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SECURITY INFORMATION

20 February 1952

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. INTERNATIONAL COMMUNISM. New Zealand labor organization warns against Australian Communist Youth Carnival: The New Zealand Federation of Labor warned trade unions against supporting the Youth Carnival for Peace and Friendship scheduled to be held in Sydney from 15 to 23 March on the grounds that "it is a child of the Cominform" and "a campaign for the sort of peace the Communists want." (R. FBIS [REDACTED] 12 Feb 52)

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Comment: The Australian Government has decided to ban the entry of all "undesirable delegates" to the Carnival, according to a Moscow broadcast. This definition could be applied to prominent Communist invitees such as Howard Fast and Paul Robeson, but probably would also be used against the 40 Chinese said to have accepted invitations to the affair. Despite these discouragements, plus the opposition of the Australian Confederation of Trade Unions, the Carnival Organizing Committee apparently is continuing plans to entertain "cultural and sporting groups from all nations, especially the countries of the Pacific." A main point to be stressed at the Carnival was reported to be opposition to military training, a prevailing subject at present in Communist youth activity.

2. ALBANIA. Second state loan oversubscribed first day: According to Radio Tirana the second Albanian state loan issued for the sum of 300 million leks was oversubscribed by 20 million leks on the first day. Subscriptions to the loan were optional and Albanians, foreigners living in Albania, and Albanians living abroad could subscribe. Proceeds of the issue will be used to extend educational and health services and to build the Mat River power station and the oil refinery at Cerk in southern Albania. (R. FBIS [REDACTED] 18 Feb 52)

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Comment: The Albanian Government will conduct lotteries to help pay off its indebtedness on the state loans. Vice Premier Tuk Jakova, who has been rumored to be under a cloud of suspicion since the February 1951 bomb explosion at the Soviet Legation, delivered a radio address on 15 February pleading with the workers to support the latest government loan.

3. YUGOSLAVIA. Exiled Yugoslav Cominformist leader calls for a united front of all anti-Titoists in Yugoslavia: In an article appearing in the 8 February issue of the Cominform Journal, a Yugoslav exile leader, former deputy commander of the Yugoslav Air Force, Pero Popivoda, calls for the formation of a "united liberation front of the peoples of Yugoslavia." Within this framework would be included not only all working

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people but "even the middle strata in town and countryside and, to a degree, a section of the national bourgeoisie." Popivoda supports his united front appeal by stating that "the history of the international labor movement teaches that a unified front of this kind is essential in a revolutionary struggle for liberation." (U Bucharest, Cominform Journal, 8 Feb 52)

Comment: The significant aspect of the Popivoda article, which also appeared in the 10 February issue of Pravda, is its appeal to virtually all anti-Titoist elements in Yugoslavia for the organization of a revolutionary movement. This is the first instance of a Cominform appeal for the formation of a united front in Yugoslavia to overthrow Tito. This unusual appeal implies a lack of confidence in the strength and ability of the Cominform organization and its appeal among the populace in Yugoslavia.

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SECTION 2 (EASTERN)

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EGYPT. Farouk's adviser offers suggestions for Anglo-Egyptian settlement:
[redacted] a political adviser to King Farouk, informed the American Ambassador in London that a reduction of the number of British troops in the Canal zone to the figure specified in the 1936 treaty would give Egypt a boost in morale. This would enhance the possibility of gaining full cooperation from all the Arab States in the defense of the Middle East.

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He added that if Great Britain made the gesture of formally scheduling the departure of its remaining forces in the Suez Canal zone, the Egyptian Government would probably permit some British troops to remain until Egyptian replacements could be trained and equipped. He also stressed the importance of recognizing the symbolic tie between the crown of Egypt and the Sudan.

[redacted] warned that the continued impasse had enabled the Soviet Union to increase its propaganda activity in Cairo and that this had had a marked effect upon the simple Egyptian public. He added his belief that Egyptian Prime Minister Ali Maher might not be able to continue in office if he did not soon show some success in solving this problem. (S London 3581, 18 Feb 52)

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2. IRAN. International Bank representative's departure from Iran upsets British: The British Foreign Office fears that the Iranian Senate's interest in an oil settlement might abate while International Bank Vice President Garner is in London and that upon his return negotiations might have to be resumed from the beginning.

The American Embassy in London pointed out to the Foreign Office that the Bank's representative, in order to convince the Iranians that he was not acting for Britain, must make a determined effort to negotiate with it. (S London 3583, 18 Feb 52)

Comment: The intervention of the Iranian Senate in an effort to keep negotiations going has aroused some hope that the International Bank might be able to find an interim solution for the oil problem. Any plan acceptable to Iran, however, would still have to be negotiated with Britain, and that country so far has given little indication that it is willing sufficiently to modify its demands.

3. PHILIPPINES. Communists put new stress on infiltration tactics in face of admitted setback: In Communist Party documents of January 1952, it was recognized that the movement had received a setback due to the clean

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election in November and the government's campaign against the Huks. Both developments were attributed to the presence of "American imperialists" in the Philippines. Asserting that the progress of Communism in the Philippines was contingent upon the success of liberation movements everywhere, the documents emphasized the need for so-called "legal activity" in the key industries, the armed forces, labor, and organizations of students, intellectuals and professional workers. [REDACTED] Comment: The documents are interpreted to mean that the party intends to establish a secure underground. The reduced emphasis on military struggle and the stress on more careful preparation of the party for seizure of power indicates that the party is either assessing its faults wisely or getting good advice. There is obviously a wide gap, however, between preparing the order and its consummation. Lack of capable cadres is implicit throughout the documents. [REDACTED]

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4. INDOCHINA. French claim progress in delta clearing operations: The French Tonkin Command states that a 16 February attack on the Viet Minh 320 Division, which has been re-infiltrating the delta, has achieved "success in the initial phases." The French hope that the entire operation, except for mopping up, will be completed by the end of the week or sooner. A Viet Minh attack in regimental strength on Hoa Binh on 17 February apparently was designed to take advantage of the employment of French reserves against the 320 Division. (C Hanoi 575, 18 Feb 52)

Comment: One of the principal weaknesses of the French military position in Tonkin, as Marshal De Lattre noted, is the lack of Vietnamese forces capable of occupying and holding areas cleared by the French. Clearing operations undertaken by the French last October at a very heavy cost in personnel were declared "successful" at that time, but were subsequently nullified by Viet Minh re-infiltration during December and January. The Viet Minh attack of 17 February appears to display a degree of coordination which does not bode well for the success of current French clearing operations.

5. CHINA. Communist China exhibited well-made copies of American tools at Bombay: [REDACTED] who observed the Bombay International Exposition held in January, stated that the USSR and Communist China had the largest exhibits in terms of floor space. China, along with several other Communist countries, displayed a complete line of machine tools, including compressed air equipment items which were exact copies of American models and as good as the originals. "A superb replica" of an American portable jackhammer was also shown. Prices of these items were not available. The observer concluded that these exhibits clearly demonstrated China's ability to copy. [REDACTED]

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Comment: Captured Chinese-made equipment in Korea has also demonstrated China's ability to copy American-manufactured goods, and in the case of electronic equipment, to improvise when necessary.

6. North Kiangsu Airbase Command reported active: The "17 Mixed Group" under the "North Kiangsu Airbase Command" is based at Taichou Airfield. It is equipped with five YAK-10 fighters, four YAK-9 fighters, two reconnaissance planes, and one TU-2 bomber. Aircraft of this unit made several practice flights from 11 to 17 January, using airfields at Taichou, Huaiyin and Nantung. All of these are located in North Kiangsu Province. (S [REDACTED])

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Comment: No airfields have been identified at Taichou, while Huaiyin and Nantung at last report had only small dirt landing strips. The only known large airfield in North Kiangsu Province is at Hsuchou.

7. Nationalist intelligence activities transferred to the President's office: Most intelligence work has been removed from the Political Department of the Ministry of National Defense to the Materials Section of the President's office, according to [REDACTED] Chiang Ching-kuo, the President's elder son and chief of the Political Department, remains in charge of these intelligence activities. This move resulted from the intrusion of American advisers into the Political Department.

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A Nationalist official states that President Chiang Kai-shek is directing an intelligence coordinating and policy group known as the "Taiwan Information Committee." This committee is composed of the two hundred ranking officers from all intelligence units on Formosa, including the Political Department. [REDACTED]

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Comment: Although the Materials Section was established by Chiang Kai-shek in August 1951, allegedly in response to American demands for abolition of the Political Department, this is the first report since then concerning the Section.

At Chiang Ching-kuo's suggestion, an American adviser was appointed to the Political Department in December 1951.

8. Record number of MIG's sighted over Korea on 10 February: A record number of 366 MIG-15's were sighted by UN aircraft on 10 February in the Korean combat area. From 11 to 15 February relatively few enemy aircraft were observed. The Far East Air Force noted that while maintenance or fuel supply problems may have caused the slump, the enemy has in the past sustained a high operational effort over a number of days. (S CINCFE Telecon 5619, 1155Z, 19 Feb 52)

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Comment: During December and January the number of jet aircraft encountered by UN fighters over Korea averaged about 200 per flying day, a rate which the enemy is apparently maintaining. However, MIG-15's seldom penetrate as far into Korea now as they did in December.

9. KOREA. Russians link MSA to UN operations in Korea: UN espionage and bacteriological warfare in Korea were linked to the 100 million dollar Mutual Security Agency appropriation for encouraging Soviet defections, in a 15 February Soviet broadcast in Korea. It was stated that despite intensive UN efforts to organize resistance and to conduct espionage in North Korea, the people have arisen against the "American imperialist" agents. (U FBIS ticker, 15 Feb 52)

Comment: While the MSA appropriation has provided propaganda fuel in the Soviet Orbit for some time, this is the first reference linking MSA appropriations to UN operations in the Far East.

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SECTION 3 (WESTERN)

1. GERMANY. Politicians use Berlin police crisis in attempt to upset city government: Certain political elements in West Berlin are trying to use the present dispute in the police department to upset the coalition city government, by splitting the Christian Democrats and Free Democrats away from the Social Democrats. The dispute, arising from a personal conflict between top police officials and threatening to decrease popular confidence in the force, would probably have died down had it not been for the action of some leading politicians, particularly former Deputy Mayor Friedensburg and others who might hope to come to power in a coalition government from which the Social Democrats have been eliminated. (C Berlin unnumbered, 11 Feb 52)

Comment: The police scandal has given a Christian Democratic dissident element, led by Friedensburg, an opportunity to harass its antagonists in and out of the party; but under the present circumstances Friedensburg is not likely to get enough Christian Democratic support to overthrow the city government.

2. FRANCE. Government takes strong measures against Communist strikers: The US Embassy in Paris believes that the French Government is determined to enforce "rigorous sanctions" against political strikes and sabotage in strategic industries. The Ministry of Defense has already dismissed several hundred workers from government-owned plants for participating in the Communist-sponsored political strike of 12 February. Communist protest demonstrations are expected, especially in the state-owned Renault works, where police are taking precautions to assure freedom of work. The non-Communist unions warn that such arbitrary sanctions against strikers, who were not given a chance to speak or present witnesses, would help the Communists recoup their lost prestige. (C Paris 5068, 18 Feb 52)

Comment: For some time the government has been strengthening its hand for dealing forcefully with the Communists' political program by following a more conciliatory policy on labor's "legitimate" economic demands.

3. French treasury depleted by postponement of budget debate: French Ministry of Finance officials expect to be barely able to meet February expenditures and fear that the government may have to request an increase in the ceiling on direct advances from the Bank of France to cover March obligations. For each month that Parliament fails to vote the 1952 fiscal program, revenues will fall about ten percent short of expenditures. (C Paris TOMUS 160, 14 Feb 52)

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Comment: The National Assembly is expected to take up again the 1952 budget in the coming week, but Faure's program for tax revision and administrative reform faces considerable opposition. Any increase in the ceiling on advances by the Bank of France would be serious under present economic conditions and probably lead to a reversal of the postwar trend away from inflationary borrowing by the government.

4. AUSTRIA-POLAND. Trade agreement defended despite unfavorable terms: US Embassy officials in Vienna agree with Department of Commerce estimates that trade with Poland has become progressively less favorable to Austria during the past two years. Not only have the Poles extracted increased supplies of iron, steel, metal goods, and wood from Austria in return for smaller Polish shipments of coal and sugar, but they have done this in part by the simple manipulation of coal prices. During 1951, the Austrians received one-third less coal from Poland than in 1950, but paid 1.4 million dollars more for it.

Despite deteriorating terms of trade, Austrian trade officials feel that, apart from strategic considerations, present trade relations remain advantageous. They assert that the only alternative is to sever trade relations not only with Poland, but with Czechoslovakia as well. Greatly expanded iron and steel exports in 1951 are defended because most of the increase consisted of pig iron deliveries. The inclusion of other manufactures under the trade agreement is justified as reducing the volume of such materials reaching the Poles as unrequited exports from Soviet Enterprises in Austria. The Austrians try to exact the highest prices possible for their exports, and Embassy officials assert that under-invoicing of exports to evade exchange controls is negligible. The US Embassy believes in general that current Austrian deliveries may be the necessary price for Satellite coal. (C to Vienna 1787, 15 Jan 52; S to Vienna 1802, 16 Jan 52; S Vienna 2674, 15 Feb 52)

5. VATICAN. Vatican welcomes prospect of German Ambassador: The Vatican welcomes the prospective appointment of a West German Ambassador to the Holy See in exchange for the Papal Nuncio appointed to Bonn last spring. The re-establishment of diplomatic relations has apparently been tacitly agreed upon by both parties on the basis that the Concordat of 1934 continues in force. The Vatican's position is that the Concordat is valid for the entire area then covered by Germany until new boundaries are established by international agreement. The Holy See thus avoids the problems of national boundaries, the most important of which involve the Saar, the Polish-German border, and the division of Germany into East and West.

The appointment of an ambassador is causing difficulties in Germany. A Protestant has traditionally been sent; but the influential Catholic

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6. UNITED KINGDOM. British considering Sudan question: The US Embassy in London believes that Foreign Secretary Eden is still reluctant to recognize Farouk as King of the Sudan before the Sudanese are in a position to decide for themselves. The Foreign Office has suggested that the question be postponed until a Sudanese parliament is established and that meanwhile some high-ranking Egyptian go to the Sudan to discuss the matter. The Foreign Office, noting that discussions between the British Ambassador in Cairo and the Prime Minister have not yet begun, believe that the latter is still drafting proposals for a settlement. (S London 3586, 18 Feb 52)

Comment: Eden is now believed to agree that some concessions must be made on the Sudan issue, but there is still no indication that he is willing to meet all of Egypt's demands.

7. British rumored to be negotiating transfer of Iraq bases: Britain is negotiating to turn over to the control of the Iraq Air Force the two RAF bases at Habbaniya and Shaiba, according to widely circulated rumors in Baghdad. The RAF units stationed in Iraq would remain under British command. In view of the rumors the US Army Attache in Baghdad considers significant the visit to Iraq in early February of the Commander in Chief of the RAF in the Middle East and that scheduled for 20 February by the Commander in Chief of the British Middle East Land Forces. (S USARMA Baghdad BD 020, 18 Feb 52)

Comment: There is no evidence to confirm such a British plan, which is similar to earlier UK proposals on Anglo-Egyptian defense problems. RAF units are stationed in Iraq under the terms of the Anglo-Iraqi Treaty, which remains in force until 1955. The Iraqi Prime Minister is on record as favoring revision of the treaty. As of 1 October 1951 the British had three fighter squadrons and one bomber squadron at the two bases.

8. SWEDEN. Government favors delay on German admission to ECE: The Swedish delegate to the ECE has informed the US delegate that Sweden prefers that

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the "German issue" not be raised at the forthcoming plenary session. Sweden would feel obliged to support the admission of East Germany as well as West Germany to a consultative status. (C Geneva 599, 15 Feb 52)

Comment: Sweden has not recognized the East German Republic, but evidently considers that ignoring it completely in a matter not involving actual recognition might make Sweden appear too pro-Western in its orientation.

9. MOROCCO. Sultan adopts policy of non-cooperation: The Sultan of Morocco allegedly told [REDACTED] that he would not approve any political reforms until negotiations were under way for a new French-Moroccan treaty. While denying that the Sultan has been so adamant, [REDACTED] in Rabat told the US Consul that France was not contemplating a revision of the Protectorate Treaty. [REDACTED] if France were obliged to revise the Tunisian treaty, it would have to follow suit in Morocco because the Sultan was taking his cue from Tunisian developments. [REDACTED] the possibility of the Sultan's agreement to Morocco's entry into the French Union, even in return for major concessions, was wishful thinking. (C Tangier Weeka 57, 1 Feb 52)

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Comment: Other sources indicate that the Sultan is adopting a less conciliatory policy in dealing with the French Resident General.

10. DOMINICAN REPUBLIC. Marine Corps to be formed: The Chief of the Dominican Navy General Staff, Commodore Cesar De Windt, has advised the UN Naval Attache that a small Marine Corps will be formed in 1952. The Marines will serve as special security guards and as fleet marines. Although militarily there is no real reason for a Marine Corps at this time, its formation does constitute an important prestige factor. (R HQ USARFANT NA WIS 3-52, 18 Jan 52)
11. GUATEMALA. Czechs show interest in commercial activities in Guatemala: Documents obtained by the US Air Attache in Guatemala show the close interest of the Czech Legation in Mexico in firms handling Czech products in Guatemala. Pro-Communists in the Guatemalan Government are reportedly facilitating the importation of Czech goods. Last November the Czech Minister to Mexico, accompanied by his Commercial Attache, visited Guatemala; there they allegedly conferred with several Eastern European nationals who are acting as commercial agents for the Czechs. At least one shipment of arms of Czech origin arrived in Guatemala last October. While the proceeds from the sale of Czech goods are allegedly used for Communist activities in Guatemala, it is believed that the primary motivation of the Czechs is to help alleviate their dollar shortage. (Factual data from: C Guatemala City IR-118-51, IR-145-51, and IR-3-52, 22 Oct 51, 19 Dec 51, and 2 Jan 52; U Guatemala City Desp. 530, 19 Nov 51)

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12. MEXICO. USSR purchases of bananas reported: According to press reports, authorities in Veracruz state that representatives of the USSR are purchasing "thousands of tons of bananas" in the states of Veracruz, Tabasco, and Campeche. (U La Prensa (NY), 14 Feb 52)

Comment: Such purchases, if made, could be a propaganda move to emphasize the desirability of increasing East-West trade. An associated development might be the recently reported efforts of the USSR purchasing agent in Mexico to buy non-strategic ixtle fiber for shipment via "a Russian vessel due in Tampico 28 or 30 January." No Soviet vessel has called at a Western Hemisphere port since mid-1950 and the recent arrival of such a vessel at Tampico has not been reported.

13. PERU. Surprise counterproposal on bilateral military agreement made: Despite an assurance by the Foreign Minister that President Odria had approved the military plan negotiated by US and Peruvian representatives in accordance with the Mutual Security Act, the Army Chief of Staff on 14 February presented an army-navy-air counterproposal containing important new points of difference. The US Ambassador is trying to ascertain the significance of the new proposal. Pending clarification, the signing of the agreement must be postponed. (S Lima 491, 14 Feb 52)

Comment: Negotiations with the eight Latin American countries chosen for bilateral military agreements in accordance with the Mutual Security Act have not progressed smoothly except in Ecuador and possibly Cuba.

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SECTION 2 (EASTERN)

1. GREECE. Minority leader hesitates to withdraw support from coalition government: Deputy Prime Minister Venizelos is alarmed at Prime Minister Plastiras' conduct of the government but is unwilling to take the initiative in over-throwing the present regime. Venizelos is also discouraged by the meager offers which Papagos has made in proposing a Rally-Liberal coalition. He is continuing to negotiate with the Rally, although he doubts that many of the Liberals would follow him into such a coalition. (S S/S Athens 3758, 15 Feb 52)

Comment: The present EPEK-Liberal coalition government is maintained primarily by the cooperation of Liberal minority leader Venizelos, who fears that new elections would be held under the majority system, favored both by Plastiras and Papagos, and thus eliminate the Liberals as a top political party. It is unlikely, however, that Venizelos is yet willing to accept Papagos' conditions for a Rally-Liberal coalition, since they also include eventual elections on the majority system. There remains the possibility that when the present government falls it will order new elections under the proportional system. This would again divide Greek politics into small factions and would presumably improve the Communist potential.

2. SAUDI ARABIA. Long illness of Saudi Arabian King arouses interest in royal successor: The continuing illness of King Ibn Saud, who occasionally lapses into a semi-comatose state, has aroused considerable speculation regarding future political developments in Saudi Arabia.

According to Ambassador Hare in Jidda, the King has already designated Crown Prince Saud as his successor. Unless the King reconsiders, Saud should succeed to the throne without undue difficulty despite rumored opposition to him. Hare believes, however, that Prince Saud's greatest test would come after his accession to power, for it would be difficult to control a political situation which has already been "cracking at the seams" under the "ultra-forceful rule" of the aging Ibn Saud. (S S/S Jidda 438, 17 Feb 52)

Comment: There has been considerable speculation over the probable course of events in Saudi Arabia if Ibn Saud's death should be sudden. Internal tensions might increase as the Crown Prince attempted to consolidate his popular support. On the other hand, friction between the Saudi Arabian Government and the Arabian American Oil Company might diminish, since the younger Saud would probably attempt to strengthen relations between his country and the West, toward which he has exhibited considerable friendliness.

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