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DAILY DIGEST

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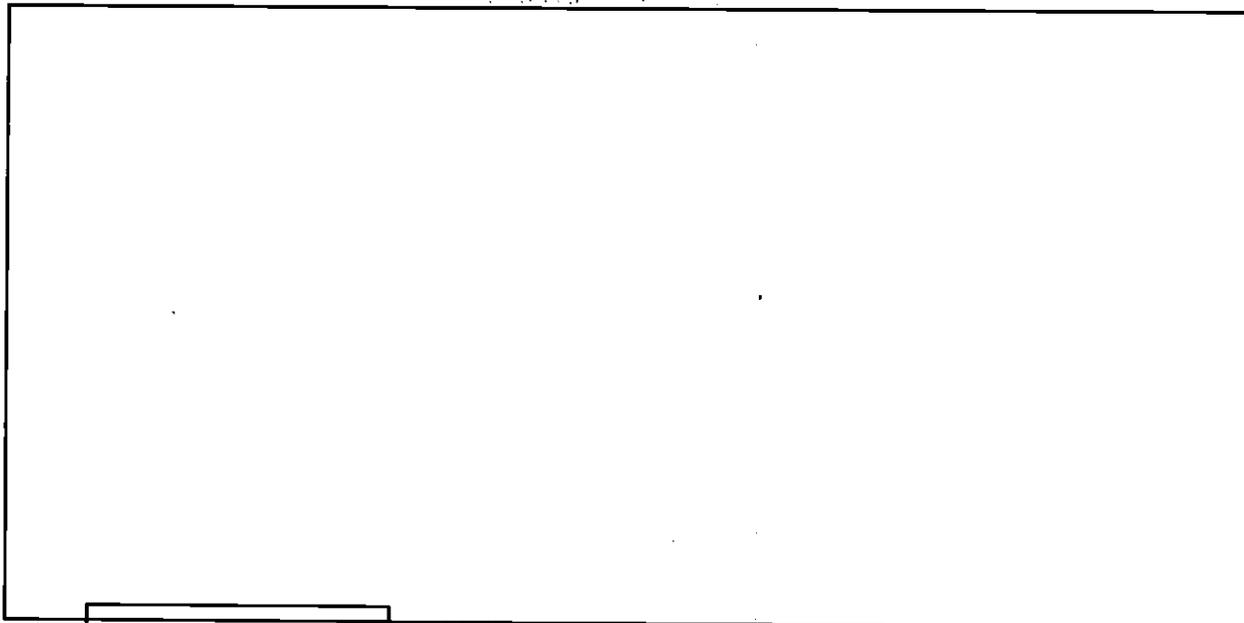
- NOTE:
1. This summary of significant reports has been prepared primarily for the internal use of the Office of Current Intelligence. It does not represent a complete coverage of all current reports in CIA or in the Office of Current Intelligence.
 2. Comments represent the preliminary views of the Office of Current Intelligence.
 3. Marginal letter indications are defined as follows:
 - "A" - items indicating Soviet-Communist intentions or capabilities.
 - "B" - important regional developments not necessarily related to Soviet/Communist intentions or capabilities
 - "C" - other information indicating trends and potential developments

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SECTION 1 (SOVIET)



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25X1C [redacted] . COMMENT: Yugoslav fear of a Cominform attack has apparently subsided since Yugoslav officials have expressed no concern to the US on this score in recent weeks. A relative lack of Yugoslav apprehension is also revealed by a current increase of Yugoslav subversive activity against Albania, despite previous Yugoslav warnings to the West that clandestine activities in Albania might bring on Soviet reprisals.

"B" Anti-Tito Elements Admit Tito's Strength. The visit to the US of Yugoslav Chief of Staff, Colonel General Koca Popovic reportedly is regarded as one of the greatest victories of the Tito Government. The feeling is current in Yugoslavia that, because of extensive US military aid, Yugoslavia will now have the most modern and best-equipped army in the Balkans, and Tito will be in an excellent position to defend Yugoslav independence. [redacted]

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[redacted] there is growing doubt among anti-Tito elements that the Tito regime can be overthrown because of the support received from the US.

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Recent US Embassy reports from Yugoslavia have indicated that the Tito Government seems in no danger of internal overthrow, despite the need for ridding it of some die-hard Orthodox Communists who oppose Tito's pro-US orientation. COMMENT:

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USSR and Satellite Representatives Temporarily Reverse Hostile Attitude.
The US Ambassador in Belgrade reveals attempts of Soviet orbit diplomats to resume more normal relations with foreign diplomats. As examples, he cites the courtesy call which the new Bulgarian Charge paid on the Yugoslav Foreign Minister, a formality which Bulgarian representatives have ignored for three years, as well as a statement made to the Israeli Minister by the Soviet Charge after returning from Moscow of his desire to make social contacts with foreigners again. (C-Belgrade 1987, 26 June 51). COMMENT: Little significance can be attached to any purported change in Soviet attitude from these incidents since the USSR and its satellites alternately reveal friendliness and hostility in their diplomatic and social contacts in every capital.

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SECTION 2 (EASTERN)

"A" NEAR EAST. Greek Orthodox Bishop in Jerusalem offered Money By USSR. The Greek Consul General in Jerusalem informed the US Consulate General there that reports of a Russian offer to Bishop Athenagoras of 1,000 gold pounds reportedly converted into 20,000 Israeli pounds were correct. The offer was refused on the grounds that the Greek Patriarchate was physically in Jordan controlled territory and the Hashemite Kingdom would look unfavorably on any organization receiving assistance from the USSR. (S Jerusalem 239, 27 25X1 Jun 51). COMMENT: [REDACTED]

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[REDACTED] This most recent attempt by the Russians to penetrate the Greek Orthodox Church underscores Soviet determination to use this means to further its subversive and political potential in the Middle East. In February 1951, the US Embassy in Athens suggested that the US give financial assistance to the Greek Government to establish an emergency fund to be used for hampering such maneuvers.

"C" IRAQ. Iraq Radio Reports Oil Discussions Broken Off. Suspension of negotiations between the Iraq Petroleum Company (IPC) and Iraq for a new oil agreement was announced by the Iraq radio on 27 June. Officials of the Iraq Government and the IPC in Baghdad have refused to comment. US Embassy London has learned from IPC's American partners that the company is currently endeavoring to agree on a plan for the payment of a basic royalty in oil while it is still working out details as to amounts, arrangements for the company to purchase royalty oil, and an option for Iraq to market the oil if it desires. The interested Americans indicated to the Embassy that IPC would attempt to reach an agreement with Iraq on the main topics of a new settlement by mid-July. Details could then be worked out without pressure since the new agreement would be retroactive to 1 January 1950. (U NY Times, 28 Jun 51; C London 6824, 26 Jun 51). COMMENT: Negotiations were halted on 7 June with the departure of IPC's chief negotiator from Baghdad, and IPC has been reported to wish to delay reaching any agreement while the Iraqi Parliament is recessed. (OCI Daily Digest, 26 June 51.) The radio announcement at this particular time may reflect a strengthening of nationalistic sentiment in Iraq which might favor more extreme demands.

"C" SYRIA. Anti-Western Leader Elected President of Parliament. After a last minute refusal of former Prime Minister Qadsi to accept the office, a combination of the Populist Party and the Islamic Socialists on 23 June elected Maaruf Dawalibi President of the Parliament. The President of the Parliament, as the next in line to the President of the Republic, is an important figure in Syria. US Legation Damascus comments that Dawalibi's election in the popular mind will seem to be a vindication, if not a reward, for his neutralistic, anti-Western stand. In the opinion of the Legation the influence of the Islamic Socialists on the Populist Party will vitiate any liberal tendencies of the new Populist Cabinet. (C Damascus 748, 25 Jun 51). COMMENT: Dawalibi, head of a violently nationalistic party,

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stated last summer that Syria should ally with the USSR rather than with the US. The election of a man of such extreme views indicates that the US will probably meet difficulties in getting Syria to agree to any programs the US favors. IN particular, Syria will continue to maintain its intransigent position over the dispute with Israel in the Lake Huleh region. Continuation of political instability in Syria is anticipated.

"C" PAKISTAN. First Jute Mill Officially Opened. On 19 May 1951, Pakistan's first jute mill was officially opened. It belongs to the Bawa Jute Mills, Ltd., East Pakistan, and is currently producing 100 maunds (about 8,200 lbs.) of jute yarn per day. It will start to manufacture hessians and gumies as soon as 2,400 spindles and 300 looms arrive from abroad. (U Karachi Desp. No. 1735, 25 May 51). COMMENT: Heretofore, Pakistan has had to send all its raw jute abroad - chiefly to India - for conversion into manufactured goods. It will be some years, however, before Pakistan can process any appreciable part of its annual jute crop in its own mills.

"C" PAKISTAN. Japanese-Pakistani Shipping Service to Be Instituted. According to the US Embassy, Karachi, a Japanese shipping service to Pakistan is to be established shortly. The first Japanese vessel, the SHUNKO MARU of the Nippon Yusen Kaisha (NYK) line, is expected to call at Karachi about the end of June. (U Karachi Desp. 1735, 25 May 51).

"C" SOUTH ASIA. Indo-Pakistani Trade Pact Unfulfilled. Recrimination has recently broken out between India and Pakistan regarding mutual non-fulfillment of the 1951 Indo-Pakistani trade pact. To date, neither side has delivered the agreed quotas of its goods (mainly coal from India and jute from Pakistan), and each accuses the other of being the greater malingering. (R FEED, Far East, 25 and 26 Jun 51). COMMENT: In 1951, as in 1950, both India and Pakistan have failed to live up to the terms of their trade agreements within the periods specified in the pacts, thereby illustrating once again that these countries find it difficult to maintain friendly relations over questions other than that of Kashmir. It is possible, however, that the present back-biting will cause each nation to speed up its shipments to the other in order not to lose face.

"C" BURMA. Government Party Maintains Lead in National Elections. The latest unofficial election returns give the Anti-Fascist Peoples Freedom League (AFPFL) a reduced lead over their opponents in the elections for Parliamentary seats. The AFPFL also suffered some loss of prestige by the defeats of Cabinet Ministers U Win and U Khin Maung Lat. (S Rangeon 959, 27 June 51). COMMENT: The loss of Home and Defense Minister U Win could have serious repercussions as he is perhaps the most capable member of the Burmese Cabinet, a strong advocate of Western democracy and is the only person who has yet demonstrated an ability to exert authority over Burma's mercurial Commander-in-Chief, General Ne Win. It is probable that U Win will continue in office, at least for awhile, as a "lame duck" and stand again from another constituency in one of the later elections to be held before next January.

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"B" THAILAND. Overseas Chinese in Thailand Subjected to Communist Extortion. US Embassy Bangkok reports that it has verified the existence of a Chinese Communist extortion campaign directed against overseas Chinese as part of a Communist drive to raise funds for the purchase of modern war materials. Many Chinese in Bangkok have received letters from China in which they have been informed that members of their families had been arrested and were being held until ransomed by their overseas relatives. A local Chinese newspaper states that the campaign is widespread among the Chinese in Thailand and growing every day. (S Bangkok 2218, 27 June 51). COMMENT: During the past week, almost identical reports of Communist extortion of overseas Chinese have been received from Singapore and Saigon. (See OGI Daily Digests, 25 and 27 June 51). It is now safe to assume that this "fund raising" campaign is general throughout Southeast Asia and probably is being conducted wherever there are overseas Chinese.

"C" INDONESIA. Indonesian Consul Apprehensive of Communist Threat to Indonesia. The Indonesian Consul General in Hong Kong, Kwee Djie Hoo, told the US Consul General that he is apprehensive of the threat to Indonesia posed by returning Indonesian Chinese who have been indoctrinated in the Communist ideology and trained in subversive tactics while visiting in China. He fears that such Chinese eventually may jeopardize the existence of Indonesia as a free state. He admitted that the Chinese Communist Embassy in Indonesia is the center of Chinese Communist subversive activities there and indicated that he believed Indonesia made a mistake in recognizing the Chinese Communist Government. (S Hong Kong 3916 26 June 51). COMMENT: Although a few Indonesian officials appear to recognize the threat posed by the Chinese Communists in Indonesia, little is done to thwart Communist activity. One major exception is the deportation hearing begun in April against Wang Chi Yuan, editor of a Chinese Communist newspaper in Djakarta and reportedly the principal contact between the Chinese Embassy and Communist groups--both Indonesian and Chinese. However, he is not yet known to have been deported.

"C" CHINA. CCP Publications Show MAO Tse-tung Dominating Party. The Chinese Communist Party, in connection with the 30th anniversary of its founding, has issued a "chronology of major events" in Party history and a long study of a 1937 article by MAO Tse-tung. The chronology represents MAO as having pursued the correct line from the earliest days of the Party, and as being the Party's only leader since 1935. The article, embroidering the platitude that theory and practice are interdependent in effect defines the only correct position--avoiding "doctrinairism" on one hand and "empiricism" on the other--as whatever position was or is held by MAO Tse-tung. (R FBIS 21-25 June 51). COMMENT: Considered as contributions to history or philosophy, these publications are worthless, but they provide valuable evidence of MAO's absolute domination of the CCP. Earlier Party leaders are repeatedly denounced in both papers, although those still active, such as LI Li-san and CH'EN Shao-yu, are not specifically named. These earlier leaders were in fact following the directions of the Comintern, whereas there is strong evidence that MAO was pursuing an independent line--the imposition of a Leninist Party

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on a peasant base--and that Moscow's acceptance of MAO's program and leadership was an act of acquiescence in a fait accompli. The early divergence between MAO and the Kremlin has been repaired; since 1935, MAO has written and behaved like an orthodox Stalinist. Moscow's recent pronouncements on MAO's excellence as leader and theoretician--including a deferential review in Pravda of the article cited above--may well have been meant as tokens of its present confidence in MAO, and amount to an admission, or as near to that as Moscow could come, that MAO for years was right when Moscow was wrong.

"C"

CCP Now Numbers 5.8 Million. A Chinese Communist domestic broadcast states that the Chinese Communist Party, at the end of 1950, had 5.8 million members. (R FBIS 27 June 51). COMMENT: The CCP in one sense is too large and in another too small. The Party is the world's second largest (the Soviet CP totals six million), and in the course of its expansion from one million members in 1945 has accepted a high proportion of unsatisfactory personnel; just last May Day, P'ENG Chen, Secretary of the Peiping Committee of the CCP, promised a "systematic and complete reorganization of the Party." Nevertheless, the CCP is too small for its job; Party membership constitutes little more than 1% of the Chinese population, in contrast to the Soviet CP's 3%.

"B"

KOREA. North Korean Propaganda Falls in Line with Malik Proposal. Reuters reports from Tokyo that the North Korean "official radio" on the evening of 27 June introduced a change in the long standard line: "Drive the enemy into the sea." The new emphasis was on: "Drive the enemy within the 38th parallel." (R FBIS ticker 27 June). COMMENT: While the Reuters report is the only one received to date on this North Korean propaganda change, it is a logical development in that North Korean propaganda is now brought in line with the Soviet approach subsequent to the Malik statement. Within Korea the new propaganda approach will serve to prepare the Koreans for a possible return to the status quo ante bellum.

"C"

ROK Indicates Bitter Opposition to Division of Korea at 38th. The South Korean Director of Information issued a statement on 28 June that anyone plotting to separate the people from the "national and presidential attitude toward any peace plan which divides the nation along any artificial border--and which leaves the aggressor in possession of any part of Korea" would be treated as a traitor. (R Reuters FBIS Ticker 28 June). COMMENT: This falls in line with President Rhee's statement on 26 June warning the UN of a trap in the Malik proposal but indicating there was some hope for peace if all Korea were united under the ROK and providing satisfactory assurances were given that there would be no future Communist aggression in Korea. Of possible significance is the fact that Rhee failed to reiterate that South Korea would fight on alone, if necessary, to the Yalu.

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"B" JAPAN. Japanese Support of Nationalist Government Disclosed. Officials of the Japanese Ministry of Foreign Affairs have disclosed to US representatives that Japan voted for the Chinese Nationalist Government as the representative of China in a recent Universal Postal Union referendum. They also indicated that Japanese delegates to the June and August sessions of the International Telecommunications Unions have been instructed to support the Nationalist Government, although, in order to avoid being the object of Communist-inspired propaganda, the Japanese Government is not dealing directly with the Taiwan regime. (C Tokyo 1686 2 June 51). COMMENT: The Japanese Government has indicated its preference to support the Chinese Nationalist rather than the Communist regime. Following the peace treaty, however, it is likely to defer formal recognition of the National Government in order not to provoke the Communists unnecessarily.

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SECTION 3 (WESTERN)

- "C" GENERAL. Caution Dominates Press Reaction to Malik Proposal. Leading non-Communist newspapers in West Germany, France, and Italy have received with caution the Malik proposal for a cease-fire in Korea, generally stressing that the statement should not be disregarded despite its obvious propaganda aspects. Although the West German press comments were generally pessimistic, ranging from caution and distrust to outright rejection of the proposal as a propaganda trick, Berlin newspapers reflected a hesitant optimism. French newspapers tended to show a slightly more favorable attitude, emphasizing that it would be absurd to reject the Soviet suggestion just because of its origin, as long as there is a slight chance for settlement of the Korean fighting. Non-Communist Italian press comment generally stressed that the move was not solely a propaganda expedient, and that the door to peace should be left open. Several Western European publications saw in the proposal a Soviet recognition of military failure in Korea, and a victory of United Nations policy there. Paris newspapers generally agreed that the UN goal of discouraging aggression would be obtained by a settlement on the 38th parallel. (U Paris 8059, 25 June 51; U Frankfurt 10490, 25 June 51)
- "C" GERMANY. Trade Agreements in Berlin Boggling Down. The Western deputy commandants in Berlin have requested the approval of the Allied High Commission to despatch a letter to S. A. Dengin, chief Soviet representative in Berlin, proposing that Soviet and Western experts meet on 5 July to discuss measures for preventing illegal trade and for ensuring the normal flow of legal trade in Berlin. The letter would express the hope that by this date, the Soviet authorities will have approved all outstanding West Berlin export permits of which six thousand are presently backlogged. Meanwhile, the interzonal trade negotiations have become deadlocked, as the East German representative stated that he could not agree to tie the agreement on interzonal trade to that on the movement of goods out of West Berlin. The commandants feel that the West should be in a position to impose effective countermeasures, if they are required. (S Berlin 1550, 26 June 51) COMMENT: When the USSR relaxed its restrictions on West Berlin exports on 18 June, it apparently did so in the hope of coming to a swift and satisfactory agreement on interzonal trade. Now that the trade talks, suspended by the West during the height of the Berlin dispute, have been reopened, the USSR appears to be less ready to allow Berlin exports to flow freely.
- "C" FRANCE. New Government Faces an Urgent Problem in Indochina. The overall availability of funds for the conduct of operations in Indochina is one of the urgent problems facing the new government and the National Assembly. Indochina was not an important campaign issue in the recent elections, and there is now no basic difference of opinion among non-

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Communist parties on this subject. A decided swing to the right in the composition of the French Government, however, might result in a less liberal interpretation of the position of the Associated States within the French Union. (S Paris 8073, 25 June 51) COMMENT: Although the strengthened Right in the new Assembly probably will be inclined to reinforce commitments in Indochina, it is not expected that operations there will receive a greater portion of the 1952 than the 1951 military budget (slightly less than 25%). France's anticipated defense expenditures for 1952 are estimated at \$4 billion, an increase of 50% over 1951. This will increase the over-all budget deficit to more than \$3 billion, and draw strong criticism, especially from the Communist deputies. In the event that the Gaullists gained power, a less liberal interpretation of the position of the Associated States would dangerously increase the anti-French sentiment already prevalent in Indochina and weaken support for the Bao Dai Government. In his press conference on 22 June, De Gaulle stated that once France is put back in order (i.e. after he returns to power), 10 divisions, possibly doubling the 150,000 men now on duty, could be supplied to Indochina. De Gaulle made clear, however, that the defense of the metropolitan area would be his first consideration.

"B"

Government Bans Mass Communist Demonstration. The French Government has refused permission for the Communist Party (PCF) to hold a mass demonstration in Paris on 15 July. The PCF expected several hundred thousand French Communists and members of the Peace Partisans' Movement to attend a "Rally for a peace pact of the Big Five". (R London Reuters radioteletype to New York, 27 June 51) COMMENT: This action is in line with the government's anti-Communist measures of the past year. The PCF would now be quite incapable of attracting even 100,000 for such a rally, and has failed repeatedly to hold meetings in defiance of the government's periodic injunctions.

"B"

ITALY. Nenni Socialist (PSI) Tactics Fail to Split Front of anti-Communist Parties. In maneuvers designed to "divide and conquer" the anti-Communist parties, the crypto-Communist Nenni Socialists (PSI) have offered their active support to the democratic Socialists, the Christian Democratic left-wing and even the Liberals if they should oppose the government's defense and economic policies. This offer is in line with previous PSI electioneering tactics of asserting that it was the duty of all citizens to defend Italy's frontiers against any invader and that the NAT should be "limited" and defensive only. The PSI blandishments have met with almost no favorable response. Democratic Socialist leader Romita has declared collaboration with the PSI is out of the question until Nenni can give clear evidence that his party is no longer tied to the Communists and the USSR. Communist defector Magnani, who with Cucchi heads the Italian Workers' Movement, has asked the PSI whether it rejects the doctrine of the USSR as the leader-state and admits that the Soviet regime is not adapted to Italy. US Embassy Rome regards the PSI offer as a tactical Communist-approved maneuver to divide or absorb the opposition. (C Rome

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5949, 26 June 51) COMMENT: The PSI tactic in general indicates the extreme left's concern that it may become increasingly isolated. The attempt to court the democratic Socialists suggests apprehension by the PSI and the Communists that this new party may eventually become a serious challenge to their hold on the working class. In a recent meeting of the PSI central committee, it was asserted that social democracy should be fought vigorously, particularly in the labor field.

"B" NORWAY. Foreign Minister Supports US Position on Communist China Recognition in UN. The Foreign Minister in a recent parliamentary address stated that as long as the Korean war continues Norway favors postponement of the question of Communist China participation in international organizations. He added, however, that Norway had not changed its view concerning the Chinese Nationalists but regarded a consideration of the representation question under the pressure of aggressive war as preposterous. (U Oslo 1263, 25 June 51) COMMENT: Norway recognized the Peiping regime in early 1950, but now appears to realize that to support Chinese Communist bids for UN recognition under present circumstances in effect rewards aggression. Norway, also like Denmark (see OCI Daily Digest, 22 June 51) is undoubtedly being influenced by Britain's attitude.

"C" UNITED KINGDOM. Press Beginning to Speculate on UN Korean Truce Position. While UK press interest in Malik's 23 June speech has focused on the question of whether the speech was meant as a serious effort to obtain a Korean settlement, attempts to re-examine the UN position concerning a truce are now beginning to appear. Prominent themes in this speculation so far have been: 1) there would be little profit in serious Western testing of the Soviet "proposal", since a cease-fire itself would fulfill the original Security Council resolution of a year ago; 2) UN governments cannot let slip any opportunity of restoring peace; 3) if guarantees against renewal of the fighting can be arranged, it would not greatly matter if discussion and discord over the question of a permanent settlement dragged out over a long period of time. (U London 6836, 27 June 51) COMMENT: There are no indications that the above attitudes are currently strong in the UK public-at-large. However, the UK Government continues to proceed very cautiously in its public handling of the Korean truce issue, partially in order to avoid arousing any unwarranted hopefulness which might eventually limit the government's freedom of action.

"C" Foreign Secretary Explains Intention to Deliver Polish Tankers. Foreign Secretary Morrison on 26 June told US Ambassador Gifford that the scheduled delivery of two Polish Government-owned tankers must be related to the general British dependence upon East European sources for timber and grain. Morrison felt that there was definite risk of losing supplies essential to the British economy if the tankers were requisitioned. He also referred to resentment in some quarters because of US pressure for further restriction of trade. Morrison agreed to look

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into the possibility of deferring the date of delivery, though he gave no assurances on this matter. He expressed full awareness of the probable adverse US reaction. A Foreign Office note delivered the same day explained that since the ownership of the vessels by the Polish Government is clear, the UK could requisition the tankers only as an "emergency" action that would probably provoke damaging Polish retaliation. (S London 6813, 26 June 51; S London 6806, 26 June 51) COMMENT: US Embassy London had anticipated that the British would reject the US protest against delivery of the tankers (see OCI Daily Digest, 20 June 51).

"C"

Final Deliveries on B-29 Bombers for Britain under MDAP. US Embassy London suggests that suitable publicity be given to the final delivery, expected this week, of the 70 B-29 bombers allotted to the UK under the MDAP program for fiscal year 1950. Future deliveries will be for attrition purposes. The Embassy believes it could be stressed that this program has resulted in substantially strengthening the British military position. (R 6734 London, 21 June; R 6835 London, 27 June 51) COMMENT: Addition of these bombers to the Royal Air Force (RAF) has not only increased its striking power but also has boosted morale in Bomber Command, which for several years has had to yield priority in new equipment to Fighter Command as the first line of defense. RAF personnel have taken quickly to conversion training, and six squadrons of Washingtons (their name for B-29s) had been activated by April 1951. RAF plans are to use the Washingtons in night bombing tactics similar to World War II in the next 3-4 year interval while Bomber Command is converting to jet aircraft with production increase of the Canberra twin-jet bomber and final development of the Vickers-Armstrong B.9 four-jet bomber. When the latter also comes into service, scheduled to begin in 1953-4, the B-29s will be discarded, probably by 1957.

"C"

ARGENTINA. Election Date May Be Advanced to November. Pro-government newspapers state that within the next week or two a bill will be presented to congress to reform the electoral law in order to bring it into conformity with the new constitution and to establish 11 November as the election date. The proposed changes will probably provide for direct election of the president and decrease the minority congressional representation now fixed by law. (R Buenos Aires 1158, 27 June 51) COMMENT: Advancement of the election date, which is certain to be approved by the Peronista-dominated congress, reflects the government's anxiety concerning its stability (see OCI Daily, 23 June 51) and its loss of international prestige through the anti-democratic measures and anti-US campaign employed (see OCI Daily Digest, 8 June 51) in an attempt to promote Perón's reelection. According to the 1949 constitution, March 1952 would normally be considered the date for the forthcoming presidential and congressional elections (see OCI Daily Digest, 5 May 51).

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CHILE. Labor Situation in Copper Industry Remains Unsettled. US Embassy Santiago reports that the Anaconda unions presumably are ignoring a return

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to work order from the Confederation of Copper Workers (CTC) due to suspicion that the CTC gave in to the government without exacting an adequate promise of consideration for its demands. The CTC order followed an independent decision of the Braden unions to end their stoppage and the 22 June cabinet decision not to deal with the CTC in any way pending the resumption of work. The Minister of Interior reiterated the firm government position on 26 June and added that no agreement had been made with the CTC. A high official source states that continuance or extension of the walkout will bring a presidential request for extraordinary powers, (C. Santiago 640, 26 June 51)

"C" COLOMBIA. Outbreaks of Violence. The semi-official Bogotá newspaper "El Siglo" reported that a small battle between the supporters of the administration and its opponents occurred in a village in Cundinamarca on 24 June. A force composed of troops of the army and of the national police were victorious against a "powerful group of bandits" who had assassinated a rent collector, his wife and two children, and eleven other Conservatives. (U NY La Prensa, AP, 26 June 51) COMMENT: Disorders of this type are now frequent throughout most of the country, and there are no indications that the government will gain control of the situation in the near future. Although President Laureano Gómez retains considerable prestige, continuance of present conditions will threaten the stability of his regime.

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DAILY DIGEST OF SIGNIFICANT S/S CABLES

28 June 1951

SECTION 2 (EASTERN)

"A" CEYLON. Government Still Refuses to Embargo Rubber Exports to Communist China. In several conversations with US Embassy officers, the Prime Minister of Ceylon has stated emphatically that, while he will cooperate with efforts to prevent rubber from reaching the Chinese Communists, it would be politically impossible for him to advocate an official embargo on exports to China. Furthermore, the Prime Minister states that such an embargo is unnecessary since the Chinese Communists seem unable to arrange either for payment or for shipping of the rubber from Ceylon. According to the Acting Rubber Commissioner, no application for export has yet been made though several inquiries have been received. (S, S/S Colombo 660, 26 Jun 51). COMMENT: Despite Ceylon's apparent reluctance to embargo shipments to Communist China, it is believed that no appreciable quantities of Ceylonese rubber will reach the Chinese.

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