

TOP SECRET

10 October 1951

CIA No. 49385

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.

TOP SECRET

TOP SECRET

SECTION 1 (SOVIET)

1. USSR. Austrian personnel in Soviet Occupation Forces dismissed: The dismissal of indigenous personnel employed as servants at Soviet installations in Austria continues. The vacancies are being filled by an unknown number of Russian women who recently arrived from the USSR. Several local rumors predict that the Soviet Occupation Force will dismiss all non-Communists employed in military installations, but there has been no indication that large-scale dismissals are intended.

A field comment notes that a small-scale arrival of Russian char women has been in progress for several months in Austria, primarily for use in officer clubs and messes. Indigenous personnel continue working in Soviet Ordnance camps and warehouses. [REDACTED]

25X1

Comment: Apparently, as a security measure, the same type of replacement has taken place in the Soviet Occupation Forces of East Germany. The German dismissals have been on a larger scale and have included a broader category of personnel at military installations. It may be assumed that a similar development is in progress in Austria.

2. INTERNATIONAL COMMUNISM. Communists again advocate modified neutralism: Pravda, on 3 October published an article by Pierre Cot, editor of the World Peace Council magazine In the Defense of Peace which the US Moscow Embassy feels is one of the most important of such statements in some time. After painting a dark picture of the worsening conditions between the two camps into which the world has become divided, Cot called attention to the many differences existing among nations in the "war camp" West.

He alleged Western governments faced adverse public opinion in their own countries due to uneasiness about Korea and fear of US domination of world trade. He urged the World Peace Council and national peace committees to use these conflicts by whatever method suited their particular country in order to impede agreement in the West. He stated that, while the WPC cannot recommend the passive forms of neutralism or religious pacifism which the fight against war takes on in some countries, it can still act jointly with the local peace committees if a foreign policy based on neutralism could rupture the war coalition and "return the UN to its original role." [REDACTED]

25X1

Comment: The Communists alternate between condemning neutralism and advocating it as a disruptive device under certain conditions.

TOP SECRET

TOP SECRET

3. World Federation of Trade Unions Conference: The East Berlin conference of the Communist World Federation of Trade Unions, 13 - 21 November, is expected to present an important decision which will strengthen the unity and action of the group according to the East German labor federation's newspaper, Tribulene. Main subjects to be discussed concern results of capitalist war preparations, deterioration of workers' living standards, and colonial problems. [redacted]

25X1

Comment: This will be the first general meeting of the WFTU since its Second World Congress in 1949 at Milan. During this interval WFTU strength in the West has been weakened by the withdrawal of many unions. The East German labor union announced that representatives from 64 countries will "make vital decisions upon the preservation and consolidation of peace" - an indication that Germany's participation in Western defense will receive special attention.

4. CZECHOSLOVAKIA. New propaganda angle on Oatis: The Prague radio is now alleging that the US is exploiting the Oatis case "for an even sharper campaign against Czechoslovakia." A recent broadcast stated that Secretary Acheson had told both American and West European press correspondents to "blow up the Oatis case in every possible way until the General Assembly opens in Paris on 6 November." This reportedly is part of the US propaganda campaign against the possible candidacy of Czechoslovakia as a non-permanent member of the UN Security Council. [redacted]

25X1

5. Two policemen murdered: The US Army Attache in Prague has received information about the murder of two uniformed police (SNB) in a city near Prague on 1 October. The attache's [redacted] also quoted a Czech [redacted] on stating that the commander of the troops in that city knew nothing of what was going on in the present day army, that organization, training and future planning is "in chaos at all levels," and that Minister of National Defense Cepicka is despised at all levels. [redacted]

25X1

25X1

25X1

Comment: No confirmatory information is available for the above report. Moreover, other evidence would indicate that this situation is not general throughout the Czech army.

6. Intelligence interest in Belgium shown: According to [redacted] a representative of the Czech Government in Belgium has expressed an interest in detailed surveillance of the port of Antwerp, deliveries of war materials to Belgium, France, Germany and Yugoslavia, the construction of a new oil storage tank, the construction status of a new General Motors factory, and a map of navigable rivers and canals of the Benelux area. [redacted]

25X1

25X1

25X1A

TOP SECRET

TOP SECRET

Comment: Since 1949 reports from Brussels have indicated the Czech Legation's interest in procuring military and economic information on Belgium through questionnaires distributed to selected Czech nationals resident in the country. In August [redacted] reported that between 1948 and 1951 there had been uncovered certain continuing manifestations of Czech interest in the Rhine Valley, including detailed questionnaires on specific information and maps of bridges, banks, industry, communications, US bridge exercises, etc. A 1951 questionnaire was particularly noteworthy for its clearly offensive nature since it sought information on which sectors of the Rhine could be inundated, easily defensible bridges, possibilities of bivouac, docking facilities, etc. The [redacted] pointed out that among the Satellites, the Czechs alone had shown curiosity of this sort. No indications of Soviet offensive intentions have been uncovered through their questionnaire in which political and economic matters predominate.

25X1

25X1C

7. HUNGARY. Slavs utilized in anti-Tito propaganda: At the recent celebration of International Peace Day in Budapest, one of the principal events was a speech by a South Slav peasant comparing the happy life of the Hungarian Slav minority with deplorable conditions in Yugoslavia. In the name of the South Slavs he sent a message to the Yugoslav "brothers" to "fight against Tito." The US Legation in Budapest reported that increasing use is being made of the Hungarian South Slavs to carry on anti-Tito propaganda. [redacted]

25X1

Comment: South Slavs have not been used in recent months to carry on the verbal battle against Tito.

8. Hog surrender period extended till Spring: A 5 October decree of the Ministry of Food extends till spring the period for kulaks to surrender their hogs. The US Legation in Budapest points out that, besides revealing that governmental hog collections by the 30 September deadline were insufficient, the decree indicates that the government is not yet ready to liquidate the kulaks. It could have confiscated such property instead of extending the surrender period. [redacted]

25X1

25X1

Comment: There have been numerous indications since the end of the harvest that an intensive campaign is underway to increase the number of cooperatives. It does not appear, however, that the government is prepared to undertake full scale collectivization this fall.

9. YUGOSLAVIA: Tito describes Cominform espionage activity. Speaking at Zagreb before a Congress of Yugoslav trade union workers, Marshal Tito

TOP SECRET

TOP SECRET

charged that the Cominform has employed 1,932 Yugoslav citizens and 7,930 "White Guards" for espionage purposes. The Premier alleged that the Soviets had founded a network of 98 spy centers in the Cominform countries (including 35 in the USSR and 12 in Czechoslovakia) whose function was to send "diversionists hourly across the borders into Yugoslavia." Although he claimed that Bulgaria has employed more agents than any of the other satellites, Tito stressed the point that Dimitrov had refused to engage Yugoslavs as agents prior to the Cominform resolution. [REDACTED]

25X1

Comment: Minister of Interior Rankovic stated in June that since the Cominform break in 1948, 8,403 Cominformists had been arrested. Tito's figure of 98 spy centers in the Cominform countries represents a considerably larger number than previously estimated. Early this year the Yugoslav radio stated that over 20 "centers for sabotage" were located in the Satellite countries on Yugoslavia's periphery. While over 90 Cominform subversive camps have been reported to exist in the neighboring satellites, fairly reliable information is held on less than 20 of them.

10. Recent Yugoslav deportees to Bulgaria may have been Cominformists: Ambassador Allen believes that a large number of the recent Yugoslav deportees to Bulgaria, among whom were several dentists, engineers, and professors, may have had Cominform connections. One of the deportees was a former MVD officer in Germany and Poland who had remained in Yugoslavia following the Cominform break by playing down his Cominform connections. Another was his wife who formerly was the secretary of Major General Pero Popivoda, a former Yugoslav Communist Party member and now the leader of the Yugoslav Cominformists in Rumania. The Ambassador cites as additional evidence the manner in which the group was received in Bulgaria and the lack of subsequent Bulgarian publicity. The Ambassador hopes to verify a rumor circulating among White Russians in Belgrade that the UDB chief in Belgrade has been arrested for his responsibility in deporting the group to Bulgaria. [REDACTED]

25X1

Comment: Although there is little doubt that some of the deportees were not Cominformists, the circumstances surrounding the incident, including the apparent fore-knowledge and cooperation of Bulgarian authorities, suggest that the group may have been deported to Bulgaria in exchange for Yugoslav citizens.

TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

- 25X1
1. IRAN. Iranian Prime Minister desires to avoid Security Council consideration of oil dispute: Prime Minister Mossadeq prefers to settle the British-Iranian oil dispute by prior negotiations and to avoid Security Council action. Mossadeq expressed this sentiment in an interview with Assistant Secretary of State McGhee and US United Nations delegates, and added that the strong statement which he must make in the Security Council would preclude successful negotiations. Therefore he suggested a delay of six days during which an agreement could be sought. [redacted]
- 25X1

Comment: There is no reason to assume that Mossadeq is willing to negotiate on terms more favorable to the British than those previously offered. Resumption of negotiations, however, might avoid the dilemma of an Iranian refusal to comply with a UN recommendation. The USSR would similarly not be given the opportunity of posing in the UN as the champion of Iran.

2. BURMA. Burmese officials cool in diplomatic dealings with Chinese Communists: Prime Minister Thakin Nu refused to attend a mass rally celebrating the Chinese Communist Government's second anniversary, although he was strongly urged to do so as a "calming influence" to prevent possible "disturbances." He attended a reception at the Chinese Embassy with other high Government officials, but they all significantly left before the showing of a Communist movie.

25X1

Meanwhile, the new Burmese Ambassador to Peiping is reliably reported to have refused to present his credentials to the Chinese Vice Minister of Foreign Affairs, and to have threatened to return to Burma unless granted an audience with Mao Tse-tung. Despite the intervention of the Soviet Ambassador the Burmese diplomat remained adamant with the complete support of his Government, and the Chinese finally acceded to his desire.

Comment: In addition to these indications of a stiffening Burmese attitude towards the Chinese, Thakin Nu in a recent parliamentary speech, obviously referring to China, stated that if Burma were to be invaded it would fight the aggressor along with the "many countries which hate injustice." Nevertheless, the Burmese, by and large, still refuse to face squarely the threat of Chinese Communist intervention in their affairs. This report also tends strongly to refute information that the Burmese Ambassador intends to invite Chinese Communist troops to enter Burma to eliminate Chinese Nationalist forces.

3. BWPP spokesman outlines party program: In a press conference a leader of the Burma Workers and Peasants Party stated that his party stood for the prevention of Burma becoming a second Korea, the

TOP SECRET

25X1

Approved For Release 2002/08/21 : CIA-RDP79T01146A000400330001-2

Approved For Release 2002/08/21 : CIA-RDP79T01146A000400330001-2

TOP SECRET

expulsion of Chinese Nationalist troops, and the insurance of "full democratic rights" for the Burmese people. He added that the BWPP was prepared to cooperate with any other political organization, including the Anti-Fascist Peoples Freedom League which controls the Government. The US Embassy in Rangoon believes that this statement provides the framework for the formation of an aboveground united front dominated by the BWPP. [REDACTED]

Comment: This relatively mild statement regarding BWPP aims contrasts sharply with the greetings sent to Communist China on 1 October by the former's labor organization which denounced the "bloodthirsty and warlike reactionary Americans who are aiding the reactionary rulers of Burma in constructing military bases in Burma."

The BWPP has long been suspected of having an intention to develop an anti-Government coalition which would parallel the Burma Communist Party's strategy of establishing an underground "Peoples Democratic Front" made up of the various insurgents.

4. Karens threaten to join Communists: The US Embassy in Rangoon has received a letter from an unspecified Karen "delegation" which stated that the Karens would join the Communists unless the US and UK supplied them with arms. The Embassy believes that this incident reflects "desperation coupled with increased Communist influence" among the Karens. [REDACTED]

Comment: There is no doubt that the Karen position has become progressively more desperate. The failure of the West to do anything whatsoever in their behalf has no doubt been a keen disappointment which probably has gradually turned to resentment. Since the Karens do not expect the Burmese Government to offer a satisfactory solution to the struggle, they probably have become increasingly receptive to Communist propaganda. Wholehearted Karen-Communist collaboration would be disastrous for the relatively pro-Western Government now in power.

5. Burmese to tighten controls on tire shipments to China: High Burmese officials have stated that the Government will discontinue the issuance of import-transit licenses for tires. They indicated, however, that outstanding licenses would be honored. After reiterating the Burmese contention that the US should control the transit trade through Burma by stopping shipments at their source, these officials indicated that the cabinet was about to consider the entire problem of the shipment of tires to China. The US Embassy in Rangoon comments that the current interest in controlling the traffic in tires stems from a desire to insure the approval of US exports against recently issued licenses for the import of goods from the dollar area. [REDACTED]

TOP SECRET

10 Oct 51

TOP SECRET

- 25X1
6. BURMA/CHINA. Burmese intercede for Americans: The Burmese Ambassador to Peiping recently joined several other chiefs of mission in calling the attention of the Soviet Ambassador to the harsh treatment being accorded American citizens in China. The Russian claimed to have raised the question with the Chinese Foreign Minister who stated he "would give the matter consideration." The Burmese Ambassador also reported that the various embassies had agreed to approach the Chinese Foreign Minister individually on the matter as opportunities presented themselves. [redacted]

25X1

Comment: There is no evidence to date that any of these representations, including those of the Soviet Ambassador, have altered Peiping's policy toward US nationals..

7. MALAYA. Reaction to murder of Malaya's High Commissioner: The US Consul General in Singapore concludes that the murder of High Commissioner Gurney on 6 October will probably convince the notoriously noncommittal Chinese population of Malaya that cooperation with the British is dangerous policy.

The US representative also transmits the unofficial views of the office of the Commissioner General for Southeast Asia that the incident will arouse the British Government to a greater awareness of the serious Malayan situation, be a strong boost to bandit morale, increase dissatisfaction with security operations, and possibly call for substitution of stiffer measures.

25X1C

8. THAILAND. Verdict given in regicide case: The Thai criminal court, after more than two years, acquitted two of the three persons charged with complicity in the death of the late King and sentenced the third to death. The prisoner is reported to be preparing an appeal, in which case the matter "can drag on another few years." The US Embassy in Bangkok observes that the verdict is politically useful to the Phibun regime: it can be used to discredit Pridi, with whom the prosecution associated the defendants, and it can be held up as fulfillment of Phibun's promise to solve the case. [redacted]

25X1

9. Police grant Nationalist Chinese special favors: No overt celebration was permitted in Bangkok on 1 October in honor of the second anniversary of the Chinese Communist Government. On the other hand, Thai police officials have stated that celebrations will not be prohibited on 10 October, the Chinese Nationalist holiday. [redacted]

25X1


TOP SECRET

TOP SECRET

25X1

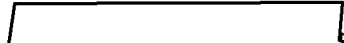

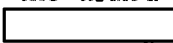
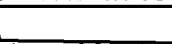
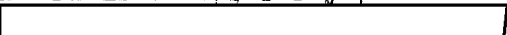


Comment: The strong and open anti-Communist position of the Phibun regime virtually precludes any compromise with Communism and requires that the regime be replaced should Thailand become oriented towards Communism.

10. INDOCHINA. French confidant in western Tonkin: The French consider that the critical phase of the battle for Nghia Lo is now over and that Viet Minh ability to mount further attacks in this area is decreasing owing to their lack of supplies. 


25X1

25X1

11. CHINA.  reports competition among Party, government, army:  Chinese Communist Party, who has provided a great deal of useful information on Party organizations and personalities, states that there is a "bureaucratic struggle" for funds and privileges among the Party, the government, and the armed forces, with the Party apparently in the "weakest position."  states that the government "has the advantage of controlling funds," while the army has the "historic advantage of having been once virtually identical with the Party and the government." The military leaders regard the government as "essentially their own creature" and have adopted a "rather independent" line with the political cadres.  observes that, although directives flow from the Politburo, Party officials have been told to act on government directives, Army directives and editorials of the Party press without waiting for explicit Party directives. 


25X1

25X1


Comment: It is believed that this account is out of date. The Party controls the government absolutely, and appears to have effective control over the armed forces. All important leaders of both the government and the armed forces are members of the Party's Central Committee. Directives on major matters 

25X1

25X1

 originate solely with the Politburo; government and army directives, and the editorials of the Party press, of course transmit the will of the Politburo and have not been observed at any time to take an independent line.

25X1

12. Chinese Communist armed forces join Sino-Soviet Friendship Association en bloc. Peiping radio states that the Chinese Communist armed forces, "numbering five million," have become "affiliated as a whole" with the Sino-Soviet Friendship Association. 

25X1

Comment: Chinese Communist field forces, military district troops, and naval and air forces are believed to total about 3,625,000 men; Peiping's figure of five million is obscure. In any case, this new member-

TOP SECRET

TOP SECRET

ship was obviously acquired by fiat, possibly in order to claim achievement of Peiping's 1951 goal of 20 million SSFA members. Peiping radio last month, while citing 16 million SSFA members, admitted that the Chinese people remain apathetic to the Association and its program. Peiping may next turn its attention to government employees, and so on to other groups, until the USSR has more official friends in China than it has citizens of its own.

13. Special Sinkiang currency abolished: The Chinese Communists have announced that beginning on 1 October 1951, Sinkiang notes will be redeemed and the regular Chinese currency will be circulated throughout the province. Uighurian language characters will be printed on the currency for Sinkiang circulation, but currency without Uighurian characters may also be circulated. The Chinese currency is to be the standard legal tender in the province, and all business transactions are to be in terms of that currency. [redacted]

25X1

Comment: One aspect of the special status of China's border areas as spheres of Soviet influence has been the special currency systems of those areas. In the past year, however, the Chinese Communists have sought to promote the economic integration of the border areas with the rest of China by currency unification. In the summer of 1950, the special Port Arthur-Dairen currency was abolished. The Manchurian and Inner Mongolian currencies were recalled in the spring of 1951. With the redemption of the Sinkiang notes, the circulation of Chinese currency will extend to all the areas bordering on the USSR.

14. KOREA. South Korean reaction to latest Communist offer to resume negotiations: Reacting to the latest Communist offer to resume negotiations at Panmunjon with an extension of the neutral zone to Munsan, ROK Foreign Minister Pyun stated that extension of the neutral zone is "fraught with dangers lethal to the UN strategic position in Korea." He argued that extending the neutral zone across the Imjin River into Munsan would give the Communists a foothold across that strategic river. Pyun asserted that "it is high time" for the Communists to be presented with an ultimatum on the conferences. [redacted]

25X1

Comment: It is generally believed that the Communist proposal to extend the neutral zone is equally unpalatable to the UN command. This official ROK statement is merely another attempt to discourage further cease-fire efforts on the part of the UN.

25X6 15.

[redacted]

TOP SECRET

25X6

Approved For Release 2002/08/21 : CIA-RDP79T01146A000400330001-2

Approved For Release 2002/08/21 : CIA-RDP79T01146A000400330001-2

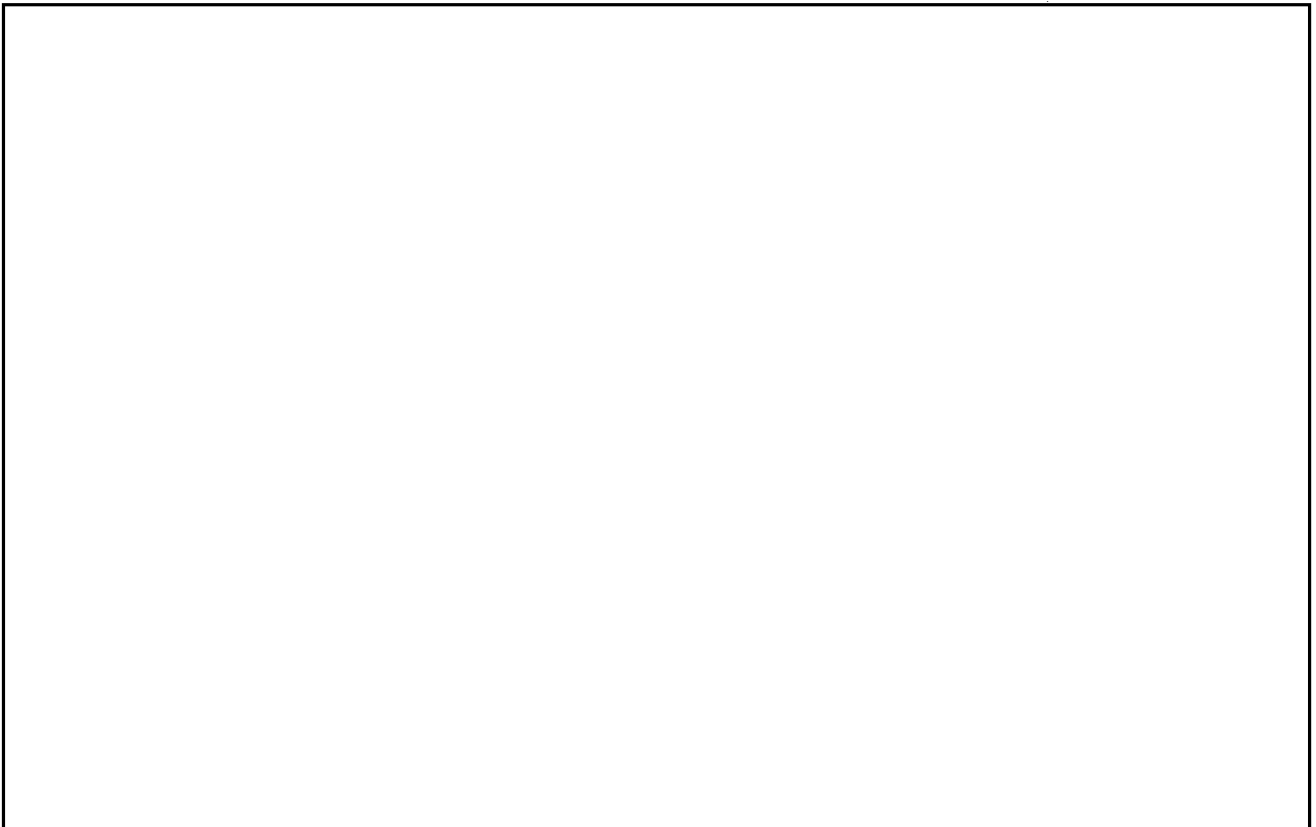
TOP SECRET

SECTION 3 (WESTERN)

- 25X1
1. GERMANY. Retail stores in East Germany cut prices: Effective 8 October, the East German Government cut prices on certain foods, textiles, and industrial wares, and removed marmalade, soap, and textiles made from cellulose from the ration list. US officials in Berlin estimate that these reductions will cause West Berliners to increase their purchases in East Berlin.

Comment: West Berliners find that they can buy more with their West marks in East Berlin. Although the West Berlin Government realizes that this practice is injurious to West Berlin's economy, efforts to control it have met with little success.

2.



25X6

3. FRANCE. Popular support of European Defense Forces cooled by East German "unity" proposals: The US Embassy in Paris reports that the East German "unity" proposals have confused the current of French opinion favorable to the European Defense Forces plan, but have not reversed it. The virtual absence of non-Communist opposition to any German military contribution

TOP SECRET

TOP SECRET

whatever is considered by the Embassy as "perhaps the most outstanding feature of public opinion development."

Should the USSR demonstrate, however, that it is prepared to make real concessions in its campaign for German "unity," French public opinion "would be very profoundly affected." [redacted]

25X1

Comment: US officials in Berlin recently warned that the East German "unity" campaign might lead France to reconsider its German policy. It is unlikely, however, that the defense plan will be abandoned by the French Government under any foreseeable international circumstances, inasmuch as this plan is an essential phase of the integration of Europe. The French are increasingly inclined to view such integration as attainable.

4. AUSTRIA. Communist pamphlet attributes atrocities to US soldiers in Korea: Vienna's Communist bookstores now offer for public consumption a lurid story of American "atrocities" in the Korean conflict. The pamphlet, prepared by the Austrian member of a 17-woman delegation sent to North Korea last May by the World Federation of Democratic Women, is entitled "An Eyewitness Account of the Modern War of Destruction." Four pages of the report are devoted to reproduction of "original" documents, reputedly convicting South Korean and American "politicians" of initiating a war of aggression against the North Koreans. The remainder of the pamphlet is devoted to an imaginative account of crimes attributed to Americans or to South Koreans acting under US orders, such as bacteriological warfare, the use of various instruments of torture, and the usual acts associated with brutal and ill-disciplined soldiery. The author is supplementing her written report on Korea with a series of lectures. [redacted]

25X1

Comment: US officials in Vienna discount the effectiveness of the pamphlet's illustrations, but indicate that the text is clever. The circulation appears to be very limited at present. The non-Communist press has ignored the publication.

Similar reports have been submitted in other countries represented by the delegation, and have been recognized as the end results for which the World Federation of Democratic Women engineered the trip to Korea.

5. Austrian press surveys consequences of prospective ERP cuts: Vienna's leading newspapers continue their gloomy analysis of the consequences of the anticipated reduction of about 70,000,000 dollars in external assistance to Austria for the coming year. Attributing Austria's economic plight to the rise in world prices following the Korean crisis, there is general agreement that further gains in living standards and the achievement of economic independence by 1952 are now precluded. Surveying the prospects

TOP SECRET

TOP SECRET

of an Austrian solution within the framework of declining foreign aid, most editorials emphasize the necessity of increased productivity, an expanded export program, and strict austerity in the matter of imports. A People's Party paper calls for all-out mobilization of the country as a prerequisite to meeting the crisis. A right-wing, independent newspaper vigorously criticizes the coalition government for creating an economic climate unfavorable to the obtaining of external credits to compensate for the diminution in foreign aid. [REDACTED]

25X1

Comment: The proposed reduction in ECA allocations has caused considerable dismay among the Austrian public. The semi-official press has suggested that US authorities were unaware of Austria's special position, and the recent invitation for a delegation from Congress to visit Austria suggests a new plea for an "understanding" of Austria's peculiar problems. Though the Austrian press is taking an uncommonly realistic view of the alternatives to foreign aid, its suggested remedies are those which ECA has been urging upon the Austrian Government for some time.

6. NETHERLANDS. Government's proposed economic controls may still labor criticism: In view of international economic developments stemming from rearmament, the Dutch Government has introduced a bill to enable it to control trade in a number of metal and chemical products, in effect a reintroduction of some of the clauses of the 1939 vital materials distribution act. The Government also plans to introduce a bill to ban hoarding and profiteering. These proposed laws would enable the Government "to keep an effective eye on prices in general," and on trade in critical raw materials in particular. [REDACTED]

25X1

Comment: Passage and enforcement of these measures may serve to quiet the criticism of labor that it is shouldering a disproportionate share of the defense burden.

7.



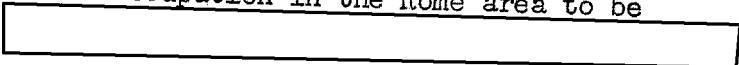
25X6

TOP SECRET

TOP SECRET

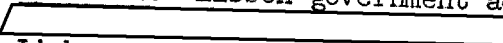
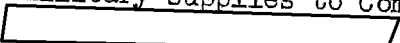
25X6

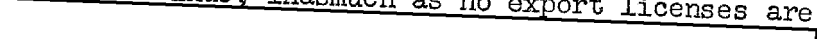


8. Communists plan strikes and land seizures this fall: Recent intense activity in the Communist Party and in Communist-dominated labor unions has stimulated rumors of nation-wide agitation and strikes to be carried out this fall. The opening of parliamentary debate on the controversial labor law will be the signal for this agitation. The Communist Youth Federation has given its support to a plan for land occupation in the Rome area to be carried out at the same time. 

25X1

Comment: The Communists obviously hope to use the issue of restrictive labor legislation, scheduled for parliamentary discussion in the near future and vigorously opposed by all labor organizations, to win the support of the anti-Communist trade unions for their strike program. Prospects for success are fairly good in regard to strikes on purely economic issues. All unions supported the 19 September strike of state employees for higher wages. However, illegal land seizures, in which the Communist Youth Federation has actively participated in Central Italy, are opposed by the anti-Communist unions.

9. PORTUGAL. Lisbon government acts to limit flow of military goods to China:  Hong Kong reports that in late September the Lisbon government instructed the Macao authorities that an embargo on the shipment of military supplies to Communist areas was to go into effect on 1 October.  on 26 September the avowedly anti-Communist Macao chief of police prevented the transfer of eight aircraft engines from a Macao warehouse for possible sale to the Chinese Communists.

Meanwhile, the head of Macao's Economic Services, P.J. Lobo, reportedly refused to announce the embargo. He maintained that export trade with China could continue, inasmuch as no export licenses are required in Macao. 

Comment: Lobo, reputedly political boss of the colony with a sizeable financial interest in Macao's smuggling activities, has opposed any attempt to regulate the China trade.

Although Portugal has not recognized the Peiping Government, it is anxious not to antagonize the Chinese Communist regime, because of possible

TOP SECRET

TOP SECRET

loss of the colony. While in general agreement with the need for an embargo, the Lisbon government has hitherto maintained that Macao, which depends on Communist China for much of its food and even its water, is an exceptional case.

10

25X6

11.

TOP SECRET

15

10 Oct 51

TOP SECRET

25X6



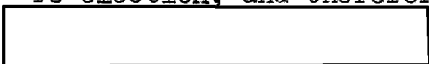
12. CENTRAL AMERICA. Comment on the Conference of Central American Foreign Ministers: At the "First Central American Conference of Foreign Ministers" which opened Monday in El Salvador, the five Central American republics will attempt to revive some of the aspects of the single state of which they were all once members. The conference was called at the initiative of El Salvador which has long coveted the role of prime mover in a Central American bloc.

Announced on the joint Central American Independence Day, 15 September, which followed by a few days a conference of Central American chambers of commerce, the conference is described by the Foreign Minister of the host country as a "preliminary exchange of impressions on the best means of achieving joint action by the five republics." The agenda includes the establishment of special commissions for dealing with common problems and discussion of a charter of a Central American organization to promote group action.

The conference comes on the crest of an unprecedented wave of confraternity among the widely divergent countries. In recent years there has even been considerable hostility among certain of the republics over the issue of the Caribbean Legion and its plots. Although the current spirit of goodwill seems genuine enough at the moment, and has been given some substance by the recent exchange of ambassadors between the ideologically opposed governments of Guatemala and Nicaragua, it is likely that the more grandiose of the conference's aims will eventually meet the fate of other previous attempts at unification -- namely: falling afoul of shifting governments and underlying mistrusts.

13. ARGENTINA. Peron asks leave of absence until after the elections: President Peron has called a special session of Congress to meet on 11 October to consider his request for a leave of absence until after the 11 November elections, according to an official broadcast. It was stated that Peron did not want it to be said that his presence had influenced the elections. The broadcast was Peron's first official acceptance of the Peronista nomination for re-election.

No possible successor was mentioned, although Vice-President Hortensio Quijano, who is ill, and Rear Admiral Teisaire, President pro tempore of the Senate, are next in line. However, they, too, are candidates for re-election, and therefore could decline with the same explanation.



TOP SECRET

25X1

TOP SECRET

Comment: Peron's request for leave may represent a compromise with the armed forces, who reportedly had demanded Peron's resignation and had planned to replace the Peron-Quijano slate with Colonel (retired) Domingo Mercante and ex-Foreign Minister Bramuglia (see OCI Daily Digest, 8 Oct 51). It is not clear whether Peron, in officially announcing his candidacy, was also speaking for Quijano. If he was not, there is the possibility of a further compromise in that Mercante may yet replace the ailing Dr. Quijano.

TOP SECRET

Approved For Release 2002/08/21 : CIA-RDP79T01146A000400330001-2

25X1

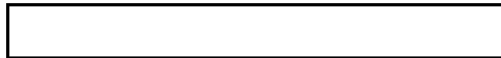
Approved For Release 2002/08/21 : CIA-RDP79T01146A000400330001-2

TOP SECRET

10 October 1951

CIA No. 49385-A
Copy No.

49



25X1

TO THE DAILY DIGEST



25X1

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.

TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

1. INDONESIA. Foreign Minister will recommend against triangular arrangements with India and Burma: Foreign Minister Subardjo told US Ambassador Cochran that Indonesia had received no invitation to participate in scheduled India-Burma talks in New Delhi. He further stated that the time has come for Indonesia to determine friendships on a political rather than a sentimental basis. Subardjo told Cochran that he would recommend to his government that it not enter into triangular conferences with India and Burma, but instead strive toward good relations with all of Asia. [REDACTED]

25X1

25X1

Comment: Prior to the San Francisco conference, there was some discussion of India-Burma-Indonesia consultation in Djakarta. These talks, however, did not materialize. Recent press reports in both India and Indonesia have mentioned Indonesia's inclusion in India-Burma talks scheduled for 21 October.

The Indonesian Government has received considerable criticism, particularly from Socialist Party members, for not pursuing closer relations with Burma and India.

SECTION 3 (WESTERN)

2. ITALY. Italy seeks semblance of equality for small powers on temporary NATO committee: The US Embassy in Rome "trusts that the Department of State will firmly oppose the French demand that the US, UK and France openly dominate the temporary NATO committee," and points out that "neither the French nor the British are inclined to spare the susceptibilities of Italy and other smaller countries on vital issues."

The Embassy adds that Communists in Italy would take full advantage of the opportunity to point out the lack of equality in NATO and charge that Italy is being exploited in the interests of the larger powers. It believes that the benefits resulting from De Gasperi's trip to the US could quickly be lost through such a development. [REDACTED]

25X1

Comment: Although the Italians have long been resentful of what seemed to them an inadequate participation in the policy decisions of the NATO councils, it is doubtful that any predominance of the Big Three in the temporary NATO committee would arouse Italian public opinion to a serious degree.

TOP SECRET

10 Oct 51