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OFFICE OF CURRENT INTELLIGENCE
DAILY DIGEST OF SIGNIFICANT TRAFFIC

Date: MAR 6 1951

NOTE:

1. This summary of significant reports has been prepared for the internal use of the Office of Current Intelligence. It does not necessarily represent a complete coverage of all current traffic in CIA or in the Office of Current Intelligence.
2. Comment represents the preliminary views of the responsible analysts and not necessarily the final view 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

NAVY and DOS review(s) completed.

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"C" CZECHOSLOVAKIA. Sovietization of Czechoslovak Economy Stepped-Up. The decisions reached at 21-24 February meeting of the Central Committee Czechoslovak Communist Party point to: (1) an increased emphasis on heavy industry and coal production to be achieved by stepped-up norms and the introduction of 2 shifts in many branches of the industry, (2) a speed-up in the socialization of agriculture to provide extra manpower for industrial and mine production, (3) an increase in the number of women workers in light industry and services to relieve men for heavy work, (4) greater Soviet exploitation of the Czech economy. In 1951 the Soviet Orbit is to account for 59% Czech exports and to provide 61% Czech imports. [REDACTED]

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"C" HUNGARY. Patriotism Theme Used in Hungary. A resolution of the Hungarian Workers Party Congress, currently underway in Budapest, stated: "The results of Socialist construction, the defense of Hungary's independence, and the peace movement have given rise to a new Hungarian patriotism which is inspiring our workers to great achievements". This new patriotism was characterized as the main driving force in Hungary today. [REDACTED] COMMENT: This is a new development in the propaganda line in the Satellites. Propaganda appeals to Rumanian patriotism, which had previously been played down, are now being made frequently. [REDACTED]

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[REDACTED] It follows several months of exceptionally vehement Yugoslav propaganda which has had as its main theme the subservience of the orbit states to the USSR. Recent nationalist deviations in Italy and Czechoslovakia add fuel to the fire. The Communists' sudden appeal to patriotism, therefore, may be an effort to counteract the effects of Yugoslav and Western criticism.

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"B" POLAND. New Soviet Commander for Polish Air Force. On 27 Feb the Polish press reported that General of Weapons, Turkiel, presumably Colonel General Ivan Lukich Turkiel, a high-ranking Soviet Air Force official, had opened the first meeting of the Polish Air Force political personnel. This is the first mention of Turkiel, public or official, that has been made. The US Emb comments that this announcement indicates a sudden change in the top command of the Polish Air Force. With the recent appointment of Soviet Admiral Czerekow as Commander in Chief of the Polish Navy, all major units of the Polish Armed Forces are under direct Soviet control. No mention has been made in the Polish press about Brigadier General Romeyko, the former Commander in Chief of the Polish Air Force. [REDACTED]

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[REDACTED] COMMENT: More information will be needed on Turkiel's appointment before final assessment of its full significance can be made. His appointment, however, would seem to indicate Soviet dissatisfaction with Romeyko, who while not a Russian, had received long training in the USSR. Romeyko has been described as not giving the impression of a born leader and completely lacking the force of character usually associated with a Commander in Chief.

"C" RUMANIA. New Appointments. A shake-up in the Rumanian governmental machine reflects the continuing ascendancy of hard core Stalinist elements. Lt. Gen. Petre Borila, an able, intelligent Stalinist, has been promoted from Minister of Construction, a post which he has held for almost a year, to President of the State Control Commission. Replacing Borila at Construction is Gheorghe Hossu, who has served as director of works at the Danube-Black Sea Canal. Mihail Florescu, former chief of the Army Political Directorate and a political writer, has been appointed as assistant Minister in the Ministry of Metallurgy and Chemical Industry; Ion Vidrascu has been demoted from President of the State Control Commission to be Assistant Minister of Agriculture. [REDACTED]

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[REDACTED] COMMENT: The promotion of Borila, Hossu and Florescu reflect the Rumanian regime's dependence on hard-hitting political appointees for the overall execution of important programs. In this connection, the recent relief of Alexandru Moghioros from his post of President of the Committee for farm Collections and Establishment of Collective Farms should probably be regarded as an indication that the capable Moghioros set up an organization capable of effecting collectivization, and has been relieved for other vital projects; the relief of Vidrascu, on the other hand, may reflect shortcomings in his office, which is responsible for the efficient operation of the whole Government machine.

"C" YUGOSLAVIA. Controls on Farm Products only Partially Removed. Emb Belgrade is somewhat skeptical of the recent Yugoslav Government's decision introducing a policy of free sales in certain agricultural products, the sale of these goods to be governed by the law of supply and demand. The Emb reports that only vegetables and fruits are apparently affected. While the

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purpose of the decision is ostensibly to restore the incentive to middle peasants, the Emb considers it more likely that the primary concern of the government continues to rest with the town population and that the latitude granted to the peasants will be limited. [REDACTED]

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COMMENT: The announcement is not as sweeping as the recent NYT article stated. [REDACTED]

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SECTION 2 (EASTERN)

"B" NEAR EAST. Moslem Reaction to Recent Developments in Morocco. Reaction in the Near East to recent events in Morocco [redacted] developed rapidly and unfavorably over the weekend. The enforced accession of the Sultan to French demands--such as, his denunciation of the Moroccan Nationalist Party [redacted]--has resulted in political groups and newspapers from Tunisia to India denouncing not only the often-exaggerated reports of French actions in North Africa but also, to a lesser extent, the US airbase agreement for Morocco and the continued presence of British troops in the Suez Canal region. Student demonstrations in Egypt forced the government there to initiate martial law on 4 March, and the Arab League, responding to the widespread public excitement, summoned its Political Committee to a special meeting on 10 March to discuss the Moroccan situation. Prime Minister Qudsi of Syria, in a conversation with US Minister Cannon, strongly denounced French policy in Morocco and stated that French actions there tended to undo his efforts to allay Syrian mistrust of the West. Even in Pakistan, prominent Moslems and the influential newspaper DAWN criticized the French and charged them with defying the will of the Moroccan people in entering into a secret agreement with the US for the establishment of American airbases. [redacted]

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[redacted] COMMENT: While popular excitement in the Moslem world has probably passed its peak with regard to the French Moroccan situation, there are signs that Arab hostility, originally concentrated on the French alone, is now being directed toward the West as a whole. Thus, there is danger that the Western political and military position throughout the Near East may be weakened. Most serious of all, perhaps, is the possibility that re-emergence of popular criticism of the British base on the Suez Canal may become sufficiently strong to counteract the slow but gradual progress being made by Egypt and the UK on the difficult Anglo-Egyptian treaty problem.

"B" ISRAEL. Election Prospects. According to US Embassy Tel Aviv, Prime Minister Ben Gurion's failure to form a new government and the consequent necessity of general elections were officially announced on 1 March by publication of an exchange of letters between President Weizmann and the Prime Minister. Ben Gurion's letter, which states that the present government will continue to function in the pre-election period, has allayed the general fear that the Prime Minister intended to form a caretaker government composed exclusively of MAPAI members. An election bill is expected in the Knesset next week to prepare the way for the actual polling, which will probably take place next July. [redacted] COMMENT: This report makes it likely that new elections will actually be held.

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[redacted] The prospect that Ben Gurion might be able to revive his repudiated government without recourse to general elections appears less and less likely after a series of conferences between President Weizmann and Israeli party leaders failed to produce the means of forming a workable coalition based on existing political alignments.

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"B" Recommendation that US-UK Resolution on Kashmir be Pressed to a Vote. Before its conclusion on 3 March 1951, the South Asian Regional Conference of US diplomatic and consular representatives meeting in Ceylon recommended that the US and UK jointly press the Kashmir resolution now before the UN SC to a vote, even though India or Pakistan, or both, state they will not accept or cooperate. The Conference also recommended, if the resolution will make it acceptable to both parties without material loss of strength, that (1) the US should accept the modification, provided it is also accepted by the UK, but that (2) the sponsors should guard against being placed in a negotiating position with the parties. [REDACTED]

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"B" New National Budget for 1951-52. On 28 February, the Indian Finance Minister made his annual speech reviewing the national budget of the past year and introducing the proposed new budget for the next year. The revised revenue budget for 1950-51 showed a surplus of 79 million rupees, but the capital budget showed a deficit of 670 million rupees instead of the originally estimated 239 million. The proposed revenue budget for 1951-52 anticipates a surplus of 256 million rupees and the capital budget a deficit of 778 million. Defense expenditures of 1.8 billion rupees are about the same as for 1950-51 (i.e. approximately 50% of the total revenue budget). The combined deficit on revenue and capital accounts in 1951-52 is to be met by drawing down Government cash balances from 954 to 430 million rupees.

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[REDACTED] COMMENT: 1950-51 is the third year in which Indian expenses have far exceeded receipts, and 1951-52 is apparently to be no exception to the rule. If cash balances are drawn down in 1951-52 at the same rate as in 1950-51, they will be exhausted by the end of the year. By 1952, therefore, India may be faced with the immediate prospect of drastically reducing defense expenditures, of adding to existing inflation by expansion of the money supply, or of increasing taxes. None of these prospects will be attractive to the Indian Government.

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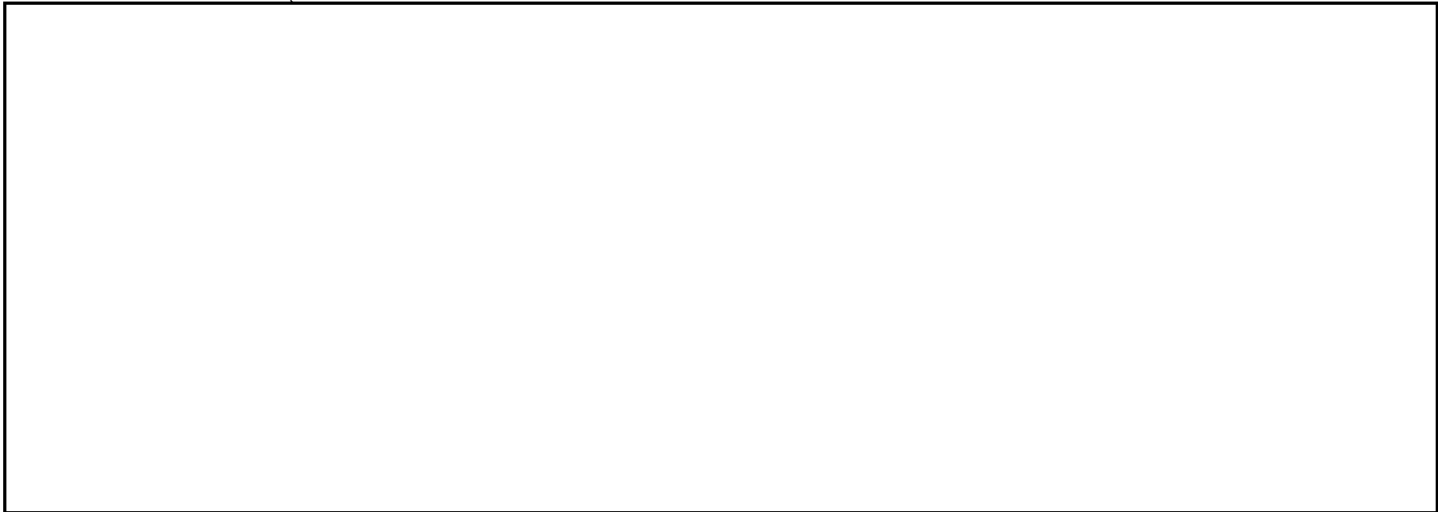
"B" INDOCHINA. French Anticipate Delay in Formation of Vietnam Army. Referring to Premier Huu's assumption of the National Defense portfolio General De Lattre has stated that the formation of the Vietnam National Army would be retarded, but that a short delay would "not necessarily be fatal". De Lattre said that, in any case, it would be impossible to develop more than 20 or 25 Vietnamese battalions into first-class fighting groups before the end of 1951. There would not be sufficient officers and NCO's of real value, he stated, for more than that number of battalions. [redacted]

25X1 COMMENT: Although the Viet army already has some 12 battalions, only a few of these are sufficiently trained to take part in front-line engagements.

"C" French Lag in Publicizing Bao Dai Cause. No word of the Soviet attempt to expel the Vietnam delegation from the Lahore ECAFE meeting and replace it with Viet Minh representatives has been published in the Saigon press. [redacted]

25X1 COMMENT: In the past, US officials have repeatedly prodded the French to undertake a more energetic information program on behalf of the Bao Dai government. By giving full publicity to Soviet unfriendliness toward Vietnamese interests, the French might have contributed toward a hardening of Vietnamese antipathy to Communism and, conversely, toward sympathy for the Bao Dai cause.

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"A" Nationalist Oil Shipment to Mainland Confirmed. US Consul General, Hong Kong, has confirmed reports that a 2,500 ton shipment of diesel oil from Taiwan was delivered to Macao, undoubtedly for reshipment to the Chinese Communists, by the Panamanian vessel FLYING DRAGON on or about 21 January. The same vessel reportedly returned to Macao about 10 February from Singapore with another cargo of petroleum. [redacted]

25X1 COMMENT: [redacted]

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[redacted]

In this connection, (1) although ECA is currently financing deliveries of about 10,000 tons of oil per month to Taiwan, the Chinese Nationalist Navy in late January complained that its fuel supplies were nearly exhausted and (2) a Nationalist Government spokesman on 4 March characterized a Reuters report of this shipment as a "malicious fabrication."

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"C" KOREA. USSR May Be Aiding in NK Rehabilitation. Radio Pyongyang recently carried the text of a letter from a Korean worker at an "unidentified factory" thanking a Soviet engineer who assisted in the rehabilitation of a wrecked factory. COMMENT: It has been assumed that Soviet civilians had been withdrawn from Korea and this Pyongyang broadcast is the first indication to the contrary. It is unknown whether this report is an isolated instance or an indication of a Soviet rehabilitation attempt on a modest scale in North Korea.

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SECTION 3 (WESTERN)



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"C" ITALY. Italy Offers Wheat Quota to India. The Italian Government has offered to give India part of its international wheat quota obtained under the long-term wheat accord signed last year. At the same time the Italians are reported to have expressed an interest in the procurement of fats from India, although this is not a condition for releasing their wheat allotment. This offer has been made despite an anticipated smaller domestic wheat crop and Italian desires to increase their wheat imports at this time. [REDACTED]

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[REDACTED] COMMENT: This gesture is apparently an Italian effort to offset the recent bad publicity which they received in the US over the shipment of important industrial items

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from Italy to the Soviet orbit. The Italians justify such shipments by pointing to the reduction of Italian wheat imports from Western sources and the consequent need for Soviet wheat imports.

"B" VATICAN. Vatican Rejects Communists' Request to Support Disarmament. Frederic Joliot-Curie, President of the Communist-backed World Peace Council, recently invited the Vatican to support disarmament, described as the "final objective of the partisans of peace". Monsignor Montini, Substitute for Ordinary Affairs in the Vatican Secretariat, replied that the Pope has always been in favor of a "true and just peace" but added that "powerful organizations that pretend to work for peace" have tried to convince the masses of the "absurd calumny that the Pope desires and favors war".

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COMMENT: Vatican leaders clearly recognize the necessity of avoiding association with Communist propaganda projects including disarmament proposals. Furthermore, US observers have reported that certain elements in the Vatican, notably those associated with the Roman Catholic Church in Eastern Europe, believe that war is the only means which can restore the Church to its previous position in that area. The US decision to construct a hydrogen bomb was interpreted by the semi-official Vatican newspaper, Osservatore Romano, to mean that there is no hope for a peaceful solution of the cold war.

"B" SWITZERLAND. Communists Heed Stalin's Call for Greater "Peace" Activity. The Swiss Communist Party has responded promptly to Stalin's call, in his recent Pravda interview, for intensified "peace" activity. The Partisans of Peace have held "anti-war" propaganda and "general disarmament" meetings in many localities in French-speaking Switzerland. The President and the Secretary-General of the Swiss Communists recently flew to Budapest to attend the Hungarian Communist Party Congress.

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COMMENT: This faithful adherence to the latest Soviet propaganda directive is another of many indications that the Swiss Communist Party continues to be tied to Stalinist Communism despite the party's increasing unpopularity, decreasing membership, electoral losses, and harassment by the Government. By limiting these "peace" demonstrations largely to the French section of Switzerland, a Communist stronghold, the Communists have attempted to give the impression of a successful Peace Campaign.

"A" MEXICO. Possible Formation of Communist Anti-Militarist Bureau. It is currently indicated that, on 29 December 1950, US Embassy Paris reported [redacted] the Cominform had instructed the Communist parties of the US and Mexico to establish, through joint effort, an Anti-Militarist Bureau in Mexico City. The task of this bureau was to be twofold: (1) to carry on anti-militarist propaganda among enlisted men and to assist draft dodgers in the US, and (2) to conduct agitation in the American Republics against US military

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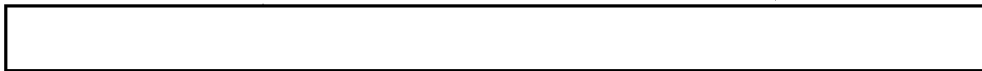
25X1 bases and against any assistance which the American republics might
give the US in event of a world war. [REDACTED]

25X1 [REDACTED] COMMENT: Latin American Communists have long agitated
against the use of Latin American troops to further US "aggressive"
and "imperialistic" activities, and against economic and political
cooperation with the US. The propaganda objectives of the projected
anti-militarist bureau do not appear to differ materially from those
of other Communist and Communist-front groups, such as the various
Peace Committees. However, increased cooperation between US and
Mexican Communists would facilitate USSR sabotage and intelligence
operations, as well as propaganda activities within the armed forces
of the US and its Latin American allies. Such activities might well
be guided by USSR or satellite military and diplomatic personnel in
Mexico. As yet, there is no evidence to indicate that the Anti-
Militarist Bureau, as such, has been established.

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DAILY SUMMARY

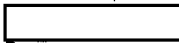


6 March 1951

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"C" FRANCE. French Interest in US Approach to Spanish Role in Western Defense. A French Foreign Office official has indicated to US Embassy officials in London that the French Government must be convinced of the strategic and military necessity of including Spain in the West's defense effort. He implies that this can be done only if the French assist from the beginning in determining how Spain can participate. According to the source, who is probably more favorably disposed toward increased cooperation with Spain than his colleagues, if the US is interested primarily in Spain's military facilities, a bilateral relationship between the US and Spain may be best. However, if the emphasis is on the use of Spain's manpower, then its inclusion in NATO will be necessary - a step that would entail great difficulties, particularly in Britain and France.

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COMMENT: This is a plausible report of the French Government's current attitude and possibly reflects its sincere desire to avert later political difficulties in France over the handling of the Spanish question. Consultations between the US and France on this problem could reduce the hesitancy of the French Socialists, who are indispensable to the middle-of-the-road coalition in France. Last summer Schuman stated that the admission of Spain to NATO was the only way to solve the question of the strategic utilization of that country.

"B" FRANCE-GERMANY. French About-Face on PLI Speeds German Defense Contribution. The French have decided on a major change in their position on the timing of the relaxation of restrictions on Germany's Prohibited and Limited Industries (PLI). Instead of withholding relaxation until the Germans commit themselves on their defense contribution, the French now agree that the High Commission may set the effective date for implementation of whatever decision is reached by the International Study Group (ISG) Steering Committee. The French qualify their stand, however, by their unwillingness to consider any sweeping change in steel production or capacity limitations; nor are they ready to agree now on what relaxations are to be put in effect in "stage two" (when German defense commitments are known). Nevertheless, it may now be possible to eliminate, or modify considerably,

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restrictions on some chemicals, synthetics, shipbuilding, and machine tools. COMMENT: This about-face breaks a stalemate which might have delayed for as much as a year an important part of Germany's contribution to Western defense. Chancellor Adenauer's interest in an early agreement on the Schuman Plan has undoubtedly swayed French thinking on PLI. French concern, however, for Germany's bargaining power will increase their resistance to relaxations in "stage two".

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