

TOP SECRET

25X1



10 March 1952

25X1



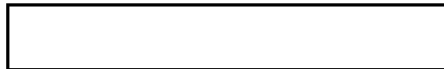
CIA No. 49571
Copy No.

46

TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST

25X1



Not for dissemination outside O/CI and O/NE.

Office of Current Intelligence

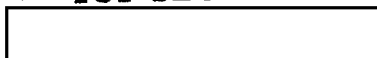
CENTRAL INTELLIGENCE AGENCY

DIA and DOS review(s)
completed.

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

TOP SECRET

25X1



TOP SECRET

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

* * *

SECTION 2 (EASTERN)

1. JAPAN. Further attacks on security treaty anticipated: Japan's acting Foreign Minister Okazaki, under pressure from the Diet, has agreed to deliver the minutes of the recent US-Japan security treaty negotiations to the Foreign Affairs Committees of both Houses of the Diet, according to Iguchi, Vice Minister of Foreign Affairs. When reminded of the Rusk-Okazaki agreement that the minutes would not be made available for publication, Iguchi thought that nothing could be done now to forestall publication.

25X1

25X6



2. Britain opposes conference on Japanese export controls: The British Foreign Office is opposed to a US proposal for a multilateral conference including the United States, Britain, France, Canada, and Japan on the question of Japan's post-treaty export controls, according to Ambassador Gifford. The British believe that in view of the strongly critical reaction in Japan to the US-Japan Security Treaty, it would be best to postpone the conversations until after the peace treaty comes into force.

25X1

Comment: With the coming into force of the peace treaty, Japan will be released from the strict export

TOP SECRET

TOP SECRET

controls now imposed by SCAP and will be committed only to the less rigid controls under the Battle Act. Most observers believe, however, that Japan will retain its present controls at least until the Korean war is settled.

The United States is already under considerable criticism in Japan on the grounds that Japan was not a completely free agent in the recent security treaty negotiations. A conference on export controls prior to the end of the Occupation is likely to lead to renewed charges that Japan is being pressured prior to regaining its independence.

3. PHILIPPINES. Japanese Peace Treaty may be submitted to Senate next week: Within a few days President Quirino plans to submit the Japanese Peace Treaty and the US-Philippines mutual defense pact to the Philippine Senate as national issues for which he will ask bipartisan support, according to Foreign Secretary Elizalde. It may be a month before a final vote on ratification is taken. Elizalde is aware of the embarrassment that would occur if the security pact were approved while the peace treaty was rejected. He believes that at least four opposition Senators will vote to ratify; this, added to the administration vote, would be sufficient. [redacted]

25X1

25X1

Comment: There was a clear understanding between the American and Philippine Governments that Philippine signing of the Japanese peace treaty and American agreement to the mutual defense pact were inseparably related, although this fact was not publicized. While there has been no opposition to the defense pact, failure of the Philippines to obtain satisfaction on their reparations claims has subjected the Quirino administration to intense criticism, especially by the opposition party. That party's members in the Senate, however, have avoided firmly committing themselves against ratification of the peace treaty.

4. EGYPT. Egyptian Foreign Minister urges "early action" on Anglo-Egyptian dispute: The Egyptian Foreign Minister has strongly appealed to Ambassador Caffery in Cairo for speedy action on the Anglo-Egyptian controversy. He warned that this would probably be the last chance for

TOP SECRET

TOP SECRET

the free world to reach a solution and that the USSR stands ready to exploit the situation.

25X1 The Foreign Minister also pointed out that, while the new cabinet of Prime Minister Hilali is seriously considering urgent domestic reforms, nothing can be done about them until the dispute with the British is settled. [redacted]

Comment: Events of the past few months have shown that domestic issues are so colored by the Anglo-Egyptian controversy that it will be difficult for any government to solve the many pressing internal problems without first reaching some settlement with Britain.

5.

25X1 [redacted] 25X1

The difficulties facing Egypt's Premier in initiating domestic reforms have also been stressed by the able Ahmed Hussein Pasha, who at one time participated in the former Wafd government but who has so far refused to join the new cabinet. He states that Hilali lacks any real public support and maintains that the government's emphasis on internal reforms has already evoked charges that the Prime Minister is diverting popular interest from Egypt's national aspirations.

25X1 The American Ambassador in Cairo states that if Britain would soon offer substantial concessions on the treaty dispute, the Hilali Cabinet could break the power of the Wafd. He also notes that "if the Hilali government falls, no one knows what will come next in Egypt." [redacted] 25X1

TOP SECRET

TOP SECRET

SECTION 3 (WESTERN)

6. GENERAL. European Defense Force goals after this year still undetermined: The Paris Conference on the European Defense Community must now fix definitive military goals for the European Defense Force for the period after 1952. As a result of accepting the NATO recommendations for the 1952 build-up, the countries which are members of both NATO and the EDC are now committed to furnish 31 divisions by the end of this year. The EDF figures for 1954, originally set at 31 divisions for planning purposes, remain to be determined.

25X1

Comment: The lack of even tentative goals for military forces after 1952 emphasizes the uncertainty which surrounds the contemplated military build-up in western Europe even for this year as well as for later. The proposed German contribution to the EDF of twelve divisions has not been considered in the above figures.

7. GERMANY. Germans viewed as cooling toward Europeanization of the Saar: The US High Commissioner in Bonn, reporting on growing tension between France and Germany over the Saar issue, has stated that the Federal Government seems to be "veering away" from any plan for Europeanization of the Saar.

25X1

Comment: Although the Germans have been giving increasing support to internationalization projects, this report would seem to strengthen the recent French charge that Bonn envisages a European solution of the Saar question only as a step toward full integration of the Saar into Germany.

8. AUSTRIA. Coalition survives explosive historical dispute: Austrian leaders narrowly averted a government crisis last week with a last-minute compromise on the Starhemberg restitution case.

25X1

The Socialists withdrew demands for confiscation of property awarded to the ex-Heimwehr leader by court order in return for amendments to restitution and public administration laws which would permit public management of property owned by persons suspected of treasonable

TOP SECRET

TOP SECRET

activities. This solution thus answered People's Party objections to challenging the independence of the courts while meeting Socialist demands that Starhemberg should not benefit from restitution proceedings.

Although dependent upon legislation retroactive in effect, the compromise nevertheless shows that ancient grudges between Austrian conservatism and socialism are at present secondary in importance to the current political differences which may now be settled on their merits instead.

The Socialists have taken this occasion to renew their warning that, in the face of mounting unemployment and worker dissatisfaction, they will not compromise on the deflationary economic program of their coalition partner.

25X1

25X1

TOP SECRET

SECRET

[Redacted]

10 March 1952

OCI No. 3889
Copy No.

251

DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

25X1A

**ARCHIVAL RECORD
PLEASE RETURN TO
AGENCY ARCHIVES,** [Redacted]

SECRET

[Redacted]

227634 25X1

SECRET

THIS MATERIAL CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, USC, SECS. 793 AND 794, THE TRANSMISSION OR REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

* * *

SECTION 1 (SOVIET)

1. USSR. American Mission Chiefs from eastern Europe comment on Orbit public opinion: At the recent meeting of US Mission Chiefs from eastern Europe it was agreed that within the Soviet Union the Russians were having some success in their "Hate America" campaign and in creating the impression that the United States is driving the world into another war. In the Satellites, however, the majority of the people are still pro-American and hope for an early liberation, even if a war is necessary. [redacted]

25X1

2. CZECHOSLOVAKIA. Frantisek Pexa listed as Secretary to the Central Committee of the Czech Communist Party: At a recent Czech discussion of the merits of the Cominform Journal, Frantisek Pexa, a Secretary of the Central Committee of the Czechoslovak Communist Party delivered an address. [redacted]

Comment: At the time of the party reorganization in September, the posts of deputy secretaries general were abolished and an Organization Secretariat (Orgburo), composed of six secretaries and Gottwald was established.

This is the first reference to Pexa as a secretary of the party. [redacted]

25X1

SECRET

10 Mar 52

SECRET

3. YUGOSLAVIA. New wage policy outlined: According to the regime's new wage policy, which will reportedly go into effect "shortly," the government will guarantee the payment of minimum wages for all workers, including those employed in factories operating at a loss. Employees are to be classified into minimum wage categories: skilled workers will receive at least 21 dollars per month and unskilled workers 14 dollars per month.

Maximum earnings are not fixed, although progressive taxation will be imposed on higher incomes; they will depend principally upon the size of the wage fund which in turn depends upon the ability of the particular enterprise to earn a profit under the new economic system.

25X1

[REDACTED]

Comment: The introduction of a new wage system was originally scheduled for 1 November 1951 but was postponed by the regime until the effects of devaluation and a return to a single-price system were apparent.

The regime apparently hopes to increase production by identifying the worker more closely with the success of his plant or enterprise in earning a profit through increased production. However, due to scarcity of consumer goods and the government's present financial policy, real wages of the average worker will probably not increase under this new wage incentive system.

SECRET

SECRET

SECTION 2 (EASTERN)

25X1



3. Chinese airfield near Tonkin border improved: French pilots told the US Air Attache that, while patrolling at a high altitude along the Tonkin-China border, they had sighted two parallel paved runways, each 6,000 feet long, at Lungchou, some 13 miles inside China. The Attache comments that this is the first reliable information the French have provided on this field.

25X1

SECRET

SECRET

25X1 Comment: The last reliable report on this installation, dated September 1951, described one clay surface runway of 1,000 feet. Extension and improvement of the field has since been reported [redacted]

This field is within combat radius of the Tonkin delta for MIG-15's without wing tanks.

4. INDOCHINA. Hatred of French in Tonkin reported at all-time high: Vietnamese nationalists in Saigon, who are not ordinarily alarmists, state that recent arrivals from Tonkin describe the local population's hatred of the French and their Viet collaborators as having reached an all-time high. The pro-French Governor Tam and the French Command are said to have destroyed the entire populations of some villages in reprisal for their having cooperated with the Viet Minh.

Minister Heath comments that, while this sounds like Viet Minh propaganda, reports from Hanoi have intimated that there might be some factual basis for these statements. [redacted]

25X1

25X1 Comment: Information repeated in Saigon is likely to be exaggerated, but previous reliable reports indicate that the population of Tonkin is being alienated by the undisciplined behavior of French troops and by the administration of Governor Tam, whose reputation for savage police methods is well established.

The chief of military assistance in Indochina, General Brink, recently estimated that the "strictly military" situation in Tonkin was not alarming but that the political situation and loyalty of the population were uncertain and could well neutralize the military effort.

5. French open drive against Indochinese nationalist force: Five French infantry battalions, with supporting artillery, river craft, planes and paratroops, are participating in an operation northwest of Saigon designed to engage armed units of Colonel Trinh Minh The's "National Resistance Front." [redacted]

25X1

25X1 Comment: Colonel The, who has taken a strong stand against both the French and the Viet Minh, is regarded by many Vietnamese as a national hero.

SECRET

SECRET

The US Legation in Saigon has previously observed that military action against Colonel The would not only weaken the French forces available to counter growing Viet Minh strength but also inflame nationalist sentiment throughout Vietnam. Other Americans on the scene have pointed out that the United States position, already misunderstood by many Vietnamese, would be further compromised by the use of American-supplied arms against anti-Communist elements.

6. THAILAND. Political crisis seen developing: Premier Phibun is reliably reported to have been advised to retire "in peace and glory" in preference to challenging the militarists or becoming a puppet -- a choice he will have to make within "the next month or two." The intentions of the militarists now in control were unmistakably revealed by one of their prominent spokesmen who told a gathering of pro-Phibun members of Parliament that the regime to be established under the new constitution would not be a coalition and would include more military men than the present government. The Embassy observes that political developments appear to be rapidly "reaching a boiling point." [REDACTED]

25X1

25X1

7. INDIA. India considers "action" in case of Chinese Communist Intervention in Burma: India's new Secretary for Commonwealth Relations has told American Counsellor Steere in New Delhi that India regards any threat to the territorial integrity of Burma as a threat to itself. The Secretary concludes from this that his government would be forced to take some action if it should receive information indicating the likelihood of Chinese Communist intervention in Burma against Chinese Nationalist troops. Circumstances would decide the kind of action to be taken. [REDACTED]

25X1

Comment: Past performance indicates that India would content itself with diplomatic representations providing that the Chinese intervention posed no direct threat to India's frontiers. There is no evidence that Burma is counting on Indian army support; it would, however, expect India to take the lead in the international councils concerned with Burma's independence.

SECRET

SECRET

8. IRAN. American Military Mission strongly opposed by Mossadeq: Iranian Cabinet member Buseri has told Ambassador Henderson that the Iranian Finance Ministry will have no authority to grant funds to the US Military Mission after 20 March unless a new contract is signed. Although Mossadeq has assured the American Ambassador that the Mission's expenses would continue to be met even without a contract, Buseri believes that the Prime Minister could not legally justify such an expenditure before the Majlis.

Meanwhile, the Prime Minister has again told Ambassador Henderson that he has always opposed and can never support or agree to any US-Iranian military contract. [REDACTED]

25X1

25X1 [REDACTED]

Comment: In an apparent attempt to appease local conservative opinion and avoid antagonizing the United States, Mossadeq has suggested on several occasions that the Military Mission stay in Iran after the expiration of the contract until the situation is clarified. At the same time, however, he has warned that neither he nor the Majlis would be inclined to consent to a continuation of the Mission.

9. SYRIA. Syria embarks on anti-Western campaign: The Syrian Government has ordered the liquidation by 2 April of the Near East Foundation, which is financed by the Point Four program. It has ordered the replacement of foreign company managers by Syrians. It has forbidden civil servants to "establish contact" with foreign legations and has asked foreign missions to restrict the activities of their personnel to their official duties.

The US Legation in Damascus thinks that the passage of these measures is the result either of faulty coordination between Colonel Selo, the legal head of the government, and Colonel Shishakli, the military power behind the government, or of insincerity on the part of Shishakli who has steadily indicated his pro-Western orientation. [REDACTED]

25X1

25X1 [REDACTED]

Comment: There has long been evidence of a strong anti-Western sentiment in Syria. While the effects of the new regulations cannot now be assessed, their promulgation means that the US and Britain will have added difficulties in persuading the present Syrian military regime to cooperate with the West.

SECRET

SECRET

SECTION 3 (WESTERN)

1. GENERAL. Seven NATO countries now ready to restrict travel of Soviet officials: Seven NATO members have agreed to deliver notes to the Soviet Embassies within their respective countries on 10 March regulating the movement of Soviet officials on the basis of reciprocity. [REDACTED]

25X1

Comment: This retaliatory action against Soviet restrictions on foreign nationals was agreed on in principle at the recent Lisbon meeting. Of the remaining seven countries, Portugal and Luxembourg have no Soviet missions; Turkey and Greece are expected to conform later; and the three Scandinavian NATO members, in line with traditional dislike of actions they feel the Russians might consider provocative, have indicated reluctance to conform.

2. FRANCE. French labor situation plays into Communists' hands: A "potentially explosive" labor situation exists in France because the workers are more than ever convinced that the government's economic policies neglect them in favor of farm and business interests. Non-Communist labor leaders have repeatedly warned that the steady rise in prices is producing rank-and-file sentiment for joint action with the Communist-led General Labor Confederation, which most workers still acknowledge to be the "most fearless opponent of the employers."

The American Embassy in Paris believes that, in order to safeguard contracts for military production in France, it is more important to support the anti-Communist campaign of the free trade unions and management than arbitrarily to exclude Communist-dominated plants. [REDACTED]

25X1

Comment: Local non-Communist labor spokesmen have recently shown an increasing disposition to collaborate for purely economic objectives with some veteran General Labor Confederation leaders, who have been estranged from the Moscow-dominated headquarters.

The latest tendency toward a rightist coalition in Parliament foreshadows a reversal of the recent trend toward a more liberal labor policy. If the Assembly supports Premier-designate Pinay's rightist program on 11 March, the Communists' influence over French labor will be strengthened.

SECRET

SECRET

3. Leading French Socialist pessimistic on ratification of the European Defense Community: The European Defense Community treaty in its present form would be defeated in the French Assembly by 60 votes, in the opinion of Andre Philip, a leading Socialist and the head of the French delegation to the Economic Commission for Europe. Philip stresses that fears of a rearmed Germany will preclude Socialist support unless Britain joins the EDC or unless that organization provides for a real political integration of Europe. [redacted]

25X1

Comment: Socialist support for continued negotiations on the EDC was won last month only after considerable compromise by ex-Premier Faure's coalition. Socialist Secretary General Mollet has since emphasized to US officials that the treaty will not be ratified in its present form.

Recent indications that powerful elements in the British Labor Party now favor British participation in a European army have greatly encouraged the French Socialists on this particular issue. Since there is little likelihood that Britain will join the EDC, however, the Socialists will probably vote for the treaty if their other conditions are met.

4. FRANCE-TUNISIA. French Foreign Office formulates reform proposals for Tunisia: A tentative agreement has been reached at the highest level in the French Foreign Office on a reform program for Tunisia, which will eventually be submitted to the Cabinet for approval. The Deputy Foreign Minister admitted to the American Charge d'Affaires in Paris, however, that the Tunisian case probably would come before the Security Council before formal negotiations could be resumed with the Tunisians.

The same official estimates that eighty percent of all Tunisians are nationalists, but believes that Bourghiba's popularity is waning. The Foreign Office is being strongly criticized in France because of alleged "softness" toward the Tunisians. [redacted]

25X1

Comment: The proposed reforms as tentatively outlined to the American Charge indicate that France has not changed its position of 15 December, which precipitated the present impasse.

Should Pinay's Cabinet win approval, a more intransigent policy toward the Tunisians may be expected.

SECRET

SECRET

6. UNITED KINGDOM. American Embassy summarizes current Foreign Office views on Far East: Evaluating current Foreign Office thinking on the Far East, the US Embassy in London reports that responsible British officials now see the differences between American and British long-range policy toward Communist China as only tactical. The British are inclined to be much more cautious because of their relative weakness.

25X1

The Foreign Office is disillusioned by its failure to establish diplomatic relations with the Peiping regime, and continues its representation there only because withdrawal would needlessly antagonize the Chinese and prejudice the prospects for a Korean truce. Even if a Korean truce is arranged, the best Britain can hope for in its relations with the Chinese Communists is the evolution of a tenuous relationship similar to that with Moscow. If there should be further Chinese aggression, Britain would support the United States without hesitation.

SECRET

SECRET

Regarding the Far East generally, the Foreign Office officials believe that at least five years of "relative peace" are necessary for building up the Western position against a prospective war. The UK's Colombo Plan and its periodic rice allocation conferences were cited as means of doing this by cultivating goodwill for the West in Asia. [REDACTED]

25X1

25X1

[REDACTED]

7. British refuse visas for Communist-sponsored celebration in London: On the ground that the Communist-sponsored celebration of "International Women's Day" on 8 March and "National Assembly of Women" on 9 March was clearly a subversive activity of the Communist "peace" campaign, the Foreign Office refused visas to all women wishing to come to the UK as "observers."

Monica Felton was chairman of the committee in charge of the London celebration, which was intended as a preliminary to the conference "in defense of children" to be held at Vienna in April. [REDACTED]

25X1

Comment: Mrs. Felton toured North Korea last spring under the auspices of the Communist-sponsored International Women's Group and upon her return to Britain undertook a series of lectures and articles on the "atrocities" committed in Korea by UN troops, particularly those of the US. Last June she was released from her job as chairman of a Government Housing Corporation because of "neglect of duty."

Since the fall of 1950, when Communists were prohibited from staging a Peace Congress at Sheffield, Britain, despite its traditional reluctance to infringe on civil liberties, has been taking positive steps against Communist propaganda efforts.

25X1

SECRET

SECRET



25X1⁹ MEXICO. Copper exporter will accept ineffective end-use certificates: [redacted] reports that Cobre de Mexico is prepared to export copper against end-use certificates which, while outwardly purporting to comply with existing regulations, are worded in such a manner that transshipment to another country is possible. Various West German firms are negotiating with Cobre de Mexico for the purchase of copper. [redacted]

25X1

25X1 Comment: Cobre de Mexico has been exemplary in submitting foreign orders to the US Embassy for approval, and European importers of Mexican copper have, in almost all cases, been investigated by the US. As a high-cost producer dependent upon European prices for economic survival, however, the firm has assumed no direct responsibility for determining the eventual disposition of its copper in Europe.

The Mexican Government acquired a financial interest in the company in 1947 and helped it become the first and only Mexican-owned producer of electrolytic copper. For both economic and nationalistic reasons, therefore, the government may be disinclined to investigate the possibility of transshipment of Mexican copper to the Soviet Orbit.

10. PANAMA. United States suggests Panama cancel registration of vessels still in Chinese Communist trade: The US State Department has suggested that Panama cancel the registration of vessels such as the Fairside and the Vestbay which remain in trade with Communist China in violation of Panamanian decree 631. Similar action against the Kaikorai, the Navidad, and the Norina was also suggested. [redacted]

25X1

Comment: According to Lloyd's Shipping Index of 27 February 1952, the Panamanian-flag vessels Orbital, Willa, Norelg, and Canis are also currently trading with Communist China in violation of decree 631. The Panamanian-flag vessels Spalmatori and Fortune Star have also been engaged in this trade in recent months.

SECRET