassing measures in Berlin, the USSR has succeeded in creating a situation where discussion of countermeasures in each case inevitably produces division and haggling among Allied and German officials, therefore reducing the chances for effective retaliation.

2. New constitutional court finally to be established: West Germany's new Federal Constitutional Court will probably be organized in time to commence sessions sometime next week. Establishment of the court has been delayed for several months, largely because of the failure of the major political parties to agree on the 24 justices and, more recently, on the president of the court. They finally agreed on 4 September to name Dr. Hermann Hoepker-Aschoff as president. The new president, respected in Bonn and regarded by local US officials as a fortunate choice, is a member of the Free Democrats, and is expected to be a strong president.

The first case before the court will probably be a complaint that the plebiscite scheduled for 16 September to determine whether a Southwest State should be formed within West Germany is illegal. (R Bonn 151, 5 Sep 51)

TOP SECRET

12

10 Sep 51

TOP SECRET

Comment: The prolonged controversy over choosing the court's members has delayed consideration of such important issues as the outlawing of certain extremist parties, including the Socialist Reich Party. The new president was originally opposed by "states' rights" interests on the grounds that he was known to be a centralist.

3. AUSTRIA. Federal Chancellor reportedly threatened by party revolt: Socialist Vice-Chancellor Schaerf has informed Commissioner Donnelly that rightist elements of the conservative People's Party, led by governors of the Western provinces and by several Cabinet ministers including Foreign Minister Gruber, are seeking to replace Chancellor Figl with someone more sympathetic to their views. Characterizing the maneuvering as the beginning of a "Fascist" movement, Schaerf asserts that Figl may survive until the next general election in 1953, but adds that the opposition is strong. The Socialists, Schærfer contends, are apprehensive that the coalition may break down; he asserts that the Socialists will never participate in a government that includes both the People's Party and the near-reactionary Union of Independents.

In a subsequent conversation with Donnelly, Figl said that neither the coalition nor his position was in danger. He described the opposition leaders within his party as "provincial almighties" who criticize but are unwilling to accept responsibilities outside their own provinces. (C Vienna 900, 6 Sep 51)

Comment: The Chancellor's dismissal of opposition to his party leadership as "provincial" is scarcely supported by the facts. Defeated presidential candidate Heinrich Gleissner, governor of Upper Austria, has openly flouted government policies in the meat crisis. While supporting the Chancellor, the Socialists themselves have not been averse to encouraging defection of People's Party members to splinter groups on the extreme right.

4. Rightists move to form new political party: Negotiations are proceeding among former members of the People's Party and a Salzburg group connected with the Union of Independents for the organization of a new political party, possibly to be called the "Freedom Party." Participating in the current negotiations, in addition to the Union of Independents group, are members of the Junge Front -- a "reformist" clique recently expelled from the People's Party -- and followers of Karl Aichorn, parliamentary deputy who defected from the People's Party. Component groups of the new party are comparatively insignificant in number. They believe, however, that by cooperating with the Union of Independents they can form a rightist bloc of sufficient strength to obtain People's Party cooperation and possibly the opportunity to participate in the government. Present plans allegedly call for a constituent convention in Vienna in September, joint participation in future elections, and a sharing of any electoral victories on an equal basis. (S Joint Weeka 35, USFA, 1 Sep 51)

TOP SECRET

13

10 Sep 51

TOP SECRET

Comment: The relatively negligible Junge Front, long critical of co-operation with the Socialists, was ousted from the People's Party in July after attributing the party's defeat in the Presidential election to weak-kneed acquiescence to the Socialists' demands. Since both Junge Front and Union of Independents leaders strongly espouse an anti-Marxist cause, it was virtually inevitable that the former should gravitate toward the latter, which demonstrated considerable strength in the presidential elections. If the Union of Independents should succeed in corraling the factious elements of the extreme right, it will become a potent movement which can capitalize upon increasing dissension within the otherwise loyal membership of the People's Party.

5. Soviet official expresses optimism on treaty prospects: According to Chancellor Figl, an unidentified Soviet official in Vienna has recently told him that the state treaty problem is being studied and that chances for agreement may be better after the San Francisco conference. The Soviet official refused, however, to elaborate further on the subject, remarking only that the Western powers and not the USSR have heretofore prevented agreement. Chancellor Figl continues to urge the necessity for a meeting of the four treaty deputies in the near future, pointing out that the conclusion of a treaty with Japan and a contractual agreement with Western Germany will make the resumption of treaty negotiations a psychological necessity for the Austrians. (S Vienna 912, 6 Sep 51)

Comment: The optimistic observation of the Soviet official, probably Deputy Commissioner Tsinev, has the appearances of conversational forbearance rather than of firm policy commitment. It should be noted, however, that Soviet authorities have recently demonstrated an increased sensitivity to Austrian popular opinion. After years of representations by the Austrian Government, the Soviet headquarters has within the last week released information concerning the fate of a number of Austrians deported to the Soviet Union and has promised that all such persons will now be permitted to communicate with their families in Austria.

6. FRANCE. Premises of another Communist agency damaged: For the third time since 1 August, the premises of a Communist agency in France have suffered bomb damage. Early in the morning of 6 September, a plastic charge was exploded at the entrance of the Banque Commerciale Pour l'Europe du Nord, which handles French Communist Party funds and has close connections with the Soviet Embassy. The interior of the bank was damaged extensively, and all windows within 150 yards were shattered.

This incident may be the work of irresponsible rightist elements, although it is not improbable that the Communists may be attempting to create false charges of "Fascist provocation." (R Paris 1481, 6 Sep 51)

TOP SECRET

TOP SECRET

Comment: A similar attack on CGT headquarters on 6 June was labelled by the Communists as "Gaullist provocation." Only secondary Communist installations -- libraries, reading rooms, and the bank -- have been involved so far. No such attacks are likely upon the Communist headquarters at 44 rue le Peletier, Paris, because it is always under heavy party guard.

7. UNITED KINGDOM. Government welfare policy narrowly avoids defeat at critical trade union conference: After scoring relatively easy victories over left-wing critics of the government's foreign policy and rearmament program, the Trades Union Congress leadership ran into difficulties at the 6 September meeting of the annual conference on a resolution attacking the health service charges -- the issue over which Aneurin Bevan resigned from the cabinet last spring. The resolution was defeated, but only by a comparatively small margin under rules compelling delegations to cast their votes in a block; press reports maintain that the majority of the delegates in the hall favored the resolution.

Earlier, the US Embassy reported that Communist attempts to criticize government policies were less spirited than at last year's conference and that the usual Communist claque in the gallery was missing. (R London 1247, 6 Sep 51; U NY Times, 7 Sep 51)

Comment: The close vote on the issue of welfare legislation indicates that Labor Government supporters are still directing formidable pressure against the government's policy of cutting civilian living standards to pay for accelerated rearmament. The diminution of Communist attacks on government policy is probably attributable to a deliberate Communist tactic of not embarrassing the anti-Communist critics of these same policies.

8. DENMARK. Government reluctant to support US on Czech issue in GATT: The US Embassy at Copenhagen reports that the Danish Government is reluctant to approve the US proposal to terminate US obligations to Czechoslovakia under the General Agreement on Trade and Tariffs. If necessary, however, it will probably vote with the US. Foreign Office officials fear that by emphasizing political rather than economic grounds for obtaining international approval to terminate American tariff commitments to the Czechs, the US is setting a dangerous precedent that may be exploited by countries like Egypt or India. The Danes also indicated their displeasure with the US Congress' practice of overriding by fiat international commitments, and cited the recent limitation on Danish cheese exports to the US. (C Copenhagen 201, 5 Sep 51).

Comment: The British Government, though promising to support the US position on Czechoslovakia, also has misgivings about making the case on specifically political grounds. The French refuse to support the US

TOP SECRET

TOP SECRET

for juridical reasons. The Danes' annoyance over Congressional restrictions on the importation of Danish cheese into the US is heightened by the fact that ECA has sought to stimulate such dollar-earning exports from Denmark.

9. GUATEMALA. Another strike of government employees provisionally settled: Congressional and labor leaders have settled the one-day strike of some 5,000 government customs house workers. Prior to the strike, President Arbenz reportedly told the workers that such a strike would constitute a "catastrophic blow to the country." When the strike was announced, Minister of Labor Charnaud MacDonald promptly declared it illegal and warned that "the instigators of illegal strikes remain subject to legal responsibilities." Ridiculing this statement, the strikers indicated that they would remain out until Congress acceded to their demands. They subsequently returned to work after congressional leaders agreed to consider their petition demanding 20 to 75 percent wage increases. (U NY Times, 7 Sep 51; La Prensa (NY), 7 Sep 51)

Comment: The strike, the fifth by government employees since the inauguration of President Arbenz in March, reveals the relative weakness of the executive department and the relative strength of Congress, which is dominated by leftist, pro-labor parties. Although the government may have to resort to financial juggling, it will probably grant wage increases despite the "illegal" nature of the strike.

10. VENEZUELA. Non-commissioned officers arrested in plot against superiors: The US Embassy in Caracas reports that enlisted men and possibly non-commissioned officers at four widely separated army garrisons were involved in a plot "against officers," and that 20 sergeants were arrested in the Maracaibo area in a general round-up of opposition leaders. [REDACTED] indicates that the non-commissioned officers were the primary plotters and that the sergeants were arrested for "turning enlisted men away from the officers." The plot was supposedly sponsored by the outlawed Accion Democratica party with the aid of some of this year's army recruits.

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The government believes that the situation is under control, but is on the alert for possible AD or Communist attempts to embarrass it during the petroleum convention now in progress with officials of various foreign governments in attendance. The embassy comments that the armed forces continue to appear united, but that "sporadic outbursts are always possible." (C Caracas 123, 7 Sep 51; [REDACTED] 25X1A)

Comment: This is the first report of organized discontent in the lower echelons of the army. Since the alleged plot got no further than attempts to "turn the men against the officers," and since apparently no officers were involved, there is no reason to believe that the government will not continue to keep the situation in hand even though further "sporadic outbursts" might occur.

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SECTION 2 (EASTERN)

1. IRAN. Opposition to Iran's prime minister gathers strength: The US Ambassador in Tehran states that an organized plan to force the resignation of Prime Minister Mossadeq is under way in Parliament's lower house. The ambassador adds that British-supported Seyyid Zia currently is favored as Mossadeq's successor, although Qavam is also being seriously considered. (TS, S/S Tehran 932, 7 Sep 51).

Comment: Anti-Mossadeq forces have increased their activity with the approach of the pre-election adjournment of parliament. Believing that settlement of the oil problem is impossible while Mossadeq remains prime minister, and aware that the government has been strengthening its electoral position by placing its sympathizers in strategic positions in the provincial governments, members of the opposition are making an increased effort to replace Mossadeq before parliament adjourns.

2. BURMA. US asks Chinese Nationalists to withdraw their troops from Burma: The US Department of State has instructed its ambassador in Taipei to stress the serious concern of the US over the continued presence of Nationalist troops in Burma. The ambassador is requested to point out that the situation could develop most unfavorably from the international viewpoint and to express the hope that the Taipei government will make every effort to withdraw their troops from Burma as quickly as possible. (S, S/S to Taipei 209, 5 Sep 51).

Comment: Nationalist forces in Burma constitute a continuing pretext for an invasion of Burma by the Chinese Nationalists.

3. Burmese views regarding Japan: A high official of the Burmese Foreign Office informed a US Embassy officer in Rangoon that his government expects to take up again the matter of a Japanese peace treaty with India and Indonesia after the San Francisco conference. He indicated that Burma favored a simple treaty which avoided all controversial issues, called for the termination of war, recognized Japanese sovereignty, and provided for trade. The official pointedly played down the idea of an Asian peace conference. (C, S/S Rangoon 257, 6 Sep 51).

Comment: Burma's position as revealed in this report reflects strong Indian influence and confirms the belief that the reparations issue was exploited as a convenient means to avoid antagonizing the Soviet bloc through attendance at the San Francisco conference.

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