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GENERAL

1. Britain renews opposition to Japanese membership in GATT: Britain has notified the Geneva secretariat of the General Agreement on Tariffs and Trade (GATT) that it opposes consideration of Japan's pending application for membership at the GATT session in October. The Board of Trade in London states that Britain will try to persuade other GATT members to adopt its view.

The American Embassy in London comments that Britain clearly intends to use all opportunities to delay a decision and defeat the application. If these efforts fail, Britain will attempt to persuade the other members to postpone negotiation of tariff agreements with Japan as long as possible. (C Geneva 15, 5 Aug 52; C London 684, 6 Aug 52)

Comment: This notification, two months in advance of the GATT meeting, occurs at a time when Britain is seeking reversal of sentences against two British sailors in Japan.

Britain has consistently opposed Japanese membership in GATT because it would entitle Japan to most-favored-nation treatment in world trade generally, and thus increase the pressure of Japanese competition. Britain's continued financial difficulties have fostered not only fear of Japanese competition, but also increasing sentiment in parliamentary and financial circles for withdrawal from GATT.

2. France reports Poland insisting on inclusion of strategic items in trade agreement: The French COCOM delegate has told American officials that, despite French unwillingness to take more of Poland's surplus supply of coal, the Poles are stubbornly insisting on the inclusion of certain strategic items in the French-Polish trade agreement.

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Polish difficulties in disposing of coal have led the US State Department to suggest that some countries such as Denmark and Italy would be under less pressure to include strategic items in their trade agreements, because the extra Polish coal could be procured in "secret three-way transactions with France." (S to Paris 693, 6 Aug 52)

Comment: Poland is aware that France is determined to expand trade relations with the East. On the basis of its coal exports to Western Europe last year, Poland still has about 2,000,000 tons of coal to dispose of in this market.

SOVIET UNION

3. Some German prisoners returning from the USSR: In June, 286 German prisoners of war returned from the Soviet Union.

They claim that there are still 4,000 prisoners in Stalingrad, 427 Wehrmacht members at Stalino, 143 at Schachty and 144 at Brianka. Prisoners who came from Brest Litovsk stated that another transport of more than 1,000 had just arrived there. (C Bonn 494, 4 Aug 52)

Comment: In the spring of 1950 the Soviet news agency proclaimed that all but "war criminals" had been released. There have been indications of a quiet repatriation in the past year, but official West German figures place the number of remaining prisoners at 70,000.

EASTERN EUROPE

4. Czech Foreign Office admits imprisoned American citizen has escaped: The Czech Foreign Office informed the American Embassy in Prague, in answer to a request to visit Jan Hvasta, that he had escaped from Leopoldov prison on 2 January and that the Czech authorities did not know his whereabouts. (S Prague 68, 5 Aug 52)

Comment: Jan Hvasta, an American citizen formerly employed at the American Consulate General in Bratislava, was arrested in October on charges of "military treason" and sentenced to ten years' imprisonment.

This report seems to confirm recent rumors of his escape. However, the possibility should not be overlooked

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that the Czech Government has planted these reports in order to disclaim any responsibility for anything that might happen to Hvasta while in prison.

5. Finland negotiating to export additional amounts of wood products to the Soviet Union: Foreign Minister Tuomioja has confirmed a report that Finland will offer a portion of its export surplus wood products to the Soviet Union. He stated that Finland had made the original move in view of the USSR's expressed willingness to purchase these products and the recent serious decline in Finnish exports to Western markets. (S Helsinki Joint Weeka 31, 31 July 52)

Comment: This is an indication of the Finnish Government's anxiety over the continued slump in the world wood market and the growing unfavorable effect on the Finnish economy. The USSR, however, is an important producer of wood products, and is primarily interested in the products of the Finnish metal and machinery industry.

6. Poland receives sterling from Finland for the purchase of copper: The Finnish-Polish trade agreement concluded in April provided that in return for \$10,000,000 worth of coal, Poland was to receive \$5,000,000 worth of wood products and railway goods, and \$5,000,000 worth of sterling [redacted]

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[redacted] When the Finns refused to supply copper, the Poles reportedly requested sterling instead, since they could purchase copper with sterling. [redacted]

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Comment: The text of the supplementary Finnish-Polish trade protocol signed on 4 April stated that a portion of Finland's payments for 1,500,000 tons of coal was to be made by \$5,225,000 in pounds sterling.

Orbit countries have been exerting strong efforts recently to secure copper, a List I item, from sources not connected with the COCOM embargo.

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FAR EAST

7. Chinese Communists offer rice to Ceylon: The Chinese Communist official trade agency offered the Ceylon Government 8,000 tons of "30 to 40 percent broken" rice at 75 pounds sterling, the equivalent of \$210 per ton, for delivery in September. (C Colombo 57, 6 Aug 52)

Comment: Ceylon planned to send a mission to Peiping this month to purchase rice to meet an anticipated deficit of up to 100,000 tons. Peiping may be willing to sell Ceylon, its principal source of raw rubber, this amount at a reasonable price. However, the price of 75 pounds in this offer is a little higher than the present price of Burmese rice, which Ceylon has previously turned down.

8. Indonesian Moslem party leader will ask support for MSA agreement and San Francisco treaty: Sukiman, head of the Executive Council of the Masjumi (Moslem League), is reliably reported to be planning to call for support of the Subardjo-Cochran Mutual Security Agreement of January and the San Francisco Treaty at the annual Masjumi congress scheduled for 25 to 30 August. He believes that the strength of the opposition Natsir wing is declining and that he can win a majority decision. (C Jakarta 247, 5 Aug 52)

Comment: Sukiman was prime minister during the San Francisco peace conference and the MSA negotiations, and supported Foreign Minister Subardjo on both. The cabinet fell over the MSA issue, and was succeeded by a coalition government which included the opposition wing of the Masjumi led by Mohammed Natsir. The conservative Sukiman wing is not now represented in the government.

With the exception of the Sukiman group, nearly all levels of the Indonesian Government and articulate public are united in desiring repudiation of the January MSA agreement and its replacement by an arrangement which does not appear to commit Indonesia to the West. The Indonesian Ambassador in Washington is currently attempting to negotiate such an arrangement. There is little evidence that the Masjumi will take the political risk of supporting again the January agreement.

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9. Indonesian Communist leader reiterates party's united front tactic: At a meeting of the Makassar branch of the Indonesian Communist Party (PKI), held expressly "to quell anxiety arising from accusations about subversive activities," a member of the PKI Central Committee stated that the most important point of the party program is the formation of a strong national front. He said that the PKI would give the Wilopo cabinet a chance to carry out its program. (R FBIS Makassar, 5 Aug 52)

Comment: The PKI in May declared its "loyal opposition" to the government and in June, for the first time in its history, voted in favor of the government program.

Communist activity in the Celebes, in both the Menado and Makassar areas, has increased noticeably during the past year. A statement from a member of the Central Committee urging a united front would inform Celebes Communists and Communist sympathizers of the current tactic and would quiet fears of Communist-inspired unrest.

NEAR EAST - AFRICA

10. African transportation conference planned by Portuguese: The Portuguese delegate to the Organization of European Economic Cooperation has indicated that Portugal is planning to call an African transportation meeting at Lourenco Marques, Mozambique, probably in April 1953. The invitations have not yet been issued, but the same countries which participated in the 1950 Johannesburg conference, to which the United States sent an observer, are expected to attend. (C Paris REPTO 410, 5 Aug 52)

Comment: The Portuguese were largely responsible for calling the Johannesburg conference of 1950, although they opposed establishing a permanent secretariat at that time. While all of central and southern Africa suffers from a transportation problem handicapping the export of strategic materials and economic development, the Portuguese colonies, which serve as outlets for the interior, especially need substantial port and railroad development.

11. Nationalist believes UN to be only Tunisian recourse: According to the Tunisian nationalist representing the Bey in New York, France is unlikely, without international pressure, to do anything toward effecting the autonomy which has been promised. Although he agreed that recourse to the United

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Nations would not bring any immediate change in the French position, he thought it would lead in the long run to a "more realistic" French attitude.

Meanwhile a Residency spokesman informed the American Consul General in Tunis that a "minor flap" was created in Paris by the request of the Commanding General in Tunisia for reinforcements to meet a possible deterioration in the public security situation which, the Consul General states, is probable when schools reopen in October. (C New York 113, 6 Aug; C Tunis 43, 6 Aug 52)

Comment: A solution to the present problem is seriously handicapped by Tunisian disillusionment since the end of World War II, as well as by the Resident General's ill-advised insistence last March upon the dismissal of the Chenik cabinet. As the date of the opening of the seventh General Assembly approaches, Tunisian activity to ensure discussion of the issue probably will be increased. France already has about 27,000 troops in the country, and should be able to keep disorders at a minimum.

12. Change in French policy on UN discussion of Tunisia reported: The French Director General of Political Affairs believes that his government will not oppose inclusion of the Tunisian question on the agenda of the regular session of the UN General Assembly, and that it will then vigorously defend its position.

Meanwhile a British Foreign Office spokesman, anticipating that the French would oppose inclusion, had stated that Britain would support France. He felt that inclusion would create a precedent for UN interference in internal affairs and weaken Britain's position in its colonies. He noted that British policy in Cyprus may be placed on the agenda at Greek insistence. (C Paris 808, 6 Aug; S London 668, 6 Aug 52)

Comment: In the past France has consistently followed a policy of opposing UN discussion of the Tunisian and Moroccan questions. However, an increasing number of French officials have urged reversal of this policy on the ground that the French program for Tunisia is a good one and that the government has nothing to conceal.

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WESTERN EUROPE

13. Latest East German report more laconic on Five Year Plan results: The official East German report of results under the Five Year Plan for the second quarter of 1952 is more laconic than that for the first quarter, suggesting that the current security drive is having a withering effect on material prepared for public release by the State Planning Commission.

The report declares that over-all industrial production was 101.1 percent of the planned figure. Quotas for some commodities, including raw and rolled steel, were reported overfulfilled. There were, however shortcomings in heavy machine construction, machine tools, and transportation equipment. Figures were not given for certain important commodities -- pit coal, copper ore, seamless tubes, phosphates and others -- the production of which fell short of targets last quarter. Labor productivity on state-owned industry was given as 12 percent higher than last year.

There were prospects of a good harvest, and it was noted that 45 new agricultural machine lending stations had been put into operation since January, with 3,000 more tractors and 1,000 more mowing machines. (S Berlin Unnumbered, 30 July 52; R Berlin Unnumbered, 29 July 52)

14. West Germans discouraged by Schuman's stand on the Saar question: Following a conversation with Chancellor Adenauer, the West German Deputy Foreign Minister expressed disappointment over Schuman's alleged reluctance in the current talks to alter France's economic relations with the Saar. Schuman's attitude, he feels, is incompatible with the Federal Republic's minimum demands which include the radical revision of the French-Saar convention and the equal participation of all European Community nations in the administration of the Saar.

American observers in Bonn consider that France will probably have to modify its special economic privileges before agreement is possible. (S Bonn 524, 5 Aug 52)

Comment: Another explosive issue, as yet undiscussed, relates to the licensing of the pro-German Saar political parties, which Adenauer desires as part of the general settlement.

Meanwhile, the French Foreign Office describes as "rude in tone" a letter just received from Chancellor Adenauer characterizing the initial Hallstein-Schuman talks as most unsatisfactory.

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15. France opposes new Belgian move for uniform conscription period in EDC: France will not help the Belgian Government mollify critics of its 24-month conscription period, according to the head of the French EDC delegation. Belgium has called a 12 August meeting of EDC delegates to discuss a uniform length of service for all six EDC countries, but France does not intend to make any commitments to lengthen its conscription period, despite plans to do so eventually. France moreover does not want Belgium to use the EDC to justify reducing the service period to 18 months, and hopes to avoid tying the 24-month period to ratification of the EDC. (S Paris 820, 6 Aug 52)

Comment: Although the Belgians were induced to sign the EDC treaty without being guaranteed a uniform military service period, they insisted that the problem be examined immediately after signature of the treaty.

French military leaders are becoming more optimistic about the prospects for a 24-month conscription period, but Premier Pinay is absorbed in allaying other opposition to his government, and will avoid such a controversial issue for the present.

16. "Virtual" steel cartel reported in Belgium and Luxembourg: A high official in the French steel industry has told an American official in Paris that Belgian and Luxembourg producers have formed a "virtual" steel cartel for domestic and foreign markets. He "expressed surprise" that these arrangements were made so soon after inauguration of the Schuman Plan. The arrangements are said to include the establishment of quotas, the setting of prices, and the pooling of domestic and foreign markets. (C Paris TOMUS 93, 5 Aug 52)

Comment: The cartel referred to is presumably the one reported as organized last spring and includes French and West German steel producers as well as those in Belgium and Luxembourg. Producers in Belgium and Luxembourg revived a steel cartel among themselves in the summer of 1949.

The official's "surprise" may not be genuine since France's steel producers had been threatened with retaliation by the other cartel members should they try to carry out their proposed export price reduction in dollar markets.

17. Rome Embassy comments on Nenni's relations with Italian Communists: The American Embassy in Rome believes that Socialist

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leader Nenni's appeal for an Italo-Soviet rapprochement amply demonstrates his determination to work for a Socialist-Communist victory in the 1953 elections. The Embassy estimates that the appeal will not substantially improve this bloc's electoral prospects, but anticipates that Italy's basic socio-economic difficulties may, on a long-range basis, facilitate "penetration of the Italian political picture" by Nenni's "peace" forces. (S Rome 552, 5 Aug 52)

Comment: Nenni's appeal for close Italo-Soviet relations may be designed to exploit Italian disillusionment should progress toward a European political community be too slow. Italy recently announced it would reconsider participation in the European Defense Community unless the formation of a European army were quickly followed by political federation.

18. London Embassy estimates attitude of British labor toward French "anti-Communist" peace movement: British labor support for the French "anti-Communist" peace movement Fighting Democracy (FD) is considered doubtful by the American Embassy in London. Although the leaders of the Trades Union Congress might consider the FD program as a formula for opposition to Bevanism, the TUC probably prefers to check Bevan by mustering large union votes. The Embassy points to the TUC's traditional insularity of outlook and suspicion of "intellectual" groups.

Bevan has shown little interest in cooperation with foreign groups, and would probably be wary of entanglement with those "who may be suspect." Furthermore, Bevanites have a low opinion of Continental Socialists. (S London 635, 5 Aug 52)

Comment: The support of British and American labor is considered indispensable to the success of Fighting Democracy by its leader, Leon Jouhaux, who is aware of Bevan's attitude. The FD's fellow-traveler backers are probably encouraging Jouhaux to solicit support from the TUC.

LATIN AMERICA

19. Perpetuation of Trujillo's control seen in bill before Dominican Congress: A bill has been introduced into the Dominican Congress creating the office of Commander in Chief of the Armed Forces as of 17 August 1952. It will, in effect, deprive the President of all control over the armed forces, and is obviously

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designed to provide a legal device for President Trujillo to retain control after the succession to the presidency of his brother Hector on 16 August. (C Ciudad Trujillo Weeka 83, 1 Aug 52)

Comment: Although Trujillo himself may take the post, he is reportedly more likely to elevate a member of his trusted old guard such as Lieutenant General Caamano, Secretary of War, Navy, and Aviation, or Anselmo Paulino, Secretary of State without portfolio. A more remote possibility is the president's young son, Brigadier General Rafael (Ramfis) Trujillo, Jr., who is known to desire such authority.

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