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11 April 1952

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Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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GENERAL

1. The Soviet renewal of the German peace treaty proposal:
In its 9 April note, the Soviet Union for the first time directly proposed four-power discussions of free all-German elections and investigation of electoral conditions. The East German Government made such a proposal last September with Soviet support, and it was rejected by Chancellor Adenauer.

The note does not point to any forthcoming concessions, but instead reveals all the weaknesses of Russia's German policy. As a result, it is not likely to deflect the West German Government from its present course of Western integration.

The USSR has attempted to devise a new approach to appeal to West Germany and to convince the Western powers that further negotiation would produce real concessions. It has been unable to make effective proposals, however, for fear of further weakening its hold on Germany.

The new proposal indicates that the USSR cannot agree to free elections, which would result in the loss of East Germany, fearing an ultimate westward orientation of a unified Germany. Accordingly, the note only proposes that the four powers discuss the question.

In answering the Western demand for UN investigation of electoral conditions, the note suggests that such a check could be carried out by a commission of the four occupying powers, presumably operating under a Soviet veto threat, but does not propose the setting up of such a commission.

The Soviet note essentially represents a legalistic attempt to delay developments in the West without committing the USSR. Accordingly, it specifies neither a date nor an

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agenda for such a meeting.

The failure of the USSR to clarify its earlier proposal for a German army confirms the impression that this offer was made primarily to increase Soviet influence among German nationalists. By reaffirming the Oder-Neisse line, however, the USSR indicates that it does not intend to make a drastic play for German opinion by offering to take the former German territories away from Poland.

In a final attempt to appeal to West European and German opinion, the Soviet note concludes with the warning that the choice is now being made between a united Germany, connoting peace, and a divided Germany carrying with it a continuing threat of war in Europe. (S Factual data based on S Moscow 1645; C Moscow 1644, 10 Apr 52)

EASTERN EUROPE

2. Possibility of high level Orbit meeting at Budapest discounted: The relatively low rank of non-military personalities at the Liberation Day ceremonies in Budapest on 4 April does not support rumors that a "Cominform" meeting may have been held, although a gap in reported activities on 5 April would have allowed time for such a conference. On the other hand, the inclusion of high ranking military personalities from all the Satellites except Albania lends credence to the rumor that high level military and economic talks may have taken place.

According to one unsubstantiated rumor, the Russian high command is pushing the Satellites in their preparations for a "big push in August." (S Budapest 769 and L-2860, 8 Apr 52)

Comment: American Legation sources consistently have discounted the probability of a Cominform meeting. Similar rumors, which were never confirmed, circulated in 1950 when the Liberation Day fete was attended by Voroshilov and a much more impressive assembly of Orbit delegations, including the so-called Cominform chief Suslov.

Although there may have been a high level military meeting, the presence of ranking Satellite military personnel at Liberation ceremonies in the various Orbit countries is not unusual.

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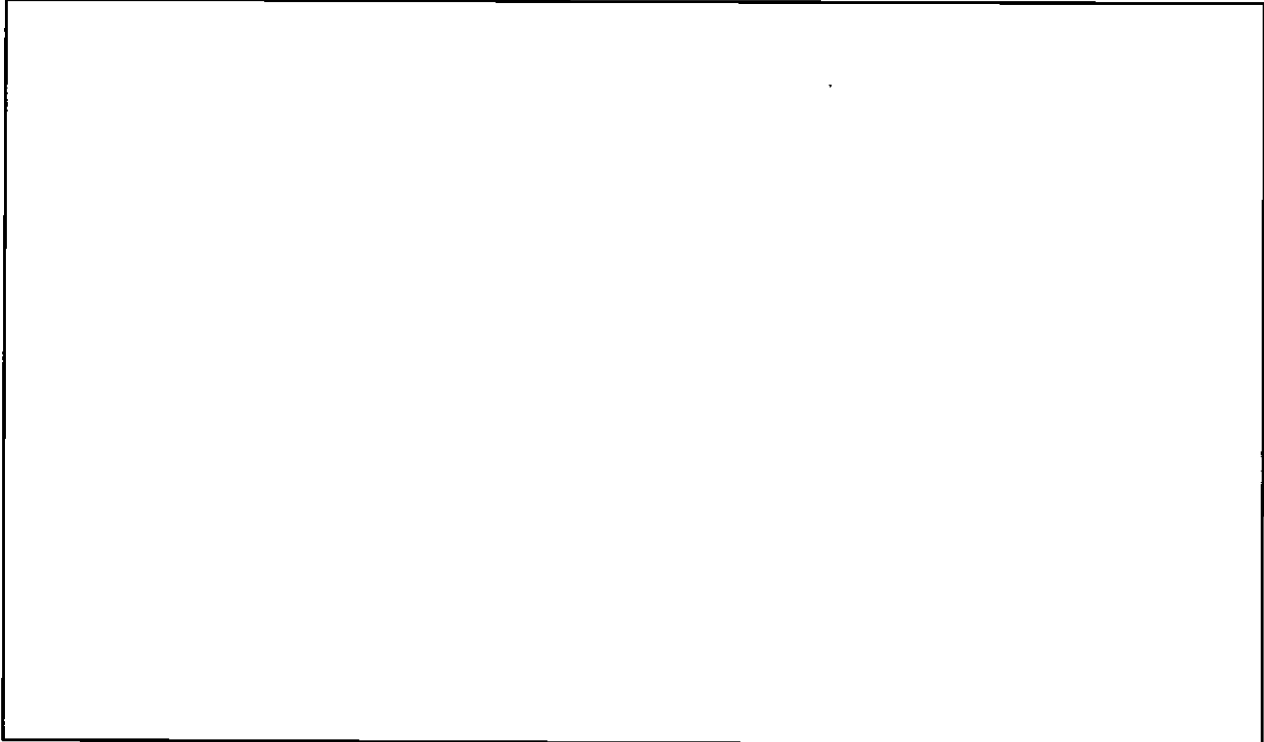
FAR EAST

3. South Korea reserves right to veto "dishonorable armistice":
Ambassador Muccio reports that the Korea Times on 10 April quoted a high-ranking ROK official as saying that his government would veto any armistice signed under "dishonorable" circumstances. According to the official, the ROK attaches the greatest significance to an armistice provision for the withdrawal of Chinese Communist troops.

This statement is in line with previous South Korean criticisms of the negotiations, according to Ambassador Muccio. He notes that the ROK has been relatively restrained in recent weeks. (R Pusan 984, 10 Apr 52)

Comment: The tempo of South Korean criticism of the armistice negotiations appears to accelerate periodically along with rumors that the negotiations will be successfully concluded.

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NEAR EAST - AFRICA

5. Syrian Army Chief of Staff Shishakli visits Saudi Arabia:
Syrian Army Chief of Staff, Lt. Col. Shishakli, is visiting

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King Ibn Saud in Riyadh with the reported intention of strengthening Syrian-Saudi Arabian relations. Shishakli has expressed his confidence of having successful talks with the Saudi Arabian monarch during his first trip to Saudi Arabia since his coup d'etat in Damascus last November. (S Damascus 574, 8 Apr; R FBIS Ticker, Beirut, 9 Apr 52)

Comment: Shishakli's stop-over in Riyadh follows his recent visit to Jordan and Lebanon. The Army Chief of Staff probably has two specific objectives: to gain further Arab support for the Syrian military regime, which is strongly opposed by the Iraqi Government; and to obtain a new loan from King Ibn Saud to finance the purchase of arms and ammunition which Syria is currently trying to acquire abroad. Ibn Saud has long been a strong supporter of Syrian independence and has opposed any plan which might unite Syria with the Hashemite Kingdoms of Iraq and Jordan.

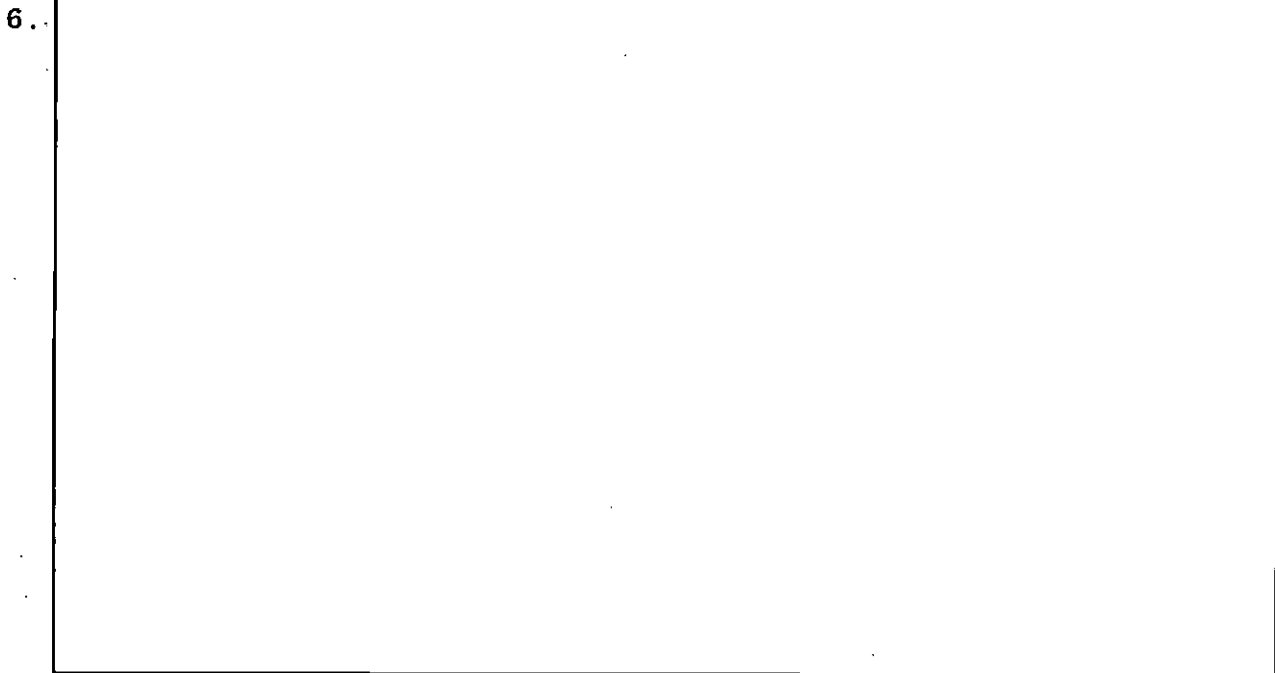
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WESTERN EUROPE



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7. Political support for French Premier Pinay is consolidated:
The American Embassy in Paris reports that Premier Pinay's favorable showing in the critical confidence vote on tax amnesty consolidated his political support and gave him a "clear mandate" to try out his economic program.

Pinay's support now runs roughly from a half-way point in the centrist Popular Republican (MRP) ranks to a half-way point within the RPF on the right. Although this is not a majority in the Assembly, it does afford fair stability, because the deputies of the divided parties who disagree with the Premier will abstain from voting rather than risk splitting their parties. Furthermore, though many of the other supporting deputies are highly skeptical of Pinay's program, they are fearful of public reaction if they should topple his government immediately.

This new coalition coheres, however, only on internal issues, and until a comparable accord has been reached on foreign policy, the formation of a stable right-center majority cannot be claimed. (C Paris 6196, 9 Apr 52)

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Comment: Pinay's success in obtaining parliamentary support for his "stability without sacrifice" program assures him office tenure until late May when the Assembly reconvenes. Although the prevailing climate of confidence in the government has caused the franc to appreciate from 490 to 407 to the dollar, close observers doubt that Pinay's program can avert a collapse later in the year.

8. Communist influence reaffirmed in Air France where new strike threatens: Air France flight personnel regret the "premature" termination of their fruitless December strike and contemplate another walkout after Easter, according to the American Embassy in Paris.

The Embassy also reports that, in grievance-committee elections held in late March, the Communist-dominated General Labor Confederation maintained its position as the most influential union among ground crew personnel. (C Paris 6217, 9 Apr 52)

Comment: The December strike received little support from French labor, which considers Air France personnel well paid in comparison with other French workers. In view of Premier Pinay's success in holding the price line, the proposed strike may also be "premature."

Although the number of Air France personnel on whom the Communist leadership can depend has been large, it is decreasing. The number which supported the CGT in the elections is far larger, however, and can be interpreted, as is the case in most French industries, as a protest against the ineffectiveness of non-Communist labor unions.

9. Austrian Minister of Interior warned about Communist influence in police: The editor of a large independent newspaper in Salzburg has published an open letter to the Austrian Minister of Interior warning of the necessity for minimizing Communist infiltration into Austrian security forces. The letter charges that recent investigations of officers denounced by a Communist police official were used by a Communist police inspector to gain access to top secret files of the Austrian political police. Data so obtained, including loyalty files of Salzburg police and reports of alleged CIC and police cooperation in raiding local offices of the Communist Party, were later published in Communist newspapers, including the official organ of the Soviet occupation force. (R FBIS, Salzburger Nachrichten, 8 Apr 52)

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Comment: Since 1945, the Socialist Minister of Interior has made a considerable effort to purge from the police forces the numerous Communists installed there by his Communist predecessor in the provisional government. Despite the dismissals and transfers of unreliaables to non-Soviet sectors, his efforts have not been completely satisfactory.

10. Belgian trade union federations plan joint action to obtain wage increases: Meeting jointly for the first time in a number of years to "examine the situation," the Secretariats of the Socialist and Social Christian trade union federations (the FGFB and the CSC) insist that premiums to workers must come from excess business profits. An FGFB leader states that the adamant stand of employers against further wage increases will probably make strikes necessary.

Any strike called by the FGFB unions would include miners, metal workers and possibly cement and tramway workers. Although the CSC has not yet committed itself to calling out the unions it controls, the US Embassy in Brussels believes that a strike would bring CSC participation. (R Brussels 1487, 7 Apr 52)

Comment: Because the CSC supports the one-party Social Christian government, it has not heretofore joined the FGFB demands. If the government fails to back strong labor demands, it is likely to lose the support of the CSC representatives in Parliament essential to its slim parliamentary majority.

11. Communist official foresees violence in Italy: [redacted] 25X1C
[redacted] a member of the Communist Party Central Committee recently warned party officers in Milan not to be surprised if Italy "suddenly resembles Egypt and Tunisia" as a result of economic unrest, which, he predicted, would result from Italy's adherence to NATO policies. He urged the fomenting of general disturbances in every sector of the economy prior to the local spring elections, as well as an increase in clandestine activities in the labor field.

25X1A This party official reportedly declared that the Christian Democrats are "heading toward ruin" and that the Communists "must be shown to be the strongest party in Italy." [redacted] 25X1A
[redacted]

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Comment: While there have been no widespread riots or disturbances, the Communists for political reasons have stepped up labor agitation during the past few weeks and have obtained considerable support from workers with real economic grievances. If present governmental pressure on industries to discharge key Communist employees is effective, the Communists may be forced to rely more on clandestine means.

According to American observers in Italy, the Christian Democrats have lost considerable strength because of widespread dissatisfaction with De Gasperi's policies. The Communists, as well as the neo-Fascists, are expected to make substantial gains in the local spring elections.

12.

Norway reaches "favorable" trade accord with Poland: The American Embassy at Oslo reports that the trade agreement between Norway and Poland concluded on 8 April is "somewhat better" from the strategic goods viewpoint than the proposal originally submitted to COCOM. The Polish delegation made "strenuous" efforts to purchase ships and to charter additional vessels, but Norway refused and limited its maritime services to sailings from Poland to other Baltic ports and to Norway.

The Norwegians emphasize that they obtained a 60-percent increase in the coal commitment -- 275,000 to 450,000 metric tons -- by increasing their offers of rayon pulp to 2,000 tons, and their promises of ferromanganese and ferrochrome to 250 and 200 tons. Norway will also export 150,000 tons of iron ore, 15,000 tons of pyrites, and 750 tons of aluminum. (S Oslo 887, 9 Apr 52)

Comment: Until a few days ago Norway appeared to be having difficulty in obtaining a promise of 275,000 tons of coal. The unexpected relaxation by Poland without any undue increase in offers of strategic goods is another strong indication that Polish coal is becoming available in greater quantity.

The agreement also contains provisions for the delivery of other goods such as herring from Norway and textiles and sugar from Poland.

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LATIN AMERICA

13. Argentine newspaper repeats Communists' biological warfare propaganda: The 9 April edition of Democracia stated that telegrams received from Europe "confirm that American troops have used bombs containing cholera germs in Korea, and that the epidemic seems to have spread to Chinese provinces." The paper also alleged that the Stars and Stripes reported on 9 February that the US 65th Regiment had used 500 bacteriological bombs to test their effectiveness in artillery bombardment. (R Buenos Aires 689, 9 Apr 52)

Comment: Democracia is reportedly owned by Senora de Peron. These accusations are representative of Argentina's vitriolic anti-US campaign.

14. Three Chileans reportedly departed for the Moscow Economic Conference: Clotario Blest, President of the Government Employees Union, and Jorge Salazar, Director of the Semi-government Employees Union, departed on 30 March for the Moscow Economic Conference. The United States Embassy in Santiago believes that these two and George Inascimento, who reportedly departed earlier for Paris en route to Moscow, will be the only individuals from Chile attending the conference.

Blest is popular in labor circles and heads numerous Communist-front organizations, although he is not a party member and is a Catholic. Salazar is a Radical Party member with Marxist views. Inascimento, a Chilean publisher, is considered pro-Communist.

Guillermo del Pedregal, a successful businessman and Communist sympathizer, who apparently would have headed the Chilean delegation, cancelled the trip because of business reasons, and also because he is managing Ibanez del Campo's presidential campaign in Chile. (Factual data from: C Santiago unnumbered, 20 Mar and 2 Apr 52; [redacted])

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15. Panama refuses diplomatic status to Soviet couriers: The Panamanian Foreign Minister has told the US Ambassador that "the two Soviet couriers will not be accorded diplomatic status for transiting Panama but may apply for ordinary consular visas." The Ambassador comments that the Foreign Minister

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presumably intends to examine the Soviet pouches if the couriers come through. (C Panama 877, 9 Apr 52)

Comment: Soviet couriers have customarily stopped in Havana on their way from Mexico to Venezuela. The USSR is now attempting to establish a new courier route because of the recent break in Soviet-Cuban relations.

16. Prospects for bilateral military agreement with Uruguay believed good: The US Embassy in Montevideo believes that prospects for a bilateral US-Uruguayan military assistance agreement are good; it points out that Chile's signing of such an agreement has had a helpful effect.

Ex-Foreign Minister Dominguez Campora, presiding officer of the Uruguayan delegation in the conversations, says, however, that he must discuss the military plan with the six majority members of the National Government Council. He intimated that the plan might have to be discussed with the three minority Herrerista Party members later. The US Embassy states that, while this may be unavoidable, "it presents security problems for the US Government." (S Montevideo 393, 9 Apr 52)

Comment: While Dominguez has stated his understanding that the plan may not be submitted to Congress under any conditions, he has stated that Senate members of the minority party propose to fight the "political agreement." The Herrerista members of the National Government Council approved the opening of conversations.

Ecuador, Peru, Cuba, Brazil and Chile have now signed bilateral military assistance agreements with the United States. No agreement could be reached with Mexico.

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SOUTH ASIA

1. Importance of Stalin-Radhakrishnan interview said to be exaggerated: Secretary General Bajpai of the Indian Ministry of External Affairs has told Ambassador Bowles that he believes the importance of the 6 April interview between Premier Stalin and Indian Ambassador Radhakrishnan in Moscow has been exaggerated out of all proportion. The Secretary General stated that the conference had no implication beyond the obvious desire of Stalin to convince India that the Soviet Union was always ready to come to an understanding with the West. (S S/S New Delhi 3694, 9 Apr 52)

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