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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUL 24 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)

"B" USSR. Soviet Press Comment on Korean Talks. Breaking silence on the agenda of the Korean discussions, the Soviet press on 19 July reported US opposition to Communist conditions. A TASS despatch based on a Pyongyang press commentary claimed that the US: (1) had categorically opposed raising the question of the withdrawal of foreign troops from Korea; and (2) had tried to by-pass the Malik proposal in order to obtain a demarcation "much to north" of the 38th Parallel. Nam Il was quoted as insisting on those conditions as pledge against new military outbreaks and proposing measures for a cease-fire. These included a demilitarized zone, a commission for control thereof and the return of POW's following cease-fire. [redacted]. COMMENT: To date there has been no change in Communist insistence that a cease-fire in Korea be pegged to the withdrawal of foreign troops. Although Moscow has refrained from direct comment on the negotiations, Soviet support for the demand is indicated by its relaying of Pyongyang press comments. One such comment on 24 July insisted on the withdrawal of foreign troops and charged that the refusal to do so indicated US intention to "convert South Korea into its military springboard." Therefore, the commentary concluded, in the interests of security, independence and world peace, "our representatives in Kaesong resolutely insist on the final solution of this question."

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"B" Important Task of Soviet Literature Defined. One of the principal tasks of literature in the USSR is defined as the struggle against vestiges of capitalism, and propaganda for the great friendship and cooperation that should exist among the Soviet peoples. Soviet literature is described as a multinational literature, Socialist in content and national in form, with all the national literatures of the USSR contributing to the development of each one separately. Various ideological distortions are reported to have recently shown that certain Party organizations, as well as the Union of Soviet Writers and the editorial boards of literary magazines, have failed to draw the necessary conclusion from the decisions of the Central Party Committee on questions of literature and art. The Bolshevik Party is said to be anxious to accumulate a rich fund of spiritual culture, and for this reason calls on Soviet writers to produce "truthful" and vivid works based on Socialist reality. Soviet literature is described as having developed and as continuing to develop in "the struggle against bourgeois culture, against admiration of bourgeois capitalism, in the struggle against nationalism and cosmopolitanism." [redacted] COMMENT: "Vestiges of nationalism" was the reason given for the recent branding of Sosyura's poem "Love the Ukraine", and is an indication of the persistent difficulties encountered by the Soviets in attempting to force the variegated nationalities into a common mould.

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"B" EASTERN EUROPE. POLAND. Rokossovski Assassination Rumor Proved False. The widely publicized appearances of Polish Minister of National Defense Rokossovski and his alleged assailant Vice Minister of National Defense Poplawski at various National Liberation Day Ceremonies in Warsaw on 19-21 July have effectively discredited rumors of Rokossovski's assassination. US Embassy Warsaw believes, however, that the appearance of Rokossovski does not rule out the possibility that a crisis has occurred in the Polish Army High Command. An Embassy observer who was present at a Liberation Day rally on the night of 21 July noted that Poplawski was placed apart from the principal guests and was largely ignored by Communist notables. [REDACTED] COMMENT: It is possible that some disagreement exists within the Polish Army High Command. However, it is unlikely that there is sufficient disharmony to be detrimental to the efficient functioning of the Army. Rokossovski is noted for being a just but strict disciplinarian who is able to get the best out of his subordinates. Moreover, there have been extensive dismissals of politically unreliable officers from all ranks of the Polish Army during the past two years and their replacement with younger Russian-trained cadres.

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"A" TRIESTE. US Political Adviser Opposes Adoption of Italian Electoral Law for the Trieste Elections. The Italian Government has made official representations to the US and UK requesting that the Allied Military Government in Trieste (AMG) adopt the Italian electoral law providing for linked lists in the forthcoming Zone A Trieste communal elections. The Italians consider that this system has proved valuable in combatting Communism in Italy and should therefore be adopted in Trieste. US Political Adviser Unger, however, is opposed to the Italian request, pointing out that the adoption of linked lists (1) would have no effect on the actual vote which primarily reflects the Trieste population's sentiment for or against the Territory's return to Italy, (2) would be a violation of the peace treaty which calls for proportional representation, (3) would result in a strong adverse reaction from the Yugoslav Government and (4) might precipitate a linked list coalition of local Independentists and Cominformists based on common advocacy of an independent Trieste. Unger concludes that adoption of the electoral law in response to Italian pressure would be very damaging to AMG's ability to carry on effective administration. COMMENT: The Italian electoral law would grant the linked parties, which obtained a plurality of the vote, two-thirds of seats in the communal councils. In the 1949 communal elections on Zone A of Trieste, which was held under the law providing for proportional representation, the pro-Italian parties in the commune of Trieste obtained 40 of the 60 councillor seats. However, in the five outlying communes, which elect 100 councillors in all, and where the Slovene and pro-Cominform vote is heavy, the pro-Italian parties received only a minority of the vote. It is thus improbable that the pro-Italian parties could benefit materially by the adoption of the Italian election law. Independentists and Communists in Zone A, moreover, would view its adoption as further proof of the abrogation of AMG authority. The Yugoslavs, already aroused by the current Italian agitation over Trieste would violently oppose the scheme as additional evidence of Western support of Italian claims to Trieste. [REDACTED]

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## SECTION 2 (EASTERN)

"B" JORDAN. Link Between Former Grand Mufti and Murderer of Abdullah Sought. The Governor of Jordan Jerusalem is convinced that the former Grand Mufti of Jerusalem is involved in the murder of King Abdullah, but he has not been able to uncover the organization behind the act. The US Vice Consul in Arab Jerusalem reports that Abdullah's assassin was supposedly a member of the "Holy War Fighters" (Jihad al-Mukaddas), an Arab terrorist group organized by the Arab Higher Committee during the last years of the Mandate but disarmed by the Arab Legion during the Palestine fighting.

[redacted] COMMENT: [redacted] an organization bearing the name "Holy War Fighters" was organized by instructions from the former Grand Mufti early in 1950. Shadowy connections seem to exist between this group and Arab extremist political parties such as the Moslem Brotherhood and the Syrian Nationalist Socialist Party; adherents of the latter group were responsible for the murder of Riad al-Solh. While terrorist groups cannot be considered serious threats from a military angle, they create internal confusion, will delay any compromise settlement with Israel, and will further alienate the Arab states from the West.

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"C" INDIA. Threat of Railway Strike Diminishes. The All-India Railwaymen's Federation (AIRF), which recently voted to strike against the government on 27 August, has now decided to re-open negotiations for settlement of its outstanding demands.

[redacted] COMMENT: On 12 July, in response to the railwaymen's strike action, the government issued an order banning strikes in essential industries under penalty of imprisonment. The ban has apparently been successful in weakening the resolve of the railwaymen, despite their protests that it is an oppressive and arbitrary measure. The threat of a strike has not been completely removed, however.

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"B" INDONESIA. Chinese Embassy Personnel Denied Entry. Seventeen additional Chinese Communist Embassy staff members were denied entrance to Djakarta upon their arrival on 22 July. The Chinese Ambassador, without making a prior request or appointment, went to the home of the Prime Minister to protest but the latter refused to see him. Contrary to the original belief of the Foreign Office, the Chinese do have diplomatic visas which were issued by the Indonesian Charge in Peiping without clearing the matter in Indonesia. The Indonesian case for returning the Chinese is therefore weakened.

[redacted] COMMENT: The Indonesian Foreign Minister told US Ambassador Cochran that his government regards as an "insult" the arrival without prior clearance with Indonesia of additional Chinese Embassy staff members, and that the group will be returned to China "even if it means a diplomatic incident."

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"C" BURMA. Burma Rejects Draft Japanese Treaty. The Burmese Government, in a letter to the US, has rejected the proposed Japanese peace treaty declaring that "any draft treaty which makes no provision for payment of

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reparations to Burma cannot meet with our approval." [redacted] COMMENT: Burma is the first member of the Far Eastern Commission, except for the Soviet Union, officially to turn down the proposed treaty, although the Philippines has threatened similar action. Burmese authorities had given no indication of a serious intent to press for Japanese reparations until Philippine demands stimulated a similar furor in the Burmese press. Fear of "provoking" Communist China and a desire to propitiate leftist political elements in Burma, not the question of reparations, are the chief reasons for the Burmese rejection.

"C" INDOCHINA. De Lattre Reportedly Ordered Arrest of Pro-US Vietnamese. The arrest of non-Communist nationalist Tran Trung Dung by the Vietnamese security service was ordered by General De Lattre as a result of Dung's visits to the US Legation in Saigon.

[redacted] COMMENT: Dung's arrest has caused resentment among the Vietnamese inasmuch as the reason for his arrest appears to be his opposition to French policies and to the central Vietnam Government led by Tran Van Huu rather than his alleged "sympathy" for the Viet Minh. It is not clear what role, if any, the French played in this affair, but it is well known that the French have on numerous occasions pressed the authorities of the Vietnam Government to limit the activities of certain non-Communist nationalists. Moreover, the French authorities in Indochina have shown exaggerated fears of US-Vietnamese intimacy. The Vietnam Government's suppression of the nationalist Dai Viet Party--erroneously viewed by the French as US-supported--was taken with the approval of, if not on the orders of, the French.

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"C" Communists Charge Malfeasance in Certain Factories. Four important factories in North and Northeast China were cited by the Communist press in late June for "incorrect planning," "negligence," and other errors which have "caused heavy losses to the Government." These plants are the Peipiao Coal Mining Bureau (censured on two counts), the Mukden machine factory No. 3, the Ho Cheng factory at Chinchou, and the Taiyuan Iron and Steel Works.

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COMMENT: This unusual number of charges may precede a purge of industrial executives. The loyalty of many experienced engineers may be suspect because they are either ex-Nationalist employees, or western-trained. If the Chinese Communists follow Soviet practice in this situation, they will soon publicize an alleged discovery of a widespread conspiracy to sabotage the State.

"B" Naval Officers Reported Dismissed for Political Activity. Chiang Kai-shek, in a personally written order to Admiral KWEI, CinC of the Chinese Navy, summarily dismissed 13 Naval officers on 15 July. KWEI was informed of this action by CHIANG Ching-kuo, the Generalissimo's elder son, in time to "save face." [redacted] was given authority to release the affected personnel as "not qualified to do their jobs." The officers, among whom were KWEI's nephew and brother-in law, were accused of forming a new clique. All had served previously with Admiral KWEI in the Army. [redacted] that a long-standing feud between KWEI and CHIANG Ching-kuo is rumored behind this example of "thought control" at its worst.

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COMMENT: Fear of defection of Chinese Nationalist naval units has apparently prompted an intensification of political controls. [redacted]

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"B" KOREA. Enemy Night Air Operations Increasing. Far East Command reports an increase in the enemy's night air operations in Korea. In addition to the hit and run attacks of the PO-2 light bomber, recent enemy air activity has included a number of night interceptions by enemy aircraft, predominantly conventional fighter types, and a continuance of enemy night air activity in the vicinity of Wonsan. According to Far East Command field intelligence sources, night training activity is being conducted at Communist air bases in Manchuria and a group of LA-9's has been deployed southward to Sinuiju. Photo reconnaissance has revealed the presence of LA-type aircraft on the Sinuiju airfield. Far East Command believes that the enemy's capability of continuing and possibly intensifying night air operation will be increased and success in these operations might also encourage the enemy to exploit this capability to a greater extent. [redacted]

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"C" Radio Pyongyang Confirms Unrest in a North Korean Province. Radio Pyongyang on 20 July commended a Guard Corps unit for mopping up some 80 "reactionary bandits" who have been continuing their "desperate struggle" in the mountain area of Hwanghae Province. [redacted] COMMENT: Quite a number of North Korean refugees fleeing before the initial advance of the Chinese Communists sought refuge in Hwanghae Province which lies immediately north of the 38th Parallel on Korea's west coast. It is of interest to note that Radio Pyongyang confirms the continued armed activity of these anti-communist groups.

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## SECTION 3 (WESTERN)

"B" GERMANY. Progress Is Made Toward Transfer of Political Power. A report will be issued shortly on the German-Allied negotiations on contractual arrangements, which are a major part of the program to transfer political authority to Bonn, lay the groundwork for a German defense contribution, and carry forward the process of bringing Germany into the Western system. The Occupation Statute, under which the three Allies have ruled conquered Germany, will be substantially abandoned upon the conclusion of contracts by which Germany will accept certain obligations. Since mid-May, representatives of the Allied High Commission and of the Federal Republic have accomplished a great deal in their discussion of contracts, although many points of disagreement remain. The Germans, for instance, feel that they do not need to be bound by contracts on all the two-score subjects proposed by the Allies. A contract to ensure the preservation of democracy in the Federal Republic is opposed by the Germans, who look to their contemplated Constitutional Court to uphold civil rights and guarantee the constitutionality of German laws. They believe a parallel Allied control would only discourage the growth of democratic feeling. This view is largely shared by the British, but is rejected by the French and Americans, who feel that the contracts must clearly spell out the Allied right to intervene when German democracy is threatened. The Allies are reserving some powers which they will retain after contractual arrangements are concluded. Their special status, deriving from quadripartite agreements, will allow them to maintain forces in Germany and to ensure respect for international agreements not covered by contracts. They will continue to assume responsibility in the matters of German unity and a peace settlement, and will retain their powers to enact legislation and try cases of offenses against the Allied forces. In emergencies, they will take action without consulting Federal Republic authorities. The Germans concede the general right of the Allies to a special status, but are far more disposed to accept the Allied emergency power than the power to legislate.

"C" Adenauer Personnel Action May Bring Public Repercussion. US officials in Bonn expect possible public censure of Chancellor Adenauer's replacement of Wilhelm Haas, Chief of Personnel in the new Foreign Affairs Ministry, by Herbert Dittmann, in a dispute over basic personnel policy. The main criticism is expected to center on the question of the backgrounds of the two men, since Haas was a political persecutee of the Nazis and Dittman a nominal member of the Nazi party.   
 COMMENT: This action, when publicized, may be seized upon by the opposition Social Democrats as a further means of discrediting the Adenauer Government. The hiring policy of the Government, in bringing many of the former diplomats with tainted Nazi records into the new foreign service, has already been the subject of frequent attacks in the West German press.

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"B" FRANCE/UK. French and British Cool Toward UN Trade Talks with USSR. The UK representative on the Control Committee for East-West trade is strongly opposed to holding a 20 August meeting of the Economic Commission for Europe, to which the USSR has accepted an invitation. The British representative termed the Soviet acceptance a "clever propaganda device" calculated to provide the opportunity for dangling prospects of better living conditions before the Western European countries at a time when the UK balance of payments situation is deteriorating and export controls against the Soviet bloc are being tightened. The French representative has indicated that his country would "keep in close touch" with the British on this matter. [redacted] COMMENT: The UK's vigorous opposition stems both from its recognition of the futility of any effort to expand East-West trade while the US position remains unchanged and from the government's fear that the dissident Bevan group would eagerly exploit the anticipated Soviet propaganda. French cooperation with US East-West trade control policies has been more willing in the past year. Recently, France has resisted strong Polish demands for molybdenum and nickel, and has agreed only tentatively to give the Poles a limited quantity of aluminum in an effort to obtain desperately needed coal. Some French Government economists will be strongly tempted, however, to encourage increased imports of food and raw materials from the East. They would consider these as complementary to a larger volume of US-financed imports of consumer goods, an anti-inflationary measure now advocated by some French officials.

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"B" ITALY. Cabinet Crisis Reportedly Resolved. Premier De Gasperi has cleared the way for a new Italian Cabinet by reaching a compromise agreement with dissident elements of his Christian Democratic Party who were opposed to the conservative financial policies of Treasury Minister Pella. Pella, also Minister of the Budget, has announced that the Treasury Ministry will be eliminated and its work taken over by the Ministries of the Budget and Finance. The Budget Ministry is to coordinate and direct financial and economic policy. It will reorganize the financial ministries, absorb the general direction of the Treasury and control important Italian economic agencies such as the Italian delegation to OEEC. The consensus of press rumors now is that Pella will retain the Budget Ministry, possibly with a slightly more flexible financial policy. The left-wing Christian Democrats led by Giuseppe Dossetti will be represented in some Cabinet post. De Gasperi will take the Foreign Affairs Ministry only in the improbable event of Sforza's retirement. [redacted]

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[redacted] COMMENT: These reports suggest that Pella's position has been strengthened rather than weakened by the crisis. De Gasperi has long planned to make Pella's Budget Ministry the keystone of the Government's economic activity. It would appear that an important post must have been promised the reformist Dossetti group if they agree to the retention of Pella.

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"C" Poor Wheat Crop Outlook Could Cause Labor Agitation. Current estimates are that the Italian wheat crop will be 10 per cent less than

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last year's record crop. To offset this drop the government has agreed to farmers' demands for an increase in the collection price. Such an increase would benefit large landowners in south Italy and would probably raise slightly the price of bread and pasta. This rise would probably have more political than economic significance, and might induce the unions to demand higher wages.

COMMENT: If the price of bread rises, the Communist-dominated labor organization (CGIL) will probably seize the initiative in calling for wage increases and be supported by the non-Communist unions. A general strike on this issue by all the unions would embarrass the government and reinforce Communist claims that organized labor has "regained unity of action".

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"B" BELGIUM. Press Recognizes Strategic Importance of Spain. The US desire to utilize Spain's strategic geographical position is termed "understandable and realistic" by most of the Belgian press, despite cogent reasons for French and British opposition. The Socialist newspaper, alone, is critical of US policy on Spain, although a conservative independent paper doubts the effectiveness of the Spanish contribution, while recognizing Spain's strategic location.

COMMENT: The shift from cautious to open approval of US policy toward Spain by the Belgian press reveals a willingness to accept Spain in the West European fold. The Belgian Government probably will endorse the inclusion of Spain in a West European military alliance and probably will meet with little opposition, except from Socialists and Communists. However, a military policy that appeared to establish the first line of defense at the Pyrenees rather than in the area east of Belgium would arouse serious and general opposition.

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"B" SPAIN. Underground Labor Groups Warn of Communist Gains. The Spanish opposition Comite Interior de Coordinacion (CIC) has predicted a great expansion of Communist strength in Spain with the warning that the Spanish people, who are losing faith in US objectives, will turn to the Communists for help against the Franco dictatorship. In a formal CIC protest against any contemplated US economic and military aid to the Franco regime, US Embassy Madrid was reminded that the Spanish workers represented by the Socialist and Anarchist components of the Monarchist-led and pro-Don Juan CIC, are "firmly decided not to cooperate" in Spain's industrial and military effort unless Franco is removed.

COMMENT: The Spanish Communist Party (PCE) is trying to capitalize on the growing sense of frustration among the underground leftist groups in Spain. All communist offers of financial aid in exchange for PCE control of a "popular front" have been rejected so far because of the overwhelmingly anti-communist sentiments of the great bulk of workers within these groups. It is believed unlikely, therefore, that Spanish workers will make common cause with the communists or resort to sabotage (as indicated in the CIC's 15 January letter to US Embassy Madrid) against the Spanish defense effort. The present protest, with its implied threats, is apparently for the purpose of bringing pressure to bear on the US to demand a liberalization of the Spanish regime. Without the cooperation of the other leftist labor groups, the PCE will remain ineffectual as a political force.

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24 July 1951

SECTION 2 (EASTERN)

"B" IRAQ. Government Reaches Agreement with Iraq Petroleum Company. An agreement setting minimum guarantees for the level of oil production and for revenues has been reached between Iraq and the Iraq Petroleum Company. Under the new terms Iraqi oil revenues in three years will be approximately 50 million sterling pounds annually. The agreement is believed to be the most favorable in existence, but an exchange of letters between the two parties provides for its renegotiation should any neighboring country obtain more favorable terms.

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COMMENT: From the few details available it appears that the new agreement answers the chief requirements of both parties. Ratification by the Iraqi Parliament cannot, however, be assured. [Redacted] the atmosphere is charged with uncertainty and that responsible leaders are becoming increasingly apprehensive of extremist elements.

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"C" INDOCHINA. Legation Sees French Hand in Ouster of Viet Official. Premier Tran Van Huu told Minister Heath that the decision of the Vietnam Government to accept the resignation of Tran Van Tuyen from the high advisory post of State Secretary was prompted by Tuyen's defense of a Vietnamese Catholic newspaper editor, now under arrest for allegedly pro-Viet Minh statements. Minister Heath considers Huu's explanation of Tuyen's expulsion a lame one and believes that Tuyen was removed at the insistence of the French authorities.

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COMMENT: [Redacted] the above-mentioned editor was arrested on General De Lattre's orders as a result of the editor's visits to the US Legation in Saigon.

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"C" KOREA. Peace Treaty Will Clarify Issue of Former Japanese Property in Korea. Ambassador Muccio has been requested to advise the ROK Foreign Minister that in order to avoid any possibility of a misunderstanding, the Department of State is presently considering an amendment of Article 4 which would recognize the legality of the transfer of former Japanese properties in Korea to the ROK. [Redacted] COMMENT: This amendment should take care of the most strenuous objection of both the South Korean Government and the principal opposition party to the draft of the Japanese Peace Treaty. [Redacted]

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"C" JAPAN. Government Defers Decision on Trade Agency in Formosa. The Chief of the Chinese Nationalist Mission in Japan has again complained to the US Political Advisor over delay in the establishment of a Japanese Government Overseas Agency in Formosa. Meanwhile, although Prime Minister YOSHIDA previously had been anxious to open the agency, he has now decided to defer a decision until after the peace treaty is signed. The US representative comments that, notwithstanding our consistent emphasis that Japan has a free choice in the matter, the Chinese Nationalist Government might blame the US for the impasse. [REDACTED] COMMENT: Although the Japanese Government is sympathetic toward the Nationalists, and has supported them in various international organizations, it can be expected to proceed cautiously on any matter which might impair future trade relations with the Chinese Communist regime.

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SECTION 3 (WESTERN)

"B" AUSTRIA. Government Agrees to Investigation of Dollar Diversion. The Austrian Government has yielded to US pressure and has agreed to the investigation of all suspected irregularities in the Austrian use of dollar funds. Chancellor Figl, after expressing his agreement in a letter to US High Commissioner Donnelly, found himself bitterly attacked in a Cabinet meeting by his own People's Party for conducting secret negotiations with the US, and submitting to impossible conditions. The day was saved for Figl when the Socialists stopped the Cabinet session by threatening to bring the whole question to the floor of parliament. Donnelly has suggested that Finance Minister Margaretha meet this week with the investigating committee (including accountants) and a US representative to decide on procedures for the investigation. [REDACTED] COMMENT: For nine months, an examination of the manner in which the Austrian Finance Ministry and the nationalized bank, the Creditanstalt, have used Austria's limited foreign exchange (particularly dollars) has met with resistance by Margaretha and other government officials. When the firm of accountants conducting the investigation resigned last week because of the uncooperative attitude of the Austrians, Donnelly presented the case to Figl and Vice Chancellor Schaerf, adding that serious instances had been discovered of dollar diversion harmful to Austria. The Chancellor and Vice Chancellor were then compelled to take remedial steps, which are creating severe dissension in the People's Party ranks. When this situation becomes publicly known, the prestige of the People's Party, which has been declining for some time, will suffer further.

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