

SECRET
SECURITY INFORMATION

19 February 1952

US OFFICIALS ONLY

OCI No. 3876
Copy No. 251

DAILY DIGEST

DIA, DOS, JCS Declassification/Release Instructions on File

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

**ARCHIVAL RECORD
PLEASE RETURN TO
AGENCY ARCHIVES, BLDG. A-18**

SECRET
SECURITY INFORMATION

228273

SECRET

SECTION 1 (SOVIET)

1. BULGARIA. Large number of jet planes reportedly based near Sofia: According to [REDACTED] 150 "Russian jet planes" of unspecified type were located at Bozhuriste Airfield, northwest of Sofia, in mid-January 1952. Two training schools were reportedly in operation at the airfield, one for active student pilots and the other for reserve officers. The airfield was said to be guarded by an antitank regiment. (S [REDACTED] 52)

25X1C

25X1C

25X1C

25X1A

Comment: Presumably the term "Russian jet planes" refers to Russian-type jet aircraft assigned to the Bulgarian Air Force. Although the specific details of this report are not confirmed, augmentation of Bulgarian Air Force jet aircraft strength has also been indicated by other reports.

In January, [REDACTED] reported that 48 MIG-15's had arrived at Varna in early December 1951, and that 34 jet aircraft had been unloaded at the same port on 10 December. On 20 December, [REDACTED]

25X1C

25X1C

25X1C

25X1C
25X1C

[REDACTED] reported that [REDACTED] a "newly formed" antitank artillery regiment stationed at Bozhuriste Airfield. He stated that the airfield was full of "Russian" officers and planes.

2. CZECHOSLOVAKIA. Conference will spark campaign against cosmopolitanism in Czech science and philosophy: An ideological conference organized by the Czech Military Academy of Technology and the universities will be held in Brno from 27 to 29 February. The conference will discuss the struggle against cosmopolitanism and bourgeois objectivism in Czech science and philosophy, upholding Soviet science as a model.

Minister of Information Kopecky will deliver the main address on "Cosmopolitanism, Proletarian Internationalism, and Socialist Patriotism." (R FBIS [REDACTED] 7 Feb 52)

25X1A

Comment: The conference will no doubt launch a nation-wide propaganda campaign conducted through mass organizations against all influences in Czech life which are "foreign" to the Soviet idea of internationalism. Current propaganda against cosmopolitanism has stressed its international aspects and has attacked the Vatican, Zionism and social democracy as forces undermining national sovereignty for the benefit of the United States.

Kopecky, who is apparently to be the leader in this campaign, stated in an article in the Soviet Pravda last month that mass political work in

SECRET

1

19 Feb 52

SECRET

Czechoslovakia was hampered by remnants of Masaryk and Benes ideology and the attitude of the church. He added that "foreign enemies and reactionary elements" relied upon tendencies of cosmopolitanism, Zionism, chauvinism, and nationalism.

3. HUNGARY. Civil defense training stepped up: Domestic employees in a residential section of Budapest have been instructed to report for air defense indoctrination three hours a week. (S Budapest 2817, 15 Feb 52)

Comment: There have been other recent reports that civilian defense training in Hungary is being extended.

4. HUNGARY/RUMANIA. Mass deportations rumored: Rumors that mass deportations from Budapest are to be resumed on 1 March come from too many sources to be entirely unfounded, according to [REDACTED] in Hungary. In Bucharest, there are rumors that remaining elements useless to the economy will be deported. These reports are apparently inspired by police investigation in connection with new housing rentals and a political reliability check of state employees rumored for April. (S Budapest 2819, 16 Feb 52; C Bucharest 325, 15 Feb 52)

25X1X

Comment: During the period May-July 1951 several thousand middle and upper class residents were deported from Budapest to the provinces. Since then there have been isolated cases of individual evacuations. No previous deportations from Bucharest on a mass scale have occurred.

5. YUGOSLAVIA/TRIESTE. Tito receives pro-Yugoslav Trieste leaders: The official Belgrade newspaper Politika reported on 15 February that Marshal Tito had received a delegation of pro-Tito party leaders in Trieste, including Branco Babic, at his winter villa in Brioni. Tito reportedly promised to support the Liberation Front, the pro-Tito party, in its struggle for equality of rights for the Slovene population in Trieste.

American Embassy officials believe that the visit of these pro-Tito Slovenes may be part of an attempt sponsored by the Yugoslav Slovene leaders and designed to limit Tito's flexibility on the Trieste problem. (R Belgrade 1013, 15 Feb 52)

Comment: The visit of pro-Tito groups to Brioni may be related to reports that Yugoslavia may advance the idea of a condominium for the Free Territory of Trieste.

An earlier report stated that Tito had invited Mario Stocca and other non-Communist Slovene leaders to Brioni in order to formulate

SECRET

SECRET

a working agreement which would strengthen the independentist front in Zone A, a development which would weaken Italy's position in its negotiation with Yugoslavia.

6. YUGOSLAVIA. Tripartite governments reject Yugoslav request for 80 million dollars: Britain, France, and the United States have informed the Yugoslav Government that its request for approximately 80 million dollars to finance capital goods imports has been refused and that it should look to the International Bank for Reconstruction and Development for the financing of these imports. (C Belgrade 1010, 15 Feb 52)

Comment: The Yugoslavs are attempting to complete their ambitious investment schemes as soon as possible. For this reason, the IBRD program has been both inadequate and protracted.

Britain, France and the United States have extended a total of 75 million dollars in tripartite aid to date. This leaves a potential 50 million for the remainder of fiscal 1952. The scheduling for the remainder of the program is being drawn up this week in Washington.

7. Yugoslav officers told that American officers come as "spectators," not as "inspectors": The Political Commissar of the Zagreb Military District told a conference of high Yugoslav officers last month that despite the acceptance of a small United States military aid group, the only real "condition" attached to American military assistance was that any attack from the east must be resisted by all possible means. The informant, a [REDACTED] stated that his officer friends seem unperturbed about the aid program.

25X1X

25X1X

The American Consul states that the party line appears to be that the American military men are coming as "spectators" rather than "inspectors." (S Zagreb 152, 8 Jan 52)

Comment: This report suggests that Yugoslav leaders will attempt to hold American observation to a minimum, just as they did to limit the size and functions of the aid group.

SECRET

SECRET

SECTION 2 (EASTERN)

1. IRAN. Senate insists that oil negotiations continue: The Iranian Senate is thoroughly aroused over the reported break in the World Bank's negotiations with Mossadeq on the oil problem and intends to make certain that the talks do not cease. The president of the Senate has informed the American Ambassador in Tehran that the Senate considers, however, that it would be unwise to insist on acceptance of an agreement which runs counter to public opinion and consequently could not be enforced for any length of time. (S Tehran 3141, 17 Feb 52)

Comment: Unexpected Senate intervention in the talks between International Bank officials and Mossadeq apparently prevented a breakdown. There may now exist the opportunity that a fair offer with appropriate face-saving devices may actually be given genuine consideration by moderate Iranians. Mossadeq is still captive to the intolerance and hyper-nationalism he helped arouse. The importance of intervention by the Senate, whose power and influence is subordinate to that of the Majlis, should not be overemphasized.

2. Communists prove most powerful opposition group in Tehran elections: Election returns from Tehran indicate that the illegal Tudeh Party is the strongest organized opposition in that electoral district. Although the National Front won all twelve parliamentary seats from Tehran, a Tudeh-sponsored candidate gained fourteenth place with 29,000 votes as compared with the top Nationalist candidate's 112,000 votes.

The American Embassy notes that the National Front has covertly been trying to divert the loyalty of the security forces from the Shah to the Government. It fears that continuation of this policy, together with the expected deterioration of the economic and political conditions, would create a political vacuum in which the Tudeh would be left as the only effective organized group. (S Tehran 3118, 16 Feb 52)

Comment: National Front control is expected to prevent the election of most Tudeh-sponsored candidates. Accordingly, the Communists are not in a position to obtain control of the government by legal means. Mossadeq's actions since taking office, however, indicate that he will continue to do all he can to limit the powers of the Shah and the Army. This policy, combined with Mossadeq's unwillingness to take stringent measures against them, will undoubtedly strengthen the Communists, and there is a real danger that they may eventually attempt to seize power.

SECRET

SECRET

3. BURMA. Burmese Government reported tightening grip on rice trade: The American Embassy in Rangoon has been informed that the Burmese Government is preparing to control the Burmese rice trade completely by subsidizing a "cooperative" to handle rice exports which originally were planned for private trade. The Embassy comments that this action is apparently designed to secure a higher price for bid rice which would set the standard for prices sold on a government to government basis. (S Rangoon 807, 15 Feb 52)

Comment: The sale of rice is by far the most important source of revenue for the Burmese Government. However, a substantial amount has usually been left for private dealers to handle. This contemplated action, following closely upon the conclusion of negotiations for the partial nationalization of the Burmah Oil Company and the Burma Corporation, is another significant step toward socialization in Burma.

4. INDOCHINA. Clandestine nationalist radio charges French with bombing: The "Voice of the National Resistance Front," secret radio transmitter of nationalist guerrilla forces under Colonel Trinh Minh The, accused the French in a 12 February broadcast of bombing and strafing the "zone where the National Resistance Front is struggling against Communism." The radio emphasizes that the planes and weapons used by the French were "begged from a foreign country," and contends that this attack proves the deceitfulness of the French assertion that they are fighting Communism in Vietnam. (R FBIS, 15 Feb 52)

Comment: French officials in Indochina have intimated their intention to take action against Colonel The's forces. [REDACTED]

25X1C
25X1C

25X1C

[REDACTED] states that the American position in Indochina, already misunderstood by many Vietnamese, would sink to a new low if it were learned that US military aid was being used against anti-Communist Vietnamese who have spurned overtures from the Viet Minh. An attack in force would, moreover, seriously strain French capabilities.

5. CHINA. Increase of Chinese troop strength near Hong Kong reported: [REDACTED] the Paolan district, about fifty miles northwest of Hong Kong, 40,000 Chinese Communist troops arrived there, on 11 February. [REDACTED] estimates that there are now 80,000 Communist forces in this area alone (S [REDACTED])

25X1C
25X1C

25X1D

Comment: Chinese Communist troop strength in the Hong Kong build-up area has been estimated by Far East Command at 75,500, including 8,000 troops in artillery and mechanized units.

25X1A

SECRET

5

19 Feb 52

SECRET

Chinese Communist propaganda on Hong Kong has been unprecedentedly threatening during the past three weeks, but has not yet suggested imminent attack.

6. Changes in Nationalist Army commands predicted: Sources in both the Chinese Nationalist Ministry of National Defense and Army Headquarters state that the assignments of the area defense commanders on Formosa are to be shifted. Following this, army and divisional commanders will be shifted and not permitted to take members of their staffs with them.

In addition, the Executive Yuan recently proposed to Chiang Kai-shek that the tours of duty of the Chief of Staff, Ministry of National Defense and the commanders in chief of the Army, Navy, Air Force and Combined Service Force be limited to two years.

The American Army Attache comments that these personnel changes and plans, if carried out, would be a sharp break with all previous military practice and would mean that the Nationalists had abandoned the tradition of war lord armies. (S USARMA, Taipei, 02327Z, 14 Feb 52)

7. Separate state in Manchuria allegedly planned: [redacted] reports that the USSR is "attempting" to separate Manchuria from China and, after a Korean truce is concluded, "may" propose that China, Korea and Japan recognize Manchuria as a separate state, open to immigration. This plan is to be proposed by "Manchurian Communists," and Mao Tse-tung's objections are to be overcome by endorsement of the "smaller Asiatic republics," e.g., Outer Mongolia. (S [redacted])
- 25X1C 25X1C 25X1C

Comment: Other evidence does not support this report. The Soviet position in Manchuria is strong, and it has been speculated that, in the event of a Sino-Soviet split, the Manchurian regional government might adhere to the Soviet bloc. So long as the Sino-Soviet alliance remains firm, there appears to be little prospect that Manchuria will become a separate state.

8. Chinese approach to Korean talks reported: [redacted] the Peiping regime
- (1) desires a successful conclusion of the Korean truce talks but wants the USSR and North Korea to bear "full responsibility" for the results;
- 25X1C 25X1C 25X1C

SECRET

19 Feb 52

SECRET

- (2) is not convinced that Soviet military strength "in the long run" can match the US and is therefore anxious to get out of Korea;
- (3) nevertheless will not conclude a truce until diplomatically recognized by the "United Nations"; and
- (4) hopes to "extend power" in Manchuria by "planting loyal Mao followers" there and by "concentrating troops" in the area.

25X1A

Comment: Except for the first point, this report is not supported by any known developments.

9. KOREA. Post-armistice period of concern to ROK Government: Two questions recently asked by the Korean observers at the UN General Assembly session --regarding the willingness of the United States to conclude a security pact or defense arrangement with the ROK, and what the UN will do if the North Koreans invade South Korea after an armistice--highlight, according to Ambassador Muccio, the ever-present concern of the ROK lest the UN withdraw from Korea too early and leave it unprotected. Despite prompt action at the outbreak of the war and the record of UN assistance since then, the ROK continues to be skeptical of what would happen after an armistice, and Muccio believes serious consideration should be given to the entire question. (S Pusan 813, 16 Feb 52)
10. JAPAN. Outlawing of Communist Party expected by May: According to an unconfirmed report, Japanese Communist Party leaders met secretly on 10-12 February to discuss countermeasures against the outlawing of the party, which the JCP expects by May 1952.

CINCPAC comments that the proposed organizations control law probably will severely restrict Communist activities and might provide a legal basis for outlawing the party. For some time past the JCP has been preparing for the event by strengthening its covert organizations, expanding popular front activities, and infiltrating non-Communist labor and political groups. (S Tokyo Weeka 7, 16 Feb 52)

SECRET

7

19 Feb 52

SECRET

SECTION 3 (WESTERN)

1. GERMANY. Cabinet shifts predicted: Chancellor Adenauer is reportedly about to name two new key cabinet members. Heinrich von Brentano, present leader of the Christian Democrats in the Bundestag, confirms that he has been offered the Foreign Affairs Ministry post now held by the Chancellor, and Eberhard Wildermuth, present Housing Minister, will reportedly be named chief defense adviser, or future Minister of Defense. Brentano, who has not yet formally accepted the offer, states that he must accept the post and risk a possible clash with the Chancellor by continuing his attempts to bring about a bipartisan approach to foreign affairs with the opposition Social Democrats, which he feels is imperative.

Local US officials comment that Brentano is unlikely to challenge Adenauer's authoritarian methods to any great extent. (C Bonn 1595, 16 Feb 52)

Comment: Adenauer's party has reacted unfavorably to the Chancellor's "inept" handling of the opposition during the rearmament debates in the Bundestag on 7 and 8 February. At the same time, [REDACTED] reported growing criticism of Adenauer's present chief defense adviser, Theodor Blank, hinting that he no longer was considered a likely candidate for the future Defense Ministry post. Wildermuth has shown an interest in the defense post for some time, although he has not been mentioned prominently as a candidate for the position since late 1950. Now one of the more obscure cabinet members, he would be much more subject to Adenauer's close control.

25X1C

2. Poll cites adverse West German reaction to NATO: Favorable reaction toward NATO has as yet failed to develop in West Germany, according to a poll conducted for HICOG by a reliable German survey organization. Unfamiliarity with NATO as well as lack of opinion was widespread. Although reactions to General Eisenhower as a leader were distinctly favorable, a sizeable minority showed a lack of confidence in him and believed that he would not treat any German troops as equals. The great majority considered the USSR the principal threat to peace; approximately one-third of those interviewed, however, had serious apprehensions that US behaviour could precipitate war.

The poll results also suggest that though West Germans, particularly youths and veterans, are preponderantly opposed to a conscription law, the majority are likely to go along with any such legislation. (C Frankfurt 4949, 8 Feb 52)

3. BELGIUM. Government discourages participation in Moscow Economic Conference: A Belgian Government official says that his government, following the US

SECRET

SECRET

position, has tried to discourage the attendance of Belgian industrialists at the Soviet-sponsored economic conference in April. The official adds that numerous inquiries from businessmen have been received concerning the conference. The promoters of the conference in Belgium are of extreme-left-wing sympathies. (C Brussels 1182, 15 Feb 52)

Comment: The Netherlands, too, has tried to discourage attendance at the Moscow Economic Conference.

4. ITALY. Labor Minister urges Christian Democratic domination of trade union activities: High officials of the Christian Democratic Party and the Catholic Church attended the ceremonies at the recent opening of a party-sponsored trade union leadership school in Rome. The Minister of Labor, in a key speech, defined the scope of union activity as "being devoted only to the most narrow interpretation" and asserted broad-scale operations should be undertaken by political parties. He praised the Church and expressed support for the activities of the Church-supported Christian Association of Italian Workers within the union's framework. The US Embassy in Rome comments that this speech further illustrates the efforts of the Christian Democrats to create a union subservient to their wishes. No executives of the Christian Democrat-dominated Confederation of Labor Unions attended the ceremony. (S Rome Joint Weeka 7, 15 Feb 52)

Comment: The recent advocacy by Christian Democratic Party secretary-general Gonella of a labor organization composed solely of party members was resented by the leadership of the Confederation of Labor Unions, which includes Republicans and democratic Socialists and has tried to keep the organization free from political influence (see OCI Daily Digest, 23 Jan 52). Church participation in the sponsoring of a party trade union is increasing anti-clerical opposition to the Christian Democrat-dominated government in the face of local elections in south Italy this spring.

5. Italy alarmed by British and French restrictions on imports: Italian economic officials are seriously worried over recent British import restrictions which will affect Italian agricultural products and French restrictions on the import of semi-finished materials. US Embassy officials in Rome fear that Italy may take retaliatory action. (S [redacted] Rome Joint Weeka 7, 15 Feb 52)

25X1A

Comment: Recent import restrictions by Britain, France, West Germany, and the US have alarmed Italy, which fears a world-wide trend toward such restrictions. Curtailment of Western trade outlets will make the Soviet market that much more attractive to southern Italian agriculturalists and possibly increase their desire to participate in Moscow conferences on international trade. Furthermore, increased Italo-Soviet trade will raise

SECRET

19 Feb 52

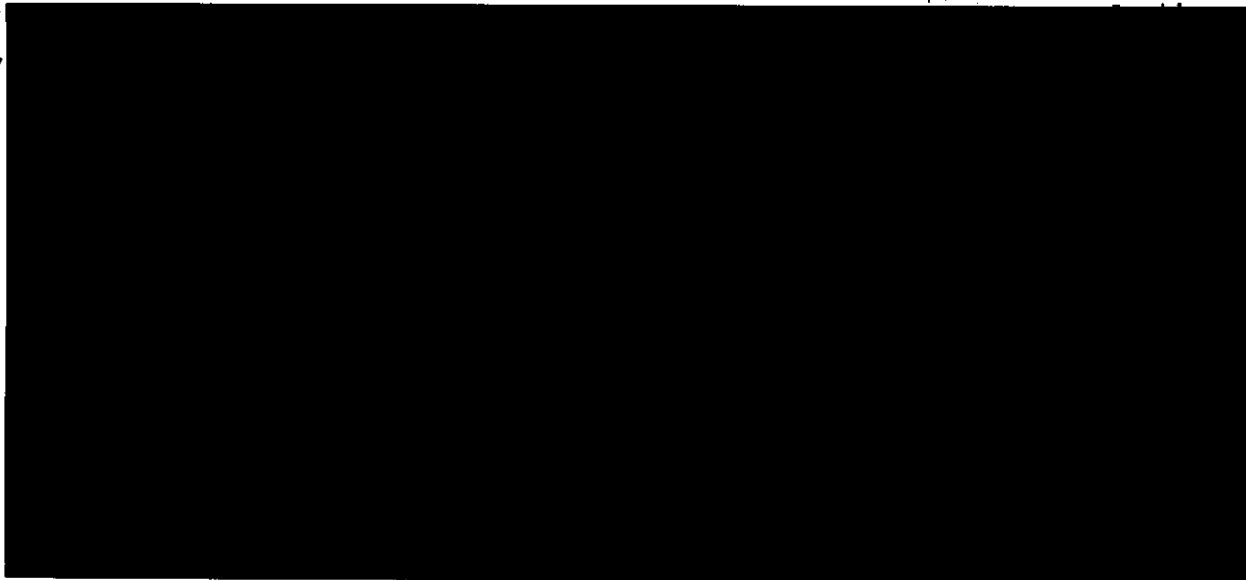
SECRET

the prestige and vote-getting power of the Italian Communists in the forthcoming southern Italian elections.

Because of its balance of payments difficulties it would be hard for Italy to undertake effective countermeasures against Britain and France.

25X6

6.



7. SWEDEN. New Communist spy case stirs public opinion: The recent arrest of a former Communist newspaperman, reportedly for Soviet espionage concerning the Boden fortress and other installations in the extreme north, has caused an even greater sensation than the similar case of a naval petty officer last autumn (see OCI Daily Digest, 1 and 7 Nov 51). The Swedish press believes that several prominent party members may be implicated in this spying which has been going on for the past ten years. The seriousness of the case is indicated by the fact that the police, contrary to usual practice, released the accused's name and record at this early stage before formal arraignment. (R Stockholm 984, 16 Feb 52)

Comment: The Boden fortress is a key defense position in the far north along the Finnish frontier. The allegation that the spy operated for ten years without detection may result in a review of the security system and stimulate Parliament to pass certain immediate security measures already proposed by the government. The case is also likely to lessen trade union opposition to discrimination against individual workers in sensitive defense plants because of "political opinions."

8. TUNISIA. Tunisian moderates endorse nationalist aspirations: The US Consul General in Tunis reports that Tunisian solidarity has been increased

SECRET

SECRET

by the recent violence and that even non-nationalists are expressing their allegiance to Habib Bourghiba. No reputable Tunisian is likely to accept a post in a cabinet reorganized at French insistence in opposition to Neo-Destour will and policy. The Consul General states that were France to stop haggling about conditions under which negotiations would be resumed and present concrete proposals, an amicable settlement might be reached. (S Tunis 111, 14 Feb 52)

Comment: Increased Tunisian solidarity is confirmed from other sources. French Government preoccupation with other pressing problems apparently has prevented a full study of a solution to the Tunisian crisis. There is no indication, however, that French policy-makers contemplate meeting the Tunisian Government's demands in any respect.

9. UNION OF SOUTH AFRICA. Government plans to ground its air squadron in Korea: The Union of South Africa has told the US that it will ground its air squadron in Korea beginning 31 March for three months, after which it will review its position. The South African officials explained that failure to obtain jet aircraft for the squadron necessitates this step, which does not involve repatriation of the personnel. South African Prime Minister Malan, when reminded by the US Ambassador that such a move might start a chain reaction among other contributors to UN forces in Korea, assured him that South Africa does not "want to act in a hurry," but that the high loss rate and subsequent recruiting difficulties compel this move. Malan stated that the decision could be reconsidered if his government had definite assurance of receiving jets within six months. (S to Capetown 74, 13 Feb 52; S Capetown 19, 14 Feb 52)

Comment: Last September South Africa hinted at a possible grounding should it continue to fail to secure jets. Subsequently the US informed South Africa that the squadron, which is using US-owned F-51 Mustangs, would be equipped with jets at the same time as similar US units.

10. ARGENTINA. Latin American Syndical Committee formed at labor conference: The second part of the Argentine-sponsored labor conference in Paraguay approved the formation of a Latin American Syndical Committee with headquarters in Buenos Aires. In about 4 months and after participants have confirmed their support, the committee will try to announce the date of a special labor congress to create a new Latin American labor federation. The Argentine delegation is pushing the new federation, but the majority of delegates must obtain authorization from their home unions. An official of the Paraguayan Confederation of Workers stated confidentially that Paraguay does not intend to join the federation. (C Asuncion 236, 15 Feb 52)

Comment: Argentina will have considerably more difficulty in persuading the participating unions to join a new federation than it had in persuading them to send observers to an expense-free River Plate labor conference.

SECRET

19 Feb 52

SECRET

11. URUGUAY. Government's attitude on mutual security negotiations reflects political instability: Uruguay's reluctance to begin mutual security negotiations with the US reflects political instability. The Uruguayan President has indicated the undesirability of bilateral negotiations before 1 March when the nine-man council, or colegiado, is scheduled to replace the present executive (see OCI Daily Digest, 20 Dec 51). According to the Undersecretary of Foreign Affairs, the Uruguayan military has prepared for the negotiations and is eager to get started, and hence the negotiations could be speedily completed after 1 March.

The government is stalling so that the new council can participate in the negotiations, but its attitude is also affected by the general uncertainty of the political situation. Serious problems are: (1) preparations for the new governmental system that does not have wide popular sanction; (2) the inability of the nine-man council to agree on a cabinet; (3) the possibility that an important section of now governing Batllista Colorados may withdraw its support of the colegiado; and (4) the unfavorable balance of trade resulting from the failure of wool to move in volume (see OCI Daily Digest, 2 Jan 52).

Confusion resulting from the installation of the colegiado, and possibly the attitude of the nationalist Herrerista Party, which will have three council seats, may impede the progress of mutual security negotiations. (Factual data from: C Montevideo, D-671, 672, D-695, 696, D-718, 719, 18 Jan, 25 Jan, and 1 Feb 52; S Montevideo 310, 8 Feb 52)

SECRET

19 Feb 52

TOP SECRET
SECURITY INFORMATION

19 February 1952

US OFFICIALS ONLY

CIA No. 49543
Copy No. 46

TOP SECRET SUPPLEMENT

TO THE DAILY DIGEST
(including S/S Cables)

Not for dissemination outside O/CI and O/NE.

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence. Comments represent the immediate views of the Office of Current Intelligence.

TOP SECRET
SECURITY INFORMATION

TOP SECRET

SECTION 1 (SOVIET)

1. TRIESTE. State Department favors postponement of Trieste elections: The United States Department of State concurs with Ambassador Dunn's recommendation that no final decision regarding Trieste elections should be made at this time. The Department believes that the elections, if held, should coincide as closely as possible with Italian communal elections.

The final determination concerning the timing of the election announcement must be based primarily upon an estimate of the likelihood of an Italo-Yugoslav settlement which would necessarily include Premier de Gasperi's views and what is known about the Yugoslav attitude.

If no settlement appears likely, the Department thinks that it might be desirable to consider seriously postponing the elections until after the Italians had assumed major administrative responsibilities in Zone A. (S, S/S to Trieste 822, 13 Feb 52)

Comment: In contrast to the above views, the British Foreign Office believes that an indefinite postponement is "merely putting off an evil day"; and that by holding the Trieste elections concurrently with Italian communal elections, the former will be swallowed up and forgotten.

SECTION 3 (WESTERN)

2. AUSTRIA. High Commissioners conclude agreement on occupation costs levy: After several months of negotiations, the four High Commissioners in Vienna have agreed to require occupation costs payments from the Austrian Government in the amount of 151 million schillings per element for 1952. This compromise agreement, however, will please few of the participants -- excepting perhaps the Russians, who have other ways of obtaining schillings. Both the French and British, who had hoped for 185 million schillings, believe the present allotment is inadequate and consider that US pressure and Soviet maneuvers in the Allied Council compelled them to accept the lower figure. Austria had previously appealed for a progressive reduction in occupation payments and will find particularly objectionable the retention of provisions requiring cash disbursements to the occupying powers.

While the present agreement has preserved quadripartite unity, it is unlikely that the dispute over occupation costs has been permanently resolved. An escalator clause will permit the reopening of the ceiling figure in the event Austrian prices continue to rise, and the British and French can renew their pleas for increased allotments on the ground that exhausted resources will force a reduction in occupation armies. (Factual data from: TS, Vienna 2383, 21 Jan; S, Vienna 2660, 14 Feb 52)

TOP SECRET

