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COPY NO. 39

CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE

DAILY DIGEST

Date: JUL 12 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

STATE, DIA reviews completed. (NAVY referral transferred to DIA.)

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SECTION 1 (SOVIET)

"B" USSR. Purported Preponderance of Women Specialists. A recent survey of the Soviet Press indicates that the institutes of the USSR Academy of Sciences, more than a third of the scientific workers are women. Approximately 380,000 women are said to be working as engineers and technicians, while over a million labor in the public health system. The same source reveals that the number of women engineers and technicians has increased by 50,000 since 1950, with many participating widely in government administration and many elected to the Supreme Soviet of the USSR, union republics and autonomous republics. In addition, 500,000 women are said to be deputies of the local Soviets. Immense progress is claimed for women in the national republics, as for example in the Turkmen SSR where they account for 70% of all workers employed in the public health system. In the Karelo-Finnish SSR, it is reported that 90% of all medical doctors are women, that hundreds of others are engineers, agronomists, and zootechnicians, and that the great majority of elementary and middle school teachers are women. Similarly, more than 500,000 women in the Belorussian SSR are said to be specialists with secondary or higher education, and in the Kazakh SSR, 42.2% of all specialists with a higher education are women. [REDACTED]

COMMENT: This reported preponderance of Soviet women specialists may be the result of retaining large numbers of men in the Army, thereby releasing to women the numerous specialists' positions available in other fields.

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"A" EASTERN EUROPE. FINLAND. Soviet Submarine Possibly Sunk Off Helsinki. According to information received by the US Naval Attache Helsinki from Finnish naval sources, three Soviet destroyers and approximately seven smaller craft have been conducting undeterminable operations in a 36 square mile area off Helsinki since 2 July. The Finnish sources speculate that a Soviet submarine has sunk in this area, since the operation involves flag and buoy markers. The Naval Attache notes that a 7,000 ton cargo vessel was sunk by a mine in approximately the same area in 1941. [REDACTED]

COMMENT: No further information is available on this operation beyond that presented by the US Naval Attache in Finland, who reports that more information may be available about 14 July.

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"B" HUNGARY. Hungary Advises US To "Mind Its Own Business". In a note transgressing diplomatic usage, the Hungarian Government has categorically rejected the US note of 7 July labeling it a "brazen" attempt to interfere in the internal affairs of the Hungarian Peoples Republic. The note declares that the open support granted by the US to Hungarian Fascists and all other enemies of the Hungarian working people, as well as the use of the American Legation in Budapest as a spy center, is rendering normal relations between the two countries difficult. Instead of rectifying conditions in the US where, according to the note, the most elementary rights of freedom are being flouted and a campaign of terror is being waged, the

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US Government is attempting to teach the Hungarian people a lesson on human rights. The note advises that "the Government of the US better mind its own business." [REDACTED] COMMENT: In its 7 July note the US announced that it would discontinue its cultural and information activities in Budapest. However, the US rejected the Hungarian allegations regarding the spying activities of its Legation staff in Budapest and labeled the Hungarian charges as a brazen and futile attempt to destroy the deep friendship and confidence of the Hungarian people that the US will not cease to concern itself with their plight.

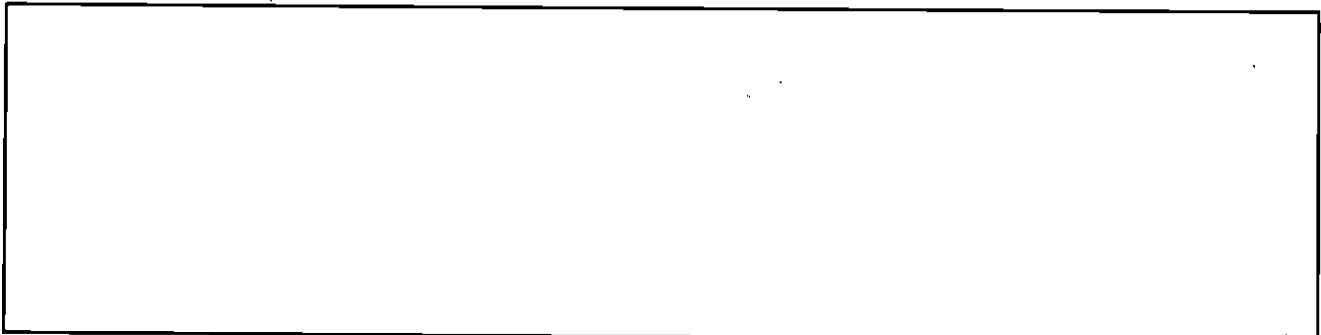
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SECTION 2 (Eastern)

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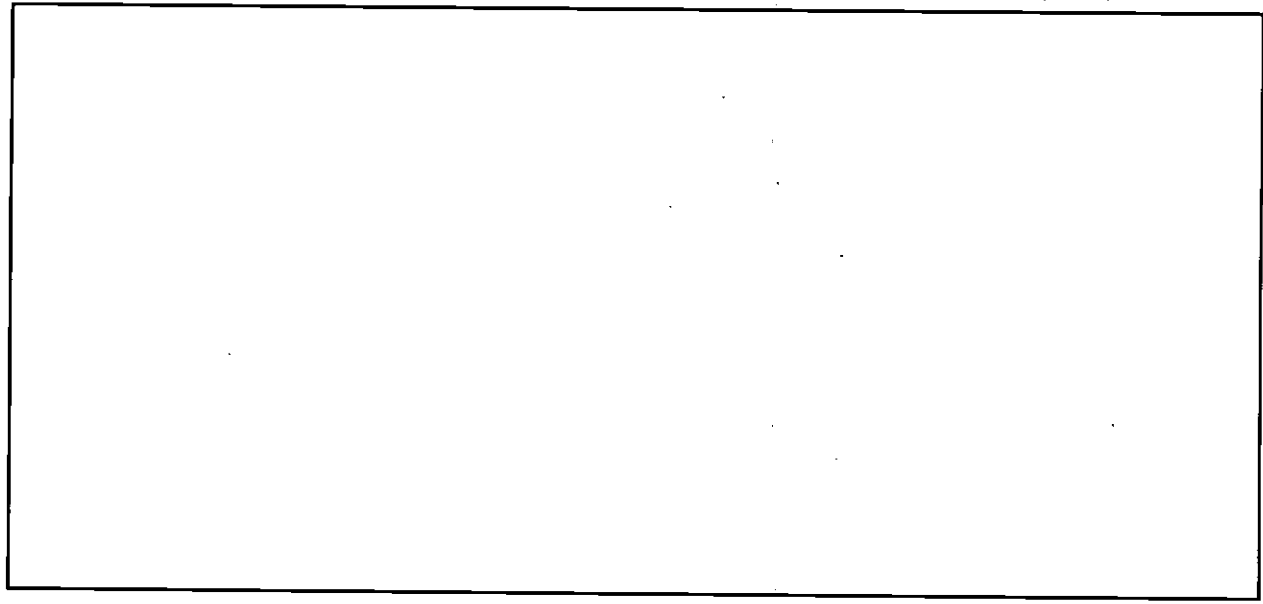


"B" MALAYA. New Political Party to Play Significant Role. The US Consul in Kuala Lumpur estimates that an extremely important period in Malayan political affairs is beginning. This period was heralded by the announcement in early June of a non-communal (i.e., no restrictions as to race or creed) political party by Dato Onn bin Jaffar, a skilled politician and recognized spokesman of the Malay population. Onn's "Independence of Malaya Party" aims at self-government within ten years, the "Malayanization" of the civil service, and welcomes members from the three major racial communities of Malaya--Chinese, Indians, and Malays. There are indications that Onn cleared his proposals with the British authorities, who, the Consul speculates, may fear lest outright opposition to the apparently inevitable trend toward self-determination encourage extremism and the possible complete loss of the British stake in Malaya. [REDACTED]

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[REDACTED] COMMENT: Dato Onn reportedly intends to resign from his present position as president of the exclusively Malay "United Malays Nationalist Organization." Through his chairmanship of the Federation Government's Rural and Industrial Development Authority he is in a strong position to win popular support for the Independence of Malaya Party.

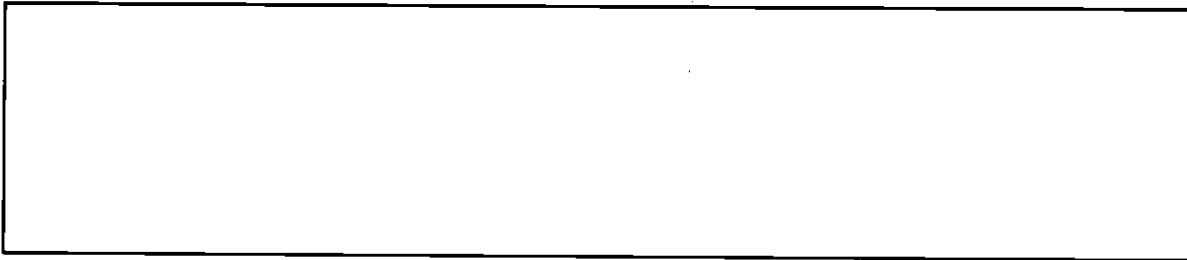
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"C" INDOCHINA. French Proposals Delay Signing of ECA Pact. Proposals for textual changes in the draft US-Vietnam bilateral ECA agreement have been transmitted to US Embassy in Paris by the French Foreign Office and by the French Economic Counselor in Indochina to the US Legation. Although most of the changes proposed are of minor importance, the proposals made in Saigon differ somewhat from those made in Paris, a situation which will delay signing of the agreement for several more weeks. The Legation attaches considerable importance to an amendment proposed by the Economic Counselor which might be construed as giving the French a veto power over the use of counterpart funds. [redacted]

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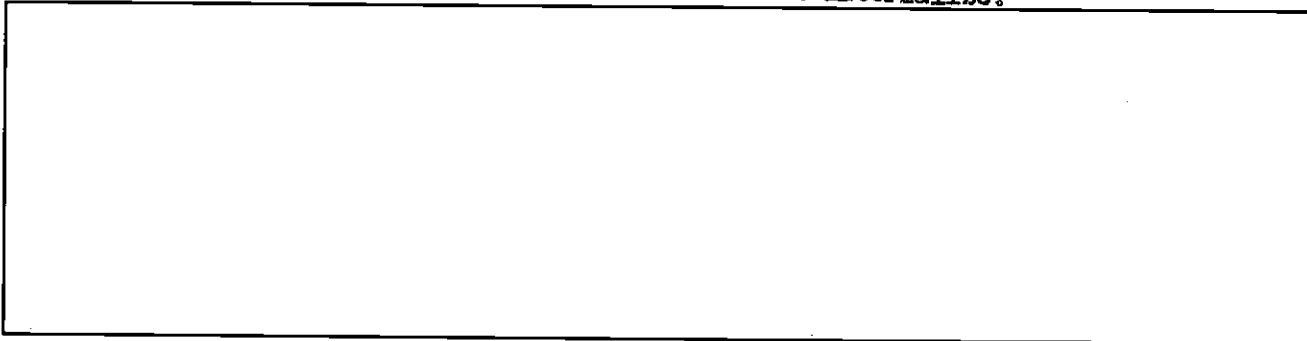
"C" Hints of Cease-fire in Indochina Discussed. Consul Blancke reports from Hanoi that the regional Red Cross delegate has asked if the Consulate could send a code message for him to Geneva. In this connection, Legation Saigon has queried Blancke whether he believes the proposed code message is concerned strictly with Red Cross matters or whether it might relate to such broader political matters as prospects for negotiation. The Legation would also like to know why the Red Cross does not wish to use French channels and notes that some elements of public opinion, including Bao Dai in Vietnam, fear a possible French-Viet Minh compromise settlement if an armistice is obtained in Korea. The leader of the Dai Viet opposition party in Saigon states that his party is greatly concerned over a report that the French-Vietnamese authorities are prepared to offer large concessions to Ho Chi Minh in return for cessation of hostilities prior to an actual Chinese Communist invasion. [redacted]

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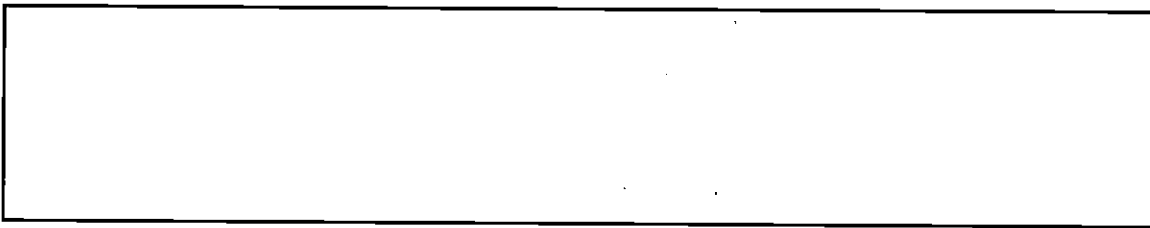
[redacted] COMMENT: The Vietnamese generally consider that the French are capable of any diplomatic maneuver. They recall that the French collaborated with Ho Chi Minh in 1946 in the forcible suppression of non-Communist organizations in Tonkin. Reported negotiation feelers over a period of several years have failed to materialize.

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25X1 "C" KOREA. ROK Officials Sensitive on Score of Unification. Ambassador Muccio reports that speculative stories, originating in the US, on the political unification of Korea after the armistice, are provoking a sharp reaction amongst the already over-sensitive ROK officials. Such stories tend to support the worst fears of the ROK on the results of the armistice. [REDACTED] COMMENT: There apparently is a widespread feeling among the South Koreans that the UN may be preparing to leave them in the lurch in an overwhelming rush for "peace." There is apprehension that a future settlement may result in a withdrawal of UN troops at a time when ROK forces are not sufficiently strong to guarantee the nation's security against a better armed, although possibly numerically smaller, North Korean force.

"C" JAPAN. Leftist Koreans Entering Japan Illegally. A Government committee investigating smuggling activities on Tsushima (Japanese island situated about midway between southeast Korea and western Honshu) has estimated that from 300-400 Koreans are entering Japan illegally each month. Most of the illegal entrants are believed to be Communists with important political assignments. [REDACTED] COMMENT: The Korean minority, most of which is leftist-inclined, is a significant potential threat to Japan's internal security. In addition to the approximately 600,000 legal Korean residents, it is believed that there are from 200,000 to 400,000 illegal Korean entrants now residing in Japan.

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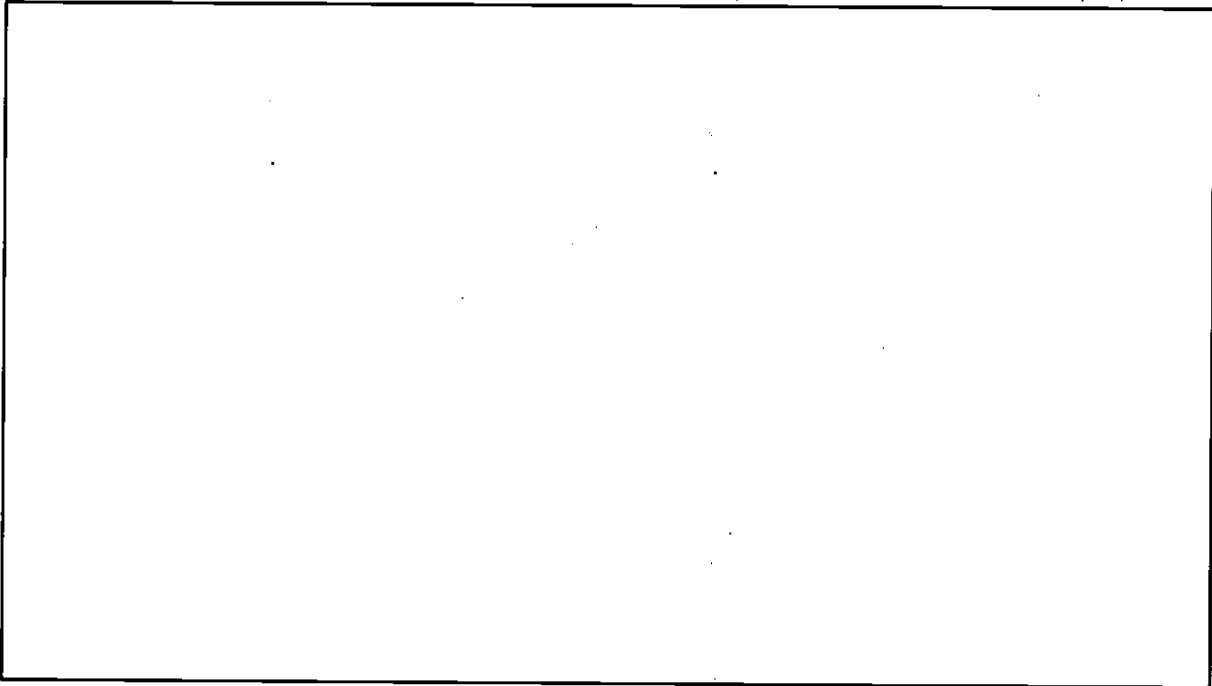
"C" Leftist News Agency is Suspended. The Japanese police on July 12 raided the offices of the Rengo News Agency throughout Japan and ordered its operations suspended. The police announced that "Rengo" was operating for the Japanese Communist Party. [REDACTED] COMMENT: Rengo, the only important leftist news agency in Japan, has been the major disseminator of Communist-slanted news to the leftist press. Since the Communist Party is still legal in Japan, Rengo's suspension presumably is based on an ordinance directed at "acts inimical to the Occupation." This is the latest of a series of crack-downs on the Communist press which started with SCAP's suspension of "AKAHATA" one year ago.

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SECTION 3 (WESTERN)



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"C" AUSTRIA. New Wage-Price Pact Nearly Ready. Negotiations for Austria's fifth wage-price agreement are reported to be in the final stage, with last details being settled by the Economic Directorate (a group consisting of all but two members of the Cabinet). The rent question will be postponed until fall. Chancellor Figl has urged the people to remain calm and confident, asserting that the Soviets will not back Communist efforts to incite riots against the new agreement. [REDACTED]

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[REDACTED] COMMENT: Last September, the fourth wage-price agreement set off a chain of Communist-led demonstrations, strikes, lockouts, and workers' ultimatums, without direct Soviet support. Non-Communist support was obtained because the eleventh-hour agreement had left no time to explain the pact to the workers. The present negotiations, however, have received much publicity. It is not expected that the Soviets will back the Communist Party, which, by itself, will not be able to create much trouble when the agreement is announced.

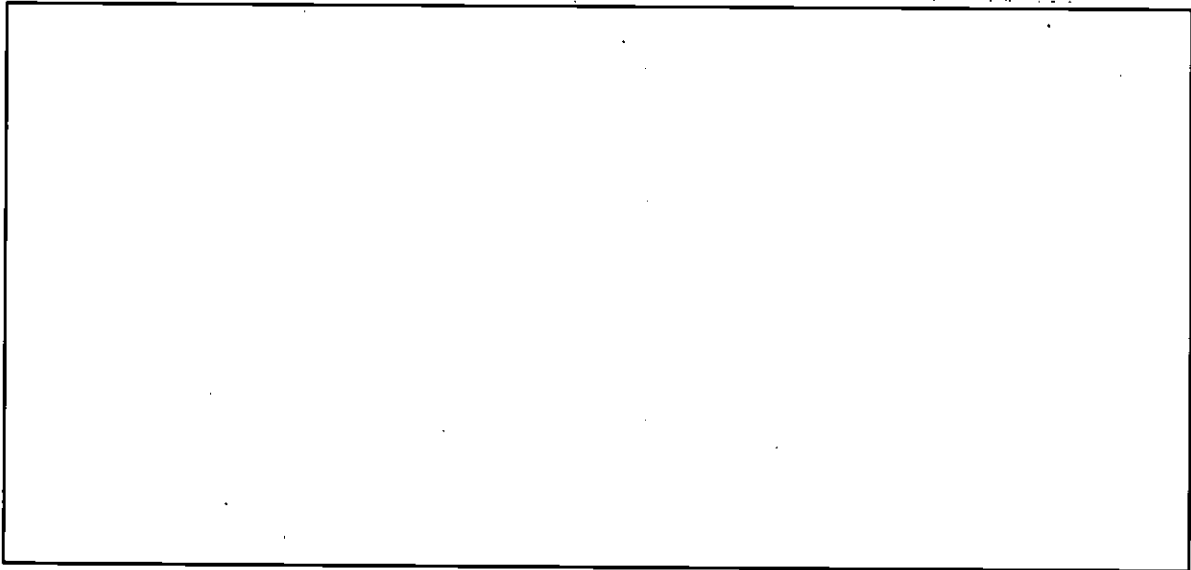
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"C" French Unaffected by Iranian Oil Shutdown. French oil refining companies claim that the Iranian shutdown will have no appreciable effect on the crude oil supply situation in France since Iran supplies only ten percent of French requirements. [REDACTED]

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51) COMMENT: Iraq is the source of almost three-fourths of French petroleum imports. Before the war the Western Hemisphere supplied most of France's oil, but increased US consumption and French restrictions on dollar imports reversed this situation. The French have been hopeful of increasing oil imports from Latin America, however, because they are afraid that hostilities might cut off their Near East supply.

"B" ITALY. Civil Defense Bill Passes Lower Chamber by Narrow Vote. The Chamber of Deputies of the Italian Parliament approved the controversial civil defense bill by the close vote of 258 to 240. Since the Christian Democratic Party has 306 deputies and can count upon another 12 Republican deputies, it is clear some of the members of the Government voted against it. These elements are believed to belong mostly to a left-wing group of the Christian Democrats who feel a more active program of economic and social reform should be undertaken. This situation, and the decline in Christian Democratic strength in the recent elections, convince observers that important changes in the Cabinet are urgent. [REDACTED]

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[REDACTED] COMMENT: The narrow margin by which the Civil Defense bill has been approved by the lower house indicates not only that dissatisfaction exists in the Christian Democratic Party, but that the Christian Democrats are unlikely henceforth to obtain the support of loyal opposition parties as easily as they have in the past. The strong opposition to the bill is motivated by fear of the additional police powers it gives to Defense Minister Pacciardi and Interior Minister Scelba. It will therefore be increasingly difficult for Premier De Gasperi to retain these two Ministers in the Cabinet.

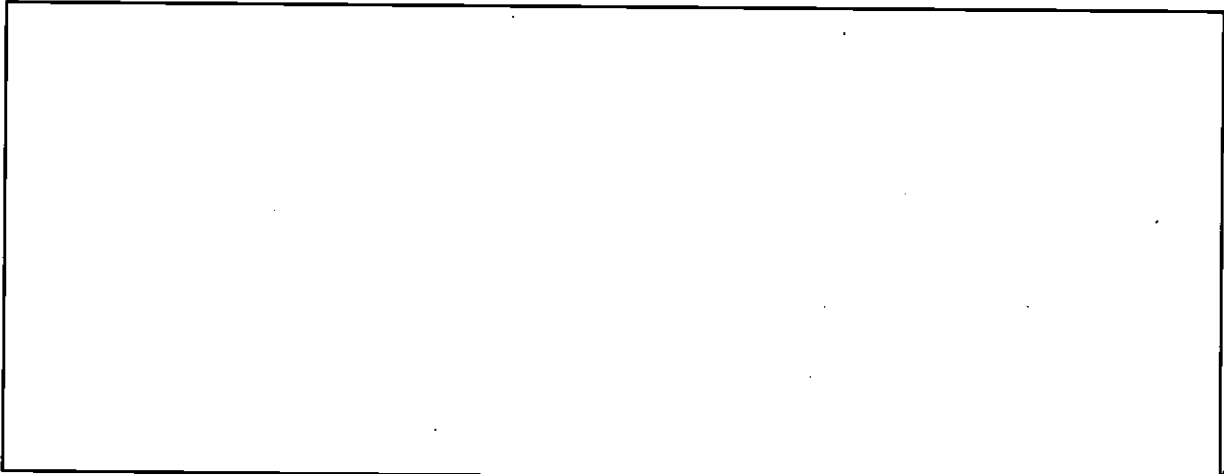
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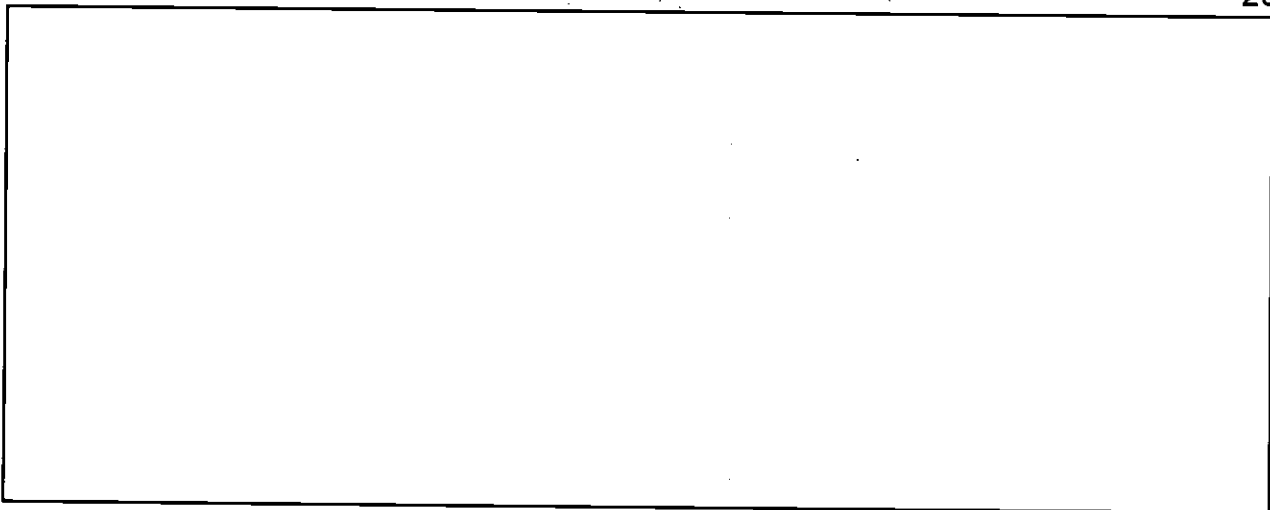
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"B" SWEDEN. Possible Relaxation of Restrictions on Ball-bearing Exports.
The Swedish Foreign Office, referring informally to a report that the French have agreed to ship strategic ball-bearings to Poland, implied that Sweden might be obliged to do likewise when a new trade agreement is negotiated in October. COMMENT: Currently, as a result of strenuous efforts by the US with British and French support, the Swedish ball-bearing manufacturer SKF, with the tacit approval of the Swedish Government, is not accepting any new orders from the USSR or its satellites for non-standard bearings (so-called strategic bearings) (see OCI Daily Digest, 26 Feb 51 and 2 Mar 51), and is also applying the tri-partite formula of size limitation to standard bearings. Failure of the COCOM countries to abide by the restrictions will undoubtedly result in Sweden's relaxing its controls if confronted by a Polish demand for bearings in return for vitally needed coal. 25X1

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"B" De Gasperi Links Tri-partite Trieste Declaration and Atlantic Pact. Amid shouts of "Viva Trieste" and heated questioning by members of all parties in the Senate, Premier De Gasperi stated that (1) Italy can only follow the policy of the Atlantic Pact, of which the tri-partite declaration of March 1948 about Trieste is an integral part and (2) Italy desires to solve the Trieste problem by direct negotiation with Yugoslavia. He rejected proposals for the denunciation of the peace treaty in retaliation for AMG's cutting off of Trieste courts from Italian judicial authority, and said that the Government would try all possible solutions not excluding an appeal to the Hague International Court. De Gasperi minimized other complaints voiced about Trieste in the Senate. Political circles in Rome interpret the linking of Trieste and the Atlantic Pact as a warning that Italy's continued adherence to the Atlantic Pact might possibly become doubtful if Trieste is not returned to Italy. Meanwhile, it appears that Christian Democratic leaders and nationalists in Trieste are promoting the current agitation. [REDACTED]

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[REDACTED] COMMENT: In defending the Government's policy toward the Trieste issue, De Gasperi appears (1) to have remained within the formula proposed by the US, UK and France for the solution of this issue and (2) to be concerned that growing rapprochement between Yugoslavia and the West may be made at the expense of Italy. In the absence of imminent war, any solution of the Trieste issue not acceptable to the Italians, would strengthen neutralist and nationalistic elements and threaten the stability of the Government.

"B" SPAIN. Spanish Pretender Denies Negotiations with Franco on Royal Succession. Spanish Pretender Don Juan categorically denied to a US official in Lisbon that General Franco had asked him to renounce his rights to the throne of Spain in favor of his 13-year old son, Prince Juan Carlos. Labeling the story a typical Franco "trial balloon", Don Juan said that Franco's representatives in Lisbon "obviously would not have the temerity to make such a proposal to me as they know full well its rejection would be a foregone conclusion." The Pretender expressed the belief that Franco is now banking heavily on US military and economic aid to bolster his prestige. If Franco receives this aid, Don Juan added, he will continue his "stalling tactics" and postpone indefinitely a practical consideration of the subject of royal succession. [REDACTED]

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[REDACTED] COMMENT: Don Juan's reaction was fully anticipated (see OCI Daily Digest, 26 June 51 and 11 July 51). Any genuine attempt by Franco to seek a rapprochement with the Spanish monarchist opposition would represent a desperate move to forestall the threat to his regime that would result from failure to obtain substantial US economic and military aid.

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12 July 1951

SECTION 2 (EASTERN)

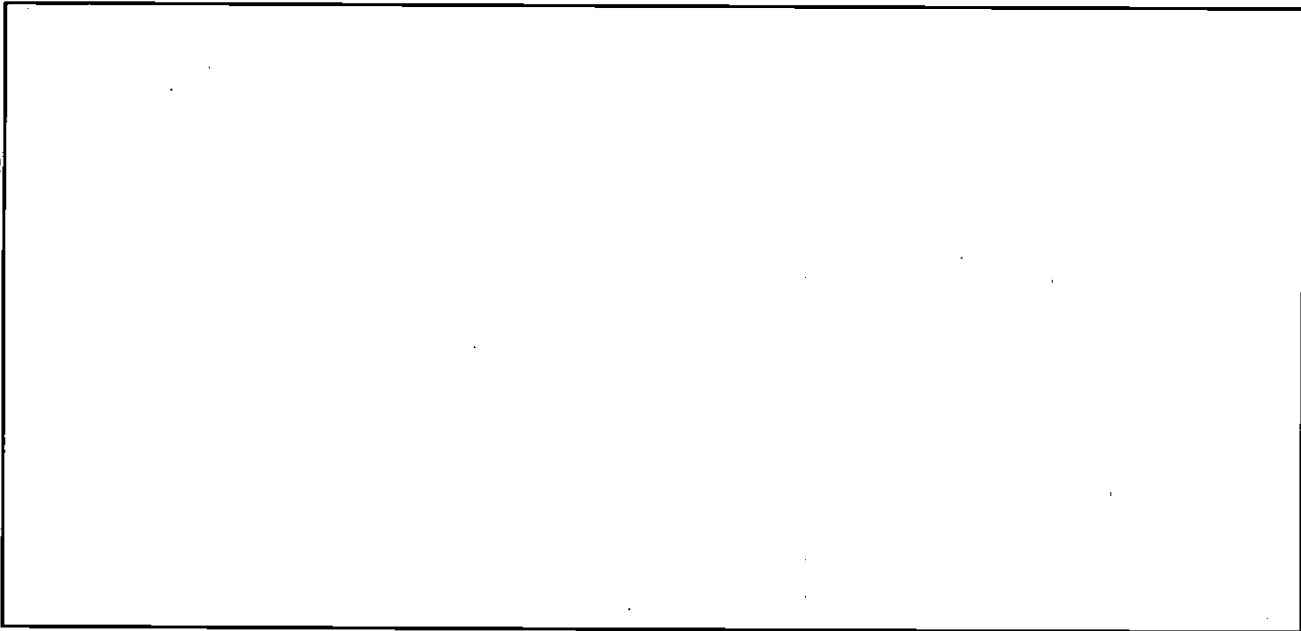
"B" IRAN. Export-Import Bank Loan Reportedly Presented to Majlis for Ratification.
Press reports from Tehran state that Prime Minister Mossadeq has introduced a
bill in Parliament urging ratification of the Export-Import Bank Loan. [REDACTED]

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[REDACTED] COMMENT: Although Mossadeq has stated in the past that
Iran's income from her oil resources should make all foreign loans unnecessary
he has repeatedly indicated his interest in this loan in his conversations
with US Ambassador Grady. If Parliament does ratify the loan, which has been
available since last September (see Daily Digest 12 Jul 51), the Export-Import
Bank will be placed in a difficult position. There is no assurance at present
that income from the oil will be available to service the loan. Failure to
extend the loan, however, will lead to charges by Iran that the US is applying
economic pressure in support of the UK and will presumably further weaken
Iranian confidence in the US.

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