

TOP SECRET
SECURITY INFORMATION

11 February 1952

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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 2 (EASTERN)

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1. SYRIA. Syria's difficulties blamed on French influence: [REDACTED] attributed Syria's current difficulties to France's policy of seeking to exploit the country. He charged that this had been made possible by American and British acknowledgement that Syria and Lebanon belonged to the French sphere of influence.

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[REDACTED] stated that France maintains its control over Syria primarily through the "Banque de Syrie et Liban" and through influence over the Syrian army. He further charged that the French had deliberately killed the potentially important Syrian-Iraqi trade agreement and had also opposed Syrian acceptance of US economic assistance.

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According to [REDACTED] Army Chief of Staff Shishakli is becoming increasingly unpopular, can get no responsible people to join his government, and keeps control only by force. [REDACTED]

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Comment: France considers its position in Lebanon and Syria as privileged and wishes to strengthen it even at the expense of the US and Britain. French support of Shishakli has been generally assumed. At present, rumors in the Near East suggest, however, that Shishakli's "puppet" Chief of State, Fawzi Selo, might receive French assistance in attempting to end Shishakli's power.

SECTION 3 (WESTERN)

2. SWITZERLAND. Swiss atomic energy program makes no progress: The Swiss Atomic Energy Commission made no progress in 1951 toward the construction of a uranium pile because it was unable to import any uranium. All attempts to obtain uranium from Spain and Portugal have proved unsuccessful.

During the course of 1951 the Commission held regular meetings, however, at approximately three-month intervals, to permit an exchange of information between scientists and industrialists. The main impulse for holding these gatherings has come from Swiss industrial concerns. [REDACTED]

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TOP SECRET

SECRET
SECURITY INFORMATION

11 February 1952

US OFFICIALS ONLY

OCI No. 3870
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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Soviet Union reported willing to underwrite trips to Moscow Economic Conference: The Soviet Mission in Tokyo told Kyodo news agency that Moscow will foot all the bills for Japanese delegates to the International Economic Conference which begins on 3 April in the Soviet capital. The Mission spokesman said that delegates from other countries will also be taken care of since the Soviet Government has invited them to come to Moscow for the period of the conference. Tours of the USSR will also be arranged by the government after the conference. (U FBIS, 7 Feb 52)

Comment: The only previous information received of financial arrangements for the conference was a reported offer of the USSR to pay delegates' expenses after they had reached Prague. Soviet willingness to underwrite the event would be further evidence of the conference's importance to Kremlin strategy.

Another source reported that trips and entertainment would be used to keep the visitors in the USSR until the spectacular May Day celebration.

2. Kirovograd orders radio registration: In accordance with a decision of the Executive Committee of the Kirovograd Oblast Soviet of Worker's Deputies on 2 February, radio owners must register their instruments at the Ministry of Communications.

Registration of radio receivers and payment of subscription fees can be made locally, in Kirovograd, or at any oblast, rayon, or other branch of the Ministry of Communications. Owners must pay subscription fees twice annually, and those guilty of avoiding registration of radios "will be subject to criminal prosecution." (R FBIS [REDACTED] 8 Feb 52)

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Comment: Enforced registration of radios performs a twofold purpose in that it not only brings in a substantial revenue, but more important, it exercises an additional and strict control over the owners themselves.

3. Varied air service found in Khabarovsk: Air flights connect Khabarovsk with Moscow and many other Far Eastern cities such as Petropavlovsk, Yuzno-Sakhalinsk, Nikolaevsk, and Vladivostok. The Khabarovsk-Petropavlovsk journey, which requires many days travel by rail and sea, takes only "a few hours" by air, under the airways system operated by the Far Eastern Administration of the Civilian Air Fleet. Mats. of Pravda and Red Star are received from Moscow in Khabarovsk within 24 hours. (R FBIS [REDACTED] 29 Jan 52)

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Comment: Increased activity of Soviet transport planes has been noticed throughout 1951. Recently, a Soviet Information Bureau article observed that transport planes departing Moscow's Vnukovo airport had carried 30,000 more passengers in the first ten months of 1951 than during the entire preceding year. In the same period, one and a half times more freight and twice as much mail as in 1950 is reported to have been transported by air.

4. CZECHOSLOVAKIA. Agenda of Brno party meeting reveals popular dissatisfaction: A recent regional meeting of the Communist Party at Brno indicates the extent of popular discontent in Czechoslovakia. The meeting discussed and condemned public dissatisfaction over the decline of consumer goods resulting from concentration on heavy industry, opposition to collectivization in the villages, general resentment against the government's wage policy and the high salaries of party officials in particular, and general hostility to the new rationing system. (S Prague Joint Weeka 5, 1 Feb 52)

Comment: During 1951 the government laid much stress on the evils of an "egalitarian" wage policy. Premier Zapotocky complained in October that the government had been authorizing bonuses and overtime for which it had been getting no return, and made it quite clear that in the future wages would be used simply to get more production. Discrimination against non-productive citizens has been evident in the new rationing system.

5. Minister of Defense rumored purged: The latest unconfirmed rumor in Prague is that Minister of Defense Cepicka has been removed and is possibly under arrest. The US Embassy observes that Cepicka, who is fond of the limelight, was not on hand to greet Vyshinsky during his stop-over on 23 January, and that his name has not been seen in the press for ten days. (S Prague Joint Weeka 5, 1 Feb 52)

Comment: There has been no previous indication that Cepicka, who is President Gottwald's son-in-law, is in trouble. Cepicka, a Politburo member, is one of the youngest and most capable of the Czech Communist leaders. As Minister of National Defense and in his earlier post of Commissioner of Religious Affairs, Cepicka has demonstrated his ability as a "trouble shooter" in national defense and religious affairs.

6. CZECHOSLOVAKIA/HUNGARY. Most Satellite refugees flee for personal reason: Lack of political freedom is not the reason most of the refugees from Hungary and Czechoslovakia leave their countries, [REDACTED] Basing its conclusions on impressions gained [REDACTED]

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██████████ most flights are caused by personal problems arising from conditions caused indirectly by the suppression of political freedom. If the personal problem had not arisen, the refugee would probably have continued to live under the Communist Government.

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██████████ this does not imply that the majority of citizens of these countries are satisfied. On the contrary, refugees have asserted that only about 5% of the Hungarians and 20% of the Czechs approve of their government. (S Vienna Desp 867, 6 Dec 51)

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7. FINLAND. Premier's statement regarding Scandinavia poorly received: ██████████

██████████ Finland's Prime Minister Kekkonen has become very irritated over Social Democratic dissatisfaction with his recent statement that the Scandinavian countries should form an independent neutral bloc. Kekkonen has reportedly sent a letter to the chairman of the Social Democratic Party threatening a cabinet crisis and demanding Social Democratic support. ██████████ the Social Democrats will continue to oppose what they call Kekkonen's "boot-licking and bowing eastward." 25X1C

According to the US Legation in Helsinki, editorial comment on the statement was generally unfavorable, the principal objections being that the concept of such a bloc was obsolete, and that Finland should continue to avoid, as in the past, such gratuitous meddling in great power controversies. Reports that the move was inspired by the USSR have become more insistent. The Foreign Minister is known to have been consulted in advance regarding the statement, and no one doubts that President Paasikivi must have agreed to it. (██████████ Helsinki Joint Weeka 5, 1 Feb 52)

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Comment: That fact that Kekkonen had the approval of the Foreign Minister would suggest strongly that the statement was made upon unofficial advice from the USSR. The lack of consultation with the other political parties in Finland, with whom such a statement could be expected to be unpopular, further supports the belief that Kekkonen was acting upon a Soviet suggestion and did not wish to risk public foreknowledge which must have occurred had he consulted with the Finnish political parties.

As a result of Kekkonen's failure to consult with the Finnish political parties in advance, there is little chance that they can now be persuaded to support him in the Diet should the matter be pushed as far as a vote of confidence.

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8. YUGOSLAVIA. UN delegate appraises sixth session of the UN General Assembly: Alexander Bebler, chief Yugoslav UN delegate, believes that tensions between the US and the USSR have reached a level where they seem likely to subside rather than to increase, and that the sixth session of the UN General Assembly could have marked the end of growth of these tensions.

Bebler suggests that the US delegation failed to exploit several propaganda opportunities. He contends that the United States should have strongly supported the principle of universality of membership and that this support would have forced the USSR to advance conditions for membership which would have been unacceptable to a majority in order to prevent the establishment of additional Satellite relations with the West. In addition, Bebler believes that the US permitted the USSR to pose as the champion of a unified Germany even though it was the country most opposed to unifications. (U Paris DELGA 1300, 5 Feb 52)

Comment: Bebler's opinion that East-West tensions are likely to subside stands in sharp contrast to the recent statement of Katz-Suchy, the Polish delegate, who advanced the opinion that the 1952-53 session of the UN would be extremely critical because this period would be one of "supreme tension" between the US and the USSR.

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SECTION 2 (EASTERN)

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1. GREECE. Government plans arrest and exile of dangerous subversives: Greek authorities are preparing a list of 150 Communists and other subversives for arrest and exile in the near future. The list includes some persons who have been released recently from prison. The government hopes this action will isolate the more dangerous elements. ([REDACTED])
[REDACTED] 25X1A

Comment: The program appears designed not only to increase internal stability but also to refute opposition charges of government laxity in screening the political prisoners it has released since taking office.

2. ISRAEL. Interest in closer military ties with the West expressed: The Israeli Foreign Minister has informed General Eisenhower that Israel is directly interested in the proposed Middle East Command because Arab hostility has isolated the Jewish state from neighboring countries. He pointed out that Israel's trained manpower reserves and expanding industrial potential would be very useful to the West. He suggested that his country should be given a separate and special position in the Middle East Command which would guarantee Israeli territory against any Arab threat.

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The Israeli Prime Minister has also proposed [REDACTED] that "concrete plans might well be initiated now" to establish [REDACTED] Israeli ties. [REDACTED] Washington has informed the Department of State that [REDACTED] an exploratory mission to Tel Aviv to discuss matters of strategic interest to both countries. (S Paris 4807, 7 Feb; S to Tel Aviv A-220, 5 Feb 52)

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Comment: This is the clearest indication to date that the Israeli Government actually desires closer alignment with the West. Strengthened Western ties would assure Israel protection against any Arab threat as well as Western help in solving its desperate economic problems.

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3. SYRIA. Government may fall by end of March: The present Syrian Government, which is under the control of Chief of Staff Shishakli, cannot last beyond March. [REDACTED] the breach between Army leaders and politicians is widening, and there are signs of dissension between Shishakli and Colonel Fawzi Selo, the Chief of State whom he recent installed. [REDACTED] 9 Feb 52) 25X1A

Comment: Shishakli has been in virtual control for over two years despite several efforts to remove him. Recent reports indicate increased dissatisfaction and new plots to dispose of Shishakli. There is no indication, however, that his removal by force would necessarily result in anything but the establishment of a new military dictator.

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4. EGYPT. Wafd accused of supporting recent riots in Egypt: The 26 January riots in Cairo were financed to the extent of 10,000 Egyptian pounds or 29,000 dollars by secret funds taken from the Ministry of Interior by the Wafd Secretary General Serageddin, who was at that time Secretary of the Interior. [REDACTED] these funds were given to Socialist leader Ahmed Husayin, currently under arrest for his part in the riots. It is also reported that auxiliary and regular police helped incite students to anti-British action on the day of the riots.

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Comment: While the Wafd, according to the American Ambassador in Cairo, is now spreading the story that palace intrigue and British bribery of police caused the riots, the Wafd is at least guilty of indirect involvement. It deliberately fomented anti-British sentiment during past months and openly permitted the extremists to organize into freedom battalions. According to reliable reports the police, who are directly responsible to the government, did not oppose the mobs on 26 January and at times joined with them.

5. IRAN. Foreign cultural offices in Tehran may be closed: The Iranian Government is seriously considering the closing of foreign cultural and information offices in Tehran, as well as the provinces. Although the government has assured the US Embassy that the order closing provincial offices was aimed at the British and Russians, not at the United States, the Embassy believes that extension of this policy to Tehran would indicate an anti-foreign policy rather than one simply anti-British or anti-Soviet. (S Tehran 2989, 7 Feb 52)

Comment: The Iranian Government's policy of obtaining public support through the promotion of anti-British sentiment has already led it to take increasingly severe measures against foreign activities. The need to continue such a policy as well as the growing xenophobia which it has helped create may well induce the government to take further steps against foreigners.

6. PAKISTAN. Soviet Government demands recall of Pakistani Embassy official in Moscow: The Soviet Government has demanded the recall of a Third Secretary from the Pakistani Embassy in Moscow. According to the Pakistani Foreign Office, the demand was made on trumped up charges, and the Karachi government is considering retaliatory expulsion of a member of the Soviet Embassy. Soviet police reportedly held the Pakistani official for questioning and tried to extract confidential information from him in return for his release. (S USARMA Karachi, week 6, 8 Feb 52)

Comment: This is the first known instance of serious diplomatic friction between the USSR and Pakistan, although Soviet propaganda has occasionally been unfriendly.

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The reason for the Soviet action is unclear. The USSR is presumably aware of the fact that this incident will increase the suspicion already felt by Pakistani government leaders.

7. INDIA. Indian requirements for American food grains in 1952-53: The Planning Commission in New Delhi estimates that for the year beginning 1 July 1952, India will require from the United States 2,180,000 long tons of food grains in addition to quotas allotted to it under international agreements.

Of this total, the Indian Food Ministry has earmarked funds to purchase 778,000 tons. In order to conserve dollar exchange, the Planning Commission has suggested that another 675,000 tons, worth 65 million dollars be granted to India under an aid program similar to that recently advocated by US Ambassador Bowles. No suggestion has yet been made about financing the remaining 727,000 tons, which would cost approximately 70 million dollars. (C New Delhi 2802, 5 Feb 52)

Comment: The United States and the Communist Orbit are the two sources best able to supply India with the needed food supplies. Indications are that the United States will receive the first request for a grant or loan of most, if not all, of the 135 million dollars worth of grain for which India has not already allocated funds.

In 1951, while the United States was considering an Indian request for 190 million dollars worth of American grain, the USSR and Communist China achieved a propaganda victory by offering grain at reduced prices to India and by making delivery prior to the arrival of the first American food ship.

This year, the Communist Orbit is in a position to repeat last year's performance and has already indicated its willingness to do so. Furthermore, Indian Communists have recently shown unexpected strength in the national elections in the food deficit states of southern India; unlike last year they are now in a position to debate food issues in both state assemblies and the national Parliament.

8. INDONESIA. Government allegedly trains group for subversive activity in West New Guinea: Fifteen persons from Medan, part of a group the Indonesian Government is training for subversive activity in West Irian (West New Guinea), departed for Djakarta on 26 January. There they will join other members of the group from various parts of Indonesia and will proceed to Irian at an unknown date. [REDACTED]

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Comment: An earlier report stated that this subversive action group included members of Pemuda Rakjat, a Communist-led youth organization, and that one of the Medan leaders had formerly participated in Communist military activity. It seems unlikely that the government would deliberately invite the aid of a Communist group for subversive activity particularly in view of its current efforts to retard Communist growth. The possibility remains that if the government is engaged in committing agents to Irian, it is unaware of extreme leftists in the group.

It appears more logical that the Communists -- not the government -- are taking advantage of popular excitement over the Irian issue and are attempting to infiltrate a subversive group into the area. They may even have insinuated to recruits that the project was a government undertaking.

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9. BURMA. Chinese Communists reportedly seeking uranium:

of the Shan States, that four top Chinese Communist geologists were searching for uranium in Mongkung state.

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Comment: The Burmese Government's control over northeastern Burma is so weak that a few Chinese scientists could enter and carry on operations. The Shan States are a good prospecting area, and Mongkung is not far from the site of the Bawdwin Mines at Namtu which have produced large quantities of valuable mineral ores, including lead, silver, copper, nickel, gold and antimony.

10. MALAYA. MacGillivray appointment is unanimously disapproved: The initial reaction to the appointment on 4 February of MacGillivray as Deputy High Commissioner is unanimous disapproval. Asian leaders are angry because no Malaya-experienced personnel have been retained at the top. Several Legislative Council members who wanted an Asian appointed Deputy High Commissioner stated that they will move for a vote of censure at the first instance of failure on the part of the new appointee.

American Consul Van Oss comments that, although the British appointment may have erred in rebuffing elements in Malaya whose trust and cooperation is essential, it was difficult to find a suitable choice among the Malayan Civil Service, and the few Asians who might have the administrative capacity are too involved in politics. Therefore an outside choice was essential.
(S Kuala Lumpur 141, 6 Feb 52)

Comment: Deputy High Commissioner MacGillivray has a record of long service in Palestine, and more recently has served as governor of Jamaica.

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The High Commissioner is General Templer, appointed on 15 January. He is a former Director of Intelligence in the London War Office but, like MacGillivray, has had no experience in the Far East.

The post of deputy commissioner, entailing primarily responsibility for administration, was created in January to leave General Templer free to consider broad policy matters and to concentrate on the campaign against the terrorists.

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11. INDOCHINA. Threatened mutiny among Vietnamese officer candidates: The American Consulate in Hanoi transmits reliable reports received by a [redacted] that some 200 Vietnamese officer candidates now on leave in Hanoi have threatened to refuse to return to their training area. The two principal grievances are that induction has been discriminatory and that assignment of trainees has not taken into account their "special intellectual status" as university students. The slogan of the hold-outs is: "There is nothing to fear now, De Lattre is dead." French officials now in Indochina are hesitant to assume responsibility. (S Hanoi 531, 7 Feb 52)

Comment: Since the inauguration of the officer training program last September, there has been considerable discontent among the trainees. Other grievances have been: inadequate food and quarters; disrespectful treatment from French soldiers; and inadequate appeal to nationalist sentiment of the Vietnam National Army as now constituted. The series of statements hinting at a negotiated peace in Vietnam made by French Government officials is another important factor which tends to weaken the Vietnamese will to fight.

12. CHINA. Chinese postpone Sino-Soviet Friendship Week indefinitely: The Sino-Soviet Friendship Association's headquarters in Peiping announced on 7 February that "Sino-Soviet Friendship Week" had been postponed until further notice. The postponement was attributed to the demands of the present nation-wide campaign against corruption, waste, and bureaucracy. The announcement stated that "appropriate celebrations" should be held on 14 February, the anniversary of the signing of the Sino-Soviet treaty of 1950, and that propaganda designed to promote understanding of the treaty should be carried out. (R FBIS Peiping, 8 Feb 52)

Comment: Peiping may be telling the truth in stating that it is too occupied with its current anti-corruption campaign to do justice at this time to a special drive for Sino-Soviet friendship. There is no evidence that a cooling of Sino-Soviet relations is responsible for this development.

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13. New roads in Yunnan Province reported: [REDACTED] who left Yunnan in the fall of 1951 report that the Communists are building new roads and repairing old ones "all over Yunnan." One new road leads north from the Burma Road at Hsiakuan toward Sikang, which borders Tibet. The [REDACTED] this road had been completed as far as Atuntze near the Sikang border. They also heard of a new road under construction to the Burma border, proceeding south from Chennan on the Burma Road through Chingku to Fohai. [REDACTED] flown from Kunming to Chungking, reported no airplanes other than civil transports at Kunming or Chungking. (C Bangkok Unnumbered, 29 Jan 52)

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Comment: Other sources establish that the Communists began building this "Yunnan-Tibet" highway in 1950. There are no previous reports of plans to build a road from Chennan to Fohai.

14. KOREA. Rhee scores unexpected by-election victory: Government intervention, reports Ambassador Muccio, may have occurred to some degree in the recent ROK by-elections, in which supporters of aging autocratic President Rhee made nearly a clean sweep. Seven pro-Rhee candidates were successful in the contest for eight vacant National Assembly seats, despite a hotly contested campaign waged by the opposition Democratic Nationalist Party. (C Pusan 776, 7 Feb 52)

Comment: While the success of the pro-Rhee candidates may have been partly due to actions of the ROK police under Rhee's notorious Home Minister "Montana" Chang and to Youth Corps "goon squads," Rhee's prestige played the major part in the victory.

The National Assembly has been locked in a power struggle with the President for a long time. Recently there has been some speculation that Rhee's chances for reelection to the presidency have decreased. This manifestation of popular support, however, should create a considerable desire to climb on Rhee's bandwagon prior to the Assembly's election of a new president this June.

15. JAPAN. Progressive Reform Party established: US Political Adviser Sebald reports from Tokyo that on 8 February the former Democrats, the Farmers Cooperatives and a group of depurgees called the Shinsei Club inaugurated a new party and adopted the name of the Progressive Reform Party. The new group has a Diet strength of 72 members in the Lower House, out of 466, and 14 in the Upper House, out of 250. Seventeen Upper House Democrats refused to join the new conservative party.

The convention demanded as a part of its platform the conclusion of a US-Japan defense pact on equal terms, including an independent self-

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defense corps and the early return of the Kuriles, Sakhalin, Bonins and Ryukyus.

Most of the press was skeptical of the new party's success because of the conflicting elements involved and inability to find a president. (See Daily Digest 8 Feb 52), (U Tokyo 1659, 9 Feb 52)

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SECTION 3 (WESTERN)

1. GENERAL. Growing friction with Europeans over Battle Act expected: The US delegate to COCOM believes that American policy under the Battle Act is likely to cause "considerable commotion," possibly with serious effects on cooperation by other participating countries. He was recently obliged to submit a modified statement on trade controls after the original submission was severely criticized by all the other delegates. The European delegates objected to the "paternal tone" of the first US statement and accused the US of trying to impose a unilateral interpretation of what has been agreed upon. They also objected to the emphasis on the quid pro quo principle and to the effect which the denial of US exports to friendly countries would have on COCOM agreements. (S Paris 4742, 5 Feb 52)

2. Proposed labor secretariat for Schuman Plan may be effective anti-Communist weapon: The Belgian metallurgists union is expected to issue a manifesto calling on the mine and metallurgist unions of France, Germany, Italy and Benelux to create a joint labor secretariat to meet the purposes of the Schuman Plan. The program, under which demands of the workers of the six countries would be presented to the Schuman Plan authorities, is not expected to conflict with the consultative powers of the pool's labor-management group. France's Socialist labor federation favors the idea and hopes that the new secretariat will attract members of the Communist labor federation. (C Brussels 1123, 6 Feb 52)

Comment: Adoption of this program would probably take the initiative in labor's demands from Communist elements in the German unions and from the Communist unions in Italy. It might also serve to neutralize the French Communist labor campaign against the coal-steel pool.

3. AUSTRIA. Government concerned over reaction to Foreign Minister's speech: The Austrian Chancellor and Vice-Chancellor are annoyed by Foreign Minister Gruber's recent policy address, which has been under violent Communist attack for some days. Fearing a strong Soviet protest to the Allied Council, the government has officially denied the implications drawn from Gruber's speech. These were that Austria (a) has made proposals to the West to meet any Russian move to partition Austria, (b) has decided to refer the Austrian question to the UN, (c) expects to place at the disposal of the Americans a number of Austrian divisions, and (d) intends to interfere with supplies for Soviet enterprises.

The Foreign Minister's speech has revitalized Communist allegations that Austria is being remilitarized and has probably worsened the unfavorable atmosphere for the introduction of new proposals by the West for an

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Austrian settlement. While the government may be reluctant to drop Gruber while he is under fire, his none-too-strong position in the cabinet appears to have been further jeopardized. The Western High Commissioners in Vienna have cautioned the Foreign Minister that it is inadvisable to refer to possible utilization of Austrians in Western defense plans. (Factual data from: S Vienna 2584, 7 Feb 52; R FBIS Vienna Radio Ravag, 7 Feb 52)

4. Soviet enterprises procure petroleum machinery from Saar with French connivance; The Soviet Oil Administration in Austria (SMV) reportedly received from a Saarbruecken manufacturer last summer five high-pressure compressors useful in petroleum refinery and gas transmission operations. Intermediaries in the original sale allegedly were an Austrian firm in the international sector of Vienna and an Austrian engineer described [REDACTED] US authorities reportedly asked France to prevent the delivery. The compressors, were, however, ultimately shipped to SMV via Switzerland and the French Zone of Austria. [REDACTED]

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Comment: If, as alleged, the French authorities were informed of US objections to the delivery of the items, the unusual choice of a shipping route through Switzerland and the French Zone of Austria may have been due to a desire to avoid possible confiscation in the US Zone of either Germany or Austria.

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5. ITALY-TRIESTE. Early Trieste elections favored by local Italian parties [REDACTED]

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the local Italian parties would like elections at an early date, provided the Italian electoral law were extended to the Zone and Italo-Yugoslav negotiations over Trieste were not imminent. [REDACTED] to confer with a high official of Premier de Gasperi's own office and he said that his statement represented the view of the Christian Democratic Party in Rome. (S Trieste 743, 5 Feb 52)

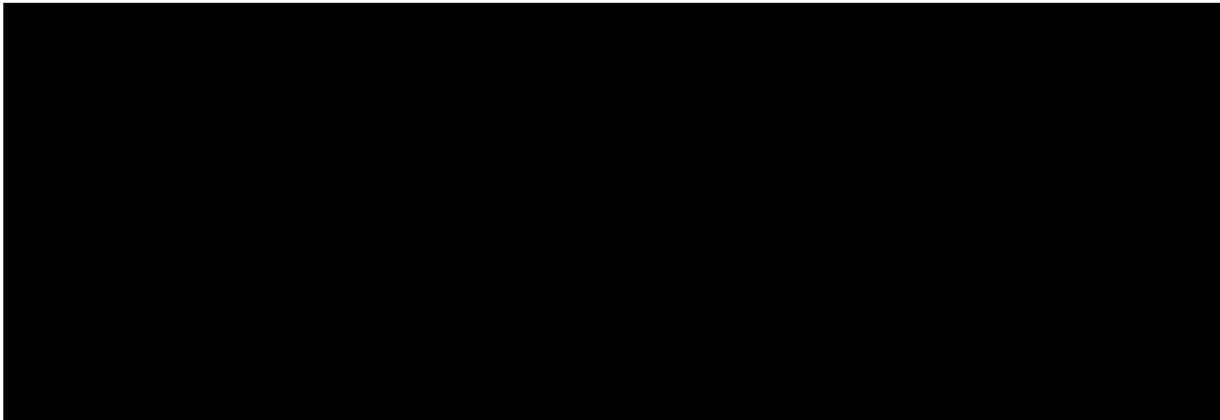
Comment: The Christian Democrat-dominated Italian Government, which has been seeking US and UK approval of the extension to Zone A of the Italian electoral law, has apparently been pressing the Italian parties in Trieste to support a linked-list system. Under this law pro-Italian democratic parties could pool their votes in combined lists and thus insure a majority in the Trieste communal council.

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7. British seen as wanting to decrease importance of OEEC:
[REDACTED] Britain is trying to reduce the importance of OEEC by transferring certain of its functions to NATO. [REDACTED] feels that an economic organ under NATO could not effectively supersede OEEC without full German participation, which both Britain and France oppose.

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At the NATO Council Deputies' meeting on 23 January, the UK representative maintained that since the division of US aid is now a NATO matter, future OEEC functions should be primarily in the trade and payments field. He recommended a "clean break" between the two organs and added that this would not occur if NATO were moved to Paris. (S The Hague 807, 6 Feb 52; S London Depto 868, 24 Jan 52)

Comment: Although the British probably favor the creation of an economic unit within NATO on its own merits, their stand is undoubtedly influenced by a desire to keep NATO in London.

8. UNITED KINGDOM-ISRAEL. Loan and full operation of Haifa refinery to be discussed: An interdepartmental committee in London has recommended against the granting of a 20-million-pound loan to Israel on either political or economic grounds. However, it is possible that a loan, which Israeli Foreign Minister Sherrett will discuss again with the British, may still be made for such strategic projects as improvement of the port of Haifa. Sherrett will also raise the question of resuming full operation of the Haifa refinery. The Israelis still consider the construction of a pipeline from the Gulf of Aqaba to Haifa the best way to supply the refinery with oil from Middle Eastern sources. (S Tel Aviv 801, 6 Feb 52)

Comment: In November British Treasury officials felt that the British financial situation made it impossible to do more for Israel than permit the

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sale of 5 million pounds of sterling securities held by Israelis. The refinery situation looks equally unpromising. The British do not consider the pipeline an economically attractive proposition. In addition, they will not want to antagonize the Arabs by pressing Egypt to permit passage through the Suez Canal of oil tankers for Israel as requested by the UN resolution of last August.

9. BOLIVIA. Anti-junta demonstrators threaten violence: Police and army measures against a show of violence by demonstrators resulted in a relatively peaceful demonstration by about 4,000 persons on 9 February. According to police, the demonstrations were directed by the Nationalist Revolutionary Movement and the Communist Party. The feeling of the demonstrators continues tense, and demonstrations are expected to continue until the junta is overthrown. [REDACTED]

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Comment: The first of the two demonstrations was initiated on 5 February by the La Paz University Federation allegedly to protest food shortages, although its main purpose was to embarrass the junta and, if possible, aid its downfall (see OCI Daily Digest, 18 Oct 51). The Communists may have given gratuitous, but not decisive support to the Federation, which is dominated by the Nationalist Revolutionary Movement.

The US Embassy in La Paz believes that President Ballivian's announcement that the junta will restore constitutional order during 1952 reflects the increased pressure exerted by the Movement during the last few days (see OCI Daily Digest, 15 Jan 52).

10. CUBA. Nickel plant begins operations: Production at the US-controlled Nicaro nickel mine has begun. It was announced that the plant will be in full operation by 1 June, at which time it will be able to produce about 30 million pounds of nickel oxide annually, or 10 percent of world production. It was also reported that a pilot plant is being constructed for the principal purpose of increasing recovery of nickel over present processes and making possible the additional recovery of cobalt. (U NY Journal of Commerce, 7 Feb 52)

Comment: Press reports indicate that the decisive question of whether the new Cuban production will come under international allocation of the International Materials Conference (IMC) has not yet been solved. Should the IMC control its allocation, the US, which will import the entire Nicaro output, will lose supplies from other sources since the free world countries would share in the total supply increase.

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11. MEXICO. Migratory labor agreement with US extended: The US and Mexico have agreed to extend to 11 May the migratory labor agreement which was due to expire 11 February. It is in the interest of both governments to have no interruption to the program whereby Mexican agricultural workers may legally enter the US when determined to be necessary, on terms agreeable to both governments. Negotiations will begin shortly on revisions to the present agreement to assure a long-time operating program of maximum mutual benefit. (R To Mexico City 954, 6 Feb 52)

Comment: Mexico has been dissatisfied with the lack of control over the employment of illegal migrants (wetbacks) in the US, and has indicated that negotiation of a new labor agreement will depend upon the passage of a US law to provide penalties for the employers of wetbacks. Legislation "generally acceptable" to Mexico has passed the US Senate and is now before the House.

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