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4 March 1952

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Soviet element in Austria blocks interzonal trade: Soviet officials are reportedly blocking the transit of goods to the western zones of Austria because of Austria's unwillingness to increase non-ferrous metal allocations to the Soviet Enterprises in Austria (USIA). During February between 650 and 700 shipments were held up, and metal processing plants in the western zones, which need Soviet zone scrap, are seriously affected.

The Austrian Trade Ministry plans to negotiate with the Russians, but proposes to maintain its position that USIA allocations are contingent upon a Soviet guarantee that end products will revert to the Austrian economy.

Comment: This report is a further indication that Soviet authorities are increasing pressure on the Austrian economy.

It is not certain to what extent the Soviet officials will pursue this policy, but it is probably directed against broader targets such as the Austrian campaign against recent USIA activities and the East-West trade control program, rather than USIA allocations alone.

2. No Soviet March retail price cuts announced: Retail price cuts usually announced in the Soviet Union on 1 March have not yet been forthcoming. Speculation among Russians reflects the feeling that there may be no price cuts this year, or that a small cut may be announced later.

The Embassy believes that if a price cut is actually scheduled, several reasons may have prompted a delay in its announcement. The planned 1952 budget may not yet be fixed for the meeting of the Supreme Soviet next week. There may be a desire, for propaganda purposes, to time the announcement of a cut closer to the World Economic Conference in April. The late winter food shortage is more than usually acute this year in Moscow, and a price cut announcement could have an aggravating effect on current retail sales.

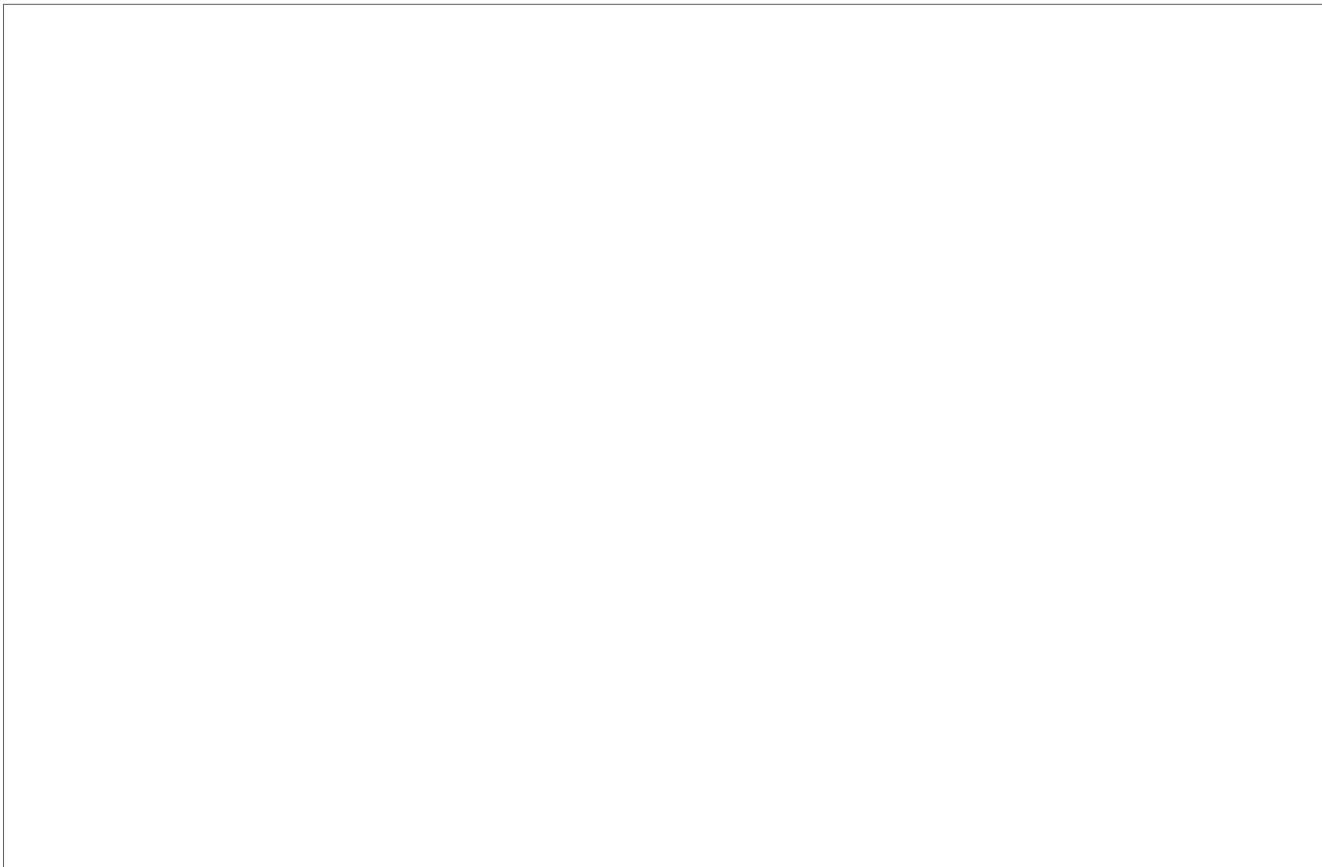
Comment: It is likely that if consumer prices are lowered at all, savings passed on to the public will be

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smaller than in 1948, 1949, and 1951, when they averaged about 10 percent on essential consumer goods. In comparison these reductions would be smaller than those already effected for wholesale prices on industrial goods.

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4. HUNGARY. Communist Party striving for elite status: The annual Conference of the District Party Secretaries of the Hungarian Workers Party (Communist) was told by the Secretary of the Central Committee, Istvan Kovacs, that preference for quantity rather than quality in party members must give way to stricter membership standards. With the number of Communists approaching one million, party officials were instructed to concentrate on raising the ideological level of the members, educating them in the fighting spirit of Marxism-Leninism, converting them into party activists and including them in party work. New members should be wage earners over 24 years old who are working in industrial production and showing exemplary behavior in both production and social work. [redacted]

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Comment: High officials in the party criticized the election last fall of officers for the lower levels of party organizations because not enough intellectuals and technicians were elected and in many cases old, experienced leaders were not re-elected to office. This radical turnover in leadership may account for the concern of the party hierarchy with the laxity which has developed in the admission standards and the ideological training of members.

25X1 5. YUGOSLAVIA. Yugoslav Foreign Minister admits leftward shift in party policy:

Minister Edvard Kardelj admitted that the Communist Party of Yugoslavia has veered to the left in order to quiet the misgivings of party regulars over recent official deviations from classical Communist theory. Kardelj declared that further rural socialization is necessary and predicted the eventual success of "peasant collective associations." He maintained that the present capital investment program is based upon the minimum industrialization required for Yugoslavia's current needs. Foreign [redacted]

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25X1 Comment: A significant leftward shift in party policy has become increasingly apparent during the past month. Increased official anti-religious activities and emphasis on the need for better party discipline highlight this recent trend.

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SECTION 2 (EASTERN)

1. INDONESIA. Economics Ministry official may visit Satellite countries: A semi-official news agency reported that Dr. Asmaun, an official of the Indonesian Economics Ministry, will visit Satellite countries early in March. It is believed that he will study possibilities for establishing trade relations with East European countries. [redacted]

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Comment: Indonesia has signed trade agreements during the past year with Hungary, Czechoslovakia, and Poland. Under the agreements small quantities of rubber and tin are being exported to those countries. The government has not commented on the report of Dr. Asmaun's visit or the possibility of further trade relations with the Satellites; it has officially denied reports of trade negotiations with the USSR.

2. BURMA. American prestige reportedly suffering: The American Embassy in Rangoon reports that all its personnel "emphatically agree" that the prestige of the United States has "suffered perceptively" as a consequence of the widespread feeling that it could do more to relieve the Chinese Nationalist problem. The local Communist press has seized upon this issue to provide fresh appeal to its propaganda. [redacted]

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Comment: The Chinese Nationalists have been a source of irritation in American-Burmese relations for over a year, and the current flareup threatens the good will that has been so tediously developed since Burma became independent in 1948.

The Burmese Government, nevertheless, has caustically denied the Cominform report of an American deal with Premier Thakin Nu whereby the Nationalists would be retained in north-eastern Burma as a buffer. [redacted]

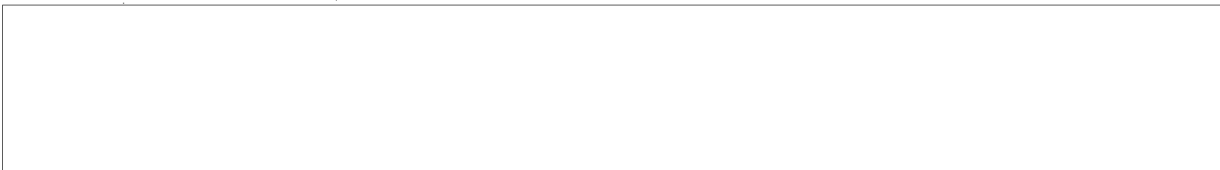
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4. INDOCHINA. Chinese Nationalist official urges repatriation of Indochina internees: The Chinese Nationalist Consul General in Saigon told French Minister for Associated States Letourneau on 25 February that the morale of the interned Chinese Nationalist troops in Indochina had sunk to "a new and dangerous ebb." He urged their immediate repatriation to Formosa as the only solution.


The Chinese official said that Letourneau, while not yet prepared to advocate outright repatriation, stated that it might be possible for some such organization as the International Red Cross or a specially constituted UN committee to solve the internee issue.

The Consul General also told Minister Heath that both Acting Commander in Chief Salan and Inspector of Overseas Troops Valluy have expressed the view that repatriation is desirable.

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Comment: The late Marshal de Lattre consistently opposed repatriation of these Nationalist troops, which originally numbered about 30,000 men. However, an official of the French Foreign Office stated in January that his successor, General Salan, favored their release but had advanced no proposal to effect it.

5. CHINA/KOREA. MIG sorties over Korea decrease: Visual reconnaissance of the airfield at Antung on 23 and 29 February revealed that no MIG-15's were there. The Far East Command notes that total MIG sorties over Korea for the last week in February dropped sharply to 548, compared with the record number of 1,387 the previous week. 

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Comment: The Antung airfield was a main base for enemy combat operations in 1951 and early 1952. One explanation advanced for the absence of aircraft there is that the planes are based at fields deeper in Manchuria and staged through the Antung area to Korea. The Far East Air Force noted evidence in early February of such a system.

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SECTION 3 (WESTERN)

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1. GERMANY. Bonn wants to ship scrap to Czechoslovakia:

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The Germans argue that if the shipments are not permitted, the Czechs will carry out a threat to stop deliveries of coal to the Federal Republic, and that current negotiations between the two countries for a 1952 trade agreement will be jeopardized.

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Comment: The Czechs shipped over one million tons of brown coal to Bavaria during 1950 for industrial use. High transportation costs make it economically infeasible for Bavaria to obtain brown coal from the Rhine Valley, West Germany's main producer.

The West Germans have argued that retaliatory suspension of coal shipments from Czechoslovakia to Germany would further aggravate the coal situation in the Federal Republic, already affected by domestic demands as well as by the stoppage of East German shipments to Berlin.

2. FRANCE. No important French industrialist plans to attend Moscow Economic Conference: The American Embassy in Paris reports that the prospective French delegation to the Moscow Economic Conference now comprises for the most part only fellow travelers and less important businessmen. Although some key industrialists were initially tempted to attend either to promote trade with the Soviet Orbit or to strengthen their position with Communist-dominated unions in France, they have decided not to risk the possible consequences for their personal and business relations with the United States.

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Comment: The combination of raw material deficiencies and an acute dollar shortage has made French industrialists susceptible to offers of trade with the USSR, Communist China, and the Satellites. Nevertheless, while France has shown more interest in the conference than any other country in Western Europe, enthusiasm has dwindled as the political aspects of the trade overtures have become increasingly apparent.

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3. French economic crisis raises fears of Gaullist or Communist success: The present French cabinet crisis highlights the now pressing urgency of economic problems and the possibility that inflation may get out of hand. Should this occur, the possibility of successful exploitation of the political situation by the Gaullists or Communists would have to be reassessed.

25X1 The view that Foreign Minister Schuman is too pro-American is encouraging rumors that he may be dropped from the next government. [redacted]

Comment: Neither a Gaullist nor a Communist accession to power is likely to be the immediate solution of the present political crisis. The mass of French workers would not cooperate in an obvious Communist bid for political power, and the Socialists could be expected to grant grudging support to another centrist government before permitting the Gaullists to come to power under their own terms.

4. FRANCE-TUNISIA: French recognize need for reforms, but not ready to act now: During a series of informal conferences on the Tunisian question, the Director of the Protectorates Division in the French Foreign Office admitted to the American Ambassador that certain reforms are necessary, but stated that a forceful approach is the only one suited to the Arab mentality. Yielding too much to the Tunisians now "would be fatal not only in Tunisia but in the rest of North Africa." The Foreign Office recognized the need for a prompt resumption of negotiations, but admitted that governmental instability would inevitably delay the obligatory cabinet decision. [redacted]

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25X1 Comment: French troops and police have not yet stamped out rioting and sabotage in Tunisia. The Resident General claims to have recommended for Paris approval a "concrete reform program" which includes the displacement of Tunisian Prime Minister Chenik.

5. AUSTRIA. Vice Chancellor hints at Socialist adamancy on restitution issue: Socialist Vice Chancellor Schaerf informed the American Embassy prior to his departure for the United States that a "surprise development" may be forthcoming in the current political squabble over the restitution of property to ex-Heimwehr leader Starhemberg. He asserted that the

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Socialists are determined to take the issue to the people rather than face a parliamentary defeat, but will accept any one of three possible solutions: a plebiscite on the issue; dissolution of Parliament and general elections; or postponement until after the next general elections. [redacted]

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Comment: Proposals of the coalition parties and the Union of Independents on the restitution issue will be debated on 5 March as minority motions, each having been defeated in the Judicial Committee by combinations of the three parties. The Socialists, who have lost ground since their presidential victory last spring, are attracted by the vote-getting appeal of this emotional issue; while their withdrawal from the government cannot be ruled out, they have, however, appeared disposed to compromise.

6. ITALY. Government blocks new attempt to divert aluminum to Orbit: In the first case of its kind since the tightening of Trade controls a few months ago, the Italian Government recently blocked a 600-ton shipment of Italian-produced aluminum to Rumania. The metal was ostensibly licensed for the United States. It was loaded in Genoa on a Norwegian ship, but impounded in Naples the following day. [redacted]

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Comment: The United States has been arranging for the purchase of 15,000 tons of aluminum from Italy during 1952. To date only part of this has been obtained because of previous Italian commitments as well as the high prices demanded by Italian producers.

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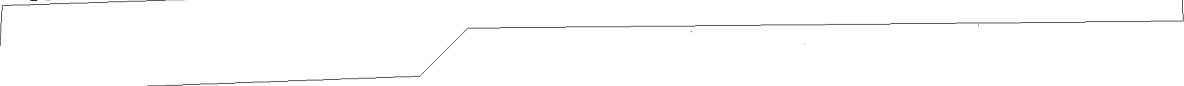
[redacted] substantial amounts of aluminum have been transshipped through Italy despite the recent temporary suspension of import licences. Some 3,200 metric tons of aluminum are believed to have been shipped from or transshipped through Italy to Orbit countries via Basel and Antwerp between June and December of last year.

7. Italian Communists strike against arms shipment: The first instance in which Italian port workers have refused to unload military equipment occurred on 24 February in Genoa. The workers began the unloading, but quit when they received instructions from their Communist leaders. The balance of the military cargo was unloaded by the Italian Army under maximum security regulations.

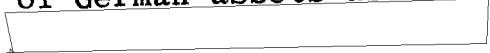
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25X1 US officials have anticipated such difficulties with the Communist-controlled port workers in Genoa, and had hitherto avoided military shipments to that port. The short duration of the strike suggests that the Communists were testing the extent to which the port workers would follow strike orders.




8. SWITZERLAND. Liquidation of German assets will be used as bargaining point in London German debt conference: The US Minister to Switzerland on 27 February presented an aide memoire expressing concern that Switzerland might delay or prevent a final solution on the settlement of German assets in Switzerland in order to get favorable treatment at the German debt settlement conference which opened in London on 28 February. The Swiss Foreign Minister hinted that the Swiss would use the liquidation of German assets as a bargaining point at the conference.



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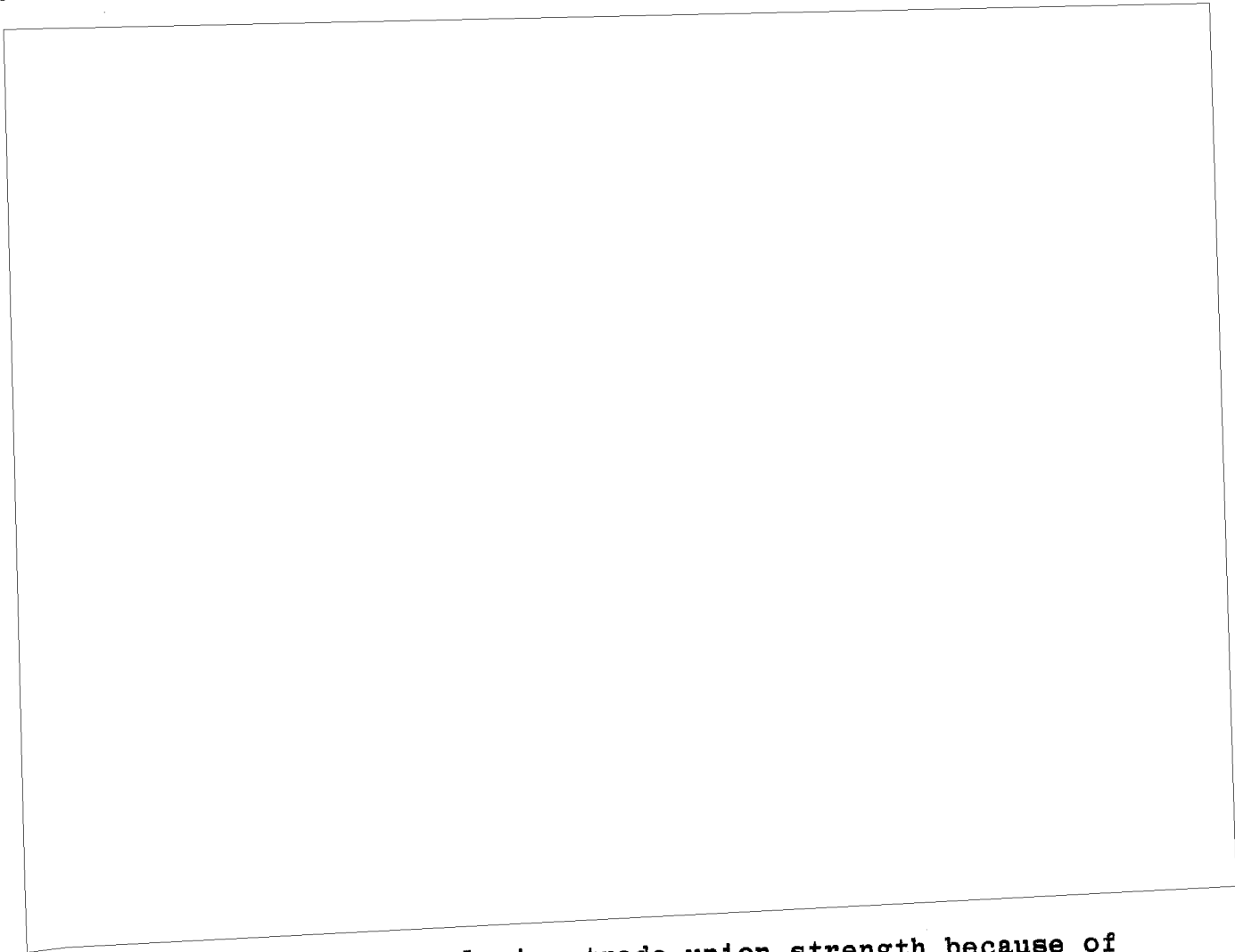
25X6 Comment: The Swiss have continually found one pretext after another to avoid the liquidation of German assets in Switzerland.



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11. SWEDEN. Communists losing trade union strength because of espionage cases: Recent revelations of Communist espionage in Sweden have resulted in unusual losses for Communist candidates in current trade union elections. The Communist grip on the Metal Workers' local in Gothenburg, Sweden's second largest trade union local and hitherto the Communists' chief propaganda platform in the trade unions, has been broken, chiefly through the termination of their ten-year reign in the 5,000 man Goetaverken shipyard. In the strategic far north, iron ore miners at Malmerget have also ended a long Communist rule. [redacted]

Comment: Since the Czech coup in 1948 Communist strength has been declining; [redacted]

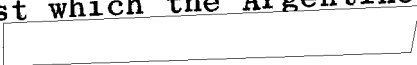
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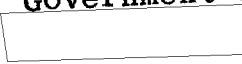


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13. ARGENTINA. Mutual Security Act deprecated: Newspaper columnist Descartes, reported to be Peron, decries the mutual aid plan and states that all that is needed is for each country to defend its own territory. The general theme of the government-dominated newspapers is to deprecate the mutual aspect of the bilateral military assistance pacts and to claim that the plan benefits only the US. According to a non-government newspaper, the Argentine Ambassador to the OAS has requested complete information on recent decisions and projects for hemisphere defense, "because of the interest which the Argentine Government attributes to common defense." 

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Comment: Argentina is not included among the Latin American countries the US is approaching for bilateral military assistance pacts. According to Descartes, hemisphere defense plans should be carried out through the Inter-American Defense Board in accordance with the Inter-American Treaty of

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Reciprocal Assistance, which assures national sovereignty.

14. PERU. Emissary carries proposal for Latin American retaliation against US tariff on tuna: The Peruvian Foreign Minister recently sent a secret emissary to Chilean President Gonzalez Videla proposing a joint declaration by Latin American maritime nations considerably extending the limits of their territorial waters. The Chilean reaction to the proposal, which was designed to serve as retaliation for the proposed new US duties on tuna, was completely negative. Gonzalez expressed the opinion that the idea did not originate in Peru but was prompted by Argentine President Peron.

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Comment: Extension of territorial waters is calculated to obstruct US fishing for tuna off the Latin American west coast.

The Latin American countries affected by the proposed new tariff on fresh and frozen tuna are Peru, Ecuador, Chile, Costa Rica, Panama, and Mexico, but acute interest in current US Congressional consideration of the tariff has been apparent only in Peru and Ecuador. Although the Argentine press has played up the issue as an example of US imperialism, there is no evidence that the Argentines are directly responsible for the current Peruvian proposal.

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4 March 1952

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TO THE DAILY DIGEST

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SECTION 2 (EASTERN)

1. JAPAN. Japanese-Chinese Nationalist treaty talks hit snag:
The main obstacle in the current Japanese peace treaty negotiations with Nationalist China is a Chinese demand that the treaty must apply to all of China, according to the Japanese Vice Minister of Foreign Affairs. He advised the US Political Adviser in Tokyo that Japan could not accept this proposal even if the territorial scope of the treaty were modified in a separate document as suggested by the Chinese. [redacted]

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Comment: Prime Minister Yoshida, in his 24 December letter to Ambassador Dulles, committed Japan to negotiating a limited treaty which should be applicable to "all territories which are now or which may hereafter be under control of the Nationalist Government." The Taipei government, both for reasons of prestige and for protection of its position in the UN and other international bodies, wishes to avoid any admission that it lacks actual control over the mainland.

2. Reaction to Security Treaty subsiding: United States Political Adviser Sebald reports that Diet debate and emotional public reaction to the US-Japan Security Pact appears to have passed a climax. "Fairly effective" government presentation in the Diet seems to have temporarily diverted public criticism from the substance of the agreement to conduct of the negotiations and questions of implementation. [redacted]

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Comment: The quick shift in criticism from the actual terms of the agreement to the government's failure to consult the Diet suggests that the press had hoped to influence the terms of the agreement during its negotiation by exaggerating the problem of extraterritorial rights. The natural Japanese distaste for continued occupation by foreign troops, despite its recognized necessity, has provided both the Communist and non-Communist opposition parties with a convenient issue on which to attack the government. They are expected to exploit it to the fullest.

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