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27 February 1952

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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. Comments represent the immediate views of the Office of Current Intelligence.

USAF review(s) completed, DIA, DOS and JCS review(s) completed.

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SECTION 1 (SOVIET)

1. USSR. USSR replies to Italian note on UN question: Rejecting Italy's assertion that the USSR is impeding its admission to the UN, a new Soviet note states that the Italian Government is violating international law by its renunciation of treaty obligations to the Soviet Union and will not be able to evade responsibility for the consequences of its action.

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The note blames the Western powers for blocking Italy's UN membership, and again accuses Italy of violating the peace treaty by its adherence to the North Atlantic bloc. [redacted]

Comment: The Soviet note represents a formal reply to the Italian note of 8 February and adds nothing new to Soviet policy towards Italy.

2. BULGARIA. Note asserts Turkish actions threaten Balkan peace: A Bulgarian note of protest was delivered to the Turkish Legation in Sofia on 22 February. According to the note, admission of Turkey to the "aggressive" North Atlantic Pact will accelerate the transformation of Turkey into a base for aggression against the People's Republic of Bulgaria and against peace in the Balkans. American-sponsored construction of strategic bases, the holding of military maneuvers, the presence of Western military missions and naval units, and the use of Turkey as "a base for foreign intelligence services" are cited as measures directly threatening the security of Bulgaria and contributing to the deterioration of relations between the two countries. [redacted]

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Comment: An earlier protest accusing Turkey of sponsoring espionage activities within Bulgaria "in application of the American Mutual Security Act" was presented to the Turkish Legation on 16 January.

On 19 February Bulgaria requested the United Nations Secretariat to transmit to the governments of the United States and Greece a similar protest against American and Greek activities directed against peace in the Balkans. Since 6 December, when a strongly worded memorandum was addressed to the United Nations Secretariat in protest against the American Mutual Security Act, Bulgaria has also delivered three notes of protest to Yugoslavia, one to Greece, and one to Great Britain. These protests have all

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been similar in that each has borne, directly or indirectly, upon the alleged Western conspiracy against peace in the Balkans.

3. HUNGARY. Red Army Day reception uneventful: The Red Army Day reception held at the Soviet Embassy in Budapest was attended by the Soviet Ambassador, the Soviet Military Attache, practically all Hungarian senior military officers, the Hungarian President and Foreign Minister and Chinese and North Korean representatives. The Russians were most friendly and hospitable; the Orientals, on the other hand, kept their distance. [REDACTED]

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4. RUMANIA. Country celebrates Railwaymen's Day: Rumania officially observed its first Railwaymen's Day on 16 February, the nineteenth anniversary of a bloody rail strike at Grivita. Accompanying propoganda glorified the position of Rumanian railroad workers compared to those in capitalist countries and called for more efficient operation and maintenance of Rumanian railroads. [REDACTED]

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Comment: Rumania now joins the USSR and other Satellites in officially observing a Railwaymen's Day.

In contrast to the propoganda surrounding this celebration, the American Legation in Bucharest forwarded a copy last December of an appeal allegedly sent by Rumanian railway workers to First Vice Premier Gheorghiu-Dej who led the Grivita railway strike in 1933. After depicting the "miserable life" of Rumanian workers, the appeal called on Gheorghiu-Dej to help to improve the Rumanian standard of living.

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SECTION 2 (EASTERN)

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1. INDOCHINA. French cabinet official asserts permanence of "French presence" in Indochina: Minister Heath in Saigon reports the "rather surprising" statement made to him by Minister for Associated States Letourneau that even if peace were restored in Indochina the United States still ought to support the "French presence" there, for if France were eliminated anarchy would result.

Comment: The term "French presence" refers to the authority which France hopes to retain in Indochina within the framework of the French Union. The French have sought to justify the existing limitations on Vietnamese sovereignty on the basis of the agreements uniting France and Vietnam within the French Union. These agreements grant France large emergency powers pending the re-establishment of security.

American policy has been to support French policy at least during the immediate future in the knowledge that a French military withdrawal would mean an immediate victory for the Communist-led Viet Minh. Letourneau's statement is, however, a significant extension of what the French have conceived to be the proper policy of the United States. There are numerous indications that the French hope to maintain their privileged position in Indochina for an indefinite period, but they have not previously hinted that they would like the United States to underwrite this position.

In an earlier cable, US Legation Saigon stated that the French Union formula as now constituted is highly distasteful to the Vietnamese, since it clearly establishes the supremacy of the French Republic within the Union, and recommended that no American approval be given the organizational aspects of the French Union unless the French gave some assurance that a more liberal formula was in prospect.

2. BURMA. Burmese commander fears Chinese Communist intervention: The American Army Attache in Rangoon reports that according to the Burmese Commander in Chief, General Ne Win, five fresh Chinese Communist divisions have been massed along the China-Burma frontier. Ne Win believes that these troops may move against the Chinese Nationalists in northeastern Burma at an "early date" and push them into Thailand.

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Comment:

This is the first statement from a highly-placed Burmese source suggesting that Chinese Communist intervention against the Nationalist troops in Burma is imminent.

3. CHINA. Western shipping in China trade drops: November 1951 was the sixth successive month in which non-Communist registered shipping in the China trade showed a decline. A total of 51 non-Communist registered merchant ships, aggregating 254,000 gross tons, traded with Communist China during this month -- the lowest monthly figures since the outbreak of hostilities in Korea.

As in previous months, the bulk of non-Communist registered shipping in the China trade carried British, Greek, or Panamanian registry. A fourth of the vessels were owned by Chinese Communist interests. Over half were owned by international Greek cartels, operating mainly from England.

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Comment: The continued participation of Panamanian-flag vessels in the China trade violates a Panamanian decree issued last August. Most of the Panamanian-flag ships in this trade, however, are Communist-owned coasters running only between Chinese Communist ports and do not carry strategic cargo from abroad. The Communist owners of these coasters are at present transferring many of them from Panamanian to Chinese Communist registry.

4. KOREA. Communists in Korean theater step up combat pilot training: The record total of 1,387 MIG-15's sighted over North Korea last week, coupled with increased aggressiveness of enemy pilots, indicates to the Far East Air Force that the enemy is taking advantage of the stalemated armistice talks to provide training for as large a number of pilots as possible. By basing combat aircraft on fields deeper in Manchuria and shuttling them into the Antung complex, the enemy can commit larger numbers of pilots in training flights over the combat area.

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The Far East Air Force also notes the possibility that the Communists, after a two-month lull, may be planning to exploit their capability for expanding air operations into UN-held territory. [REDACTED]

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5. Irate National Assemblymen urge President Rhee's impeachment: A minority group within the National Assembly, according to Ambassador Muccio, is urging impeachment proceedings against President Rhee if he does not give a satisfactory explanation of his campaign to secure the recall of his political opponents in the legislature.

More moderate members of the Assembly consider the move a "last resort" and have succeeded in suppressing any proceedings thus far. Muccio fears, however, that if Rhee pushes the "already frayed" tempers of the Assemblymen much further, they might be panicked into starting impeachment proceedings, which would in turn set off more drastic countermeasures by Rhee and his supporters. [REDACTED]

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- [REDACTED]
3. AUSTRIA. Austrian administrative inadequacies weaken trade controls: Despite Austria's cooperation with COCOM members in restricting the flow of strategic materials to the Orbit, the inadequacy of Austrian control procedures and the failure of Western European governments to appreciate the unreliability of end-use certificates issued solely by the Austrian Government are permitting some important items to leak through Western controls.

The US Embassy in Vienna has recently reported lead and zinc sales by British firms to a notorious middleman in Vienna whose letterhead was accepted as a guarantee of Austrian use. In other sales to this same dealer, the British were given certificates which the firm, by citing legitimate buyers, had obtained from the Austrian Government. The absence of a centralized agency for issuing end-use certificates and the apparent absence of formal procedures for verifying deliveries permitted the dealer to use such certificates to obtain metals for diversion to Orbit purchasers. US Embassy officials consider these diversions sufficiently serious that, while acknowledging the deficiencies of Austrian procedures, they have recommended "blacklisting" action against the British firms who made such sales.

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4. SWITZERLAND. President of Swiss Communist Party suspended: The National Central Committee of the Swiss Communist Party has suspended its President, Leon Nicole, from all party functions. It has warned him "to abandon his perilous attitude" and to discontinue the publication of La Voix du Travail. Nicole was given hints that if he did not comply, final action would be taken at the National Party Congress 30 May to 2 June.

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[REDACTED]

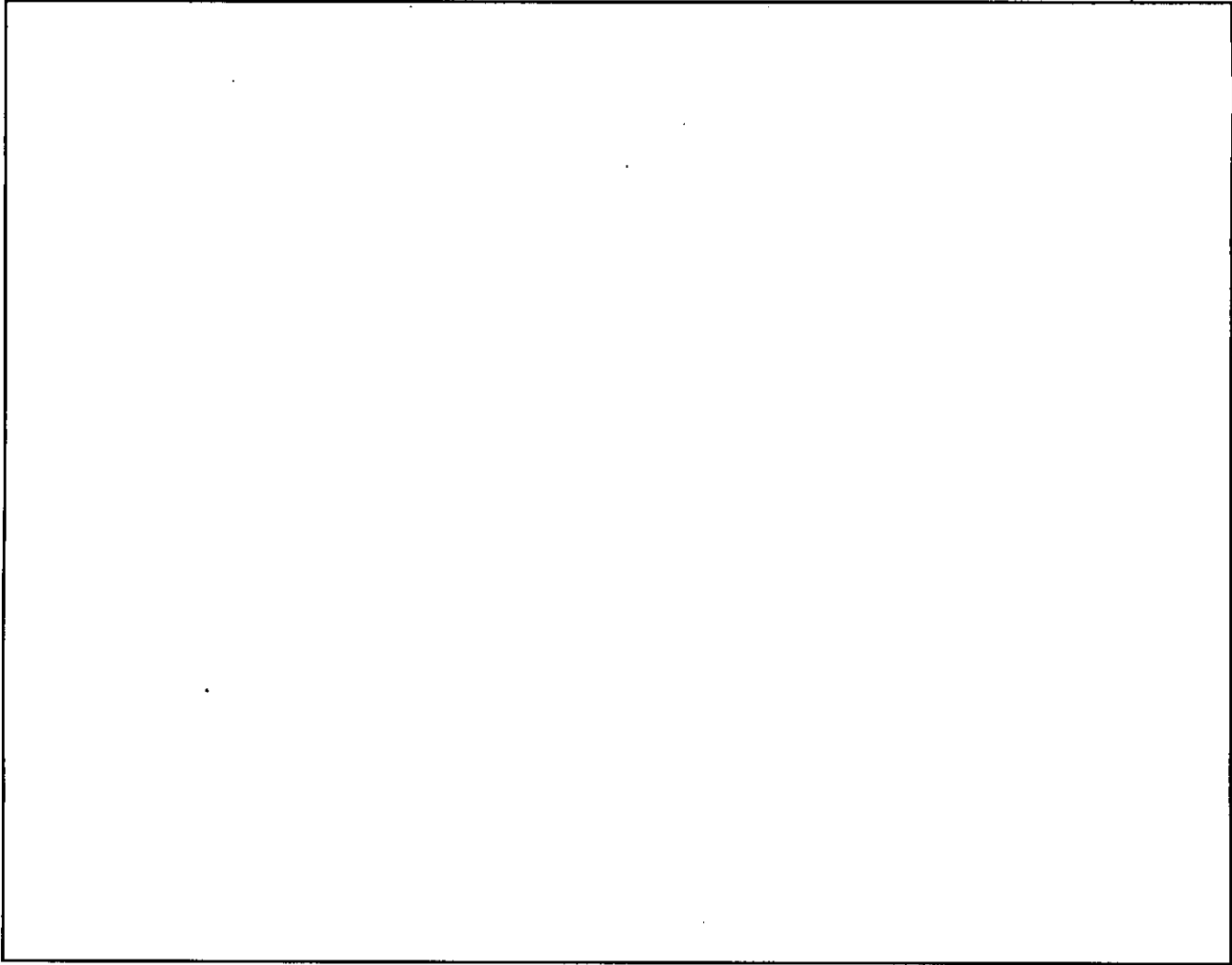
Comment: Nicole's complete ouster from the party has probably been prevented because of his popularity in the party. He is unlikely either to change his "attitude" or to stop the publication of the newspaper which he has just established in conjunction with leftist Swiss Socialists.

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7. ARGENTINA. Peron plans to tighten controls: According to unofficial reports of Peron's recent speech to provincial governors, federal authority in the provinces will be extended. The national government will control education, public works, and welfare (through the Eva Peron Foundation); and national codes will replace provincial authority to enact civil and criminal law. Government employees must be strictly Peronista. All citizens must join unions or associations, since Peron is concerned only with organizations, not individuals.

If unions and professional associations are under strict Peronista control, the opposition will be frozen out, as Peron

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25X1 intends. There are even reports that professional licenses have been denied to non-Peronistas.

25X1 Comment: The reported plans are in line with Peron's continuing efforts toward increased regimentation and control

8. DOMINICAN REPUBLIC. Naval air arm authorized: The Secretary for State, War and Navy, General Hector Trujillo, has authorized the establishment of a naval air arm. Implementation of this program has been delegated to the Sub-Secretary for Navy and Air, Comodoro de Windt, who has indicated that he wants to go very slowly. A cadre for the new service branch has been formed by transferring ten officer pilots from the Air Force to the Navy.

25X1 Comment: Current reports reflect the belief that the establishment of the air arm has been largely inspired by the recent revitalization of the Cuban naval air arm. Nevertheless, when fully set up, the new air arm is expected to increase materially the Dominican Navy's combat efficiency and make it more able to fill its assigned role in the defense of the Western Hemisphere.

9. NICARAGUA. Argentine Labor Attache distributing anti-US propaganda: Nicaraguan President Somoza and Foreign Minister Sevilla Sacasa have informed the US Embassy that the Argentine Labor Attache is distributing anti-US propaganda among local labor unions. They said they were investigating and that when they had satisfactory proof they would put a stop to it -- asking the Attache's recall, if necessary.

The Argentine Charge d'Affaires, who seems quite friendly, has told Ambassador Whelan confidentially that although the Attache is a member of his staff, his government has given him no control over labor activities.

25X1 Comment: Argentine Labor Attaches throughout Latin America are attempting to orient local labor toward Argentina and justicialism, and to gain support for a third-position labor federation. In the past five months, seven Nicaraguan labor leaders were invited to Buenos Aires to attend various labor conferences, and some attended the recent Argentine-sponsored conference in Asuncion

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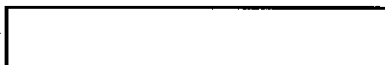
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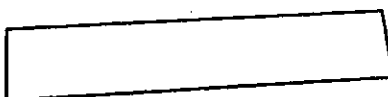


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SECTION 2 (EASTERN)

1. CHINA. Chou En-lai says Korean talks prove that Peiping will not intervene in Indochina: Chinese Communist Premier Chou En-lai [redacted] that the Peiping regime would not be agreeing to a truce in Korea if Peiping had "aggressive intentions" toward Indochina. Chou also remarked that it was easier for Communist China than for the United States to conduct a war on two fronts. [redacted]

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Comment: The Peiping regime has not agreed to a truce in Korea and has already intervened in Indochina. Chou appears to have said merely that, pending developments in the Korean talks, Peiping will not undertake a large-scale Korean type of operation elsewhere. It has been widely speculated that, in the event of non-conclusion or violation of a Korean armistice and consequent UN retaliation against China, Peiping would dispatch its forces into Indochina and other areas of Southeast Asia.

2. JAPAN. Chinese suggest American intervention in Japanese treaty negotiations: Foreign Minister Yeh reported to the American Charge at Taipei that the Japanese representative at the Japan-China "peace" treaty negotiations on 23 February expressed dissatisfaction with the Chinese draft, and continued to avoid any mention of the word "peace."

He believes that the Japanese now have no intention of signing a bilateral peace treaty resembling the San Francisco text, and that the time has come for the United States to intervene in behalf of the Nationalists. [redacted]

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Comment: The Japanese appear determined not to extend the benefits of the San Francisco treaty to the Nationalist Government, and to avoid any terminology which would imply that the Nationalists were negotiating for the people of mainland China. With both "face" and international considerations involved, the Chinese cannot accept the Japanese viewpoint.

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