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22 August 1951

CIA No. 49311

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DAILY DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

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SECTION 1 (SOVIET)

1. USSR. US Lend-Lease goods still sold in USSR: Embassy Moscow notes that US lend-lease goods are still being sold to the Soviet public, as witnessed by an Embassy officer who recently saw a Russian purchasing 300 rubles worth of radio tubes, including many of US manufacture. The Russian upon inquiring of the salesgirl for Glavelectrosvyazbyt (chief administration for electrical and communications equipment sales) whether he would be able to continue buying US tubes, was told that up to now the supply of US tubes was adequate. (C Moscow 301, 20 Aug 51).

Comment: Further corroboration is submitted by the Embassy which, itself, recently purchased an RCA 6F6 tube manufactured in 1944 for the US Army and Navy. The newly evinced Soviet interest in expanded trade with the West may partially reflect fears of future shortages of such essential electrical appliances and radio tubes as appear to be still easily obtainable from abroad.

2. New postal security measures reported in Lithuania: Interior Minister General Bartasiusas, [REDACTED] has recently issued new security measures requiring all postal shipments, letters, parcels and telegrams circulating within Lithuania to carry the sender's name and address. Letters and parcels destined abroad must reportedly be presented for inspection at special postal sections of the Gorkoms (Town Committees) or Raikoms (Regional Committees) before mailing. Spreading rumors and gossip by mail is said to be punishable just as if circulated by word of mouth. Minor offenses are to be handled by 100 to 1000 ruble fines issued by local MVD organs. The MVD is authorized to hand over the more serious cases to the State Prosecutor. [REDACTED]

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Comment: It is possible that additional security regulations have been introduced in the Lithuanian SSR as a result of riots that took place [REDACTED] in Wilno on 4 June 1951. (See O/CI Daily Digest, 16 Aug 51).

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3. Embassy Moscow convinced of post-war fall from grace of Zhukov and Kuznetsov: Embassy Moscow believes that the post-war fall from grace of General Zhukov and Vice-Admiral Kuznetsov was clearly demonstrated by the publicity denied to them in recent years but accorded to such titans as Konev, Rokossovsky and Vasilevsky. The Embassy recalls that Kuznetsov, as full admiral, was apparently tried by a court of honor in 1948, downgraded three ranks, and according to some reports deprived of his freedom. Similarly Zhukov although not downgraded, was

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given peripheral assignments at Odessa and Sverdlovsk, was eclipsed by other marshals, and received shabby treatment in films depicting the fall of Berlin. According to the Embassy, local reports picture Yumashev as ailing in recent years, although he was seen at the 1951 May Day and other functions. The Embassy doubts that he was transferred in order to assume "higher duties." (S Moscow 257, 13 Aug 51).

Comment: Marshal Zhukov recently re-emerged into prominence at the Polish liberation anniversary, and it is suspected that he is slated for an important military post. In July, Kuznetsov was re-appointed Minister of the Navy.

4. INTERNATIONAL COMMUNISM. High Commissioner McCloy reports on Communist World Youth Festival: In a preliminary analysis of the recently concluded World Youth Festival in Berlin, US High Commissioner McCloy observes that the Communists were undoubtedly successful in gathering a very large number of youth and marshalling them in smoothly run mass meetings and parades. He feels, however, that East German participants, knowingly or unknowingly, had engaged in anti-Communist activities on a mass scale during the festival, and that the potential for a resistance movement among them has been clearly demonstrated.

The Commissioner points to Communist gains, in that the bulk of the youth obeyed Communist directions entirely, foreign participants were probably impressed, and the Festival as a whole provided the Communists with a wealth of propaganda material.

McCloy is convinced, however, that the Festival took an unexpected turn of importance to the West when at least 600,000 of its delegates defied Communist regulations to visit West Berlin. Many of these youths made full use of facilities prepared for their reception, picked up propaganda literature, and participated in group discussions, often voicing anti-Communist sentiments. McCloy gained the impression that the proportion of the East German youth won over to Communism is not as large as had been feared.

The Festival provided no reliable evidence on the attitude of Russian or Satellite youth since they had no opportunity to join the mass visits to West Berlin. (S Frankfurt 1566, 19 Aug 51, Sect. 1 of 2; S Frankfurt 1566, 19 Aug 51, Sect. 2 of 2).

Comment: The mass visits of youth to the West sectors of Berlin -- in many cases induced merely by curiosity -- are not deemed a reliable index of the true extent of youth support of the East German regime.

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5. EASTERN EUROPE. ALBANIA. Food supply improves: The food situation in Albania improved during May and June [redacted]. It is reported that wheat bread "in great quantities" is now available replacing the meager ration of corn bread which had been enforced for some time. [redacted]

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Comment: Although the report of "great quantities" may be exaggerated, the food situation probably has improved. In the spring of 1951, the Albanian Government reduced the compulsory delivery quotas of agricultural products by 25% and the USSR sent 5000 tons of wheat to alleviate a decline in food production. Previously, the food supply was reported to have dropped as a result of the drought, the lack of incentive in the collective farm system and the government's requisitioning of grain.

6. Trial of "spies" reveals internal difficulties: A trial of seventeen "terrorist kulaks" accused of espionage and spreading false information has begun in Tirana before an audience of 2,000. The accused are charged with collaborating with American, Yugoslav and Greek agents, killing Communist Party officials and attempting to recruit agents locally for their diversionary activities. (U FBID, 20 Aug 51).

Comment: The current trial, with its forced public attendance, probably is intended to terrorize the populace into submission.

7. HUNGARY. Renewed efforts being made to overcome economic difficulties: A recent article in the Hungarian Communist Party daily dealt with the current important tasks facing the Communists: (1) having the grain threshed and delivered; (2) guaranteeing the success of the production competition; (3) increasing the number of agricultural cooperatives.

Cajolery, threats, awards and imprisonment have all been used to get the harvest in; however, there are reports that some grain deliveries are lagging. The latest step in the move to increase production by the recruitment of 160,000 new workers is a decree forcing the aged and maimed into various types of prescribed labors. An intensive campaign to recruit 5,000 new miners is evidence of serious shortcomings in Hungarian coal production. In addition, press reports presage a reduction in the number of rail passenger schedules aimed at economizing 15,000 tons of coal yearly. (S MA 2619 B'pst, 15 Aug 51; R MA 2624, B'pst, 17 Aug 51; FBIS).

Comment: Periodic drives to alleviate the deteriorating Hungarian economic situation have failed to achieve more than momentary success.

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The measures used.....increased control, production competitions, higher norms.....do not correct the basic troubles which include obsolete machinery, lack of raw materials, a dearth of skilled technicians, and the absence of labor incentives.

6. YUGOSLAVIA. Yugoslavia refuses to attend San Francisco Conference, Assistant Foreign Minister Vilfan has informed US Ambassador Allen that the Yugoslav Government has decided not to attend the San Francisco Japanese Treaty Conference because of the remoteness of Yugoslav substantive interest in Japanese affairs. Vilfan explained that, although his government recognized the declaration of war on Japan made by the Yugoslav London Government, Yugoslavia would find it embarrassing to take a position on a number of questions which will probably arise at the Conference. (C Belgrade 219, 20 Aug 51).

Comment: Yugoslavia had previously indicated that it would decline the invitation. By refusing to attend, the Yugoslav Government can avoid taking a stand on Chinese Communist participation in the treaty, a question that will probably be raised by the Soviet Union. It can also evade the awkwardness of signing a lenient Japanese treaty at a time when it is opposing all suggestions to revise the more punitive Italian Peace Treaty.

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SECTION 2 (EASTERN)

1. IRAN. Senate approves Export-Import Bank loan: The Iranian Senate has approved by a wide majority the Export-Import Bank loan previously passed by the Lower House and the Senate Committee. (U Tehran 707, 19 Aug 51).

Comment: The loan, approved by the US in early 1951, had not previously been ratified by the Iranian Parliament. If the loan is made available, Iran will be able to continue with its badly needed economic development program which is currently stalled for lack of funds. However, concern has been felt that implementation of the loan at this time would be interpreted as pressure on Great Britain in favor of Iran. Conversely, failure to implement the loan would appear to Iran as undue pressure in support of Great Britain.

2. PAKISTAN. War hysteria is lacking: The US Embassy in Karachi states that the Pakistani people will be "very angry" if India proceeds with its declared intention of supporting the election of a Constituent Assembly in Kashmir, but that Pakistani public opinion will accept whatever action is taken by the government to prevent the election. The embassy believes this action will take the form of an appeal to the Commonwealth countries, to the UN Security Council, and possibly to a special session of the UN General Assembly to halt the elections.

In addition, the US Army Attache in Karachi reports that the Pakistani Army in the Lahore area is defensively disposed and that it displays calm and confidence despite the fact that India's total armored forces are drawn up about 30 miles away. (S Karachi Weeka 7, 18 Aug 51; S USARMA Karachi DWH 112, 17 Aug 51).

Comment: This information further substantiates the belief that Pakistan will not initiate armed warfare with India.

3. NEPAL. Organized pro-Communist student activities appear for the first time: The Government of Nepal refused passports to members of the Nepal Students' Federation who wished to attend the Communist-sponsored East Berlin Youth Festival, according to a 12 August press report. A Karachi radio broadcast of 15 August stated that students in Katmandu, the capital of Nepal, demonstrated on 14 August for the establishment of diplomatic relations with China. (S New Delhi Weeka 33, 18 Aug 51; R FBID Far East, 17 Aug 51).

Comment: These are the first reports of organized pro-Communist student activities in Nepal.

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4. INDONESIA. Communist arrests will continue: A cabinet member told US Ambassador Cochran that recent widespread arrests were based upon definite information that subversive elements, including Communists, planned disturbances on 17 August and had plans for further action from 21-24 August. He said that arrests would continue until more of the known instigators were in custody.

Pringgodigdo, Chief of President Sukarno's staff, intimated to Cochran that Sukarno himself had been chiefly responsible for the decision to take strong action against subversive elements. Pringgodigdo said the responsibility which the President has taken weighs heavily upon him. He suggested that Cochran seize every opportunity to support and encourage Sukarno. (C Jakarta 278, 18 Aug 51).

Comment: It is of some significance that Sukarno was personally responsible for the government's decision. The cabinet is of such diverse opinion that decisions are nearly impossible. Sukarno's leadership will be increasingly required should inter-party rivalry in the cabinet continue,

5. INDOCHINA. French military position in Indochina believed to be "very little improved": The US Army Attache in Saigon estimates that, notwithstanding French tactical successes in Tonkin, the overall strategic position of French Union forces is very little improved over that which obtained last fall. He believes that various favorable factors, including the infliction of a four to one casualty rate on the Viet Minh, are nearly offset by improved Viet Minh organization, recruitment, troop disposition and logistics.

The process of reinforcing French forces and training native commissioned and non-commissioned officers has been slow, and the attache believes that an attrition rate of ten to one would have to be maintained in order for French Union forces to seize and retain the initiative and insure the defeat of the enemy. (S USARMA Saigon, MC 206, 18 Aug 51).

Comment: This is an unusually pessimistic estimate, particularly in view of official French claims that the Viet Minh has been badly defeated and decimated in battles during the past few months.

French Union forces, although roughly equal in numbers to those of the Viet Minh, are better armed. They possess undisputed air and sea control of Indochina, are far better supported logistically, and have access to a greater reservoir of fit manpower than the enemy. Thus, barring Chinese Communist intervention, a four to one attrition rate on the Viet Minh would appear to promise steady improvement of the French military position.

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6. Chinese Consul predicts China-Vietnam diplomatic exchange: The Chinese Consul General in Saigon announced before a meeting of Chinese community leaders that the exchange of diplomatic representatives between Vietnam and Nationalist China is "just around the corner." (S Saigon Weeka 33, 20 Aug 51).

Comment: The French authorities have discouraged the establishment of diplomatic relations between Nationalist China and Vietnam in accord with their continuing policy of non-provocation with respect to the Chinese Communists.

7. CHINA. Hong Kong shipowners withdraw vessels from Panamanian registry: The Panamanian Consulate General in Hong Kong has made public a decree approved by the Panamanian cabinet (but awaiting presidential signature) which forbids Panamanian-flag ships from calling at Communist ports and also prohibits the carrying of strategic cargo to Hong Kong and Macao. Shipping firms in the colony are now applying to the Panamanian Consulate General for revocation of their shipping registry. It is reported that shipowners are planning to switch to British, Portuguese or Indonesian registry. (U Central News Hong Kong, 21 Aug 51).

Comment: During the year ending 30 June 1951, Panamanian-registered shipping engaged in trade with Communist China increased threefold. In many cases the vessels have been registered under the names of dummy companies, with Chinese Communist interests suspected as being the beneficial owners. The projected transfer of vessels to other registry indicates that, in the absence of parallel action by other countries, Panama's decree will not effectively discourage merchant shipping from the China trade.

8. Chungking claims suppression of 154,000 "bandits": Chungking radio claims that "bandit-suppression" troops, in the first six months of 1951, "put out of action" more than 154,000 anti-Communist guerrillas in the Southwest region (Szechuan, Sikang, Yunnan, Kweichow). (R FBID, 20 Aug 51).

Comment: In June 1950 Peiping admitted the presence of 400,000 "bandits" in the Southwest region alone. In November 1950, Peiping radio asserted that "remnant bandits" had been wiped out in the Southwest. Communist figures on "bandit-suppression" are unreliable even for Communist figures, as many or most of the guerrillas listed as "put out of action" are simply dispersed, thereafter to resume activity and to appear in subsequent lists of those "suppressed." US Army G-2 estimated in July 1951 that about 75,000 anti-Communist guerrillas were still active in the Southwest.

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9. Soviet "airborne division" allegedly in Tientsin: [redacted] in Peiping alleges that the Soviet "68th airborne division" has been in Tientsin since April 1951, engaged in training Chinese Communist troops in the area. The Soviet division is said to comprise six paratroop battalions with a total of 120 officers and 2,304 men. (as received).

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Comment: No Soviet 68th rifle or airborne division, army or army corps has been identified. Travelers from Tientsin in the past few months have not reported the presence of Soviet military units--other than advisory-technical personnel--in the Tientsin area. While the above report cannot be dismissed, its validity is questionable.

10. Top-ranking Nationalist air representative in the US recalled to Formosa: A Taipei press report of 21 August revealed the suspension and immediate recall to Formosa of Nationalist China's top-ranking air representative in the US, Air Lt. Gen. Mao Fang-chu. A later report of the same day announced the dismissal and recall of Colonel Hsiang Weih-suan, executive assistant to Mao. The two men were accused by the presidential mandate of "dereliction of duties and disobedience of orders." Mao's offenses were listed as: (a) failure to account for funds used for the purchase of military equipment for the Air Force; (b) dereliction of duties impeding the fighting power of the Air Force; (c) espousal of the cause of "disloyal" staff members; (d) refusal to hand over public funds; and (e) undermining the government's prestige by spreading rumors. The report speculates that neither of the men will return to Formosa, as it would mean certain punishment, but rather will use their knowledge to undermine the prestige of Nationalist China in the US in the capacity of political refugees. (U PANA, Taipei, 21 Aug 51).

Comment: General Mao was trained in Russia and returned to China in 1937 to become one of Chiang Kai-shek's most trusted lieutenants. In 1943 he was appointed head of the CAF office in Washington to take charge of purchase functions for the Nationalist Air Force. It is common knowledge that he has long been a rival of Chou Chih-jou, Nationalist Air Commander and a trusted favorite of Chiang. Whether the dismissal was made for the reasons stated in the presidential mandate, or whether it was a political move, is not clear. It is, however, possible that it was made as a token of good faith to the US as a result of the acceptance by Nationalist China of the 20 July memoranda.

11. KOREA. Communist plans for a sixth phase offensive reported: According to a recently captured Chinese Communist soldier from the newly arrived 140th Division, 47th Army, his company political officer stated that his

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division was holding the line in order to permit troops in the rear areas to prepare for a sixth phase offensive. The US Far East Command concludes, reasoning from the fact that similar statements by political officers have preceded previous offensives, that an enemy offensive will be launched if current cease-fire negotiations fail. (S CINCPAC Telecon 5066, 21 Aug 51).

Comment: The US Far East Command still estimates that Communist forces in Korea have the capability of sustaining a major offensive for a two-week period.

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SECTION 3 (WESTERN)

1. GERMANY. Prospects for ratification of Schuman Plan deteriorating: Recent developments indicate that prospects for a prompt ratification of the Schuman Plan by the West German Parliament (lower house) are deteriorating. Key delegates of the two minor parties of the government coalition have expressed the view that ratification would be impossible under the present circumstances, and that half of their factions might refuse to support the Plan when the Parliament reconvenes in September. Although HICOG officials believe these claims to be exaggerated, they acknowledge that German anger over the recent Ruhr Authority and Saar issues is certain to delay ratification of the Plan and strengthen the hand of the forces opposing ratification. (C Bonn unnumbered, 15 Aug 51; C Bonn 118, 17 Aug 51)

Comment: On 12 July, prior to its recess, the lower house passed the law ratifying the Schuman Plan in the first of three readings necessary to secure final ratification. Although the three Government parties at that time presented a solid front in supporting the Plan, the debate indicated that any adverse developments, particularly in the Ruhr Authority and Saar issues, might considerably increase the Chancellor's difficulties in securing approval at the time of the final reading of the bill.

2. FRANCE. Pleven Government proposes token aid for church-schools and sets election dates: The first meeting of the new Pleven government has resulted in action on the wage and school questions, which embittered the recent Cabinet crisis, and the dates for fall elections. The government's decision to raise the minimum wage, however, is far from satisfying even the non-Communist unions. Aid to church-schools took the form mainly of an agreement to seek Parliamentary approval of an increase of \$2500 in credits for secondary school scholarships. The main controversy, over aid to church primary schools, was to be resumed 21 August in the Assembly, with the Government taking no initiative. Cantonal elections for renewal of half the membership in each of the general councils of the 90 departments are scheduled for 7 and 14 October, while special elections to fill 12 vacancies in the Council of the Republic (upper house of Parliament) will be held on 30 September. (R Paris 1077, 18 Aug 51)

Comment: This Government may find a general solution of the wage-price and church-school problems virtually impossible of attainment since the Cabinet is deprived of the Socialists' participation in its deliberations and yet must bargain for their support in the Assembly. Meanwhile the anticipation of fall elections has stiffened considerably the positions of both the Socialists and the pro-Catholic Popular Republicans on the church-school issue, the former fearing losses to the Communists, and the latter to the Gaullists. Although the cantonal elections will turn largely

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upon local questions, they will afford some measure of popular reaction to political developments since the June elections.

3. AUSTRIA. US opposes Austrian anti-cartel law: US High Commissioner Donnelly refused to give his consent at the Allied Council meeting of 17 August to the new Austrian cartel control law. The US objection to the law reverses the position enunciated the previous week in the Executive Committee of the Allied Commission and is a departure from the US policy of non-interference in internal Austrian legislation. US Commissioner Donnelly asserted that the law was contrary to the interests of consumers and to US conceptions of sound business practices. He particularly objected to exemptions accorded to large sectors of the business community, and to registration provisions which, he alleged, would merely formalize the existence of cartels. Despite US and Soviet agreement in opposing the law, Commissioner Donnelly pointed out that the Soviet occupation itself was responsible for numerous Austrian monopolies; the Communist press in turn alleged that US opposition was only "ostensible" since cartels are a consequence of the Marshallization of Austria. (U Vienna 668, 20 Aug 51)

Comment: In general, restrictive business practices are in keeping with time-honored procedures prevailing in Austria and recent US complaints of the "medieval" organization of Austrian business have caused resentment. US and Soviet opposition merely delays and does not annul the objectionable law. It would appear unlikely, therefore, that the Austrian government will offer a measure more acceptable to the American viewpoint.

4. World Council for Peace surveys Vienna as conference site: The general secretariat of the World Council for Peace has requested the Austrian Committee of Fighters for Peace for a survey of the feasibility of convoking a convention in Vienna in October. The US Legation is concerned that the meeting may coincide with Communist agitation within the ranks of labor anticipated in Austria this fall. (C Vienna 631, 16 Aug 51)

Comment: The advantageous position of the Austrian capital (and Berlin) as a center of international communist-front organizations is becoming increasingly evident. The ~~Commonwealth~~ ^{WPC} Peace Partisans, World Federation of Democratic Youth, and Women's International Democratic Federation may attempt to establish Austrian headquarters and follow the ~~WFTU~~ ^{WFDU} into Vienna. In the absence of effective travel controls, the US Legation is considering the possible usefulness of wide publicity as a countermeasure. Propaganda would stress that, in view of the Austrian attitude, agencies of international communism could remain in Vienna only with Soviet protection. The migration of such agencies to Vienna, therefore, reflects unfavorably upon Soviet intentions to terminate in the foreseeable future its Austrian occupation.

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5. ITALY. Role of Communist para-military organization modified: The Communist para-military organization (apparato) [REDACTED]

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[REDACTED] no longer considers insurrection feasible in case of war, but is prepared to undertake sabotage and guerrilla warfare. The Communist Party shifted its policy in accordance with Soviet directives issued after Tito's defection, and abandoned the aim of obtaining power through armed revolt. Having "disinterested itself" from the apparato, which numbers about 50,000, the Party seeks to undermine the Italian state in every way so as to facilitate the "liberation" of Italy by the Soviet armies when the time comes. The Communist Party never organized sabotage schools or courses in the theory of guerrilla warfare. While the percentage of Communists among the enlisted men of the armed forces is the same as among the country's population, there has been practically no penetration among the officers and NCO's and none at all among the carabinieri and police.

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Comment: The increased efficiency of the Italian armed forces and police makes armed revolt less attractive. However, there have been no other indications that the Communists have desisted from consolidating their apparato, whose strength US observers still estimate at 75,000. The alleged non-existence of Communist sabotage schools conflicts with reports that the party has recently been training expert saboteurs (see OCI Daily Digest, 17 Aug 51). While Communist penetration among the armed forces is probably not significant, considerable infiltration has been reported among the police, particularly in rural areas and north Italian industrial centers.

6. UNITED KINGDOM. Latest public opinion poll shows decline in Labor Party support: According to the Gallup Poll taken in July, popular support for the Conservatives increased for the first time since February, while that for the Labor Party correspondingly dropped. The respective percentages for those who had made up their minds are:

	February	June	July
Labor	37½	41	39
Conservative	51½	48	49

The apparent reversal of trend is considered surprising for it was widely believed that the Labor Party would continue to make inroads in the Conservative Party lead throughout the summer. (R London, Joint Weeka No 33, 17 Aug 51)

Comment: An increased meat ration, the Festival of Britain, and warm weather which held in abeyance the effects of a coal shortage were considered all favorable factors for sustained Labor Party popularity at least during the summer months. However, it may be that rising prices and a belief that

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the government is not protecting British interests abroad has overshadowed these factors in the public mind.

7. ARUBA, N.W.I. Government adopts anti-strike measures: The Netherlands West Indies Government is taking the following action as a result of the recent Lago refinery strike:

- (a) Dismissal of the Governor of Aruba for his failure to take police action when so ordered;
- (b) Deportation of twelve Surinam and British Guiana agitators suspected of Communist leanings;
- (c) Strictest application of police measures; and
- (d) Introduction of new legislation limiting the legality of strikes.

The action is due, in part, to the complaint of the Lago Oil and Transport Company to the Governor that protection has been inadequate and that the number of threats to American personnel must be stopped. (C Curacao 7, 20 Aug 51)

Comment: The employees of the Lago Oil and Transport Company (Standard Oil of New Jersey) returned to work on 18 August after a strike lasting a week. Operations at the refinery had been reduced to 65 per cent capacity. The dispute was settled with the aid of a government mediator and the employees obtained a 16 per cent general wage increase. No serious disorders, racial antagonism, or anti-US attitude were manifested and there was no evidence of Communist activity. The government's action will do much toward lessening future strike threats.

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SECTION 2 (EASTERN)

1. BURMA. Burmese attitude toward Japanese peace treaty still unresolved: A high official of the Burmese Foreign Office informed US Embassy Rangoon that a Cabinet decision will probably be required to determine whether or not Burma will attend the Japanese Peace Conference. Since many cabinet officers are out of town, a delay of several days is anticipated. The embassy suspects that the Soviet Union's decision to attend may have radically altered Burmese thinking in favor of joining the conference. The Embassy also feels that the Cabinet's final decision is likely to be influenced by the Government of Indonesia. (S, S/S Rangoon 201, 18 Aug 51).

Comment: US Ambassador Cochran reported from Djakarta on 21 August that the Indonesian Foreign Minister was attempting to gain governmental and parliamentary approval for participation in the conference, and that a final decision in favor of attending was imminent.

2. INDOCHINA. Vietnam may demand reparations from Japan: The Vietnamese Government's note to the US Legation pleading Vietnam's case for attendance at the San Francisco conference indicates a desire for some measure of reparations. Previous discussions with the Vietnamese had given US officials the impression that Vietnam did not intend to make an issue of reparations. The Vietnamese note suggested that reparations in the form of trade privileges or Japanese technicians would be favorably considered. (S, S/S Saigon 420, 19 Aug 51).

Comment: The French have vigorously championed Vietnam's right to attend the conference, while indicating that no request for reparations would be made on behalf of Vietnam. Vietnamese insistence on reparations, particularly in the forms suggested above, could be expected to conflict with French reluctance to tolerate the reentry of Japanese goods and influence into Indochina.

3. PHILIPPINES. Romulo to be Ambassador to US: Secretary of Foreign Affairs Romulo has told the US Embassy in Manila that President Quirino has decided to send him to Washington as Ambassador and, accordingly, would not include his name among the approved Liberal Party list of senatorial candidates. (C, S/S Manila 719, 18 Aug 51).

Comment: Rumors that Romulo would run for the Senate had been interpreted to indicate that Quirino was preparing the way for him to become an eventual candidate for the presidency. Although he is a popular figure in the Philippines, Romulo at present lacks the close political connections necessary to ensure his election to the highest office.

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4. JAPAN. Strong criticism of peace treaty appears in press for the first time: A columnist in the Yukan Yomiuri on 16 August strongly criticized the cheerful and festive attitude of the Japanese Government and people toward the peace treaty. Contrasting this with the deep resentment held by the Japanese following the Treaties of Shimonoseki and Portsmouth, the article stated that this is a time for the Japanese to be in mourning and in deep grief. The US Political Adviser comments that this is the most critical statement yet to appear in a large daily newspaper, and, while not typical of the prevailing sentiment, it undoubtedly represents the unexpressed sentiments of some Japanese and might be indicative of a future thought trend. (S, S/S Tokyo 351, 18 Aug 51).

Comment: It is considered probable that a reaction against the treaty, centering around the territorial clauses, will set in following the treaty's signing. The Socialist Party, which has continued to maintain its opposition to the treaty, is undoubtedly banking on this prospect to discredit the government and enhance its own political future.

5. British official raises question of Japan-China treaty: In the course of a conversation about the Japanese peace treaty, a British Embassy officer in Washington asked Ambassador Dulles whether the US interpreted the US-UK understanding about China as preventing the signature of a peace treaty between Japan and any Chinese government until after the coming into force of the main Treaty of Peace. In reply, Dulles pointed out that the principle involved was that there should be no Allied coercion upon Japan to adopt a course regarding China which might prejudice Japan's best interests for the future. He added that it would be normal that the Japanese Government would quickly seek a peace with the Nationalist Government, but that such a peace should not assume that the Nationalist Government would bind China and all Chinese. (S, S/S State to Taipei 7631, 17 Aug 51).

Comment: The British Cabinet originally rejected the compromise formula, which deleted all references to China in the treaty, on the grounds that the participation of Nationalist China through a separate bilateral treaty was made possible at Japan's discretion. In view of this attitude, the UK would be very unlikely to approve a policy which would encourage Japan to conclude a quick, though limited, treaty with the Formosan government.

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