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CURRENT INTELLIGENCE DIGEST

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GENERAL

1. Peiping's reaction to Moscow talks: Chinese Communist comment to date on the announced results of the Sino-Soviet talks reveals sensitivity to possible charges that Peiping was outmaneuvered by its ally.

Official Chinese Communist releases argue that the two agreements are to the "practical interest" of China. From Peiping's point of view, the reasons cited for extending the Port Arthur agreement -- the threat posed by Japan and the possible expansion of the Korean war -- are valid.

Peiping's assertion that the USSR "is prepared to shoulder all responsibilities beneficial to peace" in the Far East hints at the possibility that a larger Soviet military guarantee resulted from the talks.

Peiping's position in Chinese eyes would be greatly improved by announcement of agreements on further Soviet economic and military aid. Moscow and Peiping may still be working out the details of such agreements. (Factual data from: C Hong Kong 729, 18 Sept; R FBIS Peiping, 17 Sept 52)

2. Communist bacteriological warfare campaign being revived: Soviet propaganda media publicized Peiping's 15 September announcement that the International Scientific Commission has "concluded its work and confirmed that the armed forces of the United States have waged bacteriological warfare against Korea and northeast China."

The Peiping radio on 14 September broadcast the scientists' statement made at a press conference held on 31 August, and subsequently began to broadcast "confessions" of recently-captured American officers and contents of the commission's report. This report consists of 19 chapters and 46 appendices

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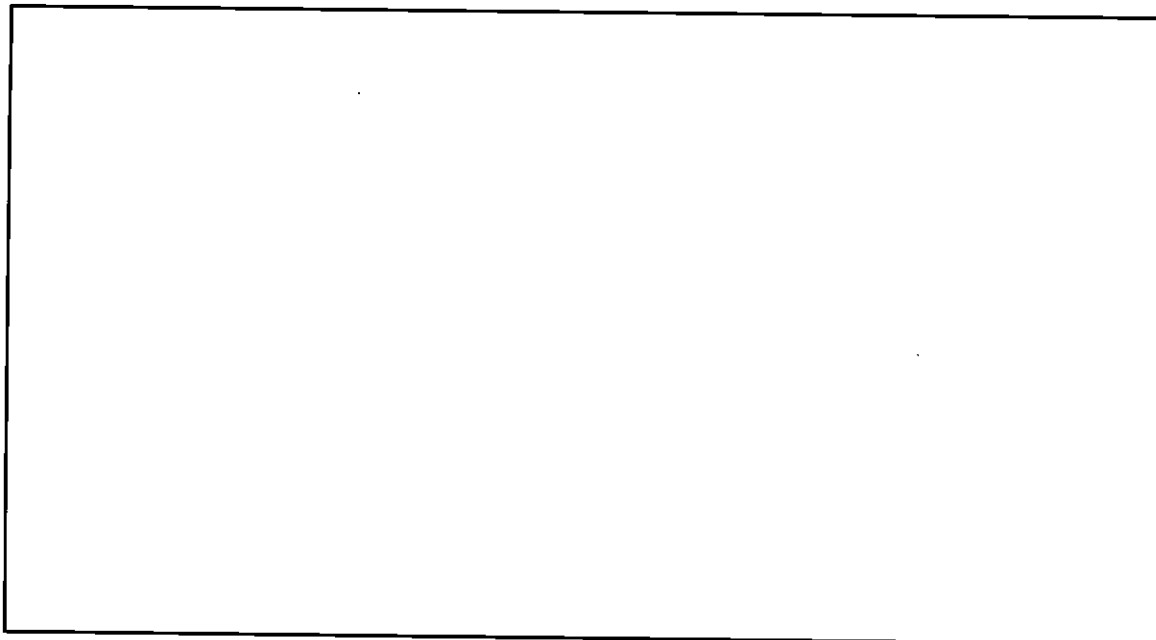
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containing 300,000 words, and has been published in English, French, Russian and Chinese.

Embassy officials in Stockholm reported that the presentation of the "evidence of germ warfare in Korea" at a press conference given by Dr. Andrea Andree, a member of the investigating commission, was a "complete flop." (R Stockholm 341, 17 Sept; R FBIS Moscow, 17 Sept; R Moscow 509, 17 Sept 52)

Comment: The report of this investigating commission is among the most serious efforts to date to substantiate the familiar BW charges. The release of this material seems timed to coincide with the Asian Peace Conference, where the BW issue most likely will be discussed. The document may be presented at that time as "authoritative scientific proof" of Communist charges.

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SOVIET UNION

4. French delegation visits Soviet Union: According to the French Communist press, a sixteen-member delegation from the Franco-Soviet Friendship Association left Paris on 11 August for a visit to the Soviet Union. This was the second such French group to go to the Soviet Union in a month and a half.

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The American Embassy in Paris points out that the Communist press made every effort to show that the delegations included non-Communists. (R Paris Desp 370, 14 Aug 52)

Comment: Soviet sponsorship of a visit designed to foster cooperation between Communists and non-Communists is in line with efforts of the "peace" movement and statements of various national Communist Party leaders on the need for united front tactics. Moscow also attempted to give impetus to the united front tactics of the Italian Communist Party by the interview granted by Stalin to the left-wing Socialist leader Nenni.

In a recent speech before the French Communist Party Central Committee, Duclos emphasized the need of a "united national front." Since the failure of direct action tactics in the late spring, the French Communist Party, as has been its practice following earlier failures, has emphasized a call for unity of action.

EASTERN EUROPE

5. Czechoslovakia appoints administrator for assets of American business machine company: On 5 September the Czech Minister of Heavy Engineering appointed a "national administrator" to control all the assets in Czechoslovakia of the International Business Machines Corporation of New York. The effect of this measure, which is in violation of a 1948 agreement between the Czech Government and IBM, is to remove all IBM assets in Czechoslovakia from the company's jurisdiction, while permitting it to retain technical title to them. (R Prague 174, 17 Sept 52)

Comment: This is the latest step in the Czech Government's program of restricting the activities of American business offices in Czechoslovakia. On 8 September the Pan-American Airways ticket office in Prague was ordered to close by the end of the month.

The Czech Government had continued at least until July to make regular payments in dollars to IBM for leased equipment.

6. Poles to implicate US in Martyka trial: The Polish press and radio have announced the opening on 18 September of the

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trial of the "murderers" of the Polish radio commentator Stefan Martyka. The eight accused, described as Polish reactionaries, are alleged to have reported to the American Embassy in Warsaw following the murder, and to have "offered their further services." (R FBIS Warsaw, 18 Sept 52)

Comment: This is the first attempt in almost a year to implicate the United States in a crime of this type. It follows the pattern of other Satellite trials which have charged American representatives with espionage and anti-Satellite activity.

Martyka, chief commentator on the notorious Polish anti-Western radio program, Wavelength 49, was murdered a year ago in his apartment by an unidentified band of assailants. It was recently announced that this band had been captured.

7. Yugoslav Government dissolves 1800 farm cooperatives: A Yugoslav official has stated to the American agricultural attache that 1800 of the 6800 cooperatives existing at the beginning of 1952 have been dissolved as being unsuccessful. The cooperatives dissolved were mostly in mountainous and unfertile sections of the country. (R Belgrade Weeka 37, 13 Sept 52)

Comment: Most of the cooperatives dissolved probably were the least advanced form of cooperative, not peasant working collectives, and the main effect of their dissolution is to relieve a drain on the government treasury. It is significant that the Communist leaders will retreat from a dogmatic to a more realistic position, risking possible loss of support from their Communist followers.

8. Unsettled Yugoslav economic plans may delay IBRD loan: The IBRD mission chief in Yugoslavia has told the Yugoslav Government that the IBRD will be unwilling to grant the second section of its loan unless Yugoslavia presents an import and investment program based only on resources available. Yugoslav officials have told the mission chief that they are planning on a tripartite aid program of more than \$150,000,000, although US officials have told them that they cannot expect more than the \$99,000,000 program so far approved by the British, French, and American governments. (S Belgrade TOMUS 101, 11 Sept 52)

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Comment: Yugoslav officials are re-examining their whole financial program, including imports, capital investment, and defense spending. They have not yet requested additional foreign assistance. However, in view of a drought-induced maximum foreign exchange loss of over \$100,000,000, they are in a position where they will either have to ask for grants above the present MSA program, possibly in the form of a food aid program, or else tighten their belts, cut back their present investment programs, and use much of the \$99,000,000 for food imports. Until the policy is settled, further IBRD money, the major Yugoslav source of foreign investment capital, will probably not be forthcoming.

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FAR EAST

9. Inflationary spiral in South Korea continues: The retail price index for all commodities in South Korea rose 5.3 percent in the week ending 5 September. The price index, now at an all-time high, is more than 24 times what it was in June 1950. Since the beginning of the war, the free market exchange ratio between the dollar and the won has increased from 2,200-1 to 15,700-1. (C Pusan Weeka 38, 17 Sept 52)

Comment: The counterinflationary effects of increased aid goods and locally produced items has been largely nullified by inadequate distribution facilities. The dollar-won exchange rate has been reported as high as 24,000 to 1 in some open market transactions.

10. Chinese students assigned to work in Manchuria: A Chinese Communist 11 September broadcast announced that over 6,000 students have just graduated from 26 institutes of higher learning in Shanghai. According to the Communists, all the graduates "expressed their willingness" to take jobs in "various localities in China." Some 1,900 have already been assigned to work in Manchuria. (R FBIS Shanghai, 17 Sept 52)

Comment: It has been one of the objectives of Communist propaganda to overcome student resistance to the compulsory job assignment program. A high proportion of the graduates are reportedly averse to assignments in the frontier areas of the northeast and northwest.

11. Rise in Chinese tin production reported: Chungking radio stated on 2 September that state-operated tin companies at Kochiu, Yunnan Province, raised their output of tin in the first half of 1952 by 226 percent over production in the first six months of last year. (C FBIS China Abstracts, 16 Sept 52)

Comment: Since over half of China's tin output usually comes from the mechanized Kochiu mines, this announcement indicates a considerable rise in tin production this year. China's total output of tin in 1951 has been estimated at 7,100 tons, compared to 15,440 tons mined and refined in 1938.

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SOUTHEAST ASIA

12. All-out offensive by Viet Minh seen less likely: [] an all-out Viet Minh fall or winter offensive is "less likely now" because of continued low morale and lack of supplies and recruits.

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25X1C [] anticipates intensified guerrilla activity and infiltration of the delta, however, and considers as still probable an offensive limited to the northwest corner of the delta by the two best Viet Minh divisions, with diversionary action elsewhere. []

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Comment: Previous reports have suggested that the usual fall offensive was expected. However, there have also been indications of fatigue, and to some degree low morale, among Viet Minh units. A principal logistic bottleneck for the Viet Minh is the inadequate transportation network within Indochina. French bombing of roads and bridges used by the Viet Minh has recently been unprecedentedly heavy.

13. Philippine Communists emphasize propaganda and infiltration tactics: A Philippine Communist Party circular, believed to have been prepared in July, emphasizes the party's tasks of propaganda, infiltration and sabotage.

The document reveals "considerable improvement" in the party's analysis of its position and suggests that the Communists are embarking on a propaganda battle with the government. In such a contest the government is handicapped by the necessity to support propaganda claims with concrete reforms. []

25X1A

Comment: Since the decline of Huk military strength, other Communist documents have indicated that the party will seek to regain popular support by relying on propaganda tactics and by exploiting government weaknesses. Two recent reports alleged that the Communist revolutionary offensive would be renewed in 1954.

SOUTH ASIA

14. First China Friendship Association to be established in Ceylon: The Peiping radio announcement on 12 September that

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the first Ceylon-China Friendship Association would be established in Colombo on 1 October indicates that the Communists are extending to Ceylon a propaganda medium which has been successful in both India and Pakistan.

There is no Chinese political or economic mission in Ceylon. The new association will therefore be the first permanent institution propagating Chinese influence. It is being launched at a time when Ceylonese economic ties with the Orbit are becoming stronger and restrictive American trade policies are subjected to severe criticism.

If the association avoids domestic political issues and follows the cultural pattern of its Indian and Pakistani counterparts, it should become an effective means of disseminating the Communist line. (Factual data from: R FBIS Peiping, 12 Sept 52)

15. USSR and Pakistan conclude barter agreement: The Soviet Union and Pakistan signed a barter agreement in Karachi on 16 September for the exchange of Soviet wheat for Pakistani jute and cotton. According to the agreement, which does not involve the transfer of any funds, the USSR will deliver 150,000 tons of wheat before the end of 1952, the first shipments to arrive in October. Soviet ships will carry the wheat to Pakistan and return with 22,000 tons of jute and 13,150 tons of cotton. The total value of goods to be exchanged under the agreement is approximately six million pounds sterling on either side. (R Karachi 412, 17 Sept 52)

Comment: This is the first official trade agreement between Pakistan and the Soviet Union. In conducting these negotiations, Pakistan was faced with the urgent need to import large amounts of wheat to ease a serious food shortage. The Pakistani Prime Minister told the US Ambassador a month ago that he was negotiating with the Soviet Union for 300,000 tons of wheat. He added that if the 300,000 tons of wheat requested from the US were not forthcoming, he would have to ask the USSR for an additional 300,000 tons.

NEAR EAST - AFRICA

16. Former Iranian official warns of imminent Tudeh coup:
25X1C [redacted] expressed
25X1C [redacted] visiting Iran his belief that the

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25X1C Tudeh will attempt a coup in October or November. [redacted] 25X1C
[redacted] the Communists 25X1C
have made considerable gains throughout the country. The
security forces have lost faith in Mossadeq's ability to
support them financially, [redacted] and the Tudeh 25X1C
has already subverted more than 30 key army officers.

25X1C [redacted]
Comment: The Tudeh has profited from the deteriorating
economic and political situation in Iran. There is no
evidence, however, that the Communists have been able to buy
the allegiance of any key army officers or are now strong
enough for a successful coup.

25X1C [redacted]

17. Egypt protests British failure to deliver jets: The
Egyptian Government has handed the British Ambassador in Cairo
a sharp note concerning the British failure to deliver the 65
jets now on order. The note charged that nonfulfillment of
the contract is due to a British-imposed arms embargo.

Ambassador Caffery states that the Foreign Minister and
the chief of the Egyptian Air Force are not interested in
explanations. He understands that Egypt wants 36 jets
immediately. (S Cairo 723, 17 Sept 52)

Comment: As a gesture of goodwill to the Nagib government,
Great Britain has recently made available trainers and spare
parts.

In September 1950, the British Government postponed
delivery of all high-priority items, including jets, to
other than NATO and Commonwealth nations because of critical
shortages.

18. Egyptian Ambassador to London urges postponement of
Sudanese elections: Commenting on the recent British proposals
for the Sudan, Mahmud Fawzi, new Egyptian Ambassador to
London, strongly urged that the Sudanese elections, scheduled
for 6 November, should be postponed until the end of the year.
He also stated that "real consultations" should take place

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with all Sudanese factions, including those parties which now support union with Egypt. (S Cairo 720, 17 Sept 52)

19. Lebanese Commander in Chief appointed President and Prime Minister: General Chehab, the Lebanese Commander in Chief, was appointed President and Prime Minister on 18 September, following the resignation of President el-Khourî. The US Military Attache in Beirut, in reporting this information, stated that the governmental change in Lebanon was not a military coup. (C US ARMA Beirut 342 and 343, 18 Sept 52)

Comment: For the present, Chehab appears to control Lebanon's political future. He is believed to have most of the army behind him and also has substantial political support, including that of two former premiers.

The new chief of state, who is a Christian, is faced with the problem of easing the Moslem-Christian tension built up over the past weeks. He must also deal with Lebanese political leaders who are opposed to military direction of civil affairs. Moreover, Chehab's past friendship with Khourî can be exploited by any military and civilian opponents. Chehab, or a succeeding government leader, must still cope with basic economic problems as well as with widespread corruption, which caused Khourî's fall.

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WESTERN EUROPE

20. East German communities allegedly given compulsory registration quotas: At a meeting of 40 East German mayors and several Socialist Unity Party (SED) functionaries on 12 September in Pasewalk, it was allegedly decided that three to five percent of the inhabitants of communities in the vicinity should be "compulsorily registered for the national army." [redacted] 25X1C
[redacted] the action was 25X1C
referred to as "simple conscription" without any pretense of 25X1C
volunteer service. [redacted] 25X1A

Comment: This report is unconfirmed. In current recruiting drives in East Germany the line between voluntary and compulsory service has become increasingly vague, and difficulties in obtaining volunteers could be leading to efforts to enforce local quotas. Formal conscription as well as the announcement of an East German army still appears contingent upon similar action in West Germany.

25X1C This report may also be due to [redacted] misinterpretation of East German efforts to obtain volunteers for the Dienst fuer Deutschland.

21. Adenauer avoids serious attack in debate on war criminal issue: West German Chancellor Adenauer succeeded in "keeping the situation under control" in the 17 September Bundestag debate on the question of German war criminals held by the Allies. Although certain deputies indicated that ratification of the Bonn and Paris treaties might be endangered unless the issue is settled satisfactorily, local American observers doubt this.

The opposition Social Democrats made a "surprisingly in-temperate attack" during the largely moderate two and one-half hour debate. Contrasted to the party's earlier disinterested attitude, this new line indicates a realization of the importance of the war criminal issue in public opinion.

Although all parties attacked the Allied judgments as having served "political ends rather than justice" and demanded that the question be solved soon, no formal resolution was adopted. (C Bonn 1220, 17 Sept 52)

Comment: Adenauer was aided in the debate by his being able to announce that two-thirds of the German war criminals jailed by

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the Western powers have been released since 1950, with only 1,017 still imprisoned.

A recent public opinion survey in West Germany has revealed widespread disapproval of Allied handling of the war criminals, with a majority of Germans feeling that imprisoned ex-generals should be assigned important posts in the future German army.

22. "Lot consignments" cover strategic shipments on Austrian railroads: [redacted]

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[redacted] a number of Swiss and other Western European firms are regularly utilizing the cover provided by "lot shipments" to transship strategic goods to the Soviet bloc. Only the forwarding agent is named on international freight letters as consignor and only general terms are used to describe consignments containing small, but strategic, items. This system is reportedly being used particularly by firms routing shipments via Austrian railroads: [redacted]

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Comment: While the volume of strategic goods which could be concealed in this manner is limited, the importance of the items to the Orbit might be considerable.

23. Crisis in French Communist Party seen as serious: The demotion of two top-level members of the French Communist Party, Andre Marty and Charles Tillon, is expected [redacted]

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[redacted] to have "deep repercussions" in Communist ranks.

The purge is interpreted as evidence of Duclos' victory over the hard militant faction of the French Communist Party which tried to assume control during Duclos' imprisonment in June. [redacted]

25X1A

Comment: There is no indication that Marty and Tillon are considering a break with their party. Since they controlled its central military committee, a general shake-up of the Communists' paramilitary apparatus may be in process.

24. Impending oil crisis may force Italy to seek Iranian oil: According to an article in the London Financial Times of 15 September, a possible 290,000-ton shortage of crude oil in Italy during the next three months, resulting from a recent MSA

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decision to discontinue financing oil supplies, may lead the Italian Government to support the efforts of EPIM, an Italian firm, to import Iranian oil.

Noting that Italy's former Iranian imports have been made up from Saudi Arabia, which requires payment in dollars, the paper states that there is no sterling area source from which the anticipated crude oil deficit can be made up, even though American companies in Italy will finance their own purchases. (U London 1448, 15 Sept 52)

Comment: There is no indication that the Italian Government intends to reverse its attitude and permit the import of Iranian oil. Since MSA has suspended only the financing of Middle Eastern oil, Italy may be able to obtain MSA-financed oil from the United States and Latin America. Furthermore, Italy may avoid a crisis for the time being by making limited purchases from its own dollar resources and by stepping up oil imports from the USSR under the 1952 trade agreement.

Iranian Prime Minister Mossadeq's reaction to an offer from the Italian Government to buy oil would depend on the amount of assistance he could get from Italy.

LATIN AMERICA

25. Uruguay asks US to guarantee its security: The Uruguayan Foreign Minister asked the American Ambassador on 17 September to inform Washington that Uruguay would rely on United States aid in the event of a threat to its security or independence, and that the government would limit itself to strictly legal measures in coping with current labor strikes.

The Embassy notes that while the increasing number of strikes appears to be the primary cause of the Foreign Minister's anxiety, other sources have reported that Uruguayan officials are firmly convinced that Argentina is fomenting strikes and trying to undermine the present government. The Foreign Minister's comment that Uruguay needs economic assistance may foreshadow a plea for dollar aid.

The American Ambassador adds that Montevideo is "still filled with rumors of a coup by Batlle Berres" but that there is no information to substantiate them. (S Montevideo 75, 17 Sept 52)

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Comment: A general strike, should one develop from the increasing labor unrest in Montevideo, might threaten the stability of the present administration and enhance the popularity of the pro-labor ex-president Batlle Berres.

Uruguayan officials frequently charge to the American Ambassador that Argentina is interfering in their country's internal affairs. Argentina's recently accelerated and improved propaganda efforts indicate that there may be some substance to the current Uruguayan accusations.

26. Czechs said to be inciting incendiarism in Dominican Republic: The Dominican Foreign Minister informed the US Embassy on 17 September that his government is taking extraordinary precautions against a riot allegedly being prepared for 12 October by "the Communist apparatus in Prague." He stated that several "technicians" are being smuggled into the country to organize the riot, and added that riots are also planned for other American republics. The Foreign Minister said that recent shipments of Czech glassware have contained printed packing material openly encouraging incendiarism and assassination.

The Embassy, which has recently noted unusual security precautions in the country, believes that the Dominicans are seriously concerned over these reports. (S Ciudad Trujillo 50, 17 Sept 52)

Comment: Reports of a "Caribbean Cominform" and "Communist Central Committee for Latin America" with headquarters in Prague have been of questionable reliability. This is the first report of subversive literature openly inciting riot being shipped with Czech exports.

Dominican intelligence reports often tend to be alarmist. The Dominican Government seldom neglects any precautions to assure itself against surprise movements of any kind and will probably take extra care on 12 October, a holiday.

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