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19 December 1951

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DAILY DIGEST

Office of Current Intelligence

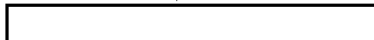
CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Soviet Trade Unions accused of failing to weigh economic changes: Trade Union elections are taking place at the present time in all the trade union organizations of the Soviet Union. The improvement of trade union leadership in Socialist competition is described as the central theme of the campaign. Official criticism has been launched against the fact that trade union, economic, and Party organizations have failed to allow for changes, particularly those of a "qualitative" character, that have recently taken place in the country's national economy.

The immediate task of the newly elected trade union organizations will be to eliminate all shortcomings of a "bureaucratic or formal" nature, as well as failings that exist in the cultural and welfare field. Local party organizations will be called upon to assist in organizing the training and education of new cadres and the mobilization of the masses for Communist construction. [REDACTED]

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Comment: Stalin has been quoted to the effect that "the working class must be systematically educated in the spirit of Communism by means of organizing it into trade unions." In reality, however, trade union organizations in the Soviet Union have become progressively enfeebled, until now they amount to little more than window dressing for the controlling Party apparatus.

2. CZECHOSLOVAKIA. Czech Commercial Counsellor admits effectiveness of US economic sanctions: Recent US action withdrawing preferential tariffs from Czechoslovakia has "severely hurt" Czech trade, according to the Czech Commercial Counsellor in Washington. He stated that the Czechs had lost nearly all of their dollar supply and that they are faced with added expenses of storage and re-shipping charges for goods already in the United States. In addition, Czechoslovakia is having difficulty in disposing of goods normally destined for the American market. [REDACTED]

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Comment: The US sanction, which grew out of the Oatis case, has placed Czechoslovakia in a dilemma which will rapidly assume the proportions of a crisis. There is no indication that the Czechs have found another way of earning dollars, which are required for payments on strategic metals bought in the world market.

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3. YUGOSLAVIA. Further governmental reforms impending: Croatian Prime Minister Bakaric in a public statement dealing with constitutional reforms indicated that the recently announced system of enlarging the socialist sector of agriculture is a new departure in contrast to the previously employed Soviet system.

Bakaric, in his speech, also alluded to impending constitutional reforms, when he stated that measures for economic and administrative decentralization would not wait for constitutional reform.

Finally, in defending the theory and practice of "democratic centralism," Bakaric made it clear that any new constitutional system would not allow for organized political opposition. [REDACTED]

Comment: In preparation for the convening of the Yugoslav Peoples Parliament on December 27, the legislative committees and the committees for the economic plan and finance of both chambers are currently in session.

As an example of continuing governmental reform and ostensible liberalization, the concept of "administrative misfeasance" has been introduced by one of these committees. The bill provides that regular judicial control shall be instituted over all the acts performed by administrators involving the rights and duties of citizens.

4. Yugoslav Communists reveal widespread peasant attempts to quit collectives: An article published by the Croatian Communist party indicates that sabotage by the collective farmers during the past six months assumed such serious proportions that it threatened the entire system of collectivization in the Republic. The sabotage reportedly took the forms of large numbers of applications to quit the farms and serious relaxations of work discipline. [REDACTED]

Comment: Although the situation in Croatia may not be representative, it is significant that officials in the Republic documented peasant attempts to withdraw from collectives. Thus it may well be that reports during the past six months of widespread peasant dissatisfaction with collective life and resistance may not have been too exaggerated.

Despite government pressures and refusals to honor the spirit of the law, continued attempts by peasants to leave collectives by exercising their legal right to withdraw after a three-year period can be expected. For as long as the vast majority of Yugoslavia's peasantry is convinced

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that Tito is at the mercy of American public opinion, that consumer goods will remain relatively scarce, and that life on the collectives will remain unprofitable and unpleasant, they will attempt to implement their virulent antipathy for the policy of "forced collectivization."

Unless the present situation improves by spring, a bitter and costly struggle on a grander scale between the regime and the peasants may emerge.

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SECTION 2 (EASTERN)

1. BURMA. Government takes steps to defend capital: Refugees arriving in Rangoon from the surrounding area report that the insurgents are planning to march on the Burmese capital. As a result, "the strongest security measures" are being taken, including curfews, police searches for infiltrated insurgents, and the establishment of military defenses on all land and water approaches to the city. [REDACTED]

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Comment: Previous reports have stated that intensified insurgent activity in the Rangoon area is imminent, and the Karen radio has warned of an impending attack upon Rangoon itself.

While the spreading of rumors through refugees is an old psychological warfare technique and there is no firm evidence that insurgent strength around Rangoon is sufficient to take the city, the precautions being taken by the government clearly demonstrate that the authorities are more alarmed than their statements would indicate.

2. Nu announces he will remain as Premier: During a 15 December press conference, Premier Thakin Nu insisted that rumors of his impending removal from office by the Socialists were untrue and that he would head the new regime to be formed in February. He stated that the Socialists wished him to continue because of his prestige among indigenous minorities and foreign countries.

The US Embassy in Rangoon comments that Nu's statement was given after a meeting with Socialist leaders and, in all probability, had their approval. However, it appears likely that the cabinet will be increased and some non-Socialist ministers dropped in order to increase Socialist membership. [REDACTED]

Comment: As long as Thakin Nu is retained as head of the government it is not likely to be subverted by the Communists, even if, as may be the case, Nu is the only important committed pro-Western member of the cabinet after its reorganization. Nu's political durability can be attributed primarily to Socialist respect for his personal prestige. Nevertheless, the Socialists could remove him at any time, especially if the security situation continues to deteriorate.

3. THAILAND. 1947 coup group gains complete dominance of government: Included in the new 25-man Thai cabinet are 15 members of the 1947 coup group, and most of the remainder are allied with it. The great majority of members of the appointed Parliament are similarly affiliated. The military character of the government is revealed in the large percentage of service person-

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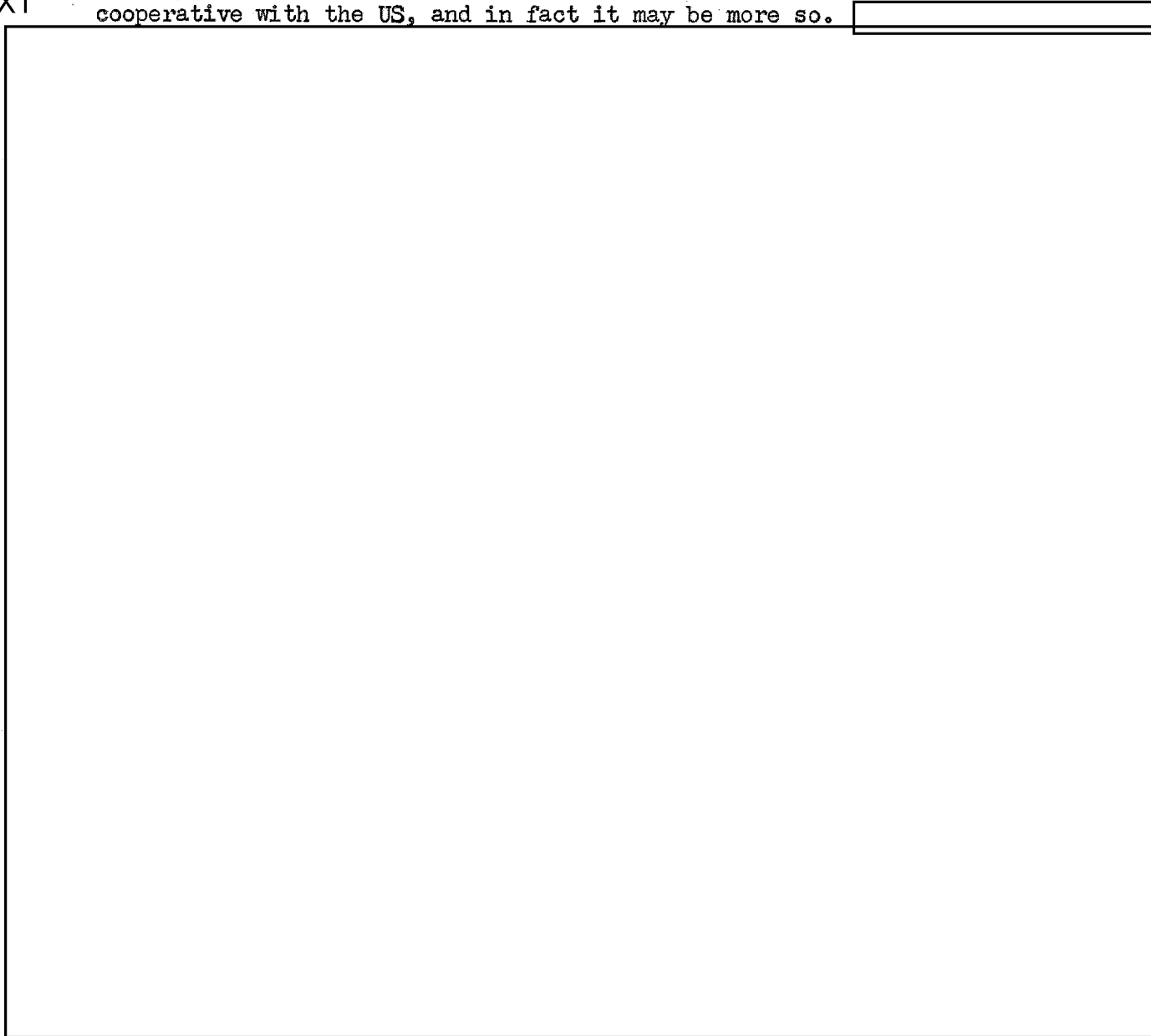
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alities in the cabinet and Parliament, 99 out of 123 in the latter. Many of the cabinet ministers have not had previous experience to qualify them for their jobs, while others have taken on additional cabinet responsibilities in addition to military commands.

The US Embassy in Bangkok comments that this new cabinet will probably be worse than its predecessor both in terms of corruption and incompetency, but that there is no reason to believe that it will be less cooperative with the US, and in fact it may be more so.

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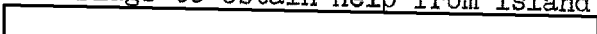


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6. CHINA. Communist navy promises protection against pirates in South China. According to a Hong Kong newspaper, the Chinese Communist Navy has promised to protect coastal shipping and has warned against pirates posing as Communists and flying the Communist five-star flag. The report said that piracy has been common in recent weeks along the Pearl River and in the Ladrone Islands between Hong Kong and Macao. Regular Chinese Communist naval vessels and customs ships, the newspaper stated, are painted gray, fly the naval flag of Communist China, and carry uniformed crews. The warning advised any vessel intercepted by a suspicious looking craft to flash SOS signals or hoist distress flags to obtain help from island garrisons and the Communist navy. 

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Comments: The Communists have provided very little protection to Chinese shipping from pirates which are prevalent along the whole coast south of Shanghai. This report indicates that in South China, at least, the Communists have more naval strength than previously. In fact, motor torpedo boats were recently observed in the Pearl River area for the first time. There is no suggestion that the Communists are offering protection from Nationalists and Nationalist-sponsored guerrillas which operate farther north off the Fukien and Chekiang coasts.

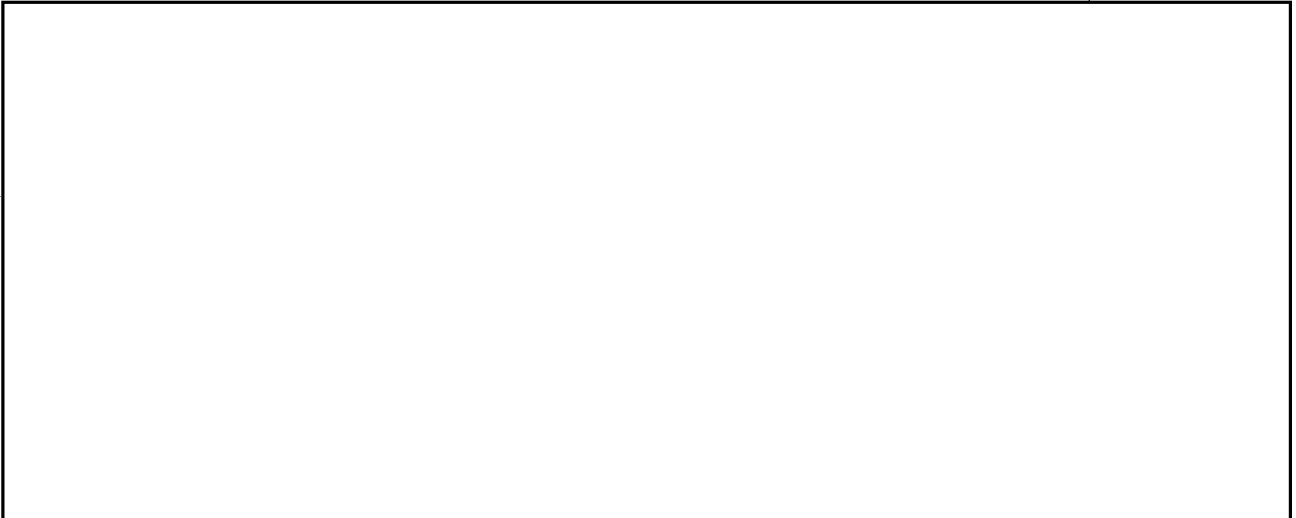
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8. ROK reacts immediately to UN POW tally: The ROK Office of Public Information took immediate exception to a news story from Panmunjon in which a US spokesman mentioned only 7,000 to 11,000 UN prisoners in Communist hands. The ROK release stated that "my government wishes to call attention to the fact that over 88,000 ROK soldiers are missing in action and more than this number of loyal South Korean civilians were seized and carried north by the Communist invaders." The statement continued, "we are confident that UN negotiators cannot be overlooking the ROK prisoners as they conduct negotiations."

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Comment: The news story obviously referred to non-ROK personnel. This reaction gives further evidence of the extreme sensitivity of the ROK Government to any real or imagined slight.

The Communists' statement that they hold only some 7,000 ROK prisoners further complicates this situation. UN sources have claimed that upwards of 90,000 ROK prisoners are in Communist hands. It is possible that the Communists have forwarded only the names of those ROK soldiers who are actually in POW camps and have omitted, possibly for later bargaining, the names of those taken into North Korean military service.

9. JAPAN. Seven Japanese Communists to be tried for espionage: Kyodo Press Service reported on 18 December that a US military court will soon try on espionage charges seven Japanese Communists arrested during 14 December police raids on 24 Communist hideouts in Tokyo and the vicinity. The seven are described as leading members of the "Military Intelligence Committees" or "Y Squads" recently uncovered by police. The Communists were alleged to have been spying on American installations and on the Japanese

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police. [REDACTED]

Comment: Reports have been received alleging that the JCP formed "Military Affairs Committees" some months ago to concentrate all party activity against armed organizations in Japan, including the police and Occupation Forces. These reports broke the committees down functionally into "Y" components -- for example, "Y-3" worked against the US Occupation Forces. This press comment lends weight to the previous reports of the existence of the "Y" group.

10. Informal Japanese-Indonesian talks on reparations are under way: Informal talks concerning Japanese reparations to Indonesia commenced on 15 December in Tokyo between Japanese Foreign Office officials and the chief of the Indonesian reparations mission. It was decided to continue informal meetings until the arrival of a ten-man Indonesian delegation, expected on 21 December, at which time formal negotiations will be initiated.

The Indonesian mission chief is authorized, in addition, to negotiate agreements on fisheries, trade, and sea and air transportation. Therefore, "observers" close to the scene feel that subcommittees will be formed that will discuss these economic matters independently of the reparations question. [REDACTED] 25X1A

Comment: Due to internal public pressure in Indonesia, its representatives are expected to make a large cash demand -- some one billion dollars. Japan, however, will undoubtedly continue to maintain that it is unable and is not compelled by the Peace Treaty to make large reparations payments in cash. Rather, the Japanese are prepared to offer only labor services and the processing of raw materials.

11. Increased National Police Reserve and Maritime Safety Board under proposed Security Ministry reported: Plans of the Japanese Government to increase the National Police Reserve (NRP) by 50,000 men and the Maritime Safety Board (MSB) by 20,000 under a proposed Security Ministry are reported by two news agencies. The Security Minister, as now contemplated, will be charged with commanding the NRP and MSB, establishing an air force, and conducting liaison with the local police and the Special Investigative Branch of the Attorney General's office.

The bill for the proposed ministry reportedly will be presented to the Diet early next year as part of the government's overall administrative reform plan. [REDACTED] 25X1A

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Comment: The Japanese Government has constantly reiterated that full-scale rearmament is not economically possible, yet it recognizes the need for a military force. An increase in NRP and MSB personnel appears to be the method by which these two factors can be reconciled.

While previous comment relative to the establishment of a Security Ministry has been noted, this suggestion for the formation of an air force is the first indication that Japanese officialdom is now thinking along these lines.

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SECTION 3 (WESTERN)

1. GENERAL. Spaak deploras lack of enlightened European leadership: In a conversation with General Eisenhower, Paul-Henri Spaak stated that there is a lack of "enlightened leadership," especially from the UK and France, capable of making the peoples of Europe understand what must be done for survival. Pointing out the necessity for a firm declaration of British support for the European Defense Community, Spaak said that it was difficult for the smaller European countries to shift from a policy based on a British-French alliance to one based on a French-German axis. He himself resigned from the Council of Europe to campaign for an early agreement on the European Defense Forces, which, with the Schuman Plan, he considers the most important step in European unification.

Both Spaak and the Belgian delegate to the EDF conference stated that Europe would reach agreement on the EDF in time for the Lisbon meeting in February because they fear the US reaction should they fail. [REDACTED]

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Comment: The British position on European unity was presumably one of the main topics in the Anglo-French discussions in Paris on 17 December, but there is still no indication that the British are ready to promise anything more than encouragement for the Schuman Plan and the European Defense Forces.

2. Collaboration of Christian Trade Union International and International Confederation of Free Trade Unions under discussion: At a special meeting of the executives of the Christian Trade Union International and the International Confederation of Free Trade Unions, closer collaboration between the two groups was discussed, and it was decided to issue a communique affirming a move as far as "organic unity." "Organic unity" is presumed to include a committee of ICFTU-CISC representatives to determine fields in which common action might be taken and to establish a joint policy wherever desirable. [REDACTED]

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Comment: When the ICFTU was formed in 1949 as an outgrowth of non-Communist union withdrawal from the WFTU, the CISC refused the ICFTU's invitation to join, but remained sympathetic to its purposes. Should there now be closer working relations between the two groups, a more effective means of combating Communist influence in labor, especially in the Far East and Africa, will be available.

3. GERMANY. West Germans balk at size of financial contribution for European defense: Chancellor Adenauer told the Allied High Commissioners on 14 December that Germany will probably be unable to contribute the full

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amount assigned by NATO as the German share of Western defense costs. He alleges that a constitutional amendment permitting the federal government to tax sources of revenue which the state governments now tax would be required in order to raise this sum. Adenauer doubts that Parliament would pass such an amendment. [REDACTED]

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Comment: The Allied High Commissioners anticipate great difficulty in getting the West Germans to accept their 3.2-billion-dollar share of European defense costs, but believe that the additional revenue can be raised by a revision of the income tax structure. The coalition parties are loath to raise taxes in upper-income brackets, however, and the Chancellor probably hopes that a considerable part of the German contribution can be financed by internal or foreign loans.

4. Trade unionist action does not presage labor unrest: West German politicians disagree on the significance of the 3 December decision of the German Federation of Trade Unions (DGB) to cease cooperating with the federal government in economic affairs. The coalition deputies minimize and the Social Democrats exaggerate its importance.

The US observer in Bonn comments that the DGB is apparently willing to continue negotiating with the government on all substantive issues, but is unwilling to shoulder any responsibility for the coalition's basic economic policies. This situation will aid the government in settling future labor-managerial disputes, but prevent it from claiming labor support of its economic policies. [REDACTED]

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Comment: The 3 December decision aroused speculation that West Germany was headed for a winter of strikes, possibly with disastrous effects on Ruhr coal production and Western rearmament plans. The DGB withdrawal strengthens the federation's ties with the Social Democrats, a blow to coalition hopes for future DGB support in its legislative program, but it does not presage labor unrest.

5. FRANCE. Paris Embassy comments on Le Monde's continued anti-Americanism: The decision of the stockholders of Le Monde, most influential Paris newspaper, to retain Hubert Beuve-Mery as editor is considered by the American Embassy to be a victory "for his particular approach" to the paper's policies and portends a continued trend by Le Monde "toward an increasingly harmful anti-Americanism" under the "mask of objectivity." [REDACTED]

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Comment: Since last spring Le Monde has abandoned neutralism as a consistent policy because it failed to arouse widespread support.

The stockholders' decision is seriously detrimental to US interests because Le Monde's aggravation in conservative circles of the widespread

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French irritations over US policies complements the current Communist emphasis on discrediting "the American occupation."

6. FRANCE-TUNISIA. France rejects Tunisian petition; appoints new Resident General: The French Cabinet has rejected the Tunisian petition for a greater share in government, but has proposed to prolong the term of the Tunisian Grand Council and to establish a French-Tunisian commission which would consider the formation of a truly representative legislature.

The Cabinet has also selected Pierre Voizard to replace the present Resident General. [REDACTED]

Comment: The French Cabinet delayed denying the Tunisian petition until it was certain that the UN General Assembly would not discuss the Moroccan issue. Nationalist disappointment over the French Cabinet's action will be somewhat lessened by the replacement of the unpopular and dictatorial Resident General Perillier. Although demonstrations against the French decision are probable, no serious disorders are likely at this time.

7. AUSTRIA. East-West disagreement blocks relaxation of Austrian censorship: Western representatives on the Allied Council failed last week to secure any alleviation of communications censorship in Austria. Discussion of a Soviet proposal to abolish censorship of international telephone communications found the Russians vague on a precise definition of "implementation" and unwilling to guarantee unrestricted Western access to the Austrian central telephone exchange. Should the Allies not have access to the exchange -- located in the international zone of Vienna, but occupied and controlled by the Russians since 1945 -- the Russians would be in a position to establish unilateral censorship. The Soviet representative rejected Western proposals to abolish both internal and international censorship, or to abolish international censorship when technical implementation had been worked out, or to simplify administrative procedures.

Comment: The Soviet element's proposal in the Executive Committee of the Allied Council to end international telephone monitoring came as a surprise to Western officials in Vienna [REDACTED]. Soviet renegeing confirms the supposition that the proposal was designed to shift the blame for unpopular censorship from Soviet shoulders and, if possible, to deprive the West but not the USSR of access to sources of information.

8. German coal allocations hit Austria hard: ECA officials in Paris and Vienna charge that German allocations of available coal for export do not at present reflect Western policy with respect to Austria's special

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requirements. While total German exports of coal, 95 percent of which are distributed by the Germans themselves, have been about constant during the past year, Austria's receipts of German coal have declined 27 percent.

German authorities allege, in reply to ECA representations, that an increase in Austrian allocations can be accomplished only at the expense of other importers, all of whom, except Sweden, will be reduced on a percentage basis in the next quarter. Exports to Sweden cannot be reduced since the Swedes have allegedly threatened that they would then export ore to Poland in return for coal. The Germans assert that they can only support the US and Britain in urging the OEEC Coal Committee to grant a large share of OEEC's five percent coal reserve to making up the Austrian shortage.

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Comment: Austria's special difficulties are compounded of the declining availability of German coal, Poland's use of its coal to extract strategic export items from Austria, and the high prices of alternative US coal supplies. US officials in Vienna assert that Austria cannot earn sufficient dollars to pay for US coal, and, that a larger utilization of higher-priced US coal would adversely affect current efforts to stabilize the Austrian economy.

9. ITALY. Budget Minister's financial policies at variance with US defense objectives: The US Embassy in Rome evaluates Budget Minister Pella's recent speech on Italian financial policy as "conservative, full of old frequently repeated themes, and at variance with the strenuous efforts US officials are now making to bring about a bold Italian defense program with the help of US aid."

Pella said that Italy must make a defense effort compatible with "its need to safeguard civilian investments and consumption, increase employment, protect the value of the lira, and continue social progress."

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Comment: Pella's fear of inflation has obstructed expansion of the Italian defense effort. In his "defense of the lira," Pella, who exercises almost absolute control over the Italian budget, has the full support of Premier de Gasperi and President Einaudi. Italian defense expenditures are only about 24 percent of the total budget.

The need for substantial appropriations to offset the recent serious flood damage in Italy will reinforce Pella's stand against pressure for a greater defense effort.

10. UNITED KINGDOM. British express dissatisfaction with present UN General Assembly session: The acting head of the United Nations department of

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the British Foreign Office has indicated his disappointment over developments in the UN, such as the disarmament talks, South Africa's walkout from this session of the General Assembly, and the embarrassment caused Britain by Guatemala in the trusteeship committee.

He reported that Foreign Office legal experts predict an unpleasant time over the Soviet resolution about Mutual Security Act appropriations to influence people behind the iron curtain, but offered to help the US on this question. He could not obtain authority to tell whether the UK had actually voted for Greece in the balloting for the Security Council seat and admitted that the British Government would have difficulty explaining a vote against the US and with the USSR. He noted that the US had not supported Britain in the trusteeship committee as had been expected. [redacted]

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Comment: Britain had expected US support in the trusteeship committee against persistent Guatemalan claims to part of British Honduras. The above assessment of current UN issues implies that the lack of Anglo-American unity has been primarily responsible for British dissatisfaction with the current proceedings.

11. SWEDEN. Attitude on German unification reflects basic foreign policy: A Norwegian representative on the UN ad hoc political committee believes that the Swedish Foreign Minister considers the German question the most important conflict in international politics as far as Sweden is concerned and that Sweden must therefore demonstrate its neutrality by following an independent course. [redacted]

Comment: The Foreign Minister apparently feels that only by dissociating itself from the Western and NATO nations in UN discussions can his country counteract Soviet suspicions that Sweden's neutrality is a veneer. While some Swedes would welcome a strong Germany capable of countering the menace posed by Russia, the Foreign Minister seems to fear that a strong western Germany incorporated into NATO might incite the USSR, while a united Germany pursuing a "neutral course" would both reduce East-West tension and strengthen the prospects for Sweden's neutrality.

12. GUATEMALA. Communists reported receiving Czech rifles: The US Air Attache in Guatemala, in an October 1951 report, [redacted] that 7-mm hunting rifles of Czech origin "were being issued by the government to pro-government and Communist sympathizers in the various districts of Guatemala." Approximately 30 rifles had been passed out to people in Tiquisate, the site of the most important United Fruit Company plantation. [redacted]

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The Attache comments that "the citizenry of Guatemala of all factions and parties continue to arm themselves, some with the consent and knowledge of the government and some without."

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Comment: The Czech arms are probably being imported by Guatemalan pro-Communist and leftist political parties and labor groups, rather than by the administration. The purchase of Czech arms, which were shipped by a Polish firm, was probably determined primarily by their price and availability, though the transaction may have been favored by ideological considerations. If the arms have, in fact, been received by Communist sympathizers, the position of the Communists is improved in relation to the developing anti-Communist elements and also in relation to the army, which, though loyal to the administration, represents a potential threat to leftist political influence.

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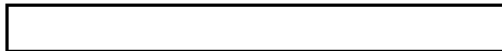
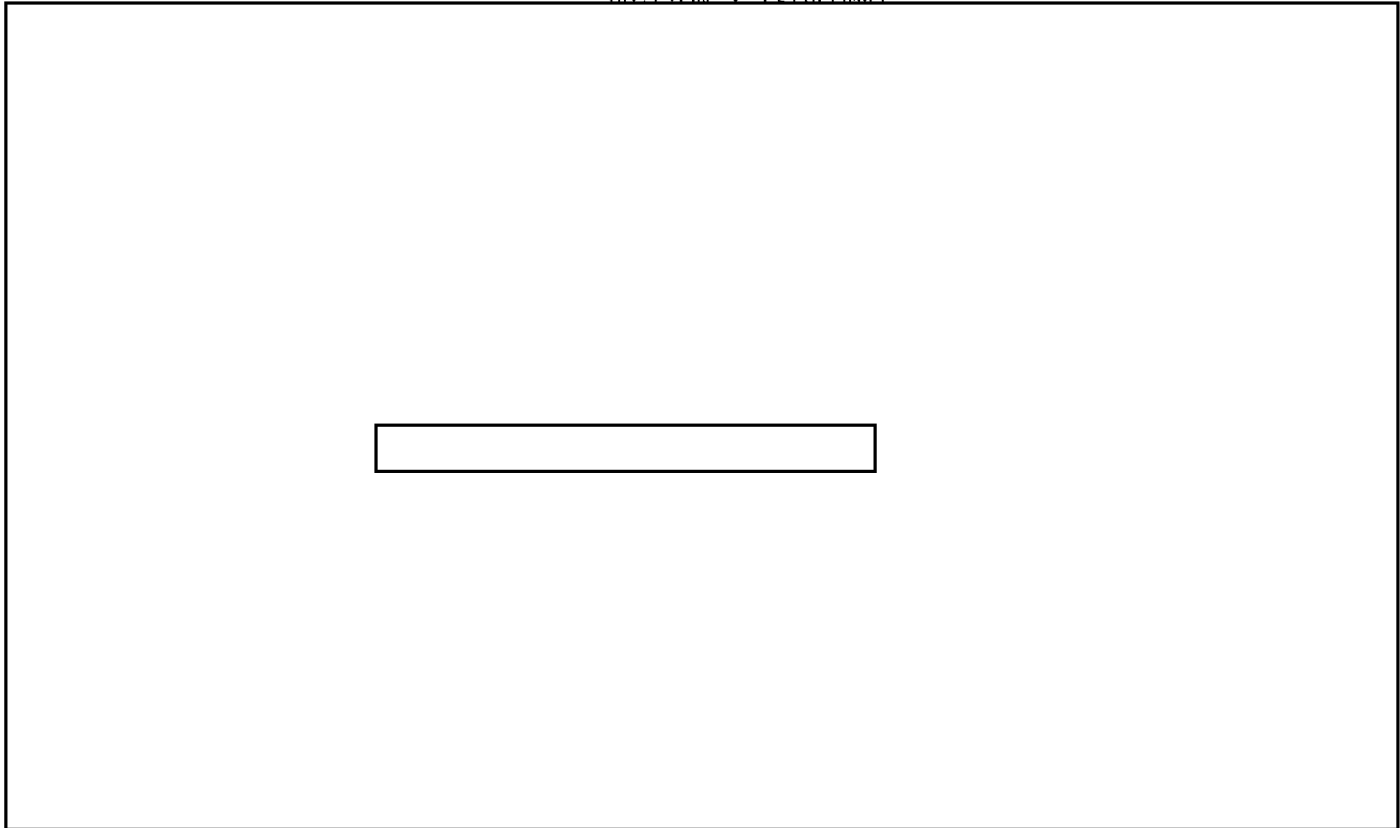
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SECTION 1 (SOVIET)



SECTION 2 (EASTERN)

2. JAPAN. Reaction to Dulles' speech reported: According to US Political Adviser Sebald, the major Japanese papers gave sympathetic and favorable treatment to a 14 December speech by John Foster Dulles before the Japanese and American Chambers of Commerce. While there was some initial disappointment that the speech failed to give detailed plans to implement post treaty Japan-UN relations, Sebald believes that intelligent Japanese realize the impracticality of Dulles' dealing with minutiae. [REDACTED]

Comment: The Japanese have widely believed that the object of the Dulles trip was to press for Japanese rearmament, urge peace negotiations with Nationalist China, and discuss the administrative details which will implement the Security Treaty. In general the press opposed submission to US pressure. Thus, the press reaction to the speech might be considered rather favorable in nature, particularly since the press on the same day also reported that Dulles and Yoshida had reached a basic agreement.

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