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OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST OF SIGNIFICANT TRAFFIC

Date: MAR 3 1951

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3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)

"B" EASTERN EUROPE. YUGOSLAVIA. Tito Interview. In a long Reuters interview on February 28, Marshal Tito expressed the following views on important current problems: 1) Satellite attack: Yugoslavia would have no special difficulty in resisting a combined Satellite attack unless the Satellites were aided by Soviet "volunteers". Tito based his estimate primarily upon the lack of "political, psychological, and moral preparation" of the Satellite peoples in contrast to Yugoslav will to defend their independence. 2) Cominformism within Yugoslavia: There were a few individual cases but these persons were motivated not so much by ideological differences but by political cowardice and fear of the USSR. 3) Reconciliation with USSR: There may be Soviet maneuvers with specific aims but there will be no sincere attempt by the USSR to correct its attitude toward Yugoslavia. 4) Council of Foreign Ministers: At the present time West German rearmament is not the correct thing to do to achieve a "peaceful settlement." If the CFM does not produce a solution and the USSR proceeds to arm East Germany, his attitude might change. The CFM should also discuss the rearmament of the Satellites in violation of their Peace Treaties. If this problem is not settled in any other manner, it may come before the UN. 5) Trieste: Tito is still of the opinion that this question for the moment should be left aside since there is no mutual desire for settlement and it is not very important at the present time. 6) Formal Western Guarantee and Western Pacts: He is not against the principle but there is no need for written or other formal agreements at present. Formal agreements are no more certain than verbal statements and under prevailing international conditions in the event of a war, UN members would fulfill their duty within its framework. Moreover, since Soviet propaganda is still able to deceive and influence many people, it is better to be outside any pact so that people outside Yugoslavia will not get the impression that Yugoslavia is not "peaceloving." 7) Relations with Britain: The recent exchange of official visits between Yugoslavia and the UK has been mutually beneficial and promoted a better understanding between the two countries, but the visits will not result in "new special formal contacts." 8) Food Crisis: Yugoslavia will weather the present food shortage. The rising costs of food and transportation, which have reduced the food Yugoslavia will obtain under its present loan, is proof that Yugoslavia's request for a \$1,000,000,000 loan was not too high. Despite shortages in fats, sugar, and wheat, pressure will not be applied in order to increase production since that would make the political situation worse. (R FBIS Ticker, 1 March 1951).

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- "B" YUGOSLAVIA. Cominform Night Flights Over Yugoslavia. Yugoslav Government is planning to institute regulations limiting all future commercial flights over Yugoslavia to daylight hours. Because of frequent unauthorized flights across Yugoslavia between Cominform countries and Albania, Yugoslav military authorities wish to be able to instruct control points and observers to regard any planes at night as unfriendly. Since such regulations might interfere with Pan American flights across Yugoslav territory, Ambassador Allen has been assured that no action on this matter will be taken until the Yugoslav Government has discussed it with Pan American Airlines officials. (S Belgrade 1202, 2 March 51). COMMENT: Night flights of unidentified planes over Yugoslavia have been reported sporadically ever since Yugoslavia placed restrictions on Cominform overflights in 1950.
- "C" YUGOSLAVIA. Innovations in Yugoslav National Assembly. New York Times Correspondent Handler reports that the Yugoslav Government is planning to establish parliamentary clubs in order to encourage debate in the Yugoslav National Assembly. Parliamentary clubs will serve as training grounds in the lost art of extemporaneous debate in Communist Yugoslavia. By encouraging debate in the National Assembly the Government hopes to encourage the people to participate more actively in public affairs. In an opening session of the Assembly earlier this week, written questions submitted by deputies, and addressed to Foreign Minister Kardelj and Minister of Foreign Trade Popović, were discussed and answered by the latter. (U NY Times 2 March 1951, 27 Feb 51). COMMENT: These innovations, copied after British Parliamentary practices in which the Yugoslavs have recently manifested considerable interest, are part of the Government's program to carry out successfully the deconcentration of power in Yugoslavia. As Handler points out, however, there is no pretense that the Yugoslav Parliament will ever come to resemble Western European Parliaments which perform a policy making function and are empowered to vote the Government out of power.
- "C" YUGOSLAVIA. Yugoslavia Relaxes Controls on Farm Products. The Tito regime has abolished controls over a wide variety of farm products, including all agricultural produce except wheat, and has ordered the restoration of free trading in these products on the basis of demand and supply. The government has reserved the right, however, to regulate prices to prevent speculation. (U New York Times, 2 March 51). COMMENT: These decisions which are designed to stimulate agricultural production and to draw the middle classes into more active cooperation with the state, are part of the Government's program to improve Yugoslavia's economic and political situation in the face of a serious internal economic crisis and external aggression. The new agricultural program confirms previous evidence that the Government has temporarily abandoned its collectivization drive.

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SECTION 2 (EASTERN)

- "A" GENERAL. Greeks Ask Aid in Counteracting Soviet Penetration of Greek Orthodox Church. Embassy Moscow strongly supports Embassy Athens' recent recommendation that the US give financial assistance to the Greek Government plan to establish an emergency fund to counteract Soviet pressure on the Greek Orthodox Church. The Embassy agrees that the expenditure of relatively small sums can effectively hamper such Soviet attempts to gain influence in the Near East. (S Moscow 1583, 28 Feb 51). COMMENT: Soviet control of the Greek Orthodox Church would enhance Soviet political and subversive potential in the Near East. Judicious use of the proposed aid would undoubtedly help to prevent further Soviet penetration of the Greek Orthodox Church, some of whose leaders are already notoriously susceptible to Soviet influence. The proposal appears all the more timely since the Soviets have shown an increasing interest in recent months in attempting to exploit various religious movements of the Near East.
- "B" IRAN. Proposal Simplifying Procedure for Approving EXIM Bank and IBRD Loans. Embassy Tehran has requested that the Export-Import Bank (EXIM Bank) and the International Bank for Reconstruction and Development (IBRD) approve the draft of an amendment to the Seven Year Plan which authorizes the Iranian Government to negotiate loans up to 250 million dollars. The proposed amendment states that all contracts entered into under this authorization shall be approved by the Majlis Commission of the Plan and that such approval shall be considered to constitute ratification by the Majlis. If accepted and passed it will be unnecessary to obtain the approval of the entire Majlis for EXIM Bank and IBRD loans to Iran. The IBRD has already approved the draft. (C Tehran 1936, 1 Mar 51; C Tehran 1939, 1 Mar 51; C State 1496, 1 Mar 51). COMMENT: This amendment, if passed, should solve many of the present difficulties in obtaining acceptance of EXIM Bank and IBRD loans. Presumably Premier Razmara will have less difficulty in dealing with the 12-man Commission than with all 136 members of the Majlis.
- "B" INDOCHINA. Bao Dai-Huu Conflict Continues. In the course of a long conversation with US Minister Heath on 28 February, the Emperor Bao Dai declared himself very strongly in opposition to the policies of Vietnamese Premier Tran Van Huu. Bao Dai stated that the Premier was incompetent and lacking in political sense. Asked why he did not simply get rid of Huu, Bao Dai replied that he conceived his role as Chief of State to be not that of governing the country but of arbitrating the differences between the three regions of Vietnam, and that Huu's incompetence would eventually become manifest. Bao Dai said that, even though Huu's mismanagement of the Defense Ministry would result in three or four months' delay in the formation of a Viet Army, he could not "risk" disposing of him at present for fear that Huu, abetted by the French, would start a separatist movement in Cochinchina. Minister Heath comments that the Bao Dai-Huu conflict is a "sort of civil

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war" between the legal central government (headed by Huu) and a second "cabinet" (consisting of the Emperor and his personal following), a development which Heath considers gravely detrimental both to Vietnamese national reconstruction, to the formation of a national army and to the prosecution of the "real" civil war against the Communists.

"B" De Lattre Postpones Paris Trip. The planned visit of General De Lattre to Paris has been postponed indefinitely as a result of the resignation of Premier Fleven, an official spokesman stated. (U NYTimes, 2 Mar 51). COMMENT: The main purpose of De Lattre's trip was to have been to press his demands for an additional 20,000 troops.

25X1X "A" CHINA. Possible Operations against Nationalist Islands. [REDACTED] 25X1X

that (a) an Amoy rumor of late Feb. stated that the Communist will soon order the invasion of Chinmen and other Nationalist-held islands; (b) a Communist attempt to invade the Nan Chi Shan islands on 25-26 Feb. was frustrated by rough seas; (c) Communist forces in Fukien stated in late Feb. that they would soon invade Wo-ch'iu island; and (d) Communist forces in Chekiang were ordered in late Feb. to prepare for a possible attack on Tung T'ou Shan. [REDACTED] COMMENT: A number of the islands off the East China coast, still held by the Chinese Nationalists, could probably be successfully assaulted by small Communist forces with little advance warning. Such operations are regarded as probable in the near future.

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25X1X "A" Formation of Volunteer Corps for Indochina. [REDACTED] 25X1X

25X1X Kwangtung Governor YEH Chien-ying held a military conference on 12 February to discuss the implementation of Peiping's order that five Chinese Communist border columns should provide six regiments for the "Anti-French and Indochinese Volunteer Corps". The six regiments were allegedly to assemble at Tunghsing at the end of February, with arms to be provided by the "Support Indochina People's Liberation Committee". [REDACTED]

25X1A COMMENT: [REDACTED] 25X1X

sources have previously reported the preparation of a Chinese Communist "volunteer" program for Indochina. Although these "volunteers" are not known to have appeared in Indochina, the implementation of such a program during 1951 remains a strong possibility.

"C" KOREA. Further Reports on NK Sickness. [REDACTED] sources, which report confirmation of typhus in Wonsan area, also report the presence of 25X1X

25X1A smallpox, with many Communist troops suffering from both diseases. All civilian doctors have been mobilized, while penicillin and other drugs have been confiscated and civilians have been evacuated. [REDACTED] 25X1A

COMMENT: This is the first report of smallpox. Since the Communists apparently have not adopted such all-out precautionary measures such as cordoning off the area, stopping the movement of troops and employing DDT, it is believed that neither the typhus nor the smallpox has reached epidemic proportions.

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SECTION 3 (WESTERN)

"B" GERMANY. GDR Appeal for Joint German Position before Preliminary Big-Four Conference. The East German Volkskammer on 2 March passed a resolution "urgently appealing" to the West German Bundestag to unite with it in a joint proposal on German unity to be placed on the agenda of the forthcoming preliminary conference of the Big-Four. The East German proposal includes requests for a peace treaty in 1951 guaranteeing demilitarization and democratization of Germany, restoration of unity, and withdrawal of occupation troops one year after the signing of a peace treaty. Pointing out that West Germany has not yet replied to a previous and similar East German resolution, the Volkskammer urges the Bundestag to "put aside all formal reservations" and to reply to this proposal by 4 March, since the Big-Four conference is scheduled to open 5 March. (U FBIS, 2 Mar 51). COMMENT: The Volkskammer resolution is the third formal East German request for intra-German negotiation on the unity question and follows up the 1 December Grotewohl letter to Adenauer and a previous Volkskammer resolution of 30 January. The entire campaign is designed to advertise the GDR as an active worker for German unity and peace and to discredit the Bonn Government by implying that the latter is not interested in finding a peaceful solution to the German question.

"C" Possible Change in Adenauer's Military Advisers. Theodor Blank, the co-ordinator for military affairs under West German Chancellor Adenauer, is considering replacing or expanding the committee of military advisers assigned to negotiate with the Allies on German rearmament. Blank stated that this was no reflection on the present group, and added that both ex-Generals Hans Speidel and Adolf Heusinger, two of his principal consultants, had informed him that they did not desire to be permanently attached to his office. Blank is seeking other politically acceptable officers of suitable rank, and is considering Walter Wenck, a military adviser to the Christian Democrats, as one possibility.

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COMMENT: It has since been reported that ex-Lt. Col. Ulrich de Maiziere has replaced General Speidel as principal military adviser to the German delegation at the current Paris talks on a European Army. According to previous reports, Generals Speidel and Heusinger have been in close contact with opposition leader Kurt Schumacher, whose attitude on German rearmament has hampered Government progress in defense negotiations. For that reason, Adenauer may have wanted them removed from Blank's staff, thus widening the split over the rearmament question.

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"C" Possible Reorganization of the Bonn Interior Ministry. Theodor Blank may be appointed State Secretary for Security Problems

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in the West German Ministry of Interior, [REDACTED]

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[REDACTED] Blank currently heads the Office for the Billeting of Occupation Troops, which is directly under Chancellor Adenauer and is concerned with planning the details of the proposed West German contribution to a European Army. The Minister of Interior, Dr. Robert Lehr, has always favored bringing Blank's office into his Ministry, but hitherto appreciated the need to separate internal security from rearmament planning. He now feels that, since rearmament will not come about during 1951, Blank's negotiations with the Allies in the field of security will be concerned mainly with internal problems and should therefore be handled by his Ministry. (S/C

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[REDACTED] COMMENT: Adenauer's policy thus far has emphasized separation of rearmament planning from internal security duties. There have been no other indications that he intends to have Blank's office placed within the Interior Ministry.

"A"

ITALY. Communists Seek Fall of De Gasperi Government. The Italian Communists (PCI) are asserting that the De Gasperi Government no longer commands Parliamentary support. They maintain that as a result of the Government's recent defeat in the Chamber of Deputies over a minor amendment to the economic controls bill, the Government is defying the people's will by remaining in office. Therefore, the Communists are attempting to foment labor demonstrations against what they term a "minority government", at the same time urging labor to protest against defense appropriations and German rearmament. (C Rome 3785, 1 Mar 51; U New York Times, 3 Mar 51). COMMENT: This is the first time in many months that the PCI has pressed this charge against the Government. Such PCI-organized demonstrations will not attract any considerable popular support. Communist-controlled workers, even in Communist strongholds, have shown themselves increasingly unwilling to engage in strikes on non-economic issues. The majority of workers will assume a "wait-and-see attitude" regarding the Communist line that increased defense appropriations will cause a lowering of the standard of living. A prolonged crisis among the Government parties over the economic controls issue, however, will strengthen the Communist position against Italian rearmament.

"B"

SPAIN. Cabinet Resignation Suggested. At the Cabinet meeting of 23 February, Labor Minister Giron allegedly suggested to Franco that the Spanish Cabinet resign en masse. Franco is reported to have refused the suggestion on the grounds that he saw no need for the Government to change its policies. [REDACTED]

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[REDACTED] COMMENT: While rumors of an impending Cabinet reorganization have been rife for several months, there is no confirmation of the report that Giron suggested a mass resignation. Previous reports from the source indicate that he may be supplying "selected" information on the instructions of Giron. However, the view at-

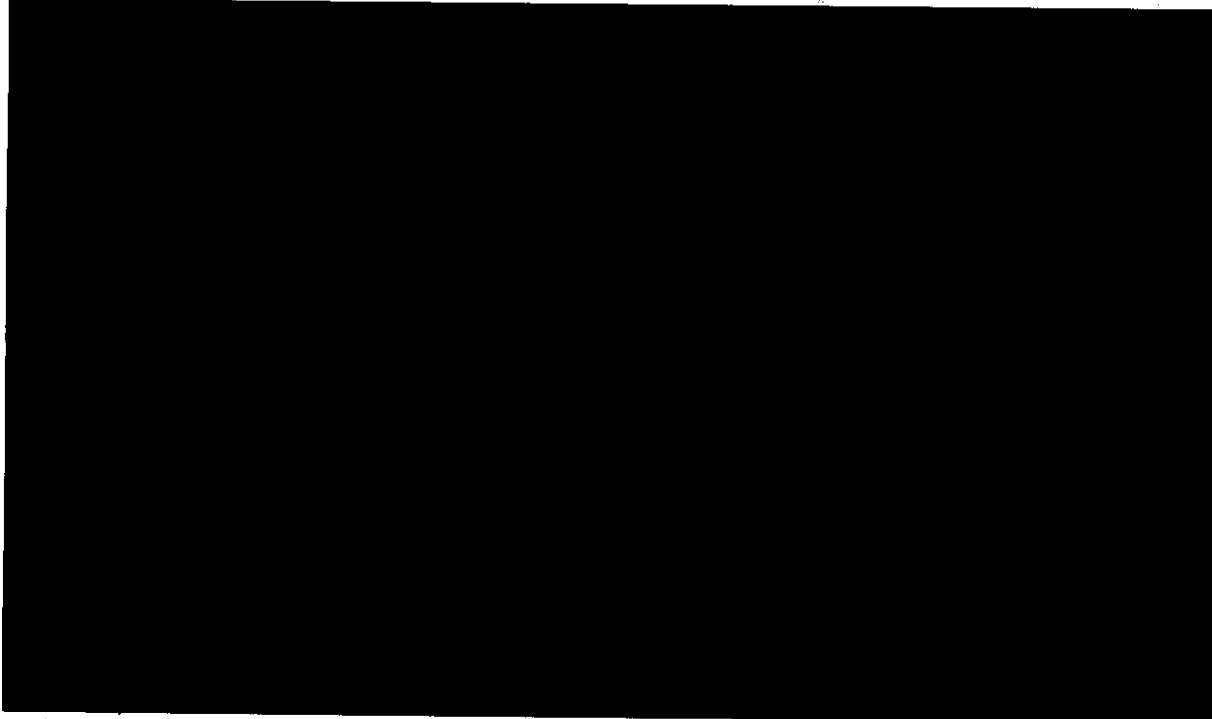
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tributed to Franco is believed to be accurate. Franco may effect some changes in the personnel of his regime, but no liberalization of basic policies is likely.



"C" DENMARK. Parliamentary Deadlock over Anti-Inflation Legislation. Lengthy negotiations between the Conservative-Moderate Liberal Government and the opposition parties (Social Democrats, Radical Liberals, and Georgists) failed to achieve a compromise on economic and foreign exchange legislation. Influenced by the imminent Landsting (Upper House) elections scheduled for April 3, each party appears anxious to avoid the onus of being responsible individually for vitally important but inevitably unpopular anti-inflationary measures. [REDACTED]

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COMMENT: While the economic situation will not become catastrophic in the near future, and the present Government will remain in office, public confidence in the political parties will be adversely affected by these maneuvers. Once the prospects for political and parliamentary gains are eliminated by the Landsting elections, the parties can be expected to reach a compromise, which will be satisfactory at least from a political point-of-view.

"B" DOMINICAN REPUBLIC. Trujillo Relinquishes Presidency. President Trujillo has temporarily relinquished the presidency to his brother, Secretary of War Hector Trujillo. There is widespread speculation as

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to the reasons for this action. The most tenable appear to be the desire to enjoy a rest, and to ascertain his brother's capacity to govern with a view toward eventually shifting some burdens of office and, if Hector proves himself, to support him in the 1952 presidential elections. [REDACTED] COMMENT: The office of Vice-President does not exist in the Dominican Republic. The Minister of War is the first in the line of presidential succession, and Trujillo's action has been in accordance with constitutional provisions. It is not anticipated that this turnover will involve any changes in the domestic and foreign policies of the Dominican Government.

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"C" VENEZUELA. Petroleum Labor Contract Negotiations. The Minister of Labor Tinoco Rodil announced 27 February that he would recognize the newly formed "Comite de Trabajadores Petroleros Pro-contrato Unico" as the sole collective bargaining agent in the current negotiations for a contract to replace the three-year petroleum labor contracts expiring in February and March of this year. The Comite comprises representatives of practically all petroleum labor groups, including not only the distinctly minority legal syndicates but also the numerically preponderant but unrecognized Accion Democratica (AD) and Communist (PCV) elements. Members of the Comite appear to have the bona fide support of their respective groups, and it is reasonable to believe they represent a vast majority of the oil workers. The only prospect of reaching a voluntary agreement is through such an all-group coalition. [REDACTED]

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COMMENT: The willingness of the Labor Ministry to recognize the Comite for bargaining purposes represents a distinct reversal of its clearly evident previous determination: 1) not to deal with representatives of the outlawed AD and Communist factions, and 2) to settle the contract question by issuing a decree governing conditions of employment (after having permitted token negotiations between the syndicates and the oil companies). Prior to the Embassy report of 15 February there had been no indication that a coalition committee was being formed. The most reasonable explanation of the Labor Minister's announcement is that, confronted with an at least superficially united labor front, the Government decided to accept the risk of giving a voice to subversive AD and Communist elements in order to achieve the advantages of a voluntary contract. The significance of the Labor Minister's action is twofold: 1) By preparing the way for a negotiated contract acceptable to the majority of oil workers, it has greatly reduced the danger of an oil workers' strike, which would have been a very real possibility had a new contract been imposed by decree. 2) On the other hand, by recognizing the coalition committee, which is likely to be dominated by AD elements, it gives status and prestige to an organization which could presumably be utilized by AD for politically subversive purposes.

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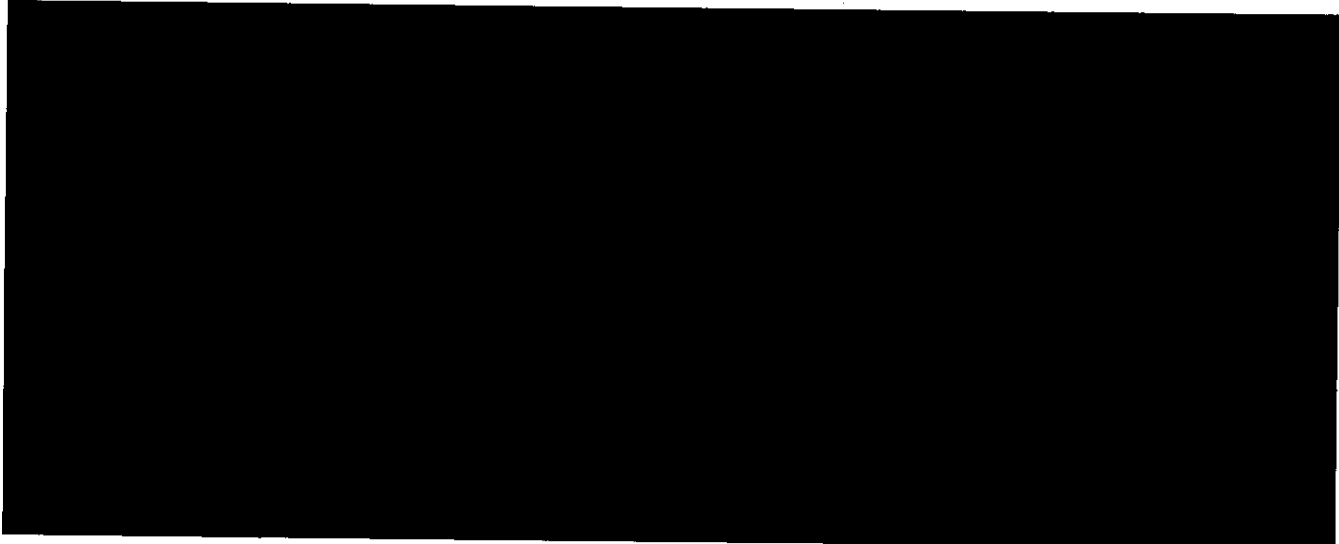
3 March 1951

SECTION 1 (SOVIET)

"A" USSR. Discrepancy in Gromyko's Remarks Concerning CFM Agenda. Embassy
25X1X Moscow reports that Deputy Foreign Minister Gromyko told [REDACTED] 25X1X
[REDACTED] that the USSR had accepted the Western proposals (existing
level of armaments, problems affecting Germany, and the Austrian Treaty)
for a CFM Agenda. On the other hand, Gromyko told Ambassador Kirk that
the question of Soviet acceptance of the Western proposals would be
discussed at the 5 March Deputy Foreign Ministers' Conference. (S S/S
1591, 1594, fr Moscow, 1 March 51).

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SECTION 3 (WESTERN)



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