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COPY NO. 39

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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: MAY 16 1951

- NOTE: 1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
2. Comments represent the preliminary views of the Office of Current Intelligence.
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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DIA AND DOS REVIEW COMPLETED

Approved For Release 2002/08/20 : CIA-RDP79T01146A000200180001-1

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## SECTION 1 (Soviet)

- "B" USSR. New Soviet Offers to Iran of Aid Against Locusts. According to US Embassy Teheran, the USSR is urging Iran to accept four small planes equipped to scatter poison bait against the locust plague. The planes would be used in Eastern Iran and would protect the USSR from any locust invasion. The Embassy reports that Iran is seriously considering acceptance of the Soviet offer.  **COMMENT:** At the end of April, the Iranian Government accepted a Soviet offer of insecticide and bait. There is no confirmation of the amount received, although Damascus radio reported 103 tone of insecticide has arrived from Baku, and a Teheran press item reported the same amount in insecticides and poisoned bran. US Embassy Teheran now reports that progress in the locust campaign indicates US assistance may not be needed after the end of May. However, this new USSR offer of aid may indicate Soviet concern that the plague has moved up towards the region of the border. On the other hand, the offer could have been designed merely for its propaganda effect. 25X1
- "B" EASTERN EUROPE. HUNGARY. Ministers of Foreign Affairs and Interior Relieved. Gyula Kallai has been replaced as Hungarian Foreign Minister by Karoly Kiss, a veteran Communist and vice-president of the Presidium. Kallai's downfall may be due to his past associations with a nationalist Communist group or with Social Democrats. It is reported that he was arrested on 20 April, when Hungarian Minister of Interior Sandor Zold was also apprehended.  **COMMENT:** Both Kallai and Zold are from the southeastern area of Hungary south of Debrecen known historically as the "stormy corner" because of its reputation for independent and oppositionist activities. Although it was a pre-war Communist stronghold, Party members in that area were severely criticized by Matyas Rakosi in February 1950 for failing to implement correctly the Communist program. At the same time Rakosi indicated that many pre-war Communists would have to be replaced by young Communists who had been indoctrinated since the war. Ex-Ministers Kallai and Zold were members of the illegal Hungarian Communist Party in the late thirties when they were students together at the University of Debrecen. During the war Kallai was a leader of the Communist underground in Hungary. The successors of Kallai and Zold, Karoly Kiss and Arpad Hazi respectively, are both members of the Party Control Commission which is charged with the verification of the Party's membership. 25X1
- "B" YUGOSLAVIA. Embassy Staff Observes Yugoslav-Rumanian Frontier. An unusual opportunity to observe the Rumanian-Yugoslav border was recently provided the US Embassy staff in Belgrade by an excursion trip arranged by Yugoslav authorities down the Danube along the Rumanian border. Embassy observers noted that the frontier was closely guarded on the Rumanian side with watch-towers manned at close intervals. No indication of Yugoslav security was observable. The Embassy reports that a number of Soviet and Satellite bargees were encountered and that Yugoslav and Cominform rivermen showed a rather surprising degree of mutual friendliness.

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COMMENT: Despite the Embassy staff's failure to observe Yugoslav security measures along the Rumanian frontier, there is considerable evidence that the border is well guarded with trenches hidden in the woods and hilltop observation posts.

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Troop Concentrations in Bulgaria Reported. [redacted] states that in mid-April strong Bulgarian military contingents and concentrations of tanks arrived along the Yugoslav border. Tank units have reportedly been moved almost exclusively at night. [redacted] reports that "news from the Turkish-Bulgarian frontier indicates this 25X1 sector is occupied by Soviet units." The Soviet air forces are also reported to have bases in the Dobrudja area (northwest Bulgaria).

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[redacted] COMMENT: It is believed that since the beginning of 1951, Bulgarian strength in the Yugoslav border area has been increased and that the equivalent of five divisions are now in the vicinity of this border. G-2 believes these units are at approximately full strength. There is no confirmation of the presence of Soviet troops or air units in Bulgaria. However, [redacted]

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[redacted] have reported that between 5 and 10 April sizeable numbers of Soviet troops crossed the Danube River at Cernavoda in the southeastern corner of Rumania. [redacted]

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Unevaluated information [redacted]

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[redacted] reports the current arrival of Soviet troops at Rumanian ports reportedly also destined for Bulgaria. Should concerted Satellite action against Yugoslavia be undertaken, it is probable that USSR troops would be in readiness to face Turkey and Greece in the event of a spread of the conflict.

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SECTION 2 (EASTERN)

"B" GREECE/TURKEY. US Proposes to Include Greece and Turkey in NATO. The US has formally proposed to France and Great Britain that Greece and Turkey be admitted to full membership in the North Atlantic Treaty Organization. The views of the other member governments will be sought also; but, according to the Department of State, approaches were made initially to France and Great Britain because those countries already have an alliance with Turkey. [redacted] COMMENT: Turkey, and to a lesser extent Greece, has been campaigning for inclusion in NATO; and the announcement that the US has initiated action to achieve this end will be welcomed by both countries.

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"C" IRAN. Parliamentary Oil Committee Warns Anglo-Iranian Oil Company. Members of the newly appointed Parliamentary Oil Committee, charged recently by Parliament with implementing the Oil Nationalization Law, warned the AIOC on 14 May that failure to hand over its facilities peacefully would mean the beginning of the Third World War. Following this charge, which was made at the close of the Committee's first meeting, Chairman Makki added, "We shall take all measures at our disposal to reclaim our rights." [redacted]

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COMMENT: The Committee's statement was apparently uttered the same day the press speculated whether the British 16th Parachute Brigade had been alerted for despatch to Iran. The press on 16 May stated that a new British note has been sent to Iran proposing immediate high level negotiations. The Iranians seem to have made no concrete procedural to implement nationalization immediately, and Mossadeq has repeatedly indicated that he will not act drastically on the matter. However, emotion on the oil issue is still at fever pitch in Iran. The subject continues so explosive that further British pressure, either real or imagined, raises the possibility that Mossadeq's government may feel forced to move more quickly than it has planned.

"C" JORDAN/ISRAEL. Israelis Reportedly Increasing Their Use of Jordan Water. According to US Minister Cannon in Damascus, [redacted]

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[redacted] recently reported Israel's increasing use of the waters of the Lower Jordan - an object of dispute between Jordan and Israel - at the same time that Israel and Syria have been involved in the border trouble in the Upper Jordan region. The British power expert for Jordan's natural resources [redacted] the Israelis have prevented the normal escape of the Lower Jordan from Lake Tiberias. The decreasing quantity of water available to Jordanian farm lands near the Dead Sea was noticed in two ways: (1) the height of the river dropped suddenly in April and (2) the salty content of the river was greatly increased. Because of the extreme salty content of the Lower Jordan

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25X1 farmland, the pure water of the Jordan and Yarmuk is necessary to allow the Arab farmers to live along the 38-mile stretch of the Lower Jordan. [redacted] American efforts to resettle some of the 460,000 Palestine refugees along the Lower Jordan River will be "useless" if the Israelis are allowed to monopolize the waters of the Lower Jordan. [redacted]

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"C" CEYLON. Radio Ceylon to Broadcast Voice of America. Under the terms of an agreement concluded on 14 May between the governments of the US and Ceylon, Radio Ceylon will broadcast Voice of America programs as of 15 May in exchange for certain radio equipment to be furnished and installed by the US government. [redacted]

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COMMENT: The Voice of

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America will now be heard throughout South Asia much better than has been the case previously. Present plans include broadcasts in several of the more important languages of South Asia.

"B" INDOCHINA. French Weigh Plans for Developing Native Armed Forces.

A well-placed official French source states that the French have reduced the subsidies which they have been paying to the politico-religious Cao Dai sect and will bring the military faction of that sect into line through a "financial squeeze". Source believes that it is necessary to suppress such "feudal" organizations in South Vietnam as the Cao Dai and the Catholic-dominated "Christian Defense Units" (UMDC) and to concentrate on building up a Vietnam National Army. Legation Saigon notes that the area controlled by the UMDC has recently increased, and that the French Commander in South Vietnam, Chanson, has suggested that it would be cheaper and more effective to recruit more irregular troops than to attempt to build up a costly professional army in Vietnam. [redacted]

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COMMENT: This message confirms that (1)

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the French authorities, through their control of funds, can and do enter into the struggle for power among the several politico-military groups in South Vietnam, and (2) the French authorities endorse in principle, but not necessarily in practice, the development of a unified Vietnam National Army.

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"C" INDOCHINA. Friction Over Military Strategy among Vietnamese Rebel Leaders. French G-2 claims information between top Vietnamese Communists and the military High Command of the Democratic Republic of Vietnam (DRV) over the strategy of abandoning open warfare and confining action to guerrilla operations only. The US Military Attache rates this information [redacted]

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[redacted] COMMENT: The report does not state what policies are favored by the respective groups. The official policy of the DRV at the present time is to emphasize guerrilla operations. There have been various reports--none of them reliable--over a period of years on the subject of factionalism within the upper ranks of the DRV. If such a dispute is taking place it would probably involve C-in-C Vo Nguyen Giap on the one hand and Party leader Truong Chinh on the other.

"B" Rebels Re-infiltrating Recently Pacified Area in Tonkin.

The US Consul in Hanoi reports that, according to the Governor of North Vietnam, Communists are re-infiltrating the Vinhbao area which was recently pacified in a much-publicized and apparently successful French military operation. The Governor complained that the arms available to the Vietnamese National Guard were completely insufficient for its security responsibilities. [redacted] COMMENT: This report underlines one of the most serious problems faced by the French in their efforts to pacify Indochina. As soon as French forces clear an area and have moved on to another, a re-infiltration process begins.

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"B" De Lattre Again Shows Suspicion of US Policy in Indochina.

Minister Heath reports that, while General De Lattre's "apparent new policy" of respect for Vietnamese aspirations in the matter of a truly National Army is intelligent and beneficial, De Lattre has, however, evidenced increased determination to exclude "foreign" (i.e., American) influence from French-Viet relations. De Lattre is particularly suspicious of the ECA program, and any mention of US economic aid in Indochina in the leading French language newspaper (which is controlled by the French High Commissariat) is now strictly taboo. The first unpleasant public incident between Heath and De Lattre took place recently when the general, in the presence of several other officials, told Heath there would be more housing for US military aid personnel in Saigon "if you would get rid of some of your ECA men and your American missionaries."

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[redacted] COMMENT: The incipient ECA program in Indochina has already evoked enthusiastic response from the Vietnamese in those areas where it has been applied and promises in the future to be a vital factor in undermining the prestige and influence of Ho Chi Minh's movement. De Lattre's previous criticisms of ECA have been interpreted as resulting from temporary pique, but it now appears that he actually possesses a deep-seated antagonism toward US economic aid to Indochina.

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"C" CHINA, Sinkiang Construction Alleged to be Part of Soviet Atomic Energy Program. A Nationalist news agency has received reports of the conscription of 15,000 laborers to assist 30,000 Communist soldiers in building a large aqueduct in southern Sinkiang. According to the reports, this construction may be related to Soviet plans to build a huge "atomic city" in Sinkiang, where the Italian atomic physicist Pontecorvo was recently reported to be working. [redacted] COMMENT: Nationalist reports of the building of an atomic energy plant in Sinkiang remain unconfirmed and implausible, although the installation of equipment for concentrating uranium ores is possible. The use of civilian and military labor for aqueduct construction may be for purposes of land irrigation. The Communist radio recently announced the use of such labor in Sinkiang for an irrigation project to be completed in three years.

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"C" Alleged Decision on Strategy Reached at Peiping Conference.

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[redacted] states that decisions reached by the Chinese Communists at a Peiping conference in late April included the following:

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- (1) not to attempt to conclude the Korean conflict but to "keep UN troops in Korea as long as possible";
- (2) to "use aircraft" regardless of whether UN aircraft bomb Manchuria;
- (3) to "open a new front";
- and (4) to "blockade Hong Kong."

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[redacted] COMMENT: Information emanating from alleged top-level conferences has not been reliable. Although Communist air activity in Korea, and Communist assistance to other Asian "liberation" movements, are both expected to increase, there is no evidence (as distinguished from rumors) that the Communists will abandon the objective of extending their control over all of Korea, or will invade any other Asian country in force at this time, or will blockade Hong Kong in the near future.

"C" Soviet Advisory Program. [redacted] the 25X1C

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Soviet advisory program in China is controlled and administered through the Sino-Soviet Joint Aid Commission in Peiping. The Commission's Chairman is a Soviet national, with LIU Shao-ch'i and LI Li-san as Vice Chairmen. There are seven bureaus: Executive, Political, Economic, Communications, Military, Reconstruction and Intelligence, of which the last three are the "most important." More than 400 Soviets are attached to the Commission, which plans China's requirements and controls the flow of advisors and technical experts. [redacted] Soviet "requests are always complied with," and that Soviet control of the Peiping regime is effected through this organization. [redacted]

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[redacted] COMMENT: The Soviet advisory program now employs

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at least 10,000 and possibly more than 20,000 Soviet personnel throughout China, most of whom are military. [redacted] the personnel and bureaus of the Commission cannot be confirmed. Although the advisory program doubtless contributes to the Soviet objective of extending control over Communist China, the program in itself is not sufficient to effect such control.

"B" KOREA. Election of New ROK Vice President Presages Trouble for Rhee. On 16 May, the ROK National Assembly voted 78 to 73 for the election of Kim Song-su to the Vice Presidency, prominent member of the conservative opposition Democratic Nationalist Party (DNP). The DNP had insufficient strength of its own to assure Kim's election but reached an agreement with the Republican Club, a group of independent conservatives, who agreed to support Kim if the DNP would guarantee his acceptance of the job. [redacted]

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COMMENT: Kim Song-su, wealthy philanthropist, educator, newspaperman, and active sponsor of the Democratic Nationalist Party, is a man of considerable energy and conviction. It has been previously believed that he would refuse any official position in the ROK government. Kim's probable acceptance of the nominally figurehead position of Vice President will give the National Assembly a powerful friend, with considerable freedom to comment and observe, independent of Presidential interference. Kim's election is seen as the latest and most forceful move on the part of the ROK National Assembly to assert its prerogatives in the continuing ROK Executive-Legislative struggle.

"C" JAPAN. Japan Elected Into UN Organization. Japan entered an international organization of the United Nations for the first time today when, along with Spain and Western Germany, it was elected to membership in the World Health Organization. The vote on Japan was unanimous, with Australia, Yugoslavia, Panama, the Philippines, Ethiopia and Israel abstaining. [redacted]

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COMMENT: Japan, by virtue of its prewar membership, already is recognized as a full member in the Universal Postal Union and the International Telecommunications Union, both of which are specialized agencies of the UN. This marks Japan's first postwar entry into a major UN organization - a US objective which has been prevented in the past by opposition from the UK-Commonwealth bloc.

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## SECTION 3 (WESTERN)

"C" GERMANY. East Germans Concentrate on Anti-Remilitarization Plebiscite. All east German agencies are concentrating on agitation for the anti-remilitarization plebiscite to be held 3-5 June in the Soviet Zone. The SED (Communist Party) has temporarily suspended screening its members to devote attention to the campaign. Emphasis is being given to a campaign of writing letters from east to west Germans. The east German Liberal Democrats are particularly attempting to contact businessmen interested in promoting east-west trade, the east German Christian Democrats are concentrating on church and student circles, and the Free German Youth are under orders to expand their anti-militarization correspondence with west German students. The Soviet Zone trade union federation (FDGB) has established a new front group called the German Workers' Committee (DAK), charged with organizing the plebiscite. This committee, with headquarters in Essen, (west Germany), claims to number both east and west Germans, including members of the Social Democratic Party (SPD) as well as the Communist Party. [REDACTED] COMMENT: East German letter-writing campaigns, which have been conducted in the past, have never been successful, and there is no reason to believe that this one will fare better. It is doubtful that any authentic Social Democrats have been recruited for the Workers' Committee in Essen.

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"C" AUSTRIA. Austrian Export Control Effort Assessed. US Legation and ECA in Austria report their view that the Austrian Government is cooperating effectively with the US in controlling East-West trade, and has gone as far as possible (given the limitations imposed by the Soviet occupation) in thwarting Soviet economic penetration and in denying the USSR strategic materials. The Austrians must be circumspect in their efforts because of the ever-present possibility of Soviet retaliation, which could result in the partition of Austria, or in restrictions upon shipments from the Soviet zone to other parts of Austria. Only a small number of items subject to embargo are produced in Austria, but so far as transit shipments are concerned (those originating outside Austria), the USSR would retaliate immediately if controls were exercised by the Austrian Government, which, furthermore, has no control over the exports of the Soviet authorities and plants. In matters of trade, Austria has been conceding to eastern Europe only what has been necessary to obtain essential Austrian imports (principally coal), and to maintain the Eastern markets for Austrian goods that do not sell in the West. Our officials declare that the continued orientation of Austria's trade toward the West can gradually further curtail Austria's dependence upon the East for raw materials and markets. [REDACTED]

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COMMENT: Although the Austrian Government

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doubtless tries to control the Eastern trade, the USSR gets pretty much what it wants in Austria, the Austrian capabilities for export control being low. Soviet firms not only produce large quantities of goods in Austria, but Soviet-controlled shipping companies in Vienna are actively engaged in rounding up required items throughout Western Europe and sending them East.

"C" ITALY. Communists Use Issue of Wheat for India in Effort to Improve Election Prospects. In an attempt to exploit the USSR's decision to send grain to India, the Italian Communist (PCI) press has featured Nehru's picture and a notice of his announcement to the Indian parliament "that 55,000 tons of Soviet grain are being transported to assist India from falling prey to famine and Truman's blackmail." The US Senate is accused of threatening economic blackmail by "vetoing all commerce between its satellites and countries like the Soviet Union and China", and Sicilian producers of citrus fruits are warned they will have to lose their Soviet markets. [REDACTED]

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COMMENT: This Communist electioneering tactic to win the support of farmers and farm labor, including Sicilian fruit growers, will probably not improve PCI prospects at the polls. It may make it more difficult, however, for the Government to implement the export controls desired by the US, particularly at this time when the US has declared its intention to make public the scope of Western Europe's compliance with its export controls.

25X1 SWITZERLAND. Swiss Indicate Trade Embargoes to Apply to East and West. The Swiss have taken the view that their neutrality does not permit them to apply embargoes in one direction only, but must apply equally to East and West. The Swiss are aware that not all machine tools and bearings are on International List I, but hope nevertheless, that settlement of the question will allow the maintenance of a minimum level of List I exports to the Soviet orbit. [REDACTED]

COMMENT: It is apparent that the Swiss have finally made a policy decision to maintain a juridically defensible position of neutrality between the two blocs in the application of any economic sanctions. (See OCI Daily Digest, 11 May 51, 29 Mar 51, 2 Feb 51). The Swiss position on this matter is a continuation of a traditional policy which the Swiss are loath to compromise and does not indicate that the Swiss have taken this position in response to greater pressure from the Soviet bloc (including accusations that Switzerland is compromising its neutrality by cooperating with the West in economic sanctions).

"C" SPAIN. Church Examining Its Relationship to Regime. US Embassy Madrid reports a number of indications that the Spanish Church is seeking to dissociate itself from too close an identification with the Franco Government. Besides criticisms of the regime's policies in

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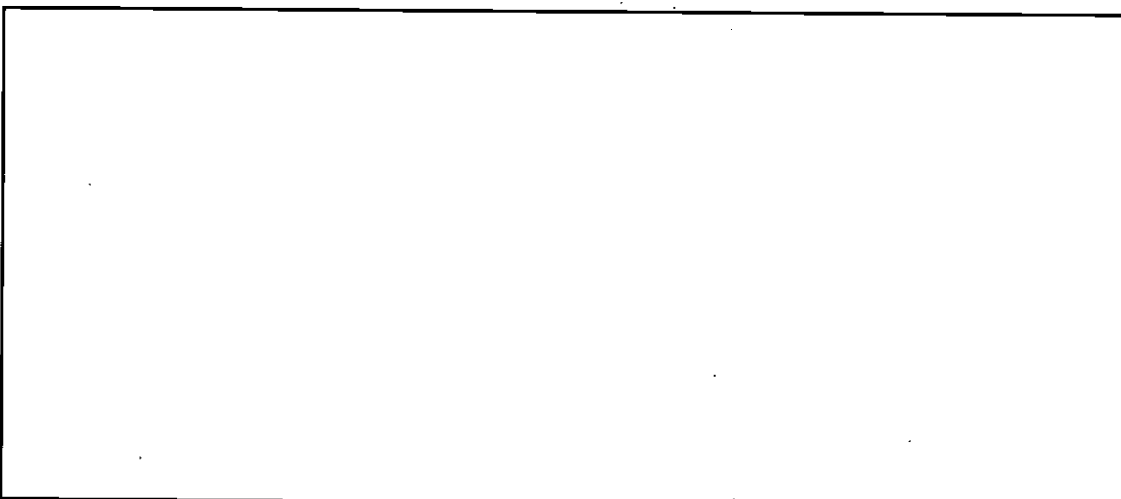
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Catholic publications, the Vatican is rumored to have instructed the Spanish hierarchy, in terms specifically unfavorable to the regime, to make every effort to bring about an improvement in the social and economic conditions of Spanish labor. The Bishop of Cordoba has publicly recommended changes in the government and advocated some measure of popular control. According to other unconfirmed reports, the Archbishops of Valencia and Granada are consulting the Spanish clergy with a view to establishing a common ground for Church attitudes toward the Government's policies, some of which they are said to believe should be openly opposed.

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[REDACTED] COMMENT: The more progressive elements among Spanish clergy and lay Catholic leaders have long felt that too close support of Franco and the resultant popular identification of the Church with the repressive measures of the regime would prove detrimental to the interests of Catholicism and the Church, an attitude strengthened by the demonstrations of deep-seated popular dissatisfaction.

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"C" NORWAY. Government Doubts Effectiveness of Embargo on Shipments to Communist China. A member of the Norwegian UN delegation has expressed his government's view that the effectiveness of an embargo on strategic goods to Communist China is doubtful, because the USSR constitutes a loophole. He fears that when the limitations of such an embargo become apparent there will be demands to extend the ban to the Soviet Union, and that this action will bring war closer. [REDACTED] COMMENT: The Norwegian position is typical of its position on all current issues involving a sharpening of the conflict between the USSR and the West. Norway, nevertheless, will not oppose the embargo when the proposal is placed before the UN General Assembly. Norway has considerable carrying trade with Communist China but exports almost no goods there.

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"C" BOLIVIA. President Resigns and Military Junta Takes Over. President Urriolagoitia has left Bolivia after a military coup on 15 May. A wholly-military Junta has installed General Ballivian as President and Minister of Defense. [redacted] 25X1  
that the Federation of Mine Workers is ready to call a strike, which may be converted into an overall general strike in the event of a coup. The Miners' Federation is reported to be receiving arms across the Argentine border. The threat of a miners' strike was also reported [redacted] at the Catavi mines who 25X1  
has asked that planes be alerted to evacuate personnel if the blow comes. [redacted] 25X1  
COMMENT: The Junta has been expected to take over in order to be in a better position to counter expected revolutionary activity of the Nationalist Revolutionary Movement (MNR). (See OCI Daily Digest, 21 Apr and 11 May 51). Additional incentives for effecting the coup at this time were probably: 1) increasing comment in favor of permitting the MNR to assume power, and 2) the return from exile of Juan Lechin, MNR labor leader who directed the bloody strikes at Catavi in 1949 and who may again incite violence among the miners. The Junta can be expected to attempt to avoid interference with the normal flow of tin to the US.

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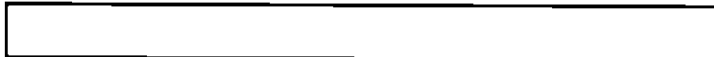
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OFFICE OF CURRENT INTELLIGENCE

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16 May 1951

SECTION 1 (SOVIET)

"A" YUGOSLAVIA. Tito Seeks Tanks and Artillery from the West. In a reply to a query regarding Yugoslav arms aid talks in Washington between the US, UK and France, the State Department has informed the US High Commissioner in Germany that the talks are based on arms requirement lists submitted by Yugoslavia to the US and UK. The lists include light and medium artillery, tanks, etc. The Department can find no evidence that the Yugoslav decision to inform the US and UK of Yugoslav military requirements was based on an estimate that hostilities are imminent. [REDACTED] 25X1

SECTION 2 (EASTERN)

"B" INDONESIA. Indonesian Trade Policy will Depend upon UN Decision. An agreement has been reached among Vice President Hatta, Prime Minister Sukiman, and Foreign Minister Subardjo that Indonesia's position with respect to trade with Communist China will depend upon the result of UN deliberations. The Indonesian representative to the UN will be instructed to vote against a UN-sponsored embargo but a statement will be issued at the same time that the Indonesian Government will comply with an embargo if the UN decides in favor of it. [REDACTED] 25X1  
Comment: Although it is likely that Indonesia would nominally adhere to a UN-recommended embargo, primarily in order not to prejudice its opportunity to obtain US assistance, it would not impose the stringent measures necessary to prevent its rubber from reaching China.

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