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30 October 1951

CIA No. 49412

Copy No. 143

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review
completed

DIA and PACOM review(s)
completed.

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SECTION 1 (SOVIET)

2. CZECHOSLOVAKIA. Visit of East German delegation results in trade talks:
During a visit of a high level East German delegation to Prague, President Pieck declared that preliminary talks for a long term trade agreement between Czechoslovakia and the German Democratic Republic are in progress. He noted that economic needs of the two countries will be "harmonized."

In speeches during the recent visit, both sides stressed: (1) the inviolability of Czechoslovak borders and the finality of the transfer of ethnic Germans; (2) closer relations of the GDR with the Orbit; and (3) the new Orbit-GDR friendship as opposed to the ties of West Germany to the West.

Comment: This is the first indication of plans to establish a long-term GDR-Czech trade agreement. Such an agreement would rationalize trade relationships between two highly industrialized Orbit countries, thereby placing the critical Orbit heavy industry sector on a more strictly planned basis.

The purpose of the propaganda theme is apparently to assuage traditional Czech fear of German irredentism and to stress GDR-Orbit integration. In view of traditional Czech hostility toward Germany, it is unlikely that the propaganda will be successful.

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3. CZECHOSLOVAKIA. Military cadre difficulties: Czech Minister of Defense Cepicka in a recent speech singled out misunderstandings between old and new army officers as one of the difficulties in the present army. Addressing a group of senior officers, he declared that many of the new officers were incorrect in assuming that only members of the working class could be officers. The question of old and new officers is to be settled through "screening" and the principle to be applied is "trust, but constantly screen."

Comment: Cepicka's statements seem to indicate a cleavage in the officer ranks and a desire to halt impairment of military efficiency by the too rapid dismissal of competent pro-Communist officers. A scarcity of trained officers has plagued the Czech Army since the 1948 coup as a result of intermittent transfers, arrests, and dismissals. Cepicka, last summer, pointed out the necessity of creating a favorable atmosphere for the Czech officer corps.

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4. State Department renews attempts to free Oatis: The State Department is preparing a new approach to the Czechoslovak Foreign Office in regard to the release of William Oatis. The release, based on an exchange of prisoners, would be considered by the US as a first step toward improving relations with Czechoslovakia. The State Department urges that the discussions be kept secret.

Comment: In a press interview in Washington on 25 September Ambassador Prochazka stated that a calmer atmosphere was necessary before negotiations for Oatis' release could profitably be discussed, and that a reduction in economic pressure might assist in clearing the atmosphere. The Czech daily Rude Pravo reported the interview in detail but commented that it was the business of a party other than the Ambassador to seek terms for Oatis' release. Economic sanctions recently imposed by the US have not yet compelled the Czechs to take the initiative in negotiations.

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5. HUNGARY/AUSTRIA. Soviet planes from Austrian field believed in Hungary: Forty-three Soviet Air Force PE-2 light bombers, in addition to 68 Soviet MIG-15's previously reported, were observed on 25 October on Tokol airfield near Budapest by the US Air Attache in Hungary. The Attache reported that this was the largest number of aircraft yet observed at this airfield. The Attache assumed that the light bombers were the ones which had previously been located at an Austrian airfield, possibly Parndorf, since observation on 18 October revealed that no aircraft, personnel or equipment remained there.

Comment: Previous reports stated that since early October Soviet fighter aircraft and Air Force personnel had departed from six East German

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airfields, and may have left Germany. There were also reports from Austria that Soviet light bomber units, normally stationed at three fields there, were moving eastward by rail.

6. YUGOSLAVIA. Zagreb Peace Congress adopts Yugoslav-inspired resolutions:
The final session of the Zagreb Peace Congress adopted a number of resolutions designed to achieve world peace. These resolutions are based upon the following general recommendations:

- (1) respect for the sovereign right and equality of all states;
- (2) condemnation of aggressive acts and pressures;
- (3) recognition of the right of self-determination for all colonial peoples;
- (4) a perfecting of the UN to make it a more effective means (including collective security) for the attainment of world peace; and
- (5) recognition of the right of some nations to pursue an independent foreign policy rather than join a "power bloc."

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Comment: Despite Yugoslav pronouncements that the Congress was a "major success," the consensus among more objective observers is that the performance fell far short of expectations. This was due in large part to the conspicuous absence of distinguished Western personalities.

The Yugoslavs, however, had no difficulty in dominating the Conference; although the "neutralists" were quite articulate, they failed to win the day. Consequently, the prevailing theme involved a condemnation of Soviet duplicity and the need for a recognition of the principle of collective security or some other workable means designed to achieve peace. The majority refused to adopt a thesis which would have amounted to a "plague on both houses."

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SECTION 2 (EASTERN)

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2. AFGHANISTAN. Petroleum imports from Iran must await storage facilities:
The chief of the Afghan petroleum monopoly has stated, in connection with the recent oil agreement between Afghanistan and Iran, that it will be impossible to import petroleum from Iran until suitable storage facilities are available at Islam Kala on the Afghan border. It is planned to order most of the necessary storage tanks from the US.

25X1 The US Embassy in Kabul comments that it will probably take nine months for the tanks to reach Afghanistan, even if US export licenses can be obtained, and confirms its previously expressed opinion that considerable time must elapse before oil shipments from Iran can begin. [redacted] 25X1

3. INDIA. Ambassador Panikkar allegedly is disillusioned with Communist China:
25X1 Since Indian Ambassador Panikkar returned home from Communist China in mid-October, [redacted] have once more mentioned an old rumor that he is completely disillusioned with the Peiping regime and loath to go back to China. [redacted] 25X1

Comment: On the other hand, in a public speech before the Indian Press Association Panikkar took pains to portray the government of Communist China in a favorable light. Panikkar, who is suspected of pro-

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Communist leanings, is either not as disillusioned as claimed or is under pressure from the Government of India to describe Communist China in friendly terms.

- 25X1 4. Electioneering by radio is denied to all political parties: Facilities of the government-operated All-India Radio will be denied to all political parties for electioneering purposes, according to a Government of India announcement. Private radio stations are not permitted in India. [redacted]

Comment: The Congress-dominated government apparently does not intend to use the radio directly to further the ends of the Congress Party in the current national political campaign. It may have banned all political broadcasting in order to avoid requests for radio time from a host of minor political parties and groups.

- 25X1 5. BURMA. Government manipulates elections: The candidacies in the forthcoming elections of two opponents of the Minister of Communications, who is a Karen supporter of the Anti-Fascist Peoples Freedom League, have been declared illegal by the Burmese Government. The US Embassy in Rangoon comments that the government is making certain the election of key personnel. Moreover, if the government allowed opposition for this particular seat in Parliament, it would risk a complete airing of the unpopular law recently enacted by Parliament governing the establishment of a Karen state. [redacted]

6. Reduction in illegal trade with China reported: The US Embassy in Rangoon has been informed by three sources, including Commander in Chief Ne Win, that illegal trade with China had been substantially reduced during recent weeks. The sources attribute this development to a depreciation in Chinese currency and stiffer Burmese Government controls. The Embassy believes that a decline in smuggling can be traced to a significantly smaller demand for tires. [redacted]

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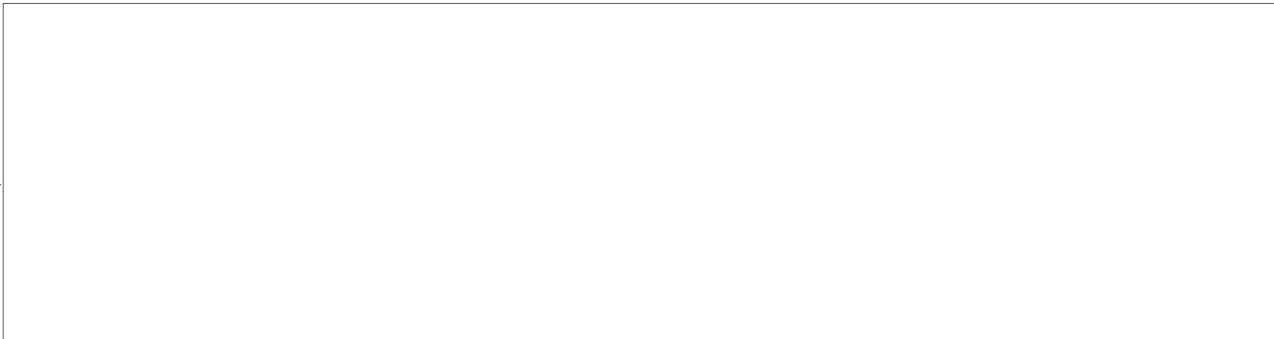
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8. Instability of government described: [redacted]

[redacted] the 1947 coup party is making a strenuous effort to gain control of Parliament in the next elections in order to seize direct control of the civil administration. Heretofore it has been satisfied merely to influence the administration through its wealth and military strength. The source predicted that Phibun would resign before becoming a puppet, and he professed "unbounded" confidence in Phibun's ability to "come out on top." The US Embassy in Bangkok states that this information "illustrates dramatically" the instability of the situation in Thailand, and concludes that Phibun will either have to reassert power over the 1947 clique by collaborating with those opposed to it or will have to rely upon it completely for support. [redacted]

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Comment: The view that Phibun is a prisoner of the 1947 coup party and has to "reassert" control over it is not supported by firm evidence. Moreover, it is not in the nature of the type of government which rules Thailand to sacrifice military support in the interest of gaining political popularity with opposition parties. Phibun's success is largely attributable to his ability to maintain a balance among his supporters, many of whom are antagonistic to one another, and there are no indications that he has lost that ability.

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10. INDONESIA. USSR suggests barter agreement at ECAFE conference: The Belgian Minister to Indonesia, who attended the ECAFE conference at Singapore, told a US official that the Soviet delegate's opening speech proposed in general terms to barter finished products for raw materials with any Southeast Asian country.

A 22 October press despatch quoted the Indonesian delegate, Kosasih, as stating that at a luncheon given by the Russians for the Indonesians, the former explained their proposal and gave the Indonesian delegate a complete list of goods the Russians were prepared to deliver. Another press despatch, also of 22 October, quoted Kosasih as stating that if the proposal is not just a "propaganda stunt" and if it is "really possible" for Indonesia to barter its raw materials for Soviet capital goods, a barter agreement with Russia would be advantageous to Indonesia.

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The Netherlands Trade Commissioner, also present at the conference, said that the Russians had gone out of their way to entertain each delegation separately.

Comment: It is highly likely that the Russians made specific trade proposals to each of the Southeast Asian delegations. The USSR is believed also to have proposed to Indonesia a currency agreement and a special offer of hydroelectric equipment.

11. August arrests totaled 15,000: Prime Minister Sukiman told Parliament on 29 October that the discovery of a "gigantic plot" against the lives of Indonesia's top officials last August had resulted in the arrest of 15,000 persons.

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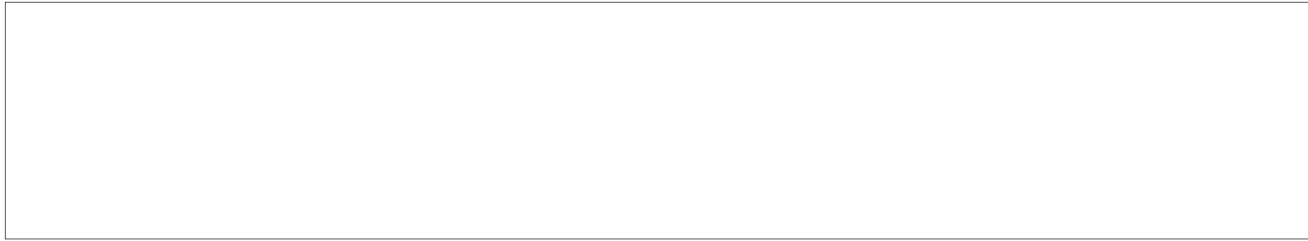
Comment: The number of persons arrested will undoubtedly come as a surprise to many Parliament members. Previous estimates and cautious government statements varied from 1,000 to 3,000.


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13. Chinese Communists maintain high level of activity in South Vietnam: The poor showing of local Chinese Communists during recent propaganda battles with Kuomintang supporters has not resulted in any reduction in clandestine Communist activity. Legation sources report continued efforts to persuade local Chinese merchants to contribute to funds earmarked for the purchase of arms for the Viet Minh or Chinese Communists. The president of the Chinese Chamber of Commerce is reputedly arranging the large-scale procurement of war materials for Viet Minh forces in South Vietnam at a personal profit of about 100 percent. 


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Comment: The payment of protection money to the Chinese Communist or Viet Minh authorities is a common practice among Chinese merchants in Indochina. The involvement of the president of the Chinese Chamber of Commerce in military contraband is possible but unconfirmed.

14. French staff doubts immediate Chinese invasion: French intelligence in Indochina estimates that immediate Chinese Communist invasion is unlikely but that it is possible several months from now. The French point to the decreased efficiency of potential invasion units as a result of Korea replacement demands, the lack of a stockpiling program near the frontier, and the tardy work on the frontier lines of communication network as obstacles to an immediate invasion. 

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Comment: This estimate places more than usual emphasis on the material obstacles to a Chinese Communist invasion.

15. French expect no heavy Viet Minh attack soon: The French do not expect a Viet Minh attack of any consequence "much before the end of November," according to the Assistant US Military Attache. 

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16. CHINA. Singapore trying to stop illegal oil shipments to China: Earlier this year the Singapore exports controller approved the export to Bangkok of some 1,500 drums of lubricants which were transshipped from Bangkok to Macao in late August and September. The US Consul General in Singapore

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states that the local government has shown great concern over this incident and that controls over petroleum exports from both Singapore and the Federation of Malaya have since been tightened. [redacted]

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Comment: In addition to these shipments, undoubtedly destined for the Communist mainland, vessels have offloaded at Macao excess bunker fuel and diesel oil obtained at Singapore and Bangkok. The US Consul General at Hong Kong recommends that British and American oil companies deny fuel to vessels which have engaged in this practice.

Recent investigations have shown that the quantity of oil products smuggled through Macao to the Chinese Communists has been high (11,000 drums a month, [redacted])

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17. KOREA. Communist tactics to gain control of Korean air situation forecast: The Far East Command believes, in view of enemy airfield construction activity and the continued high level of combat interceptor sorties, that logical steps for the enemy to take in exploiting his expanding air capabilities are:

(1) Increased air efforts over the Sinanju area to achieve air superiority in northwestern Korea;

(2) Utilization of this superiority to cover flights from newly-constructed fields in that area;

(3) Basing of jets at these fields to ensure maintenance of local air superiority;

(4) Expansion of the area of Communist air superiority further southwards once jet strength on Korean fields has been increased;

(5) Movement of conventional fighters and ground attack and light bombers to these secured Korean airfields;

(6) A challenge to UN air superiority over the immediate battle area and initiation of air to ground strikes against UN ground forces and installations. [redacted]

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18. JAPAN. Liberal Party opposes recommendations of SCAP adviser: According to Japanese press sources, the Liberal Party will proceed with its policies for decontrol of staple foodstuffs and reduced taxes despite opposition expressed by SCAP's recently arrived financial adviser, Joseph Dodge. [redacted]

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SECTION 3 (WESTERN)

1. GERMANY. East German Government delegation visits Praha: Wilhelm Pieck, President of the German Democratic Republic, paid an official visit to Praha on 23 to 26 October. Pieck was accompanied by several lesser Republic officials, including Foreign Minister Dertinger and Deputy Prime Minister Otto Nuschke. The visit entailed a series of official calls and social engagements, and on 24 October Pieck addressed a rally of the Czech National Front alluding to the peaceful development of the German Democratic Republic as opposed to the revival of militarism in West Germany. Insofar as the visit was designed to create goodwill, it failed. The elaborate VIP treatment accorded the Germans irritated the populace, which was reminded of the suffering and humiliation of the "protectorate." [redacted]

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Comment: It is probable that one of the main purposes of the trip was to conduct preliminary talks for a long-term trade agreement (see article in Section 1, Czechoslovakia).

2. FRANCE. French exports and imports reported declining: The Paris press has recently discussed the reasons for the current decline in French exports, and predicts a decline in imports due to the devaluation scare. French exporters cite protectionist barriers set up by "certain countries" and a shortage of equipment in the export industries as factors contributing to their difficulties, which have been greatest in the glove, cotton, and shoe industries and in the fashion houses.

Importers, fearful of an impending currency devaluation, may begin curtailing their orders so as not to be caught with insufficient foreign exchange for financing future shipments. [redacted]

Comment: Mounting inflation has tended to price French exports out of the reach of foreign customers, and the dwindling of these markets has already resulted in an adverse balance of trade. As imports are slashed, these trade payments will approach equilibrium. Declining imports, however, will impair defense production and contribute to inflationary pressures.

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3. FRANCE-VIETNAM. De Lattre unsure of continued parliamentary support for Indochina policy: General de Lattre has warned the US Minister in Saigon of a "grave danger" that the French Parliament would decide to terminate France's military effort in Indochina if "political and social reforms" were not begun at once. De Lattre claims that in view of the war's unpopularity in France he will, within a few months, need all his personal influence in order to obtain support for its continuance.

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The General intends to urge Bao Dai to carry out social reforms, particularly concerning public health and land, and plans within two or three months to seek the appointment of regional assemblies. [REDACTED]

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[REDACTED]

Comment: French political leaders have been warning US officials for some time that France cannot fulfill its commitments in both Europe and Indochina without substantial additional US aid. There are no indications, however, that a majority of the French Parliament is actually considering termination of France's role in Indochina.

4. AUSTRIA. Government expects favorable action on German Danube-navigation permits; Representatives of two German transport firms, in conjunction with the Danube Steamship Company, have applied to Soviet authorities in Vienna for navigation permits for six German craft to assist in the shipping of 20,000 tons of fuel oil from Vienna to Regensburg. The Austrian firm, which lacks sufficient tank barges to carry out its delivery contract, proposes to use the German vessels in addition to its own.

The Austrian Government believes that the Soviet authorities may give favorable consideration to the request for permits; if they do, this will be the first postwar German participation in Danube shipping below the US Zone. German authorities hope that Soviet approval may presage the opening of the Danube to German traffic to the Balkans. [REDACTED]

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[REDACTED]

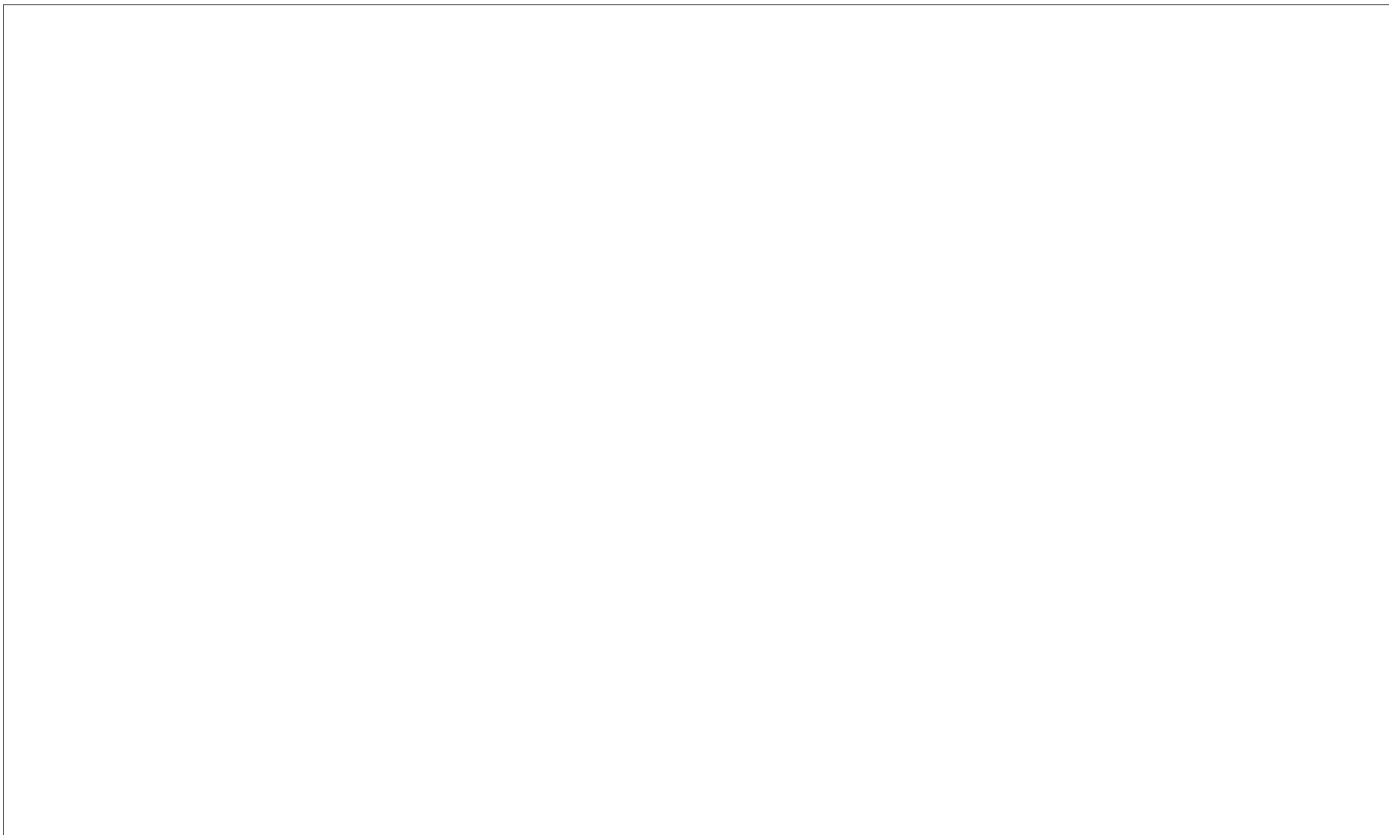
Comment: Soviet interest in disposing of surplus oil from the Zistersdorf fields may account for the kindlier attitude toward German shipping on the Danube in the Soviet Zone. However, Soviet authorities have since June permitted the movement of Yugoslav craft to and from Yugoslavia and between Vienna and Regensburg. Austrian ships operate between Vienna and Germany; but German shipping has heretofore been confined to the US sector of the river, which is approximately one hundred miles from Vienna.

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7. CANADA. Ratification of Greek-Turkish protocol awaits US Congressional action: External Affairs Minister Pearson, despite US efforts to persuade him, continues unwilling to request parliamentary ratification of the protocol for the admission of Greece and Turkey to NATO until similar action is taken by the US Congress. Because Canada was initially doubtful about the admission of these two countries, External Affairs officials believe that Parliament would be reluctant to take the lead in ratification. In addition, Pearson feels a Canadian lead would be paradoxical when the protocol involves new military commitments assumed at US insistence although Canada has only a remote interest in the defense of the Middle East and will play no part in the proposed Middle East Command.

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8. SWEDEN. Social Democratic newspaper warns against Communist propaganda: Morgontidningen, leading Social Democratic and semi-official newspaper, in a vehement anti-Communist editorial warned Swedish labor against having its love of peace exploited by the Communists in connection with the so-called "Nordic Peace Conference" scheduled to meet in Stockholm 30 November to 2 December 1951.

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Comment: Labor's sincere interest in peace and reconciliation, coupled with Sweden's foreign policy of suspicion towards "great powers," disposes at least radically-minded labor elements to Communist-initiated peace guiles. The Swedes were very disturbed over how Stockholm's name was linked to the Communist peace appeal in 1950 and feel that this besmirched their democratic reputation.

- 25X1 9. ECUADOR. Disorders are expected: The aggressiveness of Guevara Moreno's Concentration of Popular Forces in Guayaquil extends to printing "Guevara Moreno or bullets" on paper money, as part of the campaign for the 4 November municipal elections. Military and police forces in that city have been strengthened. Dissension within the CFP has probably weakened that organization; but both sides are inclined to go to extremes in the campaign, because the results of the municipal elections are expected to have a bearing on the 1952 presidential election. For this reason, further disorders are likely.

Comment:

although a revolution is always possible in Ecuador, it is likely that only small-scale disorders will occur before the elections.

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10. GUATEMALA. President of Congress to attend World Peace Council meeting: The US Embassy in Guatemala reports that Roberto Alvarado Fuentes, President of the Guatemalan Congress, has obtained congressional permission to attend the World Peace Council meeting in Vienna at the request of Council President Joliot-Curie. The press quoted Alvarado as saying that his participation in the meeting was personal, and that he did not represent either the Guatemalan Congress or any other organization.

The Embassy has informed an official of the Guatemalan Government that it will not issue a visa to Alvarado for transit through the US Zone of Austria.

Comment: Alvarado Fuentes is not at present a member of the World Peace Council; but he is one of the most prominent Guatemalan signers of the Communist-sponsored Berlin Peace Appeal, and is the leader of the pro-Communist coalition that controls Congress.

- 25X1 11. United Fruit Company waits for Arbenz reply: The press reports that officials of the United Fruit Company are still waiting for a reply from President Jacobo Arbenz to a request for a meeting to discuss questions that are expected to lead to a decision as to whether the US-owned company will continue operations in Guatemala.

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Comment:

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It is unlikely that Arbenz will risk alienating his leftist and labor support by assuming personal responsibility for an agreement affecting labor relations between the government and United Fruit Company. Such an agreement, if unsatisfactory to labor, could be interpreted as a reversion to dictatorial rule that was swept away by the revolution of 1944, which resulted in the organization of labor unions, the inauguration of a labor code, and the founding of special labor courts.

12. PERU. Police jail labor leader: Lima police jailed Arturo Sabroso for 12 hours on 19 October after he had conferred with Serafino Romualdi, the Latin American representative of the American Federation of Labor.

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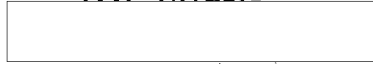
Comment: Sabroso, like most leaders of the once powerful Aprista party, has been in Peruvian jails before, during the period since Odria's accession to power in 1948. During 1951, however, he has been allowed considerable freedom. In January of this year he was permitted to go to Mexico where he was elected president of the Regional Organization of Inter-American Workers, an ICFTU affiliate. In May he was permitted to issue a May Day manifesto in the name of the old Aprista Peruvian Workers' Confederation.

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TO THE DAILY DIGEST



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SECTION 3 (WESTERN)

1. FRANCE. French adamant on own terms for US North African commitment: French Foreign Minister Schuman, in rejecting a US revision of a proposed exchange of notes between the United States and France on North Africa, emphasized that a satisfactory text could not depart from a second French redraft which he thereupon presented to Ambassador Bruce.

The French government insists that a satisfactory exchange of notes must be concluded before it will permit a military survey of Tunisia or grant military facilities in North Africa. [redacted]

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Comment: The French Government is insisting on written assurance that the US would not interfere in internal North African affairs. In the meantime, a United States military survey mission in the Mediterranean has been refused a Tunisian clearance.

Growing discord between the Arab world and the West is increasing French anxiety to obtain US approval of French policy in North Africa. If such approval is not given, France can be expected to attempt to curtail all outside influence in its North African holdings.

2. UNITED KINGDOM. British now seen ready to settle Iranian oil crisis: The US Embassy in London assumes that the Conservatives will be anxious to start off their term in office by settling the Iranian oil question. It believes that the British are now willing to agree to any reasonable settlement, possibly including the assistance of a completely non-British organization to operate the oil industry. [redacted]

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3. British reluctantly postpone Libya's independence: The British Administrator for Tripolitania has been instructed to inform the Prime Minister of the Provisional Libyan Government that although the UK is still considering early independence, the 1 November date is now impossible. British Foreign Office officials believe that independence before the General Assembly discusses the progress of Libya is desirable only if approved by UN Administrator Pelt. Both French and British officials agree that Pelt's approval could best be obtained by suggesting to the Libyans that they try removing his opposition. After that approach has had time to take effect, the US, UK, and French representatives in Libya should also try to convince him of the necessity for early independence. [redacted]

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Comment: Pelt objects to early independence on the grounds that the Libyans will not be capable of taking over their government before 1 January 1952, the date specified in the UN resolution on Libya's future. The US, UK, and France feel that an additional two months will make little difference in the Libyans' political development. They feel that it is more important to grant independence before Egypt reopens the whole question at the forthcoming General Assembly session and attempts to delay independence.

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