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9 October 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. Embassy Moscow comments on Stalin's atomic bomb interview: The US Embassy in Moscow characterizes Stalin's Pravda interview on the atomic bomb as a "strong, aggressive" statement directed particularly to the United States. The Embassy suggests that the Kremlin may consider the Soviet atomic weapons program now sufficiently advanced to warrant a belligerent attitude toward the West and reassurance to the Orbit that the armament gap has been spanned.

The Embassy does not see in Stalin's references to controls any increased possibility of a compromise control solution. It feels that his statement was apparently intended to frighten the West into accepting the Soviet control scheme, since agreement even on the USSR's terms previously offered in the UN was not mentioned. [REDACTED]

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Comment: Stalin's admission that the USSR now has developed and tested the atomic bomb follows the USSR propaganda theme on atomic energy adopted last August. At that time, in contradiction to the Russians' earlier line, the Presidium of the Supreme Soviet announced that "only after a ban on atomic weapons is imposed can atomic power be truly utilized for peaceful purposes."

In view of the publicity given to US development of atomic weapons, the USSR undoubtedly wishes to impress upon the world that the Soviet armed forces also possess strength in the same field. Stalin's timing was probably determined by the official US announcement; what he said was obviously phrased to reconcile the development of the bomb with the various lines of the Soviet "peace campaign."

2. YUGOSLAVIA. Government attempts to circumscribe size and authority of US military aid staff: The Yugoslav Government has requested that the US-Yugoslav bilateral military aid agreement be amended to specify that the US military advisory group operate as part of the office of the Military Attache and not as part of the US Embassy as the agreement now reads. It also insists that the US military staff total not more than 15 or 16 including 6 to 8 officers and that the supervision of the use and condition of arms supplied by the US be confined to Yugoslav proving grounds. The Foreign Office official who presented the Yugoslav views appeared somewhat embarrassed defending the Yugoslav position and expressed hope that the points of difference could be settled before or during General Collins' visit. [REDACTED]

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Comment: Although the draft of the bilateral military aid agreement was handed to the Yugoslav Government on 5 September, Yugoslav

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efforts to circumscribe the size and authority of the US military group have delayed its signature. The Yugoslav Government has resisted a US compromise plan that the US military supervisory group initially total 30 persons operating as part of the US Embassy and responsible to the Ambassador. Yugoslav military officials have also attempted to limit the supervisory powers of the group. The Yugoslav attitude can probably be explained in part as an attempt to avoid a repetition of its experience with the Soviet military mission prior to the Cominform break, but it also reflects the regime's deep-rooted suspicions of the West.

3. Cabinet reorganized: The Yugoslav Government has abolished the Ministry of Foreign Trade and distributed its functions among three other governmental agencies: the Economic Council, the Ministry of Finance and the Ministry of Foreign Affairs. Four economic councils of the government primarily concerned with heavy industry were also abolished and their functions taken over by a newly organized Council for Industry and Building under the direction of Svetozar (Tempo) Vukmanovic, candidate Politburo member and previously Minister-Chairman of one of the four abolished councils. Former Foreign Trade Minister Milentije Popovic became Minister of Finance and the former Minister of Finance was appointed a member of the Economic Council.

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Comment: The Cabinet shakeup is apparently the latest step in the Yugoslav efforts to improve its economic and financial system. In April the government abolished several economic ministries and transferred their operative functions to the republic governments in an effort to increase local initiative and eliminate bureaucracy. There have been recent reports that a reshuffle of the Ministries of Foreign Trade and Finance was imminent and that one of the two ministers would be replaced. The appointment of Popovic as Minister of Finance indicates that his status has not been affected, while the appointment of the former Minister of Finance as a member of the Economic Council does not indicate that his position is insecure. One Politburo member, Franc Leskovsek, lost his Cabinet position as a result of the reshuffle, but there is no evidence indicating that his Party stature is declining.

4. Tito attacks Western critics: In a speech before 50,000 people in Serbia, Marshal Tito stated that "the West has Yugoslavia for an ally on all questions concerning equal relations among nations, the independence of small countries, and the preservation of peace." Although he characterized Western aid as resulting from a desire to create a strong and firm Yugoslavia rather than from an attempt to influence or subvert, Tito warned of the presence of enemies in the West, particularly the Catholic Church. He observed that the West appeared ready and willing to

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25X1 support Yugoslavia when she opposed the Russians, but that there was no support for "our building socialism." Tito denied that the reorganization of the state administration was a result of pressure from the West.

Comment: This statement illustrates a recent tendency to attack those elements in the West who pose a threat to the type of aid acceptable to the Tito regime. Otherwise the speech is merely an additional attempt to justify Western aid and continued devotion to the building of real socialism in Yugoslavia despite the hostility of critics and enemies abroad.

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SECTION 2 (EASTERN)

1. INDOCHINA. Sino-Viet Minh solidarity emphasized: The US Charge in Saigon reports that the theme of Sino-Viet Minh unity has received unusual emphasis in recent Viet Minh broadcasts. Only by "perfect cooperation" between the two countries, the broadcasts have argued, could victory be achieved. The Charge speculates that such arguments may be in the nature of preparation for increasing Chinese domination of the Viet Minh. [redacted]

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Comment: There are occasional reports that many Viet Minh leaders resent the growth of Chinese Communist influence over the Viet Minh, but these reports remain unconfirmed. Outwardly, Viet Minh and Chinese Communists have maintained complete accord.

2. PHILIPPINES. Pre-election violence continues but registration proceeds: Pre-election violence continues, with the greatest number of incidents occurring in Central Luzon. It is often impossible to differentiate between acts committed by Huks and those by the rival parties or intra-party factions. Registration as a whole, however, has proceeded with no more than the usual delays. Defense Secretary Magsaysay has received bi-partisan commendation for his apparently determined efforts to use the armed forces to full advantage in protecting the electorate. [redacted]

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Comment: Magsaysay's integrity is generally accepted, and with President Quirino outside the country he has virtually a free hand in his policing efforts.

3. CHINA: Functions of Chinese Communist Party departments are clarified: [redacted]

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clarifying the functions of the CCP's departments of Organization, United Front, Information, and Social Affairs. [redacted] (1) the Organization Department (Orgburo) -- which maintains the central register of Party members, recommends personnel assignments to Party organs from the Politburo down, receives the reports of the regional and provincial bureaus and inspects the government administration -- is the "most influential" department, as the other departments "cannot avoid consulting it" in their various activities; (2) the United Front Department, ostensibly responsible for "cooperating" with the non-Communist parties attached to the regime, actually has the job of reducing those parties to "puppets," a task facilitated by the dependence of these parties on the CCP for funds, government control of their activities, the high proportion of fellow-travelers in these parties, and, most important, extensive infiltration of these parties by covert members of the CCP;

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(3) the Information Department -- concerned with indoctrination of Party members, cultural activities and publicity -- controls what Party members may read and be taught, directs education of all kinds in the government, armed forces and private organizations, establishes the line to be followed in all propaganda media, and is involved in censorship; and (4) the Social Affairs Department appears to be the CCP's "intelligence arm," responsible for supervising and coordinating the work of all intelligence agencies and checking on the security of the regime's key personnel and Party members. [redacted]

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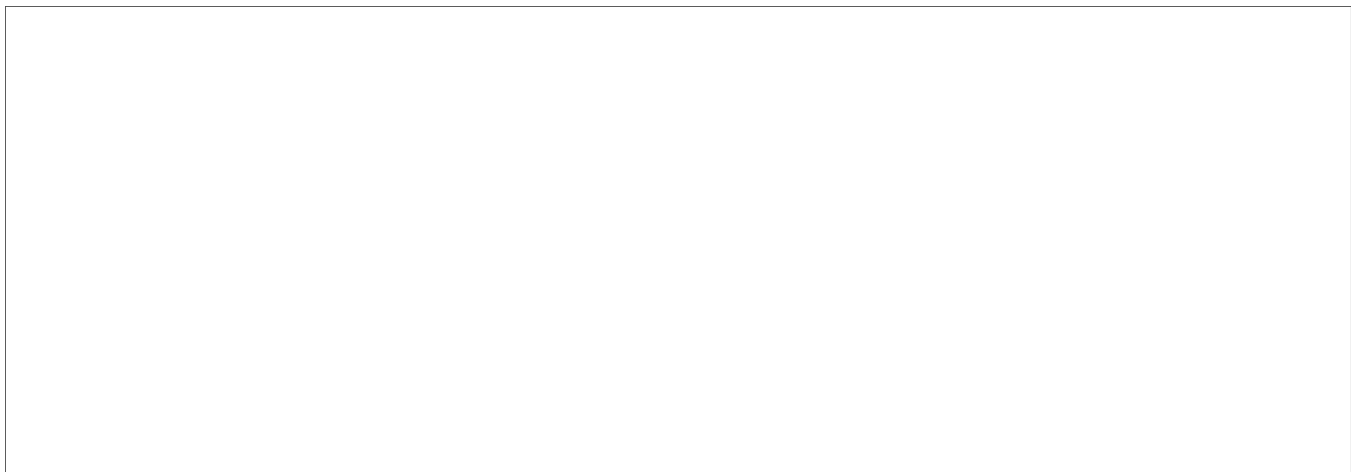
Comment: [redacted] the functions of the CCP's four principal departments is generally confirmed [redacted]. The activities of the Social Affairs Department, however, are still largely obscure; while this department apparently has an intelligence and security function, its jurisdiction has not been reliably defined. The organization of the CCP approximates that of the Communist Party of the Soviet Union, and the chief of each of these CCP departments is a confirmed Stalinist.

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6. Peiping publicizes Stalin's interview on Soviet atomic developments.
 The Peiping People's Daily, the official organ of the Chinese Communist Party, characterizes Stalin's interview on Soviet atomic developments as a "great inspiration for world peace" and as a guarantee of the security of the Soviet bloc. The newspaper quotes Stalin's argument that Soviet achievements in the development of atomic weapons will persuade the US that there is no advantage in "atomic militarism," thus making possible the prohibition of atomic weapons on Soviet terms. Vyshinsky is also quoted as declaring in 1949 that, should the USSR "unfortunately happen" to need atomic weapons, it will have "as many as will be required." [redacted]

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Comment: In the past, Peiping has rarely commented on developments in the field of atomic energy, and has minimized the capabilities of atomic weapons. Peiping's line will presumably change to emphasize Soviet equality with or superiority to the US in this field.

7. Italians plan truck shipments to Chinese Communists: According to the Hong Kong government, a group in Genoa is planning to ship used trucks valued at 100,000 dollars to Lisbon or Tangier for transshipment to Macao. From Macao, the trucks will go to Communist China. [redacted]

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Comment: Direct shipments to Macao are considered suspect by Western export control officials [redacted]

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8. Polish vessel bunkers at South China ports: [redacted]
 [redacted] the Polish vessel Kilinski (7,612 GT), which recently

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arrived at the South China port of Whampoa, obtained bunkers that had been shipped to Whampoa in railroad cars.

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Comment: With Polish-flag ships finding difficulty in buying bunkers elsewhere in the Far East, China is being called upon to supply the needed fuel. The pinch will be felt particularly by Whampoa, now an important port of discharge for vessels in the China trade. A large part of Whampoa's supplies of fuel comes from non-Orbit sources, mostly smuggled via Macao and Hong Kong. The demands of Polish vessels, however, may require an addition to smuggled supplies and force increasing diversion of stocks from the north, with a consequent tax on China's limited rolling stock facilities.

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10. Extent of Communist military control of Tibet reported: The Indian press reports that Chinese Communist forces are now "in full control" of the road leading from Lhasa southwest to India, and that an air base has been built at Chamdo, almost 400 miles northeast of Lhasa.

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Comment: The terms of the Sino-Tibetan agreement of 23 May 1951 provided for the movement of Communist troops into Tibet with the cooperation of the Tibetan authorities. Peiping Radio's claim that Communist forces are in Lhasa. It would be reasonable to suppose that some of these troops had been dispatched to man fortified points on the road from Lhasa south to India.

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No other reports of the construction of an air base at Chamdo have been received. Since confirmation is lacking, and since Indian press stories on Communist activities in Tibet have proved notoriously unreliable in the past, this report should be regarded with reserve.

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11. KOREA. Rhee predicts imminent victory: According to a US news source, South Korea's President Syngman Rhee in a 6 October speech in southwestern Korea said that the Korean war is almost won. He added that his troops would defend the Yalu river. [redacted]

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Comment: Rhee is frequently prone to overlook the military realities of the situation. This latest pronouncement would seem to be in furtherance of Rhee's suspected campaign to terminate the cease-fire talks and to get on with the war.

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13. Chinese Communist armored division moves farther east: On the basis of aerial sightings of well-camouflaged tanks in the Chinese Communist 47th Army sector of the central front, the US Far East Command has accepted the Chinese Communist 1st Armored Division in the vicinity of Sojae-dong, 10 miles east of its last reported position. [redacted]

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Comment: It is probable that this move was made to counter any UN penetration that might occur in this sector in the course of the current UN "limited offensive." An additional, although speculative, possibility is that this armor is organic to the Chinese Communist 47th Army as was reported by a defected Chinese Communist lieutenant colonel from the 47th Army.

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SECTION 3 (WESTERN)

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2. FRANCE. Friction developing between US troops in France and the local population: The US Embassy in Paris is concerned over the serious friction that is likely to develop between US troops in France and the local population. The presence of foreign troops on French soil inevitably recalls

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the German occupation, and hence provides fertile grounds for effective Communist distortion and magnification of local incidents. Language barriers, the superior pay and facilities of the US soldier, and the psychological risk in transferring troops from occupied Germany to France constitute sources of serious tension.

The Embassy considers that prompt attention to this problem is of primary importance in building Western morale. In discussing possible remedies, the Embassy emphasizes that French officials should take the lead in arousing a popular consciousness of the Communist propaganda "game" and provide competent public information officers to explain the real reason for the presence of US troops and installations. [redacted]

25X1

Comment: [redacted] resentment toward US troops has been increasing in the UK and is to be feared in Morocco. In France, such resentment is not yet known to have reached serious proportions, but will be augmented by the growing French aversion to US leadership in such matters as the ECA productivity drive and East-West trade restrictions.

3. BELGIUM. Increased coal production would be vital defense contribution: The ECA Mission in Brussels comments that, although the major solution to the West European coal shortage rests with the UK and West Germany, Belgium could assist by increasing its coal production from approximately 30 to 34 or 35 million tons annually for the next year or so. At the same time, it could reduce present high production costs, and thus make lower prices possible. This would be an important single contribution to increased defense production. Counterpart funds could be used to stimulate the program and the expenditure "should be considered as for defense purposes." Investment in the coal industry would also strengthen the whole Belgian economy, resulting in a more efficient production of military items, decreasing dollar coal imports, easing the shipping problem, and achieving a better competitive position within the Schuman Plan. [redacted]

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Comment: The high cost of Belgian coal, utilized in a major part of the country's defense production, and the Belgian reluctance to deal with the problem realistically have been under continual fire. Modernization of the Belgian coal industry, resulting in reduced costs of defense items, could also eliminate some of the major criticism that Belgium is not pulling its weight in the total defense effort.

4. Belgium seeks support for claims on Germany: The Belgian Foreign Office feels that, in view of the "present psychological climate in Germany," a "slight push from US authorities" would be useful in obtaining about 14,000 uninhabited acres northeast of Elsenborn to be used to expand the present and only tank firing range in Belgium. Also, it is planned to

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establish a training school for the Benelux countries and Denmark there. In return, Belgium offered to relinquish all other territorial claims, except for the Vesdre River watershed. The Belgian Foreign Office is not enthusiastic about the German proposal that the area be "Europeanized."

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[Redacted]

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Comment: [Redacted] Belgium will remain adamant against relinquishing its border claims on Germany unless the Elsenborn area is offered in return. The Belgians have been informed orally, however, that the US has no wish to enter into the Belgian-German frontier negotiations.

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[Redacted]

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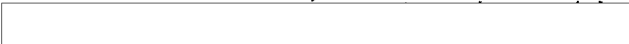
[Redacted]

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7. SWEDEN. Soviet-Swedish relations deteriorating: The US Embassy at Stockholm reports that Soviet-Swedish relations are slowly but steadily worsening. A Soviet naval attache employee has been expelled for espionage, and the Swedish press has reacted strongly against the diplomatic privileges accorded Soviet representatives. Each of the countries has intensified press and radio attacks on the other. As a result, Sweden is becoming increasingly security-conscious. 


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Comment: Sweden's traditional Russophobia is poorly concealed by its official neutrality. Greater security consciousness and measures are highly desirable.

8. MEXICO. Government regulates the export of copper and mercury: On 6 October, the Mexican Government assumed control over the export of copper and mercury. According to a decree appearing in the official bulletin, these products cannot be exported in the future without permission from the Department of Economy. 

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Comment: Although producers and exporters have, in general, cooperated with the US to prevent the export of strategic materials to Communist countries, some Mexican copper and mercury has apparently reached the Soviet Orbit. This new decree will help to prevent such shipments.

9. ARGENTINA. Inter-American Press Association to discuss La Prensa case: The Under-Secretary of the Uruguayan Foreign Office has informed the US Embassy in Montevideo that his government is "nervous" concerning the meeting of the Inter-American Press Association, because it fears the meeting will concentrate heavily on Argentina's infringement on freedom of the press. The association opened its five-day meeting in Montevideo on 8 October. The Uruguayan official stated that his government, in line with its current policy of "not rocking the boat" in relations with Argentina, had done everything possible to disassociate itself from the conference 

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Comment: Over 300 newspapers and publications are expected to be represented at the meeting of this non-government association. This is the association's first opportunity to make a public airing of the case of La Prensa, which the Argentine Government expropriated earlier this year.

Representatives of the government-dominated Argentine newspapers can be expected to make every effort, including bribery, to persuade individual

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newsmen to echo the Argentine theses regarding non-intervention in the domestic affairs of a sovereign nation and regarding its recovery of "justicialist" press freedom from the hands of capitalist interests, represented in Argentina by La Prensa. The timing of the meeting is unfortunate, because the Argentine Government will use the inevitable denunciation of Argentine press censorship as pre-electoral propaganda to "prove" that the US is trying to influence the Argentine elections.

10. CHILE. Recent report of uranium deposits exaggerated: The US Embassy in Santiago states that the recent press announcements of the discovery of uranium in Chile are merely the outcome of an exploratory survey made many months ago by two US Atomic Energy Commission geologists. The geologists' report was hardly sensational. The Embassy states that the "timing of the overly optimistic press statement seems chiefly to distract public attention" and that the "Foreign Office is known to have mislaid the report which was found less than a month ago." 25X1
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SUPPLEMENT

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SECTION 1 (SOVIET)

1. YUGOSLAVIA. Yugoslav Government reportedly considers early settlement of Trieste issue likely: An AP correspondent in Belgrade has informed Ambassador Allen that his recent press story regarding a Trieste settlement was based on a Yugoslav press officer's statement that the Trieste issue had been "settled" by a decision of the three Western powers to divide the Free Territory on the basis of the status quo. On the basis of his contacts, the AP correspondent is convinced that the Trieste issue will be settled by late November. Ambassador Allen comments that the correspondent does have good contacts and is "usually a cautious reporter." However, Allen knows of no basis for thinking that the Yugoslav Government might be prepared to yield more of Zone B than Capodistria. [REDACTED] 25X1

Comment: There is no evidence to support the AP man's belief that the Yugoslavs anticipate an early settlement of the Trieste issue. Since the postponement of elections in early September, the Yugoslav Government's attitude towards a compromise settlement with Italy has stiffened and neither government has made a bona fide effort to initiate discussions.

SECTION 2 (EASTERN)

2. BURMA. Nehru opposes Burmese appeal to UN: Although Nehru recently told Burmese Prime Minister Thakin Nu that India would support Burma if it appealed to the UN regarding Chinese Nationalist troops in Burma, he argued that such an appeal would be unwise. [REDACTED] 25X1
Nehru told Thakin Nu he believed that the US and UK were taking all practical steps to settle the issue. Nehru said further that an appeal would only reflect unfavorably on Burma and might encourage the Chinese Communists to take strong measures in northern Burma. [REDACTED] 25X1

Comment: Nehru is highly regarded by Burmese officials and his advice probably will be instrumental in the formulation of Burmese policy in this matter. Following closely on the US-UK diplomatic efforts to forestall action in the UN, this advice will strengthen the position of those elements in the Burmese Government opposed to raising the issue.

3. KOREA. ROK to seek membership in UN again: According to the US senior delegate to the UN, the ROK observer there, Ben Limb, has received instructions from President Rhee to renew efforts to obtain ROK membership. Limb declared that the ROK's case should be considered concurrently with

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those of Japan and Italy. US observers at the UN, noting that proper timing is paramount in this case, believe that raising the issue now could be "very thorny" and would face an "almost certain Soviet veto."

[Redacted]

SECTION 3 (WESTERN)

- 4. AUSTRIA. French Foreign Office doubtful of tactical merits of abbreviated treaty plan: The US Embassy in Paris reports that the French Foreign office is pessimistic in its estimate of the probable psychological consequences to be anticipated from the introduction of the US-proposed abbreviated Austrian treaty draft. While agreeing that there are intrinsic merits in the abbreviated treaty proposal, the French suggest that the shortened treaty will be regarded as evidence of a lessened interest on the part of the West in an Austrian settlement -- an impression which the Austrians are likely to share; that the new treaty may introduce a "prestige factor" militating against an Austrian settlement; and that pressure on the Soviet Union to achieve an agreement will not be materially increased. The US Embassy believes that the French attitude will not be changed by a favorable response from the Austrian Government, and it suggests that the French and British positions on the proposal have been coordinated.

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[Redacted]

[Redacted]

- 5. FRANCE. Premier predicts Assembly approval of Schuman Plan and European Army: French Premier Plevin has told US Ambassador Bruce that in the National Assembly session opening 6 November he expects to have a comfortable majority for ratification of the Schuman Plan and for approval of the government's policy on the prospective European Defense Forces. Both Plevin and Vice-Premier Bidault, who recently expressed similar confidence to Ambassador Bruce, assume that the Gaullists as well as the Communists will vote solidly against a European Army.

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Comment: While this is the first reliable indication of the probable Assembly alignment on the Schuman Plan, intermittent reports have warned that it would meet serious opposition when submitted for ratification.

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