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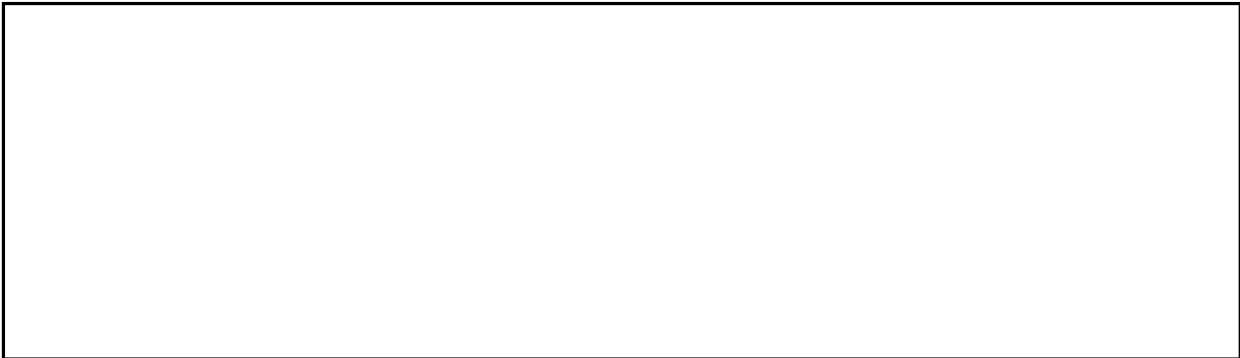
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The scope of the Soviet airfield construction and development program in Eastern Europe is such that the Red Air Force can now operate from four times as many major fields as existed seven years ago. In 1945, there were in Soviet-controlled Europe only 11 fields with runways of over 6,000 feet. Now there are 45 such fields, with an additional 30 undergoing construction to make them suitable for all types of operations. (SEE MAP)



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DELAYS IN EUROPEAN DEFENSE PLANNING CONTINUE TO HAMPER NATO . . . Page 14

Although the European Defense Community negotiators are now agreed on most points, several fundamental issues are still to be decided. The current government crises in France and Belgium are expected to delay agreement and may prevent action on this question at the forthcoming Lisbon NATO meeting.

COMMUNISTS PLAY ONLY MINOR ROLE IN CURRENT PANAMANIAN INSTABILITY Page 16

The present Panamanian crisis began to reach serious proportions last October when the notoriously corrupt former police chief Antonio Remon was nominated as a candidate in next May's presidential elections. This candidacy set off a particularly

bitter campaign which has seriously divided the country and poses a continuing threat to stability. In the event that the government is overthrown, the Communists may attempt to profit from the general disorder but there is no indication that the party has the potential for playing a significant role in Panamanian politics.

SPECIAL ARTICLE. THE CHILEAN COPPER SITUATION Page 18

There has been considerable evidence in recent months that the Chilean Government is unable, and to some extent unwilling, to assure the uninterrupted flow of its total copper production to Western nations. How much and at what prices Chilean copper will be available for Western defense needs in 1952 is at best uncertain.

THE SOVIET WORLD

The Soviet Union's concern over the Western rearmament effort and the defeat of recent Soviet disarmament maneuvers in the UN appear to have led Vyshinsky to submit new atomic energy proposals to the General Assembly in Paris.

The new Soviet resolution is a catch-all for such past Russian proposals as those on NATO, Korea and a Five Power Pact. It contains "concessions" on the questions of inspection and timing which are the most vulnerable points in Moscow's demand for immediate prohibition of the atomic bomb. However, the USSR is still asking the West to agree in principle to prohibit the bomb without any assurance that agreement on control or an adequate inspection system would be forthcoming during subsequent long-drawn-out negotiations. The USSR would also remain uncommitted to verification of its own strength in conventional armaments.

While Vyshinsky and the other spokesmen of the Kremlin were talking about disarmament and relaxation of tensions at the UN meeting, TASS, the Soviet news agency, was charging that President Truman's State of the Union message provided further proof that the US disarmament plans actually cloak war preparations. According to TASS, it is well known that American leaders intend to extend imperialist aggression in Asia, particularly in Indochina, and that they have no intention of agreeing to a just and reasonable settlement in Korea.

Although the Satellite governments have recently been in the forefront of attacks on the Mutual Security Act, the USSR now has made it the subject of a new protest to the United States. The Soviet Government, which often asserts that it never interferes in the internal affairs of other states, called upon the US to "take appropriate measures for repeal of the above mentioned law."

An unsigned article in the authoritative Soviet Communist Party magazine Bolshevik asserts that western military programs are undermining the capitalist economies and that this situation "cannot but lead within a short time to an economic crash." Since 1948, when the leading Soviet economist Varga was forced to recant on his view that a Western economic crisis would be postponed for at least a decade (until 1955), Russian theorists have been careful to avoid any predictions of dates when such a crash would actually occur.

Heretofore the party line had been that armaments expenditures temporarily postponed the collapse of capitalism. It is difficult to determine whether this expectation of a crisis within a "short time" is published purely for propaganda purposes or actually includes some wishful thinking by Soviet economists based on current British and French financial difficulties.

One of the most important of the Soviet Union's military-economic construction projects, the Volga-Don Canal, is still scheduled to go into operation in the spring of 1952 despite the fact that it is reported to be short of five locks and three pumping stations. If past Soviet practice is any guide, the canal will be proclaimed with great fanfare to have been completed on schedule. However, present intelligence indicates that the whole complex of projects which are included in the plans for the Volga-Don Canal are unlikely to be finished this year. Thus the strategic link provided by this canal which is to connect the Black Sea with the Caspian, Baltic and White Seas will not be effected until such time as the other projects are in fact completed.

Czechoslovakia, Rumania and Bulgaria have announced that their state economic plans for 1951 were fulfilled, and that targets for 1952 are being substantially increased. Rumania claims that oil output was increased by 20 percent over 1950 and that the heavy industry plan was completed in eleven months, while Bulgaria boasts that overfulfillment of the 1951 plan has created conditions for the completion of its Five Year Plan in four years.

The Czech and Bulgarian claims are at variance with admissions in October of failures to achieve third quarter goals but probably indicate over-all success in achieving true 1951 production goals. The citations of success, however, are designed to bolster the morale of party workers, and at the same time to prepare the laboring force for even more ambitious production goals in 1952.

As a feature of their economic plans for 1952, Hungary and Czechoslovakia plan to undertake major stockpiling programs. The Czechoslovak Government has announced that a large-scale buildup of state reserves of the "means of production" will be undertaken in order to assure plan fulfillment and to strengthen national defense, while Hungary has set aside one billion forints (US \$86,058,529) for stockpiling in its 1952 budget. These plans suggest that, following the practice of the USSR, the two countries may establish Ministries of State Reserves in 1952. By the end of the year, 70 percent of Czechoslovak foreign trade will be with the Soviet Orbit as opposed to 55 percent in 1950.

Simultaneously with the announcement of plans to reach higher production goals in 1952, Bulgaria and Czechoslovakia are calling for additional sacrifices from their people in order to aid the North Koreans. Czechoslovak workers are being encouraged to work overtime and to contribute the pay to a fund for aid to North Korean civilians. A major Bulgarian drive for the collection of gifts and donations for the people of Korea was undertaken on 3 January. A similar campaign was conducted in Rumania between 24 November and 9 December but there have been no extensive campaigns for aid to Korea in Poland and Hungary since last summer.

[redacted] plans for the production of MIG-15's

in Poland are being drafted, while in Czechoslovakia production is already under way. Production in Poland is to consist of airframe and engine assembly while the more complicated components of the planes will be imported from the USSR. In Czechoslovakia, production reportedly has begun and is expected to reach a maximum of twenty MIG's per month by 1 April. However, the US air attache in Prague believes that the Czech aviation industry is incapable of attaining a production figure of twenty MIG's per month before September, if then.

AIRFIELD DEVELOPMENT PROGRAMS IN EASTERN EUROPE

The scope of the Soviet airfield construction and development program in Eastern Europe is such that the Red Air Force can now operate from four times as many major fields as existed seven years ago.

In 1945, there were in Soviet-controlled Europe only 11 fields with runways of over 6,000 feet. The construction program, begun on a large scale in 1949, has increased this number to 47, and an additional 30 are now undergoing runway or other construction which will make them suitable for all types of operations. Another seven existing facilities can readily be expanded. (See Map)

In all, the USSR has at its disposal in Eastern Europe and its occupation zones in Germany and Austria a total of 323 airfields. In addition, hundreds of abandoned World War II fields could be activated in case of need. Soviet standards are generally lower than those of the Western Powers for equivalent aircraft. Only airfields with runways of over 5,000 feet -- considered by the Russians to be the minimum length for TU-4 and sustained jet unit operations -- are covered in this report.

Prior to 1949, the Soviet policy of improving air facilities in Eastern Europe was limited largely to the rehabilitation of bomb-damaged fields and the improvement of personnel accommodations for civil and military use in the Soviet zones of Austria and Germany as well as in Albania and Hungary. However, some military construction was noted in other Satellites.

The acceleration of the Soviet program was manifested during 1949 in the start of construction on seven fields with runways of 6,000 or 7,000 feet in the Soviet zone of Germany, four in Czechoslovakia, and two in Hungary.

Improvement of the East German airfield complex continued at the same high rate in 1950, and the construction program was extended to include Bulgaria, Rumania, and Poland. The level of construction activity was maintained through 1951, the largest number of projects being in the Eastern zone of Germany, in Poland, and in Rumania.

The following airfields of Class I, II and III categories are currently available to the Russians in the Satellites and the Soviet zones of Austria and Germany:

	CLASS I*	CLASS II	CLASS III
Austria	0	1	0
Bulgaria	0	0	2
Czechoslovakia	5	1	1**
Germany	12	15**	1**
Hungary	6	0	0
Poland	1	3	3
Rumania	0	3	1
TOTAL	24	23	8

The 30 airfields which are now undergoing runway and other construction, and which will probably be suitable for either sustained or limited heavy and medium bomber operations, are located as follows: Austria, one; Bulgaria, five; Czechoslovakia, four; Hungary, two; Poland, ten; Rumania, eight.

Indications are that the intensive construction program in the Soviet zone of Germany is nearing fulfillment. There is evidence that work will soon be initiated on at least two sites in Czechoslovakia and Hungary. The large-scale construction program in Bulgaria is proceeding at a slower rate than in the other Satellites.

The airfield improvement program in Poland did not progress as rapidly as in other Satellites until mid-1950, when major construction and rehabilitation were apparently begun on as many as 15 Polish fields, and evidence points to an acceleration in 1952. In Rumania, eight long runways are currently under construction and a plan for the development of a total of approximately 60 runways is known to exist.

Albania possesses no jet fighter or heavy-medium bomber airfields

*Class I. Permanent surface runways of 7,000 feet and longer, suitable for heavy, medium, and jet bomber operations.

Class II. Permanent or temporary runways capable of supporting limited heavy and medium bomber operations and sustained jet fighter tactical support operations.

Class III. Potential heavy and medium bomber airfields, currently capable of supporting sustained jet interceptor operations.

**Total includes Allied airfields in the Berlin area which would most probably fall to the Russians immediately following an outbreak of war.

LONG HARD-SURFACED RUNWAYS IN THE EUROPEAN SATELLITES: JAN 1952

0 100 200 300 400 500 Statute Miles

<p>● CLASS 1 Airfields capable of supporting sustained operations of Heavy Bombers, Medium Bombers and Jet Light Bombers. Runway length 7000 feet or more.</p>	<p>● CLASS 2 Airfields capable of supporting limited operations of Heavy Bombers, Medium Bombers and sustained operations of Jet Tactical Support Fighters. Runway length 6000 feet or more.</p>	<p>● CLASS 3 Potential Heavy Bomber/Medium Bomber airfields presently capable of sustained operations of Jet Interceptor Fighters; improvable to Class 1 or Class 2. Runway length 5000 feet or more.</p>	<p>✎ Under construction to class 1 or 2.</p>
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and no airfield development is known, but there have been recent unconfirmed reports of the arrival of Russian aircraft.

The importance of the airfield construction and development program to the USSR emerges in the readiness with which Soviet authorities divert men, machinery, and materials, vitally needed for industrial rehabilitation and expansion, to the development of the system of air bases in the Satellites.

The current intensive expansion in Poland of facilities for high performance aircraft, and the reported construction of similar bases in the Baltic area of the USSR, will provide airfields from which long-range bombers could fly missions by the polar route for attack on US industrial targets.

The construction of a chain of airfields stretching south from the Baltic Sea toward the Black Sea greatly enhances the military capabilities of the USSR by giving Soviet air force units in the Satellites greater maneuverability and providing suitable air facilities for expansion of Satellite air forces. The airfield network also provides bases for mounting air attacks from the Balkan countries against the Middle East, from Polish and East German bases against the Scandinavian countries, and from the German complex against England and Western Europe.

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DELAYS IN EUROPEAN DEFENSE PLANNING CONTINUE TO HAMPER NATO

The recent meeting of the foreign ministers of the six countries planning a European Defense Community made considerable progress toward solving the political problems which the technical-level Paris Conference was unable to decide. Fundamental issues are still to be settled, however, and in view of the French cabinet crisis, there is little possibility that an agreement can be reached before the February NATO meeting in Lisbon.

In the past two months the Benelux countries have modified their attitudes extensively, and all the governments concerned now seem convinced that the proposed European Defense Force can be realized. The ministerial discussions narrowed the areas of disagreement stemming from the basic conflict between the Benelux view of the European Defense Community as a loosely knit coalition under the larger NATO pact, and the French-German-Italian concept of a unified political entity which may one day become a federation of European states.

The points at issue are not new. While the financial problem is probably the most pressing, of greater importance is the distribution of power between the executive organ of the proposed Defense Community and the Council of Ministers representing the participating states. Since agreement has been reached on a common budget for the final period of development, the French-German insistence on common financing from the first day will probably be accepted.

Benelux reluctance to invest the European Defense Community with real authority continues to be a major stumbling block. The larger countries have agreed to an executive commission, but insist that the president of this group have a preponderant voice. The Benelux countries would subordinate the commission to the council, thus ensuring national control.

Additional issues include Benelux insistence on national control of internal defense forces as opposed to Community control, as well as the question of the treaty's duration. Because the smaller countries want the emphasis on a close relationship between the Defense Community and NATO, they favor a 20-year pact to parallel NATO; France, Germany and Italy prefer a 50-year treaty which will stress the permanent character of the proposed Community and serve, with the Schuman Plan, as the framework for a real European union. Furthermore, questions on which there had previously seemed to be substantial agreement, such as the attempt to make the use of the defense forces depend on council unanimity, may still cause trouble.

While the French and Germans see eye to eye in general on the defense organization, there is still dispute over security control of German armament production and the German financial contribution to defense. Adenauer and Schuman expect to iron out the first difficulty in a fashion acceptable to the US and Britain, and the French are inclined to accede to Adenauer's arguments that the second should be subject to the criteria governing the other participants and that the German contribution must not appear as a continuation of occupation costs.

If the French and the Germans can resolve these differences, the Benelux countries may allow themselves to be pushed into a supra-national body sooner than they had intended. Belgium and the Netherlands resent the French tendency to blame them for any possible failure of the project, and feel that France is trying to introduce a federal structure through the back door. The Benelux Foreign Ministers have nevertheless endorsed the federation plan and can be expected to sacrifice national prerogatives for an eventual political union. The pressure American representatives are exerting on Belgium and the Netherlands, and United States insistence on close ties between NATO and the EDC, will probably be the determining factors.

The technical discussions of the Paris Conference have resumed, but the current government crisis in France will probably delay the meeting the foreign ministers had expected to hold in January. Even if a new government is formed before February, the French Assembly will want to discuss Schuman's commitments before NATO acts on the basis of the ministers' decisions. Therefore, while the eventual formation of a European Defense Community now seems fairly certain, the present NATO schedule cannot be met, and parliamentary hurdles must still be reckoned with in all the participating countries.

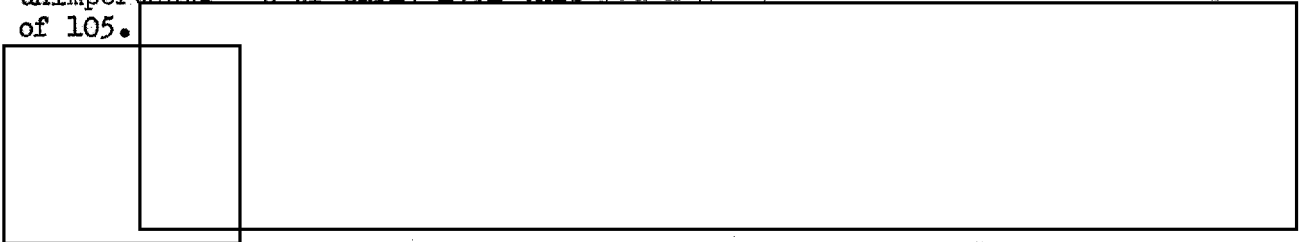
COMMUNISTS PLAY ONLY MINOR ROLE IN CURRENT PANAMANIAN INSTABILITY

The Panama Government is highly unstable because (1) President Arosemena is a weak executive with little popular appeal; (2) the presidential candidacy of Jose A. Remon for the elections next May is highly controversial; (3) anti-Remon forces are using Communist-linked student groups as one instrument for protesting against the candidacy of a "military" figure, ex-police-chief Remon; and (4) deposed president Arnulfo Arias is maneuvering to get out of jail.

The only apparent Communist contribution to the present instability is participation in a current strike of school and university students. While the strike has led to minor clashes, it has not been supported by mass demonstrations. The student strike began at the end of last October in protest against Remon's candidacy and influence with the administration. The students reportedly are about evenly divided between the anti-administration faction which supports the strike and the opposing pro-administration faction.

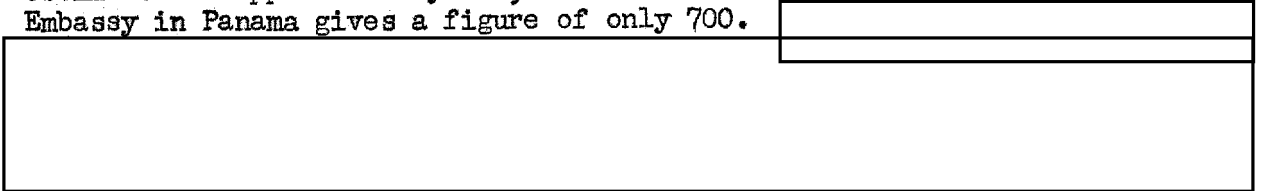
The two organizations which appear to be supporting the strike are the Popular Revolutionary Youth and the Patriotic Front. The Popular Revolutionary Youth was formed in October 1950 by the Communist People's Party and, at least prior to the current student strike, was politically unimportant. As of early 1951 this youth group had an estimated membership of 105.

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The Patriotic Front, on the other hand, is important politically. It was formed in 1944 and claims the 7,500 adherents requisite for formation of a Panamanian political party. Its newspaper, controlled by nationalistic, non-Communist Harmodio Arias, is reportedly the most influential in Panama. Its leader, Jorge Illueca, is reported to be under Harmodio's influence. Though a number of Communists have infiltrated the organization and have made common cause with the chauvinist members in their political activities, the Communists have been in control of the organization.

The People's Party is not believed capable of making a major contribution to Panamanian instability. Party membership in recent years has been estimated as approximately 800, but an estimate made in December by the US Embassy in Panama gives a figure of only 700.



The high point of Communist activity in 1951 was the cost-of-living demonstration on 10 July, a Communist-inspired movement with widespread political support. An attempt to repeat the demonstration 20 days later was a failure, however, despite the fact that there was no significant change in the economic situation. Evidence indicates that the failure was caused by exposure of the Communist leadership of the first demonstration.

The present crisis has its origins in the campaign for next May's presidential elections. It began to reach serious proportions when the notoriously corrupt former police-chief Remon was nominated last October, setting off a particular bitter campaign which has seriously divided the country and which poses a continuing threat to stability. In the event that the government is overthrown, the Communists may attempt to profit from the general disorder, but there is no indication that the party has the potential for playing a significant role in Panamanian politics.

SPECIAL ARTICLETHE CHILEAN COPPER SITUATION

There has been considerable evidence in recent months that the Chilean Government is unable, and to some extent unwilling, to assure the uninterrupted flow of its total copper production to Western nations. This has been shown by Chile's divergence from certain terms of its copper agreement with the US and its failure to cooperate fully at the International Materials Conference. There are indications that Chile might even take steps to abrogate the US-Chilean agreement and possibly withdraw from the International Materials Conference. For these reasons, it is now uncertain in what quantities and at what prices Chilean copper will be available for Western defense needs in 1952.

Chile is the world's second largest producer of copper and the largest single foreign source of copper for the United States. Production during 1950 exceeded 360,000 metric tons, and the 1951 production may have been slightly higher. Expansion programs may bring the output to over 400,000 metric tons in 1952. About 95 percent of this copper is produced by three US-owned companies whose combined investments are estimated at 350 million dollars.

In the first ten months of 1950, Chile supplied about 44 percent of all US copper imports, and about 20 percent of United States consumption in 1950. While Chile, like other foreign sources, supplied the United States with less copper during the same period in 1951, it still accounted for approximately 55 percent of all US imports.

No direct Chilean copper shipments to the Soviet Orbit have been reported since May 1950. Italy, France, Brazil, Germany, and Britain in recent years have taken major portions of whatever Chilean copper was not taken by the United States.

In May 1951, the United States and Chile reached an agreement designed to settle differences involving the two countries and the large American companies. The agreement increased the price of copper sold to the United States from 24.5 to 27.5 cents per pound and established a quota of not higher than 20 percent of the large US-owned companies' production that could be exported by Chile to countries other than the US and also used for local manufacture and consumption. According to the agreement Chile was to take measures to assure that its exported copper will not be re-exported, and to make no sales to countries which are potential enemies, or for non-essential needs. The United States agreed to assist in carrying out expansion programs by providing essential equipment and supplies and, in the case of the smaller mining properties, to consider granting loans and providing engineers.

There is nothing in the agreement to prevent the shipment of all or part of the Chilean free-disposal copper to the US. The Chilean Government, however, has established a minimum price of 1,200 dollars per metric ton, f.o.b. Chile, for free disposal copper as opposed to the approximate 606 dollars per metric ton for the 80 percent of large-mine production which Chile agreed to make available to the United States.

Several factors on the Chilean domestic scene have militated against the smooth operation of the agreement, and have had a decidedly unfavorable effect upon the government's attitude toward serving Western interests. First, Chilean political parties since early 1951 have been working toward the September 1952 presidential election, and the copper problem has become an increasingly bitter political issue. The US-Chilean agreement is unpopular, and strong criticism involving "the inadequate 20 percent quota" and "the low price paid for copper by the United States" is being leveled against the administration, the Washington government, and the producing companies.

Second, Chile is short of dollars. Bad crops, the increased need to supplement local food supplies by imports from other areas, inflation, and the government's ineffectual economic policy have caused pressure towards a higher price for copper instead of increased taxes. Finally, graft and dishonesty among some high officials who stand to gain in copper deals have probably contributed to the administration's ill-defined copper policy.

Chile has diverged from the terms of the May agreement with respect to export controls on its free-disposal copper and by not cooperating in distributing exports for essential needs. Chile accepted the recommendation of the International Materials Conference only with respect to the large-mine production -- that is, the production specifically available for purchase by the United States.

In spite of assurances given in the agreement, and verbal assurances by President Gonzalez Videla, the Minister of Economy and Commerce has displayed an admittedly noncooperative attitude on the matter of transshipment. Using 1950 production statistics as a frame of reference, free-disposal copper for the first year of the agreement would amount to approximately 100,000 metric tons, including the small and medium size mines' output and some 27,000 metric tons allocated to local fabricators by ministerial resolution prior to May 1951.

Quickly earmarked for domestic consumption were 5,000 metric tons and between May and October 1951 the government issued allocations for more than half of the free-disposal copper. No specific period for these allocations was given. While the allocations have probably been changed, it is significant that a substantial part of this copper was scheduled to go to countries in which there are well-known transshipment points and in quantities considerably in excess of normal exports to those areas. Further, there has been considerable evidence of cases in which the Chilean Government has authorized

the sale of free copper to European firms known and reported by US missions as East-West traders; [redacted]

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[redacted]

In addition to the transshipment problem, there is the matter of proposed legislation in the Chilean Congress which could militate against certain terms of the existing agreement with the US, and which could adversely affect the International Materials Conference recommendation on copper. One bill already passed by the Chamber of Deputies and pending before the Senate provides that the President "will" periodically fix the export quota for copper to be sold by the large companies, that is, the US-owned companies.

An article of another proposed law would authorize Chile to make sales abroad directly. The US Embassy in Santiago stated in December that "a real danger exists" regarding this type of legislation, and that it may be politically inexpedient for the Chilean Government combination to accept any measure not containing something similar to the first provision. Both provisions could pave the way for an increased diversion of copper to the Soviet Orbit.

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[redacted]

Considering the Chilean position on copper in the last six months, and in view of the approaching election, it is doubtful that the present Chilean Government will cooperate on the copper problem unless it obtains a satisfactory price increase from the United States.