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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: APR 28 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

State Dept. review completed

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SECTION 1 (SOVIET)

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"B"

[Redacted]

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TRISTE, Anti-Yugoslav Propaganda. [Redacted]

[Redacted] an appreciable amount of Cominform propaganda material is being smuggled into Yugoslavia from Trieste, mainly through the agency of the Trieste Communist Party. [Redacted] shipments of such material into Trieste from Moscow and the satellite capitals have been so voluminous that the post office has had to call up the Party to remove them in order to keep its space clear. Little is known of the means used to infiltrate this material into Yugoslavia. [Redacted]

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[Redacted] the material is taken into Yugoslavia by regular couriers to Fiume and Pola but also directly across the Zone A - Yugoslav border. From information available in Trieste the anti-Tito propaganda material routed through Trieste consists largely of publications of pro-Cominform Yugoslav emigres in Moscow, Praha and Sofia. There are no indications as to whether Trieste is a routing point for Albanian or Rumanian propaganda against Tito. [Redacted]

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[Redacted] COMMENT: There is considerable evidence that Conformists have been successful in their efforts to smuggle literature into Yugoslavia. The Yugoslav White Book specifically mentions several such incidents.

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YUGOSLAVIA. Dedijer Restates Yugoslav Attitude Toward Albanian Developments. [Redacted] Yugoslav theoretician Vladimer Dedijer has explained that the purpose of his recent Borba article regarding the dangers of Western machinations in Albania was to rebut Moscow's Izvestia accusation that Yugoslavia was collaborating in plans for an attack on Albania. He asserted that both leaflets and parachutists, intended for Albania, had been dropped in Kossovo and Metokija areas of Yugoslavia by planes coming from Italy. He also declared that similar activity had been undertaken from Greece, but that he had refrained from mentioning specific acts in his article because of the disturbing effects it might have on relations with Greece. He asserted that this activity on Yugoslavia soil did not cause his Government undue concern because it was kept completely under control by the authorities, but that the Yugoslav Government was seriously concerned that the Soviet Union might utilize the current Albanian crisis to involve Yugoslavia as an alleged aggressor against Albania. [Redacted] COMMENT: Dedijer's reference to his attempt to sort-pedal Greece's role in western machinations in Albania is another evidence of Yugoslavia's desire to promote closer ties between the two countries. In his article on Albania Dedijer's only reference to possible Greek complicity was a statement that certain Greek circles also hold similar aspirations for the overthrow of the Albanian Government.

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## SECTION 2 EASTERN

"B" IRAN. Prime Minister Ala Resigns. On 27 April Prime Minister Ala and his cabinet tendered their resignations, which were accepted by the Shah. This action followed by one day the Parliamentary Oil Commission's recommendation that Parliament vote on its recent proposal (26 April) that nationalization of the oil industry be speeded up by the establishment of a 12-man board of Iranians to "take immediate control of the Anglo-Iranian Oil Company" (AIOC). Press reports state that the Parliament (Majlis) on 28 April asked the Shah to appoint as the country's new Prime Minister Dr. Mohammed Mossadeq, the man who has led the move to nationalize Iran's oil resources. [REDACTED] COMMENT: The choice of Mossadeq by the Majlis was probably inspired by its preoccupation with oil nationalization. However, it is somewhat surprising in view of Mossadeq's previous preference for remaining outside the Government with the concomitant privilege of criticizing it. Even if appointed, which is doubtful in view of the Shah's dislike of the National Front and the terrorist methods which it has exhibited following the assassination of Prime Minister Razmara, it is debatable whether Mossadeq would be able to form a cabinet satisfactory to the Majlis. Whatever action the Shah takes, the situation will remain tense, and the oil issue will continue to dominate the situation.

"B" ISRAEL/SYRIA. Israeli Broadcast Calls for Army Action. Tel Aviv broadcasts on 23 April heard in Damascus called for decisive action by the Israeli Army to deal with the "intolerable" situation in the demilitarized zone. While the US Legation in Damascus is unable to judge whether the broadcasts were "authoritative," it notes that there is local concern lest the present lull in the UNSC proceedings might permit Israel to present the world with another "fait accompli." UN officials and observers have not only expressed disillusionment and frustration over lack of guidance on the basic points at issue to the Legation, but have also let their opinions be known to the press. The Legation has been informed by a Syrian army staff officer that the Syrian Army will open fire if Israeli Army units "invade" the demilitarized zone. [REDACTED] COMMENT: Despite threatening Israeli broadcasts and strong statements by the Syrian Army, there is no specific data which would indicate that large-scale hostilities are likely to break out. However, until the UN machinery in Palestine is strengthened, the development of frictions is encouraged, and resort to violence remains a temptation.

"C" AFGHANISTAN. Independent Newspaper ANGAR Banned. US Embassy Kabul has reported that Angar, the first independent newspaper in Kabul, has been banned temporarily because of articles contrary to national unity. [REDACTED] Due to the weakness of opposition groups, the Government had no fear of internal repercussions and it is probably more concerned with outside reaction,

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especially criticism from the Government of Pakistan [redacted]

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effective, the Government of Afghanistan does not want the outside world to be given the impression that it is under fire by an internal opposition. Pakistan might utilize such impressions to its own advantage in the present Afghan-Pakistani dispute. In any event, the appearance of a genuinely free press in Afghanistan is still a development of the future.

"B" THAILAND. General Kach's Return Rumored. Several reports indicate that General Luang Kach Songgram may return to Thailand. In a recent press statement, the Premier's secretary-general stated that Phibun had replied favorably to a letter from Kach requesting permission to return from exile in Hong Kong. Phibun allegedly told Kach he would first have to undergo an investigation. US Embassy comments that it is unable to say whether or not Kach will return, but points out that there is precedent for an advance deal between the two paving the way for Kach's return and exoneration. [redacted] COMMENT: Kach was one of the strong men in the "comp clique" which brought Phibun to power. Because of Kach's notoriously corrupt activities, Phibun was forced to sacrifice him in order to protect the reputation of his regime. If Kach returns as a private citizen, no harmful developments are to be anticipated, but his return to high office would cause serious criticism and a weakening of Phibun's Government.

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"A" INDOCHINA. Ho Chi Minh Forces Prepare for Offensive. Although there have been several indications, including a radio announcement from Ho's GHQ, that Vietnamese rebel forces plan to return to guerrilla warfare, recent evidence tends to indicate otherwise. [redacted] indicating an assembly in the Thai Nguyen area for the "Campaign of Highway No. 3" (which passes through Thai Nguyen and links Hanoi with the border post of Caobang). Air reconnaissance has disclosed heavy activity along the Langson-Hanoi road which might be interpreted as a logistical build-up for another major effort just prior to the rainy season which begins about one month from now. [redacted] COMMENT: Unless Ho's forces attack now, their activity will be greatly restricted by the rainy season, which lasts until August or September. On the other hand, the period of the Tonkin mist has just passed, and operations of the French forces during the next month will be favored by excellent flying weather. The imminence of an attack by Ho's forces has not been reported by other sources.

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"A" CHINA. Communist China's Railroad to Indochina Scheduled for Early Completion.

[redacted] the last link of the railroad now being built by the Chinese Communists to the Indochina border is scheduled for completion the end of April. [redacted] arms and ammunition

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are already being carried by the railroad as far as its present terminal point at Nanning (about 100 miles from the border) en route from there by other means of transport to Ho Chi Minh's forces in Indochina. [redacted]

[redacted] COMMENT: Completion of the final section from Nanning will link Indochina with the Communist rail net extending from South China through Manchuria into the USSR and provide a major transport artery for supplying the Communist forces in Indochina. Early completion of this section is expected, since most of the work on the roadbed has already been finished. The Chinese Communists are now engaged in laying the ties and rails.

"B" CHINA. Nationalist Acceptance of US Aid Terms. The Chinese Nationalists announced on 26 April their acceptance, on 9 February, of US terms providing for strict supervision of US military aid. The Nationalists agreed to employ US aid entirely for defensive purposes, to prevent disclosure of classified information, to assist the aid mission in performing its functions, and to dispose of US materiel only with US consent.

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[redacted]

COMMENT: The Nationalists have been widely criticized for compromising previous aid programs by poor or frivolous strategic planning, ignoring problems of security, impeding the implementation of aid programs, and employing such aid for private gain. The current agreement seeks to guard against such practices. However, the appointment of Gen. LIU [redacted]

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[redacted] does not augur well for effective Nationalist cooperation.

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"A" Combined Chinese Communist-Viet Minh General Staff. [redacted]

[redacted] the establishment of a combined Chinese Communist-Viet Minh general staff at Nanning. Political and military missions, each with an economic, propaganda, and liaison section, are said to be operating in Indochina at Moncay, Langson, and Caobang. Chinese Communist personnel with these missions reportedly wear Viet Minh uniforms.

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COMMENT: [redacted] high-level Sino-Viet Minh meetings held at Nanning in December point up the probability of the existence of a combined command to coordinate any current and proposed joint operations. Despite their official reluctance to acknowledge outside participation, the French have frequently mentioned the presence of numerous Chinese Communist advisors with Ho's forces.

"B" JAPAN. Japan's Industrial Production Analyzed by SCAP. In a report to the Munitions Board on Japan's industrial potential, SCAP reports that industrial production for December 1950, which established a new post-war high, was still only 56% of available capacity. In respect to utilization of this idle capacity, SCAP points out that Japan's participation in the free

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world's military production program would (1) assist the US in meeting overall defense requirements, (2) contribute to Japan's economic survival, (3) psychologically align Japan more closely with the democracies, (4) educate Japan in the manufacture of items required for its future independent strength, and (5) make Japan's ultimate full armed participation in Western defense efforts more assured. On the other hand, Japan's specific exclusion from future MDAP production could be construed as discriminatory, resulting in serious disruption of international good will, and opening an avenue of approach to Communist appeal in Japan. [REDACTED]

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[REDACTED] COMMENT: Communist China's vast markets and its ability to provide Japan with needed raw materials at cheap prices has produced strong sentiment among Japanese industrial interests for an enlargement of Japan's trade relations with Communist China.

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Yoshida Desires Modification of Occupation Reforms. At a press conference on 25 April, Prime Minister Yoshida stated that "GHQ is getting more and more sympathetic with our policy of bringing together the Maritime Safety Agency, the local autonomous police and the National Rural Police." He stated he also hoped to gain GHQ approval for revising the law eliminating excessive concentration of economic power. [REDACTED]

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[REDACTED] COMMENT: The Prime Minister probably feels that by getting GHQ sanction for modifying the police decentralization and anti-cartels laws, both of which are important Occupation reforms, he can avoid international criticism which would attend such action subsequent to the peace treaty.

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KOREA. US Official Comments on South Korean Economic Situation. Ambassador Muccio, commenting on the ROK government's increasing awareness of the serious inflation and the efforts to combat it, states that the Finance Ministry's optimistic views on the size of the deficit are not realistic and that the best that can be hoped for is a retardation of the present inflationary rate. The Ambassador singles out the heavy rate of South Korean currency expenditure by the UN Forces (Won 137 billion total by 21 April) as the most critical factor in the inflation, and adds that the withdrawal of currency from circulation by governmental action or sale of commodities and relief goods is in no way an offsetting factor for this expenditure. The Ambassador concludes with the pessimistic statement that the "delay in activating UNKRA (United Nations Korean Relief Agency) and the premature disestablishment of ECA leaves a void in the Korean economy which cannot and is not being filled" by interim economic activities to generate revenue for the ROK. [REDACTED]

COMMENT: Inflation in the ROK, although becoming increasingly critical, has not yet reached the stage where the population has no faith in the currency or the government behind it. Currency in circulation of 21 April has increased 150% over the December 1950 level to Won 375 billion.

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## SECTION 3 (WESTERN)

"C" GERMANY. Adenauer to Delay Action on Extending Co-Determination. The west German Government considers the recent legislation granting co-determination (labor participation in management) in the coal-steel field a "special case" rather than a precedent. Chancellor Adenauer is therefore anxious to resist pressure for early passage of legislation extending co-determination either to all industry or to any individual sectors of industry. Federal policy will eventually entail support of a general all-industry co-determination bill granting far less voice to Labor than does the coal-steel law, in an attempt to maintain coalition solidarity at the expense of rejecting some Labor demands. But Adenauer will probably delay this action, partly in order to secure trade union support for the Schuman Plan. [REDACTED]

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[REDACTED] COMMENT: Adenauer, in personally conducting last-minute negotiations on coal-steel co-determination, made many concessions to Labor which have been strongly criticized by members of his own coalition, so that he is likely to avoid another show-down for as long as possible.

"A" FRANCE. French Communist "Peace" Policy now Tacitly Admits Inevitability of War. Auguste Lecoeur, French Communist Party politburo member, has told the party's Central Committee in a keynote speech that the threat of war is growing constantly as the balance of power becomes less favorable to the "imperialist" camp. He reportedly failed to state that war was not inevitable—a declaration made on similar occasions by Thorez in September and Duclos in February. Lecoeur went on to exhort French Communists to be prepared to undertake general strikes and even revolution as a way to "defend peace". [REDACTED]

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[REDACTED] COMMENT: Lecoeur's statement presents no new facet of French Communist policy, but is noteworthy for its confident tone, particularly in the sharp reminder of what is expected of the party in an international crisis. Some of this militancy, however, may be explainable as an attempt on Lecoeur's part to regain the favor of top Communist leaders, since he had previously been reported as admonished on 12 March for "deviationist" ideas.

"B" Fate of French Stopgap Anti-inflation Program will be Decided Next Week. The National Assembly yesterday failed by three votes to pass the electoral reform bill over the Council of the Republic's veto, but another vote has been made possible by subsequent committee action and will probably be taken early next week. Although Premier Queuille had stated that he would be unable to carry on without approval of electoral reform, President Auriol refused to accept his resignation and the Cabinet then decided to try again. On the assumptions that the Assembly supports the committee recommendation to reconsider the bill and that only slight modifications are introduced,

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June elections "appear still possible". [redacted]

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COMMENT: Immediate approval of electoral reform to reduce Communist representation is the keystone of Queuille's program, which consists mainly of stopgap economic measures pending June elections. The present Assembly appears wholly incapable of taking long-term measures adequate to stem the mounting inflation which is a basic threat to French rearmament efforts, and the government has a good chance of mustering the necessary additional votes for the electoral bill. Queuille has been reluctant to make this bill the subject of a vote of confidence because his party--the Radical Socialists--is deeply divided on the issue. Even should he decide to do so next week, however, it is unlikely that the opposition would reach an absolute majority, which would entail the fall of the government and probably immediate elections, without electoral reform.

"A" FRANCE. Communists Will Not Support A Joint Ticket In Elections.

Etienne Fajon, French Communist Party (PCF) leader charged with propaganda and parliamentary and international questions, has told the Central Committee that under no circumstances will the Communists present candidates in conjunction with another party, even extreme left wing sympathizers, in the forthcoming elections. Fajon is opposed in principle to inter-party affiliation. This declaration is the first official stand taken by the PCF regarding the approaching general elections. [redacted]

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COMMENT: [redacted] the party does not anticipate any increase in the number of its seats in the National Assembly. [redacted]

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"B" ITALY. Labor Discontent Rises.

A joint Communist and non-Communist nation-wide 24-hour transportation strike of 250,000 has been completely successful. Simultaneously the Communist-controlled General Confederation of Labor called a sympathy strike (presumably of short duration) affecting an estimated 600,000 metal workers, in solidarity for the workers of large industrial plants in Reggio Emilia and La Spezia who have been idle for months owing to a lack of orders. [redacted] COMMENT: This is the first time in many months that the Communists have been able either to call a successful strike or to obtain the cooperation of the non-Communist labor unions. Evidence of growing restiveness in other sectors of the economy is a clear indication that labor as a whole is becoming increasingly dissatisfied with the cost of living. This problem and the idleness of metal workers spring from: (1) world-wide inflationary pressures, (2) poor planning on the part of the Italian economic ministries, and (3) the procrastination of the Italian Parliament in

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approving the rearmament bill, which would stimulate activity in the metal working industry and ensure further US aid. The increasing labor discontent at this time will be cleverly exploited by the Communists in the impending municipal elections. It will also lead to increasing demands within the government for the removal of the already unpopular economic ministers.

"C" ITALY. Choice of New President of Senate Avoids Renewed Friction in Government. According to the Italian press, the government parties have decided that Enrico de Nicola, ex-President of the Republic, will succeed the late Ivanoe Bonomi as President of the Italian Senate. [REDACTED] COMMENT: In ex-President De Nicola, formerly a Liberal but presently of no strong party affiliation, the government has found a man who will be generally acceptable to the Senate and to Parliament as a whole. Furthermore, the Christian Democrats, by not proposing that the post be occupied by a member of their own party (which has a plurality but not a majority in the Senate), have avoided intra-party dissension over the nominee. Premier De Gasperi is particularly anxious that the recently increasing friction among the right, left, and center wings of his Christian Democratic Party be subordinated in the face of the forthcoming nation-wide local elections.

"C" NETHERLANDS. Dutch Commitment for Defense Firm. The official notification delivered to US officials by the Netherlands Director for ECA-MDAP Affairs commits the Dutch Government to its share of the Medium Term Defense Program (MTDP) and implies a 6 billion guilder defense expenditure over the next four years, provided sufficient US end item and economic aid are forthcoming. In the event the budget estimate for fulfillment of the defense program, termed the "maximum possible", is too small due to price rises and other factors, the Netherlands will give budget priority to the MTDP. [REDACTED]

[REDACTED] COMMENT: The Dutch Government made this commitment informally about a month ago. Although the over-all defense program estimate is below the Netherlands' estimated capabilities, the 1951 planned expenditure of 1.5 billion guilders is probably the maximum politically feasible at present. The impact of defense spending on the country's economy may make implementation of the defense program difficult, although the Dutch, by measures being undertaken to curtail wage and price rises, seem firmly committed to sacrifice welfare needs for defense.

"B" LATIN AMERICA. WFTU and CTAL Sponsor Inter-American Agrarian Conference. A press report states that Louis Saillant, leader of the WFTU (World Federation of Trade Unions) will come to Mexico on 1 May at the invitation of Lombardo Toledano to attend an inter-American conference of agrarian leaders sponsored by the CTAL (Confederación de Trabajadores

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de la América Latina).

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[redacted] the conference was planned at the WFTU executive meeting in Bucharest in December 1950 [redacted]

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[redacted] Lombardo and other CTAL officers met to discuss the plans in detail on 26 Feb 51, and evolved a program based upon Mexican agrarian theories--destruction of large landed estates; respect for peasant property; establishment of rural credit banks; technical aid to the peasants from the government; and agrarian legislation. In accordance with WFTU instructions, it was planned to attempt to form a single peasant league for all of Latin America which might even "serve as a basis for a world-wide peasant federation".

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[redacted] COMMENT:  
The agrarian conference represents another facet of the Communist program to establish class solidarity on an international, and potentially global, basis. Its chief and immediate effect, however, will be to establish a new agency through which international Communism can circulate propaganda purporting to represent the best interests of the Latin American agricultural worker and peasant.

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APR 28 1951

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OFFICE OF CURRENT INTELLIGENCE  
DAILY DIGEST OF SIGNIFICANT S/S CABLES

28 April 1951

SECTION 2 (EASTERN)

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"C" INDIA. High Government Official Hopes [redacted] Lie Will Not Visit India. In a conversation with US Ambassador Henderson on 26 April, Sir Girja Shanker Bajpai, Secretary General of the Indian Ministry of External Affairs, stated that he personally hoped Trygve Lie, Secretary General of the United Nations, would not visit India in the near future as he would serve no good purpose by doing so. [redacted]

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[redacted] Ambassador Henderson comments that, while Bajpai's remarks may not precisely reflect the attitude of the Indian Government, he probably would not have made them unless he thought they approximated the views of Prime Minister Nehru. [redacted]

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COMMENT: Ambassador Henderson has privately expressed an opinion to the effect that India no longer considers the UN an effective instrument for promoting collective security. [redacted]

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[redacted] Bajpai's statements may be an additional indication of India's disbelief in the efficacy of the UN. It should not be assumed, however, that Indian disappointment in the UN necessarily means that India will withdraw therefrom in the near future.

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