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13 December 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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*Army, USAF, DIA and State Dept.
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SECTION 1 (SOVIET)

1. USSR. Italian envoy believes Kremlin does not expect US attack: In the opinion of the Italian Ambassador to Moscow, Soviet officials do not actually expect an attack from the US despite their charges of American aggressive intentions, as evidenced by NATO rearmament, German remilitarization, the Japanese treaty, and the like. The Italian Ambassador concludes that the Kremlin's primary fear is that when Western "positions of strength" are established and German remilitarization completed the West will make demands upon the Soviet Union which it could not tolerate. These demands would primarily involve the status of the Eastern European Satellites and the Baltic states.

The USSR Charge comments that the Italian Ambassador has had long experience in the USSR and that he had unusual opportunities to see high Soviet and Satellite officials recently preparatory to departure from his post. (S Moscow 995, 11 Dec 51)

2. Middle and Near East Communists will make another attempt to hold a Peace Conference: Partisans of Peace delegates from the Middle East and North Africa met in Rome in September and planned another attempt to fulfill the World Peace Council's instruction to hold a regional Peace Conference. The conference is reportedly scheduled for January 1952 in Cairo. [REDACTED]

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Comment: There is no confirmation that this Communist conference, long planned by the Moscow-oriented WPC, will actually take place in Cairo. The Egyptian Government refused to permit it to meet there last July, and it has previously been banned when scheduled for Tunis and Tehran. Egypt has always opposed local Communist activities, but the possibility exists that Egyptian authorities might permit such a conference to be held as a means of publicizing their stand against the UK. Items reportedly to be featured on the conference agenda include all the controversial issues of the area, such as the Middle East Command, Iranian oil, the Suez Canal, and the Sudan. Since the local Communist Parties and the USSR have currently been championing the nationalists' point of view, the conference, if held, would serve both Communist and nationalist objectives.

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3. ALBANIA. Rumored Shehu-Hoxha rift causes split in Communist Party: A [REDACTED] the split between Premier Hoxha and Minister of Interior Shehu has become pronounced since the visit of these two Albanian leaders to Moscow in May 1951, causing factional dissension in the Albanian Workers' Party. Failure to resolve their personal differences has deepened the enmity which stems from Shehu's imprisonment

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of certain Hoxha sympathizers on the grounds of political infidelity. Hoxha is also irritated by Shehu's efforts to expand his personal power under the guise of protecting Albania's internal security. [REDACTED]

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Comment: Rumors predicting Hoxha's political downfall have been reported from time to time, but there has been no confirmation of a real split between the Albanian Premier and the Minister of Interior.

4. CZECHOSLOVAKIA-HUNGARY. Transportation difficulties hamper Satellite-China trade: Czechoslovakia is leading other Satellites in developing export trade with China and has secured the pick of Chinese barter goods because it has the best transport agreement with Polish shipping companies, [REDACTED] the Czechs have successfully cornered available transportation, which is at a premium, and put the Hungarians in particular at a disadvantage. Hungarian exports to China are held up, and the head of the import department of Technoimpex was in China in September attempting to resolve the transportation dilemma. [REDACTED]

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Comment: It cannot be confirmed that Czechoslovakia is foremost of the Satellites in the China trade, although it is one of the leaders. The alleged Polish-Czech shipping agreement is reported here for the first time. In October three vessels chartered by Poland arrived simultaneously at Gdynia and loaded for the Far East. This fact, together with the fact that the vessels were apparently new to the Far Eastern trade, suggests that their employment was an emergency shipping measure to meet an increased volume of goods and furnishes some confirmation of a growing backlog on the docks.

5. TRIESTE. Trieste Cominformists' policy reportedly shifting to the Italian Communist position regarding Trieste: A US official in Trieste reports that recent developments suggest that the pro-Cominform Communist Party is preparing the groundwork for a fundamental shift in policy on the Trieste issue in anticipation of a gradual adoption of a position compatible with the party line current in Italy. This would mean that the Trieste Cominformists would drop their agitation for the creation of a Free Territory and discontinue their opposition to a return of the entire FTT to Italy.

The principal support for this hypothesis is the failure of key party leaders in Trieste to emphasize or allude to the previous party line on this issue, and their conspicuous failure to deny charges made by the pro-Titoist press that the Cominformists had deserted their policy calling for a Free Territory and the fulfillment of the provisions of the Italian peace treaty. (S Trieste Despatch 174, 25 Oct 51)

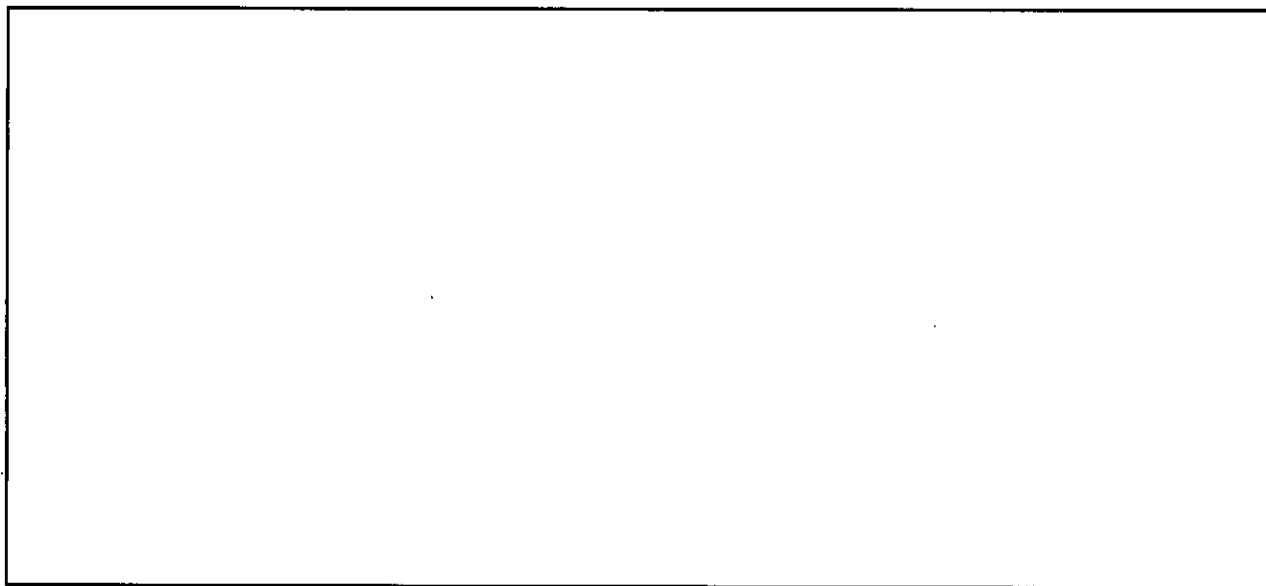
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Comment: Questionable reports alluding to this development have been received in the past two months. Such a shift in policy, if implemented, would probably alienate many Slovene members of the Cominform group, as well as those non-Slovenes who based their sympathy for the party on its former policy.

The apparent failure of the pro-Cominformists to emphasize the Soviet line suggests that the party may be preparing for the assumption of a new policy which would become explicit only when Italo-Yugoslav accord appeared imminent.

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Comment: This report appears to be a reliable summary of the impasse facing the Italo-Yugoslav negotiators. Neither side appears willing to make those concessions needed for the establishment of an acceptable basis for a settlement. Negotiations to date have not evidenced a sense of urgency or an understanding for the need of compromise; the Italians have reportedly threatened to terminate negotiations unless the Yugoslavs show a willingness to adopt a more flexible approach. Italy is believed to be in favor of postponement of a settlement until after the Italian national elections which are scheduled for late 1952.

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SECTION 2 (EASTERN)

1. IRAN. Iranian Minister of War threatens resignation if US military aid is out off: The Iranian Minister of War told the Chief of the US Military Mission in Iran that he would resign if Prime Minister Mossadeq does not accept his recommendations for the continuation of US military aid. The US Mission chief, during their conversation, had pointed out the bad effect on army morale and efficiency which would result from a cessation of US military aid. (S Tehran 2067, 5 Dec 51)

Comment: Prime Minister Mossadeq has long maintained that Iran should not need Foreign economic or military assistance. While the oil dispute and the consequent financial difficulties of his government have persuaded him to try to obtain economic aid from the US, he has continued his opposition to grants of US military aid and to the linking of the two. Accordingly, he may not be willing to sign the assurances necessary under the Mutual Security Act and thus go on record as promising to build up Iran's defense forces. In view of his desire to maintain Iran "aloof from the cold war," he may also object to that portion of the assurances which calls for him to contribute to the defensive strength of the free world.

2. INDIA. Indian Government to sell seventy war surplus aircraft: The Indian Government has decided to sell 70 war surplus C-46 aircraft to Banwari Lal and Co., Bombay, although the sale has not yet been officially announced. The sales contract forbids export of the planes to "unapproved" destinations, including both Nationalist and Communist China. The government reportedly used various unorthodox procedures in handling the bids, and Banwari Lal allegedly was not the highest bidder. (C New Delhi 2066, 11 Dec 51)

Comment: The Indian Government called for bids on these aircraft last August. Once they are out of the government's hands, there is some danger that the planes or their components will illegally find their way to Communist China.

3. FAR EAST. Consensus of Singapore conference is reported: A participant in the recent Singapore conference of British representatives in Asia reports that opinion was "nearly unanimous" on the following points:
 - (1) Communist China has been "seriously hurt" in Korea, in terms of trained manpower, equipment, and control of inflationary pressure;
 - (2) China "badly wants peace" in Korea, while the USSR would prefer the conflict to continue;

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- (3) Indochina is secure against Communist forces unless China provides major assistance, which is unlikely;
- (4) the most dangerous spot on China's periphery is Burma, where the situation is "explosive" and there is a possibility of more aggressive Chinese Communist action;
- (5) there are no signs of trouble between Moscow and Peiping, although sharp differences may eventually develop; and
- (6) although Nehru indulges in "wishful thinking" about Peiping, his influence on the Chinese Communists "generally will be in the right direction." (S New Delhi 2043, 10 Dec 51)

Comment: This report probably represents correctly the thinking of British officials in Asia, but it appears over-optimistic in some respects. Evidence is still not convincing that China has been sufficiently hurt in the Korean fighting to desire a settlement on terms acceptable to the UN. Overt Chinese assistance to the Viet Minh, including the commitment of combat forces, is a continuing possibility. There is no indication that Nehru has had or will have the slightest effect on Peiping's policies.

4. BURMA. Karens threaten to attack Rangoon: The Karen radio on 10 December warned foreign residents that Rangoon would be attacked on 15 December. The US Military Attache comments that he believes this broadcast to be no more than a manifestation of the new psychological warfare campaign recently begun by the Karens. He doubts that the Karens could even mount a serious raid against Rangoon's outskirts. (S USMA Rangoon 103, 10 Dec 51)

Comment: The Karens are not known to have sufficient forces near Rangoon to threaten the city seriously. However, they recently raided the town of Dalla, across the river from Rangoon, and caused a new influx of refugees into the overcrowded Burmese capital.

5. Communism gains among Chinese in Burma: The US Embassy reports that one of the two leading Chinese secret societies in Burma plans to call an all-Burma Congress in late February for the purpose of passing a resolution in support of the Chinese Communist regime. The chairman of the society is reliably reported to have received 30,000 rupees from the Chinese Embassy, and the Chinese Ambassador is known to be pressing Chinese leaders in Burma to cooperate with his government.

Meanwhile, the only anti-Communist Chinese newspaper (pro-KMT) in Burma is reported threatened with bankruptcy because of mismanagement, corruption and ineptitude. (S Rangoon 540, 7 Dec 51)

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Comment: This particular secret society, the Hung Men Ho Sheng, claims 40,000 members throughout Burma. It is the local branch of the secret society utilized by Sun Yat-sen to overthrow the Manchu Dynasty in China. Control of this group would obviously give great impetus to the extension of Communist control over the Chinese in Burma.

The difficulties of the Nationalist newspaper re-emphasize the lack of a sense of mission or responsibility among the followers of Taipei in Burma.

6. THAILAND. Smuggling of arms into Thailand reported: The US Naval Attache in Bangkok has been informed by the Philippine Army Attache that at least six submarines have unloaded hand grenades and small arms on an island off the southern coast of Thailand. The arms are said to be stored by the few inhabitants there before distribution in Thailand. The island is leased by a Chinese firm in Bangkok which deals in birds nests and which, so far as is known, is reputable and has not been previously implicated in the arms traffic. Although the sub-source of this information is unknown, the Attache rates it as a C-3 report and suggests that a Thai naval underground, which developed after the abortive coup in June, may somehow be involved in these activities. (S ALUSNA Bangkok, 0245Z, 30 Nov 51)

Comment: There have been several unconfirmed sightings of unidentified submarines in the Gulf of Siam. If this report is true, it appears more likely that the arms involved are destined for the Communist guerrillas in Malaya and the underground in Thailand (mostly Chinese) rather than for Thai ex-naval personnel.

7. INDOCHINA. Viet Minh launches attack: The Assistant Military Attache reports that Viet Minh forces are attacking a point at the extreme south of the Tonkin delta, and that French paratroops have been flown in from Hanoi. (S Hanoi 316, 11 Dec 51)

Comment: No further information is available. A press report of 12 December datelined Hanoi states that the French army has "crushed a new, two-pronged Viet Minh offensive to link Communist forces in central Indochina with those near the Chinese border." According to the report, "the drives were the biggest by the Viet Minh since last May."

8. Morale of Chinese Nationalist troops in Indochina reportedly low: The morale of the Chinese Nationalist troops interned by the French in Indochina has deteriorated greatly during the past six months and the rate of desertions is very high, according to a Nationalist Foreign Office official who just returned from a tour of the area. Disillusionment concerning repatriation to Formosa, the hardships of confinement, and the lure of Viet Minh promises have caused many of the internees to escape. General

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Huang, commander of the troops, considers that those left would be of little use to the French in case of a Chinese Communist invasion as the troops are bitterly anti-French and unprepared for combat. (S ALUSNA Taipei, Week 49, 8 Dec 51)

Comment: General Huang's estimate of the combat capabilities of these troops is confirmed by other sources.

9. INDONESIA. Military police confiscate Dutch arms destined for West New Guinea: A Cabinet member told US Ambassador Cochran that on 9 December military police at the Djakarta harbor removed from a Dutch merchant vessel considerable quantities of automatic weapons destined for Netherlands troops in West New Guinea. The Indonesian police acted on the grounds that West New Guinea is within Indonesian surveillance.

Cochran comments that the incident could prove an obstacle to the pending Netherlands-Indonesian talks at The Hague. (S Djakarta 843, 11 Dec 51)

Comment: Various Indonesian officials are increasingly taking the view that on the basis of clauses in the Charter of the Transfer of Sovereignty, West New Guinea is legally part of Indonesia.

Indonesian seizure of the arms is not surprising. Dutch shipments of weapons to New Guinea through Djakarta would seem to be a particularly unwise move during a period when the Indonesians are especially agitated over the New Guinea issue.

10. CHINA. Kwangtung populace is hostile to Communist program: [redacted] northeastern Kwangtung reports that

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- (1) the coastal area is undergoing a second land-redistribution program which is adversely affecting nearly half the populace, and resistance to this program is widespread,
- (2) marriages between Kwangtung women and military personnel now serving with the Nationalists have been declared void, with the marriageable ordered to remarry local men, the unmarried employed on public works projects, and the children of former unions taken over by the State, and
- (3) guerrilla forces in the mountainous area of northeastern Kwangtung have grown from an original group of 300 to a present strength of 13,000. (C Saigon 1172, 11 Dec 51)

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Comment: The Communists have admitted and decried popular opposition to advanced phases of the "agrarian reform." The reported rulings on marriages are also plausible. The assertion regarding guerrilla strength in the area, however, is doubtful, as almost all sources report guerrilla forces in the province to be scattered and dwindling.

11. Li Tsung-jen plans to challenge Chiang Kai-shek's position on legal grounds: General Li Tsung-jen, Vice-President of China who has resided in the US since December 1949, recently stated that he has no plan to "oust" Chiang Kai-shek from the Presidency of Nationalist China. However, Li admitted that he hopes to compel Chiang to "relinquish" the presidency. Li denounced as misleading the New York Times' account of his 6 December press conference, and stated that his plan does not include the use of force but is rather based on "logic and law."

Li also expressed his desire to assume leadership of the mainland guerrillas, who, he feels, could overthrow the Chinese Communists if they had the proper backing.

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Comment: The Times on 6 December reported that Li was planning to oust Chiang. Li argued that he had become Acting President in 1949 when Chiang "retired" and, although Chiang reassumed the presidency in 1950 when Li was in the US, Chiang legally had never been re-elected. This argument appears to lack validity, since Chiang never "resigned" the presidency.

12. KOREA. Report of "swept-wing aircraft" on Haeju airfield believed erroneous: The US Fifth Air Force in Korea reports that the 7 December sighting by a US reconnaissance bomber crew of nine "swept-wing aircraft" on an airfield near Haeju, 75 miles from Seoul, has now been discredited. It is believed that formations of ice and snow on the ground may have given the air crew members a false impression. In addition, it is doubtful that jet aircraft could operate from this field. (S CINCPAC Telecon 5455, 12 Dec 51)

13. Current indications continue to point to an enemy defense: The Far East Command believes that Communist forces in Korea will continue to defend in their present positions. Indications pointing to such an intention are seen in (1) the disposition of enemy artillery in depth, (2) additional prisoner of war statements that orders had been issued by the enemy to reinforce their fortifications and to prepare their quarters for a defense until the spring of 1952, (3) prisoner of war

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reports of construction of defense installations in the rear of present defense lines, and (4) the depletion of the enemy's forward reserve force by the relief of long-committed units by reserve units. (S CINCFE Telecon 5455, 12 Dec 51)

14. North Koreans from east coast unit desert on west coast: Three North Korean soldiers from the 13th Regiment, 6th North Korean Division, deserted to UN forces on 10 December in the Panmunjon area. (S CINCFE Telecon 5449, 12 Dec 51)

Comment: The North Korean 6th Division has recently been subordinate to the V Corps, currently believed located in the Wonsan-Hamhung area. While the location of the parent unit can not be fixed by the area in which desertions occur, it seems strange that the deserters would make a trans-peninsular trek to give themselves up.

15. Communists develop new propaganda theme: Radio Pyongyang on 8 December initiated a new propaganda theme. It decried the "vicious scheme, unpardonable by heaven and man," to register forcibly the 600,000 Koreans resident in Japan as ROK nationals and to deport certain elements to South Korea as cannon fodder. (R FBIS, Radio Pyongyang, 10 Dec 51)

Comment: Koreans are so violently nationalistic and remain so anti-Japanese that this new propaganda line will probably receive heavy emphasis for some time to come, particularly since it lends itself to associating the "Syngman Rhee traitors" and "American imperialists" with the "reactionary Japanese Yoshida government."

16. Consumer Union stores in North Korea active in preparation for winter: Radio Pyongyang reports that Consumers Union stores throughout North Korea, in order to "stabilize the livelihood of the people" during the winter, are supplying the people with necessary winter commodities as well as preserving and processing vegetables and fruits and other foods. Mobilization of all transportation facilities to distribute the supplies and also fuel to the people is "being pushed vigorously." All quotas have been fulfilled, and in many cases over-fulfilled. (U FBIS Pyongyang, 11 Dec 51)

Comment: Frequent statements such as this are further indications of North Korean efforts to alleviate an apparently desperate civilian situation. Lack of criticism seems to indicate that this program is meeting with some degree of success.

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4. EAST GERMANY. East German Government announces price cuts: Heinrich Rau, Chairman of the East German State Planning Commission, announced on 8 December that "extensive price reductions amounting to between 10 and 79 percent" would go into effect on 9 December. Rau described the price cuts, which cover primarily food and consumer goods, as a "Christmas gift from the government to the working population." West Berliners have been urged to take advantage of these cuts by shopping in East Berlin. (R FBIS, 8-10 Dec 51)

Comment: The recent removal of certain commodities from the ration list combined with these and previous price reductions is part of a series of measures designed to improve worker morale in the hope that industrial production will thus be increased. The invitation to West Berliners to buy in East Berlin suggests an effort to enhance the value of the East mark by increasing the demand for it as well as an effort to attract West marks for use in illegal East-West trade or for financing the activities of the West German Communist Party.

5. GERMANY-AUSTRIA. Austro-German rapprochement stressed at Salzburg political congress: The Bundestag leader of the West German Free Democratic Party, August Martin Euler, stated at the recent congress of Austria's Union of Independents (VdU) in Salzburg that the foremost aim of his party is re-establishment of cooperation between Germany and Austria. To promote this end, Euler called for an increase in trade between the two countries, a settlement of the question of German assets in Austria, and the expansion of Austro-German cultural exchange. German culture, Euler observed, must

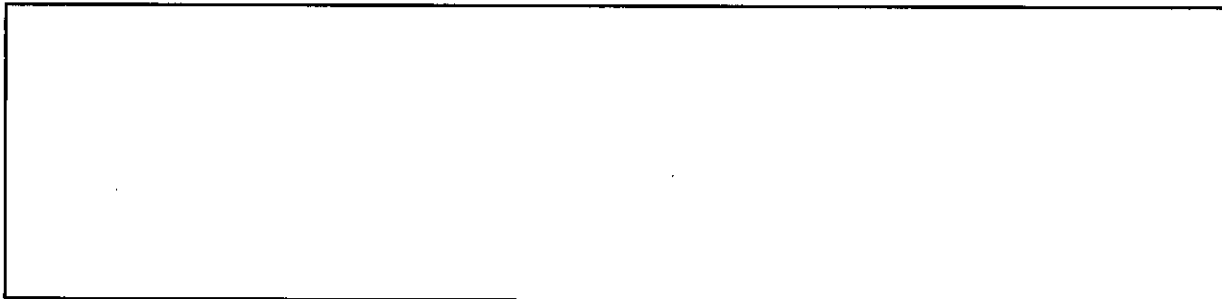
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become a new incentive for the revitalization of Europe and a bulwark against the East. (R FBIS, Salzburg Die Neue Front, 8 Dec 51)



6. AUSTRIA. Further difficulty anticipated in closing Austrian payments gap: Evaluation of the Austrian Government's revised import-export program for fiscal year 1951-1952 has left ECA officials in Vienna with some doubts that the anticipated Austrian net deficit will be within the figure now expected for US aid. While the import program has been scaled down to 619 million dollars despite inflexible requirements for coal, grains, fats, and raw materials, exports are not expected to exceed 492 million. The scheduled deficit will be covered by 130 million dollars of US aid, Austrian earnings on invisible exports, and other minor financing. If, however, the deficit continues at the rate established during the first four months of the current fiscal year, the deficit will exceed available financing, and the ECA mission expects the Austrian Government will request additional aid on an emergency basis. (C Vienna TOECA 926, 9 Dec 51)

Comment: While a prospective cut in US aid in the vicinity of 100 million dollars has made imperative a general tightening-up of the Austrian economy, the Austrian Government has appeared reluctant to adopt the kind of reforms required. The current economic stabilization program, designed to restrain Austria's creeping inflation and to prevent further increases in export prices, is not yet, for example, reflected in any significant downward trend in prices.

7. FRANCE. Police disperse Algerian nationalist demonstration in Paris: Six thousand Algerians were arrested in Paris on 8 December when, despite a governmental ban, they attempted to hold a public meeting organized by the nationalist Movement for the Triumph of Democratic Liberties. Police also raided various Algerian residential quarters. These measures were inspired by the suspicion that the Communists had organized the meeting and that inflammatory speeches would be made. (R Paris 3463, 10 Dec 51)

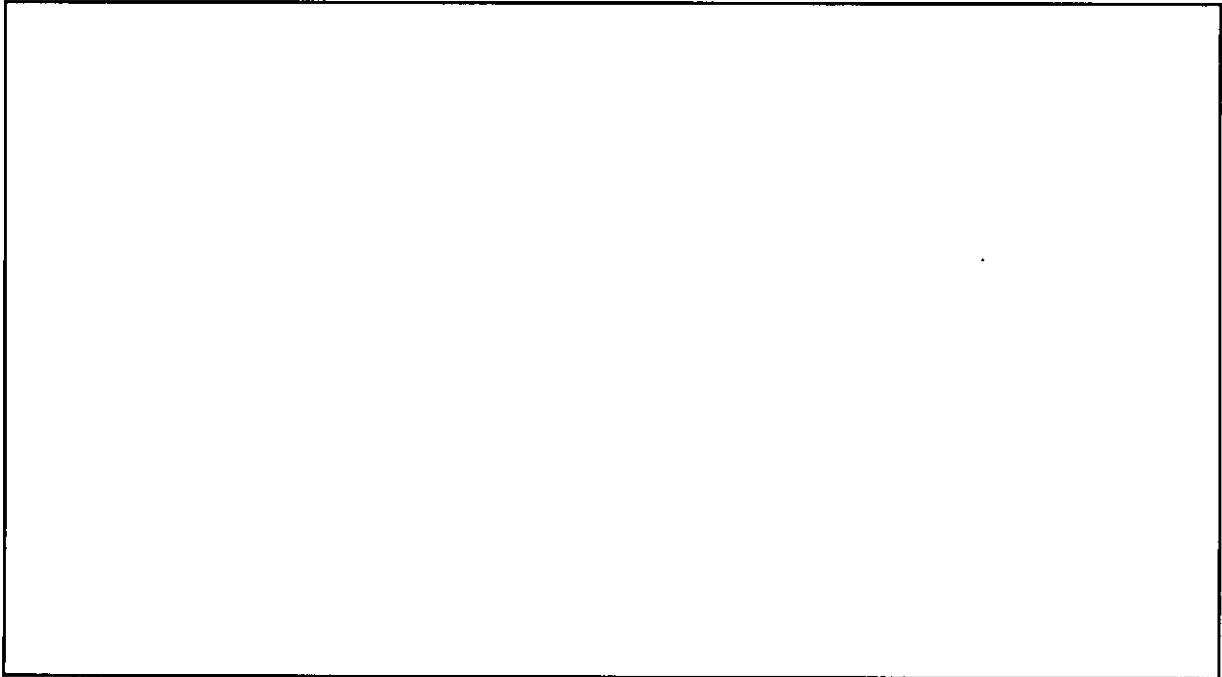
Comment: The more than 10,000 Algerians imported to the Paris region for manual labor have been the target of both nationalist and Communist

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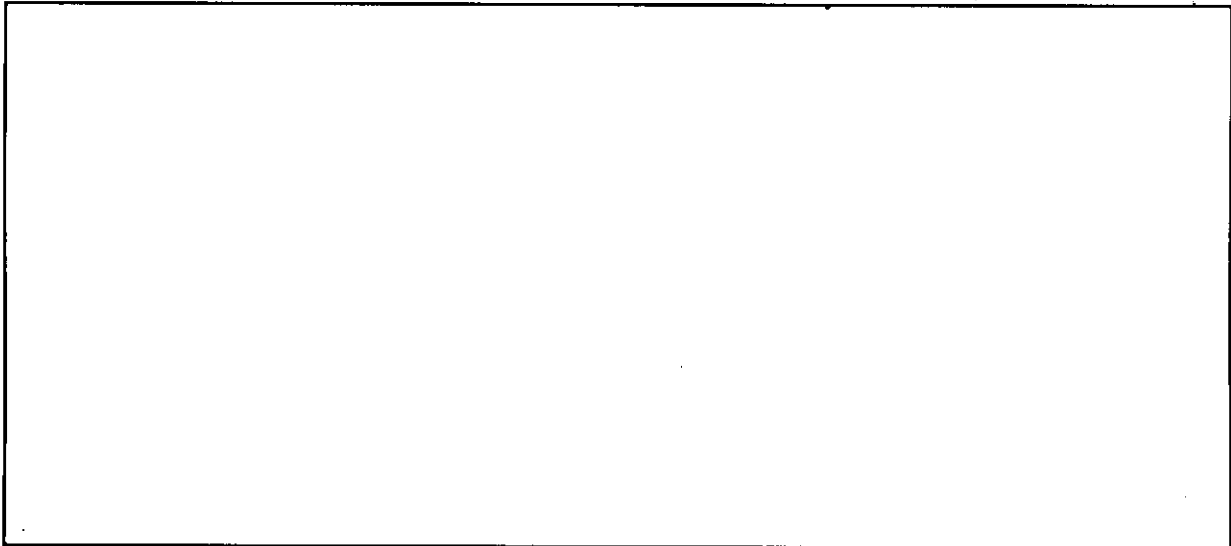
proselytism and propaganda. Highly emotional and for the most part ignorant, these workers have on previous occasions participated in Communist-sponsored demonstrations. Firm measures have checked such demonstrations and made serious or violent incidents unlikely.

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