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11 September 1951

CIA No. 49342

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39

**DAILY DIGEST**

**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

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SECTION 1 (SOVIET)

1. USSR. Moscow propaganda defends Soviet role at San Francisco: In a brief announcement of the conclusion of the San Francisco Conference, Moscow told the home audience that the US-UK treaty "was signed by countries, most of which took no part in the war against Japan."

Soviet press coverage of the conference proceedings emphasized that the US was imposing on Japan a treaty not of peace but one for the preparation of a new war; that the US had foisted undemocratic, steamroller tactics on the conference; and that the US had deliberately muffled debate because of fear of the wide support that would be attracted to the Soviet viewpoint.

The presence of the Soviet delegation was said to have been justified because the Kremlin's views were placed on record and the Soviet proposals allegedly were "heatedly discussed in the lobbies and among journalists." It was pointed out that "not a single major Asian country took part in the signing of the treaty." [redacted]

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2. Vishinsky attends British Embassy reception: The US Embassy Moscow believes that Vishinsky's presence at the British Ambassador's farewell reception on 7 September was probably motivated by the desire to show the diplomatic corps his health is recovered and he has fully resumed his duties. The Embassy does not feel that his attendance was designed as a personal tribute to the British Ambassador, although Moscow might have been trying to convey the impression that the "Soviet Government was really sympathetic and friendly to the British Government." [redacted]

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3. Soviet Union signs new trade pact with France: An agreement between the USSR and France concerning mutual trade relations was signed on 3 September. The principal changes from the original trade agreement of 1945 are: (1) the elimination of the USSR's right to commercial representation at Marseille (a right that was never used); and (2) no limit to the number of members of the USSR's commercial representation in France. The new agreement has no limit, according to a French Foreign Office spokesman, because the French do not want any limit on their representation in the Soviet Union.

The French Government gave the treaty a minimum of publicity, and there was no attempt in the Soviet press to exploit it for propaganda purposes, as was originally feared. [redacted]

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4. EASTERN EUROPE. BULGARIA. Italian Military Attache denies Soviet troops in Bulgaria: The Italian Military Attache accredited to both Sofia and Bucharest recently informed the US Legation in Bucharest that there are no Soviet troops in Bulgaria, although some Soviet detachments accompanied shipments of war materiel from the USSR. He stated that he "would know" if

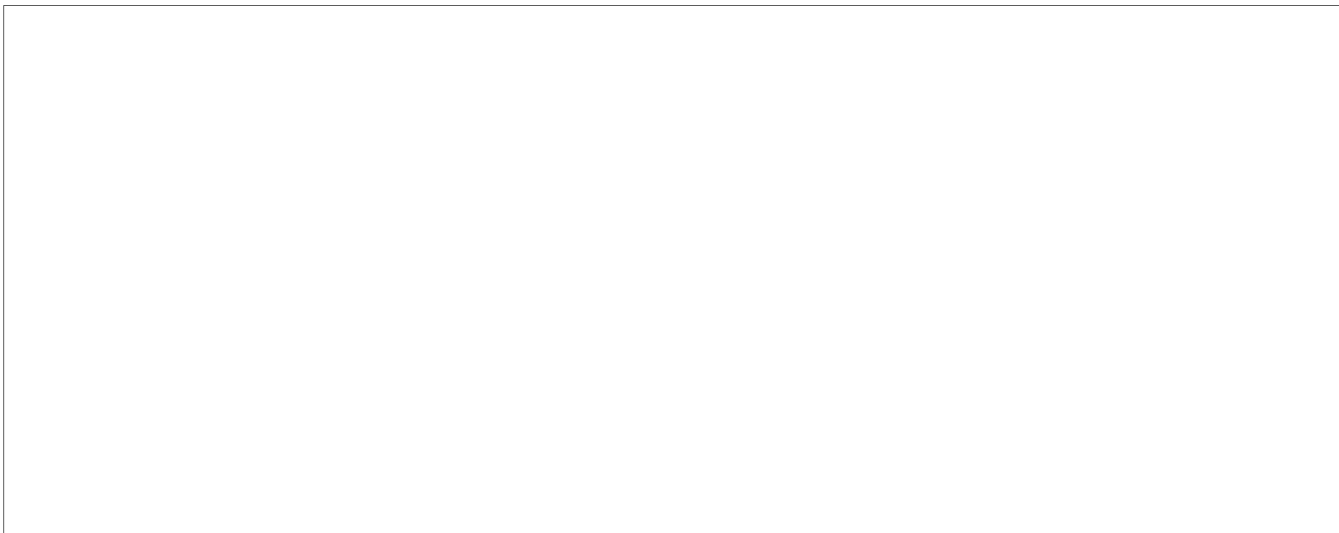
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major Soviet units had entered the country. The Legation considers the Attache to be a capable observer. [redacted]

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Comment: Although during the past two years official and semi-official Greek and Turkish sources have from time to time reported movement of large numbers of Soviet troops into Bulgaria, Italian officials have consistently denied the presence of such troops.



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6. POLAND. Worst food shortage since end of war reported: US Embassy Warsaw reports that Poland faces its worst food shortage since the end of the war with meat, fish, vinegar, fats, cheese, butter, flour, sugar, and even potatoes having practically disappeared from regular retail outlets in Warsaw. Few livestock have been seen either on farms or in the slaughter houses. The black-market prices of scarce items are now four times that of government-fixed prices.

The Embassy attributes the current food shortage to the extra drain on already meager stocks due to food shipments to the Berlin Youth rally; export commitments; army requirements; and excessive slaughtering following last year's livestock census. Contributing causes are believed by the Embassy to be maladministration and the diversion of choicer foodstuffs to Communist officialdom and foreign visitors. [redacted]

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Comment: It is unclear from the Embassy's report whether or not the current shortage is limited to Warsaw and its environs, or is nationwide. In either event, there has been no evidence to indicate that the shortage is due to intensive stockpiling, although such a possibility cannot be ignored. Somewhat similar shortages, though apparently not as acute, have been reported from the other Satellites during the past year.

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7. Government renews campaign against Catholic Church: The Polish Government has recently tried and sentenced five Polish Catholic churchmen who were popularly known for their outspoken resistance to the anti-Catholic and exploitative policies of the Communists.

On 3 September Monsignor Zygmunt Kaczynski, prominent editor of a former Warsaw Catholic weekly paper and advisor to the Polish Primate, was sentenced to ten years imprisonment on charges of "conspiracy to overthrow the Peoples Government." Two well-known members of the Jesuit Order as well as two other priests are currently under secret trial in Warsaw on the same charges. All five of these men have been in prison for at least two years.

The US Embassy in Warsaw views these trials as part of an apparent government campaign to eliminate the more courageous and outspoken leaders of the Polish Catholic clergy, and to intimidate and harass the Polish Catholic hierarchy in order to exact increased Church support for Polish Government policies. [redacted]

Comment: The trials of these Catholic churchmen are the most aggressive anti-Catholic actions taken by the Polish Government in several months. Attacks against the Catholic Church had been limited to propaganda articles. The most recent prominent example had been the reprinting in Polish newspapers of an extremely strong Pravda attack against the Polish Catholic Church.

8. RUMANIA. Decree for confiscation of property issued: On 17 July, the Rumanian Council of Ministers issued a decree "on property of all kinds subject to confiscation." Included in such property, which passes to the State, are the following: (1) property regarded as abandoned on the basis of laws or decrees; (2) "property found and handed over to Militia units and not claimed by the owner within three months from the date when it was handed over." [redacted]

Comment: The decree was adopted immediately following the wholesale evacuations of unreliaables from the Yugoslav border area. Under the loose wording of the decree, in which no differentiation is made between real and personal property, the State now can take title "legally" to all property which the evacuees were forced to leave.

9. YUGOSLAVIA. Italian anti-Yugoslav propaganda campaign protested: In a note to the Italian Government, Yugoslavia has protested the recent intensification of the Italian propaganda campaign regarding revision of the question of Trieste. The note states that the anti-Yugoslav campaign has not been confined to press organs but that speeches such as that of Prime Minister De Gasperi on 11 July, in which he mentioned Poland and the areas of western Istria as "unhealable wounds" of Italy, have contributed to the intensification of the campaign. The note emphasizes that the campaign is completely at variance with the spirit of the Italian Peace Treaty. [redacted]

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Comment: The Yugoslav note, following by two days the public announcement of the postponement of the Trieste elections, will make even more difficult the initiation of bilateral negotiations over Trieste. In fact, the timing of the note strongly suggests that it is intended to discourage any Italian approach.

10.

Soviet propaganda seeks to divorce Tito completely from Communism:

A Soviet writer in a recent issue of Slavyane has sought to prove that Tito and his collaborators have long been in the service of imperialist intelligence services. The article alleged that Tito was recruited by the Royalist Yugoslav Security Police as a provocateur and secret agent as far back as 1927 and that Tito joined British Intelligence in the late 1930's. Thereafter Tito was said to have become a major international spy and to have succeeded before World War II in establishing a major espionage center of imperialist reaction in Yugoslavia.

According to the article Tito's leadership of the liberation movement during the war was a broadly conceived diversion in which Tito's task was to exterminate the genuinely democratic elements. This diversion was carried out in full conjunction with the intelligence services of Fascist Germany and Italy. In 1944 Tito established contacts with US imperialists through the Yugoslav consul in Switzerland and the "notorious" Allen Dulles. Thenceforth Tito and his agents carried out well organized and systematic intelligence operations for Washington and London, extending their subversive activities to the Peoples Democracies.

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Comment: Since the Cominform break, Tito has gradually evolved in Soviet propaganda from a national deviationist to an imperialist agent. By dating his alleged espionage service with Western powers back to 1927, Soviet propaganda is now apparently attempting to divorce Tito completely from Communism and to prove that he was never a Communist.

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1. NEAR EAST. Syrian diplomat criticizes Turkey: The Syrian Minister in Ankara has issued a blunt criticism of Turkish support of the UN position on the Suez canal. The Minister stated that the least Turkey might have done was to remain neutral. The Turkish press, with one or two exceptions, has defended the Turkish position and expressed the view that the Arabs are pursuing a shortsighted policy with respect to Israel. [redacted]

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Comment: Turkey's support of the UN resolution on the Suez has roused considerable Arab antipathy, of which the Syrian expression is an example.

2. TURKEY. Turkish deputorial by-elections: An embassy report from Ankara states that in the Turkish deputorial by-elections scheduled for 16 September ten to thirteen of the twenty available seats are expected to go to the incumbent Democratic Party, with four to six seats going to the Peoples' Republican Party and two to five to the Nation Party. [redacted]

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Comment: The by-elections, which are being fought on domestic issues, are considered important by both the major parties. In the 1950 elections the Democratic Party won seventeen of the seats; the approaching elections will reflect public reaction to the Democratic Party's program.

3. SAUDI ARABIA. Saudi Defense Minister invited to visit US: The US Secretary of Defense has invited Prince Mishaal, Saudi Defense Minister, to visit the US following his visit to France in October. [redacted]

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Comment: Mishaal has succeeded his brother Prince Mansour, who died on 1 May en route to the US for medical treatment. Although relatively little is known about Mishaal, he is reported to be friendly toward the US.

4. IRAN. Iran asks for airlift of lubricants: An Iranian National Oil Company official has requested US assistance in flying 600 tons of badly needed lubricants to Iran, according to an embassy report from Tehran. The same official expressed the fear that present supplies would be exhausted before October, leading to an early collapse of Iran's economy. [redacted]

Comment: An Iranian official who has been buying lubricants in the US has placed orders for more than 3,000 tons, but has been unable to find shipping space before the middle of September. Air transport for even a

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portion of the required lubricants would seem an expense which the Iranian Government can ill-afford at this time.

5. PAKISTAN. Sino-Pakistani Friendship Association established: A Pakistan-China Friendship Association has been formed in Karachi after a meeting of local citizens, according to a Peiping broadcast of 3 September. [redacted] 25X1

Comment: This is believed to be the first such organization established in Pakistan. The report follows by a day the arrival in Karachi of the first Chinese Ambassador to Pakistan. A similar organization was established in India on 12 February 51.

6. INDIA/PAKISTAN. War tension in Pakistan appears to have slackened: A considerable relaxation of tension in Pakistani public feeling regarding India-Pakistani relations is reported by the US Military Attache in Karachi. Both India and Pakistan have reinstated military leaves. The US Consul General in Lahore, who toured the frontier areas at the end of August, has also reported that the populace is much calmer than it was several weeks ago. [redacted] 25X1

Comment: The somewhat relaxed atmosphere may represent a natural let-down after almost two months of excitement and anxiety. Floods and the current monsoon would seriously hamper any major military operations. However, until there are sizeable troop withdrawals from the frontiers, the threat of war continues.

7. THAILAND. Government reported considering outlawing Communism: The Thai Cabinet is studying a bill to outlaw Communism in Thailand, according to the US Embassy in Bangkok. The main difficulty appears to be the drafting of legislation that does not violate the constitution. The embassy comments that it is doubtful that such a law would be effective, as most Communist activity in Thailand is covert. [redacted] 25X1

Comment: The chief problem the Thai Government would face in enforcing anti-Communist legislation would arise not from the covert nature of Communist activity in Thailand, but from the fact that it is largely a Chinese movement. Anti-Chinese legislation in other fields has been signally unsuccessful.

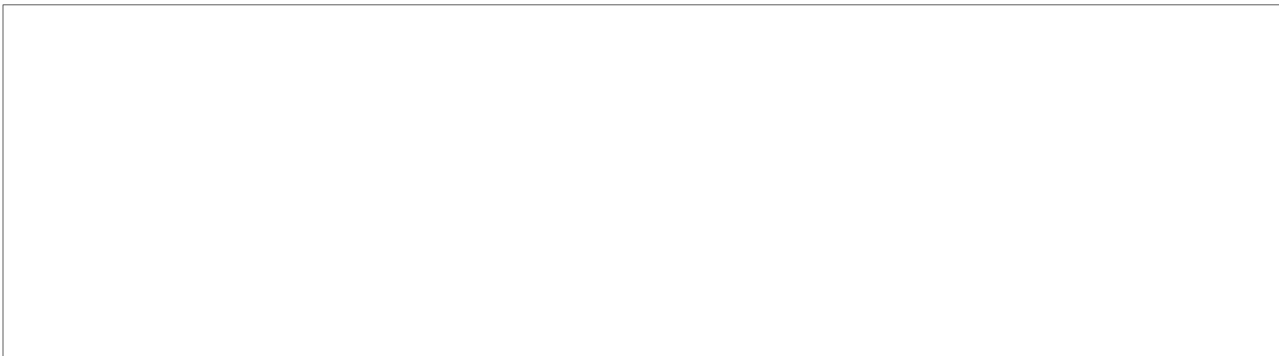
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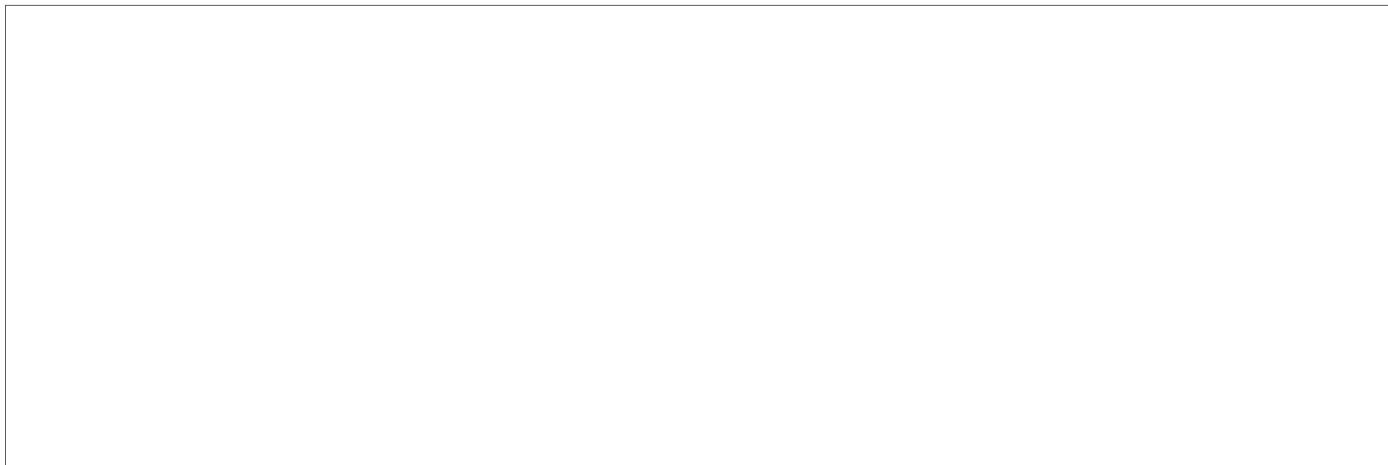
9. INDONESIA. Opposition to treaty ratification poses threat to cabinet: Although the Indonesian Cabinet authorized signature of the Japanese peace treaty, it did so after a split vote -- with the National Party, Indonesia's second largest party, in opposition. The National, the Socialist and the Christian parties, and all leftist groups, have subsequently stated that they definitely oppose ratification of the treaty. The National Party, arguing that the treaty is contrary to Indonesia's independent foreign policy, has intimated that it will withdraw from the Cabinet if the treaty is ratified.

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Comment: Even without the support of the National Party and other opposing groups, the government has sufficient parliamentary support to obtain ratification of the treaty. However, the cabinet is primarily a National Party-Moslem coalition, and if the former carries out its threat to withdraw from the cabinet if the treaty is ratified, the government would fall.

As recently as 6 September the National Party announced it would support the government on this issue. The reversal is obviously an attempt to exploit the domestic political situation.

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11. PHILIPPINES. Opposition leader says party should be dissolved if election is again fraudulent: Jose Laurel, the occupation puppet president, has agreed to head the list of Nationalista Party senatorial candidates, but has expressed his fears that the elections will again be fraudulent and that, in such case, the Nationalista Party should be dissolved with a declaration that democratic processes have failed in the Philippines. The US Embassy in Manila comments that other Nationalista leaders have discussed the desirability of dissolving the party and that Laurel's assertion may be no mere threat. The embassy observes that such a dissolution would have the effect of converting the Philippines into a one-party state, a situation that would reflect seriously upon its position as a leader of Western democracy in the Far East. [redacted]

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Comment: Party allegiance is notoriously fluid in the Philippines. The principal difference between the incumbent Liberal Party and the Nationalistas is that of the "ins" versus the "outs." Should the Nationalista Party be dissolved, a new alignment may occur, with the same type of opposition developing.

12. AUSTRALIA. Public disapproves of Japanese peace treaty: A public opinion poll indicates that sixty-three percent of the Australian voters disapproved of the Japanese peace treaty. [redacted]

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Comment: The Australian public has, since the war, feared the resurgence of Japanese militarism and the Labor Party has played upon this fear. Although there is a certain degree of emotionalism involved, the issue does not play a large part in Australian national politics.

13. CHINA. US Consul General recommends US dependents be permitted return Hong Kong: US Consul General McConaughy at Hong Kong makes the "somewhat reluctant" recommendation that dependents of US nationals in the colony be permitted, but not encouraged, to return to Hong Kong "at their own risk." McConaughy states that, while the overall Far Eastern situation is not "essentially more secure" than it was last January when the evacuation of dependents was recommended, the prospects for a successful evacuation of the entire American colony by US Navy transports have "greatly improved," and the capability" of Chinese Communist forces for "overwhelming" action against Hong Kong has decreased. Furthermore, the British intend to make a "maximum defense" of the colony, and estimate

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they can hold it for a minimum period of two weeks. In conclusion, he refers to the "somewhat improved" internal security situation. [redacted]

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Comment: There are no indications of an imminent Chinese Communist operation against Hong Kong. However, an offensive could be launched with little or no warning, and Hong Kong's capabilities for simultaneous resistance and evacuation of non-essential personnel are questionable.

14. Smuggling from Hong Kong increasing: Smuggling of strategic goods out of Hong Kong is being resumed on a full scale. Petroleum, tires, auto parts, and high speed steel are smuggled to Macao by operators who give handsome bribes to patrol officers and other Hong Kong officials in order to ensure delivery. Documents recently intercepted by the US Consul General covering a shipment of fabricated steel referred to the payment of 20 percent "convenience money."

The increased scale of smuggling is reflected in the record number of seizures during August -- a total of 85, including 25 involving petroleum. Six junks were confiscated by court order, making a total of 40 since 2 July. Hong Kong magistrates threaten to impose stiffer penalties if offenses continue at the present rate. [redacted]

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Comment: With the imposition of new export controls by Hong Kong in June, the Communists were forced to depend increasingly on smuggling to procure strategic goods from the colony.

15. Macao to get more oil from Bangkok: [redacted] the Panamanian vessel neatner (1412 gross tons) will endeavor to load petroleum at Bangkok for discharge at Macao. The vessel will also discharge over 200 tons of diesel oil from its bunkers to barges in Macao waters. [redacted]

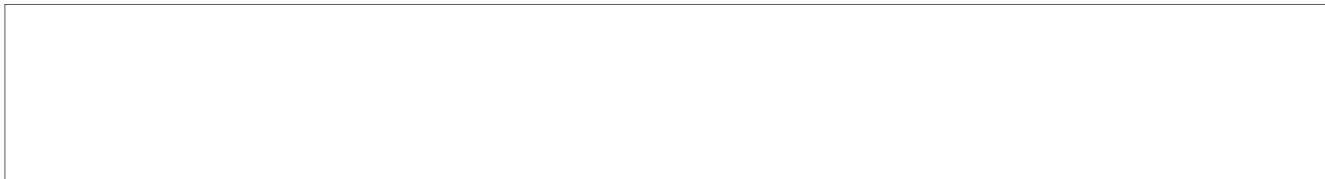
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Comment: Recent cables from Hong Kong report Bangkok as a source for petroleum products smuggled to Macao. In August, the Panamanian steamer Sofia and the British vessel Leong Bee reportedly carried petroleum from Bangkok to the Portuguese colony. The petroleum allegedly comes from stocks shipped from Hong Kong to Bangkok earlier this year by US and British oil companies.

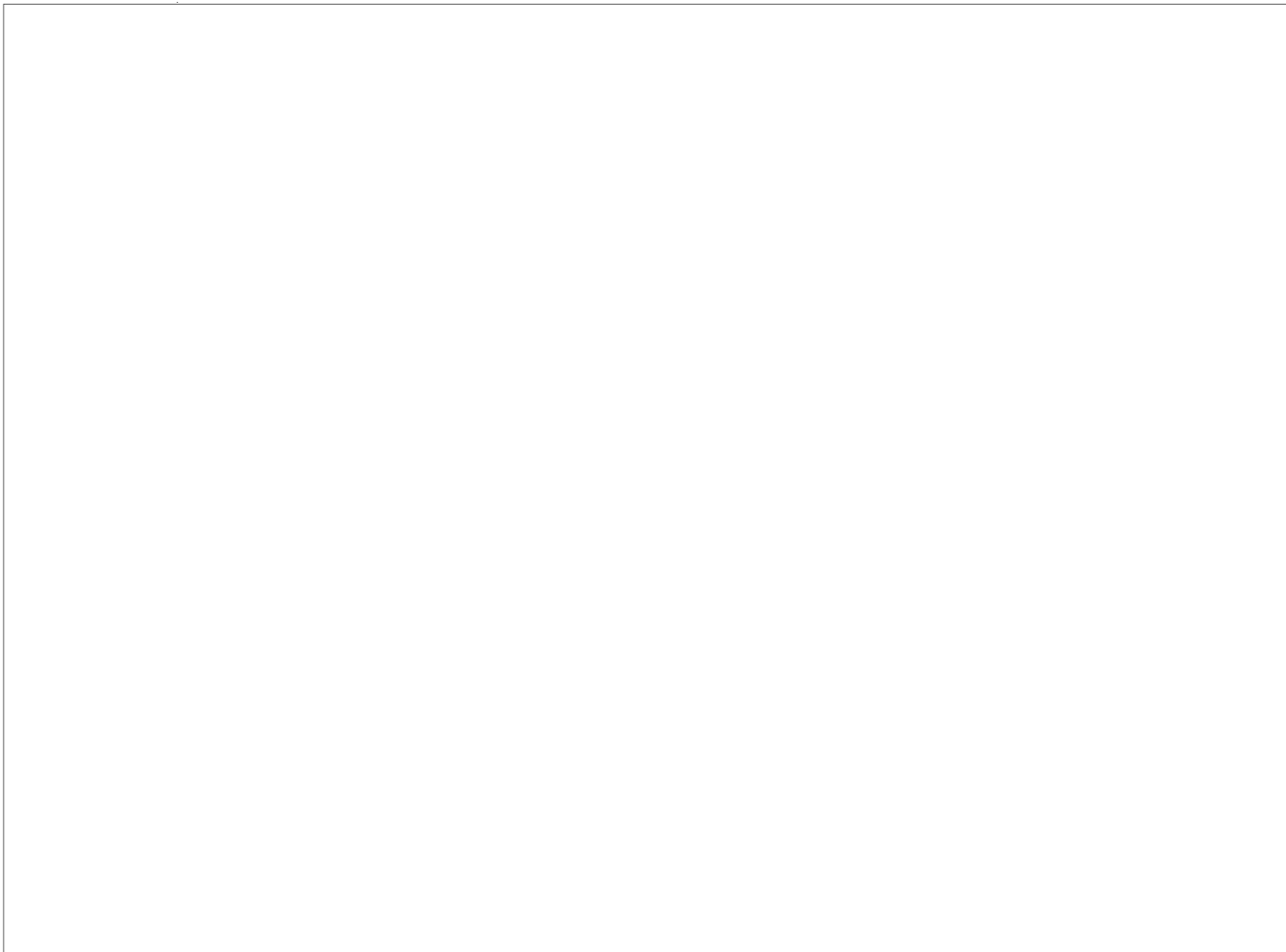
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18. Papal Internuncio is expelled from Communist China: Archbishop Anthony Riberi, Papal Internuncio, has arrived in Hong Kong under an order of "permanent banishment" from Communist China. [redacted]

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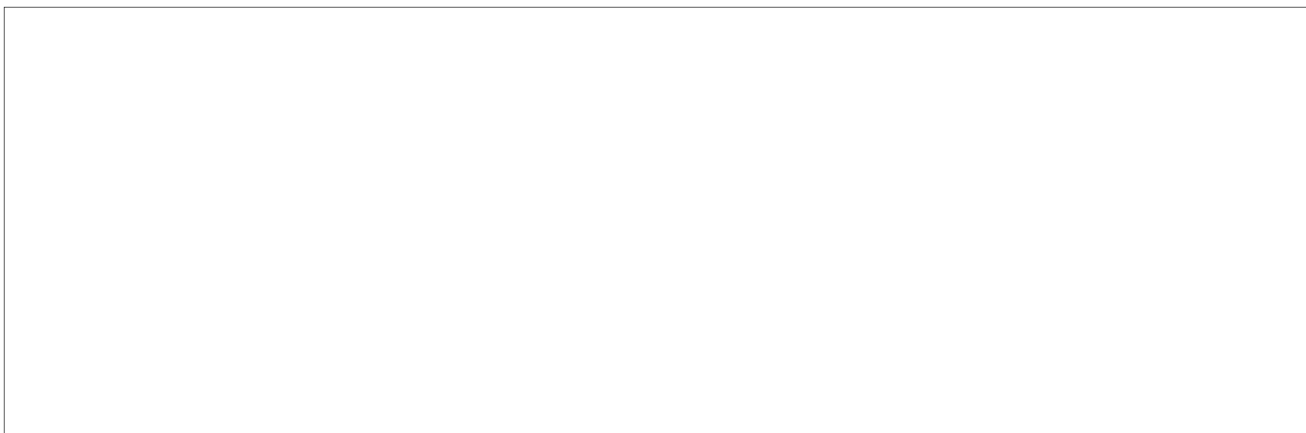
Comment: Riberi had been under house arrest in Nanking since late June on charges of various anti-Communist activities, and had been the object of repeated public denunciation. It is believed that no diplomatic representatives of the Vatican now remain in Communist China. The Catholic Church in China is being rapidly brought under state control.



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20. KOREA. Chinese Communist armored unit near front lines in Korea: The US Far East Command accepts the southeastward displacement of the Chinese Communist 1st Armored Division to the Sibyon-ni area, in western Korea, just behind the front lines. Acceptance is based on increased tank sightings in the area and on continuing prisoner of war reports that armor will soon be committed.

Comment: It is possible that tanks from this unit were engaged in the 6 September counter-reconnaissance attack by a Chinese Communist regiment in the western sector.

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21. Major Chinese Communist unit reappears in Korean combat: The US Far East Command tentatively accepts the Chinese Communist 42nd Army as being located in the combat zone north of Pyongyang in central Korea. Its opinion is based on the capture of five Chinese Communist soldiers from this unit in this area.

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Comment: The Chinese Communist 42nd Army, 4th Field Army, was the first Chinese Communist unit identified in Korea in October, 1950. The 42nd withdrew from the combat zone during April and May of 1951 and was often reported as having moved to south China for rehabilitation. The relocation of this unit in the Korean combat zone gives rise to speculation as to whether the Chinese Communist 38th Army, reported to have moved south from Korea with the 42nd, might not also still be in Korea.

22. JAPAN. Ex-officers to join police reserve: The newspaper Asahi claimed on 9 September that the Japanese Government will accept 400 former Army officers of the rank of Lieutenant Colonel and major for service as senior officers in the National Police Reserves. The newspaper added that in response to inquiries sent by the government to 1500 recently-depurged former officers, about 800 indicated that they would accept

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commissions if offered.



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Comment: The high wage scale and extra food ration are a significant factor in the favorable response of the former officers.

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4. Continued Austrian trade deficit alarms US mission: An August deficit of 5.5 million dollars to the European Payments Union and a cumulative deficit of 12 million dollars for the first two months of the third quarter have resulted in further US representations to the Austrian Government on the subject of Austria's unfavorable trade balance. US officials attribute these payments difficulties only in part to external factors over which the Austrian Government can exercise little control. They have been aggravated, for example, by the semi-embargo of Austrian lumber exports brought about by partisan bickering within the coalition government. The ECA mission is deeply concerned about Austria's future position, but suggests that declining prices of wool imports and a favorable tourist season may bring about some improvement. [redacted]

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Comment: Austria's economic position is assessed as sufficiently dark by the US Government that consideration is being given to a re-orientation of approach. Having heretofore emphasized Austria's progress and the problems created by the Soviet occupation, US information media will be utilized under the proposed plan to concentrate public attention upon the extreme urgency of the situation, the reasons for reduced aid, the necessity for remedial action, and the prospect of declining standards of living if correction is not achieved. It is believed that US prestige and friendly criticism may perhaps bolster the Austrian Government in achieving taxation reforms, augmented productivity, and improved inflation controls.

5. Communist blast forces government acknowledgement of official investigation into financial affairs: The Communist Der Abend reported in

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detail on 5 September that US pressure has resulted in a full-scale investigation of Austria's nationalized bank, the Creditanstalt. The lead article asserts that the US is "demanding the head" of Bank Director Joham, and suggests that major corruption implicating the People's Party may be revealed.

On 6 September, the Accounting Office of the Austrian Government issued a statement acknowledging that "normal examinations" of all nationalized banks is in progress, and that the use of Marshall plan credits is included within the scope of the investigation. The government statement denied that the examination was directed against particular persons or institutions. The Austrian Government has informed the US Legation that it is confident that the official press release has prevented widespread public speculation that a scandal is impending.

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Comment: Austrian officials yielded to US pressure last July and undertook an investigation of suspected irregularity in dollar transactions. Legation suspicions that the Finance Ministry and the Creditanstalt may not have allocated Austria's limited foreign exchange and dollar holdings in accordance with Austrian interests were increased when a private auditing firm resigned at that time in protest against the uncooperative attitude of the Austrian Government. The Austrian Government in general and the People's Party in particular cannot -- after the corruption disclosed in the Ministry of Property Control last spring -- bear further public revelations of malfeasance in high places.

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6. ITALY. Italy will contribute hospital unit for Korean war: Arrangements have been completed for an Italian hospital unit to leave by US transport from Naples in mid-October for service in Korea. It is anticipated that Premier de Gasperi, in accordance with Italian wishes, will make an announcement to this effect in New York on 11 or 12 September.

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Comment: This gesture by Italy, which is barred from UN membership by Soviet veto, evidences its desire to make a concrete contribution to UN efforts in Korea. The Italians hope by this action to strengthen further their case for an abrogation of the entire peace treaty or at least its military clauses, an issue that Premier de Gasperi is expected to discuss during his forthcoming visit to Washington.

7. Italians react favorably to announced postponement of Trieste elections: Postponement of the communal elections scheduled for 7 and 14 October in Zone A of the Free Territory of Trieste was announced in a communique issued 6 September by the British commander-in-chief of the

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US-UK forces in that area. It was stated that "new dates for the elections, which it is intended should be before the end of the year, will be announced in due course." [redacted]

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Comment: The announcement has been favorably received by the non-Communist Italian press, a sector of which speculates that this may be a prelude to the return of the entire Territory to Italy. It should temporarily allay public tension in Italy over the controversial Trieste issue, and to this extent strengthen Premier de Gasperi's position in his forthcoming conversations with US officials in Washington.

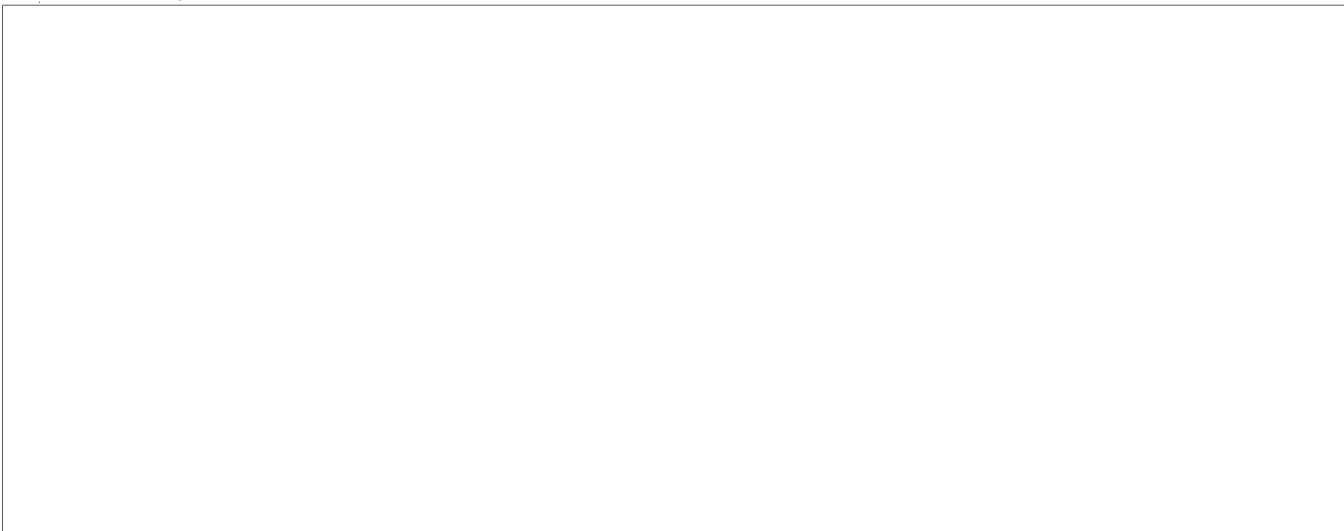
8. SWITZERLAND. Swiss will probably intercede for US nationals in China: The Swiss Government has not definitely committed itself to intervening on behalf of US citizens forcibly detained in China. Nevertheless, the Swiss Foreign Affairs Minister has indicated that "the reasonableness of the US request was recognized and without doubt they would be prepared to intervene on a strictly humanitarian basis."

In order to make the most effective approach, the Swiss official requested a list of names and locations of US citizens in China, and asked whether there were any Chinese Communists in the US who might be exchanged for US nationals in China. He also hinted that the Swiss would prefer no publicity of their efforts. [redacted]

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Comment: Despite the lack of a definite Swiss commitment to intervene with the Chinese Communists on behalf of US nationals, it is probable that the Swiss will undertake this mission. It would be in keeping with the traditional role which they have built for themselves as the protagonists of international humanitarian undertakings.

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10. UNITED KINGDOM. US Embassy assesses prospects of fall general election: Weighing the results of the Trades Union Congress meeting and other developments since parliament adjourned on 2 August, the US Embassy in London estimates that a fall general election seems less likely now than it did then. Sentiment at the Trades Union Conference was reported as hardening against a fall election, on the grounds that the cost of living might fall slightly by the end of the year and that neither the Iranian nor the Korean situations have cleared up sufficiently to enable the government to capitalize on Labor's supposed achievements in preserving peace. US Minister Holmes comments that he has talked recently with three cabinet ministers and is convinced that they know of no plans to call an election, but cautions that "Attlee is keeping his own views strictly to himself."

As counterbalancing factors making for a fall election, the embassy cites the fear that the economic situation may get worse, particularly in the form of a winter coal shortage, and the possibility that by-elections may whittle Labor's tiny majority of six down to the vanishing point. Of three by-elections now pending but still unscheduled, one is for a former Labor seat won in 1950 by a minority vote in a three-cornered fight that will not be repeated in the by-election. [REDACTED]

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Comment: Gallup polls taken in July and August both show the trend running against the government. It is generally agreed that if Attlee decides to wait for a possible turn of the tide, he will not call another winter election as in 1950, but will postpone the dissolution of parliament at least until spring.

11. LATIN AMERICA. Proposed CTAL regional organization: Chilean Communist Senator Salvador Ocampo, in reporting on the national congress of the Confederation of Workers of Ecuador held last May in Ambato, mentioned a proposed regional organization for the pro-Communist Latin American Confederation of Labor (CTAL). The tentative plan (to be acted upon by other congresses in other countries) involved regional committees organized as follows:

- (1) a Caribbean Committee, located in Mexico, to handle CTAL matters for Mexico, Central America, and the Caribbean countries, including Venezuela;
- (2) a West Coast Committee, to be located in Quito, for Colombia, Ecuador, Peru, Bolivia, and Chile; and
- (3) an East Coast Committee, to be located in Montevideo, for Paraguay, Uruguay, Argentina, and Brazil. Venezuela might possibly be included in this group rather than with the Caribbean countries.

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Comment: This is essentially the same plan proposed at the regional CTAL conference at Montevideo in March 1950, which was not satisfactorily implemented. Subsequent information indicates that the West Coast Committee, as organized by Ecuadoran and Chilean leaders at Ambato in May 1951, was unsatisfactory to the CTAL and WFTU [redacted]. There is no evidence of functioning Caribbean or East Coast committees.

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12. VENEZUELA. Rumors of expected violence during Venezuelan petroleum conference lack basis: Venezuelan police have informed the US Embassy in Caracas that no definite evidence existed for their previous report of a possible Communist demonstration during the current petroleum conference. The police had apparently felt that the presence of US Secretary of Interior Chapman at the conference would contribute to the possibility of a demonstration. The earlier report, made to the embassy on 7 September, was based on a "mass of unevaluated rumors," police said. Strict security precautions will be taken despite lack of concrete evidence that they are needed. [redacted]

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Comment: No arrests of Communist leaders or agitators have been reported, but the government is said to have made a week-end roundup of "opposition leaders" in connection with an alleged plot in the ranks of the army. [redacted] most of those arrested were members of the outlawed Accion Democratica party and presumably not connected with the Communists.

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The Venezuelan Government has been notably successful in controlling activities inimical to it, and there is no reason to believe that it cannot prevent such activities during the conference.

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**CENTRAL INTELLIGENCE AGENCY**

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SECTION 1 (SOVIET)

1. POLAND. Polio epidemic worsening: The polio epidemic in the Warsaw area, now in its seventh week, is reported to be worsening. There have been a minimum of 300 to 400 hospitalized cases. The Chief of the Warsaw Emergency Polio Clinics has warned that the epidemic threatens the whole structure of public health in Warsaw. He further stated that the professional advice and assistance of Western specialists, particularly American, presented the only possibility of checking the contagion. The Polish Government, impressed by the warning, reversed an earlier decision not to participate in the Second International Polio Conference in Copenhagen 3-7 September, and has dispatched two doctors. [redacted] 25X1

Comment: On 23 August the Polish Government placed an order with the Danish Surgical Instrument Factory for the urgent delivery of 18 iron lungs. This was followed five days later by the first Polish press story on the situation.

SECTION 2 (EASTERN)

[redacted]

3. Burmese Ambassador to Peiping implies US supporting Chinese Nationalist troops in Burma: According to a French Press Agency report from Hong Kong, the new Burmese Ambassador to Communist China stated that the Chinese Nationalist forces under General Li Mi which were recently driven out of Yunnan into Burma were controlled by the Nationalist Embassy in Bangkok. He also asserted that it was possible the US was supporting these forces, as they carried arms and equipment of the latest US manufacture. [redacted]

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Comment: The Burmese Ambassador's accusation is significant in that it comes at a time when the Burmese are threatening to place the issue of Chinese Nationalist troops in Burma before the UN.

4. THAILAND. Embassy Bangkok speculates on political realignments: The US Embassy in Bangkok reports that it is possible that Prime Minister Phibun forced his ambitious Director General of Police, Phao Sriyanon, to take his current trip to the UK and US. The embassy advances the theory that Phibun is taking advantage of Phao's absence to establish a new political alignment which would eliminate the Phao-Phin clique. In support of this theory, it is pointed out that Phibun has made previous efforts to broaden his government, but has been thwarted. The embassy recommends that Phao be enticed to stay in the US as long as possible in order to give Phibun time to complete any new arrangements he might have in mind. 25X1

Comment: Political intrigue in Thailand comes close to being a national pastime, and the embassy's theory is entirely plausible, especially in view of Phao's well-known ambition eventually to replace Phibun. Phibun's recent formation of a high-level political committee including prominent Thais who have opposed him in the past suggests that an effort is being made to broaden the regime, but both Phao and Phin are members of the committee. Not until steps are taken to divest Phao of his control over the police can a firm conclusion be drawn that his position is being seriously undermined.

SECTION 3 (WESTERN)

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6. NORWAY/DENMARK. Nations will eventually agree to Western Germany's participation in NATO: After a discussion with Foreign Minister Lange, US Ambassador Bay believes that Norway in due course will accede to West Germany's participation in NATO and other international organizations, but that it would prefer the process of integration to be gradual. Lange stated that Norway is prepared eventually to take a constructive attitude toward German inclusion in NATO, but would like to see more progress on Germany's political status first. Lange also predicted that Denmark will not object to German NATO participation because it views Germany as a buffer against the USSR.

Comment: The belief that Germany is necessary to Western European defense plans will probably elicit the eventual consent of both Norway and Denmark to German incorporation in NATO.

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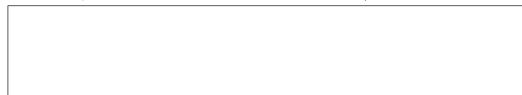


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**CIA No. 49343-A**

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**TO THE DAILY DIGEST**

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SECTION 2 (EASTERN)

1. TURKEY. Turkey will be asked to join US, UK in approach to Egypt: It is planned to offer full membership in NATO to Turkey and Greece at the Ottawa meeting of NATO on 15 September, according to a recent US memorandum. As a "member elect" Turkey will be asked to join immediately with the US and the UK in an approach to Egypt, designed to enlist the latter in a Middle East Defense Command in which Egypt will share the authority and responsibility of maintaining adequate regional defense.

25X1

[redacted]

Comment: The Turkish Government has made it clear that Turkish participation in Middle East defense talks is contingent upon full membership in NATO. The approach to Egypt is designed to bring that country into a Middle East command before it can carry out its threat to abrogate the 1936 Anglo-Egyptian Treaty. Turkish insistence on full membership, a time consuming procedure since accession of each new member must be ratified by each NATO government, might defeat this maneuver. Current Egyptian irritation over Turkey's failure to support Egypt on the Suez question at the UN may detract from Turkish intercession with Egypt at this time.

2. EGYPT. Egypt to be invited to participate in Middle East Command: Egypt will be asked to participate in the proposed Middle East Command as a founding member on the basis of full equality under procedures currently being discussed in the tripartite Foreign Secretaries' talks.

Egypt would be a member of the Middle East Chiefs of Staff committee. Its officers would be included in the integrated headquarters of the Supreme Allied Command for the Middle East, which Egypt is to be asked to locate on its soil.

The present British bases in Egypt would be handed over formally to Egypt on the understanding that they would simultaneously become Command bases with full Egyptian cooperation in their running at all times. Those British forces currently in Egypt not allocated to the Command will be withdrawn immediately.

The Command, in agreement with the Egyptian Government, would determine the number of allied troops to be stationed in Egypt in peacetime. In an international emergency Egypt would grant all necessary facilities to the Allied force.

Comment: These proposals have been worked out primarily to secure the retention of the facilities built up by the British in the Suez Canal

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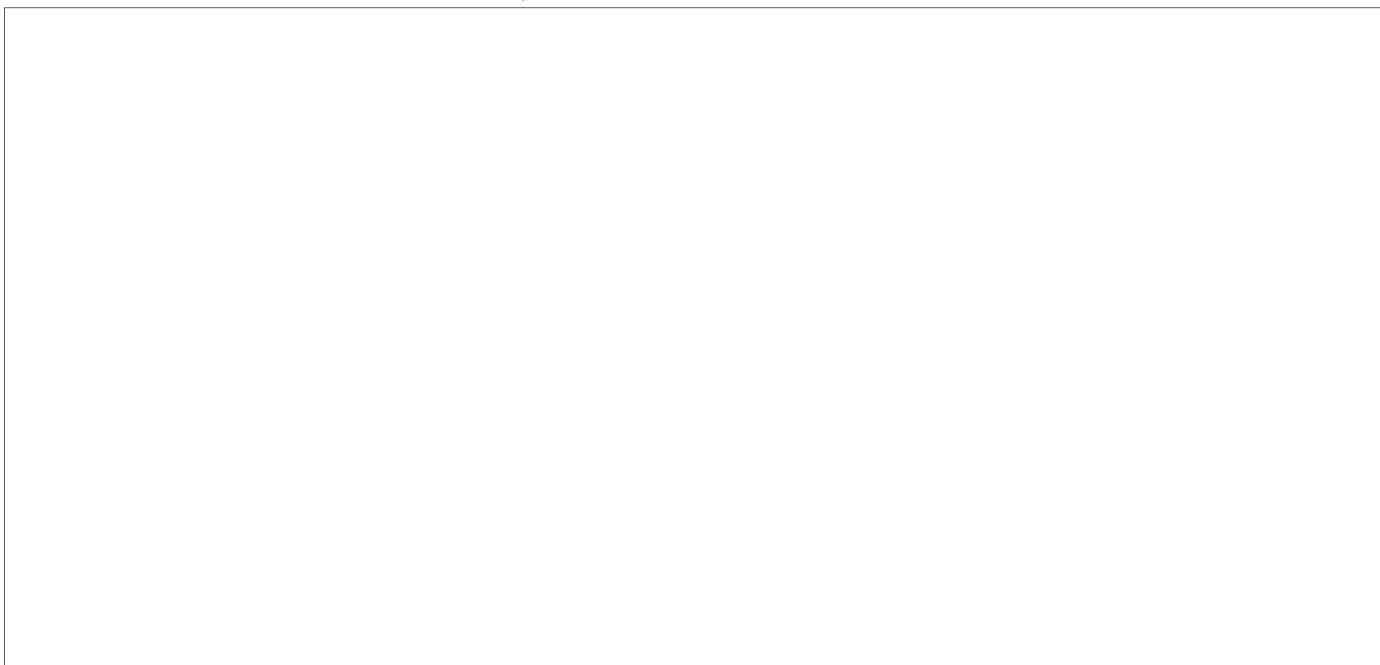
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area, which military authorities consider the important strategic area for the defense of the Middle East.

Available evidence suggests that under any circumstances Egypt will view suspiciously any proposals concerning the stationing of foreign troops on its territory.

SECTION 3 (WESTERN)

25X6



4. DENMARK. Government believed to want postponement of decision on Greek-Turkish NATO membership: The US Embassy at Copenhagen believes that Denmark will strongly support any move at the Ottawa meeting to postpone a decision concerning the admission of Greece and Turkey to NATO until the Rome meeting in October.

Comment: There still exists considerable opposition in Danish governmental and parliamentary circles to an extension of NATO to include Greece and Turkey. Denmark is unwilling to veto such membership or to assume leadership in opposing it, but apparently hopes that a postponement will allow some other solution to be worked out.

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