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24 April 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DIA and DOS review(s) completed.

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GENERAL

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2. Orbit trade reprisals against Italy feared: American Embassy officials in Rome believe the Orbit will initiate serious retaliatory measures if two pending trade deals between Italy and the Soviet Orbit are cancelled because of the Battle Act. One involves the shipment of 800,000 dollars worth of rolling mill parts to Poland in return for 15 million dollars worth of coal; the second provides for shipment to Czechoslovakia of 1,440,000 dollars worth of "category B" ball bearings, a non-strategic size.

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Italy, which badly needs coal, fears that cancellation of the rolling mill shipment would bring Polish retaliation and hence force it to expend dollars for US coal. [redacted]

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Comment: Poland's apparent eagerness to dispose of its coal surplus, even at some disadvantage, was shown in recent transactions with Scandinavia. Thus it would appear unlikely that Poland would undertake serious retaliation if Italy failed to provide the rolling mill parts.

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SOVIET UNION

4. Little change in Moscow's May Day slogans: The fifty-nine May Day slogans issued by the Central Committee of the Soviet Communist Party have been widely distributed by TASS. [redacted]

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Comment: As was the case last year, the first twelve slogans deal with foreign affairs. They follow the same order

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as last year's with the notable exception that last year's slogan greeting the "liberation movements" in colonial areas was dropped in favor of a greeting to the Japanese people.

The phraseology was stereotyped for the most part. To the slogans greeting "all peoples," the Germans, the Japanese, and the Yugoslavs, fighting "for peace, independence, and democracy" a phrase which emphasized the idea that they are "fighting against aggressors" was added. Only the aggressors in Yugoslavia were identified -- the "fascist regime of the Tito-Rankovic clique." The German slogan which last year ended with the words "for Germany" now closes with the phrase "for a German state."

Since the Kremlin's May Day slogans are usually a recapitulation of current propaganda themes, it is noteworthy that references to biological warfare and the colonial liberation movement were omitted. Other communist parties have included these issues in their May Day slogans.

The call for increased military preparedness, while new to the May Day slogans, was the point of emphasis on the occasion of Red Army Day, 23 February 1952.

The remaining slogans, dealing with Soviet internal affairs and the state economy, reveal no notable changes.

EASTERN EUROPE

5. Build-up of antiaircraft defenses of Prague: The US Military Attache in Prague reports observation of work on four additional antiaircraft positions on the perimeter of the city. This brings the total of such positions under construction to ten with an average of three 88mm guns per position.

Comment: Development of the antiaircraft defenses of Prague was indicated by the accumulation of a pool of anti-aircraft guns and equipment in the suburb of Bohnice. A total of 103 88mm guns were counted at this air defense depot and training center early last November. In late January, only 40 pieces remained and it is believed that some of the guns were shipped away from Prague.

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The activity around Prague follows the pattern observed around Warsaw where a ring of 20 positions was established last summer. Increased air defense activities elsewhere in the Satellites have featured improved protection of the national capitals and key rail and communications centers.

6. Hungary rejects Yugoslav proposals for a Mura Island Settlement: In a note on 19 April Hungary rejected Yugoslavia's proposals for the establishment of a mixed commission to settle the long standing Mura Island dispute. Hungary demanded cessation of border violations, and satisfaction for provocative attacks. The note was interpreted by the American Legation in Budapest as demonstrating that Hungary does not want a settlement.

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Comment: Hungarian-Yugoslav relations were strained severely last December when a Hungarian armed force took possession of the island. The dispute has been used by both sides chiefly for propaganda purposes. There is no apparent indication that Yugoslavia is prepared to implement its claims to the island.

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7. Indonesian Socialist reported in Moscow: Friends of Sudjatmoko, former Counselor of the Indonesian Embassy in Washington and prominent disciple of Socialist Party chairman Sjahrir, report him in Moscow, but insist that he went there not to participate in the Moscow Economic Conference, but as a private correspondent of the Socialist daily, Pedoman. His associates admit his hope to visit various areas in Russia and to proceed to Peiping.

American Ambassador Cochran notes the visits of prominent Socialists to Iron Curtain countries and comments upon the "newly invigorated anti-Westism and anti-Americanism" of Pedoman.

Comment: The Socialist Party, under the direction of former premier Sutan Sjahrir, strongly advocates the "third force" principle and is believed to have been highly influential in Indonesia's adoption of and continued adherence to a foreign policy based on this concept.

The visits of Socialists and Socialist-influenced Indonesians to Iron Curtain countries appear to be partially a political gesture designed to augment the party's following, and partially a sincere effort to study conditions in communist countries. There is little indication of a Socialist orientation toward the extreme left.

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WESTERN EUROPE

8. German Bishop believes Communists would accept a neutral Germany: American officials in Berlin believe that the recent proposal of Evangelical Bishop Dibelius for all-German elections to be supervised by the Evangelical and Catholic Churches is primarily a maneuver to generate pressure for German unification and for a four-power conference.

Dibelius, who is the head of the all-German Evangelical Church, is alarmed at the thought of a permanent split of Germany, which would mean the division of German Protestantism. He tends to believe that the Communists would agree to a unified, neutralized Germany. He also reportedly feels that the West, the United States in particular, is not sincerely interested in Germany's unification.

Catholic circles give the impression that their Church considers the proposal naive and will have nothing to do with it.

Comment: Most West Germans believe that unification with East Germany will be almost impossible to achieve under present conditions. They resent, however, any Western action which would preclude unity, and are concerned over the increasing Allied insistence on integration.

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10. Economic dispute may be endangering Austrian internal stability: The Austrian Government's failure to resolve a four-month controversy over economic policies is threatening serious economic and political consequences. Mutual Security Agency officials in Vienna believe that the prospects for agreement on a broad economic program are now less, even though Chancellor Figl claims near-agreement on measures to reduce the Austrian deficit. They say that the continued withholding of counterpart releases by the US in an effort to force agreement on an economic program is aggravating an unfavorable employment situation, and fear that further pressure may force the Austrian Government to seek alternative financing. The American mission believes that leverage over Austrian policy deriving from control of counterpart funds has now substantially diminished.

Implementation of the economic program desired by MSA would require major concessions from both coalition parties. Despite claims of American support from both sides, the Socialists have apparently suspected that the Vienna mission has undue sympathy for the conservative position because of its initial emphasis on a shift from long- to short-term investments and its failure to achieve conservative support for across-the-board reforms at the same time that major concessions have been demanded from the Socialists. A principal organ of the People's Party recently denounced American criticism of restrictive business practices in Austria as "interference in Austrian internal affairs."

The consequences of a further exacerbation of conservative-Socialist relations could be serious. Economic reforms achieved at the expense of isolation of Austrian Socialism could jeopardize future internal political stability in Austria. [redacted]

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11. Netherlands Government disturbed by US action against Dutch bank: The Netherlands has protested American action blocking assets of the Slavenburg Bank for allegedly financing shipments of strategic materials to Communist China. The Dutch claim that it was up to them, as signers of the UN resolution on trade with China, to investigate the charges and to determine the action to be taken.

Furthermore, a Dutch official stated that the bank was following accepted international practices and added that US foreign trade statistics show that American importers are supplying large net dollar balances to the Soviet bloc. [redacted]

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12. Swedish press sees Prime Minister furthering American understanding of his foreign policy: The semi-official government newspaper asserts that Prime Minister Erlander's recent visit to the United States has increased America's understanding of Sweden's alliance-free foreign policy. The non-Communist press generally ridicules Moscow's charge that his visit marked a reorientation of the country's foreign policy. [REDACTED]

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Comment: While the press comment is designed in part to enhance the prestige of Erlander for the September parliamentary elections, it also reflects the Swedes' constant search for evidence that their foreign policy course has not hurt their reputation in the Western world. It thus suggests a degree of uncertainty in their own thinking.

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FAR EAST

1. Japan proposing establishment of diplomatic relations with Asian nations: A high-ranking official of the Japanese Foreign Office has informed American officials that Japan has proposed an exchange of notes with the Philippines and Indonesia which would establish diplomatic relations with them pending their ratification of the peace treaty. A similar offer will be made to the South Korean Government. The official also indicated that the Soviet representatives attached to the Allied Council for Japan will be treated as ordinary aliens after the peace treaty becomes effective.

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Comment: The position of several diplomatic missions now accredited to SCAP, whose governments will not have ratified the peace treaty by 28 April, has previously been in doubt. In view of Japan's reluctance to define Chinese sovereignty in the current Japan-China peace treaty talks, it may be significant that a similar proposal has not been made to the Chinese Nationalists.

This report indicates that Japan is in accord with the United States view that the control machinery for the occupation, including the ACJ and the Far Eastern Commission, automatically terminates when the treaty comes into force. There has been some speculation that the USSR might dispute the termination of these agencies on the grounds that the San Francisco treaty is "illegal."

2. Bao Dai disturbed over government's lack of progress: In an interview with American Minister Heath, Bao Dai pointed out the uselessness of attempting to form a more representative government until the actions of the local French regime make Vietnamese independence a reality. He deplored French meddling in Vietnam Government affairs and

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described as "intolerable" disregard of Vietnamese laws, notably tax legislation, by French citizens.

Heath comments that Bao Dai is partially to blame for the weak Vietnamese Government in that he has not provided energetic leadership.

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Comment: The Vietnam Government is still unable to attract the popular support necessary to counter the Viet Minh's appeal. The French have deplored to American officials Bao Dai's inertia, but there is evidence that they have not assiduously tried to arouse him to action.

The new French diplomatic counsellor in Saigon states that Resident Minister Letourneau intends to replace "old colonialist" officials with men not previously associated with Indochina.

The French have been committed since early 1947 to the formation of a genuinely Vietnamese Government, but the proposed replacement of the "old colonials" in Indochina has not materialized.

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