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12 December 1951

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CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

- 25X1C 1. BULGARIA. Movement of factories from Sofia reported: [REDACTED] 25X1C
- 25X1A the Bulgarian Government has ordered the dismantlement and transfer of two Sofia factories. The two establishments -- one a "mechanical technical factory" and the other a metal-working plant -- will allegedly be relocated in northeastern Bulgaria. [REDACTED] 25X1A

Comment: This report has not been confirmed by other sources.

Although numerous rumors concerning decentralization of industry and movement of governmental agencies from Sofia were current during the latter half of 1950, few reports to this effect have been received since the beginning of 1951.

2. POLAND. Civilians trained for Air Defense: The US Air Attache in Warsaw reports that during a train trip from Krakow to Warsaw he observed a group of Polish civilians whose conversation indicated that they were returning from an air defense conference held during early October in Krakow. The Poles had a paper-bound book entitled "Organization of Civil Air Defense, Volume 1," to the back of which was attached an envelope containing aircraft silhouettes. During the trip the Poles, who appeared most enthusiastic, practiced identification of the sketches and discussed aircraft identification.

The Air Attache expressed the opinion that the training of this small group is connected with recent rapid development of Warsaw's anti-aircraft defenses, which has included the installation of approximately sixty 85 mm antiaircraft guns around Warsaw. (C Warsaw IR-242-51, 11 Oct 51)

Comment: Although there have been a number of general reports since last June that the Polish Government was organizing a national civil air defense organization, this is the first specific report of the training of civilians along that line.

3. YUGOSLAVIA. Anti-Western officials reportedly purged: The Turkish Consulate at Skoplje reports that 10 or 12 high ranking Yugoslav army officers and government officials in Macedonia were recently relieved for spreading defeatist propaganda and for stating that American army officers would take over the direction of the Yugoslav Army.

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A previous report received last week alleged that 15 officers had been arrested in Macedonia during General Harmony's last visit to Belgrade. (S Belgrade Joint Weeka 48, 30 Nov 51; S Belgrade 759, 7 Dec 51)

Comment: Although some officers may have been arrested on charges of Cominformism, these reported arrests may be connected with the US arms aid program. Certain high Yugoslav staff officers with anti-Western reputations will probably be reclassified in an effort to prepare the ground for General Harmony's mission, although it is improbable that they would be arrested for this reason.

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SECTION 2 (EASTERN)

1. GREECE. Court annuls election of left-wing deputies: The Greek election court has decreed that the election of ten EDA (Union of Democratic Left) deputies to parliament is annulled because they could not have legally been candidates while in exile or in prison charged with Communist activities. Meanwhile, Interior Minister Rendis has announced that he has ordered the cancellation of the exile orders and all the ousted deputies will remain free. (R FBIS Ticker, 8 Dec 51)

Comment: The left-wing EDA won ten seats in the 8 September elections, and seven of the elected deputies were allowed to return from exile to assume their seats. Although their election was confirmed, it was contingent upon a court ruling as to the legality of their original candidacy. Rendis' action in allowing the former exiles to go free is clearly a bid for leftist support in maintaining the present coalition government and in possible future elections.

2. IRAN. Iranian nationalists again resort to violence to check opposition: National Front supporters of Prime Minister Mossadeq were responsible for most of the damage during the 6 December rioting in Tehran, in which 50 policemen and 150 civilians were reportedly injured and two policemen killed. Despite National Front claims that Communists started the riots, the Communist-led demonstration was orderly until National Front groups attacked the demonstrators. The police reported that National Front hoodlums were also responsible for the ransacking of opposition and Communist newspaper offices which took place at the same time. (S USARMA Tehran M 29, 9 Dec 51)

Comment: The Nationalist practice of combating opposition with violence becomes especially serious as elections near. It not only augurs ill for the "free" elections which Mossadeq has promised but sounds a warning of future policies should the National Front win an overwhelming victory.

3. INDIA. Kashmir settlement appears no nearer: During the course of Dr. Graham's second attempt to find a solution to the Kashmir problem, certain officials and newspapers in India and Indian-held Kashmir have publicized India's allegedly conciliatory attitude and its willingness to hold a plebiscite as soon as satisfactory conditions therefor have been established. Others, however, indicate that once the knotty question of demilitarization has been solved, additional ones, such as the repatriation of all refugees who have left Kashmir since 1948, will remain. Dr. Graham himself finds little tendency on the part of the Indians to agree to any reasonable proposition even on the matter of demilitarization. (S Paris Delga 601, 10 Dec; S New Delhi Weeka 49, 7 Dec; U New Delhi 1949, 3 Dec 51)

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Comment: Despite the wide publicity being given to India's allegedly conciliatory attitude, there is still no indication that Dr. Graham will be able to report concrete progress toward eventual solution of the Kashmir issue by the time his current mission ends on 22 December.

4. Atomic pile to be completed in 1954: A New Delhi news dispatch reports that B. B. Goldschmidt, French atomic scientist, arrived in Bombay on 5 December to advise the Indian Atomic Energy Commission on a projected atomic pile. According to the Secretary of India's National Resources Ministry, this pile will produce isotopes for medical use and is expected to be completed by the end of 1954. (R News Ticker New Delhi, 5 Dec 51)
5. Congress Party winner in Himachal Pradesh elections: A Delhi broadcast of 9 December announced that the Congress Party had won a clear majority in the elections for the 36-member state assembly in Himachal Pradesh by capturing 21 of the 30 seats thus far announced. Seven were won by the Independents, one by the Kisan Mazdoor Praja Party, and one by the scheduled Castes Federation. The Hindu Mahasabha and the Ram Rajaya Parishad lost the very few seats they contested. (R FBIS, 9 Dec 51)

Comment: The Congress Party is expected to obtain similar majorities in most of the other states of India.

6. BURMA. Chinese-trained Burmese forces plan attack: An attack in northern Burma by 1,000 Burmese Communists who have been training in China, in coordination with a group of Chinese-trained Kachin tribesmen, is reportedly to take place in January or February 1952. The important town of Lashio, southern terminus of the Burma Road, is named as an objective.

The attacking force will be called the "Burma Liberation Army." Communist China will "extend recognition" and supply this force with arms and ammunition. [REDACTED]

25X1A

25X1A

Comments: Several hundred Burmese Communists are known to have been training in China for the past several months. A Kachin group, also trained in China, has previously been reported as planning an invasion in December or January.

The Burmese Communist leader, Thakin Than Tun, has publicly proclaimed an intention soon to establish a "liberated area" in north Burma to be ruled by a "People's Government." His forces in Burma have been reported as planning a "full-scale" offensive in November, but this attack may have been postponed to occur simultaneously with attacks from across the China border.

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7. Burmese Socialists planning to replace Premier with pro-Communist:
 The Burmese Socialists are reliably reported to be plotting the removal of Premier Thakin Nu when the new parliament convenes in January. The Socialists' first choice for the premiership is reported to be U Ba Swe, the party's Secretary General. [REDACTED]

25X1A

Comment: A number of reports have been received that U Ba Swe, an extreme leftist, has been maneuvering to replace Thakin Nu, who is under attack from several influential Socialists because of his pro-Western orientation. The Socialist Party is the dominant faction supporting the government and could accomplish a change in premiers at any time. The convocation of the new parliament, which they will control, offers them an excellent opportunity to effect such a change, as a new cabinet must be appointed at that time.

The Socialists would have to be certain of the noninterference, if not the cooperation, of Commander in Chief Ne Win in replacing Thakin Nu with U Ba Swe. They would also have to risk losing considerable popular support because of Thakin Nu's great prestige.

A government headed by U Ba Swe would be hostile to the US and would probably seek much closer relations with the Chinese Communists.

8. INDOCHINA. Chinese invasion of Indochina predicted: The Chinese Communists plan an overt attack on Indochina on 28 December, according to an intelligence source in Formosa. Chinese Communist troops will also threaten the Thailand border. (TS USAIRA Taipei 287, 8 Dec 51).

Comment: Predictions by this source have often proved inaccurate. Numerous recent reports, however, have alleged preparations for an attack on Indochina, and the Chinese have troops estimated at a minimum of 150,000 near the border.

French intelligence in Indochina has not provided any information to support the likelihood of such an attack. The French believe that a recent augmentation of Chinese Communist troops near the Indochina border has been necessary to contain guerrilla activity.

9. INDONESIA. Mass meeting demands unilateral nullification of RTC agreements:
 A mass meeting in Djakarta, sponsored by 15 political parties and organizations and attended by 5,000 persons, demanded that the government call off pending Dutch-Indonesian negotiations and that it take unilateral action to nullify the Round Table Conference agreements of 1949. The meeting also passed a motion calling on the people to "unite in the struggle to free Irian from the chains of colonialism," and asked the government to "cooperate with the people" in taking positive steps to incorporate West Irian (West New Guinea) into Indonesian territory. (R FBIS Ticker [REDACTED] 10 Dec 51) STATSPEC

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Comment: Although the report does not so state, the action taken by the mass meeting indicates that it was leftist-sponsored. The meeting is the first such undertaking which the Communists have attempted during the current New Guinea crisis. Should the government fail to take action, the Communists may be expected to continue such activity and to become increasingly vehement in denouncing the government's attitude on the New Guinea issue.

10.

Four Army companies desert to join Darul Islam: Four companies in Central Java deserted the Indonesian Army on 7 December to join the Darul Islam, a fanatical Moslem organization which has attempted to establish by force of arms an Islamic state in Indonesia. Loyal troops captured 69 of the deserters and killed 22. (R FBID Ticker [REDACTED] 10 Dec 51)

Comment: The Indonesian Army is a poorly trained, ill-paid, indifferently officered conglomeration of guerrilla bands who fought against the Dutch during the independence struggle. Loyalties are dubious and desertions are frequent. Desertions usually occur, however, in smaller numbers than four companies.

The report does not indicate to what extent the Darul Islam is active in Central Java. The organization has largely confined its operations to West Java and to the border area between the two provinces.

11. CHINA. Chinese Communist naval plans in South China reported: According to the Chinese Nationalist Ministry of National Defense, a Chinese Communist naval conference held at Hankow in early October decided to (1) complete the construction of 1,500 armored speed boats in Canton shipyards before the end of 1951, (2) give top priority to logistical support of Soviet submarines at Yulin, Hainan Island, and (3) avoid battle between Chinese Communist and Nationalist naval vessels along the South China coast to avoid disclosing Communist strength. (S ALUSNA Taipei, OLOZZ, 3 Dec 51)

Comment: Construction of small vessels in the Canton area has often been reported, but it is doubtful if there are sufficient shipyard facilities in the Canton area to construct 1,500 armored speed boats in a short time. Submarines have been reliably observed in South China, though not at Yulin.

12.

Sea-borne guerrillas raid North China coast: A Taipei press despatch states that Nationalist guerrillas operating off the Shantung coast recently captured a large army transport from a Communist fleet.

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The ship with its cargo of 1,000 pigs was brought to the guerrillas' home base near Formosa. The despatch reports that the guerrilla forces "recently obtained a number of vessels capable of such high speed and navigating radius that they can easily stage lightning raids against the Shantung coast and escape with impunity." [REDACTED]

25X1A

Comment: Guerrillas, labeled pirates by some observers, have operated extensively in South China waters. Taipei's allegation that the guerrillas have extended their operations to North China waters suggests that these anti-Communist forces have considerably broadened their range of operations. These forces are not considered capable of staging more than hit-and-run raids along the Shantung coast.

13. Madame Chiang Kai-shek criticizes Chiang Ching-kuo's power:

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Madame Chiang Kai-shek stated, in a recent interview [REDACTED] that her step-son Chiang Ching-kuo, who heads the Political Department, has achieved virtual control of the Nationalist Government. She blames him for initiating adverse propaganda concerning the US and the Military Assistance and Advisory Group on Formosa, attempting to control American aid for his own purposes, and seeking to undermine her connections with mainland guerrillas so that he may control this activity. [REDACTED]

25X1C

25X1A

25X1A

Comment: According to other observers, Chiang Ching-kuo's privileged position in the government (accorded him by his father) and the Political Department's extensive control in the Armed Forces have impeded the progress of the MAAG and have undermined the morale of Chinese civilians and military personnel.

Madame Chiang's remarks, however, are probably exaggerated, due to her desire to gain American support for her clique.

14. CHINA/KOREA. Gunboat used in Chinese amphibious attack on Korean island: The 30 November amphibious assault on a small island off Northwest Korea by CCF troops was preceded by shelling from an enemy vessel reportedly of PC class (PC class ships are 173 feet long and mount 4-inch and 40-mm guns). (S CINCPAC Telecon 5449, 11 Dec 51)

Comment: Assuming this ship to be Chinese, this incident is the first indication of Chinese naval participation in the Korean war. The vessel reportedly sighted cannot be identified but was presumably a small one, since it is doubtful if the Communists would have risked one of their few large vessels in this attack.

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15. KOREA. Formation of new ROK political party under way: Radio Pusan on 10 December announced that a new political party -- the Chayu Tang (Liberal Party) -- is being formed by 95 National Assemblymen. The new party has professed itself as representing "farmers and laborers." The broadcast, however, admits to some difficulties encountered, in that "liberals have refused to join forces, charging that the promoters of the new party do not understand what constitutes a popular party." (R FBIS [REDACTED] 10 Dec 51)

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Comment: This new party represents an attempt by President Rhee to consolidate the various "non-political" organizations supporting him. It is anticipated, however, that considerable resistance will be met from existing pro-Rhee elements who would be merged and lose their identity in the new party. The head of the new party apparently is Lee Hwal, leader of the largest pro-Rhee group, the National Society for the Rapid Realization of Korean Independence.

16. American observers report ROK anti-guerrilla campaign well conducted: A US Embassy observer, just returned from the scene of the current anti-guerrilla campaign in southwestern Korea, reports that operations are being conducted in a disciplined manner and that ROK field commanders are determined to avoid a repetition of the Kochang affair, in which an entire village was massacred for alleged collaboration with guerrillas. There is no guarantee, however, that some small unit will not commit similar excesses. The observer stated that, while the campaign to date is in a sense disappointing in that no large numbers of guerrillas have been taken, its disruption of the Chiri-San partisan base "may seriously hamper future operations." (R Pusan 554, 11 Dec 51)

Comment: The continuing danger in such operations against Communist elements within South Korea is that thoughtless excesses will be committed against relatively innocent local inhabitants. Such excesses, by alienating those people who know the guerrillas' habits best, frequently jeopardize the success of the entire operation.

17. JAPAN. Soviet Mission allegedly discourages trade with Communist China: Prominent Japanese businessmen credited two members of the Soviet Mission as stating on 26 November that they wanted Japan to trade with the Soviet Union alone and not with other Communist countries, including China. None of the Japanese businessmen who attended the conference is considered pro-Communist; rather, all are associated with the capitalist group, since they held important positions in government or large businesses before the war. (S Tokyo Weeka 49, 7 Dec 51)

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Comment: Strong Japanese interest in resuming trade with mainland China may have caused the businessmen to place undue emphasis on the attitude expressed by the Soviets toward Sino-Japanese trade. Obviously the USSR representatives were not empowered to discuss the problem. It is also possible that the Russians desire to establish their own trade on a priority basis. However, the USSR ostensibly does not interfere with foreign trade between other orbit countries and the West.

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SECTION 3 (WESTERN)

1. GERMANY. Berlin trade interference slackened: While the USSR is retaining the principle behind its various harassing measures in Berlin, the actual measures have been relaxed in recent weeks. Soviet interference with parcel post shipments between Berlin and West Germany has been considerably less since 2 November; the USSR has not rejected any export permits submitted for approval by West Berlin firms since 3 November; and the important Rothensee canal lock was, as previously reported, opened to West German traffic on 2 November. The principal Soviet interference now is the allowing of export permits to backlog, with results detrimental to West Berlin firms.

Meanwhile, there is evidence that the backlog of cargo awaiting shipment by the Allied small airlift is not so large as the West Berlin city officials had recently indicated. In explanation of this, these officials maintain that many Berlin firms have completely capitulated to Soviet demands by supplying the certificates of origin demanded by the USSR, contrary to Allied and West Berlin orders. Although it is impossible to determine the extent to which Berlin firms have done this, they have in the past been able to circumvent the USSR demands by various ruses. (Factual data from: S Bonn unnumbered, 7 Dec 51; C Berlin Trade-Transport Cables 76-100, 1 Nov-10 Dec 51)

2. ITALY. Desire for autonomy increasing among Nenni Socialists as result of party's pro-Communist ties: Autonomy sentiments are reportedly gaining strength in the ranks of the Nenni Socialists (PSI) throughout north Italy as the result of the increasing conformity of the party's policy with Communist political ideology. The disproportion between Socialist and Communist representation in those provincial councils which the extreme left captured in the May-June local elections has seriously disturbed PSI members opposed to Communist domination of their party. In northwest Italy the PSI federations have secretly agreed to sabotage efforts of their party's leadership to conform with Communist policy by not attending pacifist meetings of the peace partisans and by disregarding circulars which urge joint action with the Communists in the labor field.

To prevent further dissatisfaction and a possible splitting of the party, the PSI leadership has decided to appoint as Federal Directors the Youth Cadres who support the Communist policy and to reject all the older elements who still nurture autonomist tendencies. [REDACTED]

25X1A

25X1A

Comment: There have been other indications that the PSI is restless under the domination of the Communists, to whom it is bound by a long-standing unity-of-action pact. PSI leader Nenni recently announced in a

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press interview the terms he proposed for "a truce and agreement to collaborate" between his party and the Christian Democrats of Premier de Gasperi.

3. Italian upper-income classes ignore tax law: The Italian Minister of Finance reports that of the 3.8 million tax returns filed this year, only one has indicated an income in excess of 320,000 dollars. He stresses that the wealthy in general have not complied with the tax law and that he will enforce the new tax measures for making big businessmen and corporations file accurate returns. The Minister was satisfied in general with the response to the new tax reform and praised the honesty of small- and medium-income classes in declaring their income.

Tax payments will amount to approximately 80 million dollars more than were collected last year under the old tax system. (S Rome Joint Weeka 49, 7 Dec 51)

Comment: The amount collected in excess of last year's returns exceeds previous estimates. As far as the middle- and lower-income groups are concerned, their good showing may be attributed in large measure to the fact that income taxes are collected at source. The widespread evasion of the income tax by corporations and higher-income groups is a particularly serious problem.

4. Italian Government to shift from fiscal year to calendar year in preparing budget: Budget Minister Pella has indicated that the Italian Government has introduced legislation in Parliament designed to shift from a fiscal year to a calendar year basis in preparing the national accounts. Under the existing system the budget must be submitted in January. Under the new proposal, Pella would have until next May to submit the budget for 18 months — the last half of 1952 and all of 1953.

This change will make for greater economy, because now the government must prepare financial data both on a calendar and fiscal year basis, with considerable duplication of effort. The additional time the government will have will place it in a better position to know the amount of US aid and the progress of offshore procurement contracts placed in Italy by the US before submitting the proposed military budget to Parliament. (C Rome 2496, 4 Dec 51)

Comment: Pella has recently pressed for information on US plans for offshore procurement of military items in Italy and made it known that Italy is relying heavily upon these plans. He has given assurance that the Italian defense program will be executed even if domestic prices should rise moderately, but has hinted that if there is an international inflation, Italy will not feel bound to promote a defense effort beyond its economic capabilities.

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5. SWITZERLAND. Swiss watch shortage attributable to Chinese Communist purchases: There is reportedly a temporary shortage of Swiss watches on the world market because of heavy buying by the Chinese Communist Government. A Chinese Communist Government agent has been buying all available stocks in Switzerland. Such purchases are significant because such watches are needed for artillerymen, and because watch movements can be converted for use in almost any kind of precision equipment, including fuze heads for projectiles.

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Comment: The US receives the largest part of Swiss watch exports. The West has not requested any controls over Swiss watch exports.

6. SPAIN. Spanish criticism of delays in US aid increase: The US Ambassador in Madrid reports influential Spaniards are becoming increasingly impatient at the delays in American aid. Spanish officials, preoccupied with the country's tight dollar position, are annoyed that although the Export-Import Bank credits were authorized over a year ago, not all the 62.5 million dollars have yet been allocated. Moreover, they apparently resent the fact that other nations are already receiving allocations from 1952 Mutual Security Act funds, whereas in Spain only an economic survey has been made.

The Ambassador feels that, although the Spanish Government is partly at fault in the matter, further delay, coupled with the absence of information as to what Spain may expect, is detrimental to American interests and prestige. (C Madrid 592, 8 Dec 51)

Comment: Spanish expectations for aid were unjustifiably high. Government officials had apparently anticipated a free hand in the use of Export-Import Bank credits. Among the chief causes of delay in execution of these credits have been the efforts of Spanish officials to obtain funds for government-controlled projects, frequently economically unsound as well as unacceptable under the Bank's policy of favoring private enterprise, and the failure of the Spaniards to submit adequate data to justify their requests.

7. LIBYA. France willing to contribute to Libyan finances: According to the French Foreign Office, France will make financial contributions to the central Libyan Treasury, but is seeking an exchange of notes by which the Libyans would agree to earmark French funds to make up the deficit in the Fezzan's budget and for a national development institute. The French state that the British agree and have dropped the request that the French financial adviser -- who will be concerned solely with Fezzanese questions -- be subordinate to the British adviser.

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The French realize, however, that independence will occur automatically on 1 January. (S Paris 3436, 8 Dec 51)

Comment: US inquiries about the report that Libyan independence might be delayed by French intransigence (see OCI Daily Digest, 10 Dec 51) prompted the Foreign Office statement. Essentially, however, the French position continues to impede the declaration of Libyan independence, which has been most recently scheduled for 15 December.

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SECTION 2 (EASTERN)

1. GREECE. Greek UN delegate incensed over British and French failure to support Greece's candidacy for UNSC seat: The Greek UN Delegate has expressed his indignation over the "treason" of France and Great Britain, who failed to support Greece's bid for a seat on the Security Council. The Greek delegate insisted that he had been promised French support for Greece in exchange for Greece's abstention on the Moroccan question. He was especially bitter, according to the US UN delegate with whom he discussed the matter, over the British vote, asserting that the British, despite their promise to support Greece after the first ballot, had continued to vote for Byelorussia up to and including the last ballot. (S S/S Paris DELGA 581, 10 Dec 51)

Comment: Although extremely bitter over the adverse French and British votes, the Greek Government has as yet refrained from giving full vent to its irritation, presumably with the hope that diplomatic pressure will yet save the day. In this connection, Greek diplomats have already informed Britain, as well as the US, of their displeasure, and Greek attempts to influence the British by linking Greece's recognition of King Farouk as "King of Egypt and the Sudan" with the Greek candidacy for the Security Council may well follow. An adverse vote will undoubtedly give rise to increased criticism of the already shaky government, and Greek politicians may accordingly feel forced to take a firmer stand against the British on the Cypriot and Egyptian issues.

2. LIBYA. American Consul General in Libya concerned over British diplomatic action: The US Consul General in Tripoli has expressed his concern lest the first British Minister to independent Libya be Sir Alexander Kirkbride, Minister to Jordan for the past twenty years. According to the Consul General, Kirkbride's appointment would confirm the worst suspicions of Moslem states that Britain plans to make "another Transjordan" out of Libya.

The Consul General points out that elections for the new Libyan parliament, which must ratify the American airbase agreement and also the British and French agreements, must be held according to the constitution by 22 February 1952. Kirkbride's appointment, he fears, will strengthen the hand of opposition elements and lessen the possibility that the new Libyan parliament will be controlled by persons favorable to Western interests. (S S/S Tripoli 249, 9 Dec 51)

Comment: Recognition of the precarious political situation in Libya has resulted in the US and UK urging the advancement of Libya's independence date to 15 December. The US Legation in Jordan recently stated that Kirkbride had been ordered by the British Foreign Office to arrive in Libya by 14 December so that he might become the dean of the diplomatic corps.

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