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26 November 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Soviet Union warns Middle East states against adherence to Defense Command: The Soviet Union, on 21 November, delivered analogous notes to the Arab and Israeli missions in Moscow, warning against adherence to the proposed Middle East Command. [redacted]

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Comment: This continues the recent pattern of Soviet protests against Western defense measures.

The notes point up a new development in Soviet tactics toward the Arab world in that heightened emphasis is placed on the USSR's positive role of backing Arab interests and aspirations against the West. Equal emphasis in the notes on foreign troops, loss of sovereignty and Western "exploitation" of national resources like oil and cotton is designed to stimulate further the growth of neutralism in the area.

The several Arab governments will hardly change their essentially anti-Soviet position at this time; nor is the note to Israel likely to have any significant influence on the pro-Western Ben-Gurion government.

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2. Soviet Union's decoration of Navy fliers probably connected with shooting down of US plane: The Moscow press announced on 23 November that the Soviet Government had awarded two Navy fliers the Order of the Red Banner for "exemplary fulfillment of their service duties." [redacted]

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Comment: This action recalls the granting of similar awards shortly after the Baltic plane incident in April, 1950. At that time the same decoration was awarded to four Soviet air force lieutenants "for excellent fulfillment of their duty."

It is almost certain that the present decorations were given in connection with the missing US navy bomber which Deputy Foreign Minister Gromyko claimed had violated the Soviet border 100 miles east of Vladivostok on 6 November. As was the case in 1950, no details of the actions meriting the award were furnished.

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4. USSR plans increased consumer goods outlets: Speaking at the Plenum of the Central Committee of the State Trade Workers' Union on 21 November, Soviet Minister of Trade Vassili Zhavoronkov submitted data on the expansion of trade and consumer goods output in the USSR.

He said that some 600 large stores were opened in various cities of the country during the first three quarters of 1951. The first half of 1952 is expected to see the opening of 900 more -- 200 drygoods stores, 300 for footwear, and 400 to supply ready-made garments.

Zhavoronkov further stated that special attention would be devoted to the development of wholesale trade which is to be increased "at least 25 percent." Thirty-eight new wholesale distribution centers are to be opened, and large establishments are planned for the industrial centers of the Russian Federal Republic, the Ukraine, and Byelorussia.

This year, the Soviet population is supposed to receive 20 percent more meat, 24 percent more sugar, 24 percent more fabrics, and 40 percent more furniture than in 1950.

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Comment: With the gradually increasing mechanization of food processing industries in the USSR, food supplies will probably become more plentiful. The scheduled expansion of wholesale and retail outlets envisaged in Zhavoronkov's address is undoubtedly a reflection of the tremendous unsatisfied demand of the Soviet population for consumer goods.

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5. YUGOSLAVIA. Soviet intention to evacuate diplomats from Belgrade reported: Two Soviet trade delegates have left Belgrade for the USSR and the Yugoslav foreign office does not believe that they will be replaced, according to an informant of the US Embassy. Before their departure, one of the delegates reportedly told his landlord that the entire Soviet Embassy would be withdrawn from Belgrade, except for one clerk who would stay as a watchman. The landlord was also warned that although there was little danger of immediate trouble, Yugoslavia would eventually become another Korea.
- [REDACTED]

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Comment: There is no evidence that the USSR has revised its estimate of the utility of its diplomatic post in Belgrade and is planning to evacuate its remaining eight diplomatic representatives. Certainly, if the USSR were planning to launch a military campaign against Yugoslavia it would not advertise its intentions by such an obvious move.

6. Minister of Interior expresses interest in US assistance for Cominform refugees: In a discussion with Ambassador Allen, Minister of Interior Rankovic expressed interest in a suggestion that the US might help the Yugoslav Government in caring for Cominform refugees arriving in Yugoslavia. Allen mentioned the efforts of voluntary private American organizations to assist Cominform refugees and suggested that these organizations might be willing as a first step to send food and clothing to these refugees in Yugoslavia.

Rankovic agreed that the treatment of Cominform refugees was highly important politically and promised to consider a proposal that a member of his staff keep in touch with the Embassy on this matter.

[REDACTED]

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Comment: This is the first time that a Yugoslav official has shown an interest in obtaining US assistance in caring for Cominform refugees.

Shortly after the influx of Bulgarian refugees into Yugoslavia last spring, the Yugoslav Government permitted Western correspondents to interview a number of them, but Western officials have never been given access to this potential reservoir of intelligence on the Satellite countries. Because Yugoslav treatment of refugees has improved, the number of those escaping across the border has increased in the past year.

7. Yugoslavia releases trade figures for January-June 1951: Yugoslavia has released the following foreign trade statistics for the first six months of 1951:

Exports totalled approximately 74 million dollars, and imports, exclusive of foreign aid, approximately 108 million dollars. Compared to

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the same period of last year, exports fell some 4 percent in volume and imports fell 16 percent. This drop is attributed to last year's serious drought and to the structural changes in world markets arising from the Korean war.

Exports of ores and foundry products rose 2.5 million dollars and of timber products by 650,000 dollars. Food exports, however, dropped 20 million dollars. Imports from Austria and Germany fell off but those from Britain, Switzerland, the US rose. Exports increased to Italy, Germany, and the US, but fell off sharply to Britain, Austria, and the Netherlands.

By 14 November, Yugoslavia had spent approximately 44 of the 50 million dollar tripartite grant. Most of this aid was used to procure coke, crude oil, pig iron and textiles.
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Comment: During the first six months of this year the Yugoslavs ran a 47.5 million dollar balance of payments deficit. A significant drop in agricultural production, resulting largely from adverse weather conditions in 1950 necessitated an emphasis on food imports and caused a decline in the imports of other raw materials and semi-finished goods.

Largely as a result of increased defense expenditures, Yugoslav financial officials have estimated an 84 million dollar balance of payments deficit for the second half of the current fiscal year.

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SECTION 2 (EASTERN)

1. ARAB STATES. Arab officials fear return of foreign spheres of influence: The Syrian Army Chief of Staff has informed the Lebanese Prime Minister that he believes the Middle East Command will result in the re-establishment of foreign spheres of influence in the Near East, and that under this defense plan France would again dominate Lebanon and Syria.

According to the US Minister in Beirut, the Lebanese Prime Minister is disturbed over the possibility of his country's virtual return to mandate relations with France. His concern has been aggravated by the fact that French supporters in Lebanon have been saying for some weeks that the Western defense plan would revive French supremacy in the Levant. [REDACTED]

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Comment: Arab misunderstanding of the concept of the Middle East Command, as well as Soviet-sponsored propaganda, has encouraged the rise of rumors that the Western defense plan is actually a cover for the re-establishment of foreign spheres of influence in the Near East. Anxiety over their national independence is probably one of the important reasons why Arab officials have failed to give public support to Western defense proposals.

2. IRAN. Iranians build up campaign for US aid: National Front spokesmen, as well as the Iranian press and radio, are building up the impression in Iran that American economic aid is almost certain. The US Embassy in Tehran comments that it looks as if the National Front is trying to put the US in a position where it will be extremely difficult to refuse or postpone such aid without being accused of having made false promises. The US may become "the butt of Iranian resentment" if the expected aid is not forthcoming. [REDACTED]

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Comment: This campaign is in line with the Iranian tendency to lay the responsibility for unsuccessful action on others. American failure to grant the Export-Import Bank loan has already led to accusations that the US has joined Great Britain in an economic embargo of Iran. There is a strong probability that failure to grant economic assistance to Iran will cause the US as well as the British to be blamed for Iran's economic difficulties.

3. PAKISTAN. Trade with Japan increases. Pakistani trade with Japan increased considerably during 1950, according to recently published official Pakistani statistics. During that year, Pakistan's imports on private account from Japan rose 273 percent over 1949, and Japan

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became Pakistan's second largest supplier, providing Pakistan with about 16 percent of its total imports by sea. Pakistan's exports to Japan also increased to 11 percent of its total, making Japan the second largest market for Pakistani goods. The US Embassy in Karachi anticipates that Japan's importance to Pakistan as a market for raw materials and as a source of manufactured goods will steadily increase.

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Comment: Unlike India, Pakistan has very little industry. Japan, in its search for markets to replace those lost in China and Manchuria, may well develop even closer economic relations with Pakistan. India, which already has alienated certain political elements in Japan [redacted] will presumably find itself in economic competition with that country more quickly than will Pakistan.

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4. NEPAL. Chinese Communists suggest revision of Tibetan treaty with Nepal: The Chinese Communists have approached the Nepalese representative in Lhasa, suggesting revision of the Nepalese-Tibetan treaty of 1856. The Counselor of the Nepalese Embassy in New Delhi stated that this move was anticipated but that he believed Nepal would not relinquish its rights of extraterritoriality in Tibet.

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Comment: The treaty of 1856 gives Nepal an annual subsidy from Tibet of 10,000 rupees, the right to establish an Agency in Lhasa, the right of free trade in Tibet, and rights of extraterritoriality. Its continuation is presumably inconsistent with the dignity of the new Chinese-dominated Tibetan Government, which may be expected to abolish special Nepalese rights whether or not the treaty is revised. Clarification by the Chinese of Tibetan relations with Nepal will probably be followed by similar action on Sikkim, Bhutan, and possibly Kashmir.

5. INDIA. Opposition to the Congress Party in the Punjab: According to the Indian press, 37 of a total of 77 members of the Punjab Legislative Assembly have resigned from the Congress Party and have joined the opposition group led by Gopichand Bhargava, ex-Chief Minister of the Punjab. This group is to be called the Gandhi National Congress. If two more members of the Assembly join it and give it an absolute majority opposing the Congress Party, Bhargava plans to request the power to form a new ministry in the state. He is also reported to be negotiating an electoral alliance with the rightist Bharatiya Jan Sangh and a powerful Sikh organization.

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Comment: Bhargava resigned from the Congress Party on 12 November because of displeasure over the candidates chosen by its Central Election Board to run in the forthcoming national elections. If Bhargava is able to form a non-Congress ministry in the Punjab before the elections are held, he

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may rally sufficient strength to defeat the Congress in that state. There is no sign that the Congress Party will lose any other state in India, however, and it may be expected to do its utmost to prevent defeat in the Punjab.

6. BURMA. MacDonald warns Burmese of growing Communist threat: Malcolm MacDonald, the British Commissioner General in Southeast Asia, during a recent visit to Rangoon attempted to arouse the apprehensions of Burmese leaders to the internal and external Communist pressures which now seriously menace their regime. He urged the Burmese to undertake strong measures to defeat the Communist insurgents and specifically recommended steps to improve the training and morale of the Burmese armed forces and a settlement of the Karen problem. MacDonald felt that Burmese officials, although outwardly responsive to his ideas, were not as concerned as the situation appeared to warrant. [REDACTED]

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Comment: It is doubtful that the Commissioner General has been successful in shaking the widespread Burmese complacency toward Communism and stimulating Burmese authorities to more vigorous efforts to suppress Communist activities. The continuing deterioration of the Burmese Government's political and military position will tempt the influential pro-Communist faction of the Socialist Party to seek the removal of moderate leaders and assume complete control of the government.

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8. INDOCHINA. Vietnam hopes to send "Ambassador" to France: The Undersecretary of the Vietnamese Foreign Office told press representatives that

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the Vietnamese delegation to the forthcoming meeting of the High Council of the French Union will request that Vietnam be represented in Paris by "an Ambassador or at least a personage having the rank and privileges of an Ambassador." [redacted]

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Comment: The High Council of the French Union consists of the three Associated States of Indochina and France and will hold its first meeting, attended by General de Lattre and Premier Tran Van Huu, during the latter part of November. This meeting will probably witness a much more vigorous presentation of Vietnamese nationalist demands than has characterized earlier meetings. Premier Huu, formerly a close collaborator of De Lattre, has recently swung into increasingly open opposition to the general, and has declared, according to a late press report, that Vietnam will demand status within the French Union comparable to that of a dominion within the Commonwealth. De Lattre is known to be opposed to this concept.

9. De Lattre asks US to cancel scholarship to Vietnamese: The French High Commissariat has transmitted an urgent request that the Legation withdraw a leadership grant to the journalist Tran Van An. The reason given was An's close relations with the "anti-French Cao Dai group of Colonel The," whose secession with troops "has created a potentially dangerous situation." The Legation has asked for instructions. [redacted]

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Comment: [redacted]

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[redacted] Tran Van An's candidacy for a US leadership grant has been known and approved by the French for many months. This situation bears a close resemblance to General de Lattre's last-minute intervention in June 1951 to postpone the signature of the US-Vietnam economic aid agreement, although this agreement had already been cleared with the local French authorities. Such intervention is apparently an expression of De Lattre's fear of US influence in Indochina, and cannot fail to cause the Vietnam Government to lose face.

10. Vietnamese security chief assumes governorship of North Vietnam: On 16 November, Minister of Security Nguyen Van Tam was installed in an elaborate, well-organized ceremony as acting governor of North Vietnam, replacing the ailing Dang Huu Chi. Conjecture as to the significance of this assignment of a reputedly strongly pro-French personality to the traditional center of anti-French sentiment generally followed one of two lines of reasoning: (1) that Tam has replaced Huu as the favorite of the French, or (2) that Huu is seeking to discredit one of his most powerful rivals by saddling him with responsibilities which may prove too heavy. [redacted]

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Comment: Whatever the reasons behind Tam's appointment, it does not augur well for the development of a popular and stable Vietnamese Government. Tam has conducted the Vietnamese police services with brass knuckles efficiency since his appointment last February, but he has done nothing to indicate that he considers himself other than a Frenchman (he is a naturalized French citizen), and he has acted with at least as much vigor against dissident nationalists as against Communists.

11. INDONESIA. Indonesian Government may submit New Guinea issue to UN: If the New Guinea question is not settled through bilateral Dutch-Indonesian negotiations, Indonesia may place the issue before the UN. Although the cabinet may wish to take a moderate stand on the New Guinea issue, such a position would be used by left-wing groups as an excuse to force its fall.

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Comment: Communist and left-wing groups both inside and outside Parliament have consistently tried to relate the New Guinea issue to general dissatisfaction over Dutch-Indonesian agreements signed in 1949. The Indonesian Cabinet has been proceeding cautiously in the current New Guinea crisis and, although indicating that it may be forced to dissolve the Netherlands-Indonesian Union, probably prefers less drastic action. Should bilateral negotiations with the Dutch prove unsuccessful, the Indonesian Government may attempt to avoid domestic complications by placing the New Guinea issue before the UN.

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13. PHILIPPINES. First post-election report on Nacionalista attitudes: The US Embassy in Manila reports that its relations with the Nacionalista senators-elect are excellent at the moment because of their unanimous belief that the American attitude was the most important factor in ensuring the honesty of the elections, which resulted in their victory.

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A canvass of the Nacionalistas indicates, however, that the chances for obtaining their support for Philippine ratification of the Japanese Peace Treaty will largely depend on whether a specific reparations commitment within the terms of the treaty can be obtained from Japan. While at least one asserted that the Nacionalistas would vote to "ratify with reservations," others contended that domestic policies required insistence on reparations. [redacted]

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Comment: Although the Japanese would be unwilling at this time to make any long-term commitment on reparations, they may agree to provide token services, such as the salvaging of sunken ships in Philippine waters, which would meet the Nacionalistas' demand.

14. Nacionalista leader worried over Japanese peace treaty: Claro Recto, one of the leaders of the Nacionalista Party, said that ratification of the Japanese peace treaty was one of his party's most difficult problems. Having exploited the treaty as a basis for attack on the Liberals during the campaign preceding the recent elections, a quick approval would make the Nacionalistas appear insincere. Recto realizes, however, the harm to the Philippines which would result from a refusal to ratify. [redacted]

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Comment: The Nacionalistas will probably criticize the treaty in the Senate and perhaps delay its ratification, but they are unlikely to cause its rejection.

15. Unrest in Negros Occidental continues: Disorders in the province of Negros Occidental are continuing. The Constabulary company attempting to maintain security in the area has been reinforced by three additional companies. The acting governor has promised to order all the private troops of suspended Governor Lacson to surrender their arms. Field Comment: If Lacson's men refuse to turn in their weapons, a pitched battle with government forces may result. [redacted]

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Comment: President Quirino suspended Governor Lacson for using his private army to terrorize voters during the recent elections.

16. CHINA. Communist China reportedly plans immediate activation of airborne units: [redacted] Chinese Communist plans call for two airborne divisions by the end of 1951, three by June 1952, and seven by the end of 1952 if the USSR furnishes the 1,000 aircraft required. The plan calls for a total of 70,000 airborne troops in these seven divisions. [redacted]

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Comment: The US Air Force has estimated that 20,000 to 25,000 Chinese Communist troops have received some parachute training. No completely formed tactical airborne units are believed to exist, however, due to insufficient transport aircraft. Such units could be formed were the USSR to provide aircraft for them.

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19. 1952 coal production in China estimated: Coal production in China in 1952 will reach 88 per cent of the "highest annual output of any past year," according to a recent Chinese Communist report on China's industries. [redacted]

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Comment: The highest annual coal output was estimated at 60,000,000 metric tons by the National Coal Mining Conference held in Peiping in early 1950. Planned 1952 production should therefore amount to 52,800,000 metric tons.

Coal production in 1949, 1950 and 1951, as calculated from Communist percentage comparisons, amounted to 26,700,000, 35,160,000, and 41,520,000 metric tons respectively.

20. Little progress on railroad construction in Northwest China reported: The numbers of workers building the railroad to Lanchou in Kansu Province are not high, and progress seems to be slow, according to a Canadian missionary who left Lanchou for Hong Kong in September. The source doubts that the railroad will be completed to Lanchou in 1952. He also states that a tunnel on the Paochi-T'ienshui section of the road (which was only recently restored) collapsed on a train fairly recently. [redacted]

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Comments: The Chinese Communists are proceeding more slowly with this railroad than with any other new one. The most recent deadline reported in the Communist press for completion of the road to Lanchou is the end of 1953.

This eye-witness account is useful because it conflicts with numerous low-grade reports that the Communists have assigned a high priority to the construction of this line.

21. Plans to expand China's iron and steel industry reported: A recent Chinese Communist official report on China's industry stated that considerable expansion of the iron and steel industry is planned for 1952 and 1953. One important addition to China's industrial capacity will be the construction of rolling mills which, according to the report, will by 1953 be able to produce "all rails required for our railway construction" and most of the other rolled steel products, such as steel plates and sheets needed in China.

Comment: As a result of Soviet removals in 1945, there is now no large mill in China capable of rolling large shapes such as steel rails. It is probable that replacement of these rolling mills by the Soviet bloc has been requested by China, and that delivery by 1953 has been promised.

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Peiping has decreed that one of the operating policies for state-owned industries in 1952 is to increase production "by making full use of existing equipment." This policy implies that the government is now discouraging the expansion of most industries, and it is probable that the Communists are limiting their plans for new industrial construction in the next two years to a few key projects, such as the rolling mills.

- 22. Chinese Nationalist officers reportedly sent to China mainland to direct guerrillas: Nationalist Premier Chen Cheng reported in his "state of the nation" message on 23 Nov that 3,000 specially-trained Chinese Nationalist officers have been sent in the past year to the China mainland to direct guerrilla operations, and "many" others are now being trained for similar missions. [redacted]

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Comment: [redacted]

The capabilities of anti-Communist guerrillas on the mainland have steadily declined throughout 1951 because of the lack of a unified command, communications with each other, and necessary supplies.

- 23. CHINA/KOREA. Indian Charge reports Chinese "genuinely desire" cease-fire: The Indian Charge in Peiping reports a "general impression" there that the Chinese Communists, with their forces near the 38th parallel, now "genuinely desire" a cease-fire in Korea. He believes that if the cease-fire talks fail China's attitude will stiffen, and that the US cannot "drive back the Chinese and gain more favorable terms." [redacted]

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Comments: Diplomatic and unofficial Peiping sources have been reporting for months an "impression" of a genuine Chinese Communist desire for a cease-fire in Korea, and, at the same time, an unwillingness to make major concessions. These sources have not, however, been in the confidence of top Chinese Communist officials. Judging from Peiping's propaganda on Korea, the above views appear to be those which Peiping's leaders wish to encourage.

- 24. KOREA. Chinese Communist 50th Army may have returned to Korea: The Far East Command reports the capture of a Chinese Communist prisoner who claims to have deserted on 19 November from the 149th Division of the 50th Army. The prisoner stated that his unit was located north of the Chongchon river in northwestern Korea, where it had arrived in late June. The 50th Army, reportedly, withdrew from Korea in late February, arrived at an unknown location in China in March, and again departed for

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Korea in April. [redacted]

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Comment: Initially committed in Korea in late November 1950, the 50th Army was rendered ineffective during its defense of Seoul in February 1951. Withdrawn from Korea in March, it has been frequently reported in reorganization in Manchuria.

While the taking of one prisoner from this unit is insufficient evidence upon which to base re-acceptance of the unit in Korea, such a development would not be surprising in view of the return to combat of the Chinese Communist 42nd Army with a similar Korean combat history.

25. KOREA/JAPAN. Koreans angered over report that Japanese will claim their property in Korea. Radio Pusan on 21 November accused Japan of "vicious treachery" on the basis of a press report that the Japanese will press their claims to Japanese property in South Korea. The broadcast stated that the ROK has "always longed for friendship with Japan," but that the insistence of Japan in planning further negotiations to settle this question is an "absurd view" and "means that Japan has not abandoned its aggression toward Korea." [redacted]

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Comment: Japanese officials allegedly have declared that Article 19 of the Japanese Peace Treaty applies only to Allied nations and thus does not deprive the Japanese of the right to claim property in Korea. These Japanese views are reported by a Korean news service, which probably reflects extreme sensitivity on any matter impinging on Korean sovereignty.

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SECTION 3 WESTERN

1. GERMANY. Adenauer backs UN investigation of West Zone: The German Federal Republic has suggested that the proposed UN commission, which would investigate conditions in East and West Germany to see whether they are favorable for the holding of elections, conduct its investigation in West Germany and West Berlin even if it is denied access to the East Zone. Governmental spokesmen feel that propaganda advantages would be obtained by a West Zone investigation. Furthermore, considerable information about the Soviet Zone might be obtained by interviewing refugees and others in Berlin. If Soviet Zone authorities were to deny the truth of such indirect evidence of East Zone conditions, the commission would be in a position to say that it could check such data if and when it was permitted entry to East Germany. The West Germans also believe that a West Zone investigation would provide valuable ammunition against any new East German unity tricks.

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Comment: This is the first expression of the Federal Republic's attitude on the course to be pursued if the USSR denies a UN investigating commission access to the East Zone.

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3. Failure of anti-Adenauer demonstration reveals French Communist weakness: The fiasco of the Communist-sponsored demonstration during Chancellor Adenauer's visit to Paris proved the party's increasing isolation and inability to elicit militant support to carry out Soviet foreign policy objectives, even on such important political issues as German rearmament.

Comment: During the past year French Communists have consistently failed to make an effective political demonstration against the government. Although the party planned this manifestation in compliance with Moscow's

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directive, the leaders evidently were unwilling to risk arrest by challenging the government's ban on demonstrations. Party leaders may also be losing their enthusiasm for such activities, particularly since recent successes of their labor policy show that popular support can be more readily obtained for economic than for purely political objectives.

4. French Christian Workers favor closer ties with international Communist groups: The executive committee of the French Christian Workers Labor Confederation plans to send a delegation to the proposed Moscow economic conference in April and has resolved to recommend to the Christian Labor International that it accept an invitation of the Communist-dominated World Federation of Trade Unions for joint discussions.

The leader of the Christian Workers left wing believes that the International will react coolly toward both of these projects. According to this spokesman, his confederation was about to announce a breaking off of negotiations with the Communist-led General Labor Confederation because of the latter's current campaign to unify organized labor under Communist leadership. [redacted]

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Comment: The Christian Workers Confederation is the most aggressive non-Communist labor group and has heretofore usually been willing to join in unity of action with the Communist-led confederation. Its gestures toward closer international cooperation for labor's benefit may be intended to offset its new policy of rebuffing the dominant Communist-led confederation in France.

5. Government concerned about lack of Socialist support: The Socialists abstained in the recent vote of confidence despite Prime Minister Pleven's assurances that social progress would be protected and that no commitments would be made in Rome with respect to the European Army. This action was taken against the advice of several Socialist leaders.

The government hopes that the party will prove more manageable after the church-school laws are formally accepted. The Socialist position may be the determining factor in the forthcoming National Assembly debate on foreign affairs, particularly with regard to both the European Army question and the second reading of the escalator wage bill. [redacted]

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Comment: During the recent Assembly recess, the Socialists decided that the Pleven government is the least dangerous of three possible combinations. The Socialists, then, can be expected to stop short of actually bringing about Pleven's downfall, at least until 1952.

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6. AUSTRIA. Foreign Minister comments on Vishinsky conversation: Austrian Foreign Minister Gruber states that Vishinsky, in a conversation on 19 November, indicated that an Austrian settlement would be achieved only as part of a general settlement of East-West issues. Gruber is convinced that this settlement can not be long deferred, that the Russians may make an effort to arrive at an understanding next year, and that, if they believe they have failed, a "period of maximum danger" will arrive in 1952.
- [REDACTED]

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Comment: The Austrian Foreign Minister has frequently indicated his pessimism with regard to the prospects of an Austrian treaty at this time. He has, however, strongly supported Western efforts to reopen negotiations and has approved a US proposal for increasing pressure on the Soviet Union by introducing a new draft treaty into the discussions.

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8. NETHERLANDS. Stikker declares "outlook gloomy" for NATO conferences and EDF: Minister Stikker, who has already indicated pessimism on Dutch-Indonesian relations, also doubts the probable accomplishments at the NATO conferences this month and in January.

Doubting the likelihood of a "meeting of minds" on a European army within the near future, Stikker points out the disparity of the French and Belgian positions on the EDF, with the Netherlands and Italy occupying a middle position. The Netherlands, however, is submitting a budget plan to

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the Belgians to serve as a possible basis for compromise between the conflicting views. [redacted]

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Comment: In the past, Stikker has been unduly pessimistic on world conditions.

[redacted]

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The Italian position favoring the plan now parallels that of the French.

- 9. ITALY. Communists exploit flood as part of peace campaign. The Communists have seized upon the disastrous floods in northern and southern Italy to attack the government. The government is blamed for not having undertaken measures to prevent such catastrophes. In addition, prominent Communists have addressed an appeal to Prime Minister de Gasperi to allow the NATO Conference in Rome at a moment "when the entire efforts of the government and all Italians should be united in mobilizing aid for flood victims."

In the meantime, the Italian Government through its Embassy in Washington suggests that as a defense against the Communist charges "it might be possible at the forthcoming North Atlantic Council meeting in Rome for countries participating to take some action indicating their concern over the damage to the Italian people resulting from the current Po Valley floods and their desire as partners in NATO to be of assistance."

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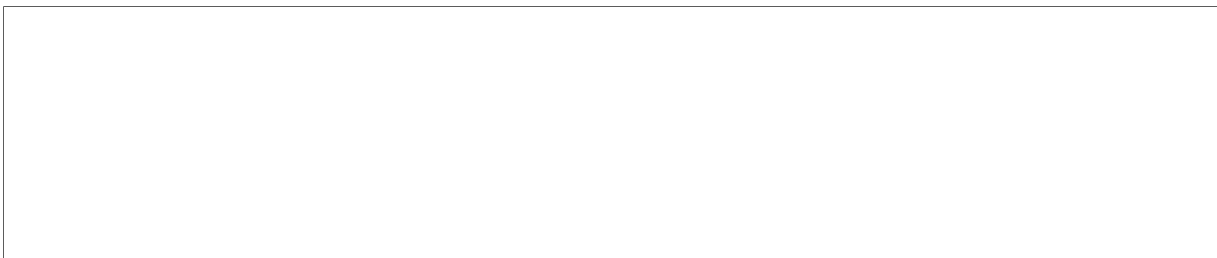
Comment: The well-organized Communist welfare organizations can be expected to render some aid to the flood victims, but not on a scale comparable to that of the Italian Government, or to that which is being rendered by the US. The Italian Government is preparing a bill for the reconstruction of the flood areas and ECA Rome has recommended that ECA funds be made available to the Italians for reconstruction in the flood areas.

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11. DENMARK. Conscription period lengthened: The Danish Government, in response to NATO pressure, has tentatively decided to increase the length of military service to 18 months. The measure will affect the class now being called up for military service; hence the size of the armed forces will not actually be increased until next November.

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Comments: US military authorities have long regarded the 12-month training period as inadequate, but for domestic political and economic reasons the Danish Government has been reluctant to extend the period of service. NATO pressure and persuasion has now at last induced Denmark to extend the period.

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SECTION 2 (EASTERN)

1. IRAN. British concerned over rumors of US mediation in Iranian oil dispute: British officials in Tehran, alarmed by Iranian press reports that Mossadeq will continue to discuss the oil problem with the US Ambassador, have intimated their hope that the stories are unfounded. The Ambassador comments that the British are "extremely anxious" that Prime Minister Mossadeq should return to Iran not only empty-handed, but without any prospects for further negotiations. [REDACTED]

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Comment: The British in Iran have remained firm in their expectation that Mossadeq will soon fall by his own weight and that his successor will be more amenable in settling the oil dispute. Anti-British sentiment, already strong in Iran, will probably increase as Mossadeq blames the British for the country's economic difficulties. It is unlikely that any successor to Mossadeq would be able to effect any settlement of the oil dispute which could be construed as appeasement of foreign interests at Iranian expense.

2. JAPAN. Japanese treaty negotiations with Nationalist China opposed by UK: British Foreign Secretary Eden has rejected a US proposal to inform the Japanese Government that neither the United States nor Britain would object to Japan's proceeding immediately on preliminary negotiations for a peace treaty with Nationalist China.

Eden indicated that he did not object to discussions on trade, property claims, representation, and other practical problems, but that he could not approve any move looking toward Japan's recognition of the Nationalists as the Government of China. Eden feels that such approval would jeopardize the bipartisan acceptance which the Japanese peace settlement has so far received in the British Parliament. [REDACTED]

25X1

Comment: Any move at this time suggesting British approval of strengthening the Chinese Nationalist position would encounter vigorous parliamentary criticism directed in large measure at the United States.

The Japanese Government likewise has indicated it would prefer to postpone its negotiations with the Nationalists until after the multilateral peace treaty comes into effect, fearing that prior negotiations might jeopardize the treaty's ratification.

SECTION 3 (WESTERN)

3. GERMANY. General agreement reached at first Western meeting with Adenauer: At the first meeting of the three Western Foreign Ministers and Chancellor

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Adenauer on 22 November, approval was given to the terms of the General Agreement for West Germany, which will go into effect when certain additional conventions and the European defense treaty are completed. French Foreign Minister Schuman, however, mentioned the limitation and prohibition of certain armaments production in the Federal Republic as a "difficult problem" which might have to be dealt with in a separate convention.

Adenauer stated his conviction that the decisions to be taken within the next few weeks would convince the USSR that it had failed to win over the Federal Republic by its cold war tactics. [REDACTED]

25X1

Comment: Before complete agreement is achieved on a new political status for Germany, understanding must still be reached not only on the security safeguards mentioned by Schuman, but on the Western "programs" such as decartelization and restitution, West Germany's share in defense costs, and the rights of Allied troops in Germany. At least another month is expected to be consumed in these negotiations.

4. ITALY. Italians favor return of their forces to Trieste: An official of the Italian Foreign Office recently told the US Ambassador, in a "purely informal" conversation, that any disadvantage of a settlement of the Trieste question might be compensated through retention of some troops in Trieste under another "Leghorn arrangement." The Ambassador emphasizes that in any Trieste settlement, an announcement that Italian troops would immediately enter the area would undoubtedly help greatly in counteracting popular resentment in Italy over loss of territory to Yugoslavia.

The US Ambassador in Belgrade believes that from the Yugoslav point of view, there is no reason to hesitate in assuring the Italian Government that American and British forces will leave Zone A of the Free Territory if the Italians and Yugoslavs reach an accord. He feels the Yugoslavs might secretly prefer that the troops remain, but could hardly take this position openly. [REDACTED]

25X1

Comment: There have been indications that the Italian Government attaches great importance to a termination of the Allied administration of Trieste and desires Italian forces to be installed there.

5. Italians prepared to proceed with European Defense Forces without Benelux: The Italian representative to the European Defense Forces conference has expressed to the US representative a considerable anxiety over the recent adverse Benelux reaction to the developments at the Paris conference and asked what the "US intended to do about it?"

The Italian official states that if the Benelux countries withdraw from this project, the important thing is "to get on with European integration,"

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which implies that Italy would continue with Germany and France in an effort to integrate their armed forces. He believes that the achievement of this objective would simultaneously solve the German problem and give the youth of Europe a positive ideal for which to fight. The Italian official, in contrast to the Dutch, does not believe that German membership in NATO is a pressing issue at this time. [redacted]

25X1

Comment: The views of this official indicate that the Italian Government is concerned lest integration of European Defense Forces be delayed and is anxious for the US to take more vigorous action to encourage such integration.

6.

Government ready to request revision of peace treaty: Premier de Gasperi is giving final review to the text of the note which Italy will soon present to the signatories of the Italian peace treaty. The note requests revision of certain restrictive provisions in the treaty and stresses the anomaly created by the treaty's existence and Italy's present position. It points out that Italy, despite its re-establishment of democratic institutions and support of UN efforts to maintain international security, is unable, because of its failure to gain admission into the UN, to take action within that body in order to obtain revision of these restrictive clauses.

The US is instructing its missions in friendly signatory countries to join with those of the UK and France in presenting to the governments concerned a proposed reply to the Italian note. [redacted]

25X1

Comment: Yugoslavia, one of the signatory countries involved, has indicated it will not consider revision until disposition is made of the Trieste issue.

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