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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUN 14 1954

- 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

TOP SECRET

DIA, DOS, AND USAF INSTRUCTIONS APPLY

TOP SECRET

## SECTION 1 (SOVIET)

"C" USSR. Soviet Propaganda Takes up Iranian Claims to Bahrein Island. Along with continued attention to developments in Iran, the Soviet press and radio now has cited Teheran TASS reports of alleged demonstrations on Bahrein Island for the expulsion of the Sheik and the nationalization of the oil industry. According to the reports, the demonstrations broke out due to British preparations to recognize the full independence of the island, thus making it more difficult for Bahrein to be returned to Iran. [REDACTED] 25X1

[REDACTED] COMMENT: The old Iranian complaint for the return of the Bahrein Islands has been renewed since the nationalization crisis by both nationalist and Communist groups, as a means to heighten anti-British feeling and further the nationalization cause. It serves as another peg in the USSR's propaganda exploitation of the Iranian oil situation which seeks not only to focus attention on US-UK "exploitation" of Iran, but to cause trouble for "western imperialism" in other strategic parts of the Near East such as the oil islands in the Persian Gulf, and the oil industry of Iraq.

"C" Sudden Departure From Tokyo of Seven Soviet Mission Members Reported. According to an unconfirmed news report, seven military officers of the Soviet Mission in Tokyo departed suddenly for Khabarovsk on 7 June. [REDACTED] 25X1

[REDACTED] COMMENT: There is no other information to confirm the departure of personnel of the Soviet Mission whose principal members are military, headed by Maj. Gen. A. P. Kislenko. It is known that on March 25 Colonel Sevastyan A. Polyashenko, Deputy Chief of the Office of the Soviet Member, left Japan on the S. S. Smoln'yy accompanied by Mrs. Polyashenko. Fifteen other members of the staff departed at the same time with their families, including Mr. Alexander A. Rozanov, Assistant Political Adviser. It is believed that Colonel Polyashenko will not return to Japan, although no notification has been made of a replacement for him. On its arrival on March 23 the S. S. Smoln'yy brought six new staff members for the Office of the Soviet Member, and eight dependents. 25X1

EASTERN EUROPE

"B" BULGARIA. Turkish Minority Emigration Continues. The Turkish Minister of Agriculture in a recent report to the Assembly stated that 113,301 ethnic Turks have returned to Turkey pursuant to the Bulgarian demand in August 1950 that Turkey repatriate 250,000 of the Bulgarian Turkish minority. He further stated that of this number 46% are under 16 years of age and 30% are between 16 and 45. Fifty-three percent of the immigrants are men. The US Consulate in Istanbul has learned that 16,260 immigrants arrived in Turkey during the month of April alone. [REDACTED] COMMENT: The high percentage of children and youth represented among the repatriates acknowledges of the failure of the Bulgarian Government to convert young Moslem Turks to Communism. Apparently the Soviet Union has been forced to 25X1

TOP SECRET

TOP SECRET

conclude that it is better to sacrifice a large potential labor force to the need for maximum security in a satellite bordering on non-Communist areas. Bulgaria was forced in December 1950 to modify its original demand that the repatriation of 250,000 Turks be completed in three months. In order to reinstitute the flow of immigrants, temporarily halted late in 1950 by Turkish closure of the border for two months, Bulgaria agreed to accept the return of unqualified immigrants. Since then the virulent anti-Turkish propaganda campaign which accompanied the demand has diminished to sporadic outbursts.

"A" CZECHOSLOVAKIA. Czech Government Noncommittal Regarding Landing of US Jets. US Ambassador Briggs in Praha reports that as of 12 June the Czechoslovak foreign office has refused to acknowledge the landing of two lost US jet planes at Kbely airfield near Praha on 8 June. The foreign office has maintained that the investigation of the planes' whereabouts is the responsibility of another branch of the government, but promised to push the "competent" authorities for a reply. The Ambassador comments that the plane incident furnishes Communist hotheads with an opportunity to impair US-Czech relations still further. Briggs is of the opinion that delay of the Czechoslovak Government in confirming the presence of the jets may indicate that the authorities are still debating a course to adopt. Meanwhile, the Embassy has been informed that [redacted] caught

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a fleeting glimpse of a jet plane near Kbely on 10 June which he was reasonably certain was an American Thunderjet type. [redacted]

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COMMENT: The State Department has requested deferment of the US Embassy Praha suggestion that Czechoslovak overflight permits of the US Zone of Germany for July be suspended until the situation of the missing jets is clarified. The plane sighted on 10 June may have been one of two US Thunderjets which became lost and apparently landed at Kbely on 8 June after running out of fuel. No Soviet jet planes are known to be in Eastern Europe which could be readily mistaken for a Thunderjet.

"C" FINLAND. Election Campaign Activity Unimpressive. US Legation Helsinki reports that four weeks prior to the general Diet Elections to be held on 2-3 July the principal apparent campaign activity consists of editorial attacks in the press organs of the various political parties against opposing parties and press comment regarding member absenteeism at Diet sessions. The public is reported to be following the election preparations with customary cool-

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ness. [redacted] COMMENT: [redacted] a gain in seats in the Diet by the Communists is to be expected unless the center and right parties not only make strong efforts to get out their voters but also agree on joint candidates, an unlikely possibility so far.

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"C" Controversial Article to be Eliminated from Aaland Islands Bill. A reportedly unanimous Finnish Cabinet recommendation that the article protested by the USSR be eliminated from the pending Aaland Islands Autonomy Bill has been accepted by the Diet Committee handling the measure. [redacted]

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TOP SECRET

TOP SECRET

25X1 [REDACTED] COMMENT: While the change recommended by the Cabinet will undoubtedly meet Soviet press and propaganda objections to the Bill, it will not be approved by the Aaland Islands Diet which must also approve the Bill after it is passed by the Finnish Diet. However, passage of the measure by the Finnish Diet in its changed form will nullify to some extent recent Soviet propaganda on the question of the Aaland Islands. It will also serve as a good electioneering point for the Agrarian Party in the elections on 2-3 July.

"B" YUGOSLAVIA. Reduction in Flow of Refugees to Trieste Promised. Yugoslav Deputy Foreign Minister Mates has assured Ambassador Allen that no more refugees will be allowed to cross the Yugoslav border into Trieste without proper visas. Mates asked Allen to inform him if improper entries did not cease immediately. Ambassador Allen therefore urges that the US and UK authorize the British Embassy, which is responsible for issuing Trieste visas in Belgrade, to grant visas on a liberal basis to classes of persons whom the US and UK most desire to assist and that the Yugoslav Government be promptly informed.

25X1 [REDACTED] COMMENT: AMG authorities in Trieste have been continually beset by the problem of caring for large numbers of refugees and have made numerous efforts to solve this problem. IRO recently reported plans to resettle 1600-2000 of the approximate 4500 refugees in Trieste within the next 3-4 months. The refugee problem has been aggravated by the Yugoslav policy of expelling to Trieste some 400-500 persons monthly. British officials were assured by the Yugoslav Foreign Office in January that Yugoslavia was not expelling anyone to Trieste without a visa to enter another country. This promise, however, was not carried out.

"B" Lack of Interest in Greek Communist Party Expressed. Yugoslav Deputy Foreign Minister Mates has informed Ambassador Allen that a national movement within the Greek Communist Party is not possible since the Greek Party is thoroughly disorganized. Mates gave no indication that Yugoslavia had any expectation of a split in the Greek Party. Mates characterized former Greek guerrilla leader Markos and his followers as "dopes" who had allowed their movement to be taken over by Moscow stooges when they could have easily retained control.

25X1 [REDACTED] COMMENT: Ambassador Peurifoy in Greece has reported that, while there is no evidence of Yugoslav financial backing, Yugoslav diplomats in Greece are in close contact with Greek leftists who are seeking to found a national Communist Party. Irregardless of whether the Tito Government foresees hope of such a Party in Greece, it would probably profess disinterest in such a venture before it had reached fruition. Mates's remarks regarding Markos reflect Yugoslav resentment and frustration at the loss of a large measure of control in the Greek guerrilla movement by the ousting of Markos in January 1949.

"A" Rankovic Visiting Western European Countries. Yugoslav Minister of Interior Rankovic has left Belgrade on a vacation trip of several weeks in Switzerland, France, Belgium, Holland, and the UK. Ambassador Allen in Belgrade has been informed that Rankovic was urged to make the trip by leading

TOP SECRET

TOP SECRET

Politburo members in the belief that he should become better acquainted with western life. Since Rankovic is generally regarded as responsible for the repressive measures of the present regime, Allen believes it likely that Tito and the Politburo also felt the visit would enable Western officials to form a better impression by meeting him, since he is personally affable and mild-mannered. Allen notes that Rankovic has been endeavoring recently to overcome the security police stigma.  COMMENT:

Since the beginning of 1951, there has been a steady stream of high ranking Yugoslav visits to the West. Politburo members Pijade and Djilas visited London and Paris in January and February and Pijade again in March. Franc Leskovsek, another Politburo member, and Svetozar Vukmanovic (Tempo), the famous Partisan general in Macedonia during the last war and candidate member of the Politburo, visited Switzerland and reportedly Italy in May. Currently, Chief of Staff Popovic is in the US to discuss the possibility of obtaining arms for Yugoslavia. These visits probably have several objectives: (1) to gain internal support for the regime among anti-Communists by demonstrating the close association of the West with the present leadership; (2) to make the regime more palatable to the West by bringing Yugoslav leaders into direct contact with Western officials; and (3) to promote closer ties between Yugoslav Communism and Western Socialism. Since Rankovic will have an opportunity to observe Western police practices during his visit, some alleviation of the repressive Yugoslav police methods may follow.

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TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

"A" CEYLON. Government Refuses to Ban Rubber Exports to Communist Consumers. The Colombo press has reported that Ceylon will permit the export of rubber to Communist countries, at least for the present, and the Acting Rubber Commissioner has officially informed the US Embassy that export licenses would be issued for shipment to all destinations. Concurrently, Ceylonese firms are reported to be receiving inquiries from Hong Kong and Macao for shipments of rubber at prices far above those offered elsewhere. One firm has been asked to supply a total of 800 tons. Failure to obtain shipping space has apparently prevented filling of any orders to date. [REDACTED] COMMENT: Except for 3,015 tons exported to the USSR in 1946 and 35 tons sent to Hong Kong in 1947, Ceylon has had no rubber trade with the Communist orbit in recent years. By far the greatest part of its annual output has been exported to the US and UK. The Government's reluctance to ban exports of rubber to Communist countries is probably the result of its desire to ensure that Western buyers continue to pay the currently high prices for Ceylonese rubber. Though Ceylon is not a member of the United Nations and is not bound by the resolution which embargoes shipments of strategic materials to China, it, nevertheless, does have a record of consistent cooperation with the US and the Commonwealth countries. In view of this friendly record, it is believed that Ceylon's participation in the embargo will shortly be obtained.

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[REDACTED]

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"B" INDONESIA. Negotiations for Large Rice Purchase from Communist China Reported. [REDACTED] negotiations are taking place for the purchase of 500,000 tons of rice by Indonesia from Communist China. The Chinese are asking that, in payment, Indonesia set up a credit in US dollars against which the Chinese may purchase "other commodities". (See OCI Daily Digest, 8 June 51, p. 4). [REDACTED] COMMENT: It is known that the Chinese Communist have

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TOP SECRET

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approached the Indonesians with a view to exchanging rice for rubber, and the quantity of rice mentioned in one previous report was also 500,000 tons. The Java Bank had earlier indicated to the US Embassy in Jakarta that it was unaware of negotiations for such an amount and the Embassy expressed its own skepticism.

Indonesia has not yet made its position clear with regard to the inclusion of rubber among the items to be covered by the UN-sponsored embargo on goods to Communist China. It might view Chinese rubber purchases from private dealers with credits obtained from rice deliveries as less in conflict with the spirit of the embargo than would be an outright barter of rubber for rice.

**"B"** BURMA. Chinese Communists Show Interest in Burma Road. [redacted]

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[redacted] Chinese Communist officials of the Ministry of Trade in Peiping "viewed with interest" the proposition of a Hong Kong businessman to transship goods through Burma should the US and UK enforce further economic restraints against China.

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[redacted] COMMENT: The Chinese Communists have been smuggling goods into China via the Burma Road for some time and there are strong indications that they are planning to intensify their exploitation of this route in order to obtain scarce commodities.

**"A"** INDOCHINA. Viet Minh Admits Discontent Within Its Ranks. A

regional service broadcast by the Democratic Republic of Vietnam (DRV) radio advises that lesser officials (cadres) "have not yet understood that our resistance is a difficult task of long duration," and do not appreciate the obstacles which inevitably develop. Moreover, the cadres lack understanding of the "duty which falls on them... to assure the defense of peace against the imperialist war-mongers (and) are losing sight of the fact that our resistance is integrated in the world movement for peace." In the case of the troops, a certain lack of combativeness is noted. [redacted]

COMMENT: 25X1

On previous occasions, the central authorities of the DRV have indulged in "criticism and self-criticism". However, they have never before come so close to admitting the existence of rebelliousness and weariness at the lower echelons and among the rank and file. It is especially significant that the source of discontent is admittedly the implementation of "internationalist" (i.e., Communist) as opposed to nationalist policies, and lends substance to other reports that more massive defections from the Viet Minh could be brought about but for continuing fear of French intransigence on the independence issue.

**"C"** Heavy Viet Minh Action Unlikely. French G-2 assumes that the Viet Minh cannot repeat offensive action for several weeks due to losses and a severe shortage of food and ammunition. [redacted]

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TOP SECRET

TOP SECRET

"A" CHINA. Chinese Communist Expand Paratroop Training Operations. High Chinese Communist officials inspected paratroop training facilities at Loyang, in Honan Province, during the latter part of May, according to a [redacted]

25X1 [redacted] This is the first indication of the existence of such training at Loyang and suggests the possibility of coordinated operations with the known training center at Kaifeng, some 100 miles east of Loyang. [redacted] reports further that on 6 June some six IL-12 type planes, plus two C-46s, made six paratroop training sorties at Kaifeng, and on 7 June 11 IL-12s, plus the two C-46s, made 27 paratroop training flights. The proficiency of the current group of trainees at Kaifeng is considered to be advanced enough to permit mass jumps from formation flights.

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[redacted] COMMENT: Heretofore, reports have specified no more than two or three planes engaged in paratroop training operations. The above suggests that either more planes have been made available for training purposes or that advanced operations are now being conducted. There are probably no more than 50,000 trained paratroopers in China, but, under what is generally considered to be an extensive training program, the numbers and the quality of organized paratroop units can be expected to increase.

"C" CHINA. More Ex-Nationalist Troops Reported Enroute to Indochina.

According to [redacted] Chinese Nationalist soldiers interned 8 June by French forces about 60 miles northwest of Hanoi, about 6,000 more troops are fighting their way out of China along an escape route into Indochina. Another [redacted] earlier interned, said that, with the curtailment and virtual elimination of air supplies from Formosa many months ago, the morale of the Nationalist guerrillas in Yunnan had badly deteriorated. [redacted]

COMMENT: The reported intensification of Chinese Communist anti-guerrilla operations in Yunnan and Kwangsi provinces has undoubtedly accelerated the movement of these units to across-the-border sanctuaries. The figure of 6,000 is supported by current estimates of resistance forces in Yunnan from whence these Nationalist forces are believed to have retreated.

"B"

Communists Admit Increase in Counter-Revolutionary Forces in East China. At the third plenary session of the East China Military and Administrative Commission held 10-16 March, the necessity for stronger anti-counter-revolutionary methods was pointed up in a report submitted by LI Shih-ying, chief of public security. Despite the elimination of "approximately 80,000 bandits", LI warned that "in some specific districts there still exist critical and widespread deviations and errors." He then cited "phenomena" of areas where the number of bandits actually increased after the suppression campaigns. After three months

TOP SECRET



TOP SECRET

of such actions in Chekiang, which resulted in elimination of 1800 bandits, their strength climbed from 8500 to 10,000. In June 1950 there were 2240 bandits in Northern Anhwei but by August 1950 they had increased to over 8000. While the 1949 winter figure for Fukien was 40,000, by the end of October 1950, after 36,800 had reportedly been killed or captured, the number had dropped only to 20,000. Citing the "error" of "partial magnanimity and open-mindedness," LI mentioned cases where the same bandits had been captured and released six times on the promises of "false reform."

25X1 [REDACTED] **COMMENT:** This is one of the most open admissions by the Chinese Communists that counter-revolutionary forces are not being properly contained, and tends to account for current indications of intensified and increasingly repressive measures in the more poorly secured areas of South, Central, and East China.

"C" CHINA. Peiping Pessimistic about Crop Conditions. A Peiping directive on summer agricultural production states that there have not been favorable climatic condition for the crops sown this Spring. Floods in the South and drought in the North have damaged the young seedlings, according to Peiping. [REDACTED]

25X1 [REDACTED] **COMMENT:** In 1950 Peiping was pessimistic during the growing season in order to spur on the farmers, and was optimistic at the harvest to justify high levies. It is too early in the crop season to tell whether the 1951 harvest in China will be below average, but independent reports of Flood and drought indicate that a bumper crop is not to be expected. 25

"B" Nationalists Claim Repulse of Communist Attacks on Off-shore Islands. The Nationalists on 9 June claimed that Communist sea-borne assaults on two islands were intercepted and repulsed by Nationalist naval units. Of the 13 junks sighted off the northwest coast of Chinmen (Quemoy), five were captured, an unspecified number sunk, and the remainder escaped. According to some of the 15 POW's allegedly captured, the larger junks used in this assault can transport 80 fully equipped troops and the smaller 50. On the same day five Communist motor junks, reportedly containing elements of the 105th Division, attacked the Nationalist guerrilla-held Tung Tou-shan Island (off the coast of Chekiang), but were also repulsed by Nationalist naval forces. [REDACTED]

25X1 [REDACTED] **COMMENT:** The Chinese Communist potential to launch successful attacks on any or all of the Nationalist-held off-shore islands has been generally acknowledged. Another Nationalist claim to the successful interception of a 100-junk armada with a two-gunboat escort headed for Matsu Island opposite Foochow, remains, with the above, unconfirmed. 25

TOP SECRET

TOP SECRET

"B"

Results of Land Reform Broadcast. The Chinese Communists have in the past year carried out land reform in areas populated by over 130 million peasants, according to a Chinese Communist broadcast of 9 June 1951. Eighty million poor peasants were said to have received 25 million acres in the vast land redistribution project. The broadcast went on to say that the successful completion of reform was attained not by "peaceful distribution of land" but that it was found necessary for "the peasant masses...(to) confiscate and distribute land themselves in mass struggle." [redacted]

[redacted]. COMMENT: A year ago the Communists had planned to carry out land reform over a smaller area inhabited by only 100 million peasants, mostly in central and eastern China. Pronouncements at that time emphasized the need to "preserve the rich peasant economy" and to carry out agrarian reform in a planned and orderly way. This change in nature and scope of the program clearly reflects growing Chinese Communist preoccupation with internal security and elimination of unreliable elements.

"C"

KOREA. ROK Summer Grain Production 34% Under Normal. In reply to questions from members of the National Assembly, the ROK Minister of Agriculture and Forestry declared that there has been a 34% decline in the production of summer grains in comparison with the normal output. The Minister added that 126,000 tons of fertilizer will be imported and is expected to arrive soon.

[redacted] COMMENT: This large a decline in summer grain production may provide rather slim rations for the South Koreans during the weeks immediately preceding the rice harvest next fall. If the supply of fertilizer, however, is received and can be effectively distributed prior to the end of July, present prospects point to a nearly normal rice crop.

"C"

JAPAN. SCAP Announces New Policy on Occupation Costs. SCAP has announced that the US and Japan have agreed on a policy providing for payment in dollars by the US of the costs of labor employed by the Occupation Forces after 1 July. Previously the labor costs had been paid by the Japanese Government. [redacted]

[redacted] COMMENT: Under the new arrangement, the US will assume a portion of the costs of Occupation, but will discontinue economic aid. While this will result in no financial gain for the Japanese, it will permit them freer use of the dollars earned and remove the stigma of being dependent upon outside aid.

"C"

Reaction to Soviet Note on Peace Treaty. Political Adviser Sebald reports that, although all Japanese newspapers played up the 10 June Soviet note on the peace treaty, only the Mainichi has commented editorially. Believing this latest Soviet action cannot lead to a real overall peace, the paper opines that the memo was designed to take advantage of differences in view among

TOP SECRET

TOP SECRET

the Western powers and to delay further the treaty. The Mainichi concludes that it would be disadvantageous to Japan if the memo encouraged opinion in favor of an overall peace existing in part of the nation. [REDACTED] COMMENT: Mainichi's reaction is similar to that expressed by virtually the entire conservative press at the time of the 7 May Soviet note. In view of the natural desire of the Japanese to conclude a peace with all the belligerents, this type of approach unquestionably strengthens the convictions of Socialist Party supporters who are fearful of the consequences of a direct alignment with the West. The announcement, however, of US-UK accord on the Chinese accession problem will offset much of the effect of the Soviet note.

TOP SECRET

TOP SECRET

SECTION 3 (WESTERN)

"B" GERMANY. Allied Plans for Retaliation to Soviet "Little Blockade" of Berlin. At a special meeting on Wednesday, the Allied Commandants in Berlin submitted recommendations to the Allied High Commission that counter-measures against the current Soviet "little blockade" of Berlin be imposed by Friday (15 June) at the latest, unless a favorable reply to Allied protests is received from Soviet authorities. The French Commandant, lukewarm on the whole proposal, reluctantly agreed to forward the recommendation, without including the Friday deadline. As a first step, the US and British Commandants suggest the simultaneous stoppage of all shipments on the restricted list from the Federal Republic and west Berlin to eastern Germany and east Berlin. Gen. Mathewson, US Commandant in Berlin, emphasized the seriousness of the situation, and stressed the need for firm counter-measures to force the Soviets to yield in this new interference with west Berlin's vital trade with the West. [redacted]

25X1 [redacted] COMMENT: This situation originated in mid-May with the Soviet demand that transit permit requests for west Berlin shipments through the Soviet zone be accompanied by certificates showing the origin of the raw materials used in the manufacture of the goods. West Berlin officials' compliance with this order was halted on 12 June by the Allies, who at the same time forwarded a protest to the Soviets. Since that time, Soviet rejections of permit-applications (800 rejections on Wednesday alone) have threatened to choke off the entire west Berlin export trade. 25X1

"B" Merger of German Extremist Parties Planned. Alfred Loritz, leader of the Economic Reconstruction Party (WAV) in Bavaria, has announced his intention to merge his party with the neo-Nazi Socialist Reich Party (SRP) (which recently polled a large vote in the Lower Saxony state elections), as the programs of the two parties are identical. He added that the WAV would continue its independent existence pending the selection of a new name acceptable to both parties. Local US officials view this intention as a possible attempt to evade a proposed federal ban of the SRP. These officials add that Loritz has been cooperating with the SRP in the Federal Parliament since the crushing defeat of the WAV in the state elections in Bavaria last fall. They feel that Loritz. [redacted] 25X1

25X1 [redacted] might be of aid to the SRP because of his demonstrated capacity as a demagogue. [redacted] COMMENT: Amalgamations of west German extremist parties, often hindered in the past because of personality differences among the leaders, may be overcome in this case. An expansion of the SRP, which is not unlikely, would be a dangerous development in Germany's political life. The WAV, though not a strong organization, would be able to help the SRP by bringing its own following into a merger, and by contributing the peculiar talents of Loritz. The SRP has most recently exploited the execution of the seven Nazi war 25X1

TOP SECRET

TOP SECRET

criminals at Landsberg. Using sound-trucks, it attracted 5,000 people to the funeral of one of the criminals, where a speaker vigorously denounced the US.

"B" FRANCE. [ ] Pessimistic on new French Government. [ ] 25X6

25X6 estimates that when the new French Assembly convenes on 5 July the formation of a new cabinet will be tedious and difficult. [ ] 25X6

think that the French constitution will probably have to be revised after a year of muddling by ineffectual governments, and that a Gaullist government may then be possible. [ ]

COMMENT: 25X1  
Most recent estimates agree that the combined Communist and Gaullist representation will fall considerably short of a majority. Although the major parties between these two extremes are sharply divided on basic issues, the normal French parliamentary pattern will not be radically altered, and a coalition similar to that which held the retiring Assembly together may be able to ward off the Gaullist threat.

"B" ITALY. Italian Public Reassured by US Policy to Limit Korean War. The US Ambassador to Rome reports that as a result of the fear of war in Italy and concern that the policies advocated by General MacArthur might lead to an extension of war in Asia, his removal has resulted in generally strong feeling of relief among the Italian public. This has completely over-shadowed subsequent Senate hearings which have received relatively little attention. Better informed Italians feel hearings furnish proof (1) of the great strength of constitutional democracy in the US and (2) 25X1 that US policy continues aimed at restricting the Korean war. [ ]

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COMMENT: The feeling that the US is attempting to localize the Korean war should help Italian Government efforts to strengthen re- armament and should furnish it a useful psychological weapon against the to-date partially successful Communist campaign to convince Italians that the West is planning war while the Soviet Union stands for peace.

25X1 "B" SPAIN. Embassy Concurs [ ] Estimate of Franco's Position. The US 25X6  
Ambassador at Madrid agrees [ ]

25X6 [ ] that Franco will remain in power for much longer than his enemies predict. The Ambassador states that the diminution of the strike movement, along with the virtual certainty of good harvests and the hope of an additional Export-Import Bank loan for wheat, makes Franco's position seem firm indeed. He comments that there is no visible strong substitute for Franco and that the US must hope to accomplish its policy aims in Spain through evolution rather than possible revolution. [ ]

25X1 COMMENT: No one individual appears able to command the necessary support to bring about a change of regime. The net effect of the strike movement on Franco's political position is not clear at this moment, but there is considerable evidence that the Church is becoming increasingly outspoken in its criticism of the regime, especially of its policies toward labor. Latest reports indicate that

TOP SECRET

TOP SECRET

France is unable to make any policy changes in the direction of evolution toward political and economic freedom, because such changes might have political repercussions which would ultimately undermine the basic structure of the regime and his own power.

25X1 "C" UNITED KINGDOM. Reaction to US Senate Foreign Policy Investigation Seen as Favorable. The US Embassy in London estimates that the Administration has emerged with added stature and strength from the current Senate investigation of US foreign policy in the eyes of both government officials and UK public opinion. The Embassy reports that the UK public "is surprisingly well aware of the political aspects of the investigation and the hope is frequently expressed that Acheson will be retained". The Embassy also sees the British as "now generally convinced that the US Government sincerely desires to limit the Korean war", and believing that UK-US policy differences are less extensive than the British had feared. The reaction of UK officials has been broadly similar to that of the public-at-large, except that Government circles are somewhat concerned that the net effect of the investigation may be a hardening of US policy in the Far East, especially with regard to Formosa and Communist China, in response to the pressure of domestic critics.

[REDACTED]

25X1 "C" IRELAND. De Valera Government Replaces Costello's Coalition. By obtaining the support of five independent deputies to add to the 69 votes of his own Fianna Fail party, Eamon de Valera replaced John A. Costello as Prime Minister at the opening meeting of the new Dail on 13 June. The result, which was in doubt until the deputies chosen in the 30 May general election assembled for this meeting, was achieved by the narrow margin of 74 to 69 votes. In returning to the office he held for 16 years prior to the election of February 1948, De Valera appointed a cabinet much like his last one. Sean Lemass again becomes Deputy Premier and Minister for Industry and Commerce and Sean MacEntee, another seasoned Fianna Fail party leader, becomes Minister of Finance. The portfolio of External Affairs, formerly held by De Valera himself, will now be held by Frank Aiken, and Oscar Traynor returns to his old post as Minister of Defense.

[REDACTED]

25X1 [REDACTED] COMMENT: No significant alteration in Irish foreign policy is to be anticipated from this change of government. De Valera is possibly even more attached to the policy of Irish neutrality than were the leading members of Costello's coalition government, but the general election was fought entirely on domestic questions and personalities. Aiken, the new Minister of External Affairs, has previously been distinguished mainly as a leader of the Irish Republican Army in the civil war of the 1920s and as a very shrewd party politician; and according to some reports is anti-American as well as anti-British in his views.

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"C" ARGENTINA. University Students' Protest Strike Extended. Despite Government warnings of punitive action, the student strike which began 9 June in the University of Buenos Aires has been extended to other centers and

TOP SECRET

TOP SECRET

prolonged because of the arrest of fifty students. Originally the strike was called because of the disappearance of a student who was believed arrested by police. Government authorities have declared that the strike is Communist-inspired and that the Communists are hiding the student to make a martyr of him. [REDACTED] COMMENT: Communists have important positions in the leading university federations, and the present strike is in accordance with their plans. However, it is equally probable that the students would undertake the present strike without Communist leadership because of their resentment of arrests of other students for political activity and because the majority (estimated 75 per cent) of university students is anti-Perón. The Communists will work to prolong the strike to further current instability in Argentina.

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"B" LATIN AMERICA. Haya Case is Still Unsettled. The International Court of Justice declared on 13 June that Colombia should end the asylum (which the Court found illegal in November 1950) that it has given in its Lima Embassy for the last two and a half years to Victor Raul Haya de la Torre, Peruvian opposition leader. But the Court, in turning the case back to the two countries, refused to indicate how this should be done. The Court affirmed that Colombia was not obliged to surrender Haya de la Torre, nor was Peru required to grant him safe conduct from the country. [REDACTED]

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[REDACTED] COMMENT: The Court's decision comes as a surprise to both countries. Both governments had been preparing public opinion for the surrender of Haya to the Peruvian authorities. Although the present conservative administration in Colombia has no sympathy for the political views of its asylee, the weight of opinion of other Latin American countries, all of which are deeply interested in the institution of asylum, makes it virtually impossible for Colombia to do otherwise than to stand on the decision of the Court, and refuse any compromise requiring the delivery of the refugee to Peru. President Odria of Peru might well be willing to accept some other compromise solution, since Odria would probably prefer not to antagonize further the labor following of Haya de la Torre. The Peruvian oligarchy, however, who are responsible for putting Odria into the Presidency in the coup of October 1948, have a deep-seated fear and hatred for Haya de la Torre. While Odria has gained some independence of his original supporters during the past two years, he is not completely independent of them, and, because of their probable intransigence in regard to Haya, there is likely to be a resurgence of considerable tension in Colombian-Peruvian relations.

TOP SECRET

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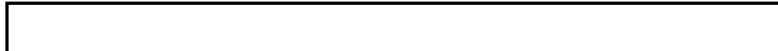
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CENTRAL INTELLIGENCE AGENCY

DAILY DIGEST SUPPLEMENT



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CENTRAL INTELLIGENCE AGENCY

OFFICE OF CURRENT INTELLIGENCE  
DAILY DIGEST OF [REDACTED]

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14 June 1951

SECTION 2 (EASTERN)

"B" IRAN. Iranian Airways Reportedly About to be Dissolved. Following receipt of unconfirmed reports of the imminent dissolution of Iranian Airways, the Department of State has asked Embassy Tehran for an appraisal of the company's current financial condition and structure. The Department is concerned lest the USSR obtain stock in the company or that it might take advantage of the vacuum in the field of domestic air service which would be created by the company's dissolution. [REDACTED]

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COMMENT: Iranian Airways is presently the only domestic air service in the country and its stock is reportedly owned completely by Iranians. It has been in continuous difficulties since its inception, and in February 1951, Embassy Tehran estimated that its financial condition would permit it to continue operation for only 3 or 4 more months. The Government is interested in improving the situation and has been considering the application of other domestic groups which would like to start a second air service. In view of Iran's fear of its Soviet neighbor it is highly unlikely that the Government would permit the USSR, which has desired to enter the Iranian domestic air field for some time, to operate an air service. There is always the possibility, however, that the Soviet's might clandestinely achieve control of a new company or of the stock of Iranian Airways, if it were put up for sale.

SECRET

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