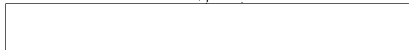


TOP SECRET



19 November 1951

CIA No. 49431

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.

RETURN TO ARCHIVES & RECORDS CENTER
IMMEDIATELY AFTER USE
JOB 79T1146A BOX 5

TOP SECRET



5-27711-2

TOP SECRET

SECTION 1 (SOVIET)

1. USSR. New Soviet Ambassador appointed to Mongolian People's Republic: On 14 November Pravda announced the appointment of G. I. Ivannikov as Soviet Ambassador to the Mongolian People's Republic. Ivannikov, former Deputy of the USSR Supreme Soviet from Turkmen SSR, will replace Y. K. Prikhodov, who was appointed in 1948. [redacted]

25X1

Comment: At this time no special significance is attached to the appointment of Ivannikov, who reportedly was last serving as Charge d'Affaires in Ulan-Bator.

2. CZECHOSLOVAKIA. Premier Zapotocky scores trade unions: In a recent speech Premier Zapotocky vigorously condemned several trends among workers which the Trade Unions had not tried to correct. He denounced a demand on the part of the workers for wage equality and declared that wages in Czechoslovakia are to be geared to the nature of the production and used as a lever to get more production from the workers.

Zapotocky scolded the trade union personnel for their "unfriendly" attitude toward "shock work" and their neglect of it. He also condemned abuse of the health insurance system, which he said had led to an increase in absenteeism. In the present production crisis, the Premier said, damage to the workers' health is not so serious as economic damages to production.

The US Embassy reported that the speech was the bitterest yet addressed to Czechoslovak workers and that the published version was considerably softened. The public reaction is said to be particularly gleeful and widespread. as Zapotocky is reputed to speak the truth even when it hurts. [redacted]

25X1

Comment: Emphasis on the overriding importance of production results from the failure to meet the third quarter plan in mining and industry. The emphasis suggests a more rigorous application of Soviet trade union methods in the future exploitation of the working class.

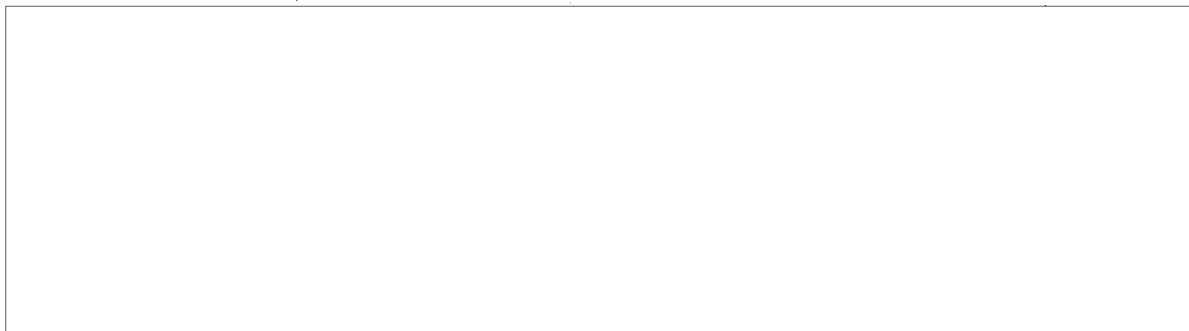
3. RUMANIA. Resumption of Yugoslav border evacuations reported: A British Zone Austrian newspaper on 1 November reported that Rumanian authorities had resumed wholesale evacuation of the Yugoslav border area. The article indicates that the Rumanian objective is the creation of

TOP SECRET

TOP SECRET

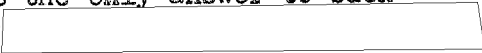
a "broad no man's land" along the entire frontier. Attributing the information to reliable sources and eyewitnesses, the account states that the Rumanian authorities have already commenced the destruction of evacuated villages and the building of field fortifications.

25X1



Comment: Although there is no other confirmation of these reports, it is probable that the Rumanian Government has resumed evacuation of unreliaables in this strategic area, although not on the scale indicated by the definitely "alarmist" Austrian newspaper account.

In June and July an estimated 20,000 to 30,000 border inhabitants were removed largely to inland farming areas. Since the inhabitants of this area number at least 600,000, it is not likely that the government would be satisfied that all undesirables had been weeded out by the earlier evacuation.

4. YUGOSLAVIA. Tito analyses the Korean armistice negotiations: In a conversation with US Ambassador Allen concerning the Korean negotiations, Marshal Tito stated that the Soviets in any negotiations arouse expectations to a point where an agreement seems imminent, then refuse to conclude it and attempt to throw the blame on the opposition for failure. Allen says that Tito regards this tactic as part of the war of nerves, the ultimate aim being to break the opposition through a succession of shock treatments designed to keep world conditions as unsettled as possible. Tito observed that the only answer to such tactics was "to refuse to yield an inch." 

25X1

25X1

Comment: While Tito is apparently convinced that no permanent settlement with the USSR is possible, he, as well as the Yugoslav delegates at the UN, has stated recently that the USSR wants a global settlement with the US on the basis of a division of the world in spheres of influence.

Although the above views may appear to be contradictory, this phenomenon is probably a reflection of continuing Yugoslav fears that

TOP SECRET

TOP SECRET

the West might possibly "make a deal" with the USSR which would leave Tito to the "not so tender mercies" of the Kremlin.

5. Yugoslav offers UN proposals to ease Balkan tensions: The Yugoslav UN resolution to ease tensions in the Balkans recommends that the governments of the USSR, Hungary, Bulgaria, Rumania, Albania, Czechoslovakia, and Poland:

1. modify their attitude towards Yugoslavia in accordance with the spirit of the UN Charter;
2. normalize their diplomatic relations with Yugoslavia; and
3. settle possible border disputes by means of mixed border-commissions.

The US delegation has been advised by the Yugoslavs that they are ready to support a proposal, if made by the US under the Yugoslav complaint, for the establishment of a UN Peace Observation Commission sub-committee for the Balkans which would sit in New York and be ready to provide observation on the request of any Balkan state.

To support its general complaints against Soviet pressures, the Yugoslavs charged that its neighbors were maintaining 25 of their 53 divisions on the Yugoslav border.

25X1

Comment: The Yugoslav indication of willingness to support this type of a POC group is in line with an earlier Yugoslav proposal that the POC should not be identified with Yugoslavia specifically but, serve as a watchdog for all the Near East including the Balkans.

Foreign Minister Kardelj's references to 25 divisions on Yugoslavia's borders is either a gross exaggeration or the introduction of a unique definition of a division. The figure is doubtless designed to bolster the Yugoslav complaint. The best US estimate indicates the presence of only 13 to 15 divisions on the Yugoslav border out of a total of 39 in Albania, Hungary, Rumania, and Bulgaria.

TOP SECRET

TOP SECRET

SECTION 2 (EASTERN)

1. GREECE. Greece suggests abolishment of UN Balkan Commission: The Greek UN representatives in Paris have told US delegates that Greece favors the abolition of the UN Balkan Commission without replacement by a new body and without the continuance of observers in the field. Greece fears that continued UN supervision of its borders implies a weakness and so jeopardizes its position in NATO. Greece, moreover, does not wish its frontier case to reappear on the General Assembly agenda, especially since there is an almost complete absence of significant frontier incidents. [REDACTED]

25X1

Comment: Abandoning its original contention that the Commission should be retained, Greece recently expressed itself as sympathetic to the US view that the Commission should be replaced by a subcommittee of the Peace Observation Committee without Soviet or Satellite members. More recently, however, Greek spokesmen have been very critical of the Observation Committee and expressed the view that the Committee was worse than no UN supervision at all.

2. Greek Queen seeks reconciliation with Papagos: The Queen of Greece, in an interview with opposition leader Field Marshal Papagos, told him that she hoped "to clear the air by frank admission of things she said against his candidacy" and that Papagos and the King would "resume their amicable relations of pristine days." Later, the Queen informed the Embassy that she hoped new elections would be unnecessary, but if they had to be held, the country could not afford to let Papagos lose. [REDACTED]

25X1

25X1

Comment: The Queen's statement is the first clear indication that the Palace is seriously considering supporting Papagos. Liberal-leader Venizelos, the number two man in the EPEK-Liberal coalition, has been optimistic recently over his chances of persuading Papagos to form a Liberal-Greek Rally electoral coalition; the Queen's pro-Papagos speech, if sincere, probably indicates the Palace's realization that new elections are inevitable and that the victory of Papagos would be preferable to that of Plastiras unassisted by the Liberals.

25X1

TOP SECRET

25X1

TOP SECRET

- [REDACTED]
4. ETHIOPIA. Revolt in Ethiopia becomes more probable: The probability of an armed insurrection against the Government of Ethiopia is gradually increasing, according to the US Army Attache in Addis Ababa. The city's population has been further alienated by a series of incidents, such as the recent destruction by municipal authorities of dilapidated houses belonging to the poor, without notice or recompense.

25X1

[REDACTED] an armed revolt is likely to occur at any time within a year. The Military Attache points out that the Ethiopian Armed Forces do not have the necessary weapons and ammunition to suppress a revolution at the present time. [REDACTED]

25X1

25X1

Comment: This is the strongest of several recent reports concerning the possibility of an armed uprising in Ethiopia. While the few Communist elements in Ethiopia would undoubtedly capitalize on and probably abet any disorders accompanying a sudden coup, an armed revolt would be directly instigated by dissatisfied tribal groups, possibly with the cooperation of army elements, rather than by any pro-Soviet group of Ethiopians.

The US Ambassador in Addis Ababa regards the situation as serious, but feels that the Emperor must be aware of what is going on and presumably is taking appropriate steps.

5. PAKISTAN. Medical delegation invited to the USSR: The Soviet Union has invited the All-Pakistan Medical Association to send a delegation of six members to the Soviet Union this year, according to a Karachi broadcast of 12 November. [REDACTED]

25X1

Comment: Until recently the Pakistani Government did not allow its nationals to travel in Communist-controlled countries. Several Pakistani Communists and fellow-travelers left Karachi on 30 October for the Vienna World Peace Council, and two Pakistanis were reported to be in Peiping participating in the 1 October celebrations.

6. INDIA. Press almost unanimously backs Soviet peace plan: The nearly unanimous opinion of the Indian press was that the new US peace plan

TOP SECRET

19 Nov 51

TOP SECRET

offered nothing new and that it was bound to fail because it was based on principles already rejected by the USSR. The press considered the Soviet counter-proposal more attractive to India because it provided that Communist China must be included in all deliberations affecting Asia. [redacted]

25X1

- 25X1 7. INDOCHINA. Vietnamese Premier hails Bao Dai's "abdication": A Saigon newspaper which closely reflects the views of Premier Tran Van Huu has editorially praised the "loftiest love of country" which underlay Bao Dai's abdication in 1945. [redacted]

Comment: Neither the French nor the Vietnamese authorities have ever clarified Bao Dai's present relationship to the throne of Vietnam. The question of his abdication in 1945--under some prodding from the Viet Minh--is ordinarily taboo as a matter for public discussion. Its resurrection at this juncture is Huu's reply to recent criticism of himself by General de Lattre. Huu is taking up the challenge posed by De Lattre's recently-expressed approval of monarchy by appealing to the strong republican sentiment in Vietnam.

- 25X1 8. New clandestine radio attacks French and Viet Minh: Calling itself "The Voice of the National Resistance Front," a new radio station apparently located in Central Vietnam inaugurated on 12 November a series of vehemently nationalistic broadcasts in the Vietnamese and Cambodian languages. The radio attacks both French "oppression" and the Viet Minh plan to "sell the country to the Russians," and calls upon compatriots to "engage in the ranks of our national army of liberation" and to prevent Vietnam's "falling under the influence of either Russia or America." US Legation Saigon is "almost certain" that these broadcasts emanate from the dissident Cao Dai faction under Colonel Trinh Minh The, but states that French monitoring officials are not entirely convinced that this is the case. [redacted]

Comment: Colonel The and 3500 troops under his command defected from the armed forces of the Cao Dai politico-religious organization in June and stationed themselves on the Cambodia-Vietnam border west of the Cao Dai headquarters at Tay Ninh. Some doubt has remained whether the central Cao Dai authorities, who had recently been given the brush-off by the French, were not accomplices to this "rebellion." In any case, it seems evident that if this radio is indeed under the command of Colonel The, then the colonel must have powerful allies in order so to expose himself to the enmity of both the French and the Viet Minh. It is perhaps significant that although French colonialism is attacked the French-sponsored Bao Dai government is not.

TOP SECRET

TOP SECRET

9. INDONESIA. Netherlands' reply on New Guinea issue termed unsatisfactory: The Indonesian Government termed "unsatisfactory" the 16 November note from the Dutch Government concerning the mention of New Guinea in the Dutch constitution. Foreign Affairs Minister Subardjo, now in Paris, has been instructed to request further information from Netherlands Foreign Minister Stikker. The Indonesian Cabinet will make no decision until Subardjo's return to Djakarta some time next week.

Two days before the receipt of the Dutch note, however, Djakarta political circles were quoted as stating that, in view of the present international political tension, a "breakdown of diplomatic relations between Indonesia and the Netherlands would be impossible." [redacted]

25X1

25X1

Comment: The 16 November Dutch note concludes the second round of exchanges between Indonesia and the Netherlands over proposed revisions in the Dutch constitution. The Netherlands note, which vigorously rejects earlier Indonesian protests, states that the revisions do not in any way alter the position of New Guinea as contained in the Dutch-Indonesian agreements of 1949. Although Indonesian press and political circles continue to display hostility over the matter, conversations between Stikker and Subardjo may be successful in reducing the tension currently surrounding the issue.

10. PHILIPPINES. Quirino undercuts Romulo: President Quirino on 13 November appointed Ambassador Elizalde as Acting Secretary of Foreign Affairs during the absence of Romulo, who is in Paris for the UN meeting. Romulo is due to return to Manila on 22 November and Elizalde may replace him as chief of the UN delegation. [redacted]

25X1

25X1

Comment: Quirino has, in the past, indicated a complete lack of confidence in Elizalde. He has also at times shown some jealousy of Romulo's international reputation, but as recently as last August Romulo anticipated that Quirino would appoint him Ambassador to the US, and assume the Foreign Affairs portfolio himself.

- 25X1 11. CHINA. [redacted] activity at Chinese Communist ports: Eleven motor torpedo boats, 40 to 80 feet long, were observed exercising at Taku harbor (near Tientsin) in late October, [redacted] The speed of these vessels was about 20 knots.

25X1

TOP SECRET

TOP SECRET

In mid-October, the ship yard at Dairen was building barges and tugs.

In South China, [redacted] little naval activity at Swatow and Haikou, but a few gunboats and naval barracks were reported at Dane's Island near Whampoa (the port for Canton). [redacted]

Comment:

Motor torpedo boats have also been observed at Dairen and Tsingtao. The Dairen shipyards are believed to be constructing these vessels.

12. Department of State seeks British agreement on bunkering vessels in China trade: The US Embassy in London has been asked to explore with British officials the development of an international bunkering policy applicable to ships trading with Communist ports in Asia. The Department proposes that oil companies should not bunker Soviet bloc vessels proceeding to or returning from such ports. Moreover, non-Soviet bloc vessels should be refused bunkers by oil companies whose governments so request. Such requests would be made if the vessels were carrying embargoed goods or had previously delivered strategic goods in violation of embargoes.

Comment: Difficulties encountered by Polish vessels in securing bunkers have made more difficult their operation in Far East waters. Western-flag vessels operating under Polish charter, however, have found less difficulty in securing bunkers from British oil companies. In many cases, excess bunkers have been purchased by vessels in the China trade and then resold to the Chinese Communists.

13. Communists get three more merchant ships: The Panamanian-flag ships Modena [redacted] Morella [redacted], and Montesa [redacted] have reportedly been sold to the "China Ocean Transportation Company." The new owner may be connected with the recently formed Sino-Polish Ocean Transportation Company, a Communist joint-stock company with offices in Tsientsin and Gdynia. [redacted]

Comment: The "China Ocean Transportation Company" is not identified and may be a newly-organized firm acting as a front for the Communists. It is Communist practice to use dummy corporations which act as the nominal purchasers and registered owners of newly-acquired vessels. This use of dummy corporations is an effective method for evading controls designed to prevent the sale of merchant ships to Communist countries.

TOP SECRET

TOP SECRET

14. Greater use of Formosan refinery considered: Because of a worldwide shortage of refined products, major American and British oil companies are considering processing crude oil at the Kaohsiung refinery in Formosa, and re-exporting the refined products to non-Communist areas. The proposed plan is to deliver up to 300,000 tons of crude oil a month to Kaohsiung. [redacted]

25X1

25X1

Comment: The Kaohsiung refinery has the capacity to process about 80,000 tons of crude oil a month, but has been processing only 10,000 tons a month for consumption in Formosa. Although storage facilities in Formosa are limited, this proposed plan is probably feasible if the Western oil companies remove the refined products promptly.

The Nationalists badly need additional revenues and will probably welcome this proposal, which will pay them 100,000 to 200,000 dollars a month.

25X1

15. Soviet position in Dairen: [redacted] the actual port operation (i.e., berthing, communications responsibility, etc.) is Soviet-controlled. The harbor master is Russian. The main signal tower is completely manned and operated by Russians, and the signals from the tower follow standard Soviet procedure.

25X1

The administrative phase of the port, however, is wholly Chinese. The port customs, immigration, and police fall in the administrative setup and are manned and controlled exclusively by Chinese. [redacted]

25X1

Comment: In allowing the Chinese control of administration in Dairen, the Russians are following explicitly the provisions of the Sino-Soviet agreement of February 1950. The agreement also safeguards, for the next few years at least, the controlling position of the Russians in port operation. According to Article 3 of the pact, "both contracting parties have agreed that the question of Port Darien must be subjected to examination after the conclusion of the peace treaty with Japan."

25X1

25X1

[Large redacted area]

25X1

TOP SECRET

25X1

Page Denied

25X1

25X1

TOP SECRET

19. Communists seize UN-held islands off northwestern Korea: In a 15 November night attack, a Communist amphibious force estimated at 800 Chinese Communists and 200 North Koreans, possibly supported by minesweeper-type craft, captured Tan-do, an island off northwestern Korea held by some 200 UN guerrillas. A report of 8 November states that an enemy force was moving towards another island in this locale.

FECOM observes that enemy action against these islands was initiated as early as 21 September. Since that period the enemy has occupied five or six small islands previously held by the UN and has initiated at least two attacks by air against friendly partisans.

FECOM believes that this enemy action is designed to improve their position at the cease-fire conference, and to neutralize guerrilla and espionage bases. Regarding the former, the UN has offered to evacuate these islands as a quid pro quo for Communist concessions.

25X1

25X1

Comment: Of equal significance is the demonstrated enemy capability to conduct a successful amphibious operation in an area where previously UN naval and air superiority would have made such an action hazardous.

20. Changes in US-ROK tungsten agreement ascribed to South Korean hypersensitivity: Several changes in the US-ROK tungsten agreement of 6 November have been suggested by the ROK Government, according to the US Embassy in Pusan. Ambassador Muccio states that the changes are "inconsequential" and interprets the ROK attitude "as part present hypersensitivity on matters appearing to derogate their sovereignty." The ROK wants deletion of the word "supervision" wherever it appears; however, Muccio says they "will accept supervision in practice but dislike writing this into the agreement."

25X1

Comment: This is another manifestation of the touchiness of the ROK on matters which they think impinge on their political independence. The tungsten agreement as envisioned by the Materiel Production Authority of the US Government will expedite and maximize the production of tungsten, which is in short supply in the US.

21. JAPAN. Peace treaty and security pact are ratified by Japan: Following Diet Upper House passage of the Japanese Peace Treaty and the US-Japan Security Pact on 18 November by votes of 174 to 45 and 147 to 46 respec-

TOP SECRET

TOP SECRET

tively, the Government immediately called an extraordinary session of the Cabinet and ratified both documents. Ratification became official on 19 November when the Emperor affixed his official seal to both documents, which will be flown to Washington on 25 November. [redacted]

25X1

25X1

[redacted]
Comment: Following Japan's approval, ratification by the US and a majority of those Far Eastern Commission nations which attended the San Francisco Conference is still required in order to make the peace treaty effective.

TOP SECRET

19 Nov 51

TOP SECRET

SECTION 3 (WESTERN)

1. FRANCE. Foreign Office seeks to tighten administration of export controls:
The French Foreign Office has expressed serious concern over a recent "startling" example of maladministration in the Finance and Economic Affairs Ministry, which permitted strategic hydraulic press equipment to be exported on an "obviously fraudulent" export license application and without a destination control check. The US Embassy in Paris has proposed that an official note be sent to the Foreign Office expressing US concern over such negligence. Foreign Office officials have privately indicated that such a note would support their efforts to improve the regulation of exports.

25X1

Comment: Although the French have insisted upon their right to export limited quantities of critical commodities to the Orbit in exchange for "vital" imports such as grain and coal, their attitude has been increasingly favorable to US policy and legislation on East-West trade regulation. In view, however, of the developing crisis in French dollar resources, French resistance to tempting offers from Eastern Europe is likely to be lowered.

2. Communist-led strike cripples French economy: The American Embassy in Paris sees no early solution for the serious strike by which French Communists are obstructing the strategic French coal industry. The government has shown no willingness to back down while such a large-scale strike is under way, and it now seems likely that the walkout will spread to the important Saar and Lorraine basins. Despite the opposition of Socialist union leaders, the Socialist locals have been unable to withstand the pressure from the rank and file and have joined the strikers.

By curtailing medical benefits which French miners have enjoyed for over 50 years, the government precipitated the strike and presented the Communists with a perfect situation to exploit economic grievances for political ends.

25X1

Comment: Premier Plevin has described the 1951 coal shortage as the greatest problem currently facing France. The government has recently declared its intention of curtailing coal imports from dollar sources. Even with their current imports estimated at over 15 million tons for the year, the French are still unable to lift steel production over 85 percent of capacity. The loss of as much as one week's production will be a serious blow to the French economy.

In view of the speed with which this strike has mushroomed, the government can be expected to offer an early compromise in order to prevent a greater loss to the defense effort.

TOP SECRET

TOP SECRET

3. French Communist Party waging press offensive: The French Communist Party on 15 November inaugurated a one-month press promotion campaign in an effort to combat the Press Bill, which, if passed by the Council of the Republic, will eliminate the parliamentary immunity behind which Communist editors have been hiding.

In a "major report," the party's Secretary of Propaganda strongly emphasized the financial difficulties of the party press and admitted that these are aggravated by insufficient circulation. The circulation of the official party daily, L'Humanite, for example, has fallen to one-quarter of its peak in 1946. The party will launch a drive to increase circulation and reduce the 12-million-franc debt. [redacted]

25X1

Comment: This "press offensive" by the French Communist Party reveals party concern over the consequences of the Press Bill, which was passed in the National Assembly by an overwhelming vote. Although most politically oriented French newspapers have been forced into the red by the scarcity of newsprint and new equipment, the increasing cost of labor, and the expense of distribution, the Communists have shown the greatest concern because party strength has depended to a large extent on the ability of the party press to slant current news items.

4. Arab states tentatively offer to let the Moroccan question rest: The Iraqi and Syrian delegates to the UN General Assembly have indicated that they are not anxious to embarrass France by a discussion of the Moroccan situation. If France will agree to the inclusion of the item on the agenda for this session, the Arabs will not press for its consideration. The Iraqi delegate also implied that, if France would assure the Arabs of its good intentions and plans to improve conditions in Morocco, the Arab states might let the matter rest. [redacted]

25X1

Comment: Iraq, together with Egypt, has led the attack on France's activities and policies in Morocco; official Iraqi opinion has not, however, been convinced of the merits of discussing the case at this time.

Regardless of the Arab position, France may not be faced with a UN discussion of Morocco at this session because sufficient support is not presently available to overrule the UN General Committee's postponement of a discussion.

5. Tunisians seek greater governmental responsibility: A formal request for additional native participation in the government of Tunisia is under study by the French Foreign Office. Demands include: election of a Tunisian legislative assembly, temporarily with limited powers, creation of a wholly Tunisian cabinet, and replacement of all French civil employees in the Tunisian Government. The French are unlikely to make such sweeping concessions to native demands. [redacted]

25X1

TOP SECRET

TOP SECRET

Comment: The Tunisian delegation, including the Prime Minister and Minister of Justice, has been in Paris for almost a month in connection with this petition. The natives generally are dissatisfied with the ineffectual French reform program initiated last spring, and are increasingly insistent that natives share in the country's administration.

Vested French interests in Tunisia, however, strongly oppose even the present reforms, and are exerting pressure upon the French Government not to alter the status quo. French failure to make any compromise might cause the resignation of the Tunisian Cabinet members and would set off anti-French demonstrations and disorders.

6. ITALY. Approval sought for barter agreement with Czechoslovakia: The Italians are pressing the Coordinating Committee on East-West Trade (COCOM) for the approval of a barter agreement which provides mainly for the exchange of Italian ball bearings against Czechoslovak special steels, coal, cellulose, and other goods. Sixty percent of the ball bearings are types now embargoed, but private contracts covering their deliveries were made prior to the COMOM embargo.

The Italians are defending the barter agreement on the basis that 90 percent of the Czech counterpart deliveries are raw materials essential to the Italian economy, that such raw materials are in short supply in the West, and that a rupture in Italo-Czech trade may result if the agreement is not approved. Because further delay would compromise the export of certain seasonal Italian products, the Italian Government has already begun to implement part of the agreement. 25X1

Comment: This situation, in essence, highlights the difficult position in which the Italians find themselves as a result of their lack of natural resources. In return for important quantities of coal, wheat, manganese, and other raw materials from the Communist bloc, the Italians feel they must export a certain minimum of strategic items.

The Italians have probably presented this agreement for COCOM's approval to prevent any possible termination of US economic aid under the terms of the Battle Bill. This bill requires termination of aid whether or not shipments of strategic products were made under prior commitment unless an exception is granted. Lists of shipments are to be compiled by 26 November 1951.

7. Italian NATO Deputy warns against Soviet foreign policy aims: The Italian Deputy to NATO in a discussion of Soviet imperialism warns against being taken in by Soviet proposals for a five-power conference, and urges a vigorous counterpropaganda campaign. 25X1

TOP SECRET

TOP SECRET

Comment: Italy has consistently urged a more vigorous counter-propaganda campaign by the West against the Soviet bloc. Last spring the Italians suggested that a five-power meeting be held. Their warning against such a meeting at this time can only be interpreted to mean that they do not think any serious effort will be made by the Soviet Union to lessen world tension.

8. Long-term joint US-Italian development of Somali oil resources in doubt: For the past year or so the Sinclair Oil Corporation has been negotiating with Italian authorities over a concession for the exploitation of petroleum resources in the Italian Trust Territory of Somaliland. Two factors are preventing the conclusion of an agreement: (1) the desire of the Italian State Petroleum Agency (AGIP) to participate with the Sinclair Oil Company on a fifty-fifty basis, and (2) the fact that Italy, under the UN Trusteeship arrangement, will have authority in Somaliland for only a ten-year period. The Department of State is informing both parties that there is no assurance that any US-Italian agreement made now to develop Somali oil resources would be honored after the trusteeship ends.

25X1 The Ethiopians are interested in these developments because Sinclair is prospecting along the Ethiopian-Somali border now, and the conclusion of Sinclair-Italian agreement to develop Somali oil facilities could also facilitate the piping of oil from Ethiopia to the sea.

Comment: The Italians are developing every practicable phase of the Somali economy so that at the end of the trusteeship period their economic hold on the country will enable them to exert considerable influence on the succeeding government.

9. Christian Democrats face possible isolation in labor field: The Confederation of Labor Unions (CISL), which recently held its national congress in Naples, may be confronted with serious organizational difficulties because of complaints by democratic Socialists that too few of their representatives were elected to local executive bodies in the pre-congress provincial and category CISL conventions. The Socialist member of the CISL secretariat has stated that his followers will decide as to further adherence to the CISL after the close of the congress. CISL chief Pastore is planning to increase his organization's directing body from 30 to 40 members so as to permit larger Socialist representation.

25X1

25X1 Comment: Withdrawal of the democratic Socialists from the CISL would leave the Christian Democrats as isolated in the labor field as they now are politically and would make more difficult the formation of a united anti-Communist labor front.

TOP SECRET

TOP SECRET

10. SPAIN. Additional Cabinet changes may occur: Persistent rumors circulating in Spanish political circles indicate that Franco may be considering further changes in his Cabinet in the near future. The changes made last July were rumored to be only partial and to be followed by removal of those Ministers held over from the previous Cabinet. According to current speculations and reports, the Ministers most likely to be removed are Labor Minister Giron, Interior Minister Perez, and Foreign Minister Martin Artajo.

A number of Cabinet Ministers and other important political figures are known to have been endeavoring to undermine Giron and to persuade Franco to fire him. Moreover, Giron's political ambition and his suspected part in fomenting discontent among extremist Falange elements have undoubtedly made Franco suspicious of him. On the other hand, Giron, who has held his post since 1941, is practically the only Cabinet member with any popular labor following; he is quite likely to be retained for this reason if for no other.

Perez and Franco are reported to be antagonistic toward each other. Perez's removal, following the municipal elections in late November and early December, seems possible. Martin Artajo's failure to obtain a Concordat with the Vatican has long annoyed Franco. Relations between Franco and the Foreign Minister are currently reported to be poor. Moreover, Martin Artajo is pretty thoroughly discredited with Catholic Action, whose interests he originally represented in the Cabinet. His removal appears the most reasonable possibility of the three. Not unfriendly to the West,

Among those mentioned as his successor is Jose Lequerica, now Ambassador to the United States and a Foreign Minister from 1944 to 1945. A wealthy rightist and one of the first financial backers of the Falange, Lequerica was pro-Nazi during World War II.

Although Franco may have certain Cabinet changes under consideration, he may not carry them out, partly because of the difficulty of finding suitable replacements. There is no indication that if changes are made, they will lead to moderation of the regime's political controls.

11. PORTUGAL. Supremacy of Portuguese Atlantic interests reaffirmed: The director of the pro-government Lisbon newspaper Diario de Noticias, who generally reflects the views of his close friend Premier Salazar, has publicly declared in Rio de Janeiro that while Portugal is attentive to developments on the European continent, its real interest lies in the Atlantic, not in Europe. The Portuguese writer and diplomat emphasized that Portuguese policies in the Azores since the beginning of World War II

TOP SECRET

TOP SECRET

have been justified by subsequent events and constitute an important chapter in the history of his country's sovereignty. [redacted]

25X1

25X1 [redacted]

Comment: The Portuguese maintain that now, as in the past, Portugal's continued sovereignty depends on close economic and military ties with the Atlantic powers. This conviction was reflected in the Lisbon government's recently expressed opposition to schemes for a political and military European union excluding Great Britain and the United States.

12. UNITED KINGDOM. British disturbed by course of Korean truce negotiations: The US Embassy in London believes that Foreign Secretary Eden's 19 November parliamentary statement on Korea will be helpful in giving "a badly needed explanation" to the British public. Their confusion over the issues at stake, and doubt over the source of the obstacles placed in the way of a settlement, is reflected in the press and "extends even into the Foreign Office." Press comment has questioned in particular the competence of the present UN negotiators as well as the accuracy and completeness of the information given out by the UN Commander in Chief. [redacted]

25X1

25X1 [redacted]

Comment: Left-wing criticism has also focused on the lack of any British or Commonwealth representative on the negotiating committee; and Prime Minister Churchill on 15 November evidently found it necessary to reaffirm publicly the government's confidence in UN leadership in Korea.

13. NORWAY. Additional Cabinet changes being made: Contrary to the request of the new Prime Minister, four Cabinet Ministers have tendered their resignations. Defense Minister Hauge has announced his intention to resign but will remain in office until January in order to participate in scheduled NATO meetings. The Ministers of Fisheries, Agriculture and Finance have also resigned and their successors have been named. The US Embassy in Oslo comments that the Cabinet changes will produce no changes in Norway's foreign or domestic policies, and that the Defense Minister's resignation in particular will not result in any change in defense policy. [redacted]

25X1 [redacted]

Comment: Although no change in defense policy is contemplated, it is felt that actual implementation of defense plans may proceed more smoothly, since Hauge had dragged his feet on many aspects of defense programs. Hauge's resignation is a logical development: although extremely unpopular in military circles and in disfavor with certain other Cabinet Ministers, he has remained in office through the personal friendship of the retiring Prime Minister. The resignation of Finance Minister Meisdalshagen, who did not wholeheartedly favor the increased defense expenditures backed by the rest of the Labor Party government, constitutes the only other change of consequence.

TOP SECRET

TOP SECRET

14. COLOMBIA. Newly acquired vessel will operate with UN forces: Colombia has agreed to take possession of the US Navy's patrol frigate Bisbee, and to man and operate it in the Korean theater for the duration of hostilities. Colombia has had a similar frigate, the Almirante Padilla, fighting under the UN command since last May. [redacted]

25X1

Comment: Colombia is still the only Latin American country to give active support to the UN action in Korea despite strong representations by the US to secure firm offers from other countries in the hemisphere.

25X1

16. GUATEMALA. United Fruit Company suspends discussions with government: Following an exchange of communications concerning a possible basis for future United Fruit Company operations in Guatemala, company officials have notified the government that the latter's proposals cannot provide the basis for initiating discussions that might lead to mutually satisfactory results. However, the company indicated that it will be happy to "reopen negotiations" if "after renewed consideration on the part of the government the situation may change." [redacted]

25X1

Comment: The United Fruit Company (UFCO), engaged in a contract and wage dispute with organized labor, announced in September that any increase in operating costs would force it to withdraw from Guatemala. Its recent request that the government guarantee certain conditions for continued operation in Guatemala was met by a statement that the government would agree to a proposal for renegotiation as recommended by "impartial experts such as technicians of the International Bank." Such renegotiation would, however, require modification of the operation of the UFCO wharves "for the benefit of the nation," revision of tax exemptions "no longer justifiable," revision and reasonable governmental control of contracts between the UFCO and private banana growers, compensation to the government for the exhaustion of the soil due to intensive exploitation, periodic revision of UFCO contracts, and cooperation in the revision of freight rates in the interests of national economy.

TOP SECRET

TOP SECRET

Although the UFCO has rejected the government's counterproposals, these nevertheless provide a basis upon which negotiations can, and possibly will, be resumed. There is no convincing evidence that the company intends to withdraw from Guatemala.

TOP SECRET

Page Denied

TOP SECRET



19 November 1951

CIA No. 49431-A

Copy No. 49



TO THE DAILY DIGEST

Not for dissemination outside O/CI and O/NE.

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. IRAN. Complicated political intrigue continues: The British Embassy reports that the Shah recently discouraged Qavam's hopes for court support in the effort to replace Mossadeq. The next day, however, he reportedly sent word of continued covert support. The British Embassy also stated that the Shah asked Seyyid Zia, another candidate for Prime Minister, if the latter would support Minister of Court Hussein Ala for that office. The US Embassy comments that these intrigues illustrate the vacillation which cripples any effective organization of anti-Mossadeq opposition.

25X1
[redacted]
Comment: This report also suggests that the Shah, who has in the past bitterly opposed Qavam, is still unwilling to concede that Qavam should replace Mossadeq. Without real political parties, Iranian leaders are dependent on personal prestige, unstable alliances and court support. In the present situation, the British desire to see Qavam replace Mossadeq has further complicated the situation.

2. CHINA. British protest Nationalist attack on shipping: A British aide-memoire has been submitted to the Department of State citing the attack on 30 September by a Nationalist warship on the SS Plymouth Star, en route to Shanghai. The merchant ship was boarded but subsequently released. Two other British vessels -- the Taikinshan and the Waisang, seized by the Nationalists last June -- have still not been released.

The Department has been asked to use its good offices to secure the release of the vessels and to prevent further attacks. [redacted]

25X1
[redacted]
Comment: The British are unwilling to follow the American lead in withdrawing merchant ships from the China trade, and Hong Kong shipowners find employment of their vessels in this trade highly profitable despite the risks of Nationalist interception. In addition, merchant ships must risk attacks by pirates, who may be operating in collusion with the Nationalists. On 25 October, the merchant ship Hupeh was boarded by pirates near Shanghai but was later rescued by a British warship.

3. Chinese Nationalists prepare committee to investigate General Mao case: The US Embassy in Taipei reports that a statement of the charges against Nationalist Air Force General Mao Pang-chu (P. T. Mow) are now ready for the proposed Sino-American inquiry committee. The committee will be composed of Hu Shih, Hollington Tong, and probably Li Shih-fang of Yale. Charles Edison will serve as a US representative. Difficulty is being encountered in finding two more Americans, although the Chinese Government

TOP SECRET

TOP SECRET

hopes that Matthew Woll will consent to participate.

25X1 The report further states that an effort will be made to keep the suit -- now pending in the US Courts to compel Mao to return the funds and official records which he possesses -- separate from the terms of reference of the committee. [redacted]

Comment: As a result of his charges that the Chinese Nationalist Government had misappropriated US aid funds, General Mao Pang-chu, Nationalist Air Force purchasing agent in the US, was dismissed from his post by Chiang Kai-shek in late August 51. Mao was accused of failure to account for funds designated for the purchase of US military equipment, refusal to hand over public funds, espousal of the cause of disloyal staff members, dereliction of duty, and undermining the government's prestige by spreading rumors.

4. JAPAN. Occupation comments on Kyoto students' demonstration against Emperor: The anti-Emperor demonstrations of 12 November by about 250 Kyoto students drew from G-2, GHQ, the comment that there is as yet no evidence of Japan Communist Party instigation, although the incident may represent a revival of former JCP policies calling for abolition of the emperor system. The Japanese press asserted on 15 November that the demonstration was Communist-planned. G-2 believes the incident will strengthen the hand of elements in and outside government demanding control of subversive elements. [redacted]

25X1 Comment: Three days later, on the eve of the Emperor's visit, Communist anti-Emperor posters were scattered throughout the town of Otsu, near Kyoto. This lends weight to the thought that the JCP is reviving its anti-Emperor campaign, which has proved an extremely unpopular issue with the Japanese people.

SECTION 3 (WESTERN)

5. FRANCE. French accede to American proposal on Austrian treaty: The French Foreign Office is reported to have substantially modified its attitude with respect to the Austrian treaty and is now prepared to accept the eventual introduction of an abbreviated treaty draft. The French feel, however, that the text proposed by the US is still open to discussion. They also feel that the West should make one more attempt to reach agreement on the old treaty, and show its good faith by considering further concessions to the Soviet Union. [redacted]

25X1 Comment: Inasmuch as the objections of the French to the proposed shorter treaty reflected fundamental concern that the mechanism of treaty

TOP SECRET

TOP SECRET

discussions might thereby be disrupted, their concession on this point is a considerable one. US preference for immediate presentation of the abbreviated treaty upon reconvening the treaty deputies, however, has not been shared by the British, French, and Austrian Governments.

TOP SECRET

19 Nov 51