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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. French Ambassador comments on Pravda attack against Kennan: According to the American Embassy in Moscow, the French Ambassador is convinced that the remarks made by Ambassador Kennan in Berlin were a mere pretext for the recent attack against him in Pravda. The French Ambassador believes that the Pravda article goes deeper than a reaction to Kennan's comments and that it stemmed at least in part from elements in the Soviet Government who fear Kennan's presence in Moscow.

The French Ambassador, considering it highly desirable that western solidarity be maintained in regard to issues raised by Pravda, requested US views as to how the incident should be handled. (C Moscow 573, 27 Sept 52)

EASTERN EUROPE

2. Shortages of coal and electric power in Czechoslovakia admitted: During the past few weeks the Czech Government has admitted the seriousness of shortages of coal and electric power and has appealed to the public to reduce consumption and increase production of these items. The Czech radio has revealed that numerous power cuts are interfering with industrial production, especially in Slovakia, and that a state power control agency has been established to ration the use of electricity. The French news service reports that train schedules have been cut by about 20 percent. (Factual data from: R FBIS [REDACTED] 10, 17, 26 and 29 Sept; FBIS London, 27 Aug, 4 Sept; FBIS [REDACTED] 26 Sept 52)
3. Finnish Government concerned over continued slump in export market: The Finnish Government is showing increased concern over the economic and political effects which may result

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from the absence of a noticeable resurgence in world demand for many Finnish wood products. Newsprint production, however, continues to remain at near capacity and increased activity in the lumber market has enabled a few small sawmills to resume production. (R Helsinki Joint Weeka 38, 18 Sept 52)

Comment: The slump in the wood export market has been interpreted as a normal reaction after the inflated prices and high demand for these products during 1950 and 1951. In order to forestall any Communist attempts to capitalize on possible widespread unemployment during the coming winter, the government plans to provide employment for 70-80,000 workers on public works projects.

4. Hungary launches third "voluntary" peace loan: The Hungarian Government launched its third annual "voluntary" peace loan on 25 September with an announced target of 1.3 billion forints, about one third more than last year. The American Legation in Budapest reports that the quasi-compulsory subscription rate is between 15 and 20 percent of the individual's annual wage. Last year's loan was oversubscribed by about 300 million forints. (R Budapest Weeka 39, 26 Sept 52)

Comment: In 1951 the "peace loan" accounted for about 4.4 percent of total receipts in the Hungarian budget. This form of involuntary savings is a part of a general deflationary program, which also includes compulsory fire and hail insurance, reduced pensions, the promotion of voluntary savings and heavy sales taxes.

5. Polish delegation to United Nations session announced: The Polish delegation to the forthcoming session of the UN General Assembly will be headed by Foreign Minister Skrzyszewski, according to the Polish press, and will include the newly appointed Under Secretary of State in the Ministry for Foreign Affairs, General Marian Naszkowski, the permanent UN delegate Birecki, and the present Ambassadors in London and Washington. The list of alternates will be headed by the principal political adviser, Dr. Juliusz Katz-Suchy, and will include among others the Polish Minister to Belgium and Dr. Manfred Lachs, an official of the Ministry for Foreign Affairs. (C Warsaw 161, 27 Sept 52)

Comment: Brigadier General Naszkowski, who was transferred last week from his position as Vice Minister of National Defense to his new post in the Ministry for Foreign Affairs,

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is a trusted Moscow-trained Communist who served as Polish Ambassador to Moscow, after which he supervised the reorganization of the political section of the Polish Army along Soviet lines. There is no definite indication of the significance of his new appointment, although there have been recent rumors of a reshuffle in the upper level of the Foreign Ministry.

Most of the announced delegates and alternates have attended previous sessions of the General Assembly, including Naszkowski. Dr. Manfred Lachs of the Foreign Ministry's legal department is considered to have a western orientation, having received part of his education in England. In the event of a purge in the Foreign Ministry, it is likely that Lachs would be one of the first to be replaced.

6. Rumanians hinder remaining private trade: The American Legation in Bucharest reports that all remaining private retail stores in that city are now easily distinguishable, since private merchants have been required during the past month to paint their signs gray with the owner's name in black. The Legation suggests that this measure is intended to facilitate present control and future liquidation as well as to scare away some party members and officials who are afraid to be seen in private shops. (C Bucharest 104, 26 Sept 52)

Comment: According to the Legation, the Rumanian press revealed in May that private traders in grain, flour, meat, cattle, horses, hides, cotton, fodder and oil seeds, and petroleum had recently been "eliminated." There has apparently been no further nationalization since that time; the private sector still comprises 24 percent of all domestic trade, according to recent official announcements.

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FAR EAST

7. Possibility of split in Japanese Liberal Party increased: Ambassador Murphy believes that with the summary expulsion from the Liberal Party on 29 September of two top pro-Hatoyama leaders, the intraparty schism has reached a point where a compromise is no longer possible. The Hatoyama faction interprets the action as tantamount to a "declaration of war" between the two rival groups.

Murphy reports that the action was taken by the pro-Yoshida election committee on grounds that the two men were creating the impression that the Liberal Party would split after the election. Hatoyama was said to be "shaking with rage" over the incident. (C Tokyo 1056, 29 Sept 52)

Comment: The struggle for power between Prime Minister Yoshida and Ichiro Hatoyama, the Liberal Party's founder, has already seriously damaged the party's prospects for maintaining its majority in the lower house in the 1 October elections.

An open post-election split, which now seems indicated, would probably lead to the establishment of a conservative coalition government and a period of political instability, but with little change in foreign policy.

8. Ambassador Murphy predicts Liberal victory in 1 October Japanese election: On election eve Ambassador Murphy reports "increasing, though admittedly tentative, indications" that the Liberal Party will achieve a majority, but with some loss over its representation in the last Diet. Latest newspaper surveys indicate that the Liberals are running well in front with the Progressives and Rightist Socialists following.

While few political observers are willing to predict the outcome of the Yoshida-Hatoyama split, pro-Hatoyama candidates most certain of election slightly outnumber those of the pro-Yoshida faction. Murphy notes that accurate predictions are difficult because of the large percentage of undecided voters, the effect of rearmament, public reaction to the depurged candidate group, the effect of Liberal Party strife on the party's popularity, and the large number of candidates not committed to either Yoshida or Hatoyama. (C Tokyo 1055, 29 Sept 52)

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9. Mongolian Premier visits Peiping: The arrival in Peiping on 28 September of the Mongolian Premier, who had led a delegation to Moscow during the Sino-Soviet talks, suggests that Outer Mongolia is negotiating agreements with Communist China as well as with the Soviet Union.

Outer Mongolia has no known treaty with the Peiping regime. The Premier's visit has been highlighted by an announcement that Sino-Mongolian friendship -- specifically economic, political and cultural cooperation -- will be officially celebrated in Mongolia from 1 to 10 October.

The USSR has several bilateral agreements with Outer Mongolia, but the continued presence in Moscow of the Mongolian defense minister and Chinese military leaders suggests discussion of a tripartite military pact. (Factual data from: R FBIS [REDACTED] 27 and 28 Sept 52)

10. Chinese Communist bureaucracy growing: At the recent cadre conference reported by the North China News Agency on 18 September, it was stated that the number of cadres in East China had increased "over 300 percent" in the past three years.

If the total civil bureaucracy has increased at the same rate as the number of cadres, there are now between 12,000,000 and 15,000,000 civilian government employees in Communist China. (S Hong Kong 816, Joint Weeka 39, 26 Sept 52)

Comment: The expansion of Peiping's economic activities -- land reform and the operation of new state-owned enterprises, for example -- has required a parallel growth of the Communist bureaucracy and a sharp increase in the cost of maintaining the Peiping regime. Nonmilitary expenditures in Communist China are estimated to have been 50 percent greater in 1951 than the year before.

SOUTHEAST ASIA

11. British in Malaya concerned over Thai border conditions: British officials in Malaya are concerned over deteriorated security conditions in Thai areas adjacent to the Malayan border. Aware that Chinese Communist terrorists from Malaya

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have always used southern Thailand as a safe haven, they now believe that the terrorists have actually "liberated" some areas. Although continuing to cooperate with the Thai police, the British appear to have little confidence in police ability to cope with the situation. (S Singapore 348, 26 Sept 52)

Comment: The British have in the past been loath to criticize the ineffectual attempts of the Thai police to prevent the terrorists from using southern Thailand as a retreat for rest, training and the smuggling of arms. A pronounced local economic slump has reportedly aggravated already unsettled conditions in the area.

12. Another minority in Burma expresses grievances: The Arakanese members of the Burmese Parliament have complained that their constituents are being given insufficient recognition as an ethnic minority. Defense Minister Ba Swe has agreed to study the question. The American Embassy in Rangoon comments that Ba Swe, who is already active in Karen and Chin affairs, may be attempting to replace Premier Nu as champion of the minorities. (S Rangoon 508, 26 Sept 52)

Comment: The Arakanese, isolated from the rest of Burma by mountains, have long considered themselves a distinct ethnic group, but no special provision for them was made in the Burmese constitution.

Ba Swe is generally not highly regarded by the minority groups in Burma.

13. Parliament extends term of Burmese irregulars: The Burmese Parliament provided a six-month extension for the Burma Territorial Force. Defense Minister Ba Swe assured parliament that he hoped to absorb the force of over 8,000 into the regular army. These irregular troops, according to the American Embassy, have rendered invaluable assistance to the army. (S Rangoon 508, 26 Sept 52)

Comment: The life of the BTF has been extended for six-month periods since its formation in 1948, always with the promise that it would be absorbed into the regular forces.

While the situation may be different elsewhere in Burma, reports from Tenasserim attest to the poor discipline and irresponsibility of these irregulars.

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SOUTH ASIA

14. Afghanistan seeks to purchase industrial equipment in Europe: According to the British Foreign Office, an Afghan purchasing mission headed by Abdul Majid, former Minister of National Economy, is now in Europe seeking to buy a cotton mill, a cement factory, and a general machine shop. Majid has approximately 5,000,000 pounds available for these purchases. (C London 1749, 25 Sept 52)

Comment: None of these intended purchases is likely to be affected by the recent Soviet protest against economic developments in northern Afghanistan, since all the equipment will probably be installed south of the Hindu Kush Mountains.

The cotton mill will probably be located at Gulbahar, some 50 miles north of Kabul. Of three cement plants which the Afghan National Bank is planning to establish (a) at Maidan, 25 miles south of Kabul, (b) in the Helmand Valley of southwestern Afghanistan, and (c) at Pul-i-Khumri in the north Afghan plain, only the last is in the area about which the USSR is sensitive. The machine shop, which is reportedly to provide maintenance for equipment already in Afghanistan, will presumably be located in Kabul or near the economic development projects in the southern part of the country.

15. Soviet films to be shown in Afghanistan: Officials of the Soviet Embassy in Kabul signed an agreement on 20 September with the Afghan Government Press Department providing for an unlimited supply of Soviet entertainment films to be shown in Afghanistan. The films will have Persian dialogue and will be furnished at nominal cost.

The US Embassy in Kabul comments that it remains to be seen whether Soviet films can pass the Afghan censorship code forbidding revolutionary propaganda. If acceptable films are supplied, American movies cannot compete on a profitable basis. (C Kabul Joint Weeka 38, 26 Sept 52)

Comment: Moving picture films would be a new addition to Soviet propaganda media in Afghanistan.

Since Afghanistan has recently incurred the displeasure of the USSR over plans for oil drilling in the northern part of the country, it is unlikely that the Afghan Government will now antagonize the Soviet Union by forbidding the showing of Soviet films.

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NEAR EAST - AFRICA

16. Iranian General Staff postpones order to break up Imperial Guards: The Iranian General Staff reportedly has postponed issuing the order which would have broken up the First Infantry Division into five independent brigades, according to [REDACTED]

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Comment: Mossadeq dismissed the division commander, General Ariana, and decided to order the division broken up after receiving word of Ariana's involvement in plans for a military coup.

17. Tudeh reportedly agrees to support Kashani for Prime Minister: The Tudeh promised Mullah Kashani on 27 September that it would support him fully in his effort to unseat Mossadeq by parliamentary means, according to current reports. If Kashani becomes Prime Minister, he will expel the American Army missions, close the American consulates, and restrict American activities, at least in northern Iran.

An Arab diplomat told Ambassador Henderson that Kashani had strongly defended the Tudeh as a loyal Moslem organization. Kashani maintained that he would not be happy until Iran and other Moslem countries in the Middle East were free of Westerners. He added that he could obtain the aid of 30,000,000 Moslems in the Soviet Union. (S Tehran 1309, 28 Sept 52)

Comment: The strong statement on Tudeh collaboration is in line with Kashani's well-known attitude toward the Communists, and it underscores his basically hostile attitude toward the West. There is no evidence that he could exert any significant influence on the Moslems inside the Soviet Union.

18. Soviet agents again reported active among Kurds: The former Soviet consul to Iran, Nemaz Alioff, is reported to be one of two Soviet officials who arrived in Mahabad in mid-September. Alioff was instrumental in the formation of the pro-Soviet Kurdish Mahabad Republic in 1946, and was last reported secretly visiting Kurdish leaders in the summer of 1951.

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Among the tribesmen he visited recently were Ghassem Utameshi and Saleh Gharizi. The latter's son is reported to be a Communist leader in Mahabad. [REDACTED]

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Comment: The Soviet Union beams a steady stream of radio propaganda into the Kurdish areas. Direct Soviet activity in support of the propaganda has been reported in past years; this is the first indication, however, of direct Soviet consultation in recent months.

19. British to hold maneuvers with Arab Legion in Jordan: Army and air units of British forces in the Middle East will hold exercises with the Arab Legion in North Jordan from 6 to 16 October. Military attaches accredited to Jordan have been invited to observe this annual field exercise in which around 3,500 British troops will take part. (C US ARMA Damascus 263, 25 Sept 52)

Comment: Britain considers that the existence of the Arab Legion discourages serious conflicts among the Arab states and provides an Arab counterweight to Israeli strength.

20. Tunisian nationalist party may suffer serious split: The American Consul General in Tunis reports that the high command of the Neo-Destour nationalist party may suffer a potentially serious split. The assumption of party leadership by a ranking official recently returned from exile may jeopardize the current dominance of the party by Farhat Hached, Tunisian labor leader.

Hached is rumored to be out of favor with the Bey, who is now inclined to seek more moderate advice. (C Tunis 121, 26 Sept 52)

Comment: Hached's handling of nationalist affairs has long been a matter of some concern to jealous party leaders. The fact that most of the Neo-Destour leaders have been either in prison or abroad may have hitherto prevented a more definite challenge to his leadership.

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21. Algeria denies American oil company permission to explore:
An Algerian official has informed the Algiers manager of the Caltex Oil Company that all western Algeria is reserved for development by French companies. This area includes about two-thirds of the territory that the American company proposed to explore and contains the sections which the company considered most promising. (C Algiers 40, 23 Sept 52)

Comment: This decision is in line with the French Government's previous policy of refusing to permit foreigners to exploit its overseas resources.

Three groups of oil companies applied in early August for concessions covering more than 600,000 square kilometers of Algerian Sahara. In October American Overseas Petroleum, Limited, a Caltex subsidiary, had expected to start exploratory work in 110,000 square kilometers of western Algeria, south of the Moroccan border and just east of the Rio de Oro territory.

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WESTERN EUROPE

22. East Germans tighten ties between youth and paramilitary organizations: According to the official East German radio, the Rostock branch of the Free German Youth (FDJ) has signed a "friendship agreement" with the East German Sea Police (HVS) under which the FDJ will "undertake to enlighten all young people on the nature of the national armed forces and to sponsor events jointly with members of the Sea Police." Joint "fighting and production conferences" in the larger factories are planned, and joint field exercises will be held to "increase the fighting preparedness of the FDJ."

A similar agreement was allegedly signed with the Alert Police in the Rostock area under which FDJ members will be "guided in the handling of arms." (R FBIS [REDACTED] 28 Sept 52)

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Comment: There have been previous reports of pre-military training within the FDJ, which was a principal agency in the recruiting campaign of the Alert Police during the summer months. This report, however, indicates increasingly close coordination between the FDJ and the various paramilitary organizations; it strengthens the belief that East German youth may ultimately be required to serve in the FDJ and then in the Service for Germany organization before being absorbed by one of the paramilitary organizations.

23. Adenauer and Schuman expected to issue statement outlining a Saar solution: The French Foreign Ministry believes that Chancellor Adenauer and Foreign Minister Schuman will issue a joint statement before 10 October setting forth the broad framework of a Saar solution. Schuman sent Adenauer his proposals for such a statement last week. (S Paris 1924, 28 Sept 52)

Comment: Recent reports that Adenauer has reached an agreement with leaders of the pro-German parties in the Saar appear to support the French Foreign Ministry's optimism. However, whether or not the Saar Government's decision on 26 September to refuse licenses to two of these parties will affect this agreement or the prospects for a French-German accord is not yet clear.

24. Italy prepares to institute trade restrictions: The continued decline in Italy's exports caused primarily by French and British trade restrictions may lead Rome to adopt similar

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trade policies, according to an Italian OEEC representative. He argued that although his country facilitated imports as it approached an extreme creditor position in EPU, other creditor countries have not done so. Thus Italy has been unable to offset a reduction of industrial and consumer goods exports by increasing agricultural exports.

The Italian Government has asked that the United States urge countries with large EPU surpluses to ease their restrictions on agricultural imports so as to distribute the burden of French and British restrictive measures more equally among all OEEC countries. (C MSA Rome 218, 22 Sept 52)

Comment: Italian retaliation for the French and British trade restrictions would invite competitive import reductions by all OEEC members. This would seriously weaken the OEEC's whole trade liberalization program and have the effect of reducing international trade, weakening national economies, and limiting Western Europe's rearmament capabilities.

25. Churchill reportedly concerned over British exclusion from ANZUS: A British Foreign Office News Department spokesman on 26 September stated that Prime Minister Churchill is personally interested in securing British participation in ANZUS Council and Military Committee deliberations, and will "doubtless reopen the matter" on his return to London from vacation on the Continent. According to the reliable correspondent who reported this, the spokesman also publicly confirmed that Britain's two requests to attend ANZUS meetings have been rejected. (R London 1742, 25 Sept 52)

Comment: The British press continues to treat Britain's exclusion as a blow to British prestige and an attack on the Commonwealth ties of Australia and New Zealand.

LATIN AMERICA

26. General Rojas Pinilla returns from Washington to resume command of Colombia's armed forces: On 25 September General Rojas Pinilla returned from his Inter-American Defense Board assignment in Washington to resume command of Colombia's armed forces. He was enthusiastically welcomed by the extremist Alzate faction of the Conservative Party. (C Bogota Joint Weeka 39, 27 Sept 52)

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Comment: The general previously was scheduled to return on 2 October. Although he has given no indication that he will side with the Alzatistas in opposition to President Urdaneta, Rojas Pinilla is known to be dissatisfied with the present administration's inept handling of the guerrilla problem.

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GENERAL

1. France insists on tripartite discussion of MEDO proposals: The British Foreign Office believes that France will insist on discussions with the United States and Britain before circulating their reply to the British MEDO paper among the other sponsoring powers. [REDACTED]

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[REDACTED] certain problems which are fundamental to the whole French position should be discussed on a tripartite basis.

In view of the desirability of collating the views of the seven countries concerned as quickly as possible, Britain suggests an informal discussion by the American, British, and French representatives on the NATO Standing Group in Washington. (S S/S London 1791, 26 Sept 52)

Comment: The French have previously insisted that the NATO Standing Group should direct the proposed MEDO Planning Group, and that no approach should be made to the Arab states until after MEDO is established.

AUSTRALIA - NEW ZEALAND

2. Australian Government concerned at British agitation over ANZUS: Minister of External Affairs Casey has sent a personal message to Foreign Secretary Eden expressing Australia's concern over the "spate" of London news articles charging the United States with sole responsibility for Britain's nonrepresentation on the ANZUS council. Casey asserted that these charges are being echoed in Australia and that his government could not allow the United States alone to bear the brunt of these attacks.

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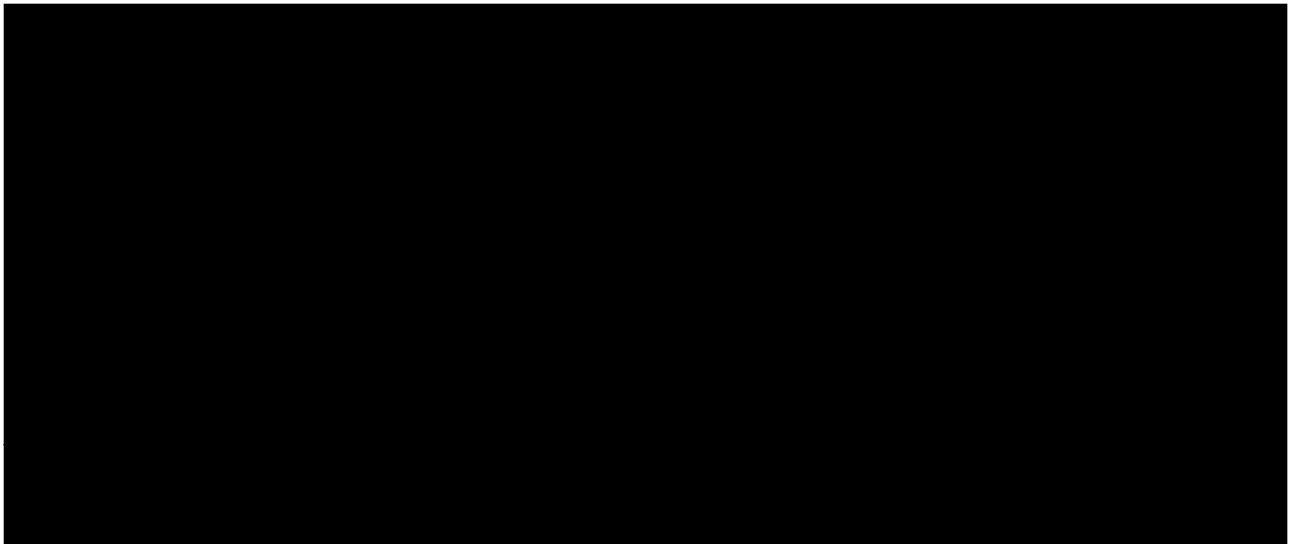
He hoped that London would reconsider its desire for participation and perhaps issue a public statement to "damp down" the agitation. (TS Canberra 120, 29 Sept 52)

Comment: While prior to the ANZUS conference in Honolulu New Zealand was willing to admit a British observer, Australia has been opposed to British participation from the beginning.

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NEAR EAST - AFRICA

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LATIN AMERICA

4. Anibal Jara may be appointed Chilean Ambassador to United States: Anibal Jara has informed an officer of the US Embassy in Santiago that he has accepted an offer by Ibanez to appoint him Ambassador to the United States. Jara said that he would call on Ambassador Bowers to inform him of his future appointment. (S S/S Santiago 115, 25 Sept 52)

Comment: Jara, a prominent journalist, was said to be very friendly towards the United States while he served as Chilean Consul General in New York from 1939 to 1944.

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5. Peruvian acceptance of invitation to Ibanez's inauguration depends on Brazil: The Peruvian Government is convinced that Carlos Ibanez's plan to invite the presidents of Argentina, Bolivia, Brazil, Ecuador, and Peru to attend his inauguration in Chile on 3 November is a scheme to present an anti-US front. Peru would like to refuse the invitation, but will feel obliged to accept if Brazil does.

The Peruvian Foreign Minister reportedly has been informed that Ibanez will abandon his project if Brazil refuses his invitation. (C Lima 104, 26 Sept 52)

Comment: The Brazilian Foreign Minister on 19 September stated a similar view as to the purpose of the Ibanez invitation and expressed confidence that President Vargas would refuse. The Foreign Minister added on 26 September that he believed President Peron would not be invited if Vargas refused to attend.

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