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GENERAL

1. Chiang Kai-shek's views of current Sino-Soviet talks: Chiang Kai-shek has told an American Embassy official in Taipei that he believes the purpose of the present Sino-Soviet conference in Moscow is to plan a new Communist "peace offensive" in the Far East and the pooling of economic resources with a view to integrating the Chinese economy with the new Soviet five-year plan.

He believes that discussions of military strategy will be the least important aspect of the conference. (S Taipei 188, 25 Aug 52)

Comment: Any announced Sino-Soviet agreements are likely to be exploited in the Communist "peace offensive" in Asia which has been under way for several months and is to culminate in the Pacific "peace" conference in Peiping in September.

The talks are expected to provide both for increased Soviet economic and military aid to Communist China and further integration of the Soviet and Chinese economies.

EASTERN EUROPE

2. Decree demands reform of Bulgarian cooperative farm practices: The Council of Ministers and Central Committee of the Bulgarian Communist Party have issued a decree criticizing gross administrative irregularities and calling for stricter financial and accounting discipline on Bulgarian cooperative farms. Attention is called to the fact that grave violations of the cooperative statutes have continued to be observed in spite of a "Decree on the Economic, Organizational, and Political Strengthening of Cooperative Farms" issued in

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September, 1951, and contrary to decisions adopted by the plenary session of the Bulgarian Communist Party in April.

In the future, a "Council for the Development and Strengthening of Labor Cooperative Agricultural Farms" will supervise the strict observation of the statutes and maintain a check on all activities of the cooperative farms. (R FBIS [REDACTED] 20 Aug 52)

Comment: The issuance of this decree suggests that negligence toward cooperative-owned property, waste of working days, and misappropriation of state and public funds are still widespread in Bulgarian cooperatives and are sufficiently serious to necessitate new and more effective organizational controls.

Since the spring of 1951 Bulgaria has concentrated almost entirely upon the consolidation and strengthening of existing cooperatives, rather than upon the creation of new ones. It is unlikely that a further collectivization campaign will be inaugurated until this present program of consolidation achieves some degree of success.

3. Czech Army lowers induction age to nineteen: The Czech Army is reported to be making preparations to reform the military service law to draft youth at the age of 19 instead of 20 or 21 as formerly. On reaching 18 all youth will be required to register for military service and undergo a medical examination. They will then receive one year of para-military training in the Union for Cooperation with the Army as preparation for military service. [REDACTED] 25X1A

Comment: Such a change in the military service program would increase the effective size of the army for the next two years by about one and one half classes without lengthening the present two-year draft period at the expense of industrial manpower.

Under the present draft law the major part of call-ups for military service are made of the 21-year-olds with the remainder from the 20- and 22-year-old groups. The Union for Cooperation with the Army was originally established last November as a voluntary para-military training organization. There have been indications that the government is not satisfied with the activities of the Union.

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4. Finland negotiates trade agreement with China: According to a memorandum prepared by a Finnish delegate who participated in the recent trilateral trade negotiations in Moscow, during the remainder of 1952 Finland will export to China 10,000 tons of cellulose, approximately 18,000 tons of various types of paper, frame saws, paper industry machinery and pumps totalling \$1,500,000.

Finland, in turn, will be compensated by deliveries of bread grains, petroleum products and steel billets from the USSR. (C Helsinki Desp. 70, 24 July 52)

Comment: This is an indication of the extent to which Finland is gradually being forced into expanding its Orbit trade as a result of the slump in the world prices and demand for its traditional exports.

Finland is also becoming increasingly dependent on the Soviet Union for foodstuffs and liquid fuels. In 1952, for example, deliveries by the USSR will meet two thirds of the country's import requirements for grains and one half of its needs for petroleum products.

5. Hungarian party leaders rumored in Moscow before Rakosi's election: The British Legation at Budapest received an unconfirmed rumor that the four Hungarian Communist leaders, Rakosi, Gero, Revai and Farkas, and the Planning Office chief Vas went to Moscow to discuss the slow progress of the Hungarian Five Year Plan just prior to the sudden convocation of parliament on 14 August. Rakosi allegedly defended the plan and asked permission to handle its fulfillment in his own way and as a result he became Prime Minister. Erno Gero, who advocated a severe policy, appeared "most unhappy" on his return. (C Budapest 169, 22 Aug 52)

Comment: There is no confirmation of the rumor, but it is interesting that since his election as Prime Minister on 14 August Rakosi has emphasized the "realistic" nature of the Five Year Plan, and the official party newspaper has echoed the line.

6. Hungarian crop failure affects trade negotiations with Austria: The US Legation in Budapest notes that Hungarian officials told the Austrian trade delegation last week that Hungarian exports of corn and fodder must be smaller than had been anticipated.

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The official Hungarian Communist Party newspaper has made the first public admission that drought has caused serious damage to root and fodder crops. Nevertheless, the paper demands that surrender obligations be met in full and reassures the public that supplies will be available. (R Budapest 171, 23 Aug 52)

Comment: Trade talks between Hungary and Austria began on 18 August at Budapest. The Austrian delegation reportedly planned to ask for 10,000 tons of corn, an increase of 5,000 tons over last year, and for 30,000 tons of wheat. Last year Hungary delivered 3,000 tons of corn, 10,000 tons of rye and 25,000 tons of wheat plus an additional 5,000 tons of rye to meet the full wheat quota.

7. Rumanian Vice Premier describes economic development: An article in the Cominform journal by Gheorghe Apostol, a recently appointed Vice Premier and Secretary of the Rumanian Workers' Party Central Committee, described Rumania's economic progress since 1948. According to Apostol, Rumanian industrial output has increased threefold over that of 1948, and the urban labor force has grown at a rate of 200,000 persons per year. Domestic output of machine tools has risen 660 percent compared with 1949, while that of "motors" is up 476 percent.

In agriculture, the "growth of the socialized sector" has reportedly continued until 16 percent of all arable land is included. There are now "several hundred" state farms and over 200 machine and tractor stations; while "some 1,500" collective farms and over 860 "associations for joint cultivation" have been formed, allegedly "on the voluntary principle." Crop yields in 1951 were asserted to be 20 percent higher than those of 1950, and for the first time agricultural output was said to have surpassed that of 1938. (C Bucharest 60, 22 Aug 52; U For a Lasting Peace, For a People's Democracy, 15 Aug 52)

Comment: This development is attributed mainly to the guidance and assistance contributed to Rumania by the Soviet Union. The alleged industrial gains appear imposing largely because of the relatively minor industrial base in Rumania at the end of the war.

The agricultural statistics are significant in that they indicate the accelerated rate of collectivization this year. Of the "some 1,500" collective farms, over 400 have been formed since the beginning of 1952. The 860 agricultural associations are probably those of the permanent type which have been pushed since September 1951.

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FAR EAST

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8. Possible changes in ROK police and army commands reported:

On 19 August it appeared likely [REDACTED]

[REDACTED] "in the near future" Colonel "Snake" Kim would be made brigadier general and appointed ROK Army Provost Marshal, while "Tiger" Kim, head of the police in South Cholla Province, would be made chief of the ROK National Police. The [REDACTED] Brigadier Generals Kim Chong-pyong and Yi Yong-mun, both former senior staff officers and field commanders, would be transferred to training commands. [REDACTED] 010, Korea B-3, B-6, 25 Aug 52)

Comment: Both "Tiger" and "Snake" Kim, considered unscrupulous strong-arm men, are close allies of Yi Pom-sok. If they are appointed to the above posts, it would probably be motivated by President Rhee's desire to counter the growing strength of the Home Minister Kim-Prime Minister Chang faction.

The two generals' transfer to training duties may be due to their anti-Rhee stand during the recent political crisis.

9. Pacific "peace" conference to adhere to line sketched in June: Kuo Mo-jo, Chairman of the China Peace Committee, stated on 19 August that the Asian and Pacific Region Peace Conference, opening in Peiping in late September, will adhere to the four-part line sketched in the preparatory meeting in June. Kuo specified that the conference will (1) oppose preparations for war and the use of "numerous" weapons; (2) oppose embargoes and seek "normal" economic relations; (3) oppose the remilitarization of Japan and its use as a base for aggression; and (4) call for a peaceful settlement of the current conflicts in Korea and Southeast Asia. (R FBIS [REDACTED] 21 Aug 52)

Comment: Kuo's remarks are significant chiefly for his reaffirmation of the fourth point. Radio Peiping recently broadcast a lengthy interview with a Soviet spokesman, associating the USSR with the themes of the Pacific "peace" conference, which did not mention any Soviet interest in settlement of Far Eastern conflicts outside Korea. Although Moscow still has not explicitly endorsed this fourth point, the "peace" conference line as defined by Kuo presumably has Soviet approval.

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10. French official presses for tripartite declaration on Southeast Asia: A high French official in Saigon has again approached Ambassador Heath to urge a reply to a French suggestion for an Anglo-American-French declaration of a community of aims in Southeast Asia. He pointed out the likelihood of a new Communist peace offensive after the present Moscow meeting or the September Peace Conference in Peiping and emphasized the need for immediate counterpropaganda.

Heath approves the French proposal primarily as a vehicle for warning Peiping against aggression in Southeast Asia. He warns, however, that American adherence to any joint pronouncement would commit the United States far more deeply to French and British policies in Southeast Asia than heretofore. (S Saigon 434, 23 Aug 52)

Comment: The French have proposed a tripartite declaration expressing concern for the independence of Southeast Asian countries and a desire to aid them economically. They wish to include only a vague commitment of assistance in case of an attack.

11. Burma Communists to continue peace overtures to government: Leaders of the Burma Communist Party reportedly decided recently to continue their peace overtures to the government, to moderate their anti-UN propaganda, and to cooperate with the government in any drive against the Chinese Nationalists in Kengtung.

While admitting that these decisions were probably reached by the Communists, the War Office stated that the Communists were insincere in their professed desire to end their insurrection and that their offer to aid in a drive against the Nationalists was merely a device to embarrass the government.

The American Embassy in Rangoon believes that the report constitutes further evidence of a shift in Communist strategy in Burma from open rebellion to infiltration tactics. (C Rangoon 289, 22 Aug 52)

Comment: The government has been uncompromising in its rejection of all Communist peace overtures to date; it is highly unlikely that a surrender under mutually satisfactory terms can be negotiated.

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12. Asian Socialist bulletin attacks Soviet "colonialism": The preparatory committee for the Asian Socialist Conference to be held in India in October has issued a bulletin in which Soviet policy toward the East European Satellites is attacked as essentially a policy of colonial exploitation. Asian Socialists are also warned not to become enslaved by either totalitarian communism or capitalist democracy and are urged to apply socialist principles in the light of historical and emotional conditions peculiar to Asia alone. (C Rangoon 289, 22 Aug 52)

Comment: The preparatory committee consists of many influential Asian leaders, including Burmese and Indonesian delegates whose parties now hold power in their respective countries. While the bulletin reflects neutralist sentiments typical of Asian socialist thinking, its strongly anti-Communist tone signifies a distinct trend away from a sympathetic attitude toward the Soviet "socialist experiment."

SOUTH ASIA

13. India asks Britain to stop enlistment of Gurkhas in Indian territory: The Indian Government has formally requested that Britain stop the "recruitment" of Nepali Gurkhas in Indian territory. The British High Commissioner in New Delhi, who has recommended that the request be complied with, has indicated his concern that a protest could lead to an Indian move to curtail Britain's travel rights in Indian territory. He also asserted that Britain would at present be hard pressed for troops if deprived of the Gurkhas, of whom about a division are now serving in Malaya. (C New Delhi 786, 22 Aug 52)

Comment: Under the 1947 treaty between Britain, India and Nepal, initial processing of Gurkhas recruited by British agents inside Nepal is now conducted at four British Army stations on the Indian side of the border. The Indian request would apparently require Britain to move these facilities outside the subcontinent.

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14. Nepalese governing body inadequate to cope with disorders:
Nepal's new five-man advisory council, appointed by weak King Tribhuvana, includes leftists, conservatives and opportunists, and lacks the strength to restore order and maintain control. A grave weakness of the council is that it has no representative of the powerful Nepal Congress party. There are indications that the council is intended only to keep the government functioning until the political struggle between B.P. and M.P. Koirala, with perennially dissident politicians mixing in, is solved in a manner acceptable to the Indian Government. (Factual data from: U New Delhi 677, 18 Aug; U New Delhi 4365, 23 May 52; S New Delhi 1653, 19 Jan; C New Delhi 2642, 25 Apr; S New Delhi 3027, 30 Apr 51)

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WESTERN EUROPE

15. East German propaganda stresses "reaction" to West German lead: The belief of American officials in Berlin that the compulsory military service will be officially introduced in East Germany only after the adoption of similar measures in West Germany has been further strengthened by the prominent play recently given this assumption in the East Zone press. Controlled media in East Germany on 13 and 14 August reprinted an open letter to Pastor Niemoller from seven East Zone clergymen who argued that East Germany has not carried out threats to establish military forces and that only the acceptance and implementation of the contractual agreement would cause the East Germans to implement countermeasures already announced.

Although this letter was ostensibly intended to refute statements attributed to Niemoller that both the East and West German Governments were endangering the peace, American officials believe that it was designed to "salvage" neutralist opposition sentiment against West German ratification of the contractual agreement. (C Berlin Unnumbered, 23 Aug 52)

Comment: The conflict between simultaneous "remilitarization" and "peace" propaganda seems in this instance to have considerably embarrassed the East German Government. It is not improbable that the government has undermined the effects of the "reunification" propaganda by its precipitous moves toward satellization and isolation from the West.

16. Prominent Austrian rightist assails Western occupation policies: Extending right-wing opposition to Western denazification and restitution policies, Chairman Herbert Kraus of the opposition Union of Independents (VdU) in Austria has launched a vigorous attack against the Western occupation and demanded a new "occupation regime." In a signed editorial, Kraus has called for an end to Austrian "humility" and demanded that, in the absence of a "new and better" control agreement, the West cease interfering in the country's domestic and economic policies.

The Kraus statement is a further indication that the VdU, which has always exploited the denazification issue, continues to depend upon right-wing radicalism for political survival. The absence of criticism of the Soviet occupation, except indirectly, and the assumption that the Russians would follow Western example in "alleviating" the occupation suggest that the VdU may be

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developing a "blind spot" in this direction as well. The implied demand for a new control agreement runs counter to the position of the Western powers which have felt that the current agreement is the best obtainable and should not be the subject of renewed negotiation.

Since elections will be held in Austria within the next year, the Kraus position appears to be a bold attempt to capitalize on Austrian weariness with the occupation. Such maneuvering will probably make more difficult the continued cooperation of the coalition parties with the West. (Factual data from: R FBIS [REDACTED] 22 Aug 52; S Salzburg Joint Weeka 7, 22 Aug 52)

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17. Italy's top economic officials may seek more US aid: The American Embassy in Rome believes that during their forthcoming visit to Washington, Italian Treasury Minister Pella and Foreign Trade Minister La Malfa will ask for an early and substantial allotment of defense support aid, will raise the question of the over-all level of aid for fiscal year 1953, and will probably emphasize the importance of a substantial increase in offshore procurement orders.

In the discussions with the Italian officials, the Embassy suggests that the Department of State stress that Italy can accelerate the use of existing appropriations to combat unemployment and meet its NATO defense production commitment for 1953, and that it should increase private investments, develop its natural gas and petroleum resources as quickly as possible, and continue its liberalized trade policy.

La Malfa has stated recently that if British and French trade restrictions continue, Italy will have to reconsider its liberal trade policy because of rapidly dwindling EPU reserves. (S Rome 799, 22 Aug 52)

Comment: Italy has approximately a \$200,000,000 surplus in EPU. But on a world-wide basis, and particularly in the dollar area, Italy's unfavorable balance of trade is worsening.

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