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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUL 16 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

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SECTION 1 (SOVIET)

USSR. Comment on Soviet Policy Toward Germany. Although the breakdown of four-power negotiations for a CFM conference and Soviet restrictions on Berlin trade reopen the question of future Soviet moves in Germany, Soviet courses of action appear confined largely to the USSR's occupation zone and the Satellite regime created there. West Berlin affords a continuing target for Communist harassment and probing operations, and the West is vulnerable in its communication and transportation lines to Berlin. But short of using armed force the Soviet Union cannot expect to accomplish any decisive gains in Berlin or in Western Germany.

With respect to the Soviet Zone, there have been recurring reports since the establishment of the German Democratic Republic (GDR) in October 1949 that the USSR was contemplating such measures as the withdrawal of occupation forces, a peace treaty, a mutual assistance pact and termination of the state of war.

Soviet activities in East Germany and Eastern Europe indicate the intention of the Soviet Government to retain its occupation forces in Germany indefinitely. The USSR has established and is expanding permanent military installations, such as airfields and naval bases, in its zone of Germany and is modernizing the equipment of Soviet occupation forces, for example, replacing conventional aircraft with jet fighters and bombers. In addition, the USSR has been preparing for some time to use Poland as a communications and supply area for its advanced forces in Germany. There is little evidence that if sizeable Soviet forces were withdrawn from Germany they would be billeted in Poland, and it seems improbable that the USSR would return the major part of its forces to the borders of the Soviet Union.

Action by the US and its allies to terminate the state of war with Germany may evoke a similar move by the USSR vis-a-vis the East German regime. However, unless the USSR were prepared to withdraw its occupation forces, there would appear to be little advantage in initiating other "paper" measures such as a peace treaty which might restrict Soviet intervention in German affairs or a mutual assistance pact. Present GDR agreements with the various Satellite governments are limited to economic or cultural matters and the existing mutual assistance pacts between the USSR and Satellites are aimed directly at Germany. So long as Germany remains under four-power occupation, it appears unlikely that the East German regime will be accepted as a full partner in the complex of Soviet-dominated Communist states.

The formal organization of an East German army will probably be delayed until a West German military contribution to the North Atlantic defense organization has materialized. The reported plan to reorganize the East German Bereitschaften (Alert Police) this fall with the creation of divisional staffs over a number of Bereitschaften, each of which would be equivalent to a regiment, is a further step toward eventual expansion of

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the Alert Police into an East German army. The delay in expanding the Bereitschaften from the level of about 50,000 reached in mid-1950 may have resulted from a desire to make an East German army more palatable to the Eastern European Satellites by giving priority to their extensive rearmament during the past year.

"B" Rumored Training of Oil Refinery Experts in Rumania for Work in Iran.

[redacted] approximately 1,200 oil refinery experts are collected at Ploesti, Rumania, and are being trained in refinery problems based on plans from Abadan, reportedly given the USSR by the Iranian Government. These engineers, who are Rumanian, German and Soviet, are being trained by a former German expert with prewar experience at Abadan.

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[redacted] COMMENT: While the USSR would be remiss in not anticipating an Iranian need for refinery experts in the event of an AIOC withdrawal from Abadan, it is extremely unlikely that present Soviet efforts have involved any training of experts specifically for Iran. At the most, Soviet efforts have probably been directed only at possible recruitment of technicians for future work in Iran. [redacted]

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[redacted] The figure of 1,200 technicians, moreover, seems particularly doubtful in view of the size of refinery operations in Rumania. No credence can be given the allegation that Iran handed over plans of Abadan's installations to the USSR.

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"C" USSR Continues Peace Themes to Promote Political Objectives.

Representatives at the UN of the UK, France, Turkey, Yugoslavia, and the US anticipate that the USSR will seize upon the Sixth General Assembly meeting as an ideal propaganda forum for a renewed and intensified "peace offensive", with Soviet leadership as "peacemaker" in a Korean armistice being used as a springboard. [redacted] COMMENT: The USSR has used past sessions of the GA, which this year is scheduled to open the last of October, for pushing general themes: such as disarmament, a five-power peace pact, and condemnation of war-mongering. Embassy Moscow considers that the USSR is attempting to achieve its political objectives against the West mainly by promoting popular dissatisfaction with Western governmental policies rather than by negotiating agreements with the West.

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"A" EASTERN EUROPE. HUNGARY. Budapest May Retaliate for US Expulsion of Hungarian Diplomats.

[redacted] Hungarian Deputy Foreign Minister Berei has unofficially threatened that his government would immediately retaliate against the expulsion of two Hungarian diplomats from Washington. The Hungarian action can be expected by 20 July.

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[redacted] COMMENT: The State Department has declared Hungarian diplomats Lajos Nagy and Peter Varkonyi persona non grata in an unofficial retaliation for the expulsion last week from Hungary of two US Legation Budapest staff members. [redacted] US Charge Mokma on 13 July suggested that the continuing publicity of the

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testimony delivered during the trial of Archbishop Grosz by former US Legation employee Pongracz may be deliberately designed to worsen US-Hungarian relations. A 13 July article in a Budapest daily newspaper recapitulates the alleged espionage activities of the US Legation as uncovered by the Grosz trial and its predecessors. According to Mokma this article may be setting the stage for a military trial of Pongracz in which other Legation personnel are likely to be implicated. The expected Hungarian retaliation could thus take the form of additional persona non grata labels pinned on to members of the already small US Legation staff.

"B" POLAND. Government Concerned Over Economic Sabotage. The Polish Government's concern with the major problem of economic sabotage is revealed by reports of various trials taking place throughout Poland. The crimes include speculation, illegal trading, thievery, forgery, embezzlement, irregularities on state farms and the lowering of production standards for personal gain. 25X1

COMMENT: Signs of popular discontent with the standard of living, the high work norms, and lack of the essential necessities have been repeatedly reported from various reliable sources during recent months. Actual strikes attributable to these causes have been reported in certain key industries.

"B" YUGOSLAVIA. Tito Wary of Kremlin Gestures. In an important speech in Montenegro on 13 July, Tito warned against any false optimism regarding Korean armistice negotiations, stating that the situation on Yugoslavia's borders had grown worse while the Kremlin was making peace gestures in Korea. He expressed gratitude to the West, particularly the US, for the substantial economic assistance which the West had granted. Tito admitted that Yugoslavia had also received arms and technical assistance from the West, but no concessions had been sought or given for this aid. He castigated the Soviet Union and Stalin personally, declaring that Stalin's policies were responsible for the present hostile campaign of Yugoslavia's neighbors, and declared that the satellites were not peoples democracies since they could not change their internal social order by their own strength and were not masters of their countries, but were occupied by a foreign state. The Yugoslav leader severely chastized Italian demands for a revision of the Peace Treaty and the return of the whole of the Free Territory of Trieste. He reiterated that Yugoslavia would never give up territory where Yugoslavs lived, and repeated the Yugoslav position that a settlement of the Trieste issue can be obtained if calm heads prevail. 25X1

COMMENT: Probably the most important aspect of Tito's speech was the choice of Titograd, Montenegro as the locale for the address. Since the Cominform break a greater number of Cominformists have appeared among Montenegrin Communist Party members than any other regional group. The two governmental officers most recently arrested on charges of Cominformism were both Montenegrins. The choice of Titograd suggests that the regime is concerned over this problem in Montenegro and probably believes that Tito's appearance in the republic would bolster Party strength there.

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SECTION 2 (EASTERN)

"A" NEAR EAST. Greek Patriarch in Jerusalem Resigns in Opposition to Russian Financial Assistance. The Greek Orthodox Patriarch in Jerusalem, who is known to be anti-Russian, again submitted his resignation on 12 July over the offer of £1000 in gold by the Metropolitan of Moscow to the Greek Orthodox Churches throughout the Near East. No action on the resignation will be taken until 16 July, but it is reported that internal strife within the Synod over the advantages of accepting the financial assistance has increased. [redacted] the Patriarchate has over £200,000 in bonds, the interest of which is in the Jerusalem branch of Barclay's Bank and cannot be collected because Israel's absentee property law prevents the transfer of funds to Jordan-held Jerusalem, where the Patriarchate is located. The possibility of transferring the interest to a branch bank in Arab territory is under investigation. [redacted]

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COMMENT: The Jerusalem Patriarchate is badly in need of funds but has recently turned down an Israeli offer to buy three of the Church's properties, reportedly for £700,000, because the price was insufficient. At that time the Israelis also offered to unfreeze the interest on the Church's bonds which has been accumulating in Barclay's Bank in Jerusalem. When the Russian financial offer was made in June [redacted] it was stated that the Near Eastern Patriarchs would be invited to Moscow in early July to discuss the question. The Patriarch of Antioch is reported to have been leaving for Moscow on 15 July. Although the Patriarch of Antioch is a known Soviet sympathizer, Archbishop Athanagoras in Istanbul feels the visit has no significance and has assured the US Consul in Istanbul that Antioch would not "stray from the fold."

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"C" GREECE. Split in National Progressive Union. Embassy Athens reports that Emmanouel Tsouderos, co-leader with Plastiras of the National Progressive Union of the Center (EPEK), has split openly with the latter taking possibly 16 or 17 deputies with him. Commenting that while a dispute over control of party organization is the ostensible reason for the split, the Embassy states that Tsouderos probably hopes to capitalize on the desire of a considerably number of deputies of all parties to avoid or at least postpone elections. [redacted] COMMENT: Tsouderos' split with Plastiras may well result in postponement of the elections beyond the fall deadline now set, since it will weaken EPEK which has been the only party really eager that elections be held in the near future.

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"A" IRAN. Barzani Kurds Again Alleged To Be Receiving Military Training In The USSR. The Iranian Army has received reports to the effect that 3000 Barzani Kurds are currently receiving military training in the USSR, on the Iranian frontier. The Army expects the movement of couriers used by

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Barzani leader Mulla Mustafa in the USSR to communicate with his followers in Iraq to increase as soon as the Araxes river slows and crossing becomes easier. [redacted] COMMENT: Rumors concerning Soviet training of the Barzani Kurds who fled to the USSR after the collapse of the abortive Kurdish republic in Iran in 1947, crop up from time to time and [redacted] cannot be used in assessing Soviet intentions. The USSR is sponsoring Kurdish hopes for an independent Kurdistan and may be training those Barzanis in the USSR for eventual use in Iran.

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"C" INDONESIA. Minister of Economics Resigns. Dr. Sujono Hadinoto, Minister of Economics, is expected to resign on 16 July. [redacted]

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COMMENT: Hadinoto is the second minister who has been forced to resign since April on the grounds of an incapable performance of his duties. His administration of the Economics portfolio has been so inept and has inspired so much criticism that his own party--National Party--has urged his resignation from the coalition cabinet. Hadinoto will be succeeded by Wilopo, also a Nationalist and apparently also unqualified for the post.

"A" BURMA. Commander-in-Chief and Socialists in Conflict. Serious friction and general deterioration within the Burmese Army is reported by the US Embassy in Rangoon. These developments are the result of mounting tension between the Burmese CinC Ne Win, and leaders of the Socialist Party. The situation is rapidly reaching the point at which Ne Win must retire (he is reported as contemplating a trip to London) or force a showdown for power with Socialist armed forces, which are considerable. With regard to future developments, the Embassy is concerned over the fact that Ne Win this week was closeted with the Chinese Communist Ambassador for over an hour. [redacted]

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COMMENT: Previous reports have been received of Socialist dissatisfaction with the army's poor showing against the Communist and Karen insurgents and with Ne Win's independent actions. A clash between the Socialists' forces and army elements loyal to Ne Win could have grave consequences, particularly at a time when Chinese Communist aid to the Burmese Communists is increasing. Although Ne Win has been considered as anti-Communist, he is completely opportunistic and might seek Communist support to maintain his position.

"B" Impasse with the Socialists Denied by Burmese CinC. During an interview with [redacted] confirmed an earlier

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report that he was taking a month's leave. Ne apparently plans to remain in Rangoon with the possible exception of a brief visit to India, Although admitting that the Socialists were attempting to gain control of the armed forces he denied he was "fighting" them or that he was planning to resign, and claimed that his staff would continue to run the army as usual in his absence. Ne Win explained that his recent hour-and-a-half conference with the Chinese Communist Ambassador and Military Attache concerned some US

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boats which were reported to have parted their moorings at Chittagong in East Pakistan. US Ambassador Key comments that this explanation is absurd and expresses his belief that it is "entirely within Ne Win's capacity to sell out to the Commies." [redacted]

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COMMENT: A period of tension is clearly developing in Rangoon. Ne Win's opportunism is well-known and Ambassador Key's apprehension is well founded. A violent clash between the general and the Socialists, however, would not necessarily result in the immediate emergence of a pro-Communist regime. More probably chaotic conditions worse than those of 1948 would result. On the other hand, it is possible that, in a showdown, Ne Win would prefer a pleasurable retirement to risking his life in a struggle for absolute power.

"B"

Karens Reportedly Allied with the Communists. US Embassy London reports that the UK Foreign Office is "much disturbed" over information, received from a reliable source in Burma, that an announcement had been broadcast over the Karen radio to the effect that the Karens had thrown in their lot with the Communists. [redacted]

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COMMENT: Any such statement would not be binding upon all Karens, even those actively fighting the Government. However, some Karens have been cooperating with the Burmese Communists on the tactical level. Furthermore, it is possible that disappointment over not receiving aid from the US and UK, coupled with removal or decline of Christian leadership, may now be reflected in the tendency to cooperate with any group offering to support Karen aspirations. The Communists are known to have offered such aid.

"C"

Burmese Continue to Allow Shipment of Tires to China. US Embassy Rangoon reports that it now questions the Burmese Government's sincerity in implementing its policy of preventing the shipment of tires to Communist China. On four occasions in recent weeks the Burmese have stated that no reexport licenses for tires had been issued, yet on 10 July the official Burmese export list showed that 428 tires received from the UK were shipped to China. As a result, the Embassy states that it will not recommend approval of any further tire exports from the US or Japan pending investigation and clarification of the Burmese Government's position on the matter. [redacted]

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COMMENT: This report is indicative of: (1) the laxness of Burmese trade controls; (2) Burmese indifference to efforts to restrict the flow of strategic commodities to Communist China; (3) Burmese fears of offending China; and (4) Chinese Communist interest in developing new routes for the importation of scarce materials.

"B"

Nationalist Troops in Southwest China Defeated. [redacted]

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[redacted] the Chinese Nationalist forces which recently returned to Yunnan from Burma have suffered a number of defeats at the hands of Communist forces. Large elements of the Nationalist forces are said to have been forced to retreat with one group of 1200 troops being reduced to 400. The Nationalists,

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however, are reportedly regrouping for further operations against the Communists. [redacted] COMMENT: [redacted]

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[redacted] the Nationalists have been attracting additional support among scattered anti-Communists elements in Yunnan. Nationalist efforts, however, are likely to be largely dissipated and their forces may disintegrate if they continue to rely on conventional military tactics against the larger and more heavily armored Communist forces in the area. Serious international complications may be expected to arise should these Nationalists be forced again to retreat into Burma.

"B" THAILAND. Future Political Picture Still Uncertain. The Thai Army has completely occupied all naval stations and order has been restored "for the time being." US Embassy Bangkok reports, however, that there is reliable evidence that Premier Phibun is meeting some difficulties in reasserting his authority. Nevertheless, the military leaders who are most capable of challenging Phibun's leadership still need his guidance in foreign affairs and depend upon his maintaining a balance of power between various cliques. The Embassy feels that the extent to which Phibun will be able to regain his former position will be determined by events within the next few weeks. He is not expected, however, to make a full recovery as long as the powerful Director General of Police and the Deputy CinC of the Army continue to cooperate. [redacted]

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"A" INDOCHINA. De Lattre Says Viet Minh is Weak. General De Lattre, stating that Viet Minh losses in late May have been found to be much higher than originally estimated, estimates that the Viet Minh needs one year to recuperate from losses suffered during the recent Tonkin delta engagements. [redacted]

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[redacted] De Lattre estimates that in any event the Viet Minh cannot organize an attack of any consequence within the next six months, and is faced with the following alternatives: (1) "Cease-fire," (2) a request for large-scale troop support from the Chinese Communists, (this is believed to be contrary to the desires of Viet Minh leaders), or (3) exclusively guerrilla warfare. [redacted]

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"B" CHINA. Hong Kong Police Interfere with Anti-Communist Groups. US Consul General in Hong Kong reports that a special branch of the Hong Kong police has recently shown an increased interest in anti-Communist groups in the

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Colony, interrogating and raiding the headquarters of Nationalist "third force" and defected Communist figures. [redacted]

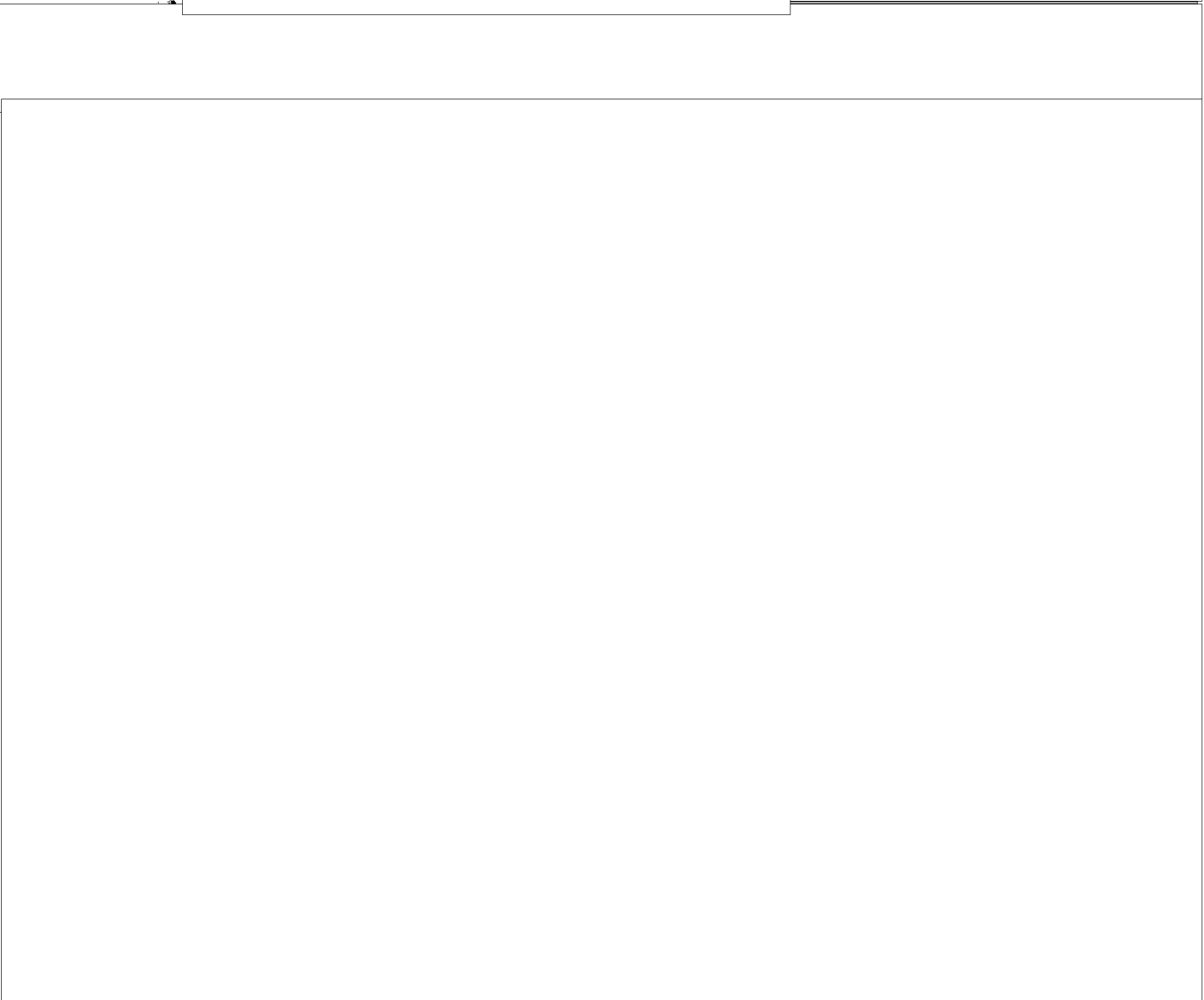
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COMMENT: Anti-Communist activity in Hong Kong has had no discernible effect on the Peiping regime, and has apparently consisted, for the most part, in maneuvering for position among groups desirous of obtaining US aid. [redacted]

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"B" KOREA. Redisposition of CCF in East Central Sector Poses Threat. According to Far East Command, recent POW and agent reports indicate a redistribution of CCF forces in the east central sector. FECOM believes that the rehabilitated CCF 27th Army is in the process of relieving the CCF 20th Army which has been defending stubbornly in the Kumsong-Pukhan River area. Furthermore, FECOM has tentatively accepted the eastward

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displacement of the CCF 12th Army from the area northwest of Chorwon to a location 12-15 miles northeast of Kumsong. FECOM warns that this movement of forces may indicate the positioning of a mass of fresh troops in preparation for another offensive.

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"C" JAPAN. Subversive Activities in Hokkaido.

[Redacted] a liaison office of the Japanese People's Revolutionary Committee has been established in Chishiya, on the southern tip of Sakhalin, for the purpose of carrying out special activities against Japan.

[Redacted]

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COMMENT: Recent increased Soviet interest in Hokkaido possibly has been caused by the deployment of a US National Guard Division to that island. Soviet authorities who went to Hokkaido to "observe the April elections" may have aided the ground work for increased surveillance of US forces in that area.

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SECTION 3 (WESTERN)

"C" GERMANY. Uneasiness Continues in SPD Membership over Party's Opposition to Rearmament. The extreme position taken by Kurt Schumacher, leader of the opposition Social Democrats (SPD), against a West German defense contribution continues to cause uneasiness in the rank and file of the party.

[redacted] a majority of the SPD faction in the Parliament silently disapproves of Schumacher's stand and might break ranks to support Adenauer if ratification of the proposed defense contribution were in danger. US officials in Bonn comment that Schumacher might conceivably be forced by internal SPD pressure either to modify his extreme negative position or face a possible open revolt in his party. [redacted] any possible modification of Schumacher's stand can best be obtained if Adenauer and others refrain from any frontal attack on Schumacher and continue to make conciliatory gestures. [redacted]

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COMMENT: Schumacher has long followed his policy of opposing West German rearmament until a list of conditions are met, including the assignment of much larger Allied forces to the defense of West Germany and absolute equality for any German contribution. There have been many previous indications of uneasiness in the SPD on Schumacher's stand, which is of a piece with his general policy of firm opposition to the government on most major issues. As yet, however, there is not sufficient evidence to lead to the conclusion that Schumacher will be forced to change his view, or that his followers will reject his lead.

"C" West Berlin Decides Not to Ban the FDJ. The West Berlin Senate has decided not to follow the action of the Federal Government in banning the Communist Free German Youth (FDJ). Although West Berlin generally avoids diverging from the practice of the Federal Government, the Senate reasons that a ban of the FDJ would reduce the value of West Berlin as a western "show window" since it would make youths from East Berlin (where FDJ membership is practically compulsory) hesitate to enter the Western sectors. FDJ membership in West Berlin is negligible. [redacted]

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COMMENT: West Berlin authorities hope that FDJ members from East Germany will visit the Western sectors, and be exposed to democratic influences. A large influx of FDJ visitors is expected during the August World Youth Festival in East Berlin.

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"B" USSR Attempts to Divide Allies on Berlin Trade Issue. US officials in Berlin, commenting on the latest developments in the Soviet restrictions on Berlin's trade, state that the impression is inescapable that the Soviet representatives are "working on the French," with some success, in order to divide the Western Allies. They also cite the view of the British Commandant, who felt that the Russians and French "have been playing with us now for six weeks" and that the time had come for decisive action, i.e. countermeasures, against the USSR. The British also implied that the French might have "leaked" information from Allied discussions on the issue to Soviet representatives. US officials again discuss possible firm countermeasures and, in view of the apparent defeatist attitude of the French, suggest that the State Department place further pressure on the French Embassy in Washington. [redacted] COMMENT: The prolongation of Allied discussions concerning current Soviet restrictions on West Berlin's exports has, [redacted] apparently resulted in dividing both the Allies and the West Berliners on this issue. The French representatives have all along shown a desire to reach a compromise with the USSR, and to avoid any major dispute over the current restrictions.

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"B" GERMANY-FRANCE. Germans Seek Equal Status Through European Army Talks. While "appreciable progress" continues to be made at the Paris European Army talks and the delegations are confident that an agreed report will be ready next week, the German delegates are using the occasion vigorously to push the objective of German equality. They insist that changes must be made in Germany's political status before the Federal Republic can sign the projected European defense treaty, and Chancellor Adenauer's security adviser, Theodor Blank, apparently wishes the conference itself "to put steam behind German equality aspirations". Furthermore, the French and Germans disagree over the conditions under which initial recruiting for the European Army will take place in their respective countries. The Germans feel that if they are required to recruit under supervision, they will be discriminated against. The French, on the other hand, argue that this procedure is fair for Germany but not for France because France already has an army and, moreover, has overseas commitments. [redacted] COMMENT: It has been expected that the Germans will not sign any agreement relating to their armed forces until substantial progress has been made toward political equality for West Germany.

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"B" ITALY. Use of Trieste As Center for Yugoslav Military Aid Program Would Jeopardize Stability of Italian Government. In view of the recent furor in Italy over the attitude of AMG and the US and UK Governments regarding Trieste, US Embassy Rome believes that the

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use of Zone A as an assembly and processing center for the Yugoslav military aid program would cause profound repercussions in Italy. Italian public opinion and government circles would react violently to what they would interpret as the establishment of a Yugoslav military base in Trieste. The Embassy agrees there should be no objection to the use of Trieste's industrial facilities for the production of non-military supplies for Yugoslavia. It points out, however, that inviting substantial numbers of Yugoslav military personnel into Zone A would produce disastrous reactions in Italy and on relations between the US and Italian Governments. [redacted] COMMENT: There has been mounting uneasiness in Italy that the West's proposed military aid program for Yugoslavia might enable the latter to replace Italy as the keystone in NATO Mediterranean defense, and that the US and UK are favoring Tito's claims to Trieste in preference to their own. The use of Zone A for the assembly of US military aid to Yugoslavia would be interpreted by the Italians as confirmation of their fears.

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"C"

De Gasperi to Organize New Italian Government. Premier De Gasperi and his cabinet are expected to resign 16 July as a result of De Gasperi's decision completely to reorganize the cabinet to accord with the results of the recent local elections. President Einaudi will probably entrust De Gasperi with the formation of a new government by 18 July. The Republicans will probably continue in the cabinet, but both the democratic Socialists and Liberals have definitely refused participation in the government for the time being. It appears that Treasury Minister Pella's precipitate offer to resign, caused by widespread Christian Democratic criticism of his financial policies, was the catalytic factor in De Gasperi's decision. [redacted] U NY Times, 16 Jul 51) COMMENT: Pella's resignation as a result of widespread criticism of his financial policies has been imminent for some time

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[redacted] In addition, Deputy Corbino who has been rumored as a successor/Pella, recently resigned from the Liberal Party, presumably to be available for the Treasury portfolio. The reorganization is expected to reflect the trend among the Christian Democrats to a one-party government. It is probable that De Gasperi will include greater representation from the progressive Dossetti leftist wing of the Christian Democrats, which has been clamoring for more emphasis on socio-economic reforms. No change in Italy's western orientation is expected from the cabinet reorganization.

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PORTUGAL. Supreme Court Approves Candidacy of Opposition Leader. Upon the recommendation of the Council of State, the Portuguese Supreme Court has ruled favorably on the political "fitness" of opposition leader Vice-Admiral Quintao Meireles to run as a candidate

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in the presidential elections that are scheduled for 22 July. Professor Rui Luis Gomes, a notorious fellow-traveler, has been rejected. [redacted] **COMMENT:** The disqualification of Gomes was expected. The popular strength of the Salazar regime will be tested in the 22 July elections for the first time without the tremendous vote-getting appeal of the late Marshal Carmona. Although Quintao Meireles has hardly a chance of defeating the government candidate, General Craveiro Lopes, he could be the source of considerable embarrassment by causing a noticeable drop in the total vote cast of the Salazar administration. The 71-year old admiral, reportedly a Catholic and a moderate Liberal, is avowedly in favor of even closer ties between Portugal and the US. A participant in the 1926 military coup that overthrew the republic, he quit in 1928 as Foreign Minister after a clash with Salazar, who had just been made financial dictator with powers to cope with Portugal's bankrupt economy. The admiral is, therefore, in a position to rally to his cause all persons who either (1) simply oppose Salazar's dictatorial policies, (2) are out of sympathy with the principles of Salazar's corporative state, or (3) are chiefly interested in undermining the political strength of the regime.

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"C" UNITED KINGDOM. Government Criticised on Japanese Treaty Position.  
Foreign Secretary Morrison's explanatory statement in Commons on the draft Japanese peace treaty text brought virtually unanimous Labor rank-and-file accusations that the UK had permitted the US to dictate the peace settlement, and that the treaty ignores China, the first country to suffer under Japanese aggression. Conservative questioning focused primarily on procedural aspects of the treaty. [redacted]

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SECTION 1 (SOVIET)

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"B" RUMANIA. Further Harassment of Western Missions Reported Near [Redacted]

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drive to impose further restrictions on Western diplomatic missions. Measures allegedly to be implemented in the immediate future include (a) establishment of an office similar to the Soviet "Burobin" to control the supply of all commodities, services and local personnel of the Western missions; (b) large scale arrests of non-diplomatic and Rumanian personnel of Western missions; and (c) enforcement of rigid control over Western diplomatic courier service which will be limited to one courier per country per week whose pouches cannot exceed 16 kilograms (approximately 35 lbs). [Redacted]

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COMMENT: Implementation of the above measures is likely. A replica of the Soviet "Burobin" was established in Bulgaria a few months before the severance of US-Bulgarian diplomatic relations. An Italian non-diplomatic employee of the Italian mission in Bucharest has already been arrested. During the latter part of 1950, the Rumanian Government attempted to control the frequency of US courier service and subsequently imposed such obstacles that a regular courier schedule could not be maintained.

SECTION 2 (EASTERN)

"B" IRAN. Iranians Continue Efforts to Secure Oil Personnel. The US Ambassador in Tehran states that despite the negative information he has given the Chairman of the Iranian Joint Oil Commission on Lee-Factors Inc., Los Angeles consultant firm which offered to supply 2500 men, the Oil Commission intends to exploit the offer to the utmost. The Ambassador suggests that the Department might discuss this matter with Lee-Factors with a view to persuading them that in the present very delicate situation their activities are likely to prejudice US policy in Iran. [Redacted] COMMENT: Iran has given wide publicity in the US and in Europe to its readiness to employ personnel for the Iranian oil industry. Such action has already resulted in attracting an assortment of individuals and firms, many with dubious

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qualifications. No established US oil company has made an offer, nor has Iran as yet reported success in finding any sizeable number of qualified technicians.

"B" KOREA. South Korean Prime Minister Suggests President Truman Reassure Korean People. In a conversation with Ambassador Muccio summarizing the attitude of the South Korean people, the ROK Prime Minister stated that it was not enough for the US to reiterate its exemplary past record; Korean worries stemmed from its intentions in the future. He said that the Korean people believe the US is "calling the whole thing off with victory within its grasp," and that they are particularly worried over the concessions which will have to be made in order to obtain a cease-fire and political agreement.

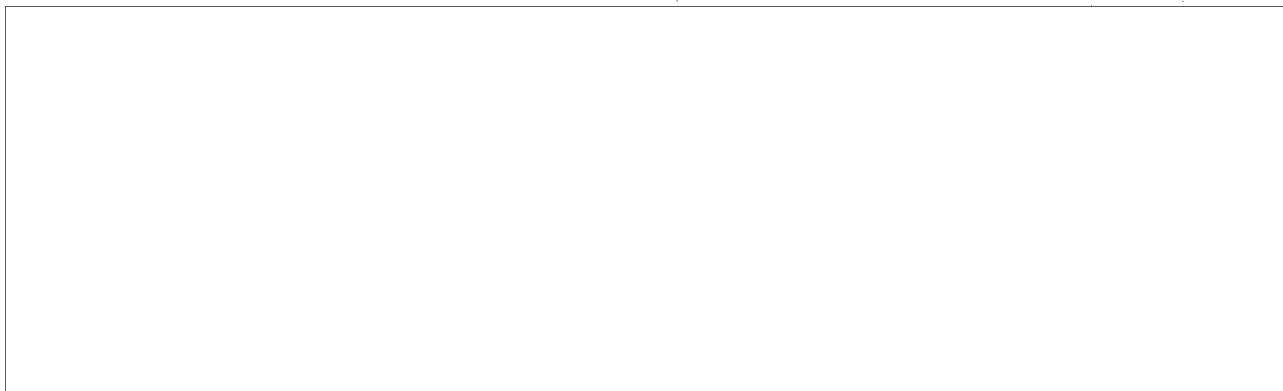
The Prime Minister stated that his people, regardless of the past record, simply do not believe that the US continues to have Korean interests at heart, and furthermore believe that for reasons of global strategy the US now plans to abandon the Republic of Korea. He feels that the situation is deteriorating and suggests that a statement of reassurance from a high US official, preferably the President, meeting these Korean suspicions head-on, would have a salutary effect. Ambassador Muccio believes the suggestion merits consideration.

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COMMENT: Despite the plausibility of the Prime Minister's analysis of the South Korean situation, there is evidence that the government itself, through inspired demonstrations and press agitation, is largely responsible for the current feeling. There is little indication that continued remonstrances by US officials have had any appreciable effect upon President Rhee, whose actions continue to be irresponsible and unpredictable. There is the possibility, however, that a statement from a high US official would give the ROK Government a face-saving excuse for reversing the anti-cess-fire agitation which it has so far kept in motion.

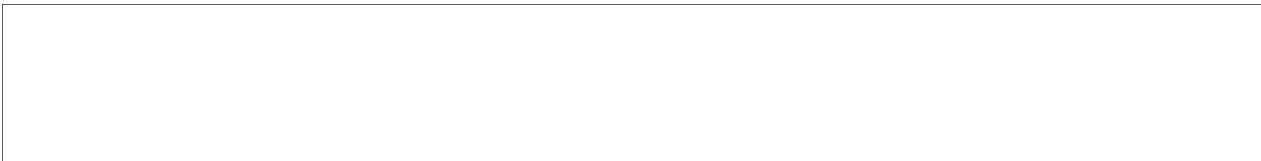
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"C" NORWAY. Battalion Strength Unit to be Put at UN Disposal. In a reply to the UN endorsing the General Assembly "uniting for peace" resolution, the Norwegian Government is stating that it will designate a unit of battalion strength as Norway's contribution to the forces at the disposal of the UN on call by the General Assembly or Security Council. This battalion will probably be a part of the forces also at the disposal of NATO, and its utilization by the UN would be subject to the approval of the NATO Supreme Commander.  COMMENT: Although Norway so far has not contributed any military forces to the UN in Korea, by putting this battalion at the UN's disposal it can fulfill its obligation to collective security without depleting its own strength or that of European defense.

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