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19 June 1952

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**CURRENT INTELLIGENCE DIGEST**

**Office of Current Intelligence**

**CENTRAL INTELLIGENCE AGENCY**

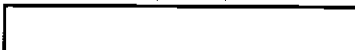
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EASTERN EUROPE

1. Soviet Union holds Satellite Economic Conference in Budapest: The Soviet-sponsored Council of Economic Mutual Assistance reportedly met in Budapest on 21-23 April to fix delivery deadlines for trade among the European Satellites, and to emphasize that production for export within the Orbit has priority over domestic requirements. Poland, East Germany, and Rumania were criticized for failure to meet schedules. [REDACTED]

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Comment: Dissatisfaction with the Rumanian economic situation was the reason given for recent purges of prominent government officials which began shortly after this meeting. Further evidence of continued Soviet concern with Satellite economic performance was manifested on 1 June when work-norms in Hungary were raised in answer to Soviet demands.

2. Rumored movement of Polish troops into Czech training area: According to [REDACTED] the US Military Attache in Prague, two Polish military units of unknown size with guns and tanks passed through Hradic Kralove near the Polish border on the way to the Karlovy Vary area in western Bohemia.

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The MA observes that recent expansion of the Cisorsky Les training area near Karlovy Vary increases the possibility that sizable exercises may be held in the late summer or fall. He believes, however, that if exercises involving Polish and Czech forces are now under way, they are probably of company or battalion size. [REDACTED]

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Comment: Similar rumors in previous years have never been confirmed.

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3. Hungarian Prime Minister fears war: [redacted] Prime Minister Dobi fears that there will be a war, as the symptoms point to a growing tension in international relations. [redacted] asked what the outcome of the war would be; Dobi replied that he actually believed the West would win.

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The American Legation in Budapest believes that the account is probably substantially accurate and that Dobi, although a mere figurehead, may well reflect the atmosphere prevailing among Hungarian leaders. [redacted]

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[redacted]

Dobi's chief usefulness to the Communist Party has been the fact that as a former genuine farm laborer he has attracted peasant support for the unpopular party program. As a leader of the Smallholder Party, his presence in the government maintains the fiction of a popular front.

4. Rumania steps up "hate America" drive: The American Legation in Bucharest reports that a vicious front-page editorial on 15 June in Scanteia, official organ of the Rumanian Workers' Party, appears to initiate a stepped-up hate-America drive. The editorial asserts that mass extermination of "inferior peoples" based on an "imperialistic distortion of Malthusianism" is American policy and that the Korean "barbarities" are an application of this policy. The paper calls for a campaign to expose American imperialism as "Enemy Number 1" of peace and humanity and devotes an entire page to American-inspired "atrocities." [redacted]

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Comment: On the same day the Rumanian General Confederation of Labor protested the Koje Island incidents to the UN.

Rumania has now taken up the "atrocities" approach which the USSR launched after the Dodd incident in early May and the "Malthusian" angle which appeared in Soviet and East German propaganda last week.

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FAR EAST

5. Ranking members of Soviet mission in Japan returning to Moscow: Representatives of the Soviet mission in Tokyo called at the British Embassy on 14 June and requested transit visas to Hong Kong for five members of the mission, including the chief, Major General Aleksei Kislenko and a political adviser. The party desires to go to Moscow this week via Hong Kong and China. [redacted]

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Comment: The departure of some ranking members may be a Soviet gesture in response to recent Japanese demands for the mission's withdrawal. Retention of a working staff of approximately 65 in Tokyo maintains the Soviet position that the dissolution of the Allied Council for Japan is "illegal."

6. Japanese Diet considering bill for Ryukyus liaison office: A Foreign Office-sponsored bill to establish Japanese Government liaison offices in the Ryukyus is being considered in the Diet Lower House, according to Ambassador Murphy. Passage appears imminent. The Naka office on Okinawa may be opened as early as 1 July. [redacted]

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Comment: Numerous groups in the Ryukyus, including the newly elected central legislature, have petitioned for the return of the islands to Japan. One of the major disappointments to the Japanese in the peace treaty was its failure to provide for the return of the Ryukyus. The establishment of the liaison offices will probably be viewed in both areas as an initial step toward the islands being returned eventually to Japan's administrative control.

7. Rhee reportedly plans to discredit American Ambassador: President Rhee is determined to build a case charging American Ambassador Muccio with interference in South Korean politics. [redacted]

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[redacted] learned from a [redacted] Police have been collecting information on all Korean employees at American installations, subjecting many of them to interrogation, and have maintained a close watch on those in the American Embassy. [redacted]

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Comment: A plan to discredit Ambassador Muccio can not be confirmed at this time. However, Rhee has told [redacted] that there was "corruption" in the American Embassy.

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The Embassy has reported police surveillance during the past weeks, and some Korean employees have been subjected to pressure.

- 8. Rhee's opposition to continue fight in hope of UN intervention: South Korean Assemblymen opposed to President Rhee are "determined to continue the fight," [redacted]

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[redacted] learned from [redacted] This determination springs from their belief that the UN Commission (UNCURK) and the Eighth Army will protect the Assembly compound, and "will take practical control of the ROK government before the presidential election."

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Comment: While this belief may exist among some of the opposition Assemblymen, there is increasing evidence that Rhee's intimidation campaign is paying off and that the "will to resist" of many Assemblymen has been seriously weakened. Ambassador Muccio reported on 16 June that Rhee could probably effect a compromise favorable to himself with the Assembly at any time but that it appeared likely that he would continue his campaign until the opposition was eliminated.

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- 9. Chinese aircraft assembly plant reported in north Manchuria:

[redacted] the Chinese Communists in June 1951 opened what they call the "first airplane plant" at Tsitsihar, on the Chinese Changchun Railway. From August 1951 to March 1952 this plant reportedly assembled 453 conventional aircraft -- old types suitable for training purposes only. Some of the engines and parts, all of which were shipped from the USSR, were not new. [redacted]

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Comment: Peiping Radio first announced the existence of an "Aviation Industry Bureau" in June 1951. In view of the growth of the Chinese Communist Air Force over the past year, there are probably many plants in China designed to assemble and repair combat and training aircraft received from the USSR.

- 10. French behind removal of popular Cambodian Cabinet: The US Charge in Saigon, in commenting on official French denials of implication in the King's 15 June overthrow of the Cambodian Cabinet, states that it is inconceivable that the King would have seized the initiative without securing French approval. French armored troops with American equipment are now parading the Phnom Penh streets and are posted with machine guns at street corners.

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The Charge in Phnom Penh points out that a democratic government, responsible to an elected legislature, has been replaced by a government responsible only to the monarch. The King, he says, has by-passed the constitution with the aid of French military force and has probably alienated public opinion.

[Redacted]

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Comment: The deposed government, which in recent months has increasingly insisted on a relaxation of French controls, possesses more than a two-thirds membership in the Cambodian Assembly. The highhanded dismissal of the cabinet may not bring an immediate explosion, but certainly foreshadows an accelerated deterioration of the political situation in Cambodia.

Reverberations may also reach Vietnam, where the highly unpopular Tam government has just been installed, and where Vietnamese Nationalists may well be given further cause to distrust ultimate French intentions in Indochina, and to refuse cooperation in opposing the Viet Minh.

SOUTH ASIA

- 11. Pakistani Cabinet reportedly writes off Kashmir: Accord-

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[Redacted], the Pakistani Cabinet in a secret meeting in May wrote off Kashmir as lost to Pakistan. The cabinet decided to emphasize other issues in an attempt to divert public attention from the Kashmir problem. [Redacted]

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Comment: While Pakistan's leaders have on occasion shown despair over any favorable solution of the Kashmir dispute, there is no evidence that the Pakistani Cabinet has adopted such a drastic attitude as writing off Kashmir. UN Representative Graham is at present carrying on negotiations on the subject with Indian and Pakistani representatives to the United Nations in New York.

NEAR EAST - AFRICA

12. Greek Communists may benefit from reopening of trade with Soviet bloc: During his recent visit to Moscow, George Terzakis, a Greek businessman, concluded a barter transaction

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with the Soviet Union for goods totalling more than one and three-quarters million British pounds against an almost equal amount of Greek tobacco and bay leaves. Terzakis is also reported to have concluded transactions with Rumania, Czechoslovakia and the Soviet-controlled USIA in Vienna which totalled approximately 10,000,000 dollars. [REDACTED]

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[REDACTED]

Comment: While none of the contemplated Greek exports is a strategic item, trade with the Soviet Orbit, already sponsored by the Communist radio as the panacea for Greece's economic ills, would tend to strengthen Communist efforts in Greece. The Greeks have shown an increasing tendency recently to blame the United States for the economic hardships resulting from the government's failure to take the unpalatable reforms necessary if Greece is to avert a financial and economic crisis. The feeling is particularly strong in strategic Macedonia where the destitution of more than 50,000 tobacco farmers is becoming a major relief problem.

13. France agrees to negotiate status of American armed forces in Morocco: The United States Ambassador in Paris reports that the French Foreign Office Legal Adviser has agreed to negotiate a special agreement defining the rights and obligations of American armed forces in Morocco.

The Legal Adviser agreed with American representatives that these negotiations would be treated apart from French-American differences over the special régime in Morocco. He also stated that no reference to this agreement would be made by the French in the hearings on the Moroccan case before the International Court. [REDACTED]

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Comment: This agreement to negotiate is an indication of French willingness not to complicate French-American differences over Morocco by the introduction of a technical question.

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## WESTERN EUROPE

14. West German Bundestag leader suggests program for European unity: On a recent trip to the United States, Richard Freudenberg, a prominent German industrialist and deputy chairman of the Bundestag's Foreign Trade Committee, told American officials that he thought an immediate program to unify Europe, politically and economically, would stimulate the Europeans to push defense measures "without qualification." He felt that France, Italy, and Germany would agree to a unity program if the United States actively exerted its leadership in that direction, and he suggested that the US dispense aid to "Europe" rather than to its individual countries.

Freudenberg believed he could be influential in securing the backing of Germany's Christian Democratic and Social Democratic parties for a unity program. [REDACTED]

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15. Government-labor dispute abates in West Germany: The compromise reached on 13 June by Chancellor Adenauer and the chairman of the West German Federation of Trade Unions not only temporarily ended the violent dispute over the government's draft co-determination law, but also may have averted a serious threat to the government's foreign policies. Had the dispute continued, the federation's leaders might have been forced by their supporters to adopt an all-out stand against the federal coalition's policies, particularly its Western integration program.

Adenauer agreed that there would be no immediate parliamentary action on the draft law, and that a government-labor committee should be established to revise it. The committee will begin work on 30 June in Duesseldorf.

Some coalition leaders feel, however, that the basic positions of the disputants are irreconcilable. Furthermore, they predict that conservative elements in the coalition will be successful in obtaining parliamentary passage of the law next month against labor's objections. On the other hand, American observers believe that Adenauer will be able to delay parliamentary consideration of the law, and thus avert another head-on clash between labor and the government.

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16. French Communists seen switching to conciliatory tactics:  
At the close of a two-day national congress the French fellow-traveling Union of Progressives approved a direct appeal to leading non-Communist political and economic groups calling for a cessation of hostilities in Indochina, the prevention of German rearmament, a settlement of the Korean conflict, and the safeguarding of constitutional liberties and social achievements realized during the Liberation.

No mention was made of direct action and this conciliatory approach by a leading Communist political front dovetails with the sudden abatement of the Communist Party's hard policy.

The American Embassy in Paris observes that the Communists are evidently beating a tactical retreat as a result of the confusion into which government repressive measures have thrown them. [REDACTED]

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17. Italy seeks means to counter Soviet trade propaganda:  
The favorable reaction of the Italian delegation to the recent Moscow Economic Conference has disturbed the Italian Government, which firmly believes that a significant increase in trade between Western Europe and the USSR cannot be achieved either safely or easily. The Italian Communists seem to have strengthened their popular standing somewhat by their propaganda statements that greater trade with the Orbit would buttress the country's economy and lessen international tension.

To counter this propaganda, Italy favors publicity on East-West trade controls to demonstrate that only a small part of Italo-Orbit trade is affected. Government spokesmen have already ably publicized the fact that the Orbit countries are responsible for the failure of trade levels to rise within existing trade agreements.

The Italian Government believes, however, that the Orbit propaganda campaign may be more successful now since the trade restrictions imposed by the United States over the past year have had an unfavorable effect on Italian public opinion. These restrictions may also account in part for Italy's increasing intransigence on the enforcement of East-West trade controls and its seeming determination to export to the Orbit strategic items contracted for prior to COCOM embargo. [REDACTED]

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18. American Embassy sees Sweden unintimidated by Soviet action: The US Embassy at Stockholm believes that the Soviet attacks on Swedish planes, far from frightening Sweden back to a more rigid neutrality policy, will only aggravate its intensely anti-Soviet feeling. The incidents have aroused the Swedes from their complacent self-satisfaction in foreign affairs. The Embassy does not expect any formal change in Sweden's alliance-free policy, but simply a greater pro-Western emphasis in its application. [redacted]

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Comment: Periodically the Swedes are assailed by doubts concerning the soundness of their foreign policy; the current incidents will greatly stimulate their soul-searching.

LATIN AMERICA

19. Bolivian President said to be strongest supporter of tin nationalization: The president of the Banco Minero has implied that Bolivian President Paz Estenssoro is personally responsible for the present trend toward nationalization; he doubts that the major pressure for expropriation comes from Lechin. [redacted]

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Comment: Paz' 10 June speech at the swearing in of the Tin Nationalization Study Commission also indicated his determination to carry out nationalization of the three principal tin mines. Up to that time Minister of Mines and Petroleum Lechin had been the official most vocal on the subject.

20. Pro-Argentine Ecuadoran army officers reportedly trying to undermine US Military Mission: Nine Ecuadoran army officers have been named [redacted] as working in the interest of Argentina by disseminating propaganda and attempting to discredit the US Military Mission in Ecuador. They have been advocating the replacement of the US Mission by an Argentine group which, they say, would cost less and would give instruction "more in accordance with the realities and spirit" of the Ecuadoran Army. [redacted]

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Comment: Two of the nine officers have reportedly been Argentine agents since 1950; [redacted]

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the Ecuadoran Command and General Staff School which was closed in February because of the anti-government and pro-Argentine sentiment discovered there.

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According to another recent report, intensive pro-Argentine propaganda in Ecuador was started in February or March 1952, and has been handled in part by the propaganda chief of the Concentration of Popular Forces, one of the groups supporting president-elect Velasco Ibarra.

The present Ecuadoran Government has been fearful of Argentine influence and recently declared the Argentine Ambassador persona non grata on the ground that he was interfering in the presidential election campaign.

21. Uruguay may be considering diplomatic appointment to Moscow: The possible appointment of an Uruguayan Charge d'Affaires in Moscow was rumored in the Uruguayan press recently. There has been no official confirmation of the rumors, but contradictory informal statements by Foreign Office officials suggest that such an appointment is being considered.
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Comment: Soviet diplomatic, consular, and domestic personnel in Uruguay total about 25 persons, not counting wives and children. The Legation maintains close liaison with Slav minority groups and there is evidence that it has more frequent overt contacts with local Communists than either of the other USSR diplomatic establishments in Latin America. The Uruguayan Government granted agreement in May for a new Minister from the USSR to Uruguay. The post had previously been vacant for more than three years.

Uruguay has had no representative in Moscow since 1947. A Minister was appointed by the administration in 1948, but Congress refused to approve the appointment.

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**TOP SECRET SUPPLEMENT**

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EASTERN EUROPE

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[redacted] assesses Albanian leaders' positions: [redacted] within Albania, the position of Minister of Interior Mehmet Shehu has become continually stronger because of his support by the Soviet Military Attache in Tirana. The shift in favor probably occurred after the often-mentioned bomb explosion at the Soviet Legation in Tirana in February 1951 for which Premier Hoxha was forced to denounce a number of his friends for deviationism and inefficiency. The Soviet Military Attache, who was responsible for state security and logically was the man to suffer for this breach of security, remained in his position and gave free rein to Shehu for proceeding with executions and imprisonments. Former Soviet Minister Chuvakhin, who championed Premier Hoxha, left Albania in December 1951 with no public recognition after five years' service in Tirana. [redacted] states that, as Shehu received a position not inferior to Hoxha at the March Congress of the Albanian Workers' Party and as Hoxha is now deprived of Chuvakhin's protection, the net result might be that Hoxha will meet an unhappy end. [redacted]

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[redacted]

Comment: However rife speculation has been over a possible split in the Albanian Government and Communist Party ranks, no open dispute has occurred to upset the present hierarchy. A continuous purge has been going on since early 1951 which has served to tighten Soviet control in Albania, keeping both Hoxha and Shehu loyal supporters of Soviet policy.

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