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23 August 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. INTERNATIONAL COMMUNISM: Five Power Peace Pact campaign to be climaxed by signature drive in USSR: The Soviet press reports that the Soviet Peace Committee will hold a plenary meeting on 28 August to "discuss conducting a signature campaign in the USSR for the World Peace Council appeal for a Five Power Peace Pact and plans for an All-Union Conference of Peace Partisans." (R Moscow 310, 21 Aug 51). A Moscow AP dispatch dated 21 August stated that a mammoth campaign for such signatures was already going on throughout the Soviet Union.

Comment: The delayed entry of the USSR into the signature campaign initiated last February by the World Peace Council, follows the same procedure Moscow used in the 1950 Stockholm appeal to ban the atomic bomb. The USSR may wish to conclude its signature campaign so that the final figures can be announced in time for a meeting of the World Peace Council reportedly scheduled for October in Vienna or Helsinki.

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2. EASTERN EUROPE: Merger of Satellite airlines under Soviet direction reported. [redacted] the state-owned airline companies of Eastern Europe were incorporated on 20 July into the Soviet Civil Air Fleet (Aeroflot). This decision was reportedly taken at a conference in Moscow about 15 July. Control of the merged Satellite airlines has been assumed by Soviet General Zigarev, representing Marshal Zavoronkov, Chief of Aeroflot. [redacted]

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Comment: There is no other information available on the alleged merger. Such an amalgamation would be a logical development, since it would partially rectify the operational and maintenance difficulties which have beset the Satellite airlines. The elimination of duplicate routes and the establishment of central repair facilities would considerably mitigate chronic shortages of planes, spare parts and trained personnel. The Soviet Union already actively participates in the joint-stock companies which control the Hungarian and Rumanian civil airlines.

3. POLAND: Mass movement of political unreliaables reported under way: US Emb Warsaw reports that following the end of the trial of ex-Army officers a mass movement of politically unreliable elements apparently began from the Warsaw area. Among the groups affected are: officers of the Polish armed forces who were members of the wartime underground resistance, relatives of political prisoners, and businessmen who have been deprived of their enterprises. Most of the unreliaables are being relocated in other parts of Poland. The officers in the armed forces who were in the wartime Polish underground, however, are being moved to undetermined areas outside of

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Poland. The first contingent consisting of 150 fliers was deported in mid-August. (C Warsaw 165, 17 Aug 51).

Comment: The US Embassy noted in June that it was receiving numerous reports of dissidents being evicted from Warsaw and other Polish cities. Similar reports have been received in recent months from all the Eastern European Satellites.

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SECTION 2 (EASTERN)

1. JORDAN. Economic crisis materializing: Jordan is rapidly approaching a serious economic crisis caused by the 60 per cent failure of its wheat crop and intensified by the gradual disappearance of the windfall capital brought in by the wealthier Palestine refugees. Government officials fear that starvation conditions will lead to disorders on which the Communists, whose activities have become more apparent, can capitalize. They assume that the US can grant Jordan a loan to carry it through the winter. The US Minister in Amman recommends consideration of all possible sources of relief in anticipation of a formal request. (R Amman 62, 20 Aug 51).

Comment: The Prime Minister previously mentioned his concern over the economic situation which he feared might lead to internal disturbances that would encourage Jordan's Arab neighbors to intervene. (See Daily Digest, 2 Aug 51).

2. SYRIA. US help sought to justify pro-Westernism to Arabs: The Syrian Foreign Minister has informed the US Minister in Damascus that the new government is disposed to seek a broader understanding with the West and acknowledges the need for Western help in solving Near Eastern problems. Past experiences make the Arabs suspicious, however, and the US will be held to a strict account. Therefore, in the Foreign Minister's view, the US must help Syria to produce tangible results to justify cooperation with the West. (C Damascus 101, 20 Aug 51).

Comment: The Prime Minister has expressed similar pro-Western sentiments to the local press. UN action on the 20 August report filed by General Riley, the Chief of Staff of the UN Truce Supervision Organization, setting forth Israeli non-compliance with the UN resolution concerning the Syrian-Israeli border dispute, could produce some tangible results for the Syrians.

3. INDIA. Shortage of rail facilities impedes manganese exports to US: The shortage of rail facilities in India is seriously impeding normal exports of manganese to the US. Shipments during the first seven months of 1951 were 60,000 tons below expectations. (S New Delhi 569, 10 Aug 51).

Comment: Continued wagon shortages could result in the loss to the US of 20 per cent of its anticipated 1951 manganese imports from India. The Indian railways are probably unable to handle manganese shipments because of the necessity of distributing imported food supplies. If railway capabilities are further curtailed by strikes, one of which is still pending, exports of manganese to the US will be even more drastically reduced.

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4. PAKISTAN. Government refuses to permit establishment of Indo-Afghan air service: A proposed air service between India and Afghanistan has been blocked by the Pakistani Government for the reason that the route would be over a "prohibited area." (R FBID, Far East, 20 Aug 51).

Comment: The Himalayan Air Lines, an Indian company, has been attempting to establish a Delhi-Karachi-Quetta-Kandahar-Kabul air route. It is not surprising, considering the existing tensions between Pakistan and its two neighbors, that permission for such a route has been denied.

5. INDONESIA. Cabinet hesitant on Japanese treaty decision: Foreign Minister Subardjo told US Ambassador Cochran that the Indonesian Cabinet has postponed its decision on participation in the Japanese peace treaty conference until 24 August. He said party leaders feel some uneasiness over the fisheries and trade issues. Subardjo himself is anxious to visit the US and is doing his utmost to insure Indonesian participation in the conference. (S Djakarta 296, 22 Aug 51).

Comment: The cabinet appeared willing to participate until the sudden outbreak of criticism in response to the Soviet decision to attend the conference. Such criticism, as reflected chiefly in Masjumi Party newspapers, contends that if Indonesia attends the conference it will become involved in conflicts between Russia and the US which would endanger the government's "independent" foreign policy. Since the government's official position, however, has included support of Communist Chinese and Soviet participation, it is likely that Indonesia will send a delegation to San Francisco.

6. BURMA. Communists mount heavy attack in central Burma: Five hundred Communists who raided Pyinmana in central Burma on 21 August were beaten off after a four hour battle with government forces, according to a Reuters report. (U Reuters, 21 Aug 51).

Comment: Despite the pronounced movement of Burmese Communist forces northeastward towards the China border, they have retained considerable strength in their former stronghold around the Pyinmana-Yamethin axis in central Burma, where the government's position has deteriorated steadily during the past few months.

7. Official predicts Burmese refusal to attend conference: A high official of the Burmese Foreign Office predicted that the Burmese Government would not join the Japanese peace conference despite the USSR's decision to attend. He stated that since Burma did not intend to sign

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the treaty there was no point in sending a delegation to San Francisco. The source also stated that the Asian countries might negotiate a separate treaty with Japan. (S Rangoon 208, 21 Aug 51).

8. PHILIPPINES. Huks and army reported preparing for anniversary day of 26 August: With the approach of 26 August, anniversary day of the Philippine revolt against Spanish rule, the Huks are increasingly active and the armed forces have been placed on a special alert. (R AFP Manila, 22 Aug 51).

Comment: The increase in Huk activity has not been significant. Their relative lack of activity is due in part, at least, to their continued harassment by the armed forces. Special alerts of the security forces on holidays have become routine, although such occasions have not been marked by noteworthy outbreaks in recent months.

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9. CHINA. Peiping reportedly would concede in Korea for participation in Japanese Peace Treaty:

Peiping would be willing to make concessions regarding a buffer zone in Korea in exchange for assurances of "military security" and participation in the Japanese peace treaty. Source states that Peiping's present policy in Korea is "to avoid further losses...and await Soviet moves," and that Peiping "will not allow the talks to break down" despite the "completely unacceptable" nature of UN terms.

Comment: It is plausible that Peiping would be willing to trade a few miles in Korea for an invitation to the San Francisco conference. Several sources have reported that Peiping intends to prolong the Kaesong talks, even if UN terms remain unacceptable, until Communist forces in Korea, with Soviet assistance, are prepared to launch a new major offensive. It is doubtful that [redacted] had access to top-level Sino-Soviet decisions, and the [redacted] of this report has not been established.

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10. Soviet "South China Liaison Office" reported:

the establishment in late 1950 of a Soviet "South China Liaison Office" in Canton. This office is said to channel to Moscow Chinese requests for Soviet aid and to control some 1500 Soviet advisory-technical personnel in South China. [redacted] the USSR has established this liaison office for the purpose of "tightening its control" over military, political and economic matters in South China, alleges that Chinese Communist authorities in the area will not in the future need to refer important matters to Peiping but are to appeal to the liaison office for "advice."

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Comment: [redacted] reported much the same information some months ago. It is reasonable to assume that the Soviet advisory-technical program in China, which employs at least 10,000 and perhaps 20,000 Soviet nationals, has a branch office in South China. The estimate of 1,500 in the South China area is plausible and is supported by fragmentary reports from many points. While the Soviet advisory-technical program throughout China doubtless contributes substantially to the extension of Soviet control over Peiping's military-political-economic apparatus, it is improbable that Chinese Communist regional authorities accept Soviet dictation in major matters without reference to Peiping.

11. Indian representative allegedly negotiating secret treaty with Peiping: 25X1C
[redacted] a personal representative of Prime Minister Nehru was in Peiping in July [redacted]

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The Indians are said to have proposed, inter alia, that (a) the USSR and Communist China not attempt to promote Communism in India, (b) India be granted certain commercial rights, and (c) Peiping come to India's defense if the latter is attacked. The Chinese are said to have demanded that the Indian Government (a) recognize the Communist Party of India as a legitimate political party, (b) support internationally all "progressive proposals" of the USSR and Peiping, and (c) influence other nations to advance Sino-Soviet projects. [redacted]

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Comment: The headquarters of the reporting office evaluates this report as "doubtful" and notes that its details are inconsistent. Available evidence indicates strongly that it is a fabrication. In February 1951, it was rumored that Peiping and New Delhi were discussing possible conclusion of a treaty of friendship and alliance; these rumors were denied by New Delhi. There was then and is now no reliable evidence that such discussions have been undertaken.

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12. Chiang Kai-shek orders 20 per cent budget cut: [redacted]
[redacted] on 1 Aug Generalissimo Chiang Kai-shek requested the cabinet to prepare a new budget showing a general reduction of 20 per cent. "He specified that no items were to be singled out for reduction." [redacted]

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Comment: The Generalissimo's order is a result of the acceptance by the Nationalist Government of the 20 July US memoranda recommending a reduction of the budget deficit. It was reported on 2 August that the cabinet suggested a budget cut of 25 per cent. However, since only six per cent of expenditures are for administration, it is doubtful that this item can be cut much, particularly as secret service activities are reported to be on the increase.

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13. Chiang Kai-shek's elder son heads secret service coordinating agency: Chiang Ching-kuo, the Generalissimo's elder son who heads the Political Department of the Ministry of National Defense, has been named head of a newly organized "Materials Group." This organization, composed of five units totaling approximately 200 employees, was established by the Generalissimo during early August and is attached to his office. Its duties are to coordinate the work of all secret service agencies. [REDACTED]

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Comment: The organization of the Materials Group is probably an answer to the recommendation by the American Military Advisory Group that the political Department be deactivated because it constituted a major obstacle to the group's program. The cost alone of operating the Political Department was reported to have exceeded the cost of maintaining four army divisions. It appears, however, that rather than eliminating the Political Department the Generalissimo may simply have changed its name.

14. KOREA. South Korean drought will cut rice crop: While central Korea has suffered from torrential rains during the past few weeks, rice-rich southwestern Korea has received an average rainfall of only one inch since early July. A preliminary survey of the drought-affected area reveals that the rice crop in this normally fertile region may be cut as much as 30 per cent below previous estimates. (R FBID Flimsy, Central News Taegu, 22 Aug 51).

Comment: The cumulative effect of the lack of farm labor and animals, the small fertilizer application this year, and the drought may cause even more serious troubles for the South Korean economy than had been previously expected.

15. Congressional recommendation for aid slash shakes Korea: Ambassador Muccio reports that the US Foreign Affairs Committee's recommendation for a 100 million dollar cut in aid to Korea has caused "considerable consternation" there. ROK Prime Minister Chang was subjected to severe questioning by the National Assembly on the issue, and local newspapers have termed the action as "frightening" and "disheartening." (U Pusan 172, 22 Aug 51).

Comment: The ROK has received similar shocks before; they have had the salutary effect of shaking ROK complacency over the prospect of an indefinite continuance of large-scale US aid.

16. JAPAN. Socialist factions unite in anti-leftist move: The right and center factions of the Socialist Party have agreed to unite in an effort to end control by the party's left-wing faction. At a conference held on 20 August,

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the two factions decided on a basic policy of anti-Communism and a campaign to rally as many Socialists as possible to the movement. (R FBID Kyodo Tokyo, 20 Aug 51).

Comment: The numerically superior left-wing of the party has so far been able to resist right-wing efforts to modify the three-point platform (opposition to a separate treaty, opposition to US bases, and neutrality). Criticism of the party's unrealistic stand has increased since the Japanese delegation at the recent international Socialist meeting abstained on a resolution to oppose Communism. The success of this latest effort to force the party toward a more pro-US policy may be dependent upon Soviet tactics at the peace treaty conference.

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SECTION 3 (WESTERN)

1. WESTERN EUROPE. Divergent British and French approaches are apparent in East-West trade talks: The US observer at the Economic Commission for Europe (ECE) meeting on East-West trade which opened this week in Geneva, is "impressed with the sharp differences" between the position of the UK and that of the other Western European delegations.

The UK hopes mainly that this meeting, if it achieves anything, will generate pressure on the Soviets to come to early terms with the UK in the bilateral negotiations previously initiated. The UK is principally desirous of obtaining up to one million tons of coarse grain, but is not prepared to present a list of goods in exchange.

France intends to comply fully with Chairman Myrdal's suggestions for an exchange of information on both grain requirements and counter-deliveries. The French list of goods available for export to Eastern Europe covers a rather wide range, principally construction equipment, machinery such as small tractors and textile machines, textiles, and cargo ships of unspecified tonnage. France is determined "to go to all reasonable lengths" in this meeting in order both to obtain more background information on possibilities of trade with the USSR and to make it impossible for the Soviets to blame France should the meeting fail.

The Danes plan to pursue about the same tactics as the French, and have met a negative response in approaching the British for a pooling of purchases and deliveries.

The US observer considers that Western European collaboration is "clearly desirable" should this meeting have results, since no nation except the UK would otherwise avoid the "excessive danger of Soviet blackmail." (S Geneva 164, 21 Aug 51)

Comment: In recent bilateral negotiations the Soviet Orbit has been doing some hard bargaining, with decreasing success, to obtain Western strategic materials in exchange for needed commodities.

The Western European nations, faced with a decline in their living standards, are eager to obtain cheap Eastern European raw materials and foodstuffs. In addition, both France and the UK are intensifying their search for non-dollar industrial markets in view of the declining opportunities to develop sales to the dollar area.

2. AUSTRIA. Government adopts emergency measures in current meat crisis: The Economic Control Board on 20 August decided to retain prevailing price

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ceilings for meat products and to improve the supply situation by increasing imports. Augmented deliveries from Yugoslavia and Denmark are expected to mitigate the shortages; a ministerial committee will examine the problem of increased foreign exchange allocations to pay for the foreign supplies. Beginning 24 August, two meatless days a week will be enforced and penal measures will be applied in cases of infractions. Spokesmen for the meat industry continue to shift responsibility elsewhere, blaming price ceilings, excessive Austrian exports, and inadequate supplies of foreign and domestic meat for the crisis. (R FBIS-Ravag and Red-White-Red, 20 Aug 51)

Comment: Having previously enjoyed a highly favorable supply situation, Austria is now faced with the problem of almost total unavailability of meat products. Although post-war recovery of the Austrian livestock industry showed signs of levelling off last year, domestic production approaching pre-war levels and increasing imports lend substance to the allegation that the sudden shortage is largely attributable to farmer resistance to price ceilings. It is unlikely that the Government will soon tolerate any upward adjustments in meat prices.

3. ECA proposes emergency assistance in Austro-Polish coal dispute:
 ECA Washington has advised the US Legation in Vienna that the US is prepared to ship an additional 100,000 tons of American coal on an emergency basis, should trade negotiations with the Poles for coal be broken off. If Austrian transportation facilities can handle the emergency shipment, US coal transported to Austria during the months of August and September will, under the proposed plan, total some 500,000 tons. Should agreement with Poland ultimately be reached, the additional coal will be stockpiled. (S ECA/W Control 7423, 17 Aug 51)

Comment: Austro-Polish trade negotiations have been stymied for some weeks over Polish demands for embargoed ball bearings in return for Polish coal essential to Austrian industry and public utilities (see OCI Daily Digest, 8 Aug 51). A suspicion that the magnitude of Polish demands may have been exaggerated by Austrian negotiators has proved unfounded, and the original estimate that the Poles are requesting some \$600,000 worth of embargo-type goods is now believed accurate. Inasmuch as the proposed one-year trade agreement will provide Austria with a million metric tons of Polish coal at the rate of 80,000 tons per month, it is apparent that the emergency shipment of US coal will be a temporary solution.

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CORRECTION: In a recent report on Soviet purchases of almonds in southern Italy (see Daily Digest, 20 Aug 51, Western Section, Item #7, pp. 12, 13) it was stated that US Embassy Rome was disturbed not only by the political leverage which these purchases might give Italian Communists in the local

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elections, but also by the possibility that the purchased products would be used for the cultivation of bacilli and hence for bacteriological warfare. However, sweet almonds, which have a number of pharmaceutical applications, are not used in any recognized bacteriological media. It is possible that almonds might be used in small quantities to enhance the growth of certain bacteria. These cultures, however, need not necessarily be intended for bacteriological warfare.

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SECTION 2 (EASTERN)

1. PHILIPPINES. US Embassy in Manila forecasts Huk military disintegration: The military disintegration of the Huks as early as November appears likely if present pressures are continued, according to the US Embassy in Manila. Unless a "big and victorious event in November," promised by their leaders, is sufficiently successful to ensure eventual victory, the Huk rank and file will cease its struggle.

The embassy adds that there is reason to believe that the Chinese Communists are quietly organizing a stronger, more disciplined and more clandestine force with which eventually to supplant the Huks. (S S/S Manila 737, 21 Aug 51).

Comment: Huk leadership has long been recognized as Communist, but the strength of the movement has been solidly based on agrarian discontent. With the armed forces providing the countryside with a certain degree of security and with a mild improvement in economic prospects, support from this quarter becomes difficult to maintain.

The prediction of a "big event" in November is obscure but may derive from a Huk belief that the elections at that time will inevitably be as corrupt as those two years previously and that a resulting popular revolution toward the government will enable the Huks to bid for power.

There have been several recent reports indicating increasing Chinese participation in the Philippine Communist movement and increasing dependence by Huk leaders upon Chinese Communists.

2. AUSTRALIA. Government questions wisdom of suppression of all discussion at San Francisco: The Department of External Affairs questions the desirability of imposing completely rigid procedures for the San Francisco conference in advance and in isolation from the actual conference atmosphere. It feels that a firm stand is possible without the suppression of all discussion, a move which might alienate some Asian support. (S S/S Canberra 64, 21 Aug 51).

Comment: The US has indicated that a full exchange of views on the treaty's terms is contemplated, but that no major revisions will be made. This expression of concern undoubtedly stems from a fear that possible US attempts to frustrate Soviet obstructionism at the conference might lend credence to Soviet claims that the treaty is a white man's "dictate."

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