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CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. Danish-Polish trade agreement extended: The Danish-Polish trade agreement which was signed last June and was scheduled to expire at the end of November has been extended until 1 March 1953, according to information given the American Embassy by the Danish Foreign Ministry.

Denmark is to receive 575,000 tons of coal at reduced prices, with an option to purchase an additional 100,000 tons. The agreement also provides for the reduction of the Danish credit balance to approximately \$3,600,000. Trawlers were not included in the schedule for Danish exports, although the Danish commitment from the June agreement remains in effect, if the Poles request the vessels and can pay for them. (S Copenhagen 334, 16 Sept 52)

Comment: This may indicate that the Scandinavians will not have to export considerable quantities of "strategic" goods in order to obtain Polish coal. The lowering of coal prices to the price of British coal suggests that Poland is now in such a position that it will accept almost any offer from the West in order to sell its coal.

EASTERN EUROPE

2. Czechoslovakia reorganizes its court system: The Czech Government has established a Prosecutor General's Office responsible directly to the government and having supervisory control over the observance of the laws by all state offices and authorities. All courts, including military tribunals, will be controlled by a single supreme court. District courts will be transformed into people's courts and administrative tribunals will be abolished. (R FBIS Prague, 16 Sept 52)

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Comment: This reorganization was decreed on 1 July by Minister of Justice Stefan Rais in order to emulate more exactly the Soviet judicial system already established in the other Satellites. The Prosecutor General, who has not yet been named, will be one of the most powerful men in the government "with general powers to insure adherence to Socialist justice" by all organs, officials and individuals of the state administration.

3. Further Hungarian Planning Office changes reported: The US Legation at Budapest reports that Karoly Szuszk has been appointed deputy president of the National Economic Planning Office and that unconfirmed rumors are current to the effect that Senior Deputy Director Gyorgy Osztrovszky was dismissed "effective this week" along with two section chiefs. (C Budapest 256, 16 Sept 52)

Comment: Recent changes in the Hungarian Planning Office have affected every top official except its president, Zoltan Vas. All four newly appointed members are relatively unknown persons but at least one of them has been associated with Vas's alleged rival, Erno Gero, the president of the People's Economic Council.

The purging of Osztrovszky has been long expected, since he has been particularly associated with the much-criticized coal industry.

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SOUTHEAST ASIA

4. French-Viet Minh negotiations in Switzerland reported:
French-Viet Minh negotiations are reportedly taking place in
Switzerland under the auspices of the Chinese Communist
Minister. [REDACTED]

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Comment: There have been rumors in the past concerning French-Chinese negotiations in Switzerland on the subject of Indochina. Similar to numerous other reports on Indochina negotiations, these latest lack confirmation.

5. Eight Indonesians invited to Asian peace conference:
The preparatory committee of the Asian peace conference has
invited eight Indonesians to attend the conference in Peiping
with all travel expenses paid by the committee. (R FBIS
Djakarta, 16 Sept 52)

Comment: These individuals are an addition to the 18-member Indonesian delegation which has already departed for the conference. They are fairly prominent in political and professional life, five of them being members of parliament.

In 1951 when the Chinese Communist Government invited a similar delegation to attend the 1 October celebration, only one of those invited accepted the invitation.

6. Indonesian Government forces will be prepared for anti-
dissident campaign by December: General Pereira, head of
the Netherlands military mission in Indonesia, and Sukanto,
chief of police, have told the American Ambassador individ-
ually that the Indonesian Army should be ready to undertake
an anti-dissident campaign by December. Pereira said the
army needed a few months' more training and reorganization,
including the elimination of "doubtful elements."

Sukanto said that dissident bands in West Java would be quick to synchronize their plans "with any external movements to their advantage," but that he expects no increased internal activity before December. (S Djakarta 507, 15 Sept 52)

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Comment: Guerrilla groups in West Java have shown increased strength and coordination during the past six months.

During this period the Minister of Defense is believed to have concentrated as much as possible on army reorganization and training, reasoning that until the army became a better trained force, its operations would continue to be relatively ineffective.

7. Press in Indonesia commends Finance Minister's speech: The Indonesian press has generally applauded Finance Minister Sumitro's 10 September speech on economic policy. Most papers particularly praised his insistence that Indonesia's economic problems must be solved on a domestic basis. (R FBIS Djakarta, 15 Sept 52)

Comment: Sumitro stated that Indonesia must fight inflation by a bold increase in production and industrial development. He emphasized that Indonesia's primary problem is not "finance and money, but production and hard work."

Decreased world market prices and the discontinuance of Indonesia's favorable trade situation appear to have forced informed Indonesians into a sound appraisal of at least some of the country's problems.

NEAR EAST - AFRICA

8. Egyptian military oppose release of Communists: The anticipated release of 15 Egyptian Communists, who were arrested under previous regimes, is creating friction within the Nagib government. According to Ambassador Caffery, some officials are anxious to gain popular support by releasing all political prisoners. Many army officers, however, believe that the Communists are "the No. 1 enemy of Egypt" and the military has reportedly advised the government that it will rearrest any Communists who are released. (S Cairo 717, 16 Sept 52)

Comment: General Nagib reversed his initially soft policy toward the Communists after a serious labor strike a month ago. While admitting that he has doubts about the "inner sentiments" of a few members of his government, Nagib maintains he can control their actions.

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9. Field Marshal Montgomery suggests reduction in Greek Army: Deputy SHAPE Commander Montgomery reportedly told high Greek officials on 13 September that he believes an army of seven well-equipped divisions rather than the present ten divisions should be adequate for Greece. Montgomery suggested that Greece should present the problem of its excessive military budget to NATO because American aid would probably end within a year or two.

Prime Minister Plastiras subsequently informed the American Ambassador that the armed forces would not be reduced. He reiterated that no important decision would be made without prior discussion with the US Embassy. (S Athens 932, 15 Sept; 947, 16 Sept 52)

Comment: Montgomery made a similar suggestion last May which was immediately used by Greek officials to bolster requests for increased foreign aid to maintain the current strength of the armed forces. His unofficial suggestions may again encourage Greek maneuvers for additional aid either from NATO or the United States, which is on record as not favoring a reduction of Greek armed forces.

10. France expects resurgence of violence in Tunisia: French officials in Tunisia have informed the American Consul General that all necessary precautions are being taken to counter a new outburst of violence anticipated in early October. (C Tunis 152, 16 Sept 52)

Comment: Despite their expressed apprehensions that disorders will increase in October, French authorities released 446 political prisoners last week. The Resident General refused for months to release all political internees because of the possibility that they would complicate the maintenance of security.

It may be presumed that this recent liberation, together with reiteration of fears of renewed disorders, is timed to try to convince UN members that France merits their support.

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WESTERN EUROPE

11. Pro-Italians in Trieste appear more amenable to partition of territory: Settlement of the Trieste issue through partition appears increasingly acceptable to local pro-Italian groups. A recent editorial in the Giornale di Trieste headed "An ethnic line is the only line" is the first admission by the pro-Italian press of the possibility of a settlement on a basis other than the 1948 tripartite declaration which called for the return of the entire Free Territory to Italy. (S Trieste Joint Weeka 37, 12 Sept 52)

Comment: Both Italy and Yugoslavia have indicated qualified willingness to negotiate a solution of the Trieste issue based on the principle of an ethnic line. They have widely different ideas, however, as to where such a dividing line should be drawn. The Yugoslavs are now indicating opposition to further discussions on Trieste until other Italo-Yugoslav questions are settled.

12. Former Justice Minister returns in Austrian Cabinet shift: Former Minister of Justice Geroe has informed American Embassy officials in Vienna that he has agreed to accept the cabinet post being vacated by Socialist Minister of Justice Tschadek only on the condition that he be free of party influence and that his acceptance not be construed as approval of the government's present "pro-Nazi attitude." Geroe said that he was pressed to take the cabinet position by the coalition parties which "recognized the need to strengthen the Justice Ministry." (S Vienna 767, 16 Sept 52)

Comment: Geroe's reference to the government's "pro-Nazi attitude" was probably intended to reassure American officials of his disapproval of the coalition's amnesty and restitution policies. There is, however, little in his previous record as Minister of Justice to indicate a strongly anti-Nazi animus.

Socialist acceptance of Tschadek's departure is presumably designed to improve the party's position with the electorate. Tschadek and Minister of Nationalized Industries Waldbrunner have been the primary targets of conservative criticism for alleged partisan administration of their cabinet responsibilities.

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