

TOP SECRET

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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: APR 21 1951

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

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TOP SECRET

TOP SECRET

SECTION 1 (SOVIET)

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USSR. Soviet Proposals to Iran on "New" Trade Agreement and Other Questions.

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has reported that toward the end of January, Deputy Foreign Minister Gromyko and the Director of Middle East Affairs submitted Soviet proposals to the Iranian Ambassador to Moscow. These proposals envisaged a new trade agreement between the USSR and Iran and the opening of new consulates in central and southern Iran on a "reciprocal basis." Gromyko was also alleged to have made a number of other sweeping proposals which included Soviet oil rights and exploration concessions in Iran; Soviet reorganization and training of the Iranian Army; and neutralization of Iranian foreign policy. The Iranian Ambassador reportedly agreed that the trade agreement should be revised, but asserted that that part of the 1921 Soviet-Iranian treaty which gives the USSR the right to intervene in Iran should be abolished because it violated the basic principles of the United Nations.

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COMMENT: Although it appears possible that Gromyko may have discussed some of these subjects with the Iranian Ambassador in Moscow, there is no evidence that any formal proposals were advanced by the USSR at this time or at any subsequent time. Since the current Soviet-Iranian trade agreement was only signed on 4 Nov 50, it is improbable that any questions concerning a new trade agreement have been raised. Such talks would be more likely to concern difficulties already encountered in the implementation of this agreement. In view of the known Soviet attitude toward foreign consulates within the USSR, which inclines toward their total elimination, Gromyko would not have proposed the opening of consulates on a "reciprocal basis."

Other proposals seem consistent with Soviet objectives in Iran, but no Iranian Government could accept them and certainly the present pro-Western Premier Ala is not likely to do so. Moreover, the USSR has much to gain from continuance of the current conditions in Iran, particularly in relation to the nationalization of Iran's oil. Any ill-timed Soviet demands for oil rights and other concessions might well cause these advantages to be forfeited.

"A"

PRAVDA Comments on MacArthur Dismissal. Embassy Moscow feels that the Pravda 18 April editorial on the MacArthur dismissal (1) reiterates the Soviet position on the Korean war; (2) was needed to explain the removal of an important "symbol of US aggressive policy" to the Communist world; (3) and is noteworthy in asking what steps the US intends to take for peaceful settlement of the conflict. (C Emb Moscow 1834, 19 Apr 51).

COMMENT: Pravda's editorial comment which was given prominent treatment, adds no new twists to the established line consistently supporting the Chinese terms for settlement. The week's delay before Pravda published its comment was probably due to a desire to be sure that the dismissal represented no basic change in US policy. The question of US intentions on peaceful settlement is rhetorical in context and, therefore, is not intended to indicate an interest on the part of the USSR in such a settlement.

TOP SECRET

TOP SECRET

USSR. Malenkov-Mao Conference in Harbin in February 1951.

_____ reports that according to the Chinese Ambassador in Moscow, Sino-Soviet relations are "not very good." The reason given is that the USSR entangled China in the Korean war and has not given the aid promised. At a February meeting with Malenkov in Harbin, Mao aired his complaints. In reply, Malenkov explained that the entry of the USSR into the Korean campaign would result in World War III, to the detriment of both China and the Soviet Union. Therefore, Malenkov wanted to continue wearing down the West on various fronts. Mao did not press his views and agreed that Soviet aid at this time would be limited to continued supplies for China.

COMMENT: Other unconfirmed reports also claim that the Chinese Communists are dissatisfied with the extent of Soviet participation in the Korean war. In view of the high casualty rate sustained (probably greater than the Chinese had calculated prior to their entrance in the Korean war), the superiority of UN equipment, and the significant role of the virtually unopposed UN air force, it is quite likely that the Chinese Communists feel that the USSR has failed to share the burden in this "Communist crusade." A new Chinese Ambassador arrived in Moscow 15 Apr 51, and his predecessor is believed to have been absent from Moscow for some time prior to that date. Since Mao's last confirmed, public appearance on 26 Jan 51, he has been rumored to be at various places. One report was that he left Peiping 29 Jan 51 for Manchuria and later conferred with Kim Il Sung in Harbin. Except for the fact that Malenkov did not attend the Chinese reception in Moscow 14 Feb 51, there is no evidence concerning his whereabouts during the period covered by the above report.

EASTERN EUROPE. ALBANIA. Resistance in Northern Albania.

_____ states that small, unaffiliated resistance groups have been formed in the Shkoder region of northern Albania in order to help liberate Albania. They have planned an anti-Communist demonstration on May Day but have been unable to obtain explosives "from the resistance band." (This may refer to "Resistant Front" described in O/GI Daily Digest, 16 Apr 51). An Albanian now in Yugoslavia has stated that "Provincial Committees" of a Yugoslav "Albanian Committee" are now being formed, suggesting that a Yugoslav version of the Committee for Free Albania may be organized. One provincial committee is specifically located in Titograd which is directly north of Shkoder in Yugoslav Montenegro.

COMMENT: The Yugoslavs have had a long-continuing desire to wield influence in Albania and have encouraged the formation of anti-Hoxha exile groups in Kosovo-Metohija and Montenegro. It has also been reported that an Albanian brigade has been formed in Yugoslavia for action in Albania.

HUNGARY. Minister of Interior Replaced. According to Radio Budapest, Minister of the Interior Sandor Zold has been removed from his post and replaced by Arpad Hazi. The Hungarian news service described Hazi as a Communist of 20 years standing, a member of the Central Committee of the Hungarian Worker's (Communist) Party, Chairman of the State Control Center,

TOP SECRET

TOP SECRET

and a deputy in the National Assembly. (R FBIS, 20 Apr 51). COMMENT: Sandor Zold, as Deputy Minister of the Interior, replaced Janos Kada as Minister on 23 June 1950 when the latter was relieved of his ministerial duties to concentrate on special Party problems. Zold had been named a member of the Politburo on 31 May 1950.

"B" POLAND. American Scantic Line Barred. The Polish Government in a note of 18 April has specifically barred the further "carrying on of activities of the American Scantic Line in Poland." The note added that the Polish Government held the US Government responsible for the actions of the New York City authorities in barring the Polish-controlled Gdynia-American Line vessel Batory from berthing facilities in New York Harbor and that as a result the Batory was being withdrawn from the Gdynia-New York run. (R Warsaw 822, 19 Apr 51). COMMENT: The Batory had not been prohibited from berthing in New York Harbor as alleged in the note, since piers were available for the vessel in Brooklyn, Hoboken, and Jersey City. On 16 April the US Consulate in Gdansk was informed that the 19 April schedule departure of the Batory for New York had been cancelled. At that time no date for a future sailing was given. The American Scantic Line has been the only regular US shipping service to Poland and had already contracted for forty-eight voyages during 1951. According to the statement in January 1951 of a Polish Ministry of Shipping official, stoppage of American Scantic service to Poland would completely upset the Polish Six Year Plan for maritime activities. Moreover, American Scantic had apparently recently reached a satisfactory settlement with the Polish Government concerning taxes it owed and the debts of the Gdynia-American Line to American Scantic Lines.

"C" YUGOSLAVIA. Yugoslav Note to Bulgaria. The Yugoslav Foreign Minister has addressed a note to the Bulgarian Government protesting 20 frontier incidents perpetrated by Bulgarian frontier guards between 19 December 1950 and 5 April 1951. The note accuses Bulgaria of endeavoring to aggravate the present situation and insists that the Bulgarian Government take measures to prevent such aggressive acts. (R Belgrade 1549, 20 Apr 51). COMMENT: In the past two weeks Yugoslavia has made similar formal protests to Hungary and Rumania. Since 16 March all of Yugoslav's neighbors (Albania, Bulgaria, Hungary, and Rumania) have despatched notes to the Yugoslav Government accusing it of frontier violations.

"B" Yugoslav-Czechoslovak Relations at Low Ebb. The Yugoslav Charge in Praha has reported to US Ambassador Briggs that he foresees the possibility that the Czechoslovak Government may declare him persona non grata and then refuse an entrance visa to his successor. The Yugoslav Charge does not believe that the timing of recent incidents in other satellites and the case of the Yugoslav radio operator Novak, who disappeared recently from the Yugoslav Embassy in Praha, are coincidental. Ambassador Briggs comments that while the Yugoslav radio operator's presence and conduct at the press conference arranged by Czechoslovak authorities, during which Novak maintained that he had voluntarily sought asylum in Czechoslovakia,

TOP SECRET

TOP SECRET

raises some doubts as to whether his departure from the Yugoslav Embassy was involuntary, the Yugoslav Charge maintains that there is ample proof that the Yugoslav employee did not depart the Embassy voluntarily. The US Ambassador adds that there is no evidence yet regarding the manner in which the Czechoslovak Government plans to use the radio operator, but a public trial of recently arrested Czechoslovak Communists with Novak appearing as a state witness, is undoubtedly a possibility. (C Praha 637 and 638, 19 Apr 51).

TOP SECRET

4

TOP SECRET

SECTION 2 (EASTERN)

"B" SYRIA. The Army's Continuing Influence upon the Government. Colonel Shishakli, Deputy Chief of Staff of the Syrian Army, at a press conference in Damascus, on 16 April, following his return from Cairo, stated that his purpose for going to Egypt was to discuss military cooperation but that he had taken the opportunity while in Egypt to "correct erroneous impressions" concerning Syrian politics and to deny that the Syrian Army had interfered in the Syrian Government. Concerning Syria's foreign problems Shishakli indicated; (a) that the whole Arab world supports Syria's insistence that Israelis respect the truce agreements, and (b) that Syria may soon receive extensive military assistance from Egypt. According to US Ambassador Cannon, Shishakli's reference to new elections and to the Nationalist Party may indicate Shishakli's intention to use the Nationalist Party as a counterweight to Qudsi's Populist Party. Cannon concludes that Shishakli's declarations on foreign and domestic issues leave little doubt that the Syrian Army actually rules Syria and that it intends to continue doing so. (C Damascus 539, 17 Apr 51). COMMENT: In spite of Colonel Shishakli's statements to the contrary, all indications have pointed to the dominant influence exerted by the Army upon the Syrian Government. Syria's political instability is not likely to be improved by the continuing interference of the Army in the Government's domestic and foreign affairs. (See OCI Daily Digest, 27 Mar and 16 Apr 51).

"A" IRAN. Iranians Propose Nationalization of the Iranian-Soviet Fisheries. Prime Minister Ala has informed US Ambassador Grady that Parliament plans to nationalize the Caspian fisheries on expiration of the Soviet concession in September 1952. Several Parliamentary deputies are now drawing up a bill on this subject and will introduce it shortly in Parliament. (S Tehran 2474, 19 Apr 51). COMMENT: The Caspian fisheries are owned jointly by the Iranian and Soviet Governments with each government having 50% of the shares. The terms of the contract permit the Iranian government, if it does not wish to renew the contract at its expiration date, to dissolve the company and to divide the assets between the two share-holders. Under such circumstances the Iranians must exploit the fisheries themselves for a period of 25 years without the assistance of non-Soviet foreign nationals. The Iranian Government has long planned to do this. While the move might be interpreted as an extension of the current fervor for nationalization of foreign concessions in Iran, it is not comparable to the move to nationalize the Anglo-Iranian Oil Company (AIOC), which is envisaged as taking place immediately rather than when the AIOC contract expires in 1953.

"B" INDONESIA. Security Deterioration at Surabaya Harbor. Extensive looting in the Surabaya harbor area on 17 April resulted in a suspension of all harbor facilities for a day and a half and government arrest of 400 persons. Although the harbor reopened on 19 April, shippers say they will close all

TOP SECRET

TOP SECRET

facilities again at the first sign of trouble. US Consul Surabaya comments that the situation highlights the prospect of serious difficulties and complete paralysis of the port in "time of trouble." The Consulate feels that the situation is steadily deteriorating. (C Surabaya 96, 19 Apr 51). COMMENT: Security in and around Surabaya has been poor for months. Although East Java is under martial law, the Indonesian Army has only limited control over its troops in this area.

"A" PHILIPPINES. Huk Timetable Revised. According to a Philippine Military Intelligence Service analyst, captured Huk documents reveal that the Huk timetable no longer contemplates overthrow of the Philippine Government by 1952. The documents reportedly state that, until increased assistance and revised orders are received from the USSR and Communist China, top priority will be given to recruiting, propagandizing, and conduct of limited raids and ambushes to keep the movement active and bolster sagging morale. (S PHILCOM USAF C-1937, 20 Apr 51). COMMENT: Huk propaganda has often referred to expected external assistance. A revised Huk timetable would indicate Huk leaders are coordinating their plans more closely with international Communist objectives and do not wish to discredit the movement by adhering to an unrealistic timetable.

"A" Possible Submarine off East Luzon Coast. The Philippine Army received a report on 17 April (which it evaluates B-3) that about 10 men and some material were landed on the east coast of Luzon in Quezon province. The Philippine Navy also reported on 19 April that a periscope was sighted in the same general area. Military units are conducting a reconnaissance in force, but neither report has thus far been confirmed. (S PHILCOM USAF C-1937, 20 Apr 51; C Manila 3283, 20 Apr 51) COMMENT: See Daily Digest dated 13 April 1951, page 5, concerning a report that a Russian submarine left Yulin, Hainan on 15 March 1951 with 10 Filipino agents enroute to the Philippines.

"C" AUSTRALIA. Election Campaign. The campaign for the 28 April election is in full swing with the outcome for Senate seats still highly speculative. The Government's chances to win a Senate majority are best in Queensland and Western Australia. However, Labor has won two Queensland by-elections during the past week. The emphasis on issues remains unchanged except for increased Labor charges that the Liberal-Country Government is courting war by its policies. Although party leaders are drawing good crowds, there is considerable public apathy. The Communists are quiet on the industrial front as a contribution to Labor's campaign. (R SANA Melbourne C-26, 20 Apr 51). COMMENT: As previously reported, Labor is attacking the Liberal-Country Government for tolerating inflation while the Government is standing on its anti-Communist and defense program which it hopes to enact by gaining control of the Senate.

TOP SECRET

6

TOP SECRET

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CHINA. New Version of Rumored Death of MAO Tse-tung. [REDACTED]

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[REDACTED] MAO Tse-tung died in Peiping on 19 February.

LIU Shao-ch'i (MAO's presumptive successor) did not choose to announce the death at the time, "for fear of the consequences," but the announcement will be made "very soon." [REDACTED]

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COMMENT: A Rumor of MAO's death--but on 26 March--was reported in the OGI Daily Digest of 17 April. [REDACTED] comments that, despite the discrepancy in dates, these reports are believed to be of the same origin. Reliable information on MAO's health is still not available. If MAO is indeed dead, the Peiping regime will probably be compelled to announce the fact in the near future.

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"A" KOREA. Communist Prisoners Taken Recently in Korea Expected Heavy Support for Coming Offensive. Both North Korean and Chinese Communist prisoners, taken since late February, have reported overhearing or being told that a great quantity of air, armor, and artillery support was being assembled in Manchuria to be sent into Korea to support the coming major offensive. Estimates varied from 4,000 aircraft and 3,000 tanks to a vague reference of a "large number of tanks, artillery and 400 aircraft" to be received in time for the "May Offensive". (S CINCPAC-DA Telecon 4619, 19 Apr 51). COMMENT: The large number of reports received, not only from Korea but also from sources within China, concerning the expected scale of Soviet materiel support from Communist troops in Korea lends added credence to the possibility that the coming offensive will be supported by more modern equipment than heretofore encountered. The possibility continues to exist, however, that such reports were circulated deliberately by the Communist authorities for morale reasons alone.

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Muccio Comments on CCF Morale in Korea. Ambassador Muccio reporting on the morale of Chinese Communist Forces (CCF) in Korea based on POW interrogations, cautions that all his comments are derived exclusively from POW attitudes and may therefore not be representative since it is of significance that all UN forces in Korea have taken only 3100 Chinese POWs. Also influencing the results may be the fact that a majority of the POWs are ex-Nationalists, who are believed to represent 60% or more of the total CCF forces in Korea. Dissatisfaction with the conditions of the CCF in Korea have been clearly indicated, based on heavy losses, serious hardships, and equipment shortages. There is little evidence that the ordinary soldier has any convictions concerning the war. The Chinese POWs interviewed claim that physical restraint and strict surveillance rather than Communist indoctrination are the major factors preventing greater defections. Judging from this information, in the event of a major military defeat, resulting in the breakdown of discipline and surveillance, an opportunity for mass desertions would be provided and a majority of the CCF would probably take advantage of it. (S Pusan, 21 Apr 51).

TOP SECRET

7

TOP SECRET

"C" KOREA. North Koreans Act Against "Malicious Traitors Who Betrayed the Fatherland." A 20 April North Korean broadcast described portions of an ordinance enacted "to punish the more malicious traitors who betrayed the fatherland and cooperated with the American imperialistic aggressors and their hounds." The decree, signed by Kim Du Bong, Chairman of the Supreme Peoples Committee of the Democratic People's Republic of Korea, provided for confiscation of all properties and death in a public execution for "national traitors". The decree further authorized that the "police shall - - - conduct the trial 24 hours after a written accusation has been issued to the accused" and that "any appeal against the sentence - - - shall not be admitted." (R FBIS Ticker, 20 Apr 51). COMMENT: The severity of this decree and the manner of carrying out trial suggests a serious internal security problem within the North Korean "Republic". Although in practice the North Korean regime has never hesitated in disposing of the opposition by such means, prior public statements have usually emphasized the leniency and "democracy" of the North Korean judicial system.

JAPAN. Japanese Apprehensive Lest UK Delays Early Peace Treaty. Conservative JIJI SHIMPO commented on 19 April that "if Britain succeeds in her soft but persistent efforts for giving Communist China a voice in the Japanese Peace, it will be a kind of over-all peace with Communist countries, and it is feared that we shall be dragged into endless negotiations." Since the US will not recognize Communist China as long as the Korean War lasts and will not agree to that nation's participation in the peace treaty, "if Britain insists on the participation of the Chinese Communists, it will hinder the early conclusion of a peace treaty." (R FBIS 20 Apr 51). COMMENT: This type of comment is rather typical of a rather widely expressed Japanese fear that the UK's influence in peace treaty terms and decisions will prove to be much greater with General MacArthur's dismissal. The Japanese are suspicious of the UK's motives with regard not only to the inclusion of Communist China but also to economic restrictions that might be placed on the Japanese were the UK to have a free hand.

TOP SECRET

8

TOP SECRET

SECTION 3 (WESTERN)

"C" GERMANY. Favorable Reaction to Schuman Plan Signing. Initial West German reaction to the 18 April signing of the Schuman Plan in Paris has followed the previous pattern of favorable comment in press and political circles, exclusive of the Social Democrats (SPD). Leaders of Chancellor Adenauer's Christian Democrats and their coalition partners, the Free Democrats, have praised the Plan, as well as the diplomatic handling of the thorny Saar question. The press almost uniformly commends the signing. (P Bonn 752, 19 Apr 51). Meanwhile Adenauer gave a press interview on the Plan on 20 April, outlining the significance of Germany's participation as an equal partner in the negotiations, and stressing the importance of the Plan to the European people. (P Bonn 760, 20 Apr 51). COMMENT: Now that the Schuman Plan has been signed, the Chancellor will attempt to have it ratified as soon as possible. US observers predict its ratification by the Bundestag despite vehement SPD opposition. (OCI Daily, 10 Apr 51).

"C" Soviet Soldiers Fire on US Vehicle. A vehicle belonging to the US Military Liaison in the Soviet zone of Germany was fired on by Red Army soldiers on 18 April. The car, travelling with 3 passengers along the road between Torgau and Bad Liebenwerda (in Saxony-Anhalt, Soviet zone, 70 miles south of Berlin), had stopped momentarily near the Alt Lonnewitz airfield when 2 Red soldiers emerged from the woods and fired three times. A bullet missed one observer by ten inches, hitting the car as it sped off. (TS Frankfurt 8484, 19 Apr 51). COMMENT: Numerous incidents have occurred since the end of the war involving trigger-happy Red Army soldiers or East German police personnel. In the most recent incident, East Berlin policemen fired on a US Army sightseeing bus on 28 March (OCI Daily, 29 Mar 51).

"C" FRANCE. General de Gaulle Gains Strong Financial Backing.

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Leading French industrialists have decided to cease their financial support of the Popular Republicans (MRP) and plan to give their funds to the RPF instead. COMMENT: Although well-to-do elements of the extreme Right are reportedly favorable to de Gaulle, they have heretofore been chary of underwriting the RPF. With adequate financial backing the Gaullists may gain substantially more than the hundred odd seats they are now conceded, particularly if the MRP's resources are reduced.

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TOP SECRET

TOP SECRET

"C" NETHERLANDS. Dutch Close Canton Consulate. The Dutch Consulate General has closed down because there are no more Dutch commercial affairs to be taken care of in South China. The Consul General, who had been granted an exit permit by Chinese authorities, has now arrived in Hong Kong. (R FBIS, 20 Apr 51). COMMENT: There is no indication that the closing of the Consulate is due to Chinese Communist pressure. Dutch interests in the Far East have become of secondary importance as a result of the transfer of sovereignty to Indonesia.

"B" ITALY. Magnani-Cucchi Movement Handicapped by Lack of Funds. The workers' movement headed by Communist defectors Magnani and Cucchi, although apparently gaining ground in some localities, is reportedly at a standstill in Rome. In Turin, arrangements made for the two dissidents to address a meeting were cancelled at the last minute because Magnani and Cucchi believed the program too ambitious and the hall too large. Their refusal to appear in Turin is attributed mainly to their reluctance to face possible large-scale disturbances by local Communist Party (PCI) members. [REDACTED]

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COMMENT: Lack of funds is perhaps the most crying immediate need of the Magnani-Cucchi group. Without adequate financial support the movement will experience great difficulty in publicizing its program and in creating an organizational structure. Achievement of these two objectives is essential if the movement is to succeed in supplanting the PCI as the champion of the workers' interests.

"A" Communists Plan General Strike in War Production Plants. The Communist-controlled metal workers union has called a 24-hour general strike for 27 April as a protest against "the Government's intent to demobilize a large portion of the national production structure and suppress democratic freedom" among the workers. Specifically, the strike assails the Government's delay in settling the long-standing dispute over dismissals in North Italian metallurgical plants. Management has declared the layoffs necessary because of lack of sufficient orders. (R Rome 4742, 19 Apr 51; R FBIS, 18 Apr 51). COMMENT: There is as yet no indication whether the two anti-Communist labor organizations will support this strike, which is clearly designed by the Communists to obstruct Italian rearmament. Without the participation of these organizations, the strike will probably not be successful, despite the validity of the economic issues and widespread public sympathy for the workers' grievances.

"C" UNITED KINGDOM. Serious Conservative Opposition to Budget not Developing. US Embassy London estimates that the Conservatives may not be able to challenge the Labor Government effectively on the

TOP SECRET

10

TOP SECRET

recently announced Budget in view of its generally moderate, non-partisan nature and the Liberal decision to support the Government on this issue. An apparent Conservative decision to withhold serious criticism at this time is interpreted by the Embassy to mean at least a temporary abandonment of Conservative parliamentary "blitz" tactics, and a reversion to the hope that the Labor Government will fall of its own weight. In this connection, the recent Cabinet crisis over the Budget (Daily Digest, 12 Apr 51) is considered by Conservatives to be a hopeful omen. (S London 5510, 19 Apr 51). COMMENT: Conservative reconsideration of their parliamentary tactics springs in part from the mixed reception, in and out of Parliament, accorded their previous attempts at a British version of filibustering and in part from indications of increasing stresses and strains within the Labor Party. Ernest Bevin's death, Sir Stafford Cripps' serious illness, and rumors of Aneurin Bevan's continuing dissatisfaction with the Budget have bolstered Conservative hopes that Attlee may not be able to avoid an imminent, open split between the right and left wings of the Labor Party.

"C" BOLIVIA. Junta May Take Over Government. A group of Bolivian army officers has reportedly formed a junta which plans to take over the government by 23 April. Defense Secretary Ponce Lozada and Defense Sub-Secretary Ballivian are reported to be members of the junta, which is said to include five officers and five civilians. Another

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many top-ranking army officers have offered their allegiance to General Ballivian. (S [redacted] C USAIRA 50022 La Paz, 6 Apr 51).

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COMMENT: Should it appear that the Nationalist Revolutionary Movement would poll more votes in the 6 May presidential elections than the government-sponsored candidate or that it would attempt a revolt prior to the elections, a military junta headed by Ballivian may well take over the government. The junta's purpose would be to restore order and call for and supervise another election. At the present time it seems unlikely that any of the six candidates, including those of the Nationalist Revolutionary Movement and the government party, will receive the required absolute majority of votes. It would then be necessary for the winner to be selected by the Congress, in which case the government party, with its allied political groups should be able to win.

"C" NICARAGUA. Guardia Nacional Unrest May Contribute to Political Instability. [redacted] the morale of the Guardia Nacional (the armed forces) has dropped during the recent months. He states that there is no longer the fanatical devotion to President Somoza that there has been in the past, and that the president would not be defended as effectively should his political position weaken [redacted]

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TOP SECRET

11

25X1A

TOP SECRET

██████████ COMMENT: The stability of the present administration is primarily dependent upon the support of the Guardia Nacional. In view of President Somoza's effective internal security service and the probable loyalty of key units, it seems improbable that a military coup could be effectively planned or carried out against him at the present time. However, even loyal members of the Guardia are undoubtedly considering the possibility of a political realignment when, as seems likely, Somoza's health forces him to leave the country or otherwise incapacitates him for office. This possibility, plus discontent within the ranks, popular opposition to Somoza's policies of political and economic favoritism, and the unpopularity of his son and deputy might well cause Guardia elements (and even key officers) to seek alignment with hitherto powerless anti-Somoza liberal factions. Such an alignment, once established, would threaten the stability of Somoza's administration and might even precipitate action against him.

TOP SECRET

12

CENTRAL INTELLIGENCE AGENCY

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DAILY DIGEST SUPPLEMENT

APR 21 1951

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OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT S/S CABLES21 April 1951

SECTION 2 (EASTERN)

"B" IRAN. Iranians Highly Critical of the Anglo-Iranian Oil Company.
US Ambassador Grady, in reviewing Anglo-Iranian Oil Company (AIOC) "past differences" with the US Embassy in Tehran, stated on 18 April that "those differences were only with regard to the policies of the Company which have led them closer to disaster". Grady reports that the attitude of the most conservative Iranian leaders is far more extreme than AIOC and the British Foreign Office realize. (S, S/S Tehran, 2465, 18 Apr 51). COMMENT: Although the AIOC has on the whole been liberal in its policies toward its Iranian employees and has treated them fairly when judged by labor conditions as they exist in Iran, the Company is now regarded throughout the country as a mammoth exploiter of resources properly belonging to the Iranians. In the present crisis the Company appears to think that time is on its side and that financial pressure will eventually force the Iranian Government to accept the Company's terms. However, any concession at this time short of acceptance of the principle of nationalization will not solve the present crisis.

SECTION 3 (WESTERN)

"B" UNITED KINGDOM. British Seen Conciliatory but Firm on Far East Issues.
Embassy London estimates that although the UK now appears willing to make limited concessions to the US on Far Eastern questions and Japanese Peace Treaty procedures in particular, the Government continues to view its own Far Eastern policies as based on fundamental principles and realities which it cannot afford to compromise. The Embassy finds specific indications of a more conciliatory attitude in the UK's agreement to priority consideration of limited economic sanctions against mainland China in the Alternative Measures Committee of the UN, and in informal statement by the Foreign Office that the British position on the question of Peiping Government representation in Japanese Peace Treaty deliberations will depend on the US position toward representation of the Chinese Nationalists. Since the UK Cabinet has recently rejected a Foreign Office

SECRET

13

SECRET

suggestion for avoiding this conflict, (see OCI Daily Digest, 31 Mar 51), the Foreign Office is now suggesting that the US be asked by the British to propose a compromise on the issue. COMMENT: (S, S/S London, 5527, 20 Apr 51). COMMENT: The fundamental "principles and realities" on which the British see their present Far Eastern policy as based are (a) the general British policy of recognizing as the government of a country that regime which is actually in control, (b) a belief that refusal to do this in the case of the Peiping regime would be widely regarded in Asia as an attempt to interfere in the internal affairs of an Asian nation, and (c) the belief that for important strategic considerations, UK policy must not be allowed to deviate too far from that of India. Furthermore, the exigencies of the UK domestic political situation also militates against great changes, since the present government has already come under some criticism for allegedly truckling to US pressure.

SECRET

14

