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1 July 1952

OCI No. 6431
Copy No.

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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State Department review completed

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GENERAL

1. BW campaign renewed in Moscow: The biological warfare campaign, which slackened off when the Koje atrocity charges were being emphasized, has been renewed through the medium of wall posters. Three posters given the widest circulation characterize American soldiers as skulking away from the scenes of their bloody crimes, cringing behind the UN flag. In the background are pictures of cholera bombs, gas tanks, packing cases labelled "Made in USA" with contents marked "infected insects," etc.

The captions read: "Hasten the departure of murderers from Korea," "Stop the criminals"; "Reckoning -- Evil doers will not hide from the anger of the peoples." [redacted] 25X1

25X1 [redacted] Comment: This re-emphasis on BW charges was apparently timed to coincide with the Kremlin's propaganda play on Malik's UN speeches on the Geneva Convention. The poster captions, with one exception, embrace the themes designated by the WFTU for emphasis in connection with the anniversary of the Korean war.

The use of the label "reckoning" appears to be Moscow's first implication of the possibility of retribution.

2. Soviet Orbit reaction to the Yalu bombings: World Communist comment on the recent UN bombing raids on North Korean hydroelectric targets was consistent in pointing to the raids as US efforts to force the Communists to accept UN terms at Panmunjom or break off the talks and continue the war in Korea.

Moscow so far has avoided the assertion made in Hungarian, Far Eastern and French Communist commentaries that the raids were a sign of a US desire to extend the war in the Far East.

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The targets were said to be non-military installations which are "indispensable to the peaceful life of the Korean people and adjacent Northeast China Provinces." Thus, atrocity accusations were furthered, and any reference to the military nature of the targets was avoided.

The Moscow press was quick to take up world public reactions, particularly Western, which showed dissension in the Western camp.

A boycott of American goods in protest against the bombing of the Yalu power plants has been urged at a public meeting organized by the Bombay Peace Committee.

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SOVIET UNION

3. Induction of troops reported from Moscow:

[Redacted]

[Redacted]

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Comment: This is the first evidence of inductions in the USSR this spring. Induction of the bulk of the class of 1932 has been expected. Call-up of the class of 1933 cannot be accepted solely on the basis of a single instance. Although elements might be expected to be called up this fall, the bulk of the class would probably be called up in the spring of 1953 if the pattern of recent years were to be followed. Inasmuch as the classes presently in service are all of reduced size as a consequence of the famines of the early 1930's, the call-up of the normal-size 1933 class may have been advanced to maintain the over-all strength of the Soviet armed forces and prevent excessive delay of scheduled demobilizations.

In this latter connection, there has been no evidence to date of the initiation of the rotation of Soviet conscript classes in Germany and Austria. This rotation, which is routine for this time of year, may have been delayed pending call-up of the class of 1933.

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EASTERN EUROPE

4. Czechoslovakia said to be sending 200 representatives to stimulate trade with the West: On 30 May Antonin Gregor, Czech Minister of Foreign Trade, stated [redacted]

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[redacted] that he would send about 200 representatives to the West in June and July to build up Czech export trade. The Czechs hope to attract foreign buyers with quality items and special price arrangements for glass, textiles and machinery. [redacted]

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Comment: Czechoslovakia's production of such items as glass, textiles and machinery, which formed the basis of its trade with the West, has been very sharply curtailed under the stepped-up Five Year Plan. This fact, coupled with the reluctance of the Czech Government to permit any number of representatives to go into the West, makes it doubtful that the government is actually preparing such a move.

At present, Czechoslovakia appears to be emphasizing illegal means of obtaining essential strategic raw materials and foreign exchange.

5. Czech chemical plants in Slovakia reported to be producing

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poison gas: [redacted] three chemical plants in central Slovakia are producing poison gas, possibly for all the Satellites. One plant, located in Likier, is stated to be producing gas from wood under the direction of Soviet chemists. [redacted]

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Comment: Earlier reports, [redacted] have claimed that poison gases were being produced in Slovakia, especially at Novaky and Zemianske Kostolany. Mention was also made of the production in these plants of the nerve gases Sarin and Tabun. None of these reports have been confirmed.

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The Likier plant is known to produce wood distillates, such as methanol and alcohol. At present, however, no poison gas is known to be manufactured from wood.

6. Hungarian coal miners' absenteeism provokes party ire: The Hungarian party newspaper criticizes the management of the Diosgyor coal mines for not getting better results during the first quarter, although conceding that they fulfilled their quota. The article lays particular blame for underproduction on the so-called "amphibious" miners who own farm land in the country and work in the mines. Severe penalties are threatened for miners who stay home to do agricultural work. [redacted]

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Comment: The elimination of the "amphibious" miners is a declared object of Hungarian planning policy. Construction of housing facilities in the mining towns, now assertedly in progress, must come before the problem is solved. Meanwhile, the basic lack of manpower that afflicts the economy is illustrated by the order to "everyone who can move" to work on the harvest, and the concurrent injunction on miners to cease working their own fields.

7. Hungarian kulaks punished for failure to surrender fat hogs: The Hungarian trade union newspaper reported on 26 June that three kulaks were sentenced to prison terms and fines for failure to surrender fattened hogs. One peasant had his property confiscated. [REDACTED]

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Comment: Pressure by the Hungarian Government to secure fulfillment of surrender quotas from reluctant peasants has been growing. On 21 June the Minister for Produce Collection told a meeting of the chairmen of the executive committees of the Budapest Municipal Council and county councils that any arrears in produce collection would cause serious damage to the economy. Sanctions already have been applied against six collectivized villages which failed to deliver their quotas. The application of sanctions against kulaks completes the picture of a toughening demand for fulfillment of the Plan in all sectors of Hungarian economic life.

8. Possibility of new party triumvirate taking over in Hungary: [REDACTED] Erno Gero, No. 2 party leader of Hungary, Jozsef Revai, party ideological leader, and Mihaly Farkas, Minister of National Defense, have moved their homes to a new location in the vicinity of that of party leader Rakosi. Unusual security measures have been taken in the area of their new residences.

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[REDACTED] believes that the move may be connected with rumors of the establishment of a triumvirate composed of Revai, Gero, and either Gabor Peter, Chief of the State Security Police, or Istvan Kovacs, Politburo member. [REDACTED]

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Comment: There are no firm indications that such a triumvirate will take over in the near future, but political changes would not be unexpected in view of the Soviet-inspired criticisms and arrests for failures to fulfill planning targets that have been in progress since May.

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Revai was rumored in May to have returned from Moscow following treatment for his serious heart condition. His illness would appear to exclude an active political role.

The purge of Rakosi has been forecast repeatedly, especially since Stalin failed to send birthday greetings last March.

9. Soviet repatriation continues in Rumania: On 26 June, the Rumanian press and radio announced that Soviet consular officers in Rumania are extending repatriation formalities. Soviet citizens who came to Rumania between 1941 and 1945 were told to address all inquiries to the Soviet Embassy in Bucharest or the Consulates at Constanta, Cluj, or Iasi.

A diplomatic source has informed the American Legation in Bucharest that Russian mechanics and low-level technicians, as well as some groups from the West, are being sent home.

[redacted] states that one Bucharest hospital has been instructed, for unspecified reasons, to compile a list of all Russians (including Bessarabians) on its staff.

Comment: All natives of Bessarabia and Northern Bukovina became Soviet citizens when the USSR annexed those territories and are therefore subject to forcible repatriation to the Soviet Union.

Thirty-one Italians were suddenly ordered to leave Rumania earlier this month. These moves may be connected with the evacuations from Rumanian cities and unconfirmed reports of considerable unemployment.

10. Rumanian purge continues: Three more high officials of the Rumanian Government have been dismissed. Gogu Radulescu has been replaced by Marcel Popescu as Assistant Minister of Foreign Trade; Marin Bianu has been replaced by Alexandru Ion as Assistant Minister of the Interior; and Alexandru Voitinovici has been succeeded by Anton Tatu-jianu as Prosecutor General.

The Swiss Charge has informed the American Legation in Bucharest that the private secretaries of both Radulescu and Foreign Trade Minister Barladeanu -- whose fall is allegedly imminent -- were arrested two weeks ago when the Customs Director, Bogdan, was reportedly discharged. [redacted]

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25X1C Comment: Marcel Popescu has been in charge of Rumanian trade relations with the USSR, and has often been in Moscow. Bianu follows his former chief, Teohari Georgescu, in being purged from the Ministry of the Interior.

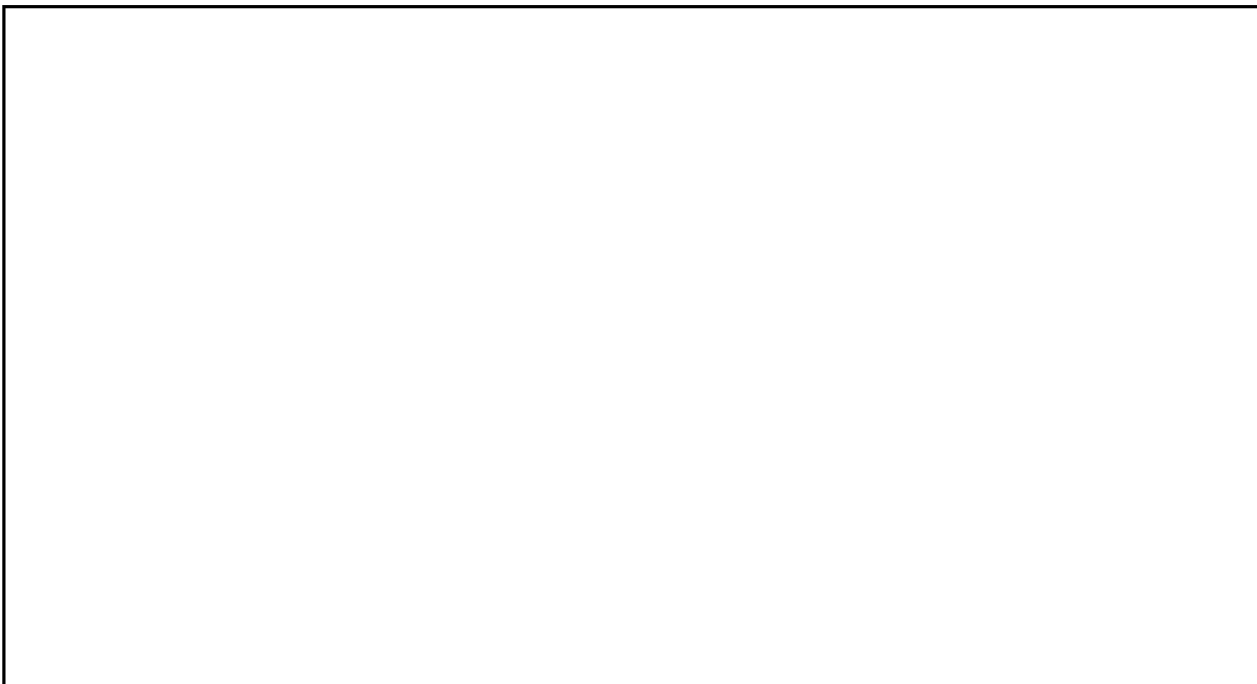
The dismissal of Voitinovici as Prosecutor General follows last month's reorganization of the Rumanian judicial system. On 24 June the press hailed the new court system as a means of liquidating "right-wing deviations" and speculators, kulaks, and others who have not been receiving "just punishment."

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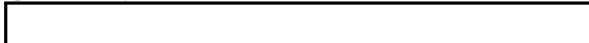
FAR EAST

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12. New approach regarding Americans in China suggested:
The American Consul General in Hong Kong notes that only four Americans imprisoned in China have been released in the past six weeks. He suggests that the new Indian Ambassador to Peiping be requested to make a new approach, pointing out that Chou En-lai's "earlier assurances" have not been made good.



Comment: Chou told [redacted] almost all imprisoned missionaries, not specifically imprisoned Americans, would be released by the end of June.

About 100 missionaries, mostly Catholics, have left China in the past month. At least 1,000 remain, and more than 100 of them are still in jail. Approximately 50 Americans are in prison or under house arrest.

13. North China railroads overloaded: [redacted]
[redacted] reported on 27 June that railway station officials told an Embassy staff member that they had orders not to accept any freight for three weeks. [redacted] knew of no unusual activity which might have tied up the railways,

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but thought the ban could indicate important military movements or be connected with deliveries of recently harvested grain.

[REDACTED]

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Comment: Heavy military movements may well have caused this ban. The Communists previously have not interrupted commercial freight traffic during the harvest season.

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14.

[REDACTED]

15.

Communist agency in Hong Kong finally agrees to register: The Hong Kong branch of the Chinese Communist official news agency agreed last week to register under the colony's press ordinance. [REDACTED]

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Comment: The Hong Kong government ordered the news agency in April to register but twice extended the deadline when the Communists offered excuses for not registering.

The Communists evidently have hoped, by a combination of stalling and implied threats, to avoid registering their agency. As this report states merely that the agency had "agreed" to register, not that it had in fact registered, this hope may not yet have been abandoned.

16.

China seeks increased trade with Pakistan: March and April reports to Karachi from the Pakistan Embassy in Peiping revealed Chinese approaches to the Pakistanis for increased trade between the two countries. In their conversations with the Pakistanis, the Chinese deplored the Western trade embargo and asserted their willingness to trade with any country on a "mutually beneficial" basis. [REDACTED]

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Comment: China's imports from Pakistan--mainly cotton--have been larger thus far in 1952 than imports from any other non-Orbit country. These imports have caused a large drain on Peiping's foreign exchange, since exports to Pakistan have not been appreciable. The "mutually beneficial" basis envisaged by Peiping for its trade with Pakistan would entail an expansion of its exports rather than imports.

17. French colonials seen losing grip in Indochina: 25X1
Commenting on the deep rift between the old-line colonials and the more progressive elements among French administration officials in Indochina, a long-time [redacted] in Tonkin has expressed the belief that colonial-minded French Interim High Commissioner Gautier's controlling influence cannot last much longer.

He adds that the ultraconservative group to which Gautier belongs is controlled by major French financial interests, particularly the Bank of Indochina, whose objective is to have "their man" in control on "the day of reckoning," to ensure being paid in something more substantial than Vietnamese national bonds. [redacted] 25X1

Comment: Since assuming his duties as Minister-Resident to Indochina in April, Letourneau has appointed a new group of young French officials to key advisory positions in Saigon, replacing some old-line colonials.

In any event, the small group of conservative business interests holding a stake in Indochina are no longer capable of exerting a major influence on the National Assembly's Indochina policy.

18. Burmese Government seizes propaganda material from pro-Communists: The Burmese Government has confiscated propaganda material carried by delegates of the pro-Communist Burma Trade Union Congress (BTUC) upon their return from the Peiping May Day celebration.

The American Embassy in Rangoon comments that this action is a reversal of the government's previous policy towards Burmans returning from trips to Iron Curtain countries and that it indicates resentment at the delegates' excessively long visit to China. [redacted] 25X1

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Comment: This incident is the latest of a number of recent indications that the government has adopted a policy of firmness against its Communist as well as non-Communist opposition.

- 19. Burmese War Office concerned over lax discipline in army: Reports of depredations against civilians by ill-disciplined Burman troops in Arakan has caused the War Office to commence an investigation and to admonish field commanders to intensify training in discipline.

The American Embassy in Rangoon comments that although the rapid expansion of the army appears to have outstripped the supply of competent officers, it believes that the Defense Minister and the Supreme Commander are seriously attempting to establish good discipline and esprit de corps.

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[redacted]

[redacted]

Comment: This is the latest manifestation of ill-discipline among Burman troops, which has often been cited as one source of continued hostility towards the government. The Defense Minister and the Supreme Commander in the past have condoned, if not encouraged, excesses on the part of regular and irregular government forces.

- 20. Indonesian President's summer palace attacked: President Sukarno's mountain palace near Tjandjur, in West Java, was heavily attacked by 600 fully armed and uniformed Darul Islam troops on the night of 21 to 22 June. The dissidents withdrew after a four-hour attack during which they partially penetrated the palace grounds. A government announcement stated that the army suffered ten killed and several wounded.

[redacted] reported repeated clashes in the area of the President's palace from 18 to 22 June. [redacted] army casualties were quite high. [redacted]

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Comment: The Darul Islam (DI), a fanatic Moslem organization, has appeared increasingly ambitious in recent months and during the past eight weeks has been unusually active in West Java. Government forces reportedly were alerted for planned DI coordinated attacks upon large cities in West Java on 22 June, the Moslem New Year, and Djakarta police claim to have foiled a DI plot, also scheduled for 22 June, to assassinate high government officials and to create

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general disorder. However, attacks upon the President's palace appear to be the only efforts that achieved any measure of success.

NEAR EAST-AFRICA

21. Mossadeq reportedly belligerent toward Shah and Cabinet: Prime Minister Mossadeq adopted an arrogant attitude toward the Shah during his first meeting after his return from The Hague, [REDACTED]

[REDACTED] Mossadeq reportedly stated: "With me lies the road to heaven; without me lies the road to hell."

[REDACTED] in his first meeting with the Cabinet, he also showed anger toward his Finance Minister for not obtaining sufficient revenue. The Prime Minister expressed dissatisfaction with the government's propaganda department for not having given sufficient support to Iran's mission at The Hague. [REDACTED],

Comment: Mossadeq exhibited a similar attitude when he returned to Tehran last November after addressing the United Nations General Assembly in New York.

22. Israeli-Syrian meeting proposed to relieve border tension: American Ambassador Davis reports that Israeli Prime Minister Ben Gurion has confirmed that Israel would meet with Syrian representatives to discuss settlement of the disputed Lake Huleh area. Ben Gurion reportedly had not been briefed on the effect that resumption of drainage work by Israel on the east bank of the Jordan would have on Israeli-Syrian relations. He also stated that his government did not wish to provoke an incident and expressed interest that the matter was regarded as so important by the American Embassy.

Comment: United States representatives in Tel Aviv and Damascus recently warned of the danger of Syrian-Israeli hostilities if Israel resumed drainage work in the demilitarized zone east of the Jordan. The Lake Huleh area was the scene of bitter fighting last year.

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23. King Farouk requests Sirry Pasha to succeed Hilali Pasha as Egypt's Prime Minister: On 29 June King Farouk requested Hussein Sirry Pasha to form a new government in Egypt, following the King's acceptance of Hilali Pasha's resignation from the premiership. [REDACTED]

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Comment: The political situation in Cairo is still confused, and it is not yet certain whether Sirry will succeed in forming a cabinet. Sirry's appointment as Prime Minister, if successful, would bring into office another moderate, independent leader with a pro-Western outlook. Hilali's resignation after only four months in office, however, serves to emphasize the serious obstacles which any Egyptian Prime Minister must face.

Any new government will be under great pressure to achieve Egypt's aspirations in regard to the Suez and the Sudan. Nationalist anti-British activities, which were at a minimum under martial law, may at any time increase and lead to serious disorders.

In domestic affairs, the next Prime Minister will inherit the problem of corruption in the government, against which Hilali made no progress. The country's economy has deteriorated this year, not only because of Egypt's dispute with Great Britain, but also because of the diminished world demand for cotton. Moreover, the new Prime Minister is likely to be hampered by the same palace political maneuvering which is said to have been mainly responsible for Hilali's resignation.

24. Bolivia supports special United Nations session on Tunisia: Bolivia has notified the Secretary General of the United Nations that it favors a special session of the General Assembly to consider French activities in Tunisia.

As of 27 June, the United States had sent one of the four negative replies, as against 20 supporting the session. Thirty-six countries had not indicated their position. [REDACTED]

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Comment: Bolivia's action indicates that the new revolutionary government may be somewhat less cooperative than its predecessors, which tended to follow the lead of the United States in voting in the UN.

At present it appears doubtful that the necessary 31 countries will support the special session.

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WESTERN EUROPE

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26. COCOM terms Moscow Economic Conference a propaganda success:
At their 25 June discussions, COCOM members generally agreed that the Soviet-sponsored World Economic Conference was a "well-conceived" propaganda move to neutralize Western security controls. None of the COCOM countries has approved any of the trade agreements made at the conference, and specific transactions will be acted on only when export licenses are requested. No constructive proposal was made to combat the propaganda gains of the Moscow conference, nor was any plan offered to meet additional Soviet propaganda moves of this type.

All delegates except the French agreed with the Belgian delegate that the "challenge" to Western security controls should be met by making the Western position clear, although the delegates added that publicity on controls is the responsibility of each of the COCOM countries.

Several of the delegates restated their desire for an expansion of East-West trade compatible with mutual security

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interests. The Norwegian and Danish delegates called for "critical" examination of further additions to the international lists.

[REDACTED]

Comment: Initial discussions on the World Economic Conference were held by COCOM in early May. Last week's meeting was designed for the exchange of more precise information and suggestions for counterpropaganda moves.

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27. French Government plans systematic prosecution of Communist Party leaders: All top French Communist Party leaders will be brought to trial on charges similar to those facing Party Secretary Duclos, according to the Minister of Justice, although preparation of the prosecution may take as long as a year.

No classified documents have been found among the material seized by the government, but sufficient evidence has been unearthed to show a systematic gathering of information of military interest. Only a fraction of the ton of papers taken at Toulon alone has been analyzed to date. [REDACTED]

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Comment: The French Communist Party is vigorously pushing a well-organized campaign throughout France calling for the release of Duclos, who was arrested while directing the anti-Ridgway riots in Paris on 28 May.

Communist leaders are confident that no incriminating material has been found, but the party press is hedging by accusing the government of planting false evidence among the documents seized.

28. Reappraisal of US economic policy toward Italy considered essential: Western defense plans may be weakened and the success of democratic forces in the forthcoming Italian general elections may be seriously jeopardized if under-utilization of Italian resources continues, according to the Office of the Special MSA Representative in Paris.

Over-all reappraisal of American economic policy toward Italy is therefore considered essential at this time in view of the growing unemployment and unused productive facilities in that country. [REDACTED]

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Comment: American observers estimate that Italian defense efforts would utilize only one quarter of the hard goods capacity

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of Italian industry. US military orders in Italy will not increase this total significantly.

New procurement standards must be worked out, if high-cost Italian industry is to be utilized for Western rearmament.

LATIN AMERICA

29. Argentine revolt may be attempted in September: President Peron is too well entrenched and too well prepared for a successful uprising to be effected within the immediate future, [redacted] Plans for a large-scale revolt are being made, however, and the next attempt is tentatively scheduled for September 1952.

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[redacted] plotting was continuing behind the scenes and that an assassination attempt against Peron was always possible. [redacted]

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Comment: This confirms other reports that Peron has taken rigorous security precautions; his assassination, however, could precipitate a bloody revolt of doubtful outcome.

In early June one of the principals in the September 1951 revolt reportedly returned to Argentina clandestinely, but whether he is connected with the large-scale revolt planned for September is not known.

30. Colombian Congress nominates Ospina Perez for president: Both houses of the all-Conservative Colombian Congress unanimously approved a resolution on 24 June proclaiming ex-President Mariano Ospina Perez the Conservative Party's candidate for the 1954 presidential election. Members of Congress reportedly hope that Ospina will soon assume leadership of the party and end the strife between Gobiernista and Alzatista factions. [redacted]

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Comment: Because he has remained above party strife, Ospina Perez is the one man who can command the support of practically all Conservatives. During his administration he tried to conduct a bipartisan government, and retired from office in 1950 respected by Colombians of all political factions. He recently expressed a decision to return from Europe and resume an active role in Colombian politics.

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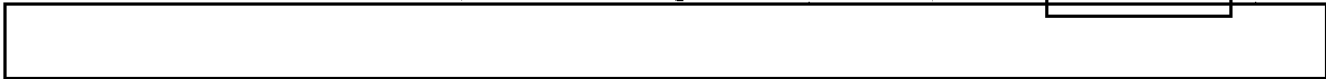
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Senator Gilberto Alzate Avendano's willingness to forget his own ambition for the presidency in 1954 is apparently a recognition of his inability to win. It is also another indication that the Conservative Party may soon present a united front.

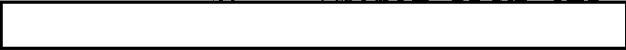
31. Seizure of bus line by Cuban Army may have serious political repercussions: President Batista's first clash with Cuba's influential and well-organized labor forces came as the Cuban Army took over the government-operated bus line in Havana, reportedly in order to improve the service and purge its labor union. Several union leaders, including the union's chief, Marcos Hirigoyen, one of Cuba's most influential labor leaders and also head of Accion Revolucionaria Guiteras, a politico-terroristic group, have been arrested.

Leaders of the non-Communist national Confederation of Cuban Workers, with whom the union is affiliated, are reportedly negotiating with the government for a settlement. If they are unsuccessful, there may be a general strike involving other CTC affiliates which desire to express their dissatisfaction with the government's delay in settling disputes.

Ambassador Beaulac reports that in view of the recent re-organization of the politico-terroristic groups in Cuba, a general strike could create an explosive situation. 25X1
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32. US Embassy lists possible reasons for Venezuelan break with USSR: The United States Embassy at Caracas believes that Venezuela's decision to break diplomatic relations with the Soviet Union was not based on any single consideration. As factors possibly contributing to the government's decision, the Embassy notes (1) a long-standing desire to put an end to diplomatic relations, (2) the hope of reducing Communist activity during the pre-election period, (3) the country's closer relations with Cuba, (4) a desire to show particular friendship toward the US in view of the various current negotiations between the two countries, (5) the highly-publicized action against the Communists in France, (6) a desire to counteract propaganda about Communists in the Venezuelan Government, and (7) the hope of diverting attention from the domestic political situation.



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Comment: The Venezuelan Government has still offered no public explanation of its action other than the "rudeness" of the Soviet Embassy staff in dealing with the arrest of the Yakushevs and the "unacceptability" of a subsequent Soviet note. The weakness of this explanation makes it appear probable that domestic political considerations and the desire for international approval weighed heavily in the decision to break relations.

33. Venezuelan police reportedly see widespread Caribbean plot 25X1C
against governing junta: [redacted]

25X1C [redacted] reports that Venezuelan opposition leaders, Communist groups in Mexico and Guatemala, and exiles from the Dominican Republic and Cuba are involved in a plot to overthrow the Venezuelan Government.

The Communist groups are said to have received "instructions from Russia" to give priority to the overthrow of the Venezuelan and Colombian Governments. This decision has reportedly been accepted by "the various Caribbean exile groups," since they all feel that Venezuela would offer a good base for subsequent movements against other dictatorships.

According to this report, a campaign against the Dominican Government will be initiated soon to divert attention from the preparations for action against Venezuela and Colombia. [redacted]

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Comment: Although the Venezuelan Government is genuinely apprehensive about the activities of its outlawed opposition, and thus tends to accept alarmist reports, many of its allegations of international conspiracy and of collaboration between Communist and non-Communist groups seem designed to enlist outside sympathy and help.

The recent concentration of Caribbean exile activity in Central America and the addition of Cuban "liberals" to the ranks of the "outs" have led to increased rumors of attacks on the dictatorships of the Caribbean area.

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1 July 1952

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TOP SECRET SUPPLEMENT

TO THE CURRENT INTELLIGENCE DIGEST

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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FAR EAST

1. Chinese battalions in Indochina reportedly repulsed: The ten Chinese Communist battalions which recently crossed into northwestern Tonkin are reported by the American Charge in Saigon to have returned to China after suffering heavy losses.

The mission of the force was to cooperate with the Viet Minh against French-supported guerrillas and in cutting river communications. The Sino-Viet Minh units are said to have suffered nearly 400 casualties, and a French official has stated that eight Chinese prisoners were taken. [REDACTED]

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Comment: The Chinese force, estimated at between 2,000 and 3,000 men, is the largest yet reported to have crossed into Tonkin, and is the first known to have suffered casualties there.

NEAR EAST - AFRICA

2. Arabs request Germany pay Israeli reparations to Arab refugees: Chancellor Adenauer has received a letter from the Chairman of the Arab Higher Committee for Palestine protesting the proposed reparation negotiations with Israel. The letter requested that any amount the German Government may desire to pay as reparations to the Jews be paid instead to Palestinian refugees "in compensation for part of their losses."

The German Government has not yet decided how to treat the request and is seeking to avoid publicity lest it adversely affect current negotiations with Israel.

The Syrian delegate to the United Nations has informed the US delegation that Syria and the other Arab states will probably raise the question in the United Nations of using German reparations to

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Israel to compensate Arab refugees from Palestine. [redacted]

Comment: Syria, Lebanon and Iraq previously requested the United States, Britain and France to support the use of any possible German payments to Israel as compensation for Arab refugee claims against Israel. The three Western powers have replied that they do not consider the two matters related and have added that this does not, however, affect their attitude on the question of compensation to Arab refugees from Palestine.

WESTERN EUROPE

3. Belgians apprehensive over future of their country's economy: The recently arrived American Ambassador in Brussels states that many Belgians, including government officials, are seriously concerned lest anticipated world economic developments have an adverse effect on the country's economy. Belgium feels that its competitive position might suffer under more difficult market conditions, and fears that there will be a general downturn in the free world's economic activity even before the rearmament program is completed. Belgium also believes that the policy of trade liberalization is losing support among the other European countries. [redacted]

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