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27 March 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

State Dept. review completed

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GENERAL

1. Asian attendance at Moscow Economic Conference: The interest which the Moscow Economic Conference holds for underdeveloped countries is revealed in late reports from Iran, Burma, and Indonesia.

An influential Iranian delegation, which includes the son-in-law of Mossadeq and an Iranian of avowedly pro-American sympathies, reportedly will attend the conference with the government's "blessing."

A Burmese delegation composed of both extreme rightists and fellow-travelers is on its way to Moscow. Burma's chief rice trader is a member. During a stop-over in Rangoon a spokesman referred to the "foreign trade" mission of the delegation.

The Indonesian Government rejected a suggestion to subsidize seven delegates to the conference, and the Indonesian participants will proceed to Moscow on an individual basis but with governmental encouragement.

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2. World Peace Council Executive Committee schedules meeting in Oslo: The Executive Committee of the World Peace Council, a major Communist international organization, plans to meet in Oslo on 30 and 31 March. The Norwegian Ministry of Justice issued visas to delegates from Iron Curtain countries while the Minister was in England and without consulting the foreign office. The Prime Minister approved the visas.

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Now, in an apparent effort to rationalize the action, Norwegians are explaining to British officials, who oppose the meeting, that they believe the purpose of the meeting is mainly to stimulate the peace signatures campaign, which has been a fiasco in Norway, and that they see no sound reason why the visas should be rescinded since such action would be more harmful propaganda-wise than any resolutions that may be passed at the meeting. [REDACTED]

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Comment: Contrary to the Norwegians' contention that the WPC resolutions are of small concern, one of the reasons for the meeting is probably to reamplify the charges of germ-warfare against the United States.

3. Communist women's organization develops campaign on behalf of the children: The Women's International Democratic Federation has scheduled a Conference for the Protection of Children for 12-16 April in Vienna, at which 60 countries may be represented. [REDACTED]

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Comment: The aim of the Vienna meeting, as indicated by 16 earlier national conferences on the same theme as well as by its agenda, will be to promote the Soviet "peace" campaign rather than to consider child problems as such. One result of the conference may be the establishment of a permanent body to propagandize for "children's rights."

EASTERN EUROPE

4. Yugoslav collaboration with Western defense plans dependent on Trieste settlement: The British Ambassador in Belgrade has advised General West, Commander of the British Forces in Austria, that there is little likelihood of closer defense collaboration on the part of Yugoslavia until the Trieste question is settled. General West was told to inform the Italian Command that they are completely mistaken if they are assuming that Tito will make concessions on Trieste in order to participate in Western defense plans. [REDACTED]

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Comment: During the recent Lisbon Conference, Premier de Gasperi indicated that Italian acceptance of Yugoslav participation in Western defense schemes is dependent upon a satisfactory settlement of the Trieste problem.

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Yugoslav leaders contend that Yugoslavia has no desire to become involved in Western defense schemes at this time, and thus take strong exception to De Gasperi's implied threat of diplomatic blackmail.



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6. Czech Foreign Minister scores United States and aligns Czechoslovakia with Soviet policy on Germany: Czech Foreign Minister Siroky, in a speech characterized by the American Embassy as the most vicious attack on the United States yet made by any Czech cabinet officer, blasted the American "war policy" and placed Czechoslovakia squarely behind the Soviet proposals for a unified Germany. Speaking on 24 March before the National Assembly during discussions of the Czechoslovak budget, Siroky said that the Soviet proposals were in full harmony with the interests of the Czech republic, but he did not mention the rearmament provision proposed by Russia.

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Comment: Of all the Satellites, Czechoslovakia has most loudly declared its approval of the recent Soviet departure in German policy. The haste with which it did so probably reflects the vulnerability inherent in its traditional strong anti-German attitude.

Siroky's remarks on the German problem amplify President Gottwald's mid-March speeches on the occasion of his East German visit. In all Czech policy speeches, the rearmament proviso of the Soviet note, which will be most difficult to rationalize to the Czech people, has been ignored.

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7. New Rumanian crop collection plan announced: A decree of the Rumanian Council of Ministers on 18 March outlined quotas for compulsory deliveries of agricultural products to the state in 1952. The measure, like that of last year, still favors collective farms by reducing their quotas 25 percent during their first year of operation. Agricultural associations receive a 10 percent reduction. "Kulak farms," however, will have their quotas increased by not more than 20 percent.

Provisions were made for local officials to increase other quotas up to 10 percent, but they will not be able to decrease the amount of land assessed for compulsory quotas except with the approval of the Council of Ministers or by justifying the changes by transferring such land to the use of people's councils or state farms. [REDACTED]

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Comment: The quota system serves the dual purpose of assuring the Rumanian regime an increase in agricultural procurement for next year and also of weakening economically the "kulaks" and peasants who resist being drawn into agricultural cooperatives and collective farms.

The peasants appear to have no right to contest their quota assignments. They must either meet their quotas or lose part of their land. Those who withhold their produce at collection time may be denounced by informers who, according to the American Legation in Bucharest, receive 25 percent of the goods confiscated from recalcitrants they have turned in.

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SOUTH ASIA

12. New Kashmiri moves toward independence: Establishment of Kashmir as an autonomous republic within the Indian Union was officially advocated on 24 March by the pro-Communist Finance Minister of Indian-held Kashmir, in an address before the winter session of the Kashmiri Legislature. According to the Minister, the proposed republic would have a president, a national assembly, and a judiciary.

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Simultaneously, the pro-Tibetan Head Lama of Ladakh submitted a memorandum to Prime Minister Sheikh Abdullah demanding autonomy for his province, which lies in eastern Kashmir adjacent to Tibet. The Indian press, which reported this development, commented that Ladakh might unite with Tibet if proper constitutional safeguards were not assured for it. [REDACTED]

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Comment: The views expressed above are good indications that a third factor, in addition to India and Pakistan, has to be considered in studying the Kashmir situation. Two years ago Sheikh Abdullah himself was induced by the Indian Government to recant a statement of his desire for independence. Kashmiri speeches on that subject are now fairly common occurrences, and the Kashmiris have become a political force to be reckoned with.

The apparent Ladakhi dissatisfaction with the Abdullah government, together with indications of increasing Communist strength in Kashmir, raises some doubts as to even Sheikh Abdullah's ability to control his domain. Ladakhi pressure, which would have been negligible prior to the Chinese conquest of Tibet, now can be exerted with some effect.

NEAR EAST - AFRICA

13. Influential Iranian delegation to attend Moscow Economic Conference: The President of the Iranian Merchant's Association, Ali Vakili, told the American Ambassador that he and at least five other Iranians were planning to attend the Moscow Economic Conference "with the government's blessing." The group includes Senator Matin-Daftary, Prime Minister Mossadeq's son-in-law, and the editor of a prominent pro-government newspaper. One of the group is a known Communist sympathizer and a former official in the Soviet-sponsored Azerbaijan Democratic Republic.

The American Ambassador comments that in general the delegation is a reputable and influential group whose reactions will carry weight among Tehran businessmen. [REDACTED]

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Comment: Iranian interest in increased Soviet trade is stimulated by the drastic reduction in essential imports imposed by the partial British embargo. The Iranian Government may also hope that Iranian representation in Moscow, although ostensibly on a private, non-governmental level, may aid in the satisfactory

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conclusion of the Iranian-Soviet trade negotiations which have been conducted for many months. Iranian-Soviet trade has previously been on a barter basis, not particularly favorable to Iran, which badly needs foreign exchange.

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WESTERN EUROPE

15. Yugoslavs pleased by Italian embroilment in Trieste:
The American Charge in Belgrade reports that Yugoslav officials are "more than secretly pleased over the latest Trieste developments", and are watching for any move in Zone A which might serve as a pretext for further integrating Zone B into Yugoslavia.

The diplomatic corps in Belgrade is generally pessimistic over the Trieste issue, according to the Charge. Some diplomats believe that neither Italy nor Yugoslavia desires a settlement at this time, each believing that time is on its side. Foreign representatives from smaller countries consider that only the vigorous and impartial intervention of the big powers will achieve a settlement or at least a calmer acceptance of the status quo. [REDACTED]

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Comment: Evidence that either party is willing to negotiate in good faith on the basis of a compromise approach to the Trieste problem is conspicuously lacking. The Yugoslavs apparently believe that the Italians will gain nothing but censure from the West for their present bombastic attempt to influence Allied policy toward Yugoslavia and Trieste.

16. Estimates on Europe's need of American coal drastically reduced: The special board on European coal problems, composed of ministerial-level representatives from OEEC countries, has just issued new plans which call for extraordinary production measures to achieve eventual independence of US coal. The board has set western Europe's 1953 production target at 499 million tons, or 36 million tons over 1951 production. This represents a long step forward compared to recommendations made last December by a body of OEEC coal experts, which foresaw an indefinite need for American coal.

According to the board's latest report, Europe will probably import some 17 million tons of American coal in 1952, as compared to 25 million tons in 1951. In 1953 that figure is to be reduced to 13 million tons, and may be as low as 5 million. After 1953 no US coal is to be imported. [REDACTED]

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Comment: In December, OEEC coal experts estimated that Europe would import 28 million tons of American coal in 1952, [REDACTED]

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and that in 1956 the need would still be approximately the same. MSA officials felt that this report represented a "defeatist" attitude.

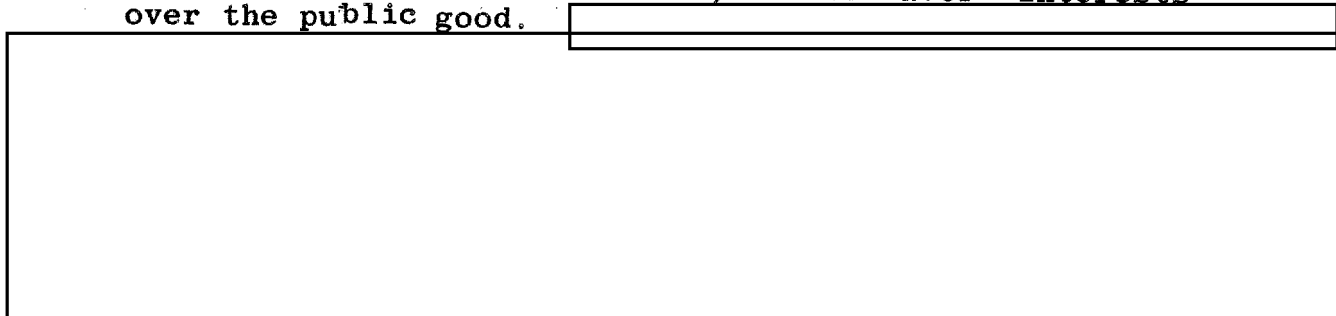
In proposing new plans, the OEEC board probably felt that political considerations called for optimistic overtones in its report. The new goals are not likely to be met, however, since Europe has already imported half of its scheduled quota of US coal for this year.

17. Austrian export scheme distorts normal economic development: American officials in Vienna are disturbed by the potential effects on Austria's economy of a recent Austrian regulation authorizing the financing of 10 percent of the country's exports as "ear-marked exchange and clearing transactions." Under this plan, the high prices to be charged importers of nonessentials for foreign exchange will be used to finance foreign price reductions of high-cost Austrian exports.

Although this export-promotion plan has been approved by the International Monetary Fund, US observers in Vienna doubt that the device is an effective substitute for the programming of imports to conserve foreign exchange. Rather than providing the exports necessary to finance essential imports, the arrangement in effect promotes the importation of "luxury" items. Furthermore, regardless of the benefits to particular exporters, the "subsidy" contributes little to the solution of such basic problems as increasing productivity, reducing costs, and expanding normal trade under a single exchange rate.

Austrian trade and industry representatives, who are the primary beneficiaries, themselves recognize that the new regulation is less than ideal. It is a further example, however, of the tendency of Austrian leaders to prefer stop-gap measures to real solutions, and to favor "interests" over the public good.

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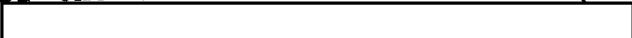
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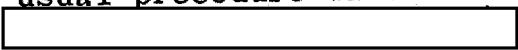
19. Limited French-Soviet trade agreement signed: France has signed a trade agreement with the USSR involving the exchange of a limited number of reportedly non-strategic items. The agreement, concluded at the end of February, provides for the exchange of Soviet pit props and anthracite for French textiles and steel of non-strategic quality. The value of the trade is estimated at nearly three million dollars. 

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Comment: This is the first French-Soviet trade agreement in the postwar period. France had originally hoped for an agreement covering about thirty-four million dollars worth of trade. The French are believed to be still waiting for a Soviet reply to their recent wheat-ship offer 

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20. Investigation in Paris of Katyn massacre will be politically hazardous: The American Embassy in Paris reports that the French Government will be confronted with "rather special" political problems when public hearings are held in Paris by the American Congressional committee investigating Soviet responsibility for the 1943 Katyn Forest massacre.

The Communists will charge that this anti-Soviet activity conducted on French soil by Americans is further proof that the French Government is a "servile tool" of the United States. Non-Communist elements, such as the Gaullists, will demand an explanation of this unusual procedure which could easily be misinterpreted. 

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Comment: Polish witnesses have accused the Russians of massacring some 10,000 Polish officers whose remains have since been found in the Katyn Forest in Poland.

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French public opinion, fanned by Communist and Gaullist propaganda, has become increasingly critical of America's "presence" in France.

21. Dutch-British talks on East-West trade controls at impasse: According to an official of the Netherlands Ministry of Economic Affairs, the British-Dutch talks concerning physical and financial controls over East-West trade are at an impasse, and the problem probably will be referred to COCOM.

Britain still falls back on its inability to institute financial controls, although the Dutch state that their investigations show that almost all shipments of strategic goods routed through Rotterdam to the Soviet Orbit are financed in Britain. The Dutch also say that British Foreign Office officials have admitted that certain strategic goods purchased in Germany for shipment to Rumania via Rotterdam were licensed and financed in Britain after the Netherlands Bank had refused to handle the transactions.

The Dutch official asserted that his Parliament would "scoff" at physical controls as long as Western countries finance and license shipments to the Orbit.

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[REDACTED]

Comment: Britain instituted physical controls over transshipments last November. In order to ease its balance of payments difficulties and to maintain sterling as an international currency, Britain probably will not take any action to restrict the financing of East-West shipments. Consequently the Dutch are unlikely to impose physical checks over transshipments since they already have financial and licensing regulations over strategic exports, feel strongly that these controls should be exercised by the originating country, and are unwilling to take action unless joined by the other western European countries which are involved in transshipments.

22. Spanish Cabinet approves personnel shake-up in Ministry of Foreign Affairs: The Spanish Cabinet on 7 March approved several important personnel changes in the Foreign Ministry. The new Director-General of Foreign Policy will be Mariano de Iturralde y Orbegozo, now Consul General at Montreal. He replaces Jose Sebastian de Erice y

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O'Shea, who has been named Consul General at Geneva. New Directors-General of Administration and Consular Affairs were also named.

The US Embassy in Madrid believes these changes are part of a general shake-up in the Ministry which has not been completed. [REDACTED]

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Comment: There have been rumors for several months that Foreign Minister Artajo will be replaced. Ambassador to Washington Lequerica and Admiral Salvador Moreno Fernandez have been mentioned as possible successors.

Erice's transfer, announced almost simultaneously with his appointment to accompany Artajo in April on a visit to the Near East, might tend to discount rumors that the Foreign Minister plans to lay the groundwork for treaties of friendship with the Arab states and negotiate for oil supplies.

Franco is apparently bringing in a new team for negotiations with the United States. Iturralde's former position was Director-General of Commerce and Tariff Policy.

LATIN AMERICA

23. Argentine businessmen free to attend Moscow Economic Conference: According to an Argentine official broadcast, the Argentine Ambassador in Moscow told a group of journalists that his government is not hindering in any way the trip to Moscow by any representative of Argentine industry or commerce. He added that his country is always ready to do business with any other and cited in support of this position Argentina's trade agreements with Hungary and Czechoslovakia. [REDACTED]

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24. Brazilian President accepts resignations of both War Minister and Zone Commander: President Getulio Vargas on 26 March accepted the resignations of both War Minister Newton Estillac Leal and General Euclides Zenobio da Costa. The announcement from the presidential press office said that Vargas had named General Cyro do Espirito Santo Cardoso, his chief military aide, as the new War Minister. [REDACTED]

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FAR EAST

1. Commonwealth forces decide to retain Tokyo facilities:
The US Political Adviser in Tokyo reports that British Commonwealth Occupation Forces (BCOF) have decided not to evacuate their facilities in Tokyo following the effective date of the peace treaty and not to pay rental for a 90-day period thereafter. The Political Adviser comments that this decision, coupled with the general unpopularity of the Administrative Agreement and intense Japanese feeling against the Australians, could have unfortunate repercussions for American post-treaty security arrangements in Japan. He believes it imperative that the BCOF negotiate separately with the Japanese for post-treaty facilities in order to dissociate the US and the United Nations Command from these "highhanded" tactics. [REDACTED]

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[REDACTED]

Comment: Since the British Commonwealth forces are part of the Occupation Forces, the peace treaty requires their withdrawal within 90 days after the treaty comes into effect. The Commonwealth countries, however, had expected the Japanese to continue to furnish facilities gratis for their forces for the duration of the Korean war. The Japanese are strongly opposed to the presence of British Commonwealth troops in Japan in the post-treaty period for other than rest and recreation purposes.

NEAR EAST-AFRICA

2. Egyptian cabinet will not contest elections unless agreement with Britain reached: Prime Minister Hilali's cabinet has decided that, in the absence of an agreement with Britain, it will not contest the 18 May Egyptian elections and will resign immediately thereafter. The Egyptian Foreign Minister

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has stated, however, that in the event of an agreement, Hilali will stay in the elections and attempt to secure popular approval.

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Comment: There have been conflicting reports on the intentions of the Hilali cabinet in the event the Anglo-Egyptian negotiations should fail. The weight of the evidence suggests that the government will resign in this eventuality and let the Wafd return to power, although British officials believe that this apparent readiness to resign may be a form of blackmail.

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