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14 August 1951

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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DIA and PACOM review(s) completed.

OSD REVIEW COMPLETE

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State Department review completed

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SECTION 1 (SOVIET)

1. USSR. Embassy Moscow comments on US-USSR exchange: Embassy Moscow believes that the VOA campaign publicizing the US resolution of friendship for the Russian people was the decisive factor which forced the sudden and perhaps defensive shift in policy resulting in the publication of the US messages and the Soviet rebuttal. Recent Embassy monitoring indicates that a significant segment of VOA broadcasts has reached the Russian audience. Embassy officials note that the Kremlin had a convenient opportunity to lend official stature to many component phases of the "peaceful co-existence" campaign but chose instead the points on a Five Power Peace Pact and on "discrimination." The Five Power Pact contains, in a single package, these basic essentials of current Soviet policy:

- (a) Recognition of the CPR,
- (b) strain on free world unity in the Far East,
- (c) weakening of the UN,
- (d) reestablishment of big power diplomacy, and
- (e) checking of impetus toward strengthening of the free world defenses.

The Embassy concludes that the USSR reply was not meant to lead toward any change in the existing relations between the two governments. [REDACTED]

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2. Airfield in Sovzone of Germany to receive TU-4's (B-29 type): Two current reports indicate that Briesen Airfield located in the Sovzone of Germany will receive a second taxi track and 44 concrete parking stands in addition to the planned 8,200-foot concrete runway 260 feet in width. Each parking stand is to be circular and 118 feet in diameter. [REDACTED]

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[REDACTED] TU-4 aircraft are to be stationed at this field and that parking stands are to be constructed for this purpose.

Field Comment: One of the above reports was substantiated with a master construction plan of the new runway including parking stands. The latter were drawn on the plan on 20 July 1951. The 118-foot diameter circular parking stand is adequate for parking and accommodating TU-4 aircraft. This is the first time that parking stands have been included in construction of any airfield in the Soviet Zone of Germany. It is also the first time that Soviet officers have mentioned plans for stationing TU-4 aircraft at one of the newly constructed airfields. [REDACTED]

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Comment: TU-4's are not now stationed in the Soviet Zone of Germany. This spring, type 27 twin-jet bombers became the first bomber aircraft with increased offensive capabilities to arrive in the Zone.

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- 3. EASTERN EUROPE. CZECHOSLOVAKIA. New technique adopted to perfect Communist political trials: The Russians are reported to have developed a new technique to assure a perfect performance at political trials. The new technique, allegedly used at the Oatis trial, consists of conducting four or five dress rehearsals, complete with a hand-picked audience, during which all mistakes in the dialogue are corrected. If the accused attempts to interject unauthorized statements, the audience is instructed to burst into laughter. These rehearsals take place until the script is perfected.

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[Redacted]

[Redacted]

[Redacted]

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Comment: Many theories have been advanced for the lethargy of the defendants at Communist trials, although few facts are definitely known. The monotonous lack of spontaneity exhibited by the accused and prosecutor alike in the Oatis trial could stem from such preparation. Extreme physical exhaustion, the application of drugs, and the promise of improved physical conditions may also contribute to the lethargic manner of the defendant.

- 4. HUNGARY. Soviet troop departure reported: The US Air Attache in Budapest transmits the report [Redacted] that Russian troops in Hungary are to begin or have already begun a slow withdrawal to Russia and the Rumanian side of the border. This move is to be effected by mid-October in advance of a possible Hungarian strike against Yugoslavia. The USSR would then aid the Hungarian invasion of Yugoslavia with "volunteers."

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Comment: No evidence is available of any unusual movement of the two Soviet divisions in Hungary. The Hungarian Army which has been expanded from 65,000 to 100,000 since 1950 is generally considered less prepared for any aggressive action than are the Bulgarian or Rumanian armies. Moreover, until the Austrian Peace Treaty is signed, the USSR has a valid reason, provided by the Hungarian Peace Treaty, for maintaining armed forces in Hungary.

- 5. Hungary procuring copper through Zurich firm: Metallimpex Budapest has arranged to procure 3,000 tons of electrolytic 99% copper bars through Herman Ax, a Zurich firm. The Hungarian importer has stated that he prefers to have the shipment routed through Antwerp or Durazzo (Albania) rather than via Rumania. The US Legation Vienna has suggested that an investigation by the Swiss Government is in order. The Legation points out that recent information

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indicates that the Satellites regard Antwerp as the port through which clandestine trade can be diverted most easily. [REDACTED]

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Comment: There have been numerous reports of Hungarian efforts to procure critical raw materials through intermediaries. The copper would probably be obtained from Rhodesia, Chile, or Mexico. Shipment of goods through Antwerp or Durazzo, from whence they would be taken to Trieste for transportation by rail to Hungary, is quicker and cheaper than shipment through Rumania.

6. POLAND. Prosecutor exceptionally violent in trial summation of Army officers: US Embassy Warsaw reports that the prosecutor's summation of the evidence in the trial of nine former senior Polish Army Officers was extraordinarily violent, even for such Communist denunciations. The defendants were referred to as "foul subversionists," "mercenary degenerates," and "the scum of the Polish nation." Their objective was described as plotting "to pave the way for the Anglo-Saxon air pirates to destroy Polish towns, murder its women, aged, and children as they are now doing in Korea." The prosecutor declared that their principal aim was "to break the bonds linking Poland with the Soviet area." [REDACTED]

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Comment: The trial has consistently emphasized national deviationism as being the root of the evils in which the defendants were engaged. Despite the smear tactics which the prosecutor used in his summation, it is unlikely that he was able to erase the respect which the Polish public holds for these leaders of the wartime underground.

7. YUGOSLAVIA. Tito Government not internally endangered. US Ambassador Allen reports that although the unpopularity of Yugoslav Communist regime remains undiminished, the available evidence points to its continued stability. There seems to be a sympathetic popular understanding of the government's military and foreign policies, as well as an unconscious dissociation of certain respected members of the regime, such as Tito, Kardelj and possibly Pijade, from the lower officials responsible for executing the regime's policies. The Ambassador concurs in the opinion of the US Military Attache that the Yugoslav army would fight loyally, and if its organization were disrupted, would resort to localized guerrilla tactics. Allen concludes that the widespread popular discontent is caused by the demand for continued popular sacrifices after the country's past tribulations. [REDACTED]

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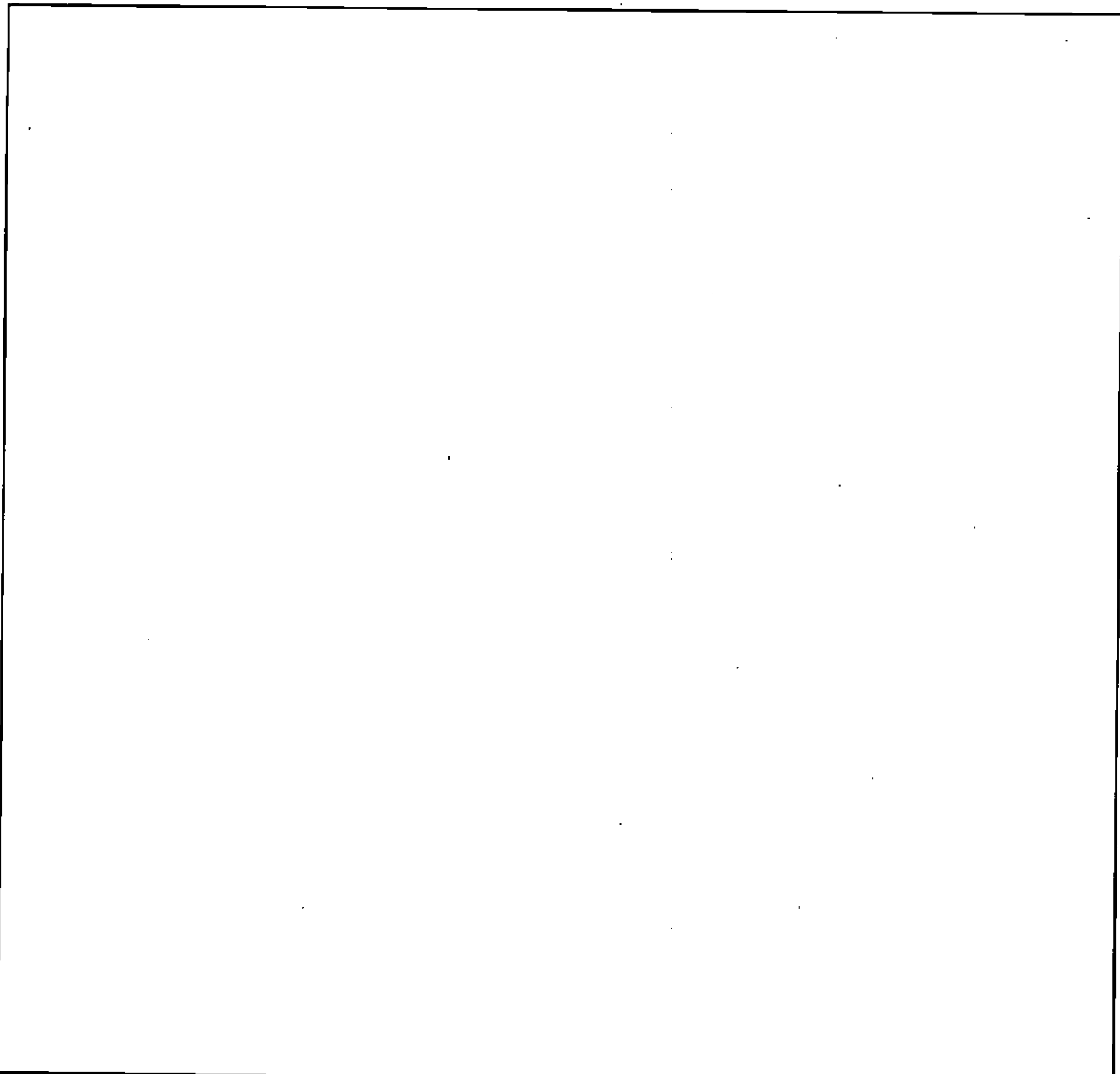
Comment: The shrewd appeal of the Tito regime to the strong nationalism of the Yugoslav people afforded it internal stability even during the crucial period of the 1950 drought. All available intelligence indicates that the Yugoslav Government, although beset with numerous internal difficulties, can effectively cope with them.

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SECTION 2 (EASTERN)

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3. INDONESIA. Darul Islam possibly involved in Djakarta port attack: Statements from prisoners arrested in connection with the attack on the

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Djakarta port of Tandjong Priok (see Daily Digest, 8 Aug) indicate that a Moslem religious leader, Kijahi, was the key figure behind the incident. Also seized at the time of the arrests were hammer and sickle insignia and emblems of the Darul Islam and its military arm, the Indonesian Moslem Army. [redacted]

Comment: The Darul Islam is a fanatical Moslem organization entrenched in West Java, which seeks to establish a Mohammedan state by force. Although Darul Islam followers include certain "Communist-tinged" groups (which could explain the presence of hammer and sickle insignia at Tandjong Priok), the organization is not known to have cooperated in the past with the Indonesian Communist Party (PKI).

It is significant to note, however, that in June the Consultative Council of Political Parties--the PKI-sponsored national front organization--set up a branch in Bandung in West Java. Appointed as general chairman of the branch was a member of the Indonesian Islamic League, an organization which has always been sympathetic to the Darul Islam and which has now joined the government's opposition. The branch secretary of the League is a member of the PKI.

Undoubtedly the PKI hopes to exploit Darul Islam strength in West Java. Whether the Tandjong Priok attack represents evidence of PKI-Darul Islam cooperation, however, has yet to be proved.

4. THAILAND. Military leaders continue to vie for power: Hostility between Police Director Phao and General Sarit (commander of the Bangkok army garrison) is continuing. The latter is obtaining increasing support from various army elements but is not yet ready to make a bid for power. Phao, on the other hand, apparently prefers to temporize until the elections of March 1952, at which time he hopes to gain control of Parliament and be in a position to dominate Sarit without resort to force. The position of the air force in the struggle is unclear. [redacted]

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Comment: If at any time between now and the elections Phao believes he is losing ground in his rivalry with Sarit, he might well attempt a coup d'etat.

5. CHINA. Chinese Communists strengthen police controls: The Chinese Communist press reveals that the Peiping regime has strengthened its already extensive police controls over the Chinese populace by

(a) promulgating new regulations further restricting entry and exit of overseas Chinese and travel to and from

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Hong Kong and Macao;

(b) giving the Ministry of Public Security new powers to control radio appliances and supplies (with the partial intention and result of reducing the effectiveness of the Voice of America); and

(c) establishing a central school charged with the training of county and municipal public security and judicial cadres.

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[REDACTED]

Comment: The Peiping regime aims at the total domination of its subjects in all aspects of their lives. An enormous increase in security organizations, regulations and operations is to be expected.

6. Peiping press claims Communist forces "well prepared" to continue war: The Peiping People's Daily, organ of the Chinese Communist Party, asserted in an 11 August editorial that the Chinese and North Korean "people" are not "afraid of continuing our just war of resistance to aggression," and are "fully confident and well prepared" to continue.

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[REDACTED]

Comment: On 5 August, General Peng Teh-huai, commanding Chinese Communist forces in Korea, asserted that the UN's superiority in weapons "will change," and that Chinese forces had "begun the establishment of a people's artillery and large-scale air forces" with which they would "win greater victories."

The 11 August assertion that Communist forces are now "well prepared" to continue hostilities implies, or at least threatens, that the artillery and air arms are ready for action. UN field intelligence confirms a considerable build-up in Communist artillery and air strength in the past several months. However, the 11 August editorial is largely devoted to asserting that Communist China genuinely desires a Korean armistice on the basis of the 38th Parallel.

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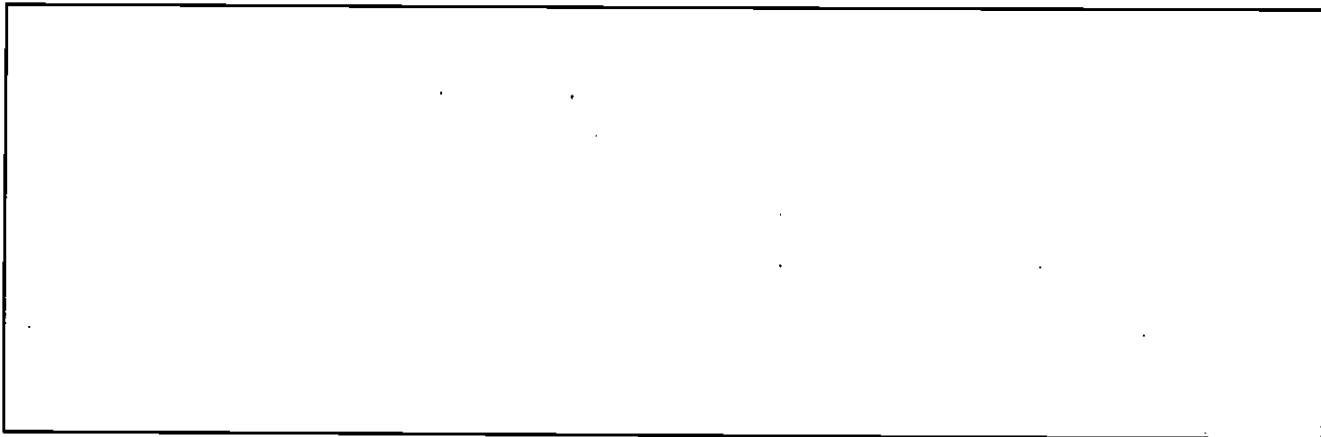
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- 8. KOREA. Appointment of new ROK Defense Minister rumored: A 12 August dispatch from a Chinese Nationalist news source in Korea reports a rumor that Lee Bum Suk, present ROK Ambassador to Nationalist China, is slated for the post of Defense Minister in the ROK Government. The item notes, however, that Lee has expressed reluctance to accept any Cabinet office and desires to return to his diplomatic post. [redacted]

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Comment: Lee, an ex-Prime Minister and Minister of Defense in the ROK, was considered a strong man in the early days of the Republic. There is no evidence to indicate that President Rhee will replace the present Minister of Defense Yi Ki Bong, a competent official and personal friend of Rhee, with Lee.

- 9. FECOM notes danger to UN forces if aerial reconnaissance limitations are imposed in cease-fire agreement: Communist air capabilities in Korea and Manchuria have been reevaluated by the US Far Eastern Command and the US Far Eastern Air Force. This new estimate, based on the possibility that hostilities may cease in the near future as a result of the Kaesong talks, notes a considerable danger to the UN forces in Korea should an agreement be reached limiting UN aerial reconnaissance over North Korea. In FECOM's opinion, such limitations might allow the reoccupation of North Korean airfields by Communist aircraft, thereby posing a serious threat to UN aerial superiority in the event of renewed hostilities. [redacted]

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- 10. North Koreans protest use of gas by UN forces: An 11 August radio broadcast in Korean released the text of a North Korean note to the UN protesting against the use of poison gas by "American interventionists." The broadcast cites the 6 August dropping of two "bombs" on the city of Yonan (southwest of Kaesong) and the 7 August bombing of a North Korean troop installation as evidence of these "deliberate atrocities." [redacted]

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Comment: North Korea has previously accused the US of employing chemical and biological warfare. These accusations are probably for Soviet Orbit internal consumption in order to strengthen the "hate America" feeling.

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SECTION 3 (WESTERN)

1. FRANCE. New pro-US French Government is formed without Socialists: US Embassy Paris finds that the replacements of Moch and Petsche by Bidault and Mayer in the Defense and Finance posts, respectively, are the French Cabinet shifts of particular interest to the US in connection with France's rearmament and relations with NATO.

Bidault will have full authority, according to press reports, to coordinate rapidly French policy on North Atlantic defense, including Germany's prospective contribution. While he reportedly will "cooperate" with Foreign Minister Schuman in this task, the latter will be concentrating on development of the French position in the Far East, Indochina, and the Mediterranean, as well as on application of the coal-steel pool plan.

The embassy believes that, whatever Bidault's official relation to Schuman may turn out to be, "it is more than probable that Bidault with his training and interest in foreign affairs and his long and ill-concealed desire to be more active in that field will exert an influence beyond the strictly domestic aspects of national defense".

[REDACTED]

[REDACTED]

Comment: Both Bidault and Mayer, who as Vice-Premiers will hold pre-eminent positions in the new Pleven Government, are ardently pro-American and strong supporters of NATO. Although Moch had come to favor a sacrifice of immediate Socialist aims to defense requirements, he reflected Socialist coolness to US leadership and was generally considered a difficult negotiator. The departure of Petsche, however, and his replacement with Mayer, who has narrower political support, close business connections, and a record of quarrels with the Socialists, will weaken their present conditional support of the government.

While the past sympathies of Pleven, Bidault, and Mayer for De Gaulle could be expected to help soften the opposition of the General's party in the difficult months ahead, the Gaullists' strategy is to join the opposition whenever the middle-of-the-road regime can be discredited.

2. AUSTRIA. Government plans to deny residence permits to WFTU employees: Austrian Minister of the Interior Helmer informed US High Commissioner Donnelly on 9 August that the World Federation of Trade Unions had been declared illegal in Austria. The minister stated further that after the expiration of two-month temporary residence permits, all WFTU employees (other than Soviet nationals who may remain for seven months on temporary permits) would be denied permission to reside in Austria. The US legation, however, remains skeptical that the Austrian government will be able to

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take effective action against the WFTU, and expects that little can be achieved other than to make it clear that the WFTU continues in the Austrian capital by grace of the Soviet occupation authorities and against the wishes of the Austrian people. [redacted]

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Comment: Although encouraged by the US legation to take all possible effective action against the WFTU, the Austrian Government has been limited in its measures by the possibility of Soviet intervention and by the absence of clear legal justification. Strong support of the WFTU by the Soviet Element in the Allied Commission and consequent hesitancy on the part of the Austrians have led US observers to believe that Austrian officials will move slowly in declaring the WFTU a "menace to public safety", if it should register as required by Austrian law, or an illegal secret society, if it should not. The move to deny residence permits to WFTU personnel should probably be regarded, therefore, as merely part of the general harassing campaign which the Austrian Government is apparently willing to undertake.

3. ITALY. De Gasperi urges USSR to return Italian war prisoners: Premier De Gasperi has announced that one of his first acts as Foreign Minister in the new cabinet was to press the Soviet Union for the return of more than 63,000 Italian prisoners still held in the USSR. Although the Italian Government has evidence that Italian prisoners are still held in some 56 Soviet concentration camps, probably as slave labor, the Soviet Union has replied to previous Italian inquiries with the statement that no Italian prisoners remain in the USSR. [redacted]

25X1

Comment: The Italian statistics on war prisoners were presumably elicited by the UN commission investigating the status of prisoners of war in the Soviet Union. Premier De Gasperi timed his announcement to coincide with: (1) his recently inaugurated campaign to diminish the strength of Italian Communists by propaganda and restrictive means; and (2) Italy's intensified drive for revision of the Italian peace treaty and admission into the UN. On several occasions former Foreign Minister Sforza, in attempts to debunk Communist claims that the Soviet Union is friendly to Italians, has pointed to the retention of Italian prisoners of war by the USSR. Sforza has also dwelt on the Soviet veto of Italy's proposed admission to the UN.

4. Government apprehensive over possible loss of US market for Italian cheese and olive oil: The Italian Foreign Office has protested the Anderson amendment to the Defense Act, suspending or limiting US imports of fats, oils, cheese, etc. from Western European countries which export strategic materials to Eastern Europe. The Foreign Office points out that it would hit two typical Italian products, olive oil and cheese, and would appear to conflict with US policy favoring the economic recovery of countries within

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the framework of ERP. US Embassy Rome believes "the Italian protest is more than justified" since it would be most difficult to explain to the cheese and oil producers, now faced with the loss of one-third and one-half of their respective export markets, how exclusion of their products assists US defense production. [REDACTED]

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Comment: While Italian exports of cheese and olive oil to the US for the first four months of 1951 were approximately 37 per cent and 61 per cent respectively of total Italian exports of these commodities for the same period, they were only .4 per cent and .5 per cent respectively of total Italian exports to all countries. On the other hand, since these two products had a total value of \$4.4 million for this period, the loss of the US market for Italian cheese and olive oil exporters would have a significant effect on Italy's foreign exchange position.

5. SWITZERLAND. Reassertion of neutralist positions in East-West trade: A commentator on the Bern radio denies that the recent US-Swiss conversations on export controls involved any agreement on the part of the Swiss, and asserts that Switzerland is unwilling to become involved with either the East or the West in any kind of embargo. To favor one side to the detriment of the other would, he declares, mean "giving up the neutrality which is written into our constitution and international agreements". He further comments that Switzerland would be taking sides and forsaking its neutrality if it adopted the US suggestion that it prohibit export to the USSR of goods manufactured at home from raw materials obtained from the West. [REDACTED]

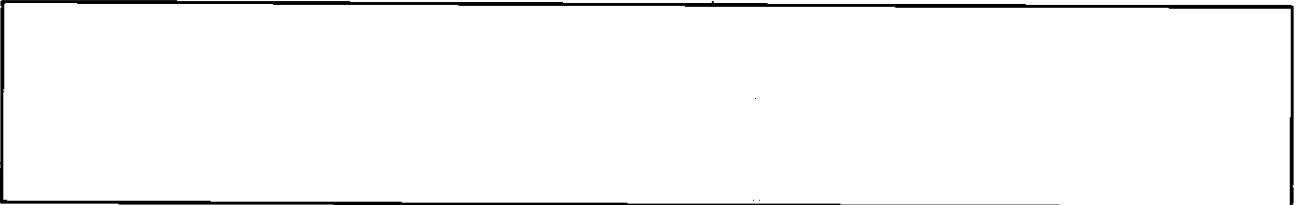
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Comment: The commentator is editor of the small Liberal Party's newspaper, which has a relatively low circulation. Nevertheless, the views expressed represent the opinion of that large segment of the public, composed principally of business men, which insists that Switzerland keep open its normal channels of trade with all countries.

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7. UNITED KINGDOM. Serious decline in steel production foreseen: ECA London reports that a critical reduction in British steel output is expected in 1951. This will be due primarily to an estimated lag of one million tons in ingot capacity which has resulted from:

- (a) drying up of German scrap exports,
- (b) inability to purchase adequate iron ore supplies in world markets,
- (c) a shipping shortage, and
- (d) inadequate blast furnace capacity.

The British contend that the US has been getting most of the available German scrap exports and is the most favored purchaser of continental steel. Although the British Government has started a blast furnace expansion program, and has begun to develop iron ore resources in parts of Africa, UK domestic production is unlikely to exceed 16 million ingot tons in 1951 and 1952. 

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Comment: A steel shortage now appears as an added serious factor in the UK's deteriorating economic situation. The latest production estimate now anticipated is 1.5-2 million tons less than past long-range estimates for this period. The Government is hard-pressed to fulfill defense commitments for the rearmament program, which by increasing consumption, is largely responsible for the steel shortage.

8. BRITISH GUIANA. Significant gains made by Communist-oriented party: The Communist-oriented People's Progressive Party (PPP) has gained wide support in British Guiana in the year-and-a-half since its formation, and all evidence indicates that it will meet with continuing success in its current campaign for recruiting additional members. Formed early in 1950 by Dr. and Mrs. Cheddi Jagan, a couple with known pro-Soviet, anti-US sympathies, it is the only political party which has ever commanded a significant following in the colony. Membership in March, as announced by Mrs. Jagan during the party's first congress, stood at 3,060--a figure which was probably not grossly exaggerated and which assumes significance with the realization that the membership fee, although small, is not easily raised by the average

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Guianese. The remarkable strides which the party has made in 18 months are explained by the fact that it is the first group ever to hold out any hope to British Guiana's poorly paid, inadequately housed workers for improving their miserable standard of living.

The party has cleverly used tactics which attract the widest possible support from lower-income groups. By playing up the poor conditions under which most of the Colony's peoples actually do work and live, PPP leaders have created considerable unrest and have rather successfully presented the party as the rallying point for those dissatisfied with their lot. In addition, the party has sought to align itself with some of the organized labor unions. Its connections with the Guiana Industrial Workers' Union now seem to be firmly established, and it is probable that the Jagans were at least partially responsible for the recent separation of the bauxite workers' union from the non-Communist Man Power Citizens' Association.

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[REDACTED] If PPP influence continues to increase (and there is every indication that it will), Communist capabilities for hindering the flow of British Guiana bauxite to Canada and the US through strike and sabotage activities will increase correspondingly (9% of US requirements come from British Guiana).

One slightly hopeful sign on the British Guiana scene was the formation in December 1950 of a second political party—the National Democratic Party—organized by non-Communist leaders and also designed to appeal to lower-income groups. As yet, however, it has not had great success in recruiting members, and has given no promise of becoming an effective opponent of the PPP.

9. ARUBA, N.W.I. Strike reported in Aruba oil refinery: The US Consul reports that the Lago refinery workers struck on 10 August demanding a 20 per cent wage increase. The company's counter-offer was refused by the workers, who repudiated their bargaining committee which had accepted the offer. The Netherlands Government mediator is negotiating. The refinery is now operating at reduced capacity on an emergency basis. [REDACTED]

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Comment: The Lago Oil and Transport Company, Ltd. of Aruba (Standard Oil of New Jersey) operates the world's second largest oil refinery which has a normal output of approximately 490,000 barrels daily. Labor dissatisfaction has been present right along in both Aruba and Curacao, and it apparently is now coming to a head as a result of the general international petroleum situation which has led the workers to believe that they are in a stronger bargaining position.

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The main grievance of labor has been the wage differential and general preferential position given to certain foreign nationalities. During World War II this wage policy operated against the Chinese employees of the tanker fleet and produced a long strike which seriously hampered the importation of crude petroleum from Venezuela. The present cause of dissatisfaction is possibly a sharp rise in the cost of living which has not been offset by a proportionate upward adjustment of Lago's cost of living bonus to its employees.

Lago has exercised rather close supervision of organized labor in its plant. It wisely has encouraged establishment of the Lago Employee Council (employee advisory committee) to confer with management on labor problems while simultaneously using it as a device to combat the rise of labor unions. Of the numerous sporadic efforts at unionization, one formal union has managed to rise--the Aruba Labor Union. It has been used primarily to further the political aspirations of its president, Henry Eman. The union apparently has attracted enough dissatisfied workers to its ranks and has gained sufficient strength to declare this strike in an effort to force company recognition.

10. SWEDEN. Government grants asylum to Polish mutineers: The Swedish government has granted political refuge to the 12 Polish naval mutineers who landed at the southern Swedish port of Ystad on 2 August. [redacted] 25X1

Comment: The Swedes were able to escape a conflict between their humanitarian impulses and their pride in strictly observing international law because there is no extradition treaty between Poland and Sweden, and the Swedish law of 1913 specifically exempted mutiny as a crime requiring extradition. In the case of such a conflict, the government would undoubtedly make a great effort to find some legal loophole or overriding political reason to maintain its humanitarian record.

11. ARGENTINA. Peronista Party urges denunciation of opposition: The Peronista Party has urged all members to tell police of any "attempts to promote sabotage" and has advised them that the time has come "to wipe out the swine made daring by our tolerance". The statement followed the arrest of 80 railway engineers and a number of Radicals and Socialists, all of whom were accused of plotting a campaign of terrorism and sabotage to spread disorder on the eve of the 11 November elections. [redacted] 25X1

Comment: Peron has denounced all non-Peronistas as traitors. The constant call for action against the opposition and foreign interests could result in violence, as election activities are intensified. On occasion official newspapers have published names and addresses of anti-Peron elements,

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and often Peron has advised workers to keep a supply of baling wire "to hang the opposition".

12. MEXICO. Administration seeks to avoid publicizing military cooperation with US: In response to a US suggestion that an exchange of notes might serve to revalidate the US-Mexico reciprocal agreement for the transit of military aircraft, a Mexican Foreign Office spokesman has indicated that it would be well not to question the validity of the agreement and to assume that it has not expired. In a strictly confidential oral reply, the spokesman stated that the exchange of notes would have to be ratified by the Senate, and—although ratification would be likely—political opposition might be encountered which would lead to undesirable public debate. The proximity of the coming presidential elections was given as a factor which "might also complicate matters". The US Embassy comments that these remarks "would seem to confirm the present well-known policy of the Mexican government to avoid any action which might in any way be interpreted as a military commitment". [REDACTED]

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Comment: As the 1952 elections approach, the administration will probably become increasingly hesitant to admit international obligations which might be regarded as adverse to national sovereignty and welfare. The Mexican public does not appear convinced, at present, that the East-West struggle involves an immediate threat to Mexico. Unless a new crisis arises, therefore, it is possible that domestic political considerations will serve to inhibit expressions of agreement with, or support of, various US international aims.

13. PANAMA. President's new legal advisor: President Arosemena has appointed Ricardo J. Alfaro as his legal counselor. Alfaro accepted the office without salary which may indicate a desire to remain aloof from the present weak administration. Clearly, though, he plans to play an important political role. [REDACTED]

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Comment: Ricardo J. Alfaro has been prominent in Panamanian governments throughout Panama's history. His first position was that of Under-Secretary of Foreign Relations in 1905, two years after the establishment of the Republic. Throughout his career he has maintained a reputation for financial honesty.

In recent years, he has been obdurate and ultra-nationalistic in negotiations with the US Embassy in Panama on issues of bilateral interest, but has been cooperative with members of US delegations at international conferences, especially when problems of international law were under discussion. The Embassy reports that he is currently exerting his influence in favor of strong measures, which are advocated by the US, to ban Panama flag vessels from visiting Chinese Communist or North Korean ports.

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SECTION 2 (EASTERN)

1. PHILIPPINES. Government accepts latest draft of Japanese peace treaty: President Quirino, with the concurrence of his special 15-man advisory committee, has agreed to accept the language of the latest draft of the Japanese peace treaty. [REDACTED]

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2. INDOCHINA. West weighs choice between India and Indochinese states as signatories of Japanese treaty: The UK Foreign Office is opposed to inviting the Associated States to the San Francisco treaty conference as "observers," feeling that this would stir up the question of Chinese Nationalist observer status. The Foreign Office plans to delay its reply to a formal request from Cambodia that it be invited to sign at San Francisco pending India's response to UK attempts to persuade India to sign the treaty. Apparently the Foreign Office believes that India will delay its reply, thereby blocking an invitation to the Associated States.

Meanwhile, Minister Heath in Saigon argues against offering the Associated States observer status, stating that such a half-measure would cast more doubt on the independence of the Associated States than would their non-attendance at the conference. [REDACTED]

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