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CURRENT INTELLIGENCE DIGEST

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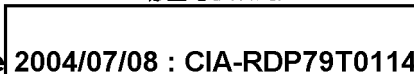
CENTRAL INTELLIGENCE AGENCY

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EASTERN EUROPE

1. Prague test of air raid sirens is first in Satellites: The American Embassy in Prague reports that air raid sirens were tested in the northeast section of the Czech capital on the evening of 20 May and during the following morning. A searchlight exercise combining two searchlights and a light target plane was conducted over the city on the evening of 21 May. 25X1

Comment: This is the first confirmed test of air raid sirens in the Satellites and may indicate an advanced stage of civil defense preparedness in Prague. The American Embassy recently reported that the number of antiaircraft gun positions in Prague had risen to eleven, each containing three 88-mm guns. Radar installations and underground air raid shelters are also known to be under construction in the city. The reorganization of the Czech National Fire Prevention Service under military control and its training in antiaircraft defense is another indication of the step-up in civil defense.

An acceleration of air defense preparations has also been noted in other Satellite capitals, especially Warsaw and Budapest.

2. Czech Premier calls for measures to reduce labor fluctuations in industry: In a characteristically blunt speech, Premier Zapotocky on 6 June denounced the labor turnover in Czech industry as excessive and called for strong countermeasures. He indicated that the Ministry of Manpower was preparing citizens' identity cards showing the place of employment of all workers. 25X1

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Comment: The Czechoslovak Government has recently taken several steps designed to restrict workers' movement and gain a maximum control of the labor force. These have included allocating university graduates to industrial enterprises for a period of three years, pressing vacationing students into labor brigades, reaffirming the "volunteer" brigade system, and forcing the transfer into industry of 77,500 white collar workers.

These steps represent an approach to the Soviet labor laws of 1940-41, which were passed as war emergency measures, but were never rescinded. Coupled with the emphasis being placed on increased worker productivity and recruitment of all possible manpower reserves, they indicate how hard pressed the Czech Government is to fulfill the onerous industrial production program that has been imposed on it by the USSR.

3. Bookkeepers quizzed on Hungarian failure to meet Soviet economic demands: An editorial in the Hungarian party organ, Szabad Nep, on 11 June reveals that the newspaper recently conferred with bookkeepers of large firms who complained that most managers failed to take advantage of their reports of shortcomings in plan fulfillment. The paper recommends better coordination of party, factory and government to make book-keeping more efficient. 25X1

Comment: Soviet dissatisfaction with Hungarian plan fulfillment has centered thus far on the bauxite industry. The above editorial suggests that a large-scale investigation to determine where concealment of statistics has occurred is underway.

Last week the Ministry of Metallurgy and Machine Industry instituted criminal proceedings against both the manager and the chief bookkeeper of an unidentified light steel construction industry plant for failing to abide by planned schedules.

4. Denial of visas to Hungarians for Trieste trade fair questioned: The US Legation in Budapest reports that the refusal of visas to Hungarian delegates to the Trieste fair had provoked questions from the chief of the Allied Permit office in Budapest and from the British Minister. The former is afraid of press attacks on his office as well as denial of exit visas which he is seeking.

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The British Minister questioned the refusal, on the double grounds that trade with Hungary was necessary to Trieste and that his own negotiations for the release of Sanders, Vogeler's British companion, were in a delicate stage.

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The US Legation is anxious to discover who invited the Hungarian Government to participate in the fair. [REDACTED]

[REDACTED]

Comment: The US political adviser in Trieste reported on 10 June that a number of Hungarian firms had applied for space at the forthcoming Trieste fair and visas to enter Trieste but had been turned down by the Zone Commander with the concurrence of the British political adviser.

Hungary's great interest in penetrating the Mediterranean market is indicated by its participation in fairs at Milan, Algiers and reportedly Beirut.

5. Typhoid shots added to Hungarian civil defense preparations: The US Army Attache in Budapest reports that the capital's population is receiving a series of typhoid shots, apparently as part of the general preventive measures taken for civil defense. [REDACTED]

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Comment: There has been recent evidence of other medical preparations for civil defense in Hungary and typhoid shots would be a logical step.

Hungarian civil defense measures have included special air raid training courses and drill in Budapest and two other industrial centers. New shelters reportedly have been opened at factory gates and some shelters from the last war have been rehabilitated.

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6. Emperor reaffirms Japan's support of UN action in Korea:
In a conversation with General Clark and Ambassador Murphy on 11 June, the Japanese Emperor emphasized the tremendous advantages accruing to Japan from the UN action in Korea, and assured continued Japanese support for the effort there. He also expressed satisfaction over the recent tactics adopted by the American element at the Panmunjom negotiations. [REDACTED]

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Comment: The Japanese press has generally supported the UN position against forced repatriation of POW's.

In an exchange of letters between Yoshida and Secretary Acheson at the San Francisco conference, the Japanese committed themselves to permit UN forces' entrance into Japan and to facilitate their support. Public and Diet pressure, however, have deterred the government from granting funds for this purpose and from foregoing criminal jurisdiction over the UN forces.

7. Prime Minister Yoshida orders move to release war criminals: Prime Minister Yoshida has requested that the Japanese Government initiate proceedings under Article 11 of the peace treaty for the commutation of war criminal sentences. All the political parties except the Communists are backing this move. The American Embassy comments that public pressure and the coming elections will force the government to exert all possible pressure for the outright release, parole or commutation of the sentences. [REDACTED]

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Comment: Article 11 of the peace treaty requires Japan to execute the sentences imposed by Allied war crimes courts. Japan may, however, grant clemency, reduce sentences or parole the prisoners with the permission of the Allied nation which imposed the sentence.

With the exception of those held by the USSR and Communist China, the Allied nations convicted approximately 4,100 war criminals. There are presently 436 US-convicted prisoners incarcerated in Tokyo.

8. South Korean political turmoil lowers army morale: The Chief of Staff of the ROK 9th Division has reported that a

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serious morale situation is developing, particularly among junior officers, as a result of recent Korean political events. [redacted]

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Comment: While similar reports have been received on the morale of staff and headquarters officers, this is the first such report from a combat unit.

[redacted] high-ranking South Korean officers are also seriously concerned. They want the political problems solved in view of their belief that the Communists have increased their strength and firepower in preparation for a June offensive.

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9. Twin-engined planes seen on Yalu River field: An American pilot saw 40 to 50 twin-engined planes, about the size of a B-25 or B-26, on Tatungkou airfield at dawn on 8 June. The Far East Air Force states that they were probably TU-2 or PE-2 conventional light bombers, and this is the first report of such a large number in the Antung area. FEAF doubts that this concentration was for an air offensive. [redacted]

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Comment: These light bombers may have been on a training flight to Tatungkou. The Communists probably would not permanently base many aircraft unassigned to duty over Korea on the crowded combat fields near the Yalu River.

10. China seeks Turkish copper: Approximately 2,000 tons of copper, valued at over 2,500,000 dollars, is about to leave Turkey for Communist China, [redacted]. The copper is to be transported first to Rotterdam, then on to the Polish port of Gdynia for transshipment to China.

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The contract, reportedly signed at the Chinese Embassy in Sweden, stipulated that the copper must be in Gdynia by 1 July. Swedish and other foreign firms are financing the shipment. [redacted]

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Comment: Chinese arsenals and factories require an estimated 15,000 tons of copper a year, part of which must be imported. Turkey is one of the few copper producing countries to allow exports of this metal to the Soviet bloc.

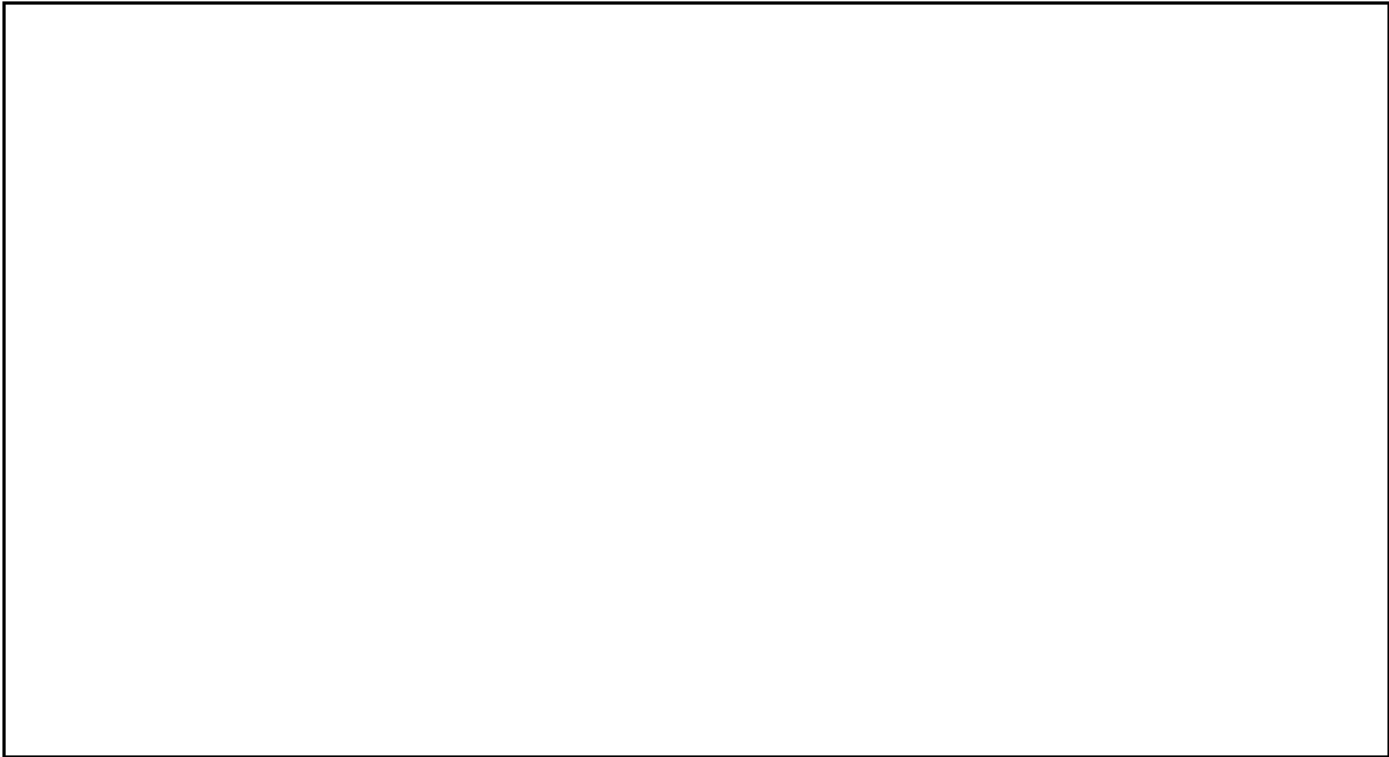
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11. Soviet advisers soft-pedal industrial expansion in China: Peiping radio in a lengthy discussion of the Peiping Ministry of Fuel Industry's campaign to "overcome the influence of bourgeois ideology" criticized Chinese technicians, and particularly the senior engineering personnel, for planning too ambitious an expansion program for coal mines, oil fields and power plants. Soviet experts, according to the article, advised continuing the exploitation of old coal pits which conservative cadres wanted to abandon. Russians have shown how to keep in operation old power plant equipment which Chinese engineers thought needed replacing. At the Yumen oil field, Peiping's orders not to open new wells were disobeyed and four wells were drilled in 1951.

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Comment: Soviet advisers have discouraged Chinese industrial development plans before, probably because the USSR does not want to support a program requiring large Chinese imports of heavy equipment.



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WESTERN EUROPE

13. Early completion of canal by-pass promised by East German press: East German press emphasis on plan to complete the Paretz-Niederneuendorf canal may indicate that construction difficulties have been overcome so that the project can be completed on schedule by 28 June. For the first time a major newspaper specifies the purpose of the project to "make the GDR economy more independent of western despotic actions since the canal will enable shipping to by-pass West Berlin."

The poor state of transportation in East Germany is further indicated by the decrease, in the past 18 months, in the number of serviceable locomotives from 450 above requirements to 160 below. Perhaps for this reason, the Russians have been returning some electric locomotives and other electric railroad equipment to the GDR.

HICOG Berlin officials comment that the present lull in Soviet harassments of Berlin may arise partly from a desire to prevent Allied retaliation against East German barges in West Berlin, as well as to receive from West Germany the delivery of previous orders now beginning to move under new trade agreements.

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Comment: Previous reports have indicated that the opening of the by-pass on 28 June would only be for "fanfare" reasons, and that several months would be required before the canal would be fully operable.

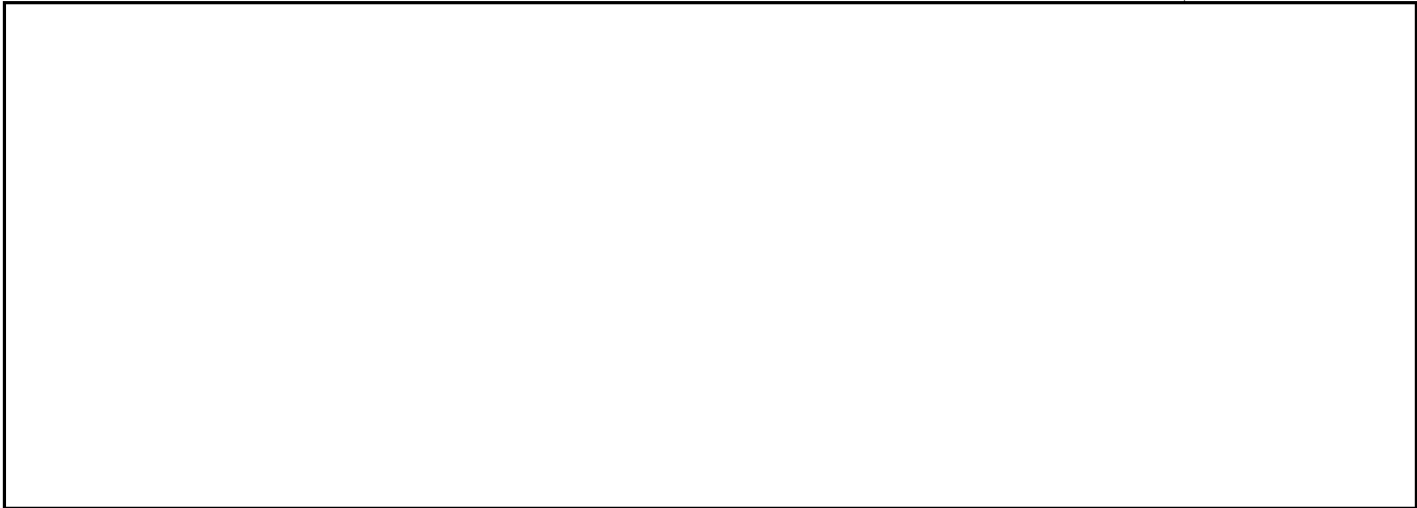
25X1 [redacted] Russian harassing moves, after the by-pass is in operation, might include renewed closing of the Rothensee canal lock on the Mittelland canal linking Berlin and West Germany.

14. Gaullist housecleaning improves chances for French ratification of EDC treaty: The chances for French ratification of the European Defense Community may be improved if General de Gaulle carries out the expulsion threat implied in his recent letter chiding RPF dissidents, in the view of American officials in Paris. Closer association of the prospective expellees with the Pinay coalition on domestic matters might lead them to support the government in foreign affairs, thus completing the break in the Gaullist front. [redacted]

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Comment: De Gaulle's decision to enforce his policy of non-cooperation with the regime "of the parties" suggests that he has given up hope of the Pinay government's early fall.

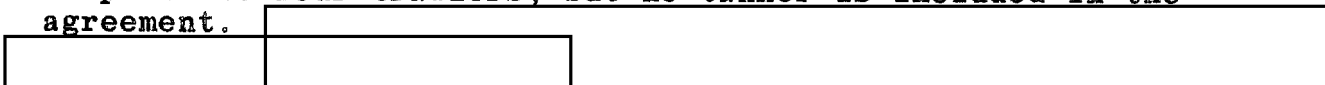


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16. Belgian official seeks continuation of present Belgian military conscription period: The Belgian Minister of Defense has personally requested delivery from the United States of 16 M-47 tanks for Belgium's National Day parade to arouse public support for a continuation of the 24-month military service period. He believes that the delivery and display of this equipment will demonstrate that Belgium has received the best and latest American combat vehicles. Although American officials in Brussels favor the sending of these tanks to Belgium, they believe that the decision on the term of service will depend on the decision of the other EDC members. [redacted]

Comment: Because of the pressure of Belgian public opinion, the government has already stated that in August it would reduce the 24-month conscription period to 18 months, the length of service established by the EDC. However, the government may be able to forestall taking this step, should the Ministers to the Community indicate an early review of this provision.

17. Danes obtain Polish coal without exporting tanker: After months of interrupted negotiations Denmark has finally reached a trade agreement with Poland calling for the shipment of 750,000 tons of coal and 100,000 tons of low-grade coke between 1 August and 1 December. In return Denmark will permit the Poles to purchase four trawlers, but no tanker is included in the agreement. [redacted]



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Comment: The Poles had been insisting on the inclusion of a tanker, but the United States strongly urged Denmark to reject this demand. The trawlers involved probably include the semi-obsolete Faroe Island vessels which Poland had been endeavoring to purchase direct from the islanders.

18. Danes clamp down on communist-sponsored conferences: The Danish Government has announced that Denmark will not continue to be host for conferences which its European allies have refused to permit in their countries. The occasion for this statement was a Danish refusal to grant visas to West German and Eastern European participants in a "conference for a peaceful solution of the German problem" scheduled for June 13-15. [REDACTED]

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Comment: Since visas are not required for citizens of most Western European countries, the conference may still be held, on a reduced scale. Previously, the Danish Government has been reluctant to impede the meetings of various Communist-front organizations such as the WFDY. The Danes frequently procrastinate on decisions likely to offend Eastern Europe.

19. New Argentine provinces officially recognized: On 11 June the Argentine Government officially recognized two new provinces, President Peron and Eva Peron, formerly the national territories of El Chaco and La Pampa. The central government declared their constitutions in effect and ordered them to hold elections in accordance with the new constitutions.

The constitution of President Peron Province, which has reportedly been chosen to test Peron's theory of a syndicalist state, provides that half of the provincial legislature will be chosen by the trade unions. [REDACTED]

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Comment: The President Peron constitution is representative of the regime's efforts to increase state controls and to force further organization of society.

20. Brazilian Communists continue to acquire arms: Brazilian Communist leaders in the States of Minas Gerais, Goias, and Espirito Santo during the past six months have been intensifying their acquisition of arms and ammunition for the "People's Army of National Liberation." [REDACTED]

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Comment: The "People's Army" is centered in the Minas Triangle in the interior of Brazil. Communist leaders in that area have been buying arms and training small groups in their use for almost two years. The arms and ammunition are usually brought into the area by truck although rail transportation is reportedly sometimes used. Financial support for the activity apparently is provided by individual contributions from industrialists and professional men as well as by such fund-raising activities as Communist Party raffles.

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EASTERN EUROPE

- 1. Italian warns of trouble in Trieste: The situation in Trieste has never been so delicate and might explode at any moment, the chief of the Italian Mission in Trieste has told the US Political Adviser. He refused to furnish any details supporting his statement.

The Political Adviser comments there have been rumors that Triestines are becoming "less enthusiastic" about the recent changes in favor of Italy, mostly because of difficulties with Italian laws and administrative practices.

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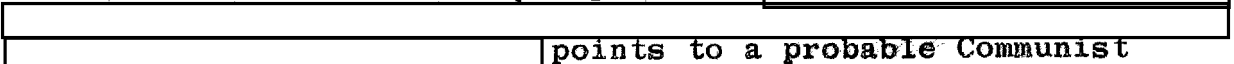


Comment: If some pro-Italian elements become disillusioned they may shift their support to the independentist parties. Even the possibility of such a development would alarm irredentist leaders, who might attempt to avert it by staging new anti-US-British demonstrations.

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- 2. Factors indicating probable Communist offensive in Korea between 25 June and 10 July reported:



points to a probable Communist offensive between 25 June and 10 July. In addition to citing the enemy's considerable military and air build-up, the report gives the following factors as suggesting an offensive: the beginning of the rainy season would impede UN air activity; the readiness of the North Korean grain crop would assure an adequate food supply; the chance of reaping the captured South

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Korean rice crop; and an opportunity to capitalize on the current South Korean political dissension. [redacted]

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Comment: The enemy, having considerably augmented his forces, has been for some months capable of launching a general offensive. The non-military factors in this report appear somewhat overemphasized. Due to the great increase in the modern equipment of the Communist ground and air forces, the rains would hamper their operations nearly as much as it would the UN's. The South Korean rice crop will not be harvested until September or October.

3. South Korean presidential contenders analyzed by Embassy: Ambassador Muccio, in reporting from Pusan on other presidential candidates than Rhee, comments that none of the three announced candidates are taken seriously. Among the unannounced ones, former Prime Minister Chang Myon is believed to have lost stature during the present political turmoil because he has remained safely hidden as a political refugee in an American hospital.

The present Prime Minister Chang Taek-sang has grown in stature and is the only one of the major "contenders" to defy Rhee. If the Assembly were free to elect their own candidate, Chang would have a better chance than any other candidate, in Muccio's opinion.

Yi Ki-pung, the Ambassador characterizes as a dark horse; while he is a good administrator and quietly active behind the scenes, there is no evidence his name is being considered.

Among Rhee's cabinet supporters Paek Tu-chin is the ablest man and it is conceivable that Rhee might select him as successor. Yi Pom-sok, the Home Minister, is unpopular and recognized as the chief machinator behind the current turmoil. Muccio doubts that Yi could achieve the presidency except by coup d'etat. [redacted]

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WESTERN EUROPE

4. Belgian transit trade control plan requires COCOM support:
The Belgian delegate to COCOM has confidentially shown the American delegation in Paris his country's draft plan to control transit trade, which, he says, must be adopted by COCOM to be effective. Belgium still believes that the most effective method to control diversion is the Import-Certificate-Delivery Verifications system, which places a measure of responsibility on the country issuing the import certificate against transshipment. The Belgian proposal envisages port controls on selected raw material and non-ferrous items such as copper, tin, lead, molybdenum and cobalt and states that specialized and technical equipment is not included because these items are produced primarily by the COCOM participating countries and are therefore already under control.

The American delegation states much of the operation and some details of the plan are unclear, but, to prevent a delay in its presentation to the Consultative Group meeting, they will not seek clarification now.

Comment: The Consultative Group of COCOM is tentatively scheduled to meet on 17 June.

The United States has been particularly interested in Belgian and Dutch cooperation on physical controls over transit trade. The Netherlands, which remains opposed to physical controls without financial controls over transshipments, may soon present a new proposal.

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