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GENERAL

1. Swedish importers unable to get Poland to lower coal prices: Representatives of Swedish coal importers were scheduled to return from Warsaw on 30 August without having secured a downward revision of coal prices. Swedish newspapers have reported that if necessary Sweden can count on increased imports of coal from Great Britain.

The American Embassy in Stockholm reports that the Swedish Government was not involved in these price discussions, which were carried on by the importers for commercial reasons, and adds that these talks have nothing to do with the official trade negotiations which are to begin at the end of this month. (C Stockholm 271, 29 Aug 52)

Comment: It is unlikely that the Poles would undermine their bargaining position by agreeing to lower coal prices before the beginning of the official trade negotiations. The experience of the Swedish importers, however, presages probable difficulties in the negotiations, since Sweden will doubtless continue to demand that prices be lowered.

The Poles would like to make coal exports to Sweden contingent on increased delivery of important steel products and vital iron ore, but their declining bargaining position will make this difficult. A curtailment of coal purchases by Sweden could have disruptive effects upon the Polish economy.

SOVIET UNION

2. Soviet coal output exceeds plan quotas: Production reports for the third quarter of 1952 released in Moscow on 31 August indicate that coal output exceeds planned goals and is now 8.1 percent over 1951. (U New York Times, 1 Sept 52)

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Comment: It is estimated that 1952 coal production will be about 308 million metric tons, or about 22 million tons more than last year. At this rate of output, Stalin's goal of 500 million tons for 1960 could be attained by 1958.

The average annual increase of coal production in 1948-1950 was about 25 million tons as against the 22 million tons set in the fifth Five-Year Plan. It is likely that the rate of output is being retarded because of increasing supplies of crude oil, production of which is scheduled in the Five-Year Plan to increase at a rate over twice as fast as that for coal. In addition, increasing supplies of power will become available upon completion of the huge Kakhovka and other hydroelectric stations.

EASTERN EUROPE

3. Albanian refugee reports security tightening in Albanian Army: A Yugoslav newspaper on 28 August published a report obtained from an Albanian army defector that Albanian security police recently entered First Division barracks in Tirana and removed suspected anti-regime personnel. The same type of incident allegedly is happening in other Albanian military units. (C YUG 736 Belgrade, 29 Aug 52)

Comment: The reported dissatisfaction in Albania is said to be widespread in the army, which maintains a precarious loyalty because of relatively better food rations.

4. Czech dollar shortage continues to curtail purchases of strategic raw materials: A usually reliable source reports that in August, Max Ianitti, importer-exporter in Trieste who handles considerable trade with the Satellites, offered 65 tons of nickel to Metalimex, the Czech nonferrous metals state trade company. According to the source, the Czechs desire to purchase the nickel but will not have sufficient dollars available until September. (S Trieste Joint Weeka 35, 29 Aug 52)

Comment: Since the import of nickel has high priority in Czechoslovakia, the postponement of this shipment indicates that a shortage of dollars continues to curtail Czechoslovakia's ability to purchase strategic raw materials.

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5. Further Sovietization of Hungarian education reported: Chief Deputy Minister of Education Magda Joboru opened the new school year in Hungary with the announcement that political education of youth no longer would be sacrificed to "raising the standard of studies." The statement was accompanied by a report that one hundred general and secondary schools had adopted the Soviet Novikov system under which a "directing master" regularly attends the classes of teachers to check on their work.

It was also announced that special Russian branches would be opened in large city schools "to welcome youth desiring a special knowledge of Russian." (C Budapest 196 and 199, 29 Aug 52)

6. Hungarian youth organization to promote additional paramilitary training: The official organ of the Hungarian youth organization DISZ, commenting on the recent decree introducing compulsory physical training into the Hungarian universities under the direction of DISZ, called upon the organization's units to promote attendance at "specified sports clubs" and to emphasize the importance of securing Ready to Work and Fight badges. (R Budapest 199, 29 Aug 52)

Comment: The Ready to Work and Fight movement provides paramilitary training for large numbers of intellectuals, white collar workers and industrial workers.

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7. Poles obtain shipment of pyrite through Switzerland: Falkimex A. G., a Zurich firm, is [REDACTED] to have obtained 20,000 metric tons of pyrite for the Supply Center for the Polish Coal Mining Industry. The sellers are two firms located in Liechtenstein. A credit has been opened with the Paris Banque Commerciale pour l'Europe du Nord to finance the transaction, and the shipment is to be made c.i.f. Gdynia. [REDACTED]

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Comment: Poland is dependent upon imports from non-Orbit countries for pyrite, which is used in the manufacture of sulphuric acid. Pyrite is on US List II B for quantitative control, but is not on an international control or embargo list.

Falkimex A. G. of Zurich is notorious for its purchasing activities on behalf of Poland.

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8. Polish emphasis on machine industry indicated by recent appointments: Official announcements indicate that three under-secretaries of state were appointed to the Ministry of Machine Industry of the Polish Government during August. One of the new under-secretaries was formerly the director of the Ursus tractor factory, while another was director of the production department of the Ministry. (C Warsaw 101, 29 Aug; R FBIS [REDACTED] 6 and 20 Aug 52)

Comment: The establishment of the Ministry of Machine Industry in February of this year indicated a concentration of effort on the production of agricultural machinery, together with other machinery. The appointment of three under-secretaries during August is a reflection of increased activity in this sphere.

Establishing and equipping state-controlled machine tractor stations is one of the first requisites for any collectivization campaign. The Polish Government centralized control over machine tractor stations in May.

9. Rumanian deportations continue: The American Legation in Bucharest reports reliable indications that 800 to 1,000 members of the bourgeoisie were deported in early August from Constanta to Moldavia in northeast Rumania. Evacuees, who were each allowed to take 40 kilograms of belongings, were not placed under arrest, but were apparently assigned to work projects at their destination. Some deportations from Ploesti were also rumored. (R Bucharest 69, 29 Aug 52)

Comment: Deportations from Bucharest and other Rumanian cities have been reliably reported since early last spring, and Moldavia was also assertedly the destination of some of those evacuees.

Removal from Constanta suggests tighter security in the Dobrudja area, a region of primary Soviet interest in Rumania. It also suggests that there is currently more need for forced labor in Moldavia on projects such as the Bicaz hydroelectric station than on the Danube-Black Sea Canal.

10. Rumanian oil and manpower shortages indicated: The American Legation in Bucharest reports that on 26 August a national conference of Rumanian combine operators cited lack of fuel, lubricating oil, and manpower as the chief difficulties during the harvest.

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The Legation also noted that, although women now constitute 24 percent of workers in the socialist sector of the Rumanian economy, the Central Committee of the Rumanian Workers' Party has criticized failure to draw more women into production. (R Bucharest 70, 29 Aug 52)

Comment: Shortages of petroleum products in oil-rich Rumania indicate both poor distribution and high export requirements, although Rumania does not produce much high-quality lubricating oil.

The manpower shortage for the harvest probably refers to trained operators of agricultural machinery, of which there has been little in Rumania. The drive to recruit women into industry was stressed early this year and indicates the need for building up the urban labor force to meet increasing demands of the industrialization program.

11. Yugoslavs issue new decrees which further integrate Zone B with Yugoslavia: According to the Yugoslav home radio service, the Yugoslav commander of Zone B has issued 20 new decrees further integrating the territory with Yugoslavia. One group of decrees extends certain Yugoslav civil laws relating to civil relationships such as marriage, etc., to Zone B. A second group extends laws of the Croatian and Serbian republics relevant to political structure of the government to Zone B. A third group extends Yugoslav economic decrees furthering the decentralization process initiated by previous laws. (R FBIS [REDACTED] 30 Aug 52)

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Comment: In May and July of this year, the Yugoslavs promulgated decrees tying Zone B closer to Yugoslavia. These decrees brought strong protests from Italy, both in the Italian press and by official notes from the Italian Foreign Office which deemed the closer integration "illegal." This new set of decrees will cause further protests from the Italians and will undoubtedly impair prospects for Italian-Yugoslav negotiations over Trieste.

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FAR EAST

12. Japanese Liberal Party's factional wrangling intensifies: The Japanese Diet's sudden dissolution has intensified the wrangling within the Liberal Party, according to Ambassador Murphy. At a meeting of the Hatoyama faction on 29 August, Prime Minister Yoshida was attacked for his alleged "unreasonable method of dissolving the Diet." Although denouncing the Prime Minister, the meeting resolved to leave the solution of differences to a later date and to strive for a united party victory.

A new development was created by the cabinet by its revision of the election regulations which now require each candidate to obtain a party affiliation certificate signed by the party president. Ambassador Murphy comments that this would mean that all Liberal Party candidates, including Hatoyama, must be approved by Yoshida before running on the party ticket. (R Tokyo 755, 31 Aug 52)

Comment: Continuation of Diet sessions favored the Hatoyama faction, which gained in influence as the Prime Minister's prestige decreased. The sudden Diet dissolution found the Hatoyama supporters without well-laid campaign plans or adequate funds.

According to a subsequent report from Ambassador Murphy, Yoshida has no intention of using the party certificate system to expel pro-Hatoyama elements from the party. Murphy adds that although present indications favor the party remaining outwardly united, the possibility of a split should not be discounted.

13. Japanese Liberal Party decides on rearmament stand: On 30 August the Liberal Party approved a ten-point platform to be used in the October elections, which includes a national defense plank of sufficiently general form to allow for future elaboration, according to Ambassador Murphy. Meanwhile Prime Minister Yoshida stated that Japan cannot rearm until it has disposed of the "war victim problem," recovered sufficient power to finance rearmament, obtained public approval for a constitutional revision, and fostered a "patriotic spirit among the people." (R Tokyo 775, 31 Aug 52)

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Comment: A Kyodo press release described the national defense plank as advocating that Japan defend itself as an independent nation, but that the country's defense power should be built up gradually. As a provisional step, Japan would depend on the US-Japanese Security Treaty. It also proposed participation in the UN and the consideration of a collective security setup.

14. Murphy sees no immediate Communist civil revolt in Japan: Ambassador Murphy in Tokyo sees no current indication that short-run Soviet tactics in Japan call for a Communist-led civil revolt. Recent Japanese Communist declarations are viewed as signifying at least a temporary shift of emphasis from tactics of violence to one of lulling popular opinion and avoiding major police interference. The reason for the tactical shift is considered two-fold: first a need to use the coming elections to intensify confusion and stimulate anti-foreignism, and second a realization that violence alienates large segments of opinion which are susceptible to Communist propaganda.

The Ambassador points out, however, that there are factors favoring revolt within the short-term period. Such action will be more difficult after Japan has developed efficient security organs with intelligence networks which kept the party to miniscule size in the prewar period. While the US forces possess the right to help put down externally instigated large-scale riots, Murphy believes that Japanese Communist attempts to provoke American interference in the expectation of creating martyrs or accentuating xenophobia should not be excluded. (C Tokyo 769, 30 Aug 52)

15. Chinese extend slave labor system: Further development of the slave labor system in China is revealed in provisional measures promulgated 18 August for the control of landlords, which establish a legal basis for placing the majority of landlords under state control. Landlords are compelled to undergo "reform through labor" for at least five years before they can have their class status altered. (S Hong Kong 536, 29 Aug 52)

Comment: The slave labor system was instituted by the Chinese Communists a little over a year ago and is now helping the Peiping regime alleviate labor shortages in the outlying

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provinces. [REDACTED] in western China were reported as having seen "convoy after convoy" of slave laborers being transported by truck toward Sinkiang.

SOUTHEAST ASIA

16. Viet Minh morale reported markedly low: Viet Minh morale is markedly lower than at this time last year, although regular units are capable of launching major attacks in Tonkin, according to a high-ranking French official in Indochina.

Field comment adds that there is "considerable doubt" about a decline of morale in the Viet Minh zone. (S SO PD 40 Saigon Opinion, 26 Aug 52)

Comment: Numerous reports of low morale were received a year ago, but vigorous Viet Minh offensives followed the end of the rainy season.

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17. Chinese aid to Viet Minh meeting difficulties: An [REDACTED] the steady transport of Chinese Communist aid to the Viet Minh is being impeded by a lack of gasoline and by adverse weather conditions in Tonkin. [REDACTED]

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18. Chinese Communists reportedly end cooperation with Thai dissidents: Chinese Communists in Thailand reportedly have stopped cooperating with a group of men who were participants in the abortive June 1951 coup because they fear security leaks to the government. They will hereafter restrict their activities exclusively to the large Chinese population in Thailand. [REDACTED]

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Comment: This report for the first time links the Chinese Communists directly to the activities of the June coup participants, who observers believe are responsible for distributing Communist-like propaganda among members of the Thai armed forces. The propaganda called for preparation for the day when Thailand will be "liberated" from the yoke of the "war criminals" now dominating the government. It is perhaps significant that the name of General Sarit, one of the most powerful members of the ruling clique, is never included among the "war criminals."

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Other reports indicate that the Chinese Communists, through their puppet, the Thai Communist Party, are expanding their activities among Thai groups.

19. General Phao denies Thai premier's authority to lift press censorship: Police Director General Phao has informed the Thai Press Association that Premier Phibun has no authority to order the police to discontinue press censorship. (C Bangkok 365, 29 Aug 52)

Comment: Although Phibun is nominally Phao's superior, he is finding it increasingly difficult to counter Phao's growing power and to assert his authority as premier.

20. Continued Thai Police-Chinese Nationalist cooperation indicated: A missionary in northern Thailand has informed the American Embassy in Bangkok that recently when a Chinese Nationalist was accosted and produced a pass signed by General Li Mi and the Chinese military attache in Thailand, the police allowed him to proceed to Kengtung without exacting the usual "squeeze" demanded of Chinese strangers not carrying proper alien registration papers.

The Embassy comments that this incident tends to reinforce the theory that Police Director General Phao has resumed close liaison with the Chinese Nationalists in Kengtung. (C Bangkok 365, 28 Aug 52)

Comment: According to an earlier report, Phao has dissociated himself from Li Mi and the Nationalists because he considered the connection to be a political liability in his drive for the premiership.

21. Effects of rubber slump become more serious in southern Thailand: The American Embassy in Bangkok reports that lawlessness and discontent in southern Thailand are growing as a result of decreasing rubber prices, but that the government is doing nothing to alleviate conditions.

The Embassy comments that many Thais are blaming the United States for the rubber recession because of the Thai-US rubber agreement and the ban on sales to the Soviet Union. It is feared that this situation will provide a first-class issue for exploitation by the Communists and other anti-government groups. (C Bangkok 365, 28 Aug 52)

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22. Germ weapons use by US on Burmese tribe charged by Moscow:
An 8 August broadcast from Moscow alleges that the United States is trying out new germ warfare weapons on a tribe in north-western Burma.

The American Embassy in Rangoon believes that the broadcast was inspired by Burmese press accounts of a severe small-pox epidemic among the Naga hill people, a primitive tribe located near the Indian border. (S Rangoon 331, 28 Aug 52)

23. Pro-Communist Burmese opposition party weakened: A

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[REDACTED] reports that the party has been seriously weakened by recent defections, especially by that of Thakin Chit Maung, one of the three top leaders.

The American Embassy in Rangoon has also been informed that Prime Minister Nu has made overtures to Thakin Chit Maung, but that the latter is still undecided whether to support the government. The Embassy comments that his support of the Nu government would constitute a severe blow to the future of the BWPP. (S Rangoon 335, 29 Aug 52)

Comment: The government's recent exposure of the BWPP's connections with the underground Burma Communist Party and the quiescence of BWPP members during the current parliamentary session support the belief that the BWPP has suffered serious reversals of fortune in recent months.

24. Local leader estimates situation among Chinese Nationalists in Burma: The Sawbwa of Kengtung, hereditary chieftain of the territory occupied by the Chinese Nationalists in eastern Burma, reports that lack of food and clothing has reduced Nationalist troop morale to the point where many would surrender if given the opportunity. He believes that a solution to the Chinese Nationalist problem is possible "any day."

The Sawbwa doubts that a high-level Nationalist decision to aid the Karen insurgents has been made. (S Rangoon 335, 29 Aug 52)

Comment: Although the Burmese War Office reportedly is prepared to evacuate the Nationalists via Rangoon, there are few other indications that the Nationalist position has deteriorated enough to warrant the Sawbwa's optimism concerning an early solution of the problem.

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SOUTH ASIA

25. Soviet relief promised to India: The Soviet Trade Union Council, in reply to a request from the "Indian United Committee for Aid to the Starving in Andhra Province," promised to send 10,000 tons of wheat, plus other needed foods, according to a Pravda report of 31 August. (R Moscow 410, 31 Aug 52)

Comment: This offer will be utilized by the Indian Communists as part of a gerrymandering effort to create a new province of Andhra drawn on linguistic lines. This section of India voted heavily Communist in the last elections.

Even though famine conditions throughout India are not critical, this area suffers sufficiently from distribution difficulties so that both Soviet and Indian Communist propaganda will be able, as in 1951, to capitalize on token shipments for political purposes.

26. Panikkar appointed Indian Ambassador to Egypt: The Indian Government announced on 2 September that K. M. Panikkar, Indian Ambassador-designate to Egypt, would carry credentials addressed to the "King of Egypt and the Sudan." (AP Ticker New Delhi CZ214 PED, 2 Sept 52)

Comment: This lends support to Egypt in its dispute with Britain even though India proclaims that its action does not prejudice the political issues involved. The selection of Panikkar, recently Indian Ambassador to Communist China, imputes major importance to the Indian Embassy in Cairo and is added evidence of India's growing interest in the Near East.

While in Peiping, Panikkar's reporting was heavily biased in favor of the Communists and often inaccurate. It may be expected that his reports from strategically located Cairo will be anti-Western. As a close friend and adviser of Prime Minister Nehru, he has influenced Nehru's thinking on foreign policy.

NEAR EAST - AFRICA

27. South African Government pressures cities to enforce residential segregation: The Nationalist Government has warned both Capetown and Johannesburg that they will be compulsorily

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zoned into racial areas if they do not voluntarily comply with the Group Areas Act. Durban's group area plan has been approved by the city council and is to be submitted to the Land Tenure Advisory Board. (R Pretoria Desp 1091, 21 Aug 52)

Comment: Implementation of the Group Areas Act which provides for residential segregation of the whites, natives and other non-Europeans into three distinct areas will further intensify the tense South African racial feelings. The government's segregation program has already led to a passive resistance campaign by nonwhites which appears to be gaining momentum and has resulted in jail sentences for some 3,000 protesters.

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WESTERN EUROPE

28. Saar talks seen nearing serious consideration of economic problems: French Foreign Minister Schuman and West German Deputy Foreign Minister Hallstein agreed at their 29 August talks on the Saar to have French and German economic experts attend their next meeting. The American Embassy in Paris considers this an indication that negotiations may "finally get down to brass tacks" on economic arrangements for a Europeanized Saar.

Both statesmen now agree that a settlement of the economic issues is of primary importance. Schuman seems willing to accept a practical alternative to the French-Saar economic union, but his opinion apparently is based on the estimate of French economic experts who do not believe that the Germans can present a workable solution for economic Europeanization. (S Paris 1308, 29 Aug 52)

Comment: By basing French willingness to accept Europeanization on the premise that no alternative to the present economic arrangement is possible, Schuman is presumably leaving the way open for a later claim that an economic Europeanization of the Saar is possible only within the framework of a fully integrated Europe.

29. Only drastic anti-inflationary measures can save Pinay: French Premier Pinay will be out of office by the end of November, in the opinion of the Director of the French Price Administration. He showed American Embassy representatives his report to the Premier which pointed out that only the immediate application of "the most drastic measures" can stem disastrous price rises.

While the Embassy considers this estimate too pessimistic, it comments that Pinay's dilemma will force him to alienate either the farmers or the retailers, with labor opposition already in the offing. (C Paris 1306, 29 Aug 52)

Comment: Although Pinay halted inflation temporarily, he cannot long postpone basic adjustments which will require devaluation of the franc, recovery of a favorable export position, tax reform, and the development of modern means of production and distribution.

30. France opposes Belgian proposal for licensing of transshipments: The French delegate has informed COCOM that France

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would find it impossible to adopt Belgium's proposal for licensing transshipments. He points out that since the proposed system would require control of all transit trade in French ports, it would cause intolerable shipping delays. (S Paris 1314, 30 Aug 52)

Comment: Belgium and the Netherlands have made their own acceptance of transshipment controls contingent upon the adoption of financial controls by other countries, primarily Britain. However, Britain's desire to have sterling used as widely as possible conflicts with any disposition to apply financial controls.

31. Deterioration of Italy's economy in 1953 foreseen: In its report to the OEEC forecasting economic conditions for fiscal year 1953, Italy anticipates no significant progress in solving its major economic problems. The MSA mission in Rome points out that the gross national product is expected to fall substantially below OEEC targets, that because of the prospective low rate of economic expansion unemployment figures may exceed the 2,000,000 estimated by the government, and that the government's estimate of a \$223,000,000 balance of payments deficit exceeds that of MSA by \$50,000,000.

The MSA mission feels that the situation could be improved by a more expansionary economic policy. It notes that the prospective balance of payments deficit does not significantly limit economic expansion and the defense program, and that unspent appropriations make it possible to increase economic activity by accelerating investments. (S Rome Joint Weeka 35, 20 Aug 52)

Comment: The American Embassy in Rome has recommended that Italy be granted aid for 1953 considerably in excess of what is warranted by purely economic factors. This would better the chances of the center parties in the forthcoming national elections and help allay Italian suspicions that Yugoslavia and various Western European countries are being given priority over Italy.

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