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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: MAY 10 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

Army, USAF, ONI and State
Dept. review(s) completed.

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SECTION 1 (SOVIET)

"B" USSR. VE-Day Propaganda Stresses USSR's Postwar Peace Policy - But Maintains Significant Silence on Support of Red Forces in Korea. PRAVDA editorialized on the USSR's postwar program of peaceful construction and the growth of the peace camp, as opposed to "Anglo-American preparations of a new war for super profits." Stalin's recent assertion that "the people are taking the peace fight into their own hands," was again quoted. Marshal Sokolovsky claimed that the Soviet Union conducted broad demobilization (33 age groups) while the US, UK and French armed forces remained "more than double those of the USSR and are increasing." Major General Alexandrov, while hailing the "Soviet victory" over Hitlerite Germany, again charged that the Western Powers did not try to smash the Fascist aggressor but impeded the opening of a second front, "hoping that the USSR would become exhausted." The most widely circulated radio commentary cited the WPC demand for a Five-Power peace pact, quoting Lenin and Stalin on the possibility of peaceful coexistence. [REDACTED]

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COMMENT: Embassy Moscow noted that PRAVDA carefully followed the official line of refraining from any reference to Soviet armed might beyond its role as defender of the USSR. This line has been particularly noticeable since the beginning of Korean hostilities. So far, Moscow has significantly avoided mention of actual Soviet support for the Korean war while continuing to prod the Peace Partisan and Company to action in the name of "peace." Their silence on military aid, a technique well used by them, is simply a cover for the material assistance they are in fact rendering to the Communist forces in Korea.

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"B" HUNGARY. Communists Seek Nazi War Loot From US. In fulfilling the US agreement to restitute Hungarian property in Germany, the US Legation Budapest agrees with HICOG Frankfurt that careful consideration be given to any documented Hungarian claims not previously considered as restitutable by the US. The Hungarians have repeatedly spoken of large quantities of machinery seized by the Nazis, although US authorities have never been able to locate such machinery. [REDACTED]

COMMENT: One of the conditions for the release of Vogeler was US resumption of negotiations for the return of property from the US zone of Germany. These had been suspended after Vogeler's arrest as a retaliatory measure. The Hungarians have always considered the return of this property as a major issue. Although estimated at only about \$50,000 worth of miscellaneous items by US officials in Germany, the Hungarians have already claimed \$350,000 in such property and are apparently preparing to present additional claims. In view of the difficulties of obtaining Western machinery through normal trade channels, the Hungarians probably hope to satisfy part of their desperate needs with the machinery which they allege is located in the US zone of Germany.

"C" YUGOSLAVIA. Yugoslavs Seeking US Radio Transmitters. The Yugoslav Government has requested the assistance of the US State Department in obtaining a reasonable priority for the delivery of two US-manufactured radio transmitters. US Ambassador Allen notes that the transmitters will be important items in Yugoslav broadcasts to Eastern Europe in which the Yugoslavs regard US interests as parallel to theirs. Ambassador Allen recommends that such assistance be given the Yugoslav order as may be feasible. [REDACTED]

[REDACTED] the Yugoslavs have been able to point up in effective broadcasts the conditions existing in the Satellites under Soviet domination. The Yugoslav propaganda serves as a highly useful adjunct to VOA and other Western broadcasts beamed at the Soviet orbit.

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SECTION 2 (EASTERN)

^{"B"} IRAN. Mossadeq Rejects UK Request for Arbitration on Oil. The Iranian Ambassador to London, in reply to the UK request, served notice on 8 May that Iran will proceed with the oil nationalization program, and will not submit to international arbitration. Meanwhile, according to the UK Embassy in Tehran, the AIOC demand for arbitration was made as a result of a message from the Shah which indicated Mossadeq would welcome such a demand because it would enable him to stall for time. Mossadeq, however, is understood to have subsequently expressed astonishment at the demand for arbitration. [REDACTED]

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COMMENT: Mossadeq's rejection of the UK demand for arbitration is consistent with his previous stand. It was probably conditioned by the consideration that Iran could not accept arbitration under the terms of the 1933 concession, and still maintains that the concession was invalid. Whether the UK action was taken at the Shah's instigation or not, it will probably have the effect of forcing Mossadeq to delineate his plans on the oil issue more clearly. To date he has indicated that he will not take drastic action immediately and that he intends to replace AIOC technicians eventually with Iranians. In any discussion of the oil problem, two facts remain outstanding: (1) that the UK will not relinquish lightly its hold on Iranian oil, and (2) that Iran cannot manage successfully the oil industry without foreign assistance.

^{"A"} INDIA. First Soviet Wheat Leaves for India. On 10 May, according to the New Delhi radio, Prime Minister Nehru told an applauding Parliament that Soviet vessels were already on their way to India with the first shipments of a total of 50,000 tons of wheat recently bought from the USSR for cash. This purchase was subsequently described in an Indian Government news release as the "first result" of negotiations begun last week with the Soviet Embassy in New Delhi regarding the Soviet offer to supply 500,000 tons of wheat to India. Deliveries of the 50,000 tons are expected to be completed by the end of June 1951. [REDACTED]

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^{"B"} INDIA. Prime Minister Nehru Says US Wheat Offer Has No Political Strings. On 10 May, according to the New Delhi radio, Prime Minister Nehru announced to Parliament that in his view the two food bills now before the US Congress had no political or discriminatory conditions attached to them and that "on these grounds" there should be no objection to accepting either of them. He added that he preferred the terms of the House bill.

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because they were simpler. [REDACTED] COMMENT:
 On 3 May, Sir Girja Shankar Bajpai of the Indian Ministry of External
 Affairs told US Ambassador Henderson that Nehru could not make such a
 statement as that reported above without making himself look foolish.
 Strong US representations have apparently led him to do so anyway. It
 is noteworthy, however, that he maintains his independence of US favors
 [REDACTED] by favoring the House bill, which
 provides that the whole US wheat offer shall be on a loan basis.

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"C" PAKISTAN. First Pakistani Charge Presents Credentials in Peiping.
 According to the Karachi radio of 3 May, Ahmad Ali, Pakistan's first
 diplomatic representative to Communist China, has presented his creden-
 tials to the Chinese Deputy Foreign Minister in Peiping. [REDACTED]
 [REDACTED] COMMENT: Communist China has not yet displayed any interest
 in establishing diplomatic representation in Karachi.

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"B" INDONESIA. Foreign Minister Defends Trade with Communist China.
 During a conversation with Subardjo, the new Foreign Minister, US
 Ambassador Cochran referred to the former's press statement that
 Indonesia "has no need of either a Moscow or a Washington peace
 dove" and would be willing to sell such materials as rubber to
 Communist China or elsewhere if the interests of the Indonesian
 people are served thereby. Subardjo said that the "peace" statement
 was for domestic consumption only, and defended his trade statement
 on the basis of Indonesia's independent foreign policy whereunder
 Indonesia will make goods available to any country which will
 provide Indonesia with the goods it requires. Cochran, pointing
 out the extent of past US assistance to Indonesia and current
 Indonesian requests for items now in short supply in US, stated he
 could not guarantee what US reaction would be to Indonesian
 willingness to sell to anyone serving Indonesia's interests.

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[REDACTED] COMMENT: Subardjo's statements
 indicate that he firmly supports Indonesia's frequently affirmed
 policy of "neutralism." So far as the sale of rubber is concerned,
 the Indonesian Government has contracted to sell to the US the
 small output of Government-owned estates (1200 tons monthly)
 and whatever its policy the Government lacks the administrative
 machinery to control the destination of privately-owned rubber,
 the overwhelming bulk of Indonesian output.

"B" PHILIPPINES. Firm Demand for Japanese Reparations. Foreign
 Secretary Romulo told the US Charge on 9 May that the Philippines
 will remain absolutely firm on the demand for Japanese repara-
 tions, although the amount and period of payment remain unsettled.
 Romulo mentioned a statement made 2 April in Japan by Horikoshi
 of the Federation of Economic Agencies (a private association

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of business executives) in which he stated that Japan is willing and able to pay reparations especially to the Philippines. Horikoshi suggested, for example, that Japan could pay processing expenses on raw materials and provide technicians. Romulo noted that Indonesia would also take a firm stand for reparations.

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COMMENT: There is some indication that the Philippine Government does not, in fact, expect to receive reparations but hopes to use the issue to extract additional US aid. According to the Indonesian press, Foreign Office sources have stated that Indonesia would demand reparations from Japan.

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"C" INDOCHINA: Communist Chief Bids Peasants Be Patient. Truong Chinh, SYG of the Vietnam Workers' (Communist) Party, in a broadcast outlining internal policies of the Democratic Republic of Vietnam (DRV) made the following assertions: The peasantry of Vietnam constitutes over 90% of the population and its support is essential to the success of the liberation struggle; however, emancipation of the peasants must take place under the leadership of the "working class." The needs of the peasant must be met, but no thorough-going reforms can be undertaken until a situation of "stability" within the country is reached. The Workers' Party slogan is "the land to those who till it," but conditions are not ripe for the application of this slogan. The long-run aim of the Party is the establishment of mechanized, collective farming. COMMENT: The recent prominence of Truong Chinh and the laudatory references made to him in DRV propaganda strongly suggest that he may be emerging as the successor to Ho Chi Minh. Truong Chinh's uncompromisingly Stalinist career and the tenor of his remarks is indication of

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the more doctrinaire wing of the Vietnamese Communists, now in the ascendancy, which aims to force acceptance of the Communist dogma of "working class" leadership despite obstacles posed by the concrete situation.

"C" CHINA. Communist China Seeks Rubber From Indonesia. The Government of Indonesia is considering Communist China's offer to purchase 50,000 tons of rubber. In conversations with the US Ambassador, Foreign Minister Subardjo stated that the Chinese were offering rice and tungsten in payment for the rubber.

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[redacted] COMMENT: This approach to Indonesia is testimony to the strong efforts of the Communists to find new sources of rubber supplies following Malaya's imposition of export restrictions.

"C" Further Reports on Expansion of Chinese Communist Airforce. The Chinese Communist airforce in Manchuria reportedly has been recently increased by approximately 300 MIG-15 jet aircraft, 200 other jet fighter aircraft (possibly Yak Type 15s and 16s), and 100 light bombers (possibly [redacted])

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[redacted] COMMENT: If this report were true, Chinese Communist air strength in Manchuria would be more than doubled. It is very doubtful, however, that [redacted]

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[redacted] have access to such information. While there has been considerable speculation as to the possibilities of an "International Volunteer Air Force", no confirming information has been received.

"B" Chinese Communist Terms for Tibet. [redacted]

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[redacted] Chinese Communist terms for peaceful settlement of the Tibetan dispute would concede Tibetan control of internal affairs with the Tibetan religious hierarchy remaining in power, but would demand Chinese control of Tibet's foreign relations and the stationing of Chinese troops along the Indo-Tibetan border. [redacted]

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COMMENT: This report is in line with previous information on the Chinese Communist terms. A Tibetan delegation is now in Peiping for negotiation of a settlement, and is prepared to accept Peiping's terms, but no formal agreement has been announced.

"C" Drought Threatens Communist Cotton Program. Emergency instructions on the fighting of drought and cultivation of cotton, issued 1 May by the Committee of Finance and Economics, state that the drought, particularly in North China, has been a "major hindrance" to the cotton planting program. [redacted]

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COMMENT: Probably 30-40% of China's cotton acreage is affected by the current drought. The 1951 cotton goals were designed by the Communists to eliminate the need for imports in 1952. Raw cotton has been one of Communist China's major imports, and if this drought continues a few weeks longer, there will be again a deficit of raw cotton next year.

"C"

Communists Attack Off-shore Island. Elements of the Communist 63d Division of the 21st Army, totaling 300 men, on 3 May sailed from Haimen (off the Chekiang coast) and attacked T'ou Men-shan Island (15 miles east of Haimen). [REDACTED]

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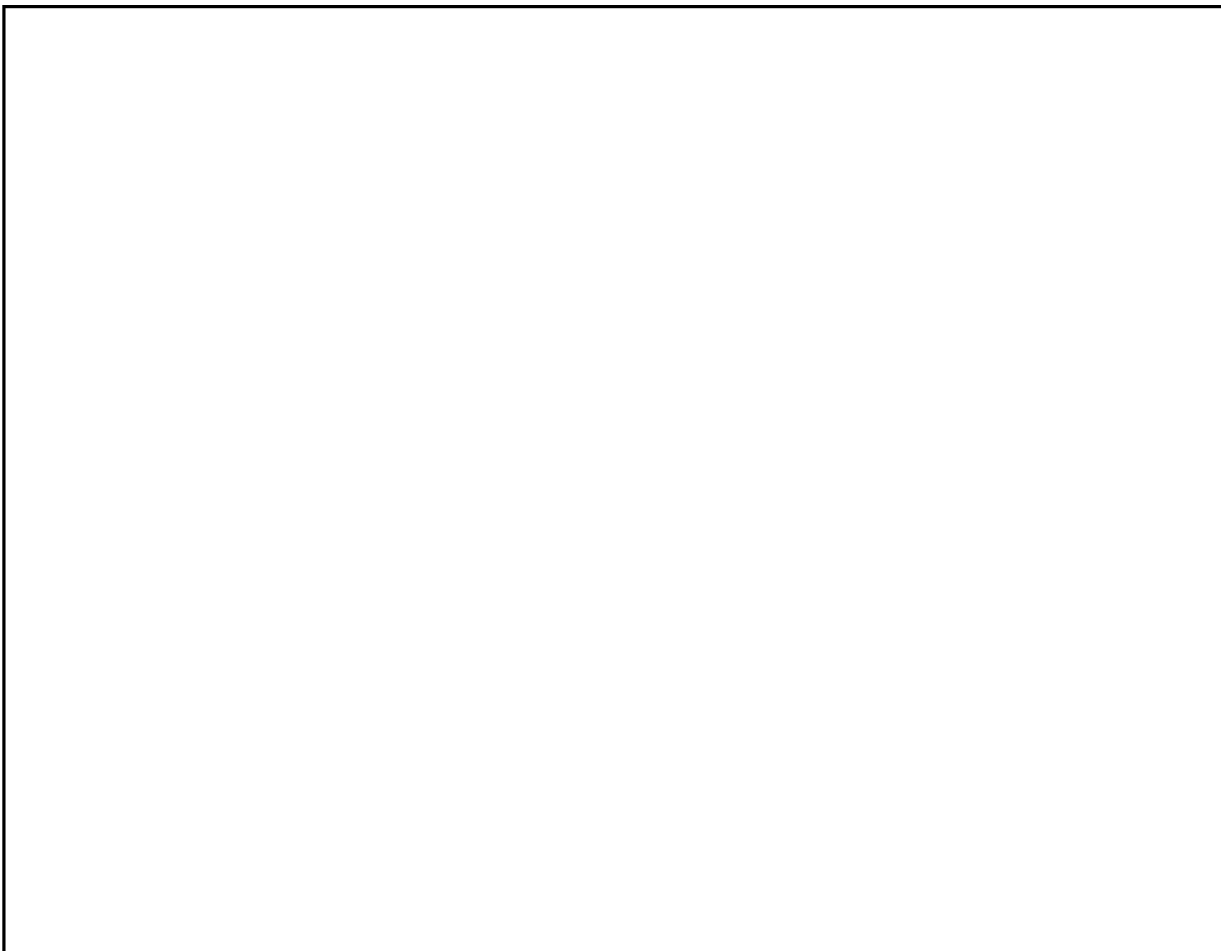
[REDACTED] Allegedly 60 troops landed successfully and have "not yet withdrawn." [REDACTED]

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COMMENT: Action against various guerrilla-held islands off the Chekiang-Fukien coasts have been anticipated for some time. In March elements of the 21st Army were reported in the Haimen area as part of a build-up with the above intentions. There has been no confirmation of this report.

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"B" KOREA. Extremely Heavy Antiaircraft Fire Reported over Pyongyang. The US Air Force, commenting on extremely heavy flak received over Pyongyang on 7 May, reports the loss of one B-29 and the damage of seven other aircraft from ground fire. While most of the fire received appeared to be from radar-directed 85mm antiaircraft guns, several explosions four to five times the size of ordinary explosions were also reported. Fragments from these burst were reportedly large enough to be seen. [REDACTED]

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[REDACTED] COMMENT: Reference to antiaircraft burst "four to five times larger than 85mm explosions" suggests the use of either larger-type antiaircraft weapons (not previously reported in Korea) or the remote possibility of some type of ground to air rockets. Recent field reports have noted a heavy increase (up to 400%) in antiaircraft fire received throughout Korea.

"C" ROK Vice President Announces Resignation Intention. Ambassador Muccio reports that ROK Vice President Yi Siyong announced his intention to resign on 9 May. The Vice President explained to the National Assembly that he had waited three years for an improvement in the Government, with particular reference to the caliber of ministerial appointments, and because of the Government's failure in this respect he wished to resign. It is rumored that Yi is dissatisfied with recent Cabinet appointments because of their "pro-Japanese" background. [REDACTED]

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[REDACTED] COMMENT: The Vice President, who was a high official before Japan annexed Korea, is 84 years old and a widely respected figurehead in Korea. His action may have been motivated by dissatisfaction with the background of Cabinet appointees or as a gesture of protest at the corruption in ROK official ranks. In any case the situation is symbolical of the turmoil in ROK political circles as witnessed by an AFP report that Pusan political circles feel Premier Chang, who was appointed only three or four months ago, will shortly tender his resignation.

"C" JAPAN. Korean Espionage Trials to Open on Friday. SCAP has officially announced the appointment of a Military Commission to try the first eighteen members of a group of forty-five arrested in connection with three North Korean espionage rings. The defendants, including twelve Korean nationals, four Japanese-

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naturalized Koreans, and two Japanese face charges of acts inimical to the security of the Occupation, quasi-espionage, and conspiracy to commit espionage. The trial will open Friday.

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COMMENT: CINCFE reports that the operation of the espionage ring began on an organized scale in late 1947 with the establishment of a smuggling ring, which later was expanded to three interlocking nets. The case was broken with the defection of one of the agents in July 1950. While Communist elements in Japan will attempt to exploit the trial with demonstrations by Japan's large Korean minority, it is doubtful that the Japanese public would react other than favorably to a "guilty" verdict.

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SECTION 3 (WESTERN)

"C" GERMANY. Berlin Court Sentences Kaeding for Illegal Shipments to Soviet Zone of Austria. On 5 May a German court in Berlin sentenced Erick Kaeding to 18 months in prison and a fine of DM 50,000 for his part in supplying 8,000 tons of iron and steel products to the Soviet Zone of Austria. Kaeding is the Berlin manager of the Duesseldorf Iron and Steel Company. US officials in Berlin believe that his conviction will set an excellent precedent for other illegal trade prosecutions and will act as a deterrent to future illegal trading. [REDACTED]

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COMMENT: The Kaeding case is indirectly connected with the Haselgruber case, which will shortly be tried by the same court. Chancellor Adenauer has recently announced that German firms trading illegally with Soviet orbit countries will be targets for legal action.

"A" FRANCE. Communists Prepare New Strike Wave. [REDACTED]

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[REDACTED] a widespread strike movement will probably be unleashed following the Congress of the General Workers' Confederation (CGT) at the end of May. Although this renewed strike activity is planned as part of the electoral campaign, the Communist Party (PCF) expects to pursue the strikes primarily within the framework of economic demands, with such political tie-ins as conditions warrant. The predominance of economic over political slogans was particularly noticeable at this year's PCF May Day demonstration in Paris, which was the largest and most impressive since 1947. Intensified PCF propaganda at the plant level in support of both economic and political objectives has been making progress since the Easter strikes, and several well-informed non-Communist labor leaders have affirmed that a concentrated "unity of action" program on "exclusively worker demands" would force cooperation of the Socialist and Christian industrial unions, which otherwise would lose their following. [REDACTED] COMMENT: A new round of wage demands is to be expected soon, because the steady rise in the price level is rapidly nullifying benefits gained by the March strikes. The Communists seem, however, to have picked June for fomenting new strikes with an eye to political rather than to economic aims, since the pre-election government will not be in a position to commit its successor to a new wage program. Should the PCF concentrate upon political disturbances, labor's readiness to cooperate would be sharply checked by its wariness of PCF exploitation.

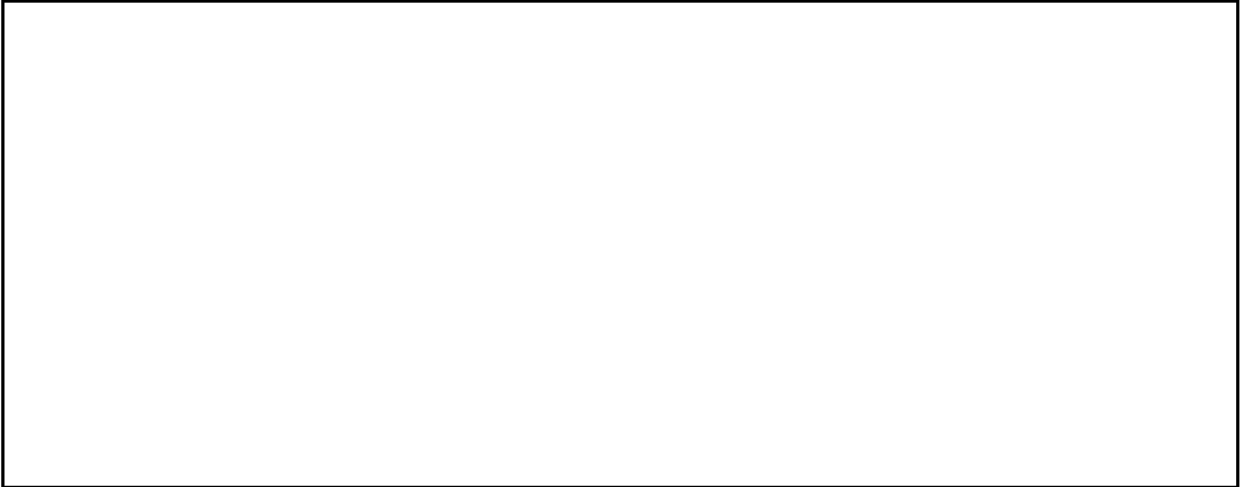
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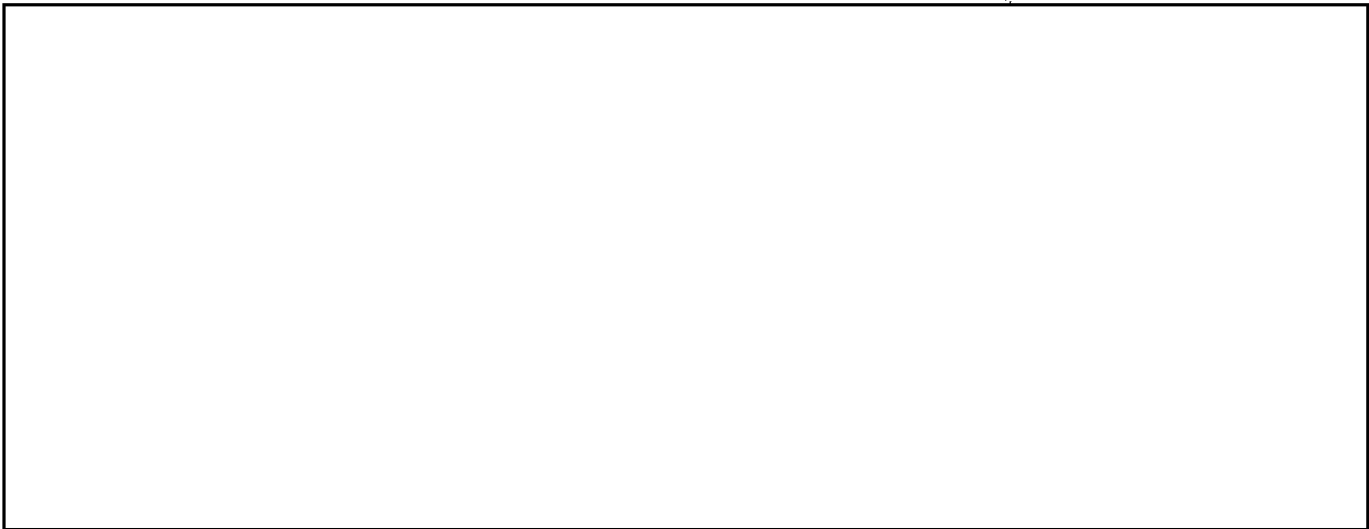
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"C" MOROCCO. French Again Informed That US Could Not Support French Policy. The American Consul at Rabat, Morocco, has been instructed, in correcting a misunderstanding by French Ambassador Bonnet, to inform the Residency again that the US would find it difficult to support French policy in Morocco if the question is raised in the UN. The US is willing to review its estimate of the situation, which is at variance with the French, whenever more specific information is received from the French. [REDACTED] COMMENT: The French Residency was previously informed, in early February 1951, that the US could not support France's policy in Morocco if the question were brought up in the UN. The Residency has been requested for information regarding the reform program which it claims to be introducing. This information has not been made available, and there is little indication that any actual administrative reforms, other than the nominal removal of censorship, will soon be implemented. In his recent dispute with the Moroccan Sultan, the Resident General implied that he had the full backing of the US Government.

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"C" SPAIN. Newest Strike Marked by Police Brutality. Press dispatches report that the general strike which broke out Tuesday (8 May) in Pamplona, capital of the province of Navarra, in northern Spain, continued to paralyze all industry and much of the commercial life of the city throughout Wednesday, despite the Civil Governor's threats of "severe sanctions" against all those who failed to return to work on that day. It marked contrast to the Bilbao and San Sebastian strikes during the last week of April, this newest large-scale popular protest against rising prices and government mismanagement touched off several incidents of violent reaction by the police, who allegedly fired directly into a parade of demonstrators, wounding five of the marchers.

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[REDACTED] COMMENT: Because Pamplona does not rank as a great industrial center, this newest general protest strike is not as significant as either the Barcelona or Bilbao demonstrations. Nevertheless, it does indicate widespread worker discontent against rising living costs and a mood of popular defiance against official maladministration and corruption. Navarra is a stronghold of "traditionalist" Carlists who advocate a return to an extreme reactionary form of Church-State absolutism under a Catholic monarchy as the only feasible government for Spain. While Carlism is negligible as a positive political force in Spain today, the Carlist militia, the "Requetés", furnished Franco with some of his best troops at the beginning of the Civil War.

"B" UNITED KINGDOM. Principle of Grant Aid to Yugoslavia Accepted. The UK now accepts the principle of grant aid to Yugoslavia, providing a satisfactory burden-sharing formula is evolved, UK chief delegate Mudie told the US delegation at the US-UK-France talks in London on economic aid to Yugoslavia.

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[REDACTED] COMMENT: Long delay in UK acceptance of the grant aid principle caused the US delegation considerable concern.

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[REDACTED] The three countries are not far apart on the remaining question of substance—the actual share of the program for which each shall be responsible.

"C" GUATEMALA. Semi-Official Press Continues to Express Communist Line. The US Embassy in Guatemala reports that the attitude of "determining circles" in Guatemala is apparently reflected in a Communist-line editorial carried by the semi-official Diario de la Mañana, which states that a decision to bomb Communist positions in Manchuria would signify clear and complete aggression and the formal declaration

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of a third world war. The editorial continues with a denunciation of the original UN intervention in Korea as a "shameful and grave prostitution" of the UN charter, and concludes that the UN is violating its own principles. [redacted]

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COMMENT: The Diario editorial is indicative of the degree to which publication of Communist-line material continues to be permitted by the Arbenz government. The official attitude--not necessarily attributable to Communist influence--was voiced in more circumspect language by President Arbenz on 6 April. With obvious reference to the Korean situation, Arbenz affirmed that to send Guatemalan troops outside the American continent "would violate the principle of non-intervention"; that Guatemala respects the right of all people to self-determination; and that Guatemala seeks to avoid, within the limits of its capacity, the possibility of expanding the existing conflicts.

"C" PANAMA. Political Tension. The press reports that President Arnulfo Arias has bowed to police and public pressure today and has ordered the restoration of the 1946 Constitution "which he scrapped last Monday". His decision came after a day and night of rioting in which several were killed and wounded. [redacted]

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COMMENT: Arias used the confusion caused by a run on the Caja de Ahorros, a savings bank patronized largely by the working class, as an excuse to abolish the 1946 Constitution and to restore the 1941 Constitution. [redacted]

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[redacted]

the National Assembly voted to impeach Arias, and the Supreme Court had declared the decrees of Arias as unconstitutional. However, should Arias not reverse his other "dictatorial" acts, opposition elements are likely to continue their attacks, and unrest and riots may well continue. Remón's control of the National Police, the only armed force in Panama, and his continued backing of the President, make it unlikely that Arias will be deposed at this time. It is doubtful if these disorders will constitute any immediate threat to the Canal Zone. Qualified observers all agree that the Communists played no important role in the present crisis--in spite of Arias' charges to US officials that his firm action was necessitated because the Communists were getting out of control.

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