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[REDACTED]

7 March 1952

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TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

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CENTRAL INTELLIGENCE AGENCY

DIA AND DOS review(s) completed.

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SECTION 2 (EASTERN)



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3. NETHERLANDS. Cabinet rejects US protest on oil-rig shipment to Poland: A Dutch Foreign Office official has stated that the United States will be dissatisfied with the Cabinet's note refusing to agree to the US aide-memoire which objected to the proposed shipment of oil-well equipment to Poland. The US Embassy at Hague says that, in view of the weakness of the American case, withdrawal of the US note and an "understanding attitude" would help obtain Dutch action on physical controls over transit trade. [REDACTED]

Comment: The unfavorable reply to the US note had been foreshadowed by the government's reluctance to delay export of the oil-well rigs for the last month at American request.

The Benelux delegates to COCOM are reportedly working on a plan for the physical control of transit trade. Although Dutch approval of this plan is not likely to be withheld because of the issue over the shipment of the oil-well equipment, the negotiations could easily be disrupted if US pressure regarding East-West trade were considered unwarranted.

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4. Dutch agree to restrict travel of Soviet and Satellite officials: The Netherlands has agreed to regulate and restrict the travel of Soviet officials in that country. The decision is conditioned on similar action by the other NATO countries. Hungarian and Rumanian officials will also be included under the Dutch ban, which follows the lines of the United States proposed action and which will be effective as of 10 March. [REDACTED]

Comment: At the Lisbon conference, the United States requested simultaneous action by 10 March from most of the NATO countries to restrict the travel of Soviet officials within their respective countries. The Netherlands doubts that this step will be an effective retaliatory measure.

5. Strain in Dutch-Indonesian relations eased: Both a Dutch and an Indonesian official feel that the recent suspension of talks between their two countries has left a more "cordial atmosphere" than had been evident when previous talks were interrupted. The drafting of a treaty establishing relations between the two had got well underway, and agreement in principle had been reached on the main points of the economic and financial accords. Deadlock

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25X1 over the Netherlands New Guinea issue had been avoided although the Dutch position emphasizes that initiative for future official action to find a compromise must come from Indonesian quarters. Indonesia, considering the question of jurisdiction over New Guinea a political one, proposes joint Dutch-Indonesian responsibility over the area as a step toward final solution.

Comment: The Dutch-Indonesian talks have ceased pending the formation of a new Indonesian Cabinet. In the talks to date, no substantial progress had been made to meet Indonesia's original demands to replace the Union Agreements with a customary bilateral treaty.

Although the new Indonesian Government undoubtedly will continue to press Indonesia's claim to New Guinea, it is unlikely that serious discussion will be resumed until after the Dutch parliamentary elections in June.

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SECTION 1 (SOVIET)

1. RUMANIA. Deputy finance ministers ousted: The Rumanian Council of Ministers has announced the dismissal and replacement of the three Deputy Ministers of Finance. Two were fired for "grave infringements" of the law prior to the monetary reform; the third was "dismissed as unsuitable."

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Comment: Rumors of an impending currency reform circulated in Bucharest for several days before the official announcement on 27 January. Allowing the news to leak out and perhaps protecting their own financial interests may have led to the "grave infringements" charge against the officials.

One of the dismissed Deputy Ministers, Aurel Vijoliu, was also President of the Rumanian State Bank. He was replaced in both capacities by Anton Moisescu, former Vice-President of the State Planning Commission. At the same time, Emanoil Vinea, former Deputy General Director of Affairs of the Council of Ministers, was appointed Vice-President of the State Bank.

There was no reference in the announcement to Minister of Finance Vasile Luca, a top-ranking Communist and Vice Premier. The shake-up in the Ministry will probably not affect his standing.

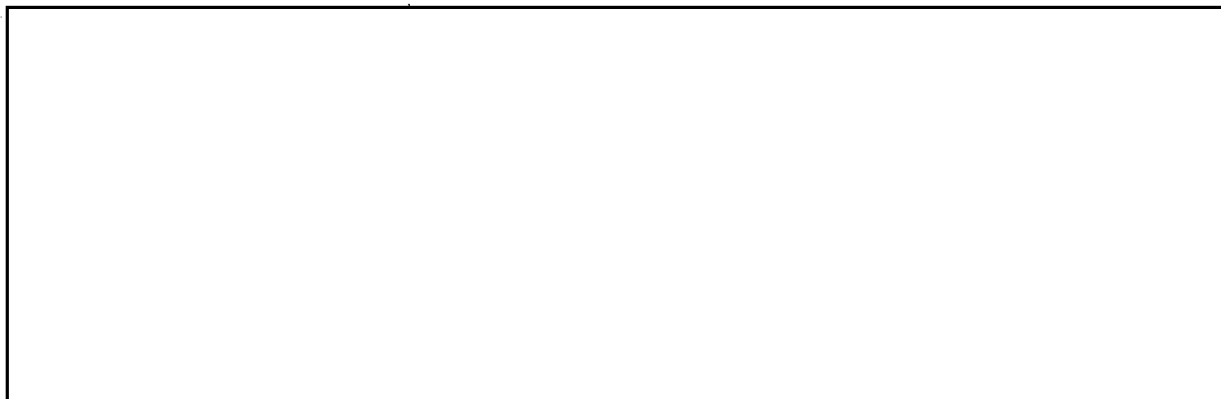
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SECTION 2 (EASTERN)

1. KOREA. Rhee declares he will not run for re-election: President Rhee wrote to an American correspondent that he will not be a candidate for re-election next June, according to Ambassador Muccio. Rhee's advisers had urged the President to hedge his statement, but he answered that his life expectancy was short and that the Korean people "may as well face up to the problem (of his successor) now."

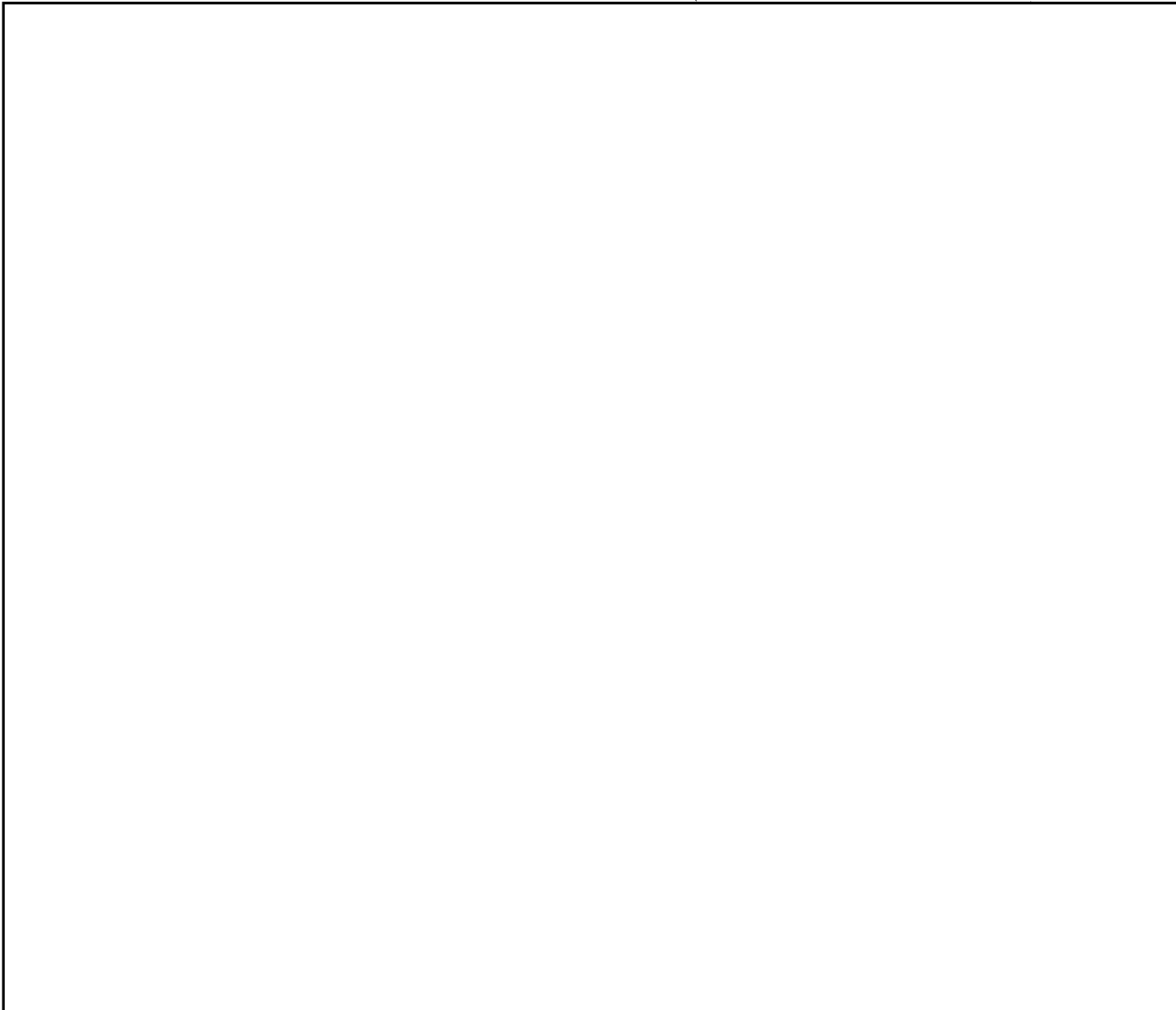
25X1 Ambassador Muccio comments that forecasts of Rhee's future political moves are highly speculative; the weight of evidence, however, still points to the conclusion that he will only step down from the presidency if forced to by circumstances beyond his control.

25X1 Comment: Rhee has issued similar statements at times when a political crisis was brewing in order to discomfit his opposition and to rally popular support. Probably Rhee will not consider himself definitely bound by such a statement if he can point to popular demand for his re-election.

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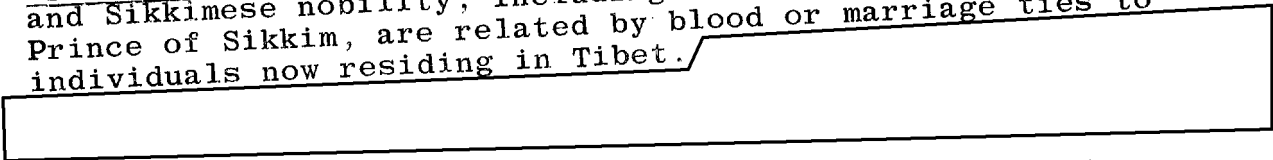
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5. NEPAL/SIKKIM Chinese could use marital ties as a weapon against Nepalese and Sikkimese: Various members of the Nepalese and Sikkimese nobility, including the Maharajah and the Crown Prince of Sikkim, are related by blood or marriage ties to individuals now residing in Tibet.

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Comment: The Chinese Communists have recently conducted an extensive campaign to extort funds from overseas relatives of persons domiciled in China, using veiled threats about their future safety to ensure compliance. A similar technique could be used against the Nepalese and Sikkimese as one means of furthering Chinese control over the Himalayan borderlands. In this case, however, the Chinese aims might be more political than financial.

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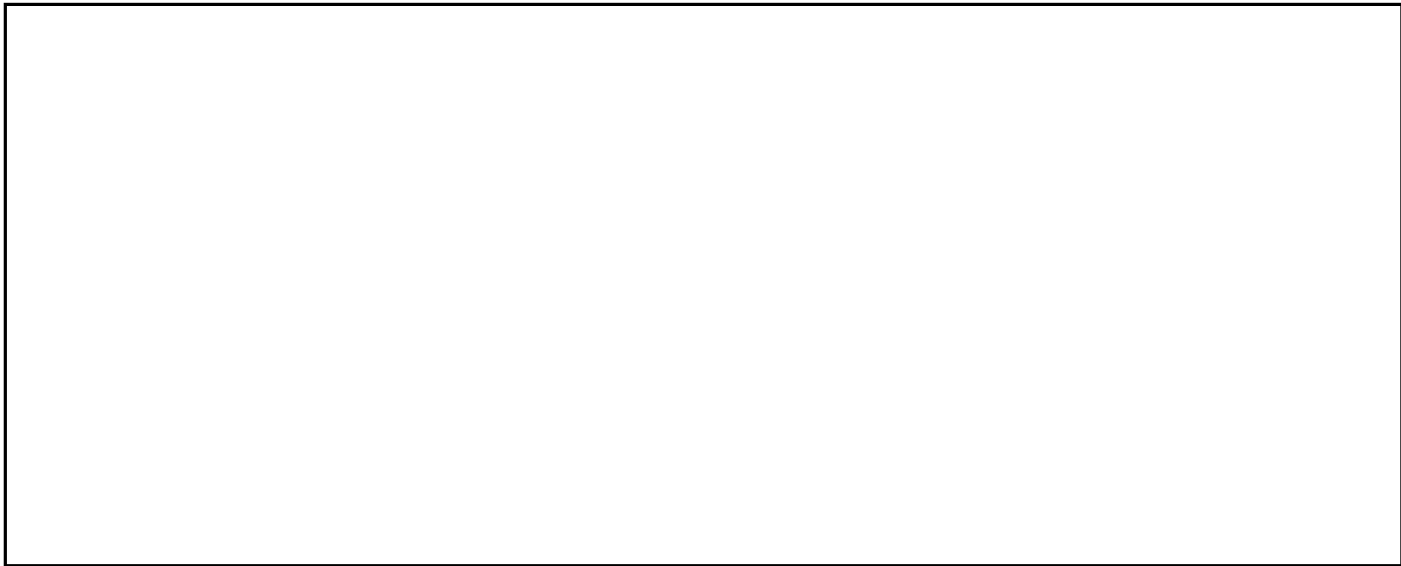
SECTION 3 (WESTERN)

1. GENERAL. European Economic Cooperation officials hesitate to call labor-management conference: The Secretariat of the Organization for European Economic Cooperation is reluctant to call a joint labor-management conference to discuss increased production goals; according to the MSA Mission in Paris, because it is accustomed to dealing separately with both groups. The Mission warns that such a conference might be merely a platform for a public airing of labor-management controversies, and points out the difficulty of reconciling the rival jurisdictional claims of the ICFTU and the Marshall Plan Trade Union Advisory Committee.

Comment: The MSA is proposing this meeting to stimulate efforts toward the OEEC goal of a 25-percent production increase in the next five years. A basic obstacle to increased productivity in western Europe is the inability of labor and management to visualize their team relationship.

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4. FRANCE. French industrialists not easily sold on American productivity techniques: Not all the French members of a group of 270 European industrialists who have personally observed American production methods are eager to sponsor projects aimed at raising productivity. Furthermore, the USA Mission in Paris reports "a fairly widespread feeling of resentment" against Americans who talk about French industry without correct or sufficient information. [redacted]

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Comment: Enthusiastic reception of US productivity techniques by even a few representative industrial and labor leaders is expected gradually to generate widespread French support.

The traditional conservatism of French management, the dominant position of Communist-sponsored unions in the labor field, and the predominance of small enterprises are all obstacles hindering the productivity drive.

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5. AUSTRIA. Growing unemployment becomes political problem: The number of Austrian job-seekers increased last month to more than 10 percent of the labor force, and in some areas now exceeds the postwar peak reached in 1951. The Ministry of Social Administration believes that, in view of declining exports and internal sales, increases in part-time employment, and decreases in construction activity, the prospects are not good. A coalition dispute may be developing over economic policy, and a strong Communist reaction is expected when unemployment data is released. [redacted]

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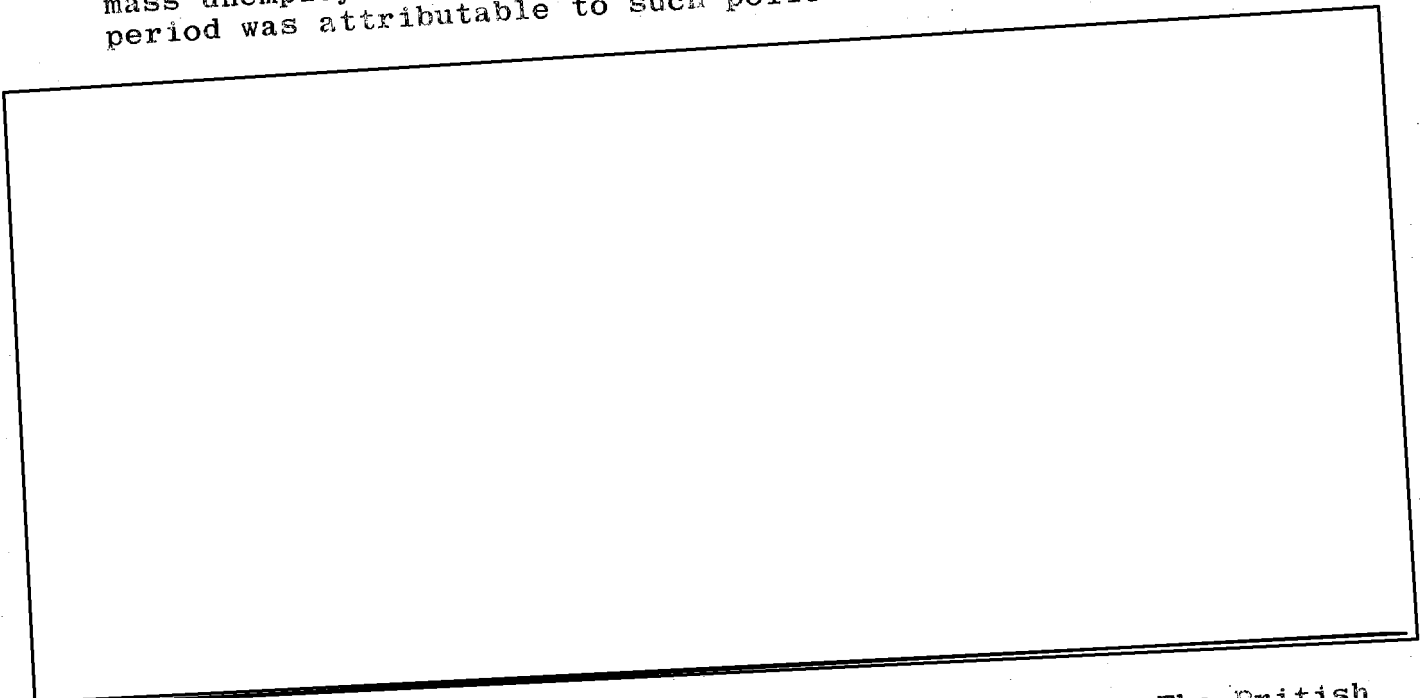
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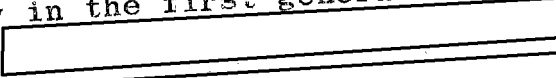
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Comment: While inflationary curbs have clearly been necessary for some months, insufficient account may have been given to their adverse effect on employment.

The political consequences of aggravated structural unemployment would be serious. The Socialist and People's Parties' cooperation in the government has been facilitated by the reasonably favorable postwar employment picture, and any serious deterioration in this respect would jeopardize Socialist participation in the coalition. The principal Socialist organ this week assailed deflationary measures supported by the People's Party, and warned that Austria's mass unemployment followed by fascism in the inter-war period was attributable to such policies.

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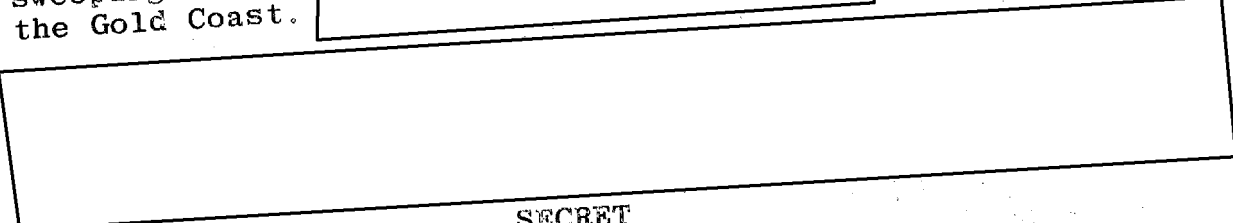


7. GOLD COAST. First native Prime Minister appointed: The British Governor of the Gold Coast on 5 March appointed Kwame Nkrumah, the leader of the native Convention Peoples Party, as the territory's first Prime Minister. Nkrumah was released from jail in early 1951 to assume office after his party won a sweeping victory in the first general election ever held in the Gold Coast. 

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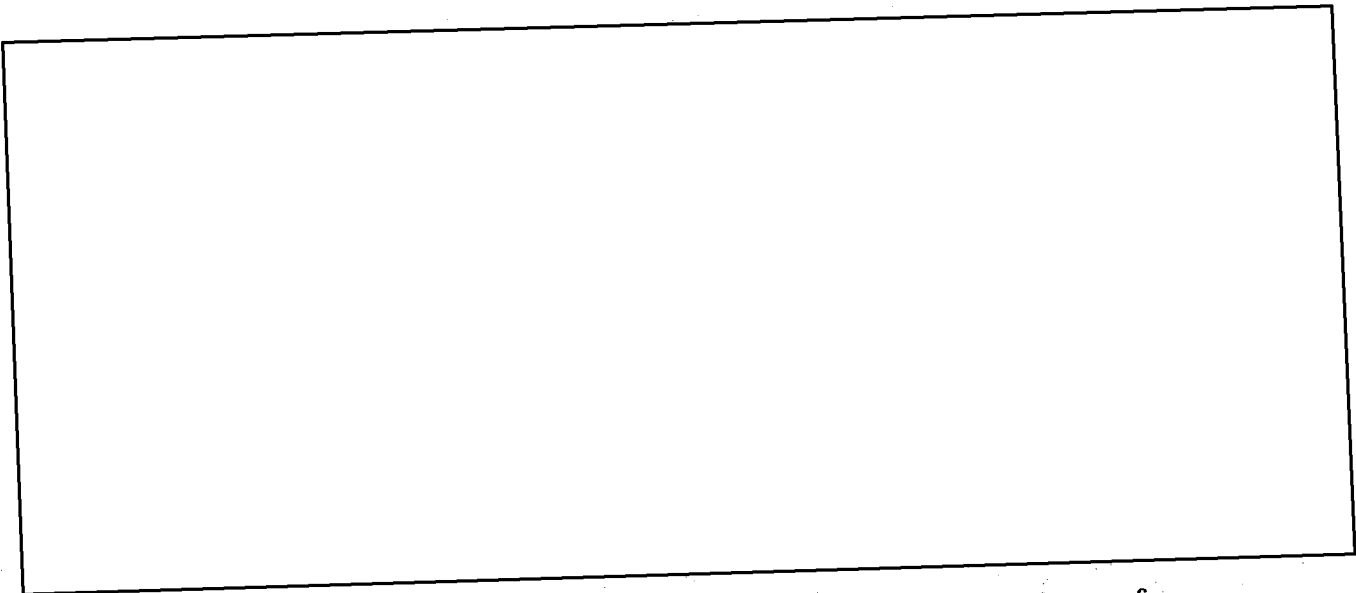


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CUBA. Soviet Legation reportedly financing promotion of "Month of Cuban-Soviet Friendship": The US Embassy has received an unconfirmed report [redacted] that the Soviet Legation gave five thousand pesos to Communist leader Carlos Rafael Rodriguez for the purpose of promoting the "Month of Cuban-Soviet Friendship." [redacted]

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Comment: The "Month of Cuban-Soviet Friendship" reportedly was originally proposed by some 60 Cuban Communist intellectuals and fellow travelers for "strengthening the possibilities of peace" among other objectives and has been receiving publicity in Communist publications.

The local Communist press has recently been giving international matters involving the Soviet Union increased coverage. This, together with the fact that the Communist Party is known to be having financial difficulties, has led the US Embassy to believe that the Communist press is receiving aid from Soviet sources. It is felt that the current friendship campaign will find little support outside immediate Communist circles.

9.

ECUADOR. Ex-president returns from exile to campaign: Jose Velasco Ibarra, twice-deposed president, returned from exile on 1 March to enter the current presidential campaign. The announcement on 14 February of his candidacy set off a series

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25X1 of realigning maneuvers and, according to the US Embassy at Quito, upsets earlier predictions that the presidential contest would be a fairly normal one. The announcement was followed almost immediately by charges from pro-Velasco forces that the government would stage a preventive palace coup and set up a military government.

Comment: Velasco, a compelling right-wing demagogue, apparently based his decision to return in part on conversations with emissaries of the neo-fascist revolutionary Carlos Guevara Moreno. His actual commitments and strategy are not yet known.

Charges that the government would block Velasco by a coup run directly counter to President Galo Plaza's known desire to preserve democratic processes at all costs. However, the possibility that Defense Minister Diaz Granados might eventually stage such a coup cannot be ruled out.

10. GUATEMALA. Forced sale of United Fruit Company properties is postponed one week: United Fruit Company and union officials agree to request the postponement of the auction of company's properties until 12 March. The labor court, which had scheduled the sale for 5 March, agrees to the postponement. Union representatives indicate that an effort will be made to reach a settlement with the company.

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25X1 Comment: The serious crisis between the United Fruit Company and the government-backed labor union now appears close to a settlement. (See following article.)

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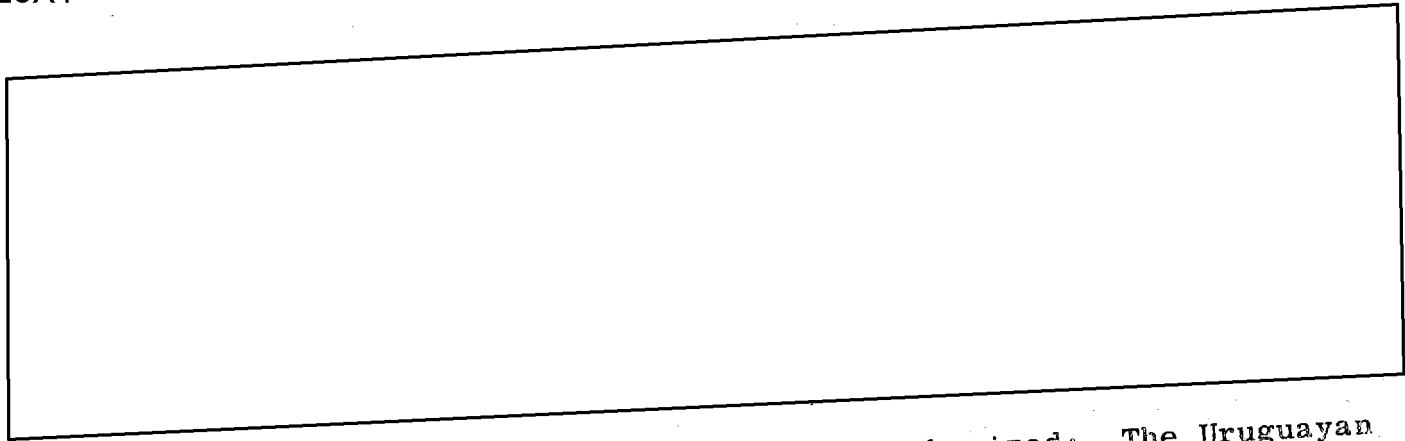
11. United Fruit Company manager believes dispute is settled: The general manager of the United Fruit Company in Guatemala informed the US Ambassador on 6 March that, barring an unexpected hitch, he believed the dispute between the company and the government-backed labor unions was settled. He said the company's head office had previously accepted the compromise proposal of the Pacific coast workers on the condition that a court award on the demands of the dock workers in Puerto Barrios would be satisfactory. The head office has now accepted the Puerto Barrios award.

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13. URUGUAY. Communist Peace Conference authorized: The Uruguayan Charge d'Affaires in Quito has been notified that the government will permit the holding of the Communist-sponsored Continental Peace Conference. He has been instructed to refuse visas to delegates, however, and to report any projected travel without visas.

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Comment: The conference is currently scheduled to be held in Montevideo, Uruguay, from 11 to 16 March. Earlier plans to hold the conference in Uruguay were abandoned in view of governmental disapproval, as were plans to hold it in Mexico, Chile, or Brazil. It is possible that a conference will now be held in spite of the Uruguayan Government's policy of refusing visas to delegates.

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