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29 April 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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Army, DIA and State Dept reviews completed

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GENERAL

1. Disillusioned East German official reports USSR not seeking agreement: The Soviet Ambassador to East Germany does not see any way to agreement in the 26 March Western note on Germany, according to Gerold Rummler, recently-defected public relations officer for East German Foreign Minister Dertinger. In a 27 March conversation with Dertinger, Ambassador Pushkin emphasized that Western insistence on Germany's freedom to join alliances meant Germany's incorporation in the "aggressive" North Atlantic Pact and disagreed with Dertinger's contention that efforts could continue toward an all-German understanding.

Rummler quoted Dertinger as saying, directly after the conversation, that if the USSR does not really want an understanding, "then my entire political perspective was wrong" and the USSR "should do this with another Foreign Minister and not with me in this seat." (C Berlin 1273, 26 Apr 52)

Comment: Rummler had previously labelled the current Soviet unity campaign for Germany as only a tactical maneuver.

Dertinger's position has always been tenuous, and Rummler predicted his early ouster regardless of how the political situation develops.

2. World Federation of Trade Unions reported withdrawn entirely into Soviet Sector of Vienna: Headquarters of the World Federation of Trade Unions (WFTU) has moved secretly from Vienna's International Zone into the Soviet Sector of the city. (R FBIS [redacted] Interreport Ost, 23 Apr 52)

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Comment: [redacted] reported in November that the WFTU planned to move its offices from the Coburg Palace in the First (International) District to the Soviet-requisitioned Porrhaus in the Soviet Sector. The Coburg

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Palace was said to be used primarily for representational purposes, while the Secretariat and most important offices had been housed in the Rainer Palace, Soviet Sector, from the outset of the organization's establishment in Vienna.

The WFTU withdrawal into the Soviet Sector may be counted a minor success for the Austrian authorities, who have repeatedly protested the organization's presence as illegal. However, it assures increased Soviet protection for WFTU activities, since the Vienna police admit that they are powerless to control entrance to the Soviet Sector.

EASTERN EUROPE

3. Stockpiling operations reported in Bulgaria: According to the French Legation at Sofia, a noticeable paucity of "non-perishable goods" has "confirmed" reports of considerable stockpiling operations in Bulgaria. In answer to a query by the French Minister, the Bulgarian Vice Minister of Foreign Affairs explained that the reserves being built up are intended "for commercial treaties to be made after the harvest." (S Athens 4607, 24 Apr 52)

Comment: Although there is no itemization of the specific goods said to be in short supply, such major Bulgarian export products as canned foods, dried fruits and vegetables, hides, and tobacco might presumably be involved.

It has recently been revealed that, at the end of 1950, 6.2 billion leva were allocated for the creation of a Bulgarian "material reserve." Although little is known concerning the activities of the Department of State Supply and Reserves, it is perhaps significant that the former chairman of the department was removed and replaced in February.

Despite increased production in Bulgaria, as in other Satellites, serious shortages of goods are not uncommon, as a result of high export requirements. It is possible, therefore, that an unusual paucity of goods on the Bulgarian market at the present time could be a reflection of increased export commitments on the part of Bulgaria, possibly involving a preparatory step in the developing Communist campaign to reopen Satellite trade with the West.

4. Probable initiation of anti-aircraft defense build-up observed in Budapest: The US Military Attache in Hungary has

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reported personal observation of two 85mm antiaircraft batteries in the vicinity of Budapest. These installations are the first semi-permanent air defense positions observed in this area, although preparation of another installation in the hilly center of town on the Buda side of the Danube is rumored. (S USMA Budapest L 2872, 23 Apr and L 2875, 26 Apr 52)

Comment: These reports suggest that the air defenses of Budapest will be built up in a manner similar to that which took place last summer around Warsaw and which was recently initiated in the vicinity of Prague. In addition to being national capitals, these cities are important points on east-west lines of communication as well as important industrial centers.

Reports from Hungary have indicated a heightened interest in air defense in recent months.

Two Hungarian antiaircraft divisions have been previously identified in the Budapest area.

5. Hungarian Cabinet demands more production from farm cooperatives: The Hungarian Council of Ministers issued a decree on 23 April calling for more work, better discipline and improved methods from agricultural producers' cooperatives in order to increase crop yields and especially livestock production. Penalties are provided for absenteeism, absent members are ordered to return to their own cooperatives unless working in state enterprises, and detailed incentive rewards are offered for over-fulfillment of goals.

The use of methods characteristic of kolkhozes is recommended to all agricultural producer cooperatives. (R FBIS Budapest, 25 Apr 52)

Comment: The decree, which embodies party recommendations and implements the 1952 crop surrender decree, is part of the drive to tighten discipline in the whole Hungarian economy. It follows three months of criticism for low production, highlighted by the recent announcement that food production had achieved only 99.6 percent of its target during the first quarter of 1952. In preparation for spring planting, there has been constant hammering on leadership failures by party, local councils, the agricultural trade union MEDOSZ and the youth organization DISZ.

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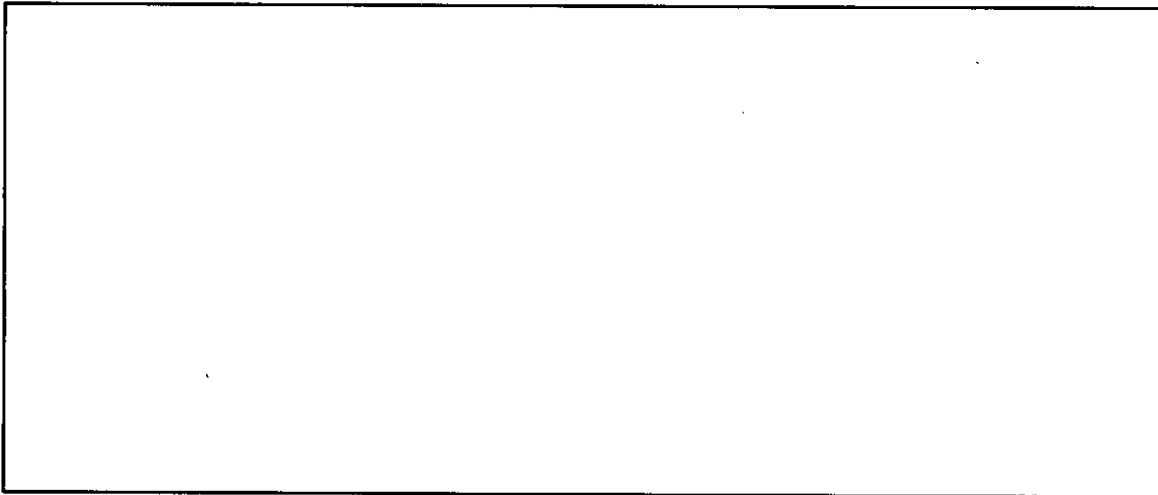
Eighteen percent of Hungary's arable land now allegedly is farmed by cooperatives. Recent policy has emphasized collectivization by attraction rather than by force, but pressure has not been relaxed. The recommendation that all cooperatives use kolkhoz methods is interesting, since party leader Rakosi proposed supporting simpler cooperatives as a method of gradual transition to real kolkhozes.

6. Rumanian currency reform reportedly directed by Russians:
The American Legation in Bucharest reports that, according to usually reliable diplomatic sources, Eugene Varga was in Bucharest in January and directed the Rumanian currency reform. Russians are said to have arbitrarily fixed the amount of new currency which might be placed in circulation.

25X1 Varga allegedly refused to speak to Aurel Vijoliu, President of the Rumanian State Bank, this being the first indication of Vijoliu's fall from grace and subsequent dismissal. [redacted] that the State Bank President was ignorant of the nature and details of the currency reform until the decree was publicly announced.
(C Bucharest Desp 305, 8 Mar 52)

Comment: Varga, a leading Soviet economist, was censured in 1947 for his views regarding the effect of World War II on capitalist economies. Since then he has been in eclipse, although there is good evidence that he has been a Soviet economic adviser in his native Hungary. There have also been unconfirmed reports that he heads an economics department of the Cominform and took part in organizing the Moscow Economic Conference.

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Comment: Despite violent Yugoslav protests over a greater Italian role in the administration of Trieste, it is quite evident that Yugoslavia does not intend to endanger Western military and economic support. Nonetheless, [REDACTED] [REDACTED] have noted a considerable worsening in Yugoslav-British relations since the Conservative Party victory last October in Britain.

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Assistant Foreign Minister Mates told the Yugoslav National Assembly on 29 March that he hoped improved relations with Greece will "contribute to closer cooperation for defense of general national interests."

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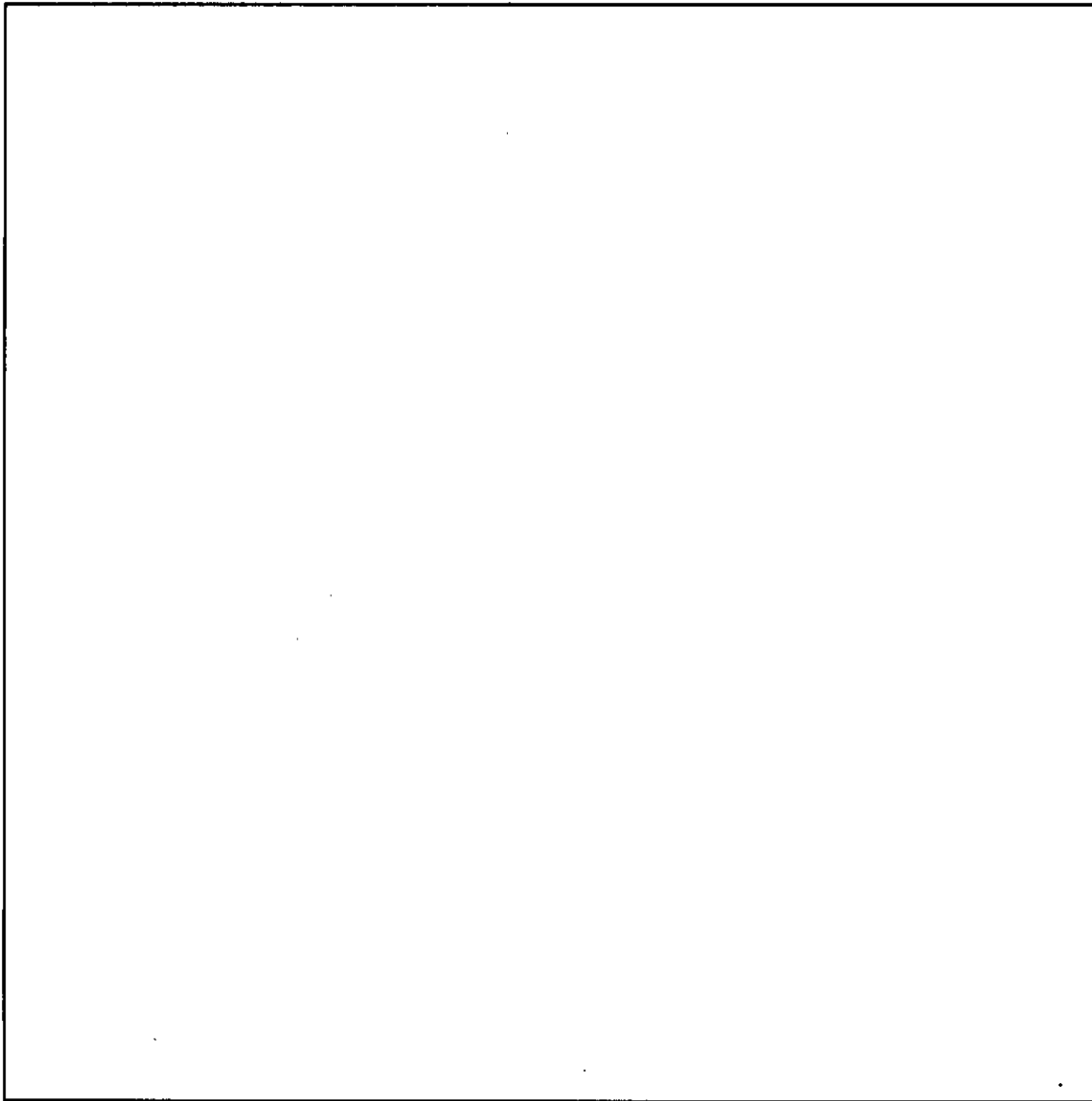
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FAR EAST

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Chinese Communist logistical capability increased in Korea: [redacted] Chinese Communist military truck transport facilities in Korea have greatly improved during the past year. The addition of four truck battalions and the establishment of truck repair shops, as far

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forward as the front lines, has increased 320 percent the daily capacity in tons per kilometer. [redacted]

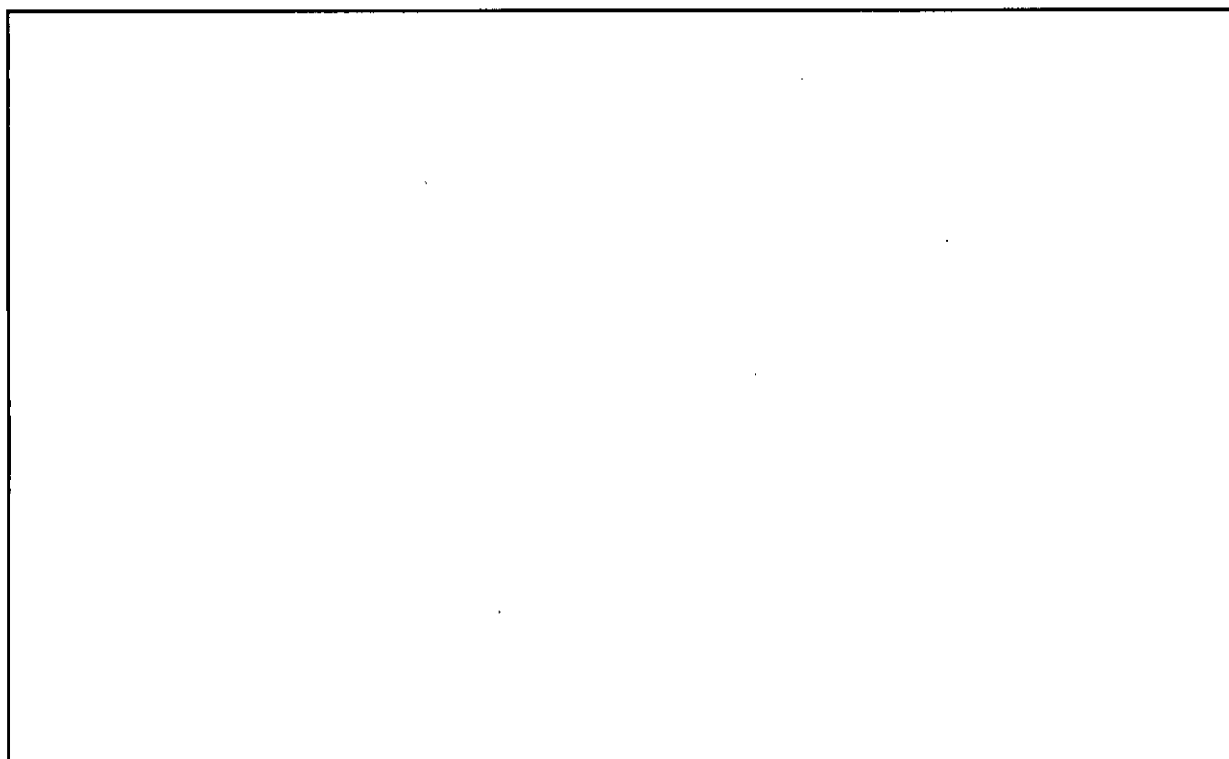
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Comment: This apparent improvement in Chinese truck transportation is supported by the growing daily average of vehicle sightings, which were reported at their highest 1952 level last week. Current estimates are that the Chinese in Korea have 5,000 more trucks than they had in late 1951. A corresponding development in maintenance and repair facilities, if confirmed, would greatly enhance their logistical capability in Korea.

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Nationalist Army to be reorganized: Chiang Kai-shek and the Ministry of National Defense have ordered that a reorganization of all Nationalist armies be started in May and completed by the end of 1952.

Instead of 38 divisions in 12 armies, there will be 20 divisions in 10 armies, each army being reorganized into two full-strength divisions and one skeleton division consisting

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only of an officer cadre. Artillery units will be assigned to each army and each division.

Equipment requirements will be met by using available weapons until the necessary ones are received. (S ALUSNA Taipei, Joint Weeka 17, 26 Apr 52)

Comment: The reorganization of the Nationalist Army is another reform consistent with the American Military Assistance and Advisory Group's suggestions.

General Sun Li-jen, recently reappointed commander of the ground forces, has opposed reorganization of the army until the arrival of substantial amounts of American equipment.

13. Existence of operational Chinese airfields near Indochina border doubted: On the basis of information from two French air intelligence officers, the American Air Attache in Saigon believes that there are no operational airfields in the Pinghsiang-Lungchou-Ningming triangle of South China, several miles from the Indochina border. (S USAIRA Saigon, AFC-43-52, 25 Apr 52)

Comment: This contradicts a report of 5 March that French air patrols had sighted two parallel paved runways, each 6,000 feet long, at Lungchou.

14. Attrition of French forces in Indochina described as serious: Despite the success of last week's Tonkin delta clearing operations, during which Franco-Vietnamese forces "very probably" destroyed one Viet Minh regiment, the US Army Attache in Saigon believes that the casualty rate suffered by the French is a matter for "serious consideration." He states that the ratio of casualties inflicted by the French was five to one during that week, but it must increase to eight or ten to one for a long period to insure victory over the Viet Minh. (S Saigon Weeka 17, 27 Apr 52)

15. France-Indochina economic conference is potentially explosive: The conference of French, Vietnamese, Cambodian, and Laotian representatives which is now meeting in Paris to determine the level of trade preferences which France is to enjoy in Indochina is described by the American Legation in Saigon as "potentially explosive." Reversing their previous position, important French business groups are working for

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bilateral treaties between France and each of the three Associated States.

These views, if accepted, would presumably mean the end of the economic unity of the Associated States which the French Government has worked hard to maintain. Vietnam, while showing some willingness to compromise on trade preferences, is fearful that the French will insist on concessions which will hinder Vietnamese industrialization, block development of trade with Japan, and cause serious budget difficulties. (S Saigon Weeka 17, 28 Apr 52)

16. General Sarit's position reported strengthened in Thailand: The American Embassy in Bangkok reports that General Sarit Thanarat's appointment as Deputy Commander in Chief of the Thai Army has probably strengthened his power. Other appointments also appear to have solidified his control over lower echelons of the First Army.

The Embassy comments that while these changes are not sensational, they are symptomatic of Sarit's growing importance and indicate that he is preparing to succeed General Phin as Commander in Chief of the Army when the latter retires. (C Bangkok 2290, 25 Apr 52)

Comment: Sarit, who commands the First Army, has long been recognized as a [redacted] Since he is already Assistant Commander in Chief of the Army, the significance of his new appointment appears to be the elimination of the possibility of a rival holding that position. Although General Phin, father-in-law of the powerful and ambitious Police Director General Phao, is in his seventies, there are no indications that he is about to retire voluntarily in the immediate future.

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17. SOBSI promotes new wave of labor unrest in Sumatra and Java: Communist-led SOBSI, Indonesia's largest labor federation, appears to be promoting a new wave of labor unrest throughout Java and Sumatra. During the past week, reports have been received of unrest on rubber estate areas in Sumatra, suppressed turbulence in the oil industry, numerous strikes among government workers, and the partial settlement of a dock strike in Java. (C Djakarta 1560, 25 Apr 52)

Comment: Since the release of many of its officials and sympathizers, arrested in the government security sweep last September, SOBSI is gradually resuming activity.

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NEAR EAST - AFRICA

18. Iranian Prime Minister's position less secure: American Ambassador Henderson reports that Prime Minister Mossadeq is now facing serious difficulties and opposition within Iran. Evidences of dissension have appeared among his leading supporters, notably Maki and Kashani, and the new Majlis, instead of being amenable to Mossadeq, appears to be more critical than had been anticipated.

Mossadeq now recognizes that he must accommodate himself to the Shah's wishes, and the Prime Minister's decision to give the assurances necessary for the resumption of American military aid was the result of strong pressure from the Shah. (S Tehran 4137, 26 Apr 52)

Comment: There are growing indications that the economic consequences of Mossadeq's policies may do more to unseat his government than any of the diplomatic or political influences to which he has been subjected. The Prime Minister's hold on the government has not been appreciably weakened, although he failed to appear at the opening of the Majlis on 27 April.

In spite of the Shah's presumed victory in inducing Mossadeq to give the Mutual Security Act assurances, there is no evidence that the Shah is ready to remove the Prime Minister.

19. Iranian Foreign Minister seeks Ambassador's post in France: Iranian Minister of Foreign Affairs Kazemi has asked the French Government to approve him as Ambassador to France. According to the French Ambassador in Tehran, Paris will agree "with considerable reluctance." Kazemi told the American Ambassador that Prime Minister Mossadeq will release him from the cabinet after the Majlis meets. (S Tehran 4131, 26 Apr 52)

Comment: The Mossadeq government has been criticized increasingly and Kazemi, [redacted] may hope to escape the critical [redacted] period ahead.

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This report adds credence to the previously denied reports that Ambassador Ebtehaj was being recalled from France.

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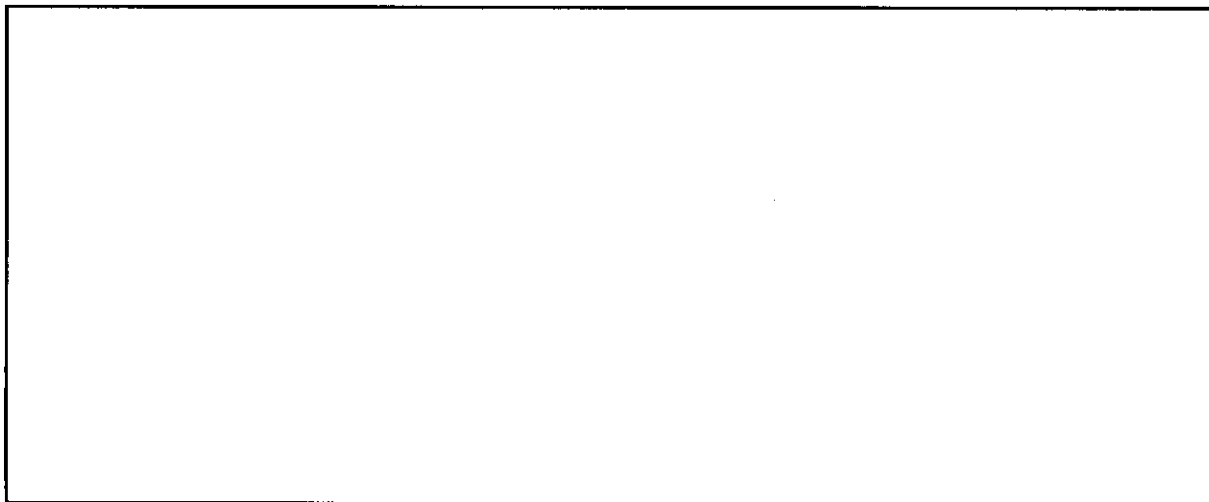
20. Greek Army officers reported considering military coup:

A group of army officers led by a [redacted] 25X1
[redacted] are reportedly "beginning to talk" of an armed
coup to be headed by opposition leader Papagos. The move,
aimed at ending the protracted government crisis, is supported
by Generals [redacted] [redacted] 25X1A

25X1 Comment: There has been considerable dissatisfaction in
Greece over the purge of pro-Papagos army officers during past
months, and plans for a coup may have been discussed. The
[redacted] would be unlikely to support such an attempt, however,
now that he and his supporters are increasingly optimistic
over the possibility of unseating the government.

25X6 Since all the officers reportedly supporting this move
were potential victims of the government-instigated purge,
the report could be part of a maneuver foreshadowing a more
determined government effort to oust them.

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WESTERN EUROPE

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Austrian Communists seek new opportunities for mass action:
For several months the Austrian Communist Party (KPOe) has been trying to improve its organizational effectiveness in exploiting joint-action possibilities with non-Communist Austrians. Party publications have denounced "sectarianism," called for a concerted effort to win peasant support, and emphasized the need for broad programs of worker-unity and supra-party appeal. Schools for works councilors elected on unity lists have been organized, and renewed emphasis has been placed on agitation and propaganda.

Other evidence, however, points to Communist fears that "mass organization affairs" may cost the party its "political

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perspective." Concern has been expressed for the ideological orientation of party workers; new intermediate administrative units have been superimposed upon basic cells; new financial "comptrollers" have allegedly been given responsibility for observing unit effectiveness in general.

Non-Communist Austrians ascribe this current KPOe activity to energetic "running to stay in the same place." There is no reason to rate the party's potential substantially higher than in the past, despite recent successes in the labor elections. Austrian economic problems and coalition tensions, however, are undoubtedly improving opportunities for Communist agitation. (Factual data from: S USFA Intelligence Summary 352, 2 Apr 52; R FBIS Vienna, 8 and 14 Apr 52)

25. Soviet interference threatens Austrian control over police forces: American officials in Vienna assert that last month's Communist demonstrations against the Greek Legation make it "fiction" to maintain that there is a united police force under Austrian control in the Austrian capital. Communist police officials in Soviet sectors countermand orders from police headquarters; Soviet consent is still required before police quelling political disturbances in Soviet sectors can be re-enforced; Soviet authorities facilitate Communist demonstrations when other Soviet objectives are not jeopardized.

American observers believe that the fiction of Austrian control over Soviet zone police interferes with the purge of Communist police officials in non-Soviet sectors. The Austrians contend, however, that such a purge would result in Soviet dismissal of non-Communists from Russian-sector police, and US officials acknowledge that the present situation is probably preferable to an open break and the possible establishment of a Soviet zone police.

The Ministry of Interior hopes that instructions to the Police President to ignore the Russians when diplomatic missions are endangered may meet this specific problem. The US Embassy warns that drastic action may be necessary to prevent serious incidents in the future. (S USFA Intelligence Summary 353, 9 Apr 52)

26. Strikes in Belgium may cause fall of government: Should strikes in Belgium begin on 5 May as scheduled, the one-party Social Christian (PSC) government will be endangered. [redacted] the Social Christian trade union feder-

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ation (CSC) may welcome the end of the present government, since its leaders may be embarrassed by their responsibility for the government without corresponding influence.

Government attempts to mediate the differences between labor and employer groups have so far failed, and the cabinet is undoubtedly aware of the long-term effects of the present labor alliance on the PSC. (C Brussels 1591, 25 Apr 52)

Comment: The CSC and the Socialist trade union federation have joined together for the first time in a number of years to press their demands. Unless a settlement is reached, strikes will occur in the mining, metal, cement and oil refinery industries.

LATIN AMERICA

27. Panama National Police may have divided loyalties: A cabal of younger officers in the Panama National Police are approaching ex-president Arnulfo Arias and presidential candidate Roberto Chiari in an effort to make a deal against the administration's candidate, Jose Remon, according to information attributed to

25X1 [redacted] These officers believe that a Remon victory in the 11 May election would profit them nothing, but that if Remon were to lose, the upper echelon of police loyal to him would be swept out and they could then gain control of the police themselves. (C Panama City 917, 26 Apr 52)

Comment: This is the first indication of a possible division within the National Police, Panama's only organized armed force. The circulation of such reports, whether founded on fact or not, would be another factor for instability in the tense pre-election atmosphere.

28. Paraguayan Government takes action against opposition because of "plotting": The Paraguayan Government allegedly discovered the "clandestine removal of a quantity of arms from a regimental arsenal" as well as "plotting among dissidents who hoped to capitalize on the unfavorable economic situation." Within the past 10 days, 150 persons, including "out group" Guiones and Febreristas and a number of retired army officers -- among them former provisional President Rolon -- were taken into custody. Some were promptly released, but many civilians were immediately deported to Argentina and Brazil.

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The United States Embassy in Asuncion states that "the intention of the government was to break the back of the opposition." The Embassy also comments, "This is the most significant action of its kind within the last 15 months, and a reflection of certain unrest among the public and a decided nervousness on the part of the government." (C Asuncion 297, 25 Apr 52)

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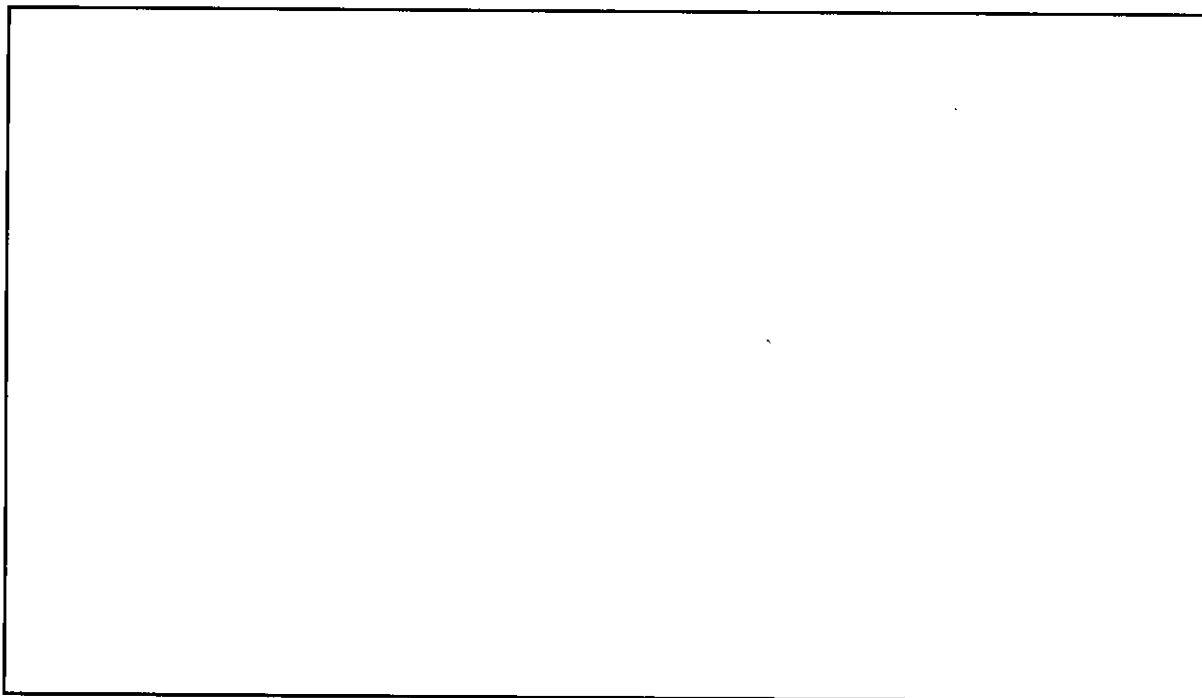
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SOUTH ASIA

2. Indian aide memoire on Tunisia accompanied by bitter comment: Secretary General Bajpai of the Indian Ministry of External Affairs on 25 April read to American Ambassador Bowles the contents of an aide memoire on the Tunisian question, which was apparently identical to that reportedly distributed on the same day by the Indian UN delegation in New York.

Bajpai commented bitterly that the United States grossly underestimated the depth of Asian feeling on colonialism.

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He deplored the American tendency to take the pro-Westernism of Asian leaders such as Nehru for granted. He implied that several Indian cabinet members had wanted the aide memoire to follow a more strongly anti-Western line. (S S/S New Delhi 3755, 13 Apr; S S/S New Delhi 3928, 25 Apr 52)

Comment: Bajpai had told Ambassador Bowles on 11 April that he generally approved of the reasons given him by the Ambassador for the United States' abstention on the Tunisian question. Since that date Prime Minister Nehru, who apparently inspired the aide memoire, seems to have communicated some of his personal feelings to Bajpai.

NEAR EAST - AFRICA

3. Iranian Prime Minister's position less secure: American Ambassador Henderson reports that Prime Minister Mossadeq is now facing serious difficulties and opposition within Iran. Evidences of dissension have appeared among his leading supporters, notably Maki and Kashani, and the new Majlis, instead of being amenable to Mossadeq, appears to be more critical than had been anticipated.

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