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28 January 1952

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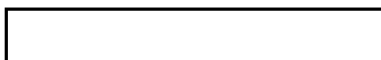
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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST



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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DIA & DOS REVIEWS COMPLETED

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SECTION 1 (SOVIET)

1. HUNGARY. Hungarian Government assails US note: The Hungarian Government in a note of 25 January stated that the tenor of the American note of 29 December 1951 "is not susceptible for the maintenance of normal relations between sovereign states."

When the American Minister refused to accept the note, because of its offensive language, an official of the Hungary Ministry of Foreign Affairs informed him that the language accurately represented the views of his Government and could not be changed.

In commenting upon the return of the Hungarian note, the US Minister states that his action may result in his being declared persona non grata.

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Comment: The American note of 29 December 1951 had replied to Hungarian charges against the Mutual Security Act. The stress in the current Hungarian note is upon the unsatisfactory terms of the American reply. This is in contrast to a similar Soviet note of 9 January 1952 which emphasized the hostile nature of the Mutual Security Act.

SECTION 2 (EASTERN)

2. JAPAN. Opposition and press comment on Yoshida's policy speech: Prime Minister Yoshida's policy speech before the Diet on 23 January was attacked by the opposition as "too abstract" and perfunctory. Democratic Party chieftain Miki criticized as "secret diplomacy" Yoshida's failure to explain his selection of Nationalist China, while left-wing Socialist leader Suzuki claimed the selection will leave Japan the "orphan of Asia." Asanuma, right-wing Socialist spokesman, claimed the defense appropriations will lower living standards.

Editorial comment was generally unfavorable on the grounds that the speech was lacking in enthusiasm and frankness.

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Comment: Yoshida's policy speeches are generally criticized in this vein. As a former diplomat, the Prime Minister's predilection for keeping his diplomatic negotiations to himself have earned him the nickname of "Mr. One Man" with the Japanese public.

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SECTION 3 (WESTERN)

3. AUSTRIA. Soviet boycott of Austrian treaty talks clears way for new proposals: The refusal of the Soviet representative to attend the 259th meeting of the Austrian deputies in London has probably terminated the first phase of renewed Western efforts to secure an Austrian settlement. By making further treaty talks contingent upon the discussion of Austrian demilitarization and denazification and the Trieste issue, the USSR has made apparent its unwillingness to give up its position in Austria on any terms the West is willing to offer.

Since the possibility of achieving an agreement through further Western concessions appears for the time being to have been eliminated, future negotiations with the British and French for the introduction of an abbreviated treaty draft are likely now to be less difficult. The Austrian Government and the general public are deeply pessimistic over current developments, and Austrian officials have already intimated their desire that their country's case be submitted to the United Nations.

Three days before the scheduled meeting of the treaty deputies in London, the Soviet Union asked the Austrian Government when a delegation could be expected in Moscow to negotiate reimbursement for Soviet repatriation of Austrian citizens after World War II. This latest Soviet move may be merely a gesture toward Austrian public opinion, holding out the prospect of ultimate agreement on the treaty. Since this particular question of compensation has not been regarded as current, however, it is possible that the Russians, while spurning negotiations in London, may be prepared bilaterally to inform the Austrians of Moscow's price for a treaty.



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SECTION 1 (SOVIET)

1. USSR. Soviet fishing trawlers enroute to Vladivostok: Thirty-three Russian fishing trawlers of approximately 300 tons each and one tanker of 1100 tons enroute to Vladivostok arrived in Port Said for a short stopover during the second week of January. A demonstration planned to greet the arrival of the Soviet fishing fleet was somewhat deflated, because the canal strike caused the fleet to remain outside the harbor until nightfall. [REDACTED]

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Comment: These trawlers are believed to have been built in Sweden for the account of the Soviet Government, and are destined as replacements for the somewhat antiquated Soviet Pacific fishing fleet. Since the trawlers are being built abroad, Soviet shipyards are left free to concentrate on purely military and naval construction.

2. Low cash income curbs kolkhoz progress: A number of collective farms, after having fulfilled their obligations toward the state, have been accustomed to distribute most of their remaining products among their members as remuneration. This has caused a scarcity of produce left over for sale, collectives have had low cash incomes, and opportunities for contributing to the "non-distributed funds" are decreased.

Izvestia complains that this situation has slowed down the public economy. As to financial revenues, the experience of leading collective farms is said to show that they must be spent first of all on the construction of buildings for livestock, on such items as irrigation installations, reservoirs, agricultural machinery, and on the development of ancillary branches of production. [REDACTED]

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Comment: Unsympathetic kolkhozniks possibly feel constrained not to spend their surpluses on capital improvements. They may feel that they profit more by consuming their own agricultural surpluses rather than by having to submit to financial "contributions" to the non-distributed funds.

3. Armenian SSR obtains three new Okrugs: A recent decree of the Presidium of the Supreme Soviet of the Armenian SSR announced the formation within the Republic of three Okrugs: Yerevan, Kirovakan and Leninakan. The decree also included a provision for maintaining the town of Yerevan under the direct jurisdiction of Republic organs. [REDACTED]

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Comment: The formation of three Okrugs in the Armenian SSR is believed to be part of a gradual program of administrative changes.

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that are announced from time to time. The last such change was the announcement on 5 November 1951 of the formation of the Kutaisi Oblast in the Georgian SSR.

4. FINLAND. Soviet Union believed jamming VOA and BBC broadcasts to Finland: The American Legation in Helsinki reports that following four days of intensive jamming of BBC Finnish-language programs by unidentified transmitters (presumably Russian), interference with VOA Finnish-language programs started 11 January. The Legation states that this is the first time that jamming stations located outside Finland have deliberately interfered with external broadcasts in Finnish.

The Legation believes that the irregular nature of the jamming indicates it is being done on an experimental or irritational basis rather than in an attempt to block out all reception of Finnish broadcasts from the United States and Britain. [REDACTED]

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Comment: At present there are no signs of Soviet pressure on Finland which would aid in accounting for the jamming, but it is a reasonably safe assumption that Russia is responsible.

It is possible that these broadcasts can be received by the population in the Karelo-Finnish Republic of the Soviet Union, which lies along Finland's eastern border, and that the USSR desires to block reception there.

5. HUNGARY-YUGOSLAVIA. Hungary rejects Yugoslav offer to establish border commission: The Yugoslav Charge in Budapest has informed American officials that on the occasion of his presentation of Yugoslavia's rejection of the latest Hungarian note, he was informed that Hungary had refused Yugoslavia's proposal to establish a Joint Commission to investigate the incident. Moreover, the Hungarians refused to explain why, if Hungary is so sure of its case, they were unwilling to have experts discuss it.

The Yugoslav Charge added that on the same day the Hungarians had accused him of insulting a policeman and warned that a repetition would involve consequences. He contends that this accusation is a complete fabrication and probably forecasts a Hungarian intention to declare him persona non grata. [REDACTED]

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Comment: The Hungarian press characterizes the Mura Island dispute as a typical Tito provocation supported by the West. The Yugoslav rejection of the latest Hungarian note, on the grounds that it is offensive, has been greeted in Budapest as proof of its veracity.

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There are indications of Yugoslav reluctance to take effective counter-measures against Hungary; however, a Yugoslav appeal to the UN remains a distinct possibility. The present Yugoslav Charge has been at his station only a few months. His predecessor was ousted last spring following a series of mutual recriminations sparked by Hungarian accusations that its Charge in Belgrade had been molested by Yugoslav police.

6. YUGOSLAVIA. Yugoslav Army strategists concentrate on defensive tactics: Admiral Jerkovic, Commander in Chief of the Yugoslav Navy, stated in private conversation with a US official that Yugoslav army strategists were giving primary consideration to the tactical problems of defense against encirclement.

In addition, the Admiral commented that the Soviet Army, despite its World War II experience, gives extended study to the tactics of encirclement while virtually ignoring the problems of breaking out of traps. This he interpreted as a definite indication of the aggressive nature of the Soviet Army, in contrast to the Yugoslav stress on defense against encirclement.

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Comment: Yugoslav staff emphasis on the tactics involved in a defense against encirclement is consistent with announced plans to defend the border regions. Concentration on the problems of avoiding or breaking encirclements may illustrate an understanding on the part of Yugoslav planners of the vulnerability of any defensive force in eastern Serbia and the need for a feasible evacuation plan designed to save the major portion of this force for mountain warfare.

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SECTION 2 (EASTERN)

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1. EGYPT. Egyptian stubbornness allegedly reinforced by Soviet contacts: Charles Malik, Lebanese UN Delegate and Minister to the United States, is greatly alarmed over the degree of Soviet influence entering "into the highest Egyptian circles" at the UN General Assembly in Paris and in Egypt. He believes that "very fruitful contacts" have been established between Egyptians and Russians and that this might partially explain Egypt's inflexible attitude in the UN meetings. Malik also charged that an effective unholy alliance existed between Egypt's fanatical nationalist leaders and the Communists. [REDACTED]
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Comment: The increasing troubles in Egypt in the past three months have promoted closer relations between Egypt and the USSR. Frequent Egyptian abstentions on East-West issues in the General Assembly meetings seem to confirm a November report that the two countries had reached a tacit understanding to aid each other's objectives in the United Nations.

2. SYRIA. Syria again presses for American military aid: Army Chief of Staff Shishakli recently told the US Air Attache in Damascus that deliveries of American arms were urgently needed by Syria. He warned that Syria could not maintain a pro-Western course of action on promises alone, even though Syrians could recognize the value of cooperating with the West. He added his hope that any arrangements for US arms would not be subject to either British or French approval.

High-ranking Syrian officials have also contacted the Turkish Military Attache in Damascus in an effort to obtain Turkey's assistance in promoting US support for the present Syrian Government. [REDACTED]

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Comment: Recent internal troubles in Syria, arising from the government's ban on Moslem Brotherhood activities, may have spurred the Syrian request for US arms. France is the only nation which supplied Syria with a substantial amount of military equipment during the past year. Shishakli, while insisting that he is interested in aid for Syria, has been consistently seeking military equipment to strengthen his own position.

3. INDIA. Soviet cinema workers to participate in International Film Festival: A group of Soviet cinema workers and directors, led by the Deputy Minister of Cinematography, Nikolai Semenov, left Moscow on 16 January to take part in the International Film Festival at Bombay from

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24 to 27 January. [REDACTED]

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Comment: Soviet interest in India has become more apparent in recent months. Over 80 Soviet citizens arrived in India in November and December 1951 to attend the International Statistical Conference and to set up the USSR pavilion for the International Industries Fair. At that time, it was reported that 14 more Russians were expected in India for the Film Festival.

4. NEPAL. Government outlaws the Communist Party. On 25 January the Nepalese Government outlawed the Communist Party of Nepal, accusing it of "actively supporting and participating in the revolt" which occurred on the night of 22 January. [REDACTED]

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Comment: During the last few months the Communist Party has been increasingly active in Nepal. It recently began to operate overtly. The fact that it has now been banned indicates that its connection with abortive revolt has been established to the satisfaction of the Nepalese Government.

5. Nepalese army reported immobilized by capture of arsenals. Reports received by the Government of India state that Nepalese army units in Katmandu were immobilized when insurgents temporarily captured their two armories during the night of 22 January. [REDACTED]

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Comment: This strongly suggests that military units in Katmandu, and probably at smaller posts throughout the country, ordinarily keep the bulk of their weapons in storage. Nepal thus appears to be extremely vulnerable to surprise attack from local insurgents or Tibetan forces.

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7. Leftists continue attacks on MSA: In an open letter to the US Embassy in Rangoon the pro-Communist Peoples and Workers Party accused the US of using the Mutual Security Act to undermine Burma's neutral foreign policy by obliging it to accept terms which would bind it to the American "power bloc" against the Communist "democracies." The Embassy comments that this letter, which is devoid of the usual Communist epithets, reflects the doubts of many non-Communist Burmese; it believes that the BWPP deliberately used a restrained tone in order to pose as the defender of Burmese neutrality rather than as the spokesman of international communism.

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Comment: The effectiveness of this approach is indicated by the statement made by the Acting Foreign Minister that this letter was an example of the difficulties the political opposition can make over the MSA requirements. Meanwhile, the government's delegate to the ECAFE Committee on Industry and Trade, which is currently meeting in Rangoon, expressed dissatisfaction with the terms imposed by countries offering technical assistance to underdeveloped areas.

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9. INDOCHINA. Morale of French troops in Tonkin declines: Several French officers in Tonkin who are on close personal terms with US Consulate officers have expressed concern at current heavy French casualties which they believe are double the official figures. They are also disturbed at the growing unreliability of Vietnamese troops, and at the increasingly effective artillery of the Viet Minh. The Consulate comments that the Viet Minh appear at least for the time being to have assumed the initiative, and that continued Viet Minh pressure has taken on a quality of "endlessness" in the minds of French officers known to the Consulate. [redacted]

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Comment: The "endlessness" of Viet Minh military pressure depends on two conditions: material and technical aid from Communist China, and the raising of troop replacements and food supplies for the Viet Minh army from within the delta perimeter nominally held by French-Vietnamese forces. The French are making a maximum effort by air strikes to check the flow of Chinese Communist aid to the Viet Minh. Their failure however, to create a strong, self-governing Vietnamese government has apparently permitted infiltrating Viet Minh units successfully to recruit soldiers and obtain food in the heavily-populated, rice-rich Tonkin delta.

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[redacted]

11. Eye witness reports produce no evidence of imminent Chinese invasion: The US Consulate General in Hong Kong has been informed [redacted]

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[redacted] the movement of troops and supplies in the direction of Indochina has been small. During December, most of the troops [redacted] were moving away from Indochina. River freight movement was below the pre-Communist level. Local Chinese Communist propaganda regarding Indochina has been almost nil during the past several months. [redacted]

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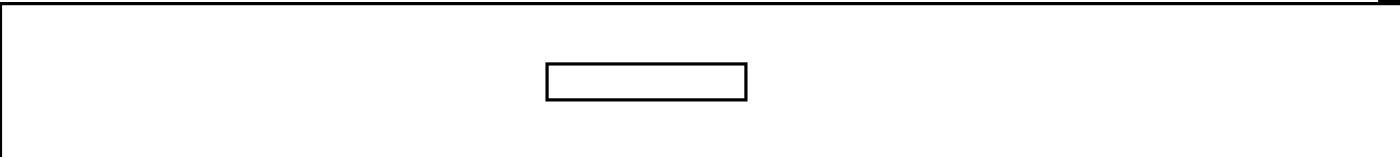
Comment: Although concentrations of Chinese Communist troops have increased in specific areas near the Indochina border during the past month, there does not appear to have been any over-all build-up in South China. [redacted]

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12. French may re-examine question of Chinese Nationalists interned in Indochina: The French Foreign Office, according to its Far Eastern division chief, has sent a note to Associated States Minister Letourneau asking him to look into the matter of the Chinese Nationalists interned in Indochina. The same official states that Indochina Commander in Chief Salan is inclined to favor the release of the internees but will not suggest any procedure to achieve this end. [redacted]

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Comment: The French authorities have long hesitated to release or repatriate to Formosa the 30,000 Nationalist internees for fear of provoking the Chinese Communists.

13. Responsibility for recent Saigon bombings uncertain: [redacted] the anti-Communist guerrilla leader Colonel Trinh Minh The was responsible for terrorist explosions which took place in Saigon on 9 July. However, the Viet Minh, in a 22 January broadcast, took credit for the explosions. [redacted]

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Comment: Assignment of responsibility for these latest acts of terrorism is further complicated by claims broadcast by Colonel The on his radio that he was responsible. Colonel The is the leader of a "Third Force" which is both anti-French and anti-Viet Minh.

14. CHINA. Plan to enlarge Chinese Communist armored force reported: As of mid-1951 the Chinese Communists had a plan to enlarge their Armored Force Command to ten divisions of "modern armored force troops" by the end of 1953, [redacted] Five armored divisions and four independent armored regiments were to have been organized by the end of 1951, and five more divisions by the end of 1952 -- four of the last organized around the independent regiments. During 1953 the combat strength of each division is to be increased, each regiment receiving three additional tank companies. [redacted]

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Comment: Since the establishment in the summer of 1950 of a Chinese Communist Armored Force Command, intensive efforts reportedly have been under way to establish a modern armored force. Equipment, instructors, and advisers are believed to be supplied by the Soviet Union.

By the end of 1951 three armored divisions were known to exist in the Communist forces and a fourth reportedly was being organized.

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16. New report of forced labor camps in Sinkiang: [redacted]
[redacted] during the first half of December the
25X1. public security and labor ministries sent 43,000 unemployed persons and
political prisoners to forced labor camps in Sinkiang. [redacted]
[redacted]

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Comment: Soon after the Chinese Communist occupation of the strategic border areas of Sinkiang and Tibet, improvement of communications there received priority. Probably the plentiful supply of Chinese slave-labor resulting from the continuing purge of "counter-revolutionaries" has been utilized for road-work in outlying areas, though such a program would be limited by food supplies. Over a period of time a forced Chinese migration to Sinkiang would have the effect of creating a closer and more genuine connection that has heretofore existed between that province and China proper.

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17. Macao announces export control regulations: Regulations announced by Macao on 23 January provide for a system of permits governing imports and exports. A Commercial Statistics Committee is set up to control the import and export of strategic goods. Businessmen whose applications to import or export goods are disapproved by the Committee may appeal to the Governor. [redacted]

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Comment: Portuguese measures to control Macao's trade with Communist China have come in response to pressure from other Western European governments. The imposition of increasingly effective trade controls by other areas, particularly Hong Kong, has diverted considerable commerce to Macao. The long experience of Macao businessmen in carrying on covert commerce and the widespread participation of Macao officials in this clandestine trade are important factors which will tend to neutralize the effectiveness of the Portuguese controls on exports to China.

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18. Communists on border use loud-speakers to denounce Hong Kong Government: The Political Adviser to the Hong Kong Government states that, since the deportation a week ago of eight pro-Communist film workers, the Chinese Communists on the Kwangtung side of the border have directed a stream of accusations against the Hong Kong Government for several hours daily through loud-speakers aimed at the Hong Kong side of the border. The American Consul General confirms an earlier press account of the statements of five deportees, heard over the Canton radio, that Hong Kong is an integral part of China and that the deportees would return in the "not distant" future. [redacted]

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Comment: These developments are consistent with earlier and otherwise unsubstantiated reports that the Peiping regime, following the Truman-Churchill talks, would adopt a harder line toward the UK, including action against Hong Kong. The statements of the deportees are the most menacing, so far as is known, ever to have been publicly attributed to Chinese personages. Nevertheless, no important Chinese Communist official or organ has yet made such statements directly, and there are no indications of an imminent assault on the colony.

19. Soviet advisers in Canton reportedly unpopular: [redacted]

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[redacted] Soviet advisers in that city, now estimated at 6,000, are "extremely unpopular" throughout Kwangtung as a result of their high standard of living. [redacted] at least 25 Russians were murdered in Canton during 1951. [redacted]

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Comment: Soviet advisers and technicians in the South China area have been more reliably estimated to total perhaps 1500, of whom some hundreds have been located in Canton. Many sources have reported the unpopularity of the Russians, which was indirectly admitted by Peiping in its recent campaign to induce the Chinese to "love" the advisory-technical personnel. It is impossible to confirm rumors of Russians murdered in China, as [redacted] the Communist press cannot be expected to admit such occurrences.

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20. JAPAN. Soviet officials deny authorizing coal exports to Japan: According to Jiji press service, the Soviet Mission in Tokyo on 25 January denied reports that the Soviet Government had authorized the export of Sakhalin coal to two Japanese trading firms. K. Tanaka, President of the Japan-Soviet Trading Company, visited the Soviet Mission to discuss the reported coal deal, and the Communist officials said further that no commitment had so far been made. [redacted]

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Comment: Soviet representatives have been following for the past several months the pattern of dropping negotiations before they can be consummated. A recent Japanese press report states that Japanese industrial representatives will confer informally with the Soviet Mission on 29 January regarding trade between the two countries.

21. Japanese Government perturbed over ROK proclamation of sovereignty over seas surrounding Korea: Political Adviser Sebald avers that the Japanese Foreign Office is "greatly disturbed" over Syngman Rhee's proclamation of sovereignty over seas adjacent to the Korean Peninsula. A conference of Japanese vice-ministers was to be convened on 23 January to discuss possibilities of Japanese action against this proclamation "which is obviously directed against Japanese fishing activity." [redacted]

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Comment: This unilateral declaration by Rhee, which encompasses an overlarge area of water adjacent to Korea, was taken despite the fact that the fisheries problem is included on the agenda of the Japanese-Korean talks currently in progress. The Japanese view Rhee's claim as being not only contrary to international law but also as prejudicing the pending fishery negotiations with Indonesia and the Philippines in which the principle of freedom of high seas fisheries will be demanded by Japan.

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SECTION 3 (WESTERN)

1. GERMANY. Chancellor Adenauer rejects contractual security controls:
Chancellor Adenauer told the Allied High Commissioners on 22 January that Germany is willing to accept security controls in the form of restrictions on arms production, but did not want this written into an annexed convention to the General Agreement. Adenauer stated this in response to the French High Commission's query as to when the Federal Republic would submit its promised proposal on security controls. In reply, the French High Commissioner accused Adenauer of trying to renounce the proposed convention on security controls and of thus endangering the whole system of contractual arrangements. [REDACTED]

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Comment: During the past few weeks the French and West German representatives had been conducting bilateral negotiations without success in an attempt to resolve the question of security controls. Allied diplomats in general regard the current German stalling as an effort to secure further concessions.

2. East Germans call rejection of Berlin trade permits a "mistake":
East German officials have informed the West German Government that the recent return of large numbers of unstamped West Berlin export permits was a "mistake" on the part of the Soviet and East German authorities. The Communist officials maintained that the "rejections" were merely an attempt to clear up the entire backlog of export permits held by them, prior to the establishment of the planned joint East-West German procedure for handling the permits.

US officials now do not regard the Communist action as causing a new crisis. US High Commissioner McCloy states that if further evaluation supports the Communists' explanation, the Allied High Commission may soon permit the West Germans to resume interzonal trade. [REDACTED]

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3. FRANCE. French irked at US position on Saar issue: The French Foreign Office is "not only adamant but apparently impatient" to give diplomatic status to its representative in the Saar, despite American requests for a delay. The French do not agree that this is a particularly bad time for such a move, and probably suspect that the US position may be evolving in favor of the Germans. [REDACTED]

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Comment: Although replacement of the French High Commission by an embassy would have no practical effect on its relations with the Saar, France wants to establish the basis for a permanent political separation of the Saar from Germany before the German contractual arrangements are completed. The French fear that the Saar's return to German political

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control would deprive France of the Saar's economic assets, and they have been willing to risk immediate political difficulties with Germany in order to avoid this long-term economic loss.

4. AUSTRIA. Chancellor sees no drastic change in Soviet occupation policy: Chancellor Figl and Minister of the Interior Helmer received a chilly reception at their latest conference with the Soviet Acting High Commissioner and his new political adviser. The latter berated the Austrian Government for "provocative, untrue, and deceitful" press announcements, alleged the beginning of a new anti-Soviet campaign, and then refused to discuss the matters further. The Chancellor, however, insisted on his privilege as "chief of government of a free country" to debate these points, and after some moments, the Soviet general yielded. The interview then proceeded, despite a number of Soviet warnings, to an amicable ending.

The Chancellor sees no signs of a drastic change in Soviet occupation policy, but believes that the Soviet Headquarters desires to reduce tensions as a cover for sub rosa activities in Austria. [REDACTED]

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Comment: Figl's periodic meetings with the Soviet High Commissioner are closely watched for indications of Soviet attitude toward the Austrian Government. Since these discussions are usually confined to specific instances of Soviet displeasure or Austrian protests over Soviet unilateral interference, probably unwarranted attention is devoted to the prevailing atmosphere in which such meetings take place. Figl has a reputation for "knowing how to deal" with the Russians — and is no doubt not averse to acquainting foreign observers with his skill in this respect.

5. ITALY. Government approves record defense budget: The Italian Government has approved a record defense budget for 1953 of 980 million dollars, a 200-million-dollar increase over the previous year's expenditures. This budget, however, does not meet fully the TCC's recommendations for the 1953 Italian defense effort. Furthermore, Italy is making the implementation of its defense effort for 1953 conditional on further US aid. Full compliance with the recommendations has been prevented by the unexpected expenditures due to the recent floods, the government's awareness of its deteriorating political position, and pressure from the democratic Socialists and left-wing Christian Democrats, as well as Communists, for greater social expenditures.

The Italians now say that implementation of the 1953 defense budget depends upon a level of economic aid adequate to meet the balance of payments deficit, an increased flow of items for military end use, assurances of the supply of necessary raw materials, and assistance in the solution of manpower problems through emigration. [REDACTED]

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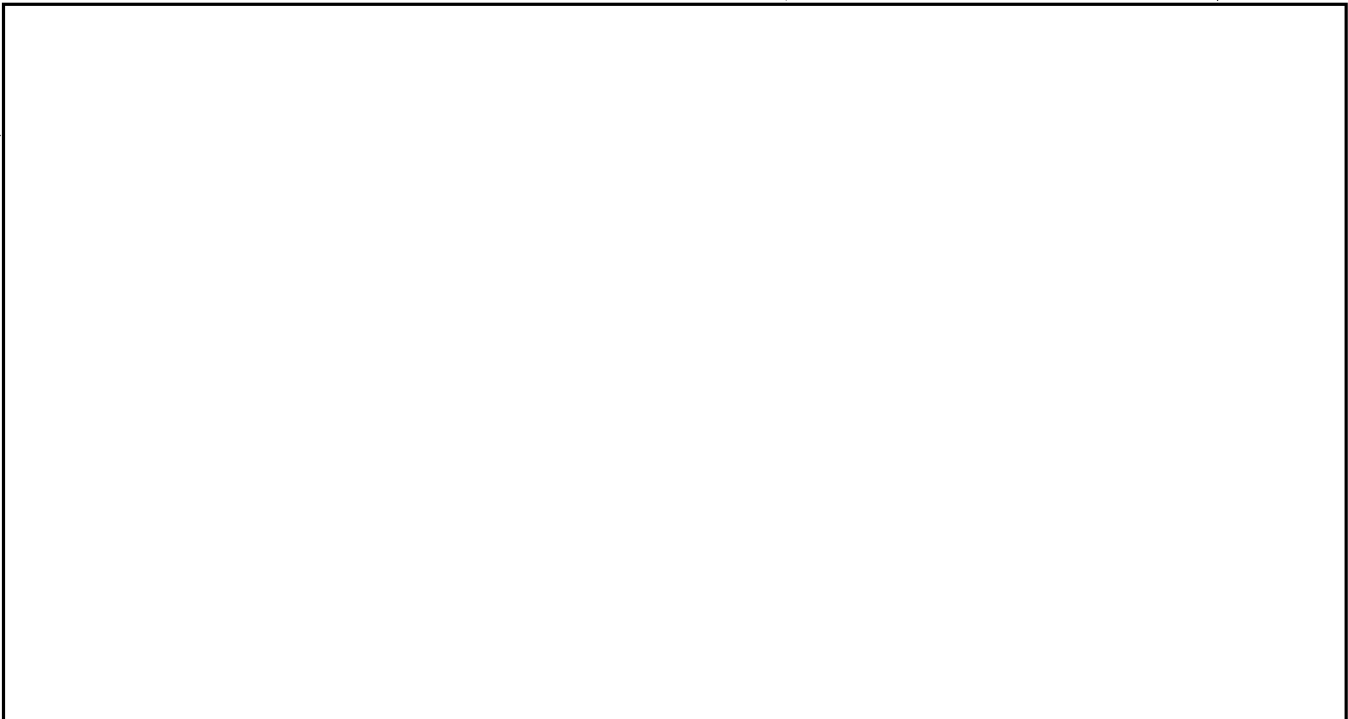
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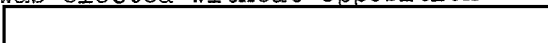
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7. ICELAND. Death of President without immediate political repercussions: Sveinn Bjornsson, President of Iceland since 1944, died on 25 January. He was elected regent in 1941, became the first President of the independent republic of Iceland in 1944 and was elected without opposition for two four-year terms in 1945 and 1949. 

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Comment: Sveinn Bjornsson was a non-political president who skillfully handled the party leaders, but consistently remained aloof from all substantive political issues. Since the law does not require an immediate election to fill the vacancy, no political crisis is imminent. While several political party leaders are known to have aspirations for the presidency, no evidence of actual candidates is yet available.

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10. PANAMA. Panama-registered vessel sold to Czechoslovakia: The Panamanian-flag *Evanthia* (6419 GT), which was previously owned by Union Maritime and Shipping Co. of London, has been sold to Czechoslovakia and renamed *Republika*. This is the first and only Czechoslovak merchant ship. [REDACTED]

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Comment: The Panamanian Government has taken no apparent action on a law or decree to prohibit the sale to the Orbit of Panama-registered vessels, as was suggested by the US State Department last October.

11. End of student strike eases tension: The educators' strike committee issued a statement on 22 January calling an end to the school strike in Panama. The strike had failed to attain its announced aim of precipitating changes in the Panamanian Cabinet. Its end should, for the present at least, lessen the likelihood of disorders and reduce agitation. [REDACTED]

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Comment: The student strike, in which Communist participation was obvious, began last October. It was the chief basis for the Foreign Minister's expressed fears that international Communist strategy was centering on Panama.

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12. NICARAGUA. Government bars cotton sale to Czechoslovakia: Czechoslovakia has offered to buy Nicaragua's entire current cotton crop. The Nicaraguan Government has rejected the offer and has prohibited all cotton exports to Czechoslovakia.

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Comment: The above restriction on the export of cotton is in conformance with a law adopted by Nicaragua last October in harmony with the Kem Amendment.

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