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17 April 1952

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**CURRENT INTELLIGENCE DIGEST**

Office of Current Intelligence

**CENTRAL INTELLIGENCE AGENCY**

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State Dept. review completed

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GENERAL

1. Paris Embassy analyzes latest Soviet note on Germany: The American Embassy in Paris regards the lack of any real Soviet advance in its position on Germany as the most important feature of the 9 April note. The USSR presumably considers its best bet is to keep alive the East-West dialogue without making any serious proposal while it attempts to influence Western decisions.

The possibilities the USSR may hope will work in its favor, the Embassy suggests, include: (1) weakening of the Adenauer regime and its replacement by a government opposed to European defense integration; (2) a sharpening economic-political crisis in France and England; (3) breakdown of unity in the Western powers' foreign policy; and (4) United States election year problems and reduction in Mutual Security funds.

From the Soviet point of view, a practical failure of Western integration without a loss of Soviet control of East Germany may still appear an attainable objective and one preferable to a unification and neutralization of Germany with all the ensuing uncertainties. (S Paris 6330, 15 Apr 52)

25X6 Comment: It is very unlikely that the Adenauer regime will be replaced before ratification of the European Defense Community program.

2. Peiping invites labor organizations to May Day celebration: All but one of the major labor federations in India accepted the invitation of the All-China Federation of Labor to attend the May Day celebration in Peiping and to undertake a four-week tour of China. The United States Embassy in New Delhi considers this a serious set-back to the International Confederation of Free Trade Unions (ICFTU), underscoring the failure of the ICFTU to arouse the non-Communist trade unions

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to the danger of Stalinist maneuvers in Asia and reflecting the successful build-up of Chinese Communist popularity in India during the past year.

Even the anti-Stalinist, Socialist Hindu Maxdoor Sabha labor federation (HMS) accepted, although its sophisticated leadership now seems to have some second thoughts about the wisdom of the decision, which was said to have been based on Indian recognition of the Peiping regime, curiosity over conditions in China, and the desire to observe World Federation of Trade Unions strategic plans in the making. (S New Delhi 6035, 13 Apr 52; C Bombay 4940, 10 Apr 52)

Comment: The WFTU, curtailed in the West, has accelerated its program in Asia and the Middle East, re-organized its colonial department, set up a permanent Committee for Africa, and devoted much attention to plans for expansion in colonial and underdeveloped areas.

Direct invitations were sent from the All-China Federation of Labor to many countries, but Vice Chairman Liu Ning-i wrote to WFTU Secretary General Louis Saillant in December expressing a particular desire to invite delegates from Africa and the Middle East and asking him to transmit the invitation to organizations and individuals in those countries. That procedure implies that Peiping has no direct contact with Communist movements in those areas.

#### EASTERN EUROPE

3. Czech press publishes US and Soviet notes on the German peace treaty: All Czech papers published on 12 April the full texts of the US note of 25 March on the German question and the Soviet Union's reply of 9 April. This is the first time in several years, according to the American Embassy in Prague, that the Czech press has carried the full text of any United States communication. (R. Prague 736, 15 Apr 52)

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FAR EAST

4. Communists in eastern Korea reportedly emphasizing defense: Both North Koreans and Chinese Communists in the eastern and east central Korean battle zones are preparing for defensive action, [redacted]

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The building of a second and a third defensive line, and the distribution of ammunition and rations in the front lines are cited as supporting this information. [redacted]

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Comment: An unusual amount of recent enemy military activity has been reflected in an increasing volume of reports on Communist intentions.

5. Political issues to be raised by Communist negotiators at Panmunjom: The North Korean delegation at the truce talks will propose the establishment of a "special subcommittee to discuss political issues," [redacted]

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[redacted] The proposal will be submitted prior to the resolution of the neutral observers issue.

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[redacted] the North Koreans were ordered by their Soviet advisers to delay settlement on all major issues until 20 May. [redacted]

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Comment: General Hsieh Feng, a Chinese Communist, is the senior representative on the subcommittee dealing with neutral observers. Recent talks, however, have been conducted at the staff level with North Korean participation.

Agreement has been reached by the negotiators to reserve discussion of political issues until a cease-fire is effected. Although no reason is given for the enemy's reported intent to delay the talks until 20 May, the heightened tempo of enemy military activities may be related to this strategy.

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NEAR EAST - AFRICA

6. Tudeh plans May Day demonstrations throughout Iran: A report from Tehran states that the Tudeh and its front organizations are planning large-scale May Day demonstrations throughout Iran. [redacted] believes that security forces are capable of controlling provincial demonstrations but that a determined Tudeh effort in the capital would severely tax government forces there. The report concludes that in spite of army advice, Mossadeq will not extend martial law to include 1 May. [redacted]

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Comment: Martial law, which was imposed in Tehran immediately following the Tudeh riots of 28 March, is scheduled to end in late April. Mossadeq, who is allegedly alarmed by the recent riots, may extend it. Last year, despite army advice, Mossadeq permitted Tudeh May Day demonstrations. The security forces, however, are considered capable of successfully controlling any isolated Tudeh activities along these lines.

7. King Farouk considering change of government in Egypt: King Farouk is determined to prevent the return to power of the influential Wafd Party and will therefore be forced to replace Prime Minister Hilali Pasha with someone who is prepared to govern Egypt indefinitely without Parliament. The [redacted] reports that the two likely candidates to succeed Hilali are the former Minister of Foreign Affairs, Abd-al Hamid Badawi Pasha, and the current Minister of Interior, War, and Navy, Ahmad Murtada al-Maraghi Bey. [redacted]

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Comment: There has been some evidence in recent weeks that Hilali may not wish to continue in office if Egypt is unable to reach an agreement soon with Britain.

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8. Anti-American sentiment increasing in Morocco: An increase in anti-American sentiment and propaganda in Morocco is reported by a nationalist source. Agitators of the principal nationalist party, Istiqlal, are exploiting the widespread fear of an eventual war and a common desire to avoid involvement.

The older and more moderate Istiqlal leaders, who had held out hope of favorable American action in the UN General Assembly, now find their authority weakened. [redacted]

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Comment: Factors more responsible for the increasing anti-American sentiment than the General Assembly's refusal last December to place the question of French policy in Morocco on its agenda are: (1) the presence of large numbers of American airbase construction employees causing local irritations; (2) the strong anti-American tone of French-controlled newspapers, especially those backed by the Residency General; and (3) Resident General Guillaume's consistently disparaging attitude toward American diplomatic personnel stationed in Morocco.

9. French Moroccan police to be purged of Communist sympathizers: The new Director of Security in French Morocco plans to dismiss all militant syndicalists and Communist sympathizers from the Moroccan police. As a test case, the secretary of the local union of Casablanca police, which is affiliated with the Communist-directed General Labor Confederation, was suspended from the force and expelled from Morocco.

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Comment: The police union had been agitating for improvements in the housing situation and for other economic benefits. In protest against longer working hours without an increase in pay, the Casablanca police strictly enforced all traffic regulations on 28 February, thus snarling traffic.

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WESTERN EUROPE

10. Moscow Economic Conference propaganda scores gains in West Germany: Resentment of the "fact" that West Germany was not adequately represented at the Moscow Economic Conference and is not allowed normal Eastern trade has increased following the announcement that trade negotiations between England and Communist China were arranged at Moscow. Meanwhile the Communist press and certain non-Communist journals are making an extraordinary effort to exploit alleged discrimination against West Germany. (S Frankfurt Sitrep 13, 15 Apr 52)

Comment: Many anti-Communist newspapers in West Germany have followed the line that the "ruble stinks only in Bonn," and have implied incorrectly that other Western countries were permitted official representations at the Moscow conference. These papers have often ignored the fact that at least four West German businessmen did attend the conference.

East German propaganda has been that the West Germans should "get on the bandwagon before the British run off with the spoils." It has also tied in the theme that the West is to blame for the current failure of interzonal trade negotiations.

11. Strife increases within independent union of non-Communist French labor: The US Embassy in Paris reports that the feud within the right-wing Independent Labor Confederation (CGSI) is now a "full-fledged battle" which renders compromise "practically impossible."

The prospective adverse effect of this split on the progress of the non-Communist trade unions' effort to join forces against the Communist-sponsored General Labor Confederation (CGT) in strategic industrial centers has seriously alarmed a "leading labor source." The Embassy believes that this factional breakdown is most unfortunate, since it might set a precedent for similar upheavals in other non-Communist trade unions now when there are indications that the CGT itself is vulnerable because of internal difficulties. (S Paris 6327, 15 Apr 52)

Comment: The heterogeneous composition of the CGSI is responsible for this schism, which is basically a struggle for union leadership between the majority faction of industrialist and RPF backers and the minority faction of ex-

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Vichyites, upon whom the CGSI depends heavily for financial support.

Despite the potential strength of a united CGSI and the financial aid being given by the ICFTU to the Force Ouvriere, the non-Communist unions can be expected to make real progress against the CGT only after they have proven their effectiveness by definite gains for the working classes.

12. Communist claims for Moscow Economic Conference discounted in Austrian press: Trying to claim concrete results from the Moscow Economic Conference, Communist and Soviet media in Austria have given wide publicity to alleged trade offers made to the Austrian delegation by both Orbit and non-Orbit countries. Quoting a Moscow broadcast by the chief of the Austrian delegation, Professor Dobretsberger, they allege that an important exchange agreement with the Soviet Union "has been concluded," that Poland offered to double coal deliveries, and that "a settlement was reached" on Hungarian trade obligations toward Austria.

These efforts to attach practical significance to the Moscow meeting, however, have been derided in the non-Communist press. These papers demand Dobretsberger's dismissal from his university post, call his claims a hoax, point to his committee's lack of official competence in trade negotiations, and recall that the Austrian Government has long been pressing the Hungarians to settle their obligations under existing trade agreements. (U Vienna 3251, 10 Apr 52; R FBIS, Vienna, 9, 11 and 12 Apr 52)

LATIN AMERICA

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13. New Argentine revolt reportedly being planned: A revolt is scheduled to take place in Argentina prior to 4 June, [redacted] 25X1X  
[redacted] this revolt is better planned and involves persons not previously associated with plots against the government. Plans call for the assassination of Peron and other government officials and army intervention to handle any resistance by the shock forces of the General Confederation of Labor. 25X1X

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Reportedly, the government knows of [redacted] plotting and is "extremely worried" about his activities. [redacted]

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Comment: In March [redacted] several small groups were plotting independently to assassinate Peron and his wife, but apparently there is no well-organized plot. Although the army does oppose the powerful influence of the General Confederation of Labor, there are no other indications that influential army leaders favor Peron's assassination or that they have managed to evade Peron's rigorous security measures by engaging in such plots.

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The government's apprehension concerning a possible revolt, however, was indicated in February when it made hundreds of unpublicized arrests.

14.

Disorders may occur in Bolivia: Upon his return to Bolivia, Paz Estenssoro, leader of the Nationalist Revolutionary Movement, violently denounced the small upper class as principally responsible for Bolivia's ills, and threatened maximum punishment for military personnel "responsible for last week's deaths." He promised to diversify the country's economy to end its dependence on the price of tin, and to name a commission to study nationalization of the mines.

Order has apparently broken down in the Catavi mining area, where the army has been disarmed and labor is hostile to mine officials. In response to the company's request for aid in restoring order, the government dispatched the labor leaders who were responsible for the 1949 massacres at Catavi. (C La Paz, 396 and 397, 15 Apr 52)

Comment: Government statements and actions thus far do not appear designed to deter vengeful acts by the Movement against the former government and its supporters.

The mine manager at Catavi has considered the evacuation of staff personnel, which includes 45 Americans.

15.

Venezuelan police announce discovery of new revolutionary plots: The Venezuelan National Security Police have announced the arrest of fifteen persons and the seizure of a bomb cache in connection with an alleged Democratic Action plot to assassinate Junta strong-man Perez Jimenez. According to "confessions" of the prisoners, the attempt on Perez was to be part of a

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larger plan of terrorism scheduled for Holy Week, April 19 and July 5.

The US Embassy believes that the police discovered the bombs as stated, but it is not yet convinced that an actual attempt against Perez was planned. (R Caracas 483, 15 Apr 52; U NY Times, 16 Apr 52).

Comment: The Security Police uncover arms caches periodically. Current government attempts to link the new discovery to the disastrous fire panic in a Caracas church last week and to an alleged assassination plan may, as the Embassy suggests, be merely part of the continuing campaign against the outlawed Democratic Action Party.

However, bona fide Democratic Action disturbances -- whether on patriotic days such as 19 April and 5 July or on other occasions -- can probably be expected as the election campaign unfolds.

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GENERAL

1. Britain anticipates prolonged Soviet campaign against West German integration: The British Foreign Office believes that the Soviet note of 9 April may have been designed to elicit a Western refusal to hold discussions on a German peace treaty, and that such a refusal would prejudice West German ratification of the European Defense Community treaty and the contractual agreements. Britain favors Chancellor Adenauer's suggestion that the Western reply point out the necessity for advance agreement on essentials without actually rejecting the possibility of four-power talks.

Foreign Secretary Eden urges that the Western reply be coordinated in London or Paris rather than in Washington to avoid European criticism that the United States is dominating Western policy. (S S/S, London 4616 and 4628, 15 Apr 52)

Comment: The chief of German affairs in the British Foreign Office had stated earlier that the USSR could make real trouble in its efforts to prevent German integration with the West by offering genuinely free election of an all-German Government. Britain evidently now believes that the USSR is preparing a prolonged diplomatic campaign aimed at blocking the ratification, if not the signature, of the EDC treaty and the Allied-German contract.

West German ratification would be endangered only if the Soviet Union offered proposals for unification which guaranteed Germany's independence.

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FAR EAST

2. Japan denies intention of buying Iranian oil: The Japanese Foreign Office told the United States Political Adviser in Tokyo that the reported attempts of a Japanese trade delegation (see OCI CID 31 Mar) to purchase Iranian oil are without government support. It also indicated that the Japanese Government would deny the allocation of foreign exchange for Iranian oil in view of the oil's questionable title. (C S/S Tokyo 2202, 15 Apr 52)

SOUTH ASIA

3. American rubber agreement with Ceylon to block shipments to China is unlikely: The American Embassy in Ceylon says that it is unlikely that the United States can conclude an agreement to buy Ceylonese rubber to block China rubber purchases until after elections take place and a new government is formed on 10 June.

The Prime Minister, who would desire an accord under other circumstances, believes that such an agreement might compromise the voting support for his United National Party. The Permanent Secretary of External Affairs, moreover, says it is legally impossible for the government to sign an agreement before the elections since parliament is already dissolved. (C S/S Colombo 574, 10 Apr 52)

Comment: Indications are that no rubber agreement will be reached before the elections or, in the event of a United National Party victory, even after the elections. The party is closely associated with major rubber interests that would be unwilling to see the government sign an American agreement, before or after the elections, which might alienate the electorate.

NEAR EAST-AFRICA

4. New Anglo-Egyptian statement drafted: The text of an exchange of letters on defense problems has now been agreed to by the Egyptian Prime Minister and the British Ambassador in Cairo. Egyptian agreement, however, is conditional on the

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conclusion of a satisfactory statement on the Sudan.

The British Foreign Office feels that if the British Cabinet approves this text, the conversations in London with the former Egyptian Ambassador, Amr, who is scheduled to arrive on 16 April, can be confined to the Sudan. The Foreign Office still refuses to suspend the new Sudanese constitution, but hopes that Egypt may be induced to associate itself with the constitutional development.  
(S S/S London 4618, 15 Apr 52)

Comment: The formulation of a statement on the Sudan satisfactory to both parties is remote as long as the British Foreign Office refuses to recognize Farouk's title to the Sudan or to suspend the new constitution.

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