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SECURITY INFORMATION

9 May 1952

OCI No. 5177  
Copy No.

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**CURRENT INTELLIGENCE DIGEST**

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**CENTRAL INTELLIGENCE AGENCY**

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GENERAL

1. Russians increase pressure to prevent West German integration: The Eastern Affairs Division of the High Commissioner's office in Berlin notes that several conspicuous articles in the Soviet Zone press are devoted to accusing the Western powers of turning interzonal boundaries into "international" boundaries, and draws the conclusion that the Russians are considering tightening the zonal borders themselves.

The High Commissioner's office believes that the press emphasis on boundaries, on an East German army, and on not allowing the "great achievements" under Communist regime to be lost, as well as the Pravda phrase that "the German Democratic Republic is entering the camp of peace and democracy," are designed to pose a threat to the Germans that their chance for a united Germany is slipping away, and also as a preview of a program for making a complete Satellite of the East Zone in the event Western military integration is unchecked. (C Berlin 1318, 7 May 52)

Comment: The press campaign, as well as the recent assertions that an East German army would be created and Grotewohl's allegation that another situation similar to that of Korea was being created, fits into the recent pattern of Soviet pressure to prevent signing of the contractual agreements. It may be a further indication of the seriousness with which the USSR regards the signing of the agreements.

2. Austrian aluminum allegedly diverted to Orbit via Trieste and Belgium: A Viennese firm, Krasa and Company, allegedly purchases 150 to 200 tons of aluminum per month from the

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aluminum works at Braunau, Austria, for ultimate export to the Orbit. The metal is reportedly shipped via Trieste and Switzerland to Antwerp, and then, on the basis of fraudulent end-use certificates, by unknown routes to Czechoslovakia.

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**Comment:** It is uncertain that Austrian-produced aluminum in the quantities here reported is regularly diverted to Orbit countries, although such diversions have long been suspected. The Trieste company of Massimiliano Iannitti, as well as his Austrian contact, the managing director of the Krasa Company, Gerhard Seelig, was investigated last fall, without conclusive results, for alleged transshipments of aluminum through Belgium and Switzerland to Satellite purchasers.

3. Czechoslovakia presses the Netherlands and Belgium to grant flight rights: Czechoslovakia in the past two weeks has withdrawn blanket permission for the Friday flights of KLM out of Prague, thus forcing the Netherlands Minister to request permission for each flight in advance. The same procedure is understood to have been applied to Sabena, the Belgian airlines. Czechoslovakia last week reiterated its demands for the right to fly commercial service between Prague and Amsterdam, including eventually fifth freedom rights for transport between Berlin and Amsterdam.

The Netherlands Foreign Office feels that it must reply to the Czech note by the end of May and does not see what further delaying tactics can be used. (C The Hague 1177, 7 May 52)

**Comment:** Czechoslovakia has been pressing the Netherlands and Belgium for several months to grant it landing rights in order to establish its air route to Western Europe, which was cut off on 10 September by a three-power action that denied Czechoslovakia the right to overfly Western Germany. Belgium and the Netherlands have indicated that they will eventually accede to the Czech request. France, which is the proposed terminal of the Czech air route, recently said that it will continue to postpone a final answer to the Czechs, but that it does not wish to be the only Western European country to refuse.

4. Communists plan International Social Security Conference: An intercepted letter from the World Federation of Trade Unions headquarters in Vienna, reveals attempts to interest

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authorities in the field of social insurance in the forthcoming Communist-sponsored International Conference on Social Security and Social Insurance. The US Embassy in Vienna believes that, besides being a propaganda sounding board for attacks against the West, the conference may also be used to establish a new, Soviet-oriented international organization in competition with the International Social Security Association sponsored by the International Labor Office. (C Vienna 1579, 31 Mar 52)

Comment: The Social Security Conference, planned at the Berlin WFTU General Council meeting in November, is expected to take place in June in Berlin or Vienna. The WFTU has sent out questionnaires asking for information on the harmful effects of the restricted commercial relations between capitalistic and non-capitalistic countries, the strain of inflation upon social security benefits, inadequacies of social security systems in capitalistic countries, and unemployment figures. This information is expected to be presented to the conference in a Handbook of Social Security which will contrast the systems in the West and underdeveloped "colonial" areas unfavorably with what has allegedly been accomplished in the Communist bloc countries.

5. Gromyko-Kora conference on Japanese POW's reported: A correspondent in Moscow reported that Mrs. Kora, the Japanese Diet member who attended the Moscow Economic Conference, confided to him that she had had a four-hour conference with Gromyko regarding the question of Japanese prisoners of war. Gromyko took the usual Soviet position that there were none in the Soviet Union, and that Mrs. Kora's visit to hospitals and graves would establish that fact. Mrs. Kora's secretary, a former Japanese POW from the Soviet Union, is allegedly a Communist sympathizer.

The United States Embassy feels that Soviet propaganda will exploit Mrs. Kora's inspection of the graves to undermine the United States position regarding the Soviet refusal to return Japanese prisoners of war. (C FOR AMERICAN EYES ONLY Moscow 1780, 7 May 52)

Comment: The reported Gromyko-Kora conference may have occurred in lieu of the interview which Mrs. Kora reportedly had requested with Stalin.

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Inasmuch as no other delegates at the Moscow Economic Conference are known to have interviewed ranking Soviet officials, the granting of this conference, if true, would represent a further Soviet overture toward Japan.

EASTERN EUROPE

6. Czechoslovakia drops long-standing demands for scrap metal from West Germany: During the recently completed 1952 trade negotiations, the Czech delegation announced that Czechoslovakia is no longer interested in receiving light metal scrap from West Germany. The Czechs, claiming that they are now able to import heavy iron and steel scrap from another unnamed country, did not repeat demands made since July that Germany deliver 25,000 tons of scrap allegedly promised under previous trade agreements. (S Bonn 2691, 6 May 52)

Comment: The Czech action is an abrupt change of pace. It is not known why the Czechs withdrew their demands at a time when they may have known there was a possibility that they would receive some of the scrap. The new source of heavy scrap is a matter of conjecture, since there is a scrap shortage throughout the Orbit and world shortages coupled with western export controls work against large shipments into the Orbit.

7. Polish citizens to register for new identity cards: Public announcements have appeared all over Poland requiring all citizens over 18 years of age and those over 16 who are self-supporting to register between 2 and 12 May with the Ministry of Public Security. Persons in active military service are excepted. According to the US Military Attache in Warsaw, this is a universal registration for the new personal identity cards.

A reliable source has informed the attache that the form to be filled out requires a statement as to military service prior to 1939, the period 1939 to 1945, the period after 1945, and whether or not the applicant has served in any foreign army. (S Warsaw MA-53-52, 6 May 52)

Comment: Last October the Polish Government decreed the issuance of these personal identity cards which will provide the sole documentation for the individual, will replace the existing domicile registration cards, and will be valid for five years. During early 1951 a comprehensive registration of all Polish citizens was made.

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8. Heavy Stalin tanks reported in Rumania: The American Military Attache in Bucharest reports that in mid-April he observed JS heavy tanks in Pitesti in south-central Rumania. On 20 April the Turkish Military Attache observed 20 JS-3 tanks at the tank barracks in Bucharest where the Tudor Vladimirescu Armored Division is stationed. Since the dates of observation were so close, the American Military Attache believes there are two different tank lots. (S Bucharest 404, 18 Apr 52, and 420, 1 May 52)

Comment: The "Joseph Stalin -3" is the largest and most modern heavy tank, and its presence in Rumania suggests that Rumania's armed forces are being further strengthened on the Soviet pattern.

There are no previous reliable reports of the presence of these heavy tanks in Rumania. Of the other Satellites, Poland and Czechoslovakia are known to have JS-3 tanks; Hungary and Bulgaria have earlier model JS-1 and JS-2 tanks.

9. Rumania's army officers arrested: A reliable source has informed the American Legation in Bucharest that 200 to 300 Rumanian army officers identified with the old regime were arrested in mid-April. Remaining officers in the same category are reportedly apprehensive, which, the Legation suggests, may result in a drop in army efficiency. (S Bucharest 433, 6 May 52)

Comment: The Legation reported unconfirmed rumors of such arrests in mid-April. They appeared to be connected with evacuations of other "undesirables" from Rumanian cities.

The total number of Rumanian commissioned officers is conservatively estimated at about 11,300. The proportion of these identified with the pre-Communist regime is not known; but any decrease in efficiency would, from the government's point of view, probably be compensated by an increase in political reliability.

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FAR EAST

10. Impasse reached in ROK-US economic talks: During the 6 May meeting between ROK authorities and the US Economic Mission, discussion was confined to the question of a realistic won-dollar conversion rate. The Mission stated that, in determining the tentative sum likely to be received by the ROK for UN military expenditures since 1 January 1952, a conversion rate of 12,000 won to one US dollar was used. The three South Korean cabinet ministers present argued against changing the present rate of 6,000 to one, and were quite adamant in their stand. The meeting adjourned without any immediate possibility of agreement.

Finance Minister Paek on 7 May stated that he would resign if there were a change in the present 6,000 to one rate. (C Pusan 1079, 7 May; Pusan 1083, 8 May 52)

Comment: In order to combat the acute inflation in South Korea, the US Economic Mission has maintained that first a realistic conversion rate must be established. The open market rate is currently 12,000 to 13,000 won per US dollar. ROK officials fear that any official change in the exchange rate, however, will cause retail prices to rise, as has happened in the past.

11. North Korean Government seeks solution to Panmunjom talks: The Soviet "representative" in Pyongyang on 25 April called a meeting of the top North Korean and Chinese Communist leaders to convene on 5 May.

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Although the North Koreans thought that the conference would deal with new instructions from the USSR on the cease-fire talks, some officials believed that no significant action would take place at Panmunjom prior to 20 May.

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The North Koreans planned to press the USSR at this meeting for a "decision" on the truce talks, or, failing this, to urge that an international conference be called to "settle the Korean War." The North Koreans also planned a proposal to launch another attack prior to elections in the ROK, although it was known that neither the Soviets nor the Chinese favored such a course. It was believed that such a proposal would bring about a clarification of the Sino-Soviet position.

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Another proposal contemplated was for a "political conference" to be held at Kaesong in August 1952. If this proposal were raised and agreed upon, the North Korean propaganda organ planned to institute a campaign calling for a "democratic conference for the unification of Korea." [REDACTED]

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Comment: While no confirmation of this planned meeting or of these North Korean intentions can be obtained, this report could very well represent North Korean governmental thinking.

It must be pointed out, however, that the North Koreans probably are not in a position to urge such policies on the USSR, being in the least influential position in the Communist triumvirate. In any case they could be expected to abide by any decision made by the two senior partners--China and the USSR.

12.

Purge of public security apparatus underway: The text of an address in December 1951 by Lo Jui-ching, Minister of Public Security, indicates that a purge of the Chinese Communist public security apparatus has been underway for months.

Lo told a meeting of party cadres in Peiping that "corruption and bureaucracy" were widespread in the security apparatus, especially in the cities, where the apparatus had absorbed many former Nationalist secret police. Lo concluded that "degenerated" and corrupt elements must be purged from security bureaus throughout China.

The Chinese Communist press in January 1952 revealed that the Director and Deputy Director of the Administrative Office of the Ministry of Public Security, together with four-fifths of the office staff, were found to be corrupt. [REDACTED]

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Comment: The campaign against corruption, waste and bureaucracy, launched in late 1951 and now drawing to a close, affected all organs of the Peiping regime. It was learned in February 1952 that the administrative chief of the Public Security Ministry had been arrested and shot.

The text of Lo's address, however, indicates more serious corruption in the public security apparatus than other Communist sources had revealed. As the Chinese Communist leadership depends directly upon its public security force

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for the maintenance and consolidation of its control, the current purge of this apparatus is probably correspondingly severe.

13. Soviet journal praises Liu Po-cheng and Chen Yi: The Moscow English-language journal, New Times, carries in its February 1952 number an article by the Counsellor of the Soviet Embassy in Peiping which warmly praises the military ability and ideological orthodoxy of Generals Liu Po-cheng and Chen Yi. (U New Times, Moscow, Feb 52)

Comment: Liu and Chen, commanders respectively of the 2nd and 3rd Field Armies, are the two Chinese Communist generals most frequently reported to have fallen from favor in the past two years. This article suggests that both were in good standing with Moscow and Peiping in early 1952.

14. Western shipping in China trade increases: In January 1952, 47 non-Communist registered merchant ships, aggregating 204,000 gross tons, traded with Communist China. By comparison, the figures for the preceding month were 43 merchant ships totaling 188,000 tons. (C ONI Report 24-C-52, 1 Apr 52)

Comment: Vessels carrying British and Panamanian registry make up the bulk of Western-flag merchant shipping in the China trade. The Panamanian-flag ships are exclusively coasters operating in violation of a Panamanian decree against calling at Chinese Communist ports.

15. Communists reportedly plan to attack Nationalist off-shore islands in May: [REDACTED]

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[REDACTED] reported that the Communists intend to invade the off-shore islands of Tachen, Matsu, and Chinmen at the end of May. The plan, submitted by Chen Yi, Commander of the Third Field Army, was approved in April by Mao Tse-tung. It seeks to insure the security of the southeast China coast and to learn the reaction of the American Seventh Fleet. This undertaking reportedly was suggested after the Soviet Union failed to order or promise support for an invasion of Formosa [REDACTED]

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Comment: Another report [REDACTED] has referred to a March meeting at which Chen Yi is said to have discussed plans to capture the off-shore islands by early June. The Chinese Communists are estimated to have about 240,000

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troops in the adjacent coastal area, as opposed to approximately 75,000 Nationalist troops on the islands.

16. Cambodian Army allegedly passing arms to rebel forces: According to the chief of the French Surete in Indochina, troops of the Cambodian Army on two occasions delivered "cases," which he presumed to be ammunition, to the non-Communist rebel leader Son Ngoc Thanh. French military sources also report an instance of the "disappearance," and possible delivery to Thanh, of ammunition consigned to a Cambodian platoon. Meanwhile, a "clouded" military situation has prevented American officials from making a scheduled visit to Siemreap, a town in central Cambodia. (C Saigon 2179, 7 May 52)

Comment: With no improvement evident in the Vietnamese situation, French authorities are having progressively serious problems in Cambodia.

There are strong indications that the Cambodian Government is abetting Thanh's activities as a means of pressuring the French for political concessions. The chief of the French information service recently characterized Thanh as "not yet" a Communist but saw his path leading "inevitably" in that direction. He added that while the Communists were undertaking little military action in Cambodia, they were busily effecting a political penetration.

17. Communist peace feelers continue in Burma: Burmese Communist propaganda has renewed its call upon the Burmese Government to enter into "frank discussions" looking towards the establishment of peace and security. (C Rangoon 1078, 8 May 52)

Comment: Communist peace feelers in Burma have been reported with increasing frequency since the Vienna peace conference last November. These approaches have thus far been brushed aside by Burmese officials. It is not yet clear whether they result from Communist weakness or are merely tactical maneuvers.

#### SOUTH ASIA

18. Proposed merger of Communist and leftist labor federations in India: The secretary of the Communist-dominated All-India Trade Union Congress (AITUC) on 26 February 1952 sent the

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Communist World Federation of Trade Unions (WFTU), Vienna, copies of correspondence relative to a proposed merger of the AITUC and the leftist United Trade Union Congress (UTUC) of India. (C Vienna Desp 1650, 8 Apr 52)

Comment: The AITUC, which reportedly has about 706,000 members, is the only Indian labor organization directly affiliated with WFTU. The UTUC is a leftist group of unions, with about 300,000 members, which left the AITUC in 1949 because of the latter's policy of violence.

When the Communist Party of India adopted a new line emphasizing united front action early in 1950, the AITUC was quick to put it into practice on the labor front. The AITUC appealed to the UTUC to join it in united action, particularly against the labor bills then pending in Parliament, and met with some success. The two groups also cooperated in January 1951 in a Calcutt dockworkers' strike. AITUC and UTUC delegates are now in China where they participated in May Day activities.

There have been recurrent rumors of a merger of AITUC and UTUC. Together they might become a formidable opponent to the non-Communist Indian National Trade Union Congress (INTUC) with a membership of 1,434,258.

NEAR EAST - AFRICA

19.

Greek Acting Prime Minister says situation intolerable: Acting Prime Minister Venizelos told the American Ambassador that both the King and he thought that the existence of "two Prime Ministers" had created an intolerable situation which could not continue. He had hoped that Prime Minister Plastiras would go abroad for his health, but Plastiras' apparent optimism over his recovery might well prevent this "happy solution." Venizelos added that if Plastiras remains in Greece, the government would have to resign. (S Athens 4722, 3 May 52)

Comment: Since he became Acting Prime Minister in early March, following Prime Minister Plastiras' second heart attack, minority leader Venizelos has increased his efforts to gain control of the government. It is unlikely that he would agree, however, to new elections under the majority system advocated by both Plastiras and opposition leader Papagos unless he were convinced that he has no alternative.

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British oil companies pressing hard for Libyan oil concessions: The Libyan Prime Minister told the American Minister that British oil companies, Shell and Anglo-Iranian, are pressing him hard for oil concessions. The Prime Minister said he intends to proceed slowly in this matter because he wishes to make the best possible arrangements for Libya and avoid a dispute over oil such as has developed in Iran. (C Tripoli 632, 8 May 52)

Comment: So far there is no indication of any oil deposits in Libya which would make commercial operations profitable, according to the oil company representatives. It is rumored in Tripoli, however, that the British may have located oil deposits in eastern Libya. In any event, they are anxious to secure the passage of Libyan legislation which would enable them to engage in oil exploration.

The Libyan Prime Minister previously expressed surprise at the apparent lack of interest on the part of American companies; he indicated that, if concessions are to be granted, he preferred to deal with them.

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WESTERN EUROPE

21. Split occurs in new West German state's coalition govern-  
ment: Difficulties are increasing for the coalition govern-  
ment in the newly formed West German state of Baden-Wuerttem-  
berg. Eight of the Free Democratic Party's delegates in the  
local legislature are considering bolting in protest against  
their party's merger with the Social Democrats rather than  
with Adenauer's Christian Democrats in forming the state's  
government. (S Frankfurt Sitrep 16, 7 May 52)

Comment: The composition of this state government  
could threaten Adenauer's majority in the Federal Senate  
and cause a partial or total defeat of the Chancellor's  
programs.

This is the first indication of defection within the  
state's coalition government. A continuation of this trend  
might lead to the formation of a state government friendly  
to Adenauer and to the sending of a more favorable delega-  
tion to the Federal Senate.

22. Austrian oil production estimated at 20 percent above  
1951: Despite Austrian press claims that crude oil pro-  
duction in Lower Austrian oil fields under Soviet control  
will exceed 1951 production by 50 percent, Mutual Security  
Agency estimates based on daily output in March place crude  
oil production at 2.88 million tons in 1952, or about 20  
percent above last year's total. In 1951, when production  
exceeded refining capacity, the Soviet oil administration  
exported or consumed 44 percent of Austria's refined petro-  
leum products as well as some 800,000 tons of crude oil.  
(U Vienna 3528, 7 May 52; R Vienna TOMUS A-77 and A-80,  
18 and 17 Mar 52)

Comment: While expanding production may lend sub-  
stance to Austrian fears of an early exhaustion of re-  
sources, Austrian domestic requirements are now fully met  
by Soviet allocations. Furthermore, the conversion of  
important plants to fuel oil has permitted savings in  
fuel imports and reduced Austria's dependence on Polish  
coal. It is, of course, by no means clear that increased  
dependence upon Soviet generosity will be preferable to  
dependence upon Polish exports.

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23.

Britain discussing arrangements for cooperation with EDC air forces: In order to be "in on the ground floor" of air force planning after the European Defense Community treaty is signed, the British Air Ministry hopes to have a senior observer present when practical EDC planning actually begins. The British observer at the Paris conference has stated that his government is eager to have its forces on the Continent cooperate as closely as possible with EDC forces.

British Defense Minister Alexander will visit Paris next week to discuss proposed arrangements for this cooperation which have been approved at the EDC conference. (S Paris 6873, 7 May 52)

Comment: This proposal gives specific form to Britain's heretofore somewhat vague assertions of desire for cooperation with the EDC without accepting the obligations of full membership. Emphasis on air planning reflects Britain's efforts to push its first line of defense as far east as possible in view of its air defense system's growing vulnerability to jet warfare.

#### LATIN AMERICA

24.

Bolivian miners take over municipal government at Corocoro: The manager of the American Smelting and Refining Company copper mine at Corocoro reported on 7 May that union members had taken over the municipal government, and that "Indian rebels" threatened to seize the mine. He asked the US Embassy at La Paz to obtain protection, and said that it was impossible to evacuate management personnel and families.

Through Foreign Office channels, the Embassy was assured that steps were being taken to assure the safety of foreign personnel. (C La Paz 448, 7 May 52)

Comment: Labor-management relations at Corocoro have been strained for a long time. On 22 April the Corocoro miners called a general strike, which was ended the next day by government order.

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25. Chilean reaction to termination of copper agreement may make new talks difficult: The US Embassy in Santiago states that politicians in Chile continue praising President Gonzalez Videla's ending of the copper agreement, and that the reaction since 2 May is creating "a difficult atmosphere for any talks with the US."

In the Chilean Congress two Radical and Liberal senators have renewed the charge that US copper companies competed with Chile in the European market, and have criticized the United States "for informing the government that certain sales were going behind the iron curtain." There is some tendency to tie the ratification of the Mutual Security agreement to a satisfactory copper deal with the US.

The Minister of Finance reportedly may try to make an improved exchange rate for the US companies a bargaining lever for a higher copper price from the United States. Ex-dictator and presidential aspirant Ibanez del Campo's policy council has called upon Congress to push a strategic materials conference among "American nations." (C Santiago 583, 7 May 52)

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NEAR EAST - AFRICA

1. British press release adversely affects Iranian-United States relations: The British Embassy in Tehran released to the Iranian press on 5 May purported extracts from a Department of State press conference in Washington on military aid to Iran. The transcript, as released by the British without prior notification to the American Embassy, quoted the Washington spokesman as saying that the non-payment of Iran's troops was a problem which does not concern the United States.

Ambassador Henderson reports that the Iranians interpret the release as evidence that the United States is "indifferent if not rather smug" about their difficulties. He believes that the release has undermined Iranian goodwill towards the United States, and points out that the Iranian press has interpreted the release as evidence of American-British collusion against Iran. (S S/S Tehran 4303, 7 May 52)

Comment: The British release inaccurately attributed to a State Department spokesman a remark made by a correspondent during a 29 April press conference. The British, however, apparently consider that the military aid agreement has strengthened Mossadeq and have already expressed strong resentment over its conclusion.

2. Turks displeased with handling of Tunisian issue: Turkish UN delegate Sarper told the American delegate that Turkey's decision to abstain on the Tunisian item was partly caused by its reluctance to antagonize France so soon after being accepted in NATO. He added that he was so concerned over his country's difficult position vis-a-vis NATO and the Arab-Asian group that he had almost persuaded Ankara to vote against inclusion of the item on the agenda. Turkey's standing with the Arabs, Sarper hinted, was being increasingly impaired. (S S/S New York 786, 6 May 52)

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Comment: Turkey's abstention was influenced by its desire to maintain solidarity with the Western powers, particularly the United States. Turkey, apparently, would have preferred to have the question dealt with outside the Security Council through direct negotiations.

Many leading Turks share Sarper's conviction that Turkey would be more useful to the West if it did not openly align itself with Western policies in the area.

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