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**1 October 1951**

**CIA No. 49362**

**Copy No.**

**143**

**DAILY DIGEST**

**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

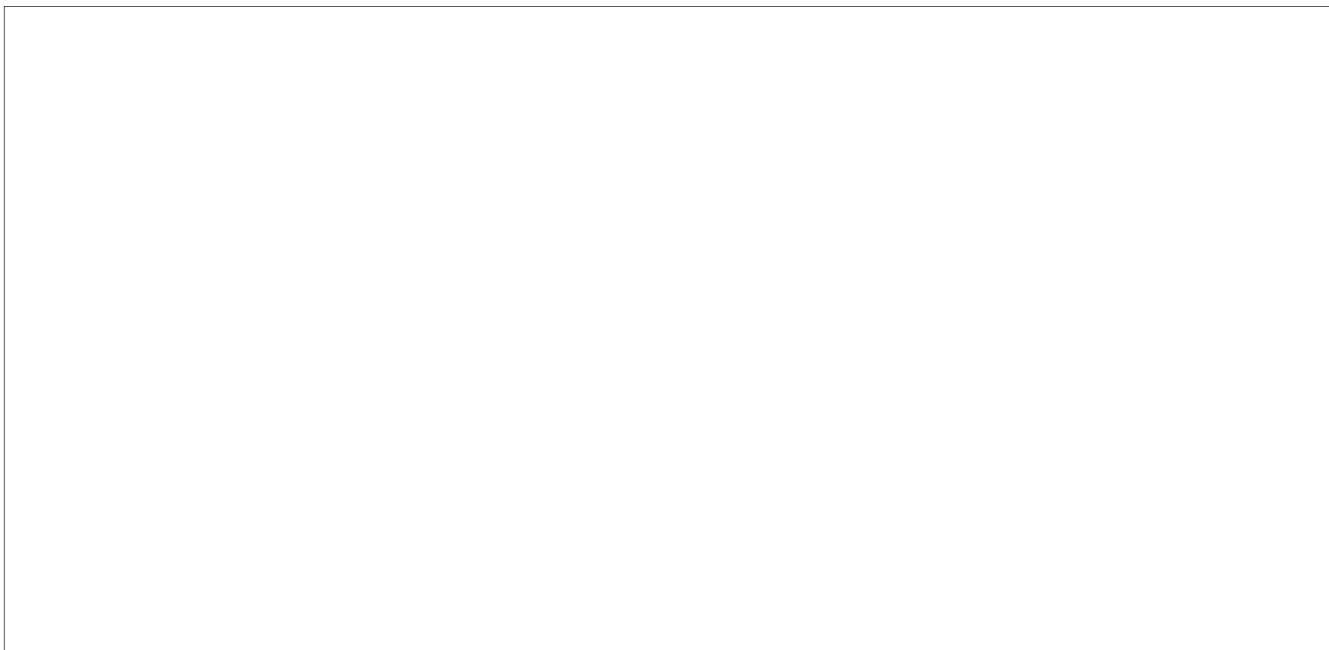
**This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.**

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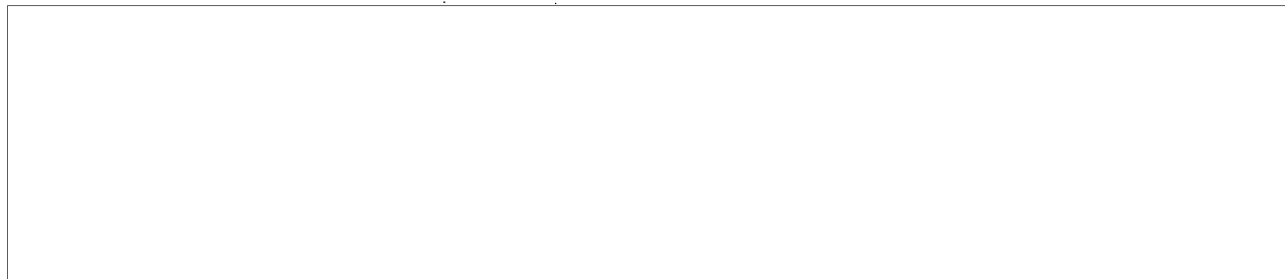
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SECTION 1 (SOVIET)



2. Lack of regional self-sufficiency overtaxes Soviet railroads: A recent article in the Soviet Government magazine Planovoye Khozyaistvo (Planned Economy), revealed that the Soviet Union's railroad transport system is still overtaxed by long haulage and irrational cross-shipments. In addition to expensive long hauls, there have been excessive loads resulting from shippers' reluctance to use river transport, and from disproportions in the development of major areas -- such as in the Donets Basin where rolling mill capacity exceeds local steel production. This condition, the article asserted, exists in spite of extensive post-war dispersal of manufacturing plants and mines which has reduced or eliminated many long hauls, especially in the case of coal. However, the magazine indicated that much more needs to be done in the field of oil production.

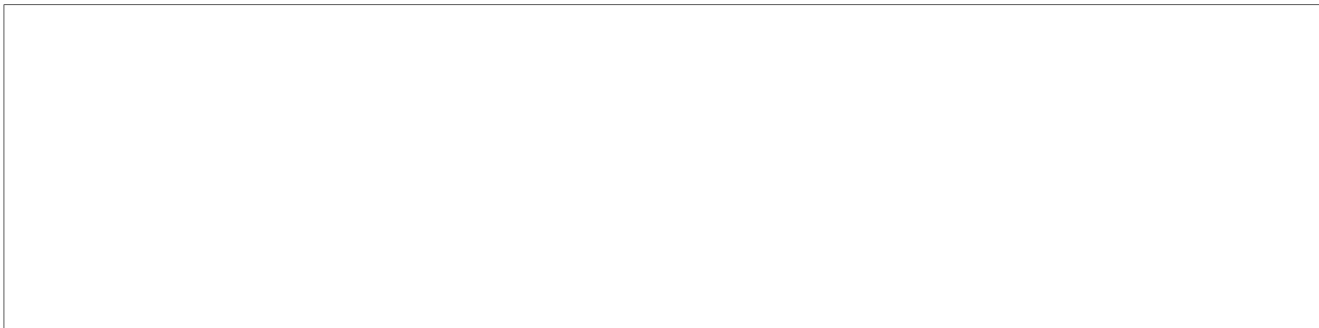
Comment: The press report appears to give a reasonably correct picture of the present Soviet railroad transport situation.

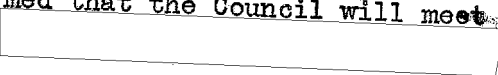


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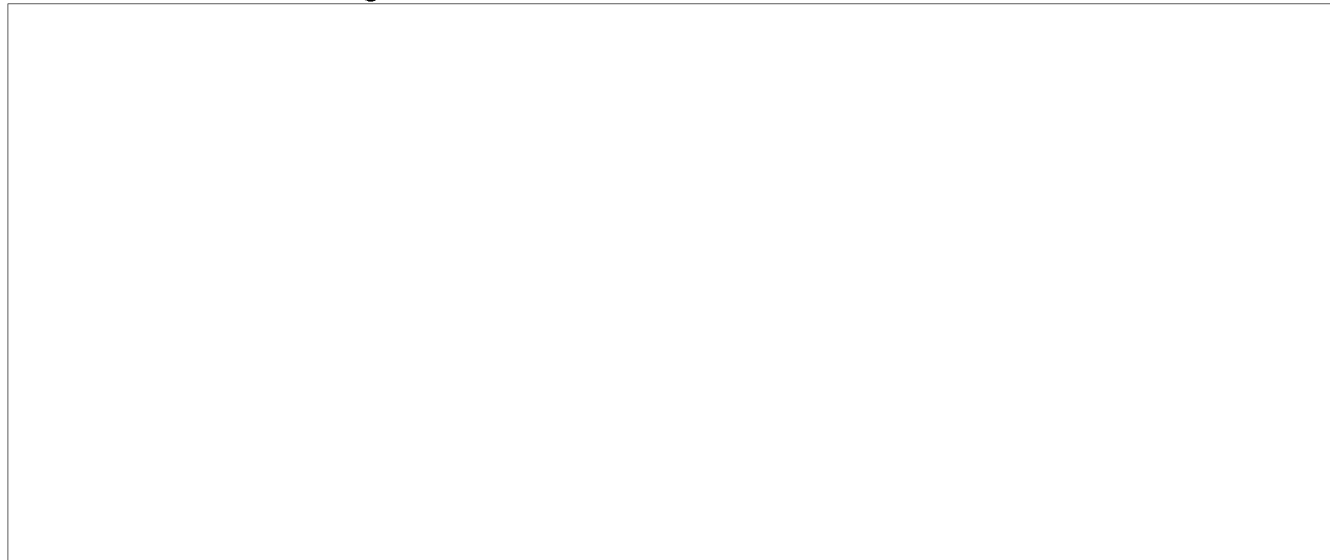


4. Second full meeting of World Peace Council to be held in Vienna:  
Jean Lafitte, Secretary General of the Communist World Peace Council,  
has confirmed that the Council will meet in Vienna from 1 to 15  
November. 

Comment: The first full meeting of the WPC after it was established  
at the Congress of World Peace Partisans in Warsaw in fall 1950, was held  
in Berlin last February. At that time, the Council planned its program  
for 1951, which included a world-wide signature campaign for a Five Power  
Peace Pact and a demand for a revision of United Nations policies.

The Vienna meeting will probably survey the results of the Five  
Power Pact drive and the protests to the UN over its policies. Various  
regional and national Communist programs developed at Berlin will also  
be stressed, such as a demand for a peace treaty with Germany in 1951,  
and condemnation of American use of Japan as a base "for aggressive  
policies in the Far East."

The Council may also begin deliberation of a new program for 1952,  
although the major drives for that year will probably not be announced  
until next spring.



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6. Turkish minority emigration slackens: The number of ethnic Turks permitted to return to Turkey from Bulgaria, pursuant to Bulgaria's August 1950 demand that Turkey repatriate 250,000, has declined steadily during the past few months. The July total of 5,246 repatriates is less than forty percent of the June figure.

The US Consulate in Istanbul believes that although the immediate reason for the decline is the need of Bulgaria for manpower during the harvest season, the present trend may indicate that Bulgaria may not even meet its own demand figure. According to the Consulate, Turkey has suffered no serious economic or political dislocation in assimilating the 135,000 immigrants who have already arrived. Turkish security officials have informed the Consulate that a negligible number of Communists have been discovered among the immigrants.

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Comment: If, as appears likely, Bulgaria intended by its demand to accomplish the main purposes of (1) reaping the benefit of confiscation of all property of the immigrants, (2) ridding itself of the problems of a large dissident minority, (3) embarrassing the Turkish Government by the overwhelming problem of repatriating large numbers of immigrants with the consequent disruption of the Turkish economy, and (4) infiltrating Communist agents into Turkey, the move has been almost a complete failure. Although the property of the Turks has been confiscated, Bulgaria may have found that its own economy is suffering disproportionately.

7. POLAND. Military summer training reported completed: The American military attache in Warsaw reports that various city councils are congratulating Polish troops upon the completion of their summer training and their return to barracks.

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Comment: Although certain Polish troops completed summer training, there is no indication that the Polish army has completed 1951 maneuvers.

8. YUGOSLAVIA. Cominform border provocations increasing: According to the Yugoslav press, during the first 25 days of September the Satellite states committed 113 border provocations. During August, there were 90 and during July 109 provoked incidents. The press sees proof that all these provocations were planned in Moscow not only in the general pattern of

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the incidents but in the fact that recent warmongering speeches of Soviet leaders have been followed by new provocations on Yugoslavia's borders. [redacted]

Comment: The Yugoslav Government has recently stepped up its diplomatic war against the Cominform states by dispatching separate notes to the USSR, Rumania and Bulgaria demanding the return of Yugoslav children who have been held against their will. Yugoslavia has also protested Rumanian, Hungarian, and Albanian border incidents during September and has claimed that the incidents are becoming more serious.

9. UN subcommittee rejects proposals empowering Yugoslavia to command UN operations on its territory: A UN subcommittee has refused to adopt Yugoslav proposals which would empower the Yugoslav Government, if it were the victim of aggression, to appoint the Supreme Military Commander of all UN troops on its territory. The Committee is drafting plans for an Executive Military Authority to direct UN military operations in the event of future aggression. Several changes were made in the language of the draft, however, which give greater recognition to the importance of victim states and contiguous states which participate in UN operations against aggression.

The Yugoslav delegate has stated that his country may oppose the present draft when it is brought before the full committee. [redacted]

Comment: The US hopes to persuade the Yugoslav Government to support the report generally despite reservations on portions of the military measures.

10. Kardelj promises prompt consideration of tripartite declaration on Italian Peace Treaty: Foreign Minister Kardelj has given assurances to the US, British and French Ambassadors in Belgrade that the tripartite declaration regarding the Italian Peace Treaty will be given prompt and careful consideration by the Yugoslav Government. Kardelj stated that the special circumstances of Yugoslavia in relation to this question would undoubtedly be reflected in the Yugoslav reply. He also emphasized the desire of his government to reach agreement on the Trieste question. He declared that, while he did not consider a solution impossible, he would welcome any reasons for optimism on this matter which Western discussions with Italian authorities might produce. [redacted]

Comment: The Yugoslav Government has consistently maintained that a solution of the Trieste issue must be reached before it will approve

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any revision of the Italian Peace Treaty. In recent public statements Kardelj has stated since neither Yugoslavia nor Italy can hope to obtain all the Free Territory a "third solution" must be found. This "third solution" presumably would be a settlement on the basis of the present division of the territory whereby Yugoslavia would receive Zone B and Italy would be awarded Zone A, with some slight border adjustments.

11. Tito expresses willingness to enter into staff talks with NATO officials. A delayed despatch from Belgrade reports an interview given by Tito to the British High Commissioner and the commander of British troops in Austria on 16 August. Tito stated that he was prepared to enter into staff conversations with NATO officials to determine the common defense of Austria and Yugoslavia. He declared that he was pleased to learn of the NATO decision to defend Austria, and that in case of war he certainly would not withdraw his troops southward to the Bosnian Mountains. Tito added that NATO could depend on him to protect its southern flank and to hold the Ljubljana Gap in northern Yugoslavia. 25X1  
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Comment: Tito's expressed willingness to enter into staff talks with NATO officials is the first indication that Yugoslavia is prepared to coordinate its defense program with that of NATO. There is no evidence, however, that Tito at present contemplates joining NATO. He is not known to have altered his previous position that Yugoslavia is unwilling to join the Western defense alliance but is prepared to make reciprocal commitments with individual countries.

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SECTION 2 (EASTERN)

1. BURMA. Chinese UN delegate unreceptive to US suggestions regarding troops in Burma: The Chinese delegate to the UN does not believe that the Nationalist troops in Burma will accept internment or that the Burmese Government as an alternative to internment will permit their withdrawal to Formosa. He also thinks it unlikely that his government will agree to recall Li-Mi, the leader of the troops concerned, and to hold him in Taipei.

In addition, the official indicated that he was not concerned about these troops precipitating a Chinese Communist invasion of Burma and even advocated that they be rearmed and sent back into Yunnan. While admitting the embarrassment that would be created by a Burmese appeal to the UN for assistance, the Chinese delegate stated that he would answer such action with "some eloquent speeches."

Comment: It has long been recognized that the Taipei regime exercises little or no control over its troops in Burma. Since the Burmese agreement to defer an appeal to the UN was, in part, contingent upon successful US efforts in obtaining at least a show of cooperation on the part of Taipei, this statement by the Chinese delegate may indicate that the problem is not yet resolved.

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4. INDONESIA. Indonesian delegation en route to Peiping: A three-man Indonesian "cultural mission" passed through Hong Kong on 24 September en route to Peiping on the invitation of the Chinese Communist Government. Members of the mission are Tabrani, a newspaper editor; Arwyn Pane, member of an Indonesian cultural organization; and Barium, of the Ministry of Home Affairs. It is understood that they will attend the Chinese National Day celebration on 1 October during their two to three weeks' visit.

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Comment: A 7 September broadcast from Djakarta stated that five Indonesians had been invited to Peiping for the 1 October celebration. All of them were influential Indonesians; one was a Communist, one a former national-Communist, and the other three were untainted. On 15 September the Indonesian Cabinet "agreed in principle" to the acceptance of the invitations by the five Indonesians. However, when the Communist, Mrs. Trimurti, applied for a passport, she was arrested.

The delegation mentioned in the Hong Kong despatch includes only one of those originally invited--Tabrani, a newspaper editor not known to be either a Communist or fellow-traveler. The other two are definitely neither well-known nor important.

5. CHINA. Peiping admits difficulty in selling Soviet "friendship" to Chinese: An official of the Sino-Soviet Friendship Association has publicly admitted that the Chinese people remain suspicious of the USSR and resist Peiping's efforts to persuade them of Soviet "friendship." The Deputy Managing Director of the Association, speaking over the Peiping radio on 21 September, conceded that it will be a difficult task to "expose and refute" the "rumors and slanders" about the USSR which have gained widespread currency. He denounced the "Chinese people's narrow nationalism" and the "resulting doubt and uneasiness" about the USSR which are "incongruous with internationalism." The official recommended an intensified membership drive and propaganda effort by the association.

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Comment: The Sino-Soviet Friendship Association, which claims 16 million members in Communist China, is devoted to justifying Soviet policy in China and elsewhere. Communist and non-Communist sources have provided strong evidence that the Chinese people are apathetic toward the association and its program.

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6. Hong Kong to deny export licenses for Portuguese Timor: Acting on the suggestion of the US consul general, the Hong Kong Government has included Timor in the same category as Communist China and Macao to which export licenses for strategic goods are denied. The consul general reports that several vessels have recently off-loaded strategic items in Macao waters while en route to Timor. One of these, the Panamanian-flag Talwei, was reportedly returning to Macao with a cargo of petroleum and rubber. The Hong Kong Government has agreed to refuse to supply the Talwei with bunkers in the future. [redacted]

25X1 [redacted] 25X1  
Comment: This practice of off-loading at Macao strategic goods licensed for Timor has been only recently reported. The Hong Kong Government has been exceptionally prompt in taking action to prevent recurrences.

7. KOREA. New enemy MIG jets still unconfirmed: In answer to a Washington query "concerning MIG-19, super MIG-15, and high wing jets" widely reported in the US press on 25 and 26 September, the US 5th Air Force answers that these accounts are "highly romanticized" and that the closest approach on any occasion to the "possible new enemy jet" was 10 miles. [redacted]

25X1 [redacted] 25X1  
Comment: While the MIG-15 is the most frequently encountered enemy jet aircraft in Korea to date, other jets--the Type 8, the Type 27, and the Yak-15--have been tentatively identified through aerial sightings. The possibility always exists that the Soviet Union will commit prototype aircraft in the Korean war for purposes of combat testing.

8. JAPAN. Soviet personnel in Tokyo display interest in Hokkaido: Soviet personnel in the Office of the Soviet Member of the Allied Council are constantly questioning Japanese employees as to the proper reading of names and places on the island of Hokkaido, according to an unevaluated report from Far East Air Forces. The source, whose information came from a Japanese interpreter at the Soviet Office, also disclosed that "all the Soviet personnel are currently working in a very serious atmosphere, manifesting anticipation of important occurrences of an unpredictable nature in the near future." In addition, another informant stated that Soviet personnel in Tokyo recently have ordered books containing data on atmospheric and stratospheric conditions over Japan. [redacted]

25X1 [redacted] 25X1  
Comment: Numerous recent reports have indicated an increased Soviet interest in Hokkaido, possibly resulting from the stationing of a US National Guard Division on the island. Several reports indicate that the Japanese Communist Party on Hokkaido has been directed to investigate and report on US military activities, including harbor construction projects. There is no indication, however, that the USSR is planning an attack on Hokkaido in the immediate future.

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9. Italy indicates intention to end state of war with Japan: In a note dated 27 September, the Italian Government notified the Japanese Government of its intention to terminate the state of war between the two countries, effective on the date the treaty signed at San Francisco comes into force. The note, which was accepted by Japan, also indicated an intention to settle, in the spirit of the San Francisco treaty, outstanding problems which arose from the war.

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Comment: It was not considered appropriate for Italy to participate in the San Francisco conference because of its status as a former Axis partner. The current exchange of notes, originally intended to take place simultaneously with the San Francisco treaty signing, was delayed due to Japan's desire not to extend the full benefits of the treaty to Italy.

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SECTION 3 (WESTERN)

- 1. AUSTRIA. Soviets seek re-entry of repatriation mission into US Zone:  
 Soviet authorities in Vienna have reopened the repatriation question with a request for entry into the US Zone of a four-man repatriation mission for the limited period of 12 days. The US Legation suspects intelligence motives behind the request; it proposes to grant entry, under proper safeguards, only in the event that the Soviets grant access to their zone for a US Graves Mission, and improve their treatment of US requests for transit of the Soviet Zone to the British sector. The US State Department has recommended that the repatriation mission be restricted in size and duration, be given access only to persons who have volunteered to be repatriated, and be kept under close surveillance. [redacted] [redacted] [redacted] [redacted]

Comment: Only in the French Zone is there a permanently accredited Soviet repatriation mission [redacted] While termination of the mission in the French Zone is not believed likely, the British and US have previously agreed to confine Soviet repatriation activities to a case basis where proper controls can be instituted and the duration of the mission restricted.

- 2. Comment on Austria's unemployment problem: Exaggerated seasonal trends in the Austrian labor market during the first six months of the year confirm the view that the economic outlook in Austria for the remainder of 1951 is largely unfavorable. While the worst period of postwar unemployment in January responded favorably to emergency measures and gave way to a postwar employment peak by June, US officials regard these excessive fluctuations as indicative of an Austrian failure to achieve a solution to basic economic difficulties.

According to a quarterly summary of the labor situation from the US Legation, Austria's unemployment problem is attributable to the seasonal tendencies of major industries and the limited annual absorption of the structurally unemployed. The improvement in the labor picture during the first half of 1951 was primarily achieved by a remarkable absorption of the unemployed in construction, agriculture, forestry, and tourist trades. The tourist business, agriculture and forestry will of necessity continue to have strong seasonal fluctuations. The gains in construction employment have been achieved by a feverish building during the favorable summer months — at the expense of needed reforms in techniques, financing, and scheduling which could provide some stability in this business. Unless the new rent law, which promises the possibility of new jobs in housing rehabilitation, provides needed relief, a repetition of last winter's dangerous and expensive depression among the construction trades is likely.

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As in other countries, Austria's structural unemployment problem can be ascribed to under-investment. The anticipated cut in external aid -- heretofore necessary for Austrian investments -- does not augur well for the accelerated rate of economic growth which Austria requires. However, the Austrian problem is aggravated by a traditional affection for white-collar work, an excess number of professionals, and restrictive practices that hinder entrance into the trades.

In general, the economic indicators -- a balance of payments deficit, prospective shortages of raw materials (particularly coal), and the possibility of recurring unemployment -- suggest a continuation of economic instability in Austria, with obvious political repercussions. Some benefits may result from the rent-construction law, but great optimism on this score alone does not appear justified.

3. ITALY. Press divided in attitude toward De Gasperi's visit to the US: Premier de Gasperi's mission to the US has in general received favorable comment from the Christian Democratic and pro-government press. Considerable importance is particularly attached to the understanding shown by the US, UK, and France toward Italy's problems, and to the Western powers' declaration regarding revision of the Italian peace treaty. The papers of the extreme left and right refer to the "utter failure" of the prime minister's mission. The pro-Communist Paese speaks of "De Gasperi's return with empty hands." The neo-fascist Popolo di Roma calls the West's pledges "rhetorical," and declares that Italy, unlike Japan at San Francisco, has been given a "no."

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Comment: Despite the generally favorable tone of the non-extremist press, De Gasperi will encounter strong criticism from nationalist-minded Italians for not having obtained a definite commitment from the West on the Trieste issue that would satisfy Italian aspirations. There will probably be a heated debate in parliament on the subject of the government's entire foreign policy. However, it is anticipated that De Gasperi will retain the majority support of parliament.

4. Ball bearing and automobile industries face crisis in Italy: Officials of RIV, the largest Italian manufacturers of ball bearings, and US officials have discussed ways and means of offsetting the loss of Eastern European markets resulting from East-West trade restrictions. These officials fear that if western outlets are not found, it will be necessary to reduce operations and discharge employees, with drastic effects, as the workers in RIV are Communist-dominated. Progress is being made in developing a US market for Italian ball bearings, but additional markets in the West will have to be found.

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At the same time, FIAT, Italy's largest automobile plant, has announced that working hours will be reduced from 48 to 40 hours a week because of a reduced demand for its automobiles. FIAT attributes its difficulties to heavy taxes, the high cost of gasoline, and the fear that prospective car owners have of higher income tax assessments. The Communist press has assailed the company's action and urged that more automobiles be sold to Eastern Europe.

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Comment: Increasing controls of exports to the Soviet-bloc may be expected to have short-term repercussions on Italian industry. The slack in Italian production resulting from the restriction of exports to Eastern Europe cannot be made up by domestic production for Western European rearmament until the peace treaty restrictions on such production are removed. Italy will expect, at the same time, to be provided with the raw materials to support such production. Italian Communists can be expected to exploit skillfully any temporary economic dislocations resulting from these conditions.

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8. SWEDEN. New government to pursue same foreign policy: The US Embassy in Stockholm reports that on 27 September the Social Democratic and Agrarian parties reached final agreement on a coalition government to be sworn in by the King on 1 October. In the new cabinet the Agrarians will get four of the sixteen ministries. [REDACTED]

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Comment: No significant shift in Sweden's foreign policy of "non-involvement" will result from adding the vigorously isolationist Agrarian Party to the Social Democratic government which has ruled Sweden alone since 1945. The decision to form a coalition reflects rather a desire on the part of the Social Democrats to insure broader support for domestic economic policies. Both parties favor a strong military establishment, and no change in Sweden's defense policy is indicated.

9. ARGENTINA. Uneasy calm prevails in Argentina: According to the US Embassy in Buenos Aires, the "revolutionary movement seems to have been not phony, but an attempt by a small group which misfired." This group may have been part of a larger group and "jumped the gun." Minister of the Navy Garcia has resigned, and it is rumored that Minister of Aeronautics Ojeda and others may be on the way out. The situation is now quiet. [REDACTED]

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Repercussions of the 28 September disturbances will increase political tension in Argentina and result in stepped-up charges against "Yankee imperialism."

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SECTION 1 (SOVIET)

1. TRIESTE. Trieste elections may be postponed until spring 1952: The Department of State is requesting the British Foreign Office to agree to its proposal that nothing more be said publicly about the Trieste elections until next spring in order to provide the proper atmosphere for possible Yugoslav-Italian negotiations to settle the Trieste problem. The Department considers that the Italian Government should be given a fair opportunity to seek a settlement with Yugoslavia and that any announcement now concerning elections would be disastrous to the prospects of Yugoslav-Italian negotiations. 25X1

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Comment: According to a provision of a local Trieste law, a public announcement must be made sixty days prior to the elections. Accordingly, if elections were held in December the announcement should be made in the next few days. Since Italy and Yugoslavia have not had ample opportunity to establish contacts since the postponement of the elections in September, an election announcement now would dim any prospects for negotiations.

SECTION 2 (EASTERN)

2. INDONESIA. Prime Minister confident that Parliament will ratify Japanese treaty: A Cabinet minister told US Ambassador Cochran that Prime Minister Sukiman is confident that Parliament will ratify the Japanese treaty, and that he is likely to press for an early decision. 25X1

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Comment: The National Party, upon whose vote ratification probably will depend, continues to express its opposition to the treaty. However, Ambassador to the US Ali -- a National Party member who was a member of the treaty delegation and who favors ratification -- has not yet returned to Indonesia. Prime Minister Sukiman may expect him to swing his party's vote.

Press comment on the treaty has decreased considerably.

3. CHINA. Nationalist Government attempts to protect itself from charges of misappropriation of US aid funds: The charges of misappropriation of US aid funds to Nationalist China, made by the Chinese Air Force General, Mao Pang-chu (P. T. Mow), in late August, have led to a recommendation by the Nationalist Government that a Sino-American committee be established in Washington to investigate. H. S. Shih will be invited to act as convener, with T. S. Tsiang, Hollington Tong and Lee Wei-kuo as the Chinese representatives. American members to be invited will be Owen Roberts, Roscoe Pound, and Frank McCoy or Charles Edison.

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Meanwhile, according to the US Embassy, reports are reaching Taipei that General Mao is "preparing for a getaway and already has a representative in South America making arrangements." The Chinese Government is most anxious to have the US Government prevent Mao's departure at least until the suggested investigation is completed. [redacted] 25X1

Comment: The willingness of the Nationalist Government to participate in a Sino-American investigation of the charges suggests a degree of assuredness not previously shown in this matter. H. S. Shih, reported convener of the Committee, has not been identified.

4. JAPAN. Communist leaders released from arrest: Six of the eight top-echelon Communist leaders who were arrested on 4 and 5 September have been released for lack of evidence. The US Political Adviser in Tokyo reports that the government decided on the release because the testimony of the key witness was deemed hearsay and inadmissible in court, and it feared repercussions from losing the case in court. All eight remain purged, however, and prohibited from engaging in political activity. [redacted] 25X1

Comment: The arrest order, which was based on Cabinet Order #325 prohibiting acts inimical to the Occupation, was directed at 18 Communists, ten of whom successfully evaded the police. A leak on the raid probably enabled the Communists to dispose of the evidence needed by the Attorney-General's Office to bring a conviction under this order, but they can now be re-arrested for any future violation of SCAP's purge directive.

5. Chinese Nationalists formally propose early bilateral treaty with Japan: The Nationalist Government has formally advised the US that the Republic of China desires to conclude a bilateral treaty of peace with Japan on substantially the same terms as are provided in the multilateral treaty signed at San Francisco. In its note to the US Minister in Taipei dated 26 September, the Chinese Government indicated that it desired to sign the treaty as soon as possible prior to the coming into force of the multilateral treaty, and agreed to accept a formula which would limit the scope of the treaty to territory which is now, or may hereafter be, under its control.

The US Minister comments that the Chinese Government is convinced that the Japanese will postpone the treaty indefinitely unless the US exerts effectively its good offices, and in order to avoid hopeless negotiations with the Japanese over the territorial scope of the treaty, it desires prior agreement on this question with the US. [redacted] 25X1

Comment: The US has construed its pre-treaty agreement with the UK to prevent the US from encouraging a treaty between Japan and Nationalist China

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which would bind all the Chinese people but not one which would be limited to Formosa while the Occupation lasts. Although the US has pointed out the unfavorable aspects of accepting an early treaty which would be limited in scope, the Chinese apparently intend to press for an immediate treaty with the assistance of the US -- an action which is certain to arouse criticism in the UK and in other nations recognizing Communist China.

SECTION 3 (WESTERN)

6. SPAIN. Anarchist labor union expresses resentment toward US: The anarchist Confederacion Nacional del Trabajo has bitterly attacked present US policy toward Spain for dealing with Franco, who is described as the oppressor of the Spanish people. In a clandestine document endorsed by the opposition Comite Interior de Coordinacion and delivered to the US Embassy in Madrid, the organization states that anti-Communist Spaniards will participate in a war effort only as free men; the document says in part, "We place the US and its military on notice that anti-Fascist Spain seeks a place in the honorable group of those defending liberty and civilization but not with Franco leading us; if you persist in your wild scheme to buy our dictator we shall consider you enemies of Spain."

The embassy comments that, while this document again repeats the warnings issued frequently since January by the non-Communist opposition, the bitterness and resentment expressed toward the US is much more violent than heretofore. It regards the opposition's capabilities to carry out its threats of sabotage and disorder as "limited." [redacted] 25X1

25X1 Comment: The violently anti-Communist Confederacion Nacional del Trabajo had a membership of 1.3 million in 1936. The non-Communist opposition also warned recently that the Spanish people may turn to Communism out of desperation [redacted] The extent to which the US will share the widespread ill-will against the Franco regime will be affected in large measure by the degree to which US aid and influence is able to improve the economic conditions and to increase the political freedoms of the Spanish people.

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