

Vol. 1

JIC
SUMMARY

Issue Nos. 1 to 25 incl.

REDI Binding Covers

Can be made in all sheet sizes and capacities from 1" to 6" with Standard Fastener centres of 2 $\frac{3}{4}$ ", 4 $\frac{1}{4}$ ", 5 $\frac{1}{2}$ ", 7" and 8 $\frac{1}{2}$ ".

Unless otherwise specified fasteners with (B-2 $\frac{3}{4}$ ") centre will be supplied for sheet sizes up to 6", (D-4 $\frac{1}{4}$ ") centre for sheet sizes 7" to 10" (H-8 $\frac{1}{2}$ ") centre for sheet 11" to 14". All covers are punched to take any of these centres within the cover size. Tang capacities of 2" supplied on 2 $\frac{3}{4}$ " centres, all larger centres with 3" capacity.

Due to the many combinations in which these Covers can be made we have adopted the following representative letter and figure symbols to cover grades, sheet sizes, centres and capacities, a number to represent any particular one of thousands of combinations can be easily ascertained from the illustration as shown below:

COVER GRADES

Grade "V"	200 lb. Filetex	} With double ply binding bars.
Grade "HV"	300 lb. Filetex	
Grade "C"	.012 Leatheroid	} Double ply binding bars.
Grade "HC"	.023 Leatheroid	
Grade "GW"	An extra strong terra cotta coloured paper material of leather appearance and wearing qualities. Green Pressboard Covers — Blue cloth bound binding bars. Red Pressboard can also be supplied, change "GW" to "RW" if red is wanted.	
Grade "CV"	Leatheroid with Filetex Lining — Canvas hinge.	
Grade "F"	Full black cloth — Board covers.	
Grade "J"	Full canvas — Board covers. Colours: Maroon, Green, Blue black, Light blue, Fawn and Brown. (Specify colour, otherwise Maroon will be supplied).	
Grade "SY"	Full Black grained imitation leather, stiff board covers.	
Grade "FY"	Full Black Seal grained imitation leather, flexible covers. (Grades SY and FY can be supplied in dark red or green when specified.)	

Side Binding	SHEET SIZES		FASTENER Size Number	TANG CAPACITIES Centre to Symbol Capacity Symbol
	Size Number	End Binding		
8 $\frac{1}{2}$ " x 5 $\frac{1}{2}$ "	1600	5 $\frac{1}{2}$ " x 8 $\frac{1}{2}$ "	1610	2 $\frac{3}{4}$ " B 1" 1
8 $\frac{1}{2}$ " x 7"	1601	7" x 8 $\frac{1}{2}$ "	1611	4 $\frac{1}{4}$ " D 2" 2
9 $\frac{1}{2}$ " x 6"	1602	6" x 9 $\frac{1}{2}$ "	1612	5 $\frac{1}{2}$ " E 3" 3
10" x 7"	1603	7" x 10"	1613	7" G 4" 4
10" x 8"	1604	8" x 10"	1614	8 $\frac{1}{2}$ " H 5" 5
11" x 8 $\frac{1}{2}$ "	1605	8 $\frac{1}{2}$ " x 11"	1615	6" 6
12" x 9 $\frac{1}{2}$ "	1606	9 $\frac{1}{2}$ " x 12"	1616	
13" x 8"	1607	8" x 13"	1617	
14" x 8 $\frac{1}{2}$ "	1608	8 $\frac{1}{2}$ " x 14"	1618	

HOW TO ORDER BY LETTER AND FIGURE SYMBOLS

Place in order as shown below:

- (1) Give letter or letters representing grade of cover wanted.
 - (2) Give number representing sheet size.
 - (3) Give letter representing Fastener centre.
 - (4) Give number representing capacity.
 - (5) Colour wanted.
- (Viz.) If covers are required in full green canvas to take sheet 14" x 8 $\frac{1}{2}$ ".
 4 $\frac{1}{4}$ " centre to centre, capacity 3", your order would read:
- | | | |
|------------------------------------|---------|----------------------|
| Canvas Grade | (J) | |
| Sheet size 14" x 8 $\frac{1}{2}$ " | (1608) | |
| Fastener centre 4 $\frac{1}{4}$ " | (D) | No. J-1608-D-3 Green |
| Capacity 3" | (3) | |
| Colour | (Green) | |

Should the same type of binder be required with 8 $\frac{1}{2}$ " centre, maroon colour, your order should read No. J-1608-H-3 Maroon.

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ISSUE No.1

29 Apr 52

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COPY No 125

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SOVIET UNION AND SATELLITES

New Railway Lines In Soviet Union

(RESTRICTED)

Three railway lines of considerable importance have recently been completed in Soviet Central Asia and Southern Siberia:

- | | | |
|-----|----------------------|-----------|
| (1) | AKMOLINSK - PAVLODAR | 270 miles |
| (2) | BARNAUL - STALINSK | 125 miles |
| (3) | MOINTY - CHU | 260 miles |

COMMENT: The lines Akmolinsk - Pavlodar and Barnaul - Stalinsk are important links in the South Siberian railway, which when completed will join Magnitogorsk with Tayshet on the Trans-Siberian. This line will serve as an alternate to the Trans-Siberian as well as providing a direct link between the three industrial areas - South Urals (heavy industry), the Karaganda coal basin, and the Kuznetsk basin (coal and heavy industry). Between Magnitogorsk and Stalinsk only one section, Kulunda - Barnaul, now remains to be completed. Of the line Stalinsk - Tayshet, the section from Stalinsk to Abakan is under construction and the remainder is believed to have been surveyed. The Line Mointy - CHU provides a direct link between the Karaganda coal basin and the centres of population and production in Soviet Central Asia. The rail distance between Karaganda and Alma Ata, for example, is about 1,000 miles shorter than by the former roundabout route.

Interference With British Aircraft

(TOP SECRET)

Soviet alertness in the strategic Wiener Neustadt Airfield area of Austria and possible future incidents designed to harass and discourage British use of the Graz-Vienna air corridor are indicated by the recent interception of a British utility aircraft by Soviet jet aircraft. A British Anson, sent to Austria to check British airway facilities, was engaged in checking the radio aids of Schwechat Airfield, and had made two runs over specific check points in the vicinity of Wiener Neustadt Airfield when intercepted by two elements of two MIG-15's each. During the second interception, one MIG fired

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its guns in the vicinity of the Anson, whereupon the latter returned to base. This is the latest manifestation of Soviet sensitivity concerning this air corridor. A previous Soviet request to change the air corridor was recently refused by the Western powers, after which the Soviets warned that the present corridor was "unsafe". MIG-15's have been reported on alert status at Wiener Neustadt for the past few weeks.

Restricted Jet Refuelling in Hungary

(TOP SECRET)

A completely reliable observer reports that on the night of 7 March, MIG-15's engaging in practice take-offs and landings at Tokol refuelled after each landing, despite the fact that no single flight was of more than ten minutes' duration.

COMMENT: Although Tokol is considered to be a Soviet fighter base MIG-15's with Hungarian markings have been seen there. It is considered likely that the aircraft being restricted in fuel were Hungarian rather than Soviet.

MIDDLE EAST

Iraqi Reaction on Middle East Command

(CONFIDENTIAL)

Dr. Fahdil Jamali, Iraqi Foreign Minister, has stated in Baghdad that Turkish and French participation in a Middle East Command is unacceptable to the Arab nations in view of past Turkish and French Imperialism in the Middle East, and the current French record in Tunis.

COMMENT: Dr. Jamali's views are indicative of the current thinking of many Arab leaders. This attitude has undoubtedly been one of the deterrents to the ready acceptance by the Arab nations of Western defence proposals.

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Thunderjets Arrive in Turkey

(SECRET)

The first consignment of F.84 Thunderjets is reported to have reached Turkey on board a carrier of the U.S. Navy. The first jet station of the T.A.F. will be Balikesir, which has already received four T.33 dual Shooting Star trainers. Eight pilots have already received extensive jet training in the U.S.A., as also have some ground personnel, and further courses are in progress. Personnel for the first two jet fighter Regiments have been specially selected from other fighter units, and the majority speak English.

COMMENT: The number of jets in this shipment was not determined.

WESTERN EUROPE AND SCANDINAVIA

Netherlands Army in EDC

(CONFIDENTIAL)

The Canadian Military Attache Netherlands, reports that on 29 Mar 52, Lieutenant - General M.R.H. Calmeyer, Commandant of the Netherlands Defence College, made a public speech regarding Netherlands defence. General Calmeyer said it was not the policy of the Netherlands to have battle-ready troops in peacetime, and stated that this contrasted with the policy of surrounding friendly countries. He also said that the Netherlands Army structure is unsuitable for integration "because the Netherlands system is based on obtaining troops through mobilization". General Calmeyer regretted that Parliament had not given this factor more careful consideration when discussing the European Defence Community.

COMMENT: The Military Attache reports that this is one of the most open statements which has come to his attention made by an Army official, concerning the lack in the Netherlands of an immediately effective defence force. It is the view of the Military Attache that the Dutch would need an absolute minimum of three months, (probably more) to carry out proper mobilization and training before they would be in a position to offer effective defence.

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France's Budget

(CONFIDENTIAL)

The approval by the French National Assembly of M. Pinay's budget appears to have given added strength to the new French Government. M. Pinay himself has gained stature by the successful passage of the budget and by the strong response throughout the country to his "Save the Franc" campaign which has succeeded in lowering prices in a number of sectors of the economy and has supplied a measure of stability to the Bourse.

The budget calls for retrenchment and economy in "civilian" expenditures in the amount of about \$400,000,000; no important new taxation and tax reductions in certain instances; a fiscal amnesty to allow tax delinquents to rectify their declarations and a strengthening of measures against tax evaders after a cutoff date. These penalties include removal of drivers' licences, the posting of public notices at the homes of tax evaders, etc.

With respect to the financial aspects of the war in Indochina, military expenditures of over a billion dollars were voted for 1952 by the National Assembly in December 1951. When the national budget was finally approved in April 1952 credits for this amount were not touched despite the substantial economies effected in other fields.

Swedish Accident Rate Drops

(UNCLASSIFIED)

The Swedish Air force accident rate showed a considerable decrease during 1951. The total number of accidents fell by over 25 per cent from 25 per 10,000 flying hours to 18. The number of crashes per 10,000 flying hours was 1.5 in 1951 which is approximately 10 per cent less than in 1950. 12 pilots saved themselves by parachute during 1951.

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COMMENT: One cause of the lessened accident rate is said to be the greater reliability of jet aircraft in general as compared to piston driven aircraft.

Swedish Navy's Building Program

(CONFIDENTIAL)

The Swedish Defense Minister has approved the Navy's building program in its entirety and has submitted it to the Riksdag as a seven-year rather than a six-year building plan. A total of 46 units will be constructed under the plan, and the costs will be defrayed by annual appropriation. The following table is of interest in clarifying the picture of planned naval construction:

Year	Actual strength	Number of Units	Combined tonnage
1942	(First line ships (Reserve fleet	102 25	55,000 34,000
1945	(First line ships (Reserve fleet	112 24	56,000 41,000
1948	(First line ships (Reserve fleet	107 12	64,000 39,000
1951	(First line ships (Reserve fleet	85 34	62,000 31,000
	<u>Planned strength</u>		
1954	(First line ships (Reserve fleet	80 32	65,000 22,000
1957	(First line ships (Reserve fleet	99 26	72,000 19,000
1960	(First line ships (Reserve fleet	100 34	63,000 21,000

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COMMENT: This table shows that the number of units is relatively low during the first half of the fifties, but increases toward the end of 1960. The figures quoted reflect the anticipated units requested in the new building program. It can be seen how the proponents of a lighter, more mobile navy, headed by Admiral Stromback, Commander in Chief, have definitely succeeded in their desire for a light fleet by comparing the present 85 units' total tonnage of 62,000 with the proposed 1960 fleet of 100 units totalling only 63,000 tons. The program has been well received by both civilian and naval personnel. It is expected that it will bolster naval morale and promote recruiting, both sorely needed.

FAR EAST AND SOUTHEAST ASIA

Korean Cease Fire Talks

(TOP SECRET)

On 19 Apr 52 UN Staff officers discussing the prisoners of war question in secret session, presented the Communists with a revised POW list containing 70,000 names of those who would not resist repatriation (out of approximately 161,000 prisoners held). The Communists were reported as "taken aback" and later stated that this figure could by no means be a basis for further discussion. The Communists committed themselves to return 12,000 UN POWs.

COMMENT: The problem of voluntary repatriation of prisoners is a larger one than was supposed. Those refusing repatriation will be rescreened, but General Ridgway has reported himself satisfied that as rigid a standard as possible has been used in the screening. Out of the first 21,000 Chinese screened, 16,000 indicated they would resist repatriation. Substantial numbers of the POWs resisting repatriation may be planted by the Communists for use after a Cease Fire. A completely reliable source stated that from 1949-50 several hundred thousand refugees from North Korea moved into South Korea and some now hold prominent political positions in the republic. It will be of interest to see if the

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Chinese Communists will now report a higher percentage of UN PWs who do not wish to return.

MIG - 15 Recce Flight

(SECRET)

On 1 April 52, for the second time in the Korean War a probable enemy photo recce aircraft was seen over Suwon and Kimpo. A MIG-15 was observed making a run similar to a photo-run over Suwon. It then turned North and made a similar run over Kimpo. In both instances the aircraft dropped from 22,000 ft. to 17,000 ft. for the run. After the second run, the MIG-15 disappeared to the North.

COMMENT: Use of the MIG-15 as a photo aircraft cannot be confirmed. From its manoeuvres however, it appears probable that it was on a mission of this type.

Anti-Guerilla Organization in Philippines

(SECRET)

The Armed Forces of the Philippines have instituted a modification of their tactical plan for dealing with the HUK insurgent guerrillas. Recently the Army was reorganized on a basis of battalion combat teams, and a total number of 26 teams were actually formed. Of these 24 were dispersed independently in active anti-guerrilla operations. Under the new plan three battalion combat teams will be employed in each of the more critical areas, two as garrison troops and the third as a mobile striking force.

COMMENT: The former method was clumsy in that independent battalions, working alone, had no means of rotation or of reinforcement in an emergency. Each was obliged to perform its own garrison duties, and this led to local political influence in the siting of the garrisons. Under the new plan these difficulties should be largely overcome without sacrificing the ability of each battalion to act independently when necessary.

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SOVIET UNION AND SATELLITES

Soviet Field Training in Germany

(TOP SECRET)

Major summer training areas in Germany were occupied, last winter, by more Soviet troops than the normal maintenance parties. Numerous two to three day exercises and manoeuvres, from early February to mid April, have been reported in winter quarters in various parts of Germany. They ranged, in size, up to 14,000 men. Infantry, armour, and supporting arms have been reported as participating. Both day and night exercises have been held. A commission from Moscow inspected the units prior to their moves.

The time schedule this spring seems to have been:

- Mar 4 Existing detachments at training areas increased prior to summer occupation.
- Mar 25 All main areas occupied by advance parties and movement of main bodies commenced.
- Mar 28 No major unit yet reported complete at a training area.
- Mar 29 Possible first indication of large-scale move.
- Apr 15 No large-scale move actually reported yet.
- Apr 17 Portions of not less than eleven out of twenty-two line divisions had left winter stations. Significant occupation of six out of nine major training areas reported.

COMMENT: Previously only skeleton parties have remained in summer areas. Short exercises such as those mentioned above were not reported in 1951. A deserter states that the reason was to make units ready and mobile before the actual move to the summer training areas. It appears that movement to the training areas began two weeks earlier than last spring. Movement to training areas is continuing and it was expected that areas would be occupied fully by the beginning of May. The large influx of recruits during the last half of 1951 may influence this year's training schedule by prolonging it. Identification of advance parties suggests that units will use the same training areas as last year. It would appear that the pattern of field training is along much the same lines as last year.

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EASTERN EUROPE

Economic Aid For Yugoslavia

(CONFIDENTIAL)

The U.S. State Department announced on 22 April that the Tripower (U.S., U.K., France) talks on economic problems relating to Yugoslavia had concluded and the recommendations had been forwarded to their respective governments. The recommendations provide for a programme of a little less than \$100 million of economic assistance to Yugoslavia for the next year and an agreement that the three governments would support an application from Yugoslavia to the International Bank for a loan.

WESTERN EUROPE

French Naval Aviation

(SECRET)

A report from an observer from the Mediterranean Fleet of the carrier La Fayette's experiences in Exercise Grand Slam includes the following points of special interest.

The French were proud of their ship and were enthusiastic about their American aircraft and equipment. Although La Fayette had only been operational for six months and the French had never previously operated carriers in company, a reasonably high standard of efficiency was achieved and, while at the start the tempo of carrier drill was well below our standards, after a short period of operating with Theseus, Midway and Tarawa and by dint of their own keenness and aptitude, considerable improvement was made during the exercise.

Sixteen Hellcats and twelve Avengers were embarked and this appeared to be the maximum number of these types the ship can operate because of the small parking space available before the barriers. The flight deck party numbering 39 were suitably clothed, had good American equipment, were well led, and handled aircraft quickly and efficiently.

The roles of Commander Air and Lieutenant Commander Flying were largely combined by the Commandant d'Aviation, an experienced, very efficient and popular officer of Lieutenant Commander's rank. The Senior Air Staff Officer was the Operations Officer, of Commander's rank, who carried out the duties of a British Lieutenant Commander Operations and was also responsible for the overall direction of Air operations.

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(CONFIDENTIAL)

All the pilots had qualified in night flying, but the batsmen had not completed their night batting qualifications. As a result the aircraft which carried out successful night sorties and, ably directed, made a number of night interceptions were diverted to shore bases.

Rear Admiral Jozan (F.O. Air) flies his own Hellcat. He was full of praise for the operational capabilities of his ship, but complained of the lack of accommodation and space for an Admiral and his staff to exercise control. He wanted Arromanches to be his flagship and to carry only anti-submarine warfare aircraft, and for La Fayette to operate as a private ship carrying fighters. One of his greatest problems is to give carrier and land based squadron sufficient deck landing training, Arromanches being required in Indochina.

COMMENT: It is intended that a squadron of French Hellcats embark in Theseus for deck landing trials and carrier drill between 8 and 14 May. With naval air officers holding a number of the highest appointments in the navy, great strides are being made in the growth and efficiency of French naval air, and its planned expansion forms a very high proportion of the increases in material and personnel intended in the next few years. The French Navy, however, does not entirely trust the products of its own aircraft industry and is having some difficulty in obtaining aircraft of the types it wants from the UK and the US.

Spanish-Portuguese Talks

(RESTRICTED)

At the termination of the talks between General Franco and Dr. Salazar on the 14/15 of April, a communique covered the following points:

- (a) The two nations would intensify their political and military collaboration to cope with the aggressive policies of the Soviet Union.
- (b) An agreement had been reached that the Iberian Peninsula basically is a single and indivisible strategic unit, a fact which implies "the adoption of adequate measures to carry out a policy for the defence of both countries within the general framework of Western defence".

The communique in fact only reaffirms the Iberian Pact of 1939 and points up once more, Portugal's view on the strategic absurdity of the absence of Spain from Western defence planning. The Portuguese are reported to have emphasized in the past that unless Spain becomes part of Western defence, all Portuguese forces will have to be kept in Portugal to defend her borders.

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(RESTRICTED)

Both Spain and Portugal probably wish to emphasize the unity of the Iberian Peninsula in defence planning just when Spanish-United States negotiations are about to begin. Also, it may be a bid for a Portuguese - Spanish - United States defence agreement.

KOREA AND THE FAR EAST

Korean Military Situation

(SECRET)

The relief of one Chinese Army of three divisions in the line has taken place and other reliefs are expected. Widespread troop movements, particularly in the Western sector, are apparently leading to the concentration of three and possibly five Chinese armies close behind the line in the Western Sector. Reports indicate that most rail traffic is now using the East coast railway through Wonsan, which connects with the Soviet rail system.

COMMENT: There is no firm indication of an immediate enemy offensive. Should the peace talks break down or should hostilities break out elsewhere an all-out enemy offensive can be expected with the object of destroying or pinning down the UN troops in the theatre.

North Korean Army Staff Meeting

(TOP SECRET)

An unconfirmed report states that the following remarks were made on 3 Apr 52 by Choe Yong kun, North Korean Minister of Defence, and leader of the North Korean pro-Chinese clique.

- (a) True Korean nationalists and their Chinese allies are becoming very suspicious of actual Soviet intentions. Soviet policy in Asia is not to liberate oppressed people but to ferment small wars and wreck the economies of small nations.

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(Unless otherwise classified)

- (b) Unless the Soviet Union makes a definite commitment to intervene in the Korean War the only alternative for the North Koreans and Chinese Communists is an agreement with the United Nations. An armistice would permit "liberation" of South Korea from within.
- (c) The Soviets fear that the Chinese Communists will break with the Kremlin if the Korean War is settled, and desire that North Koreans and Chinese continue to fight an indecisive war.
- (d) North Koreans and Chinese should unite in protest against Soviet demands and North Korea should support the Chinese demand that successful conclusion of the Panmunjon talks be reached immediately.

COMMENT: If true, this indicates a change from the previously reported desire of the North Korean government to keep the war going. Furthermore, such a merging of North Korean and Chinese interests would be a prelude to a genuine armistice.

Russian Influence in Manchuria

(TOP SECRET)

Since the signing of the Sino-Soviet Treaty of Friendship Alliance and Mutual Assistance in February 1950, direct control by the Soviet Union of the economy of Manchuria has been limited to the joint administration of the Changchun Railway (that is to say from Manchouli east to Suifenho and from Harbin south to Port Arthur) and to the Port Arthur and Dairen areas. This control, except for Dairen, where no time-limit has been set, is scheduled to end by the end of 1952. Soviet influence on the other hand continues to be of the first importance. It is exercised by indirect means through the thousands of technical and scientific advisers and experts who were called in to replace the Japanese. These advisers operate at various levels, particularly in the fields of communications, mining, heavy industry and armaments production. There is nothing to indicate that this influence will come to an end on a given date and it is most likely to continue with the long-term import of industrial and military equipment.

COMMENT: It would appear that the efforts of the Central Administration in Peking since 1950 to reassert its authority over the Northeast and to integrate Manchuria into the economy of the rest of China have met with considerable success, in spite of the continuing need to rely on Soviet advisers in all spheres, military as well as civilian.

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(Unless otherwise classified)

Air Defence Exercises - Formosa

(SECRET)

A joint air defence exercise was recently conducted on Formosa to test the accuracy and speed of collection, transmission and evaluation of air defence information. Formosa was divided into five air defence areas, namely: Northern, Central, Southern, Eastern, and Pescadores Islands. Each area commander had complete responsibility for participation in this exercise. Among other things tested were, the speed in which the Air Defence Force went into action; the timeliness of warnings issued from air defence centers, execution of night lighting control, anti-aircraft firing and the reaction of the general public and the compliance with air alert regulations. During the first alert in the afternoon, interception missions were conducted by F 51's of the Chinese Nationalist Air Force. The second practice alert was designed primarily to test blackout conditions demonstrating the use of search lights.

COMMENT: The air defence exercise was considered fair to moderate, in view of the recent re-organization of Air Defence Command. General public reaction was considered satisfactory, the blackout only 75% effective, and the radar coverage of the island good.

MIDDLE EAST AND INDIA

Iran Eligible For Arms Aid

(SECRET)

The U.S. State Department announced on April 25 that as a result of an exchange of notes between Premier Mossadegh and the U.S. Ambassador to Iran it has been decided that military assistance from the United States should be resumed and that arms shipments will begin again as soon as possible. With this agreement Iran is now eligible for a share of the \$396,250,000 in arms aid available also to Greece and Turkey. Iran's eligibility to receive this aid is based on her present willingness to accept the terms and conditions of the Mutual Security Act.

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(Unless otherwise classified)

COMMENT: This announcement indicates a distinct reversal in policy on the part of the Iranian administration which hitherto has refused point blank to agree to the terms of the act even in a considerably modified form. It is reported that Mossadegh was persuaded to open negotiations with the U.S. as a result of intervention on the part of the Shah. It appears that Mossadegh is definitely losing popular support. Increasing pressure upon Moddادهg within the country may result in a more reasonable attitude in the oil dispute.

Indian Air Force

(SECRET)

The present overall strength of the Indian Air Force is estimated at 350 aircraft, including two Liberator Bomber squadrons, one at Agra and one near Bombay, and two Vampire Jet Squadrons.

The Indian Air Force has approximately 41 Vampire Jets which they have assembled themselves at the Hindustan Aircraft Limited at Bangalore. The original order called for 200 Vampires, however, their progress has been sharply curtailed due to the inability of the U.K. to deliver engines and airframes since NATO commitments became so heavy.

COMMENTS: The operational capability of the Indian Air Force is not considered very high. Under operational stress it is estimated they would not be capable of sustained operations for more than three weeks to a month

KMT Airstrip in Burma

(SECRET)

It is reasonably certain that the Kuomintang (KMT) troops in Kengtung Province of Burma have completed a single 6,000 Ft. gravel airstrip at Nonghsat (99° 15'E 20° 30'N).

COMMENT: While it cannot be definitely stated, it is more than probable that CAT (Gen Chenault's KMT airline) is operating into the strip from Thailand with the approval of Thailand's Police Chief/Vice Minister of the Interior. It is known that supplies are reaching the KMT troops and that there is a flow of Personnel back and forth between Formosa and the troops.

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(Unless otherwise classified)

MISCELLANEOUS

Thunderjets to Fly to Europe

(UNCLASSIFIED)

The U.S. Military Air Transport Service has announced that by the end of April the Republic F84 Thunderjet fighter-bombers destined for NATO nations, will be flown to Europe under their own power. In the past they have been delivered by carrier.

COMMENT: This decision was believed to have been reached after the recent non-stop flight to Europe by three F84 Thunderjets.

Thunderjets Launched from B-36

(UNCLASSIFIED)

U.S. Air Force Headquarters recently confirmed reports that a F84 Thunderjet had been launched from a B-36 while in actual flight. At the same time, U.S.A.F. declined to comment on reports that the jet fighter had been "recaptured" through the bomb bay doors of the giant long-range bomber.

COMMENT: The U.S.A.F. have been conducting launchings with the Bell rocket series (X-1 through X-5), but this is the first report of any other type of aircraft being employed. In the past, the B-29 has always been used as the "mother" aircraft.

TAIL PIECE

Dust Storm Dash

(RESTRICTED)

Among the more interesting phenomena in the Middle East at the present time is the stability of Iraq and the reform and re-equipping of the Iraqi Defence Forces. Significant of this is the fact that among the 18 events of the Iraqi Army Field Day, held on 21 March 1952 under the adverse conditions of a severe dust storm, was a 100-metre dash for officers of the rank of colonel and above. This would indicate the existence of a physical conditioning program and a commendable competitive spirit.

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SOVIET UNION AND SATELLITES

Civil Defence Preparations in the Soviet Union (SECRET)

Although civil defence planning and theoretical training may have improved in the Soviet Union, there is no indication that civil defence is being emphasized at the moment in Moscow. No large-scale construction of shelters or sign posts directing the population to shelter areas or first aid posts have been observed. No effort to train the people in civil defence has been noticed, and the Soviet press has been remarkably silent on the subject.

COMMENT: During the Second World War the Soviet people accepted extremely primitive civil defence methods. To appraise their preparations by Western standards is probably misleading.

Return of Soviet-Controlled Plants to East Germany (SECRET)

The official East German News Agency announced on 29 April, 1952 that the Soviet Union had decided to return to German control by the end of May 1952, 66 major industrial plants in East Germany. Among the plants to be returned are three factories making railway cars, a large rolling mill, the BMW automobile plant, the Neptune Shipyards in Rostock, and a number of chemical, cement, electrical and other plants which, since World War II, have been operated by Soviet Corporations and whose output has gone almost entirely for Russian consumption.

COMMENT: Although this is not the first instance of Soviet Corporations being returned to the East German economy as "People's Owned" zonal concerns (some 100 generally small or bankrupt concerns were returned up to April, 1951) it is believed that the purpose in transferring the control of such plants as the BMW Automobile Factory in Eisenach is to attract popular support of Soviet policy in East Germany at this time.

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Re-equipment of 59th Air Army in Hungary

(TOP SECRET)

Twin jet bombers have recently been observed in Hungary: this may indicate the possible re-equipment of PE-2 (light piston-engined bomber) regiments with jet aircraft. The types observed were Type 30's (combat) and Type 27's (trainer).

COMMENT: Airfields in Hungary have recently been improved so that they are now suitable for the Type 27 aircraft. The re-equipment of light bomber regiments of the 59th Air Army would considerably increase the combat effectiveness of the Soviet Forces in Europe.

Defence Expenditure of Yugoslavia

(SECRET)

Yugoslavia is to spend 200,000 million dinars, or 22% of its national income, on defence in 1952. Defence expenditure in 1952 will be 1½% higher than in 1951.

COMMENT: The proportion of national income devoted to defence has risen steadily in recent years. This would not have been possible without aid from Western countries, which in 1950 totalled \$110 million and in 1951, \$185 million.

In terms of Canadian currency, Yugoslav defence expenditure in 1952 will be the equivalent of about \$750 million.

WESTERN EUROPE

F-84 "Thunderjets for NATO Countries

(SECRET)

A further shipment of 45 "Thunderjets" arrived by carrier in Europe during the first week of April. Of these, sixteen are earmarked for The Netherlands, thirteen for Denmark, thirteen for Norway and three for Belgium.

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COMMENT: Including these new arrivals, the present strength of "Thunderjet" aircraft in these countries is:

The Netherlands	34	Belgium	23
Denmark	19	Norway	19

F-84 "Thunderjets in the French Air Force

(SECRET)

The French Air Force has received 65 F-84 "Thunderjets" from the United States; two squadrons (of twenty-five aircraft) and a convention unit have so far been equipped. Deliveries are behind schedule, and it is doubtful whether more than six squadrons (of the twelve planned) will have their equipment by the end of the year.

F-47 "Thunderbolts" for Portugal

(RESTRICTED)

A further seven F-47 "Thunderbolts" have arrived in Portugal from the United States, bringing the total now delivered to 44. One aircraft, however, has been completely destroyed and others are believed to have been damaged in accidents. Six more "Thunderbolts" are expected to arrive within the next week, which will bring the total delivered to 50, the number originally scheduled for Portugal under MDAP.

The Royal Netherlands Navy

(SECRET)

The following are notes on developments in the Royal Netherlands Navy during 1951:

(a) Vice-Admiral A. de Booij relieved Vice-Admiral Van Holthe as Chief of the Navy Staff. The latter remains as Chairman of the Joint Chiefs of Staff.

(b) The dredging of the harbour for the new naval base at Den Helder will shortly be completed , and an aircraft repair base is nearing completion on an old airfield at Aknooij, a few miles south of Den Helder.

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(c) It is planned that two cruisers, twelve destroyers and four submarines will be built by 1955. Both cruisers and six of the destroyers should be ready for commission by 1953, and two of the submarines by 1954. It is probable that the new construction programme could be accelerated if necessary, provided that steel supplies are adequate.

(d) A modification of the carrier Karel Doorman to enable her to operate more modern aircraft is likely to begin late in 1952 or early in 1953.

Swiss to Employ German Aircrew

(SECRET)

Swissair, the Swiss Civil Airline, proposes to employ foreign aircrew (including Germans) on a temporary basis until sufficient Swiss aircrew become available, in order to carry out their extended schedules. The Company has always employed foreign aircrew (including British), but this is believed to be the first time that the employment of German aircrew has been proposed in Europe since the Second World War.

MIDDLE EAST AND INDIA

Aircraft Serviceability in the Egyptian Air Force

(SECRET)

The Royal Egyptian Air Force is still able to carry out some operational training but its spare parts problem is gradually becoming critical. It is probable that all the REAF aircraft will be grounded by the end of 1952 unless this problem can be solved.

Shorter Rail Route from India to Kashmir

(CONFIDENTIAL)

At the heavy cost of \$300,000 per mile, India has just completed a 27 mile railroad which cuts 44 miles off the route to Kashmir. The new line runs from Mukerian to Pathankot through rugged country and over two major river obstacles.

Formerly traffic from Delhi had to proceed to Pathankot by way of Amritsar. From Pathankot, military supplies are moved by road through Jammu to Srinagar.

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COMMENT: The fact that this new cut-off has been rushed to completion in less than two years, at such a high cost, at a time when many other railroad matters are occupying the administration is undoubtedly an indication of the importance which the Indian Government attaches to maintaining rapid and close communication with Kashmir.

The Kashmir Dispute

(CONFIDENTIAL)

Dr. Graham, the United Nations mediator in Kashmir, has sent his third report to the Secretary General of the United Nations for transmittal to the Security Council.

His recommendations are that:

- (i) the Governments of India and Pakistan refrain from augmenting the present military potential in the State;
- (ii) both parties should adhere to peaceful procedures, refrain from inciting their people to fight, and observe the cease fire;
- (iii) both parties should undertake by July 2, 1952 to further reduce forces under their control in Jammu and Kashmir;
- (iv) the United Nations Representative's negotiations with India and Pakistan be continued.

The chief remaining obstacle is the difference over the number and character of forces to be left on each side of the cease fire line at the end of the period of demilitarization. The other two differences refer to the period of demilitarization and the induction into office of the Plebiscite Administrator. Pakistan has agreed to the proposals regarding demilitarization and India feels that if a settlement can be reached regarding the number and character of forces to be left on each side of the cease fire line the other differences can be resolved.

Reaction to the report in India appears to be generally favourable. In Pakistan reports reflect the bitterness in political circles over the stand taken by India on the question of demilitarization prior to a plebiscite.

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Dr. Graham has suggested to Pakistan and India that without prejudice to any action the Security Council may take on his report, he is ready to resume negotiations with the respective governments. His plan is to consult with the Plebiscite Administrator designate (Admiral Nimitz) in order to have his view on problems which have a bearing on their common responsibilities.

KOREA AND THE FAR EAST

Enemy Supply Movements in Korea

(SECRET)

Road and rail movements in North Korea for the week 19-25 April 1952, were the highest for nearly a year and nearly double those of the preceding week. A large proportion of the traffic was South of the 39th parallel. The largest period of comparable activity was noted in April-May 1951, before and during the "5th Phase Offensive".

COMMENT: This further confirms that the enemy is able not only to maintain supply levels, but to increase them in spite of UN air interdiction.

May Day Riots in Tokyo

(CONFIDENTIAL)

These riots are reported to have been incited by 5,000 disturbers (composed of 60% North Korean Communists, 30% Japanese students and 10% casual Japanese labourers). This group appeared towards the end of an orderly meeting of 400,000 Japanese trade unionists and were able to incite them to march to the Imperial Plaza which had been ruled out of bounds for the trade unionists by the Government. On the way to the Plaza, the Communists were able to whip up the mob to a frenzy and when a hastily reinforced line of local and national police tried to stop them, rioting broke out. Thirteen American vehicles parked in the vicinity were overturned and burned and some 5,000 demonstrators battled it out with the police, who fired over the heads of the mob and used tear gas. Casualties were one rioter dead and about 100 on each side severely wounded.

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COMMENT: It is believed that the police expected violence, if it occurred, to take the form of assaults on police stations and tax offices, which had been the pattern of communist violence during the past two months. In addition the Communists took advantage of the vacuum existing between the termination of the occupation and the enactment by the Japanese Government of legislation to curb subversive activities.

It will be appreciated that the anti-foreign nature of the disturbance points out the delicacy of the position of Canadian soldiers in Japan at this time. It is conceivable that the Japanese Government may be influenced to take a stronger line in the interests of nationalism in any negotiations which may take place regarding the status of Canadian and other Commonwealth troops in Japan.

Rebirth of Japanese Air Force

(SECRET)

It is reported that the foundations for a new Japanese Air Force have quietly been laid. A number of National Police Reserve officers, with experience in the Imperial Japanese Naval or Army Air Forces, have been employed to form the nucleus of the new air arm. Plans call for an initial force of 250 light aircraft, probably of the "Cub" type. Supervision and key technicians will be provided by the United States. Difficulties have been experienced, however, in the acquisition of a suitable airbase.

COMMENT: The Japanese Government has approved the purchase of eight light aircraft from the United States: it is improbable that a new Japanese Air Force could become an effective force for at least two years.

MISCELLANEOUS

Range of B-47 "Stratojet"

(SECRET)

The range of the United States Air Force B-47 "Stratojet" has been increased to 4,000 miles. The Boeing Aircraft Corporation announced that the current production model - the B47B- is being equipped with enormous outside tanks suspended under each wing between the tip and the outboard jet engine. A moderate increase in the "Stratojet's" speed has also been achieved by the use of more powerful engines. Each of its six

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engines now develops more than 5,800 lbs thrust, compared to the 5,200 lbs of earlier models.

COMMENT: The USAF list the "Stratojet" in the 600 mile-an-hour category. In 1949, an experimental model crossed the United States in three hours and 46 minutes, with an average speed of 607 miles an hour. The bomber, weighing almost 93 tons, can outpace many of the present day jet fighters.

The USAF have only accepted 27 B47's, although more than 100 are awaiting miscellaneous equipment. It has been reported that 826 "Stratojets" are expected to be delivered to the Air Force by June 1953. A production rate of 69 "Stratojets" per month is anticipated.

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ISSUE No. 4

20 May 52

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SOVIET RUSSIA AND SATELLITES

May Day Parade

(SECRET)

The air section of the May Day Parade revealed no new types of equipment. The parade for the first time appeared very disorganized with its formations very ragged. The weather for the parade was clear with visibility estimated at five miles in haze. The parade showed 46 TU-4's, 94 Mig-15's and no Type 27's. The aircraft flew past in the following manner: the parade was led by a TU-4 with 4 Mig-15's, followed by three sections of 15 TU-4's each, then three sections of 30 Mig-15's. Each section had paint rings on the noses of the aircraft with different colours for each individual section. It appeared that the Type 27 portion of the parade was cancelled at the last moment, and that the Migs were caught unawares by this omission as they were still attempting to form on the TU-4's as they passed in front of the reviewing stand. One flight of Migs was so out of line that they passed directly over the Kremlin. Shortly after the parade, Zigarev, Commander-in-Chief of the Airforces of the Soviet Army, left the stands and returned about 15 minutes later. Then for the next 40 minutes he appeared to be engaged in explanations to Shtemenko and other high-ranking officials. The only noteworthy sighting was a possibly new radar blister on the TU-4 underbelly, offset from centre line, just aft of the front wheel well, and to the rear of the circular gun blister.

COMMENT: This radar blister could possibly house search radar. Although such equipment has been believed to be carried by TU-4 aircraft for some time, its existence has never been confirmed. The use of this equipment would give TU-4's all-weather navigation capability.

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Transshipment Facilities-Russia-Poland

(SECRET)

It is believed that special facilities now exist at the transshipment point of Brest for the quick exchange of the wheels and axles of specially constructed rolling stock, thus permitting cars to move from the Russian broad gauge lines to the Polish standard gauge lines or vice versa. The change-over is effected by running the train over a long, tracked pit which is equipped to hold the cars in position while one set of wheels is detached and lowered to the bottom of the pit by an elevator. The other set is then lifted into position. An unconfirmed report indicates that similar facilities are under construction at the transshipment point for the line Lwow-Przemysl-Cracow in south-east Poland. The time required to change over an average train is said to be about 5 hours.

COMMENT: ~~Wheels and axles can only be changed on special rolling stock,~~ of which there is a limited supply at present. This stock is used for commodities which create handling problems, e.g. chemicals such as sulphuric acid, refrigerated food stuffs. Unless a substantial number of new cars, particularly flats for the carriage of tanks and SP guns, were built with the convertible feature, the importance of special wheel-changing facilities would not be great.

Reaction to EDC Treaty

(SECRET)

In a May-Day speech, the president of East Germany stated that if the contractual agreements and the EDC Treaty were not prevented "it would be necessary for the East German Republic to organize the armed defence of our homeland". He added that the East German armed forces would be purely defensive.

COMMENT: Possible reactions of the East German Government and the Soviet Union include the following:

- (a) overt strengthening of the East German Para-military Police and their emergence as a full-fledged army.
- (b) a declaration by the Soviet Union placing East Germany on the same basis as the other Soviet satellites in Europe.

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In addition, there is some evidence that the Berlin blockade may be re-imposed. Walter Ulbricht the "strong man" of the East German Government, has made it clear in a recent speech that the West Berliners may be the first affected after the signing of the agreements. At the same time, the recent attack on the French aircraft and the stopping of military patrols on the autobahn have focussed attention on the precariousness of the Allied position in Berlin. Further, it may be more than a coincidence that from 18 May all long-distance trains will travel on the new outer ring circling Berlin, and the canal being built to circumvent Berlin will be completed on 28 June.

The EDC Treaty cannot, be implemented until it is ratified by the signatory governments. Therefore such action as suggested above may be delayed until ratification is complete.

Western Shipbuilding for Russia

(SECRET)

Lloyds Register of Shipbuilding for the quarter ending 31 March, 1952, records the following merchant vessels under construction to Russian account:

<u>Country of build</u>	<u>No.</u>	<u>Total GRT.</u>	<u>Tankers (included in total)</u>	
Belgium	2	3,800	-	-
Denmark	4	13,400	1	8,839
Finland	13	12,040	3	3,300
Holland	7	22,000	-	-
Sweden	15	12,018	2	2,000
TOTAL	41	63,258	6	14,339

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Vessels on Charter to Soviet Bloc Countries

(SECRET)

During the first three months of 1952, 131 vessels totalling 594,977 gross registered tons were believed to be on charter to Soviet Bloc countries. It is thought that the majority of these vessels are on time charter, for periods ranging from three months to one year. The activity of the bloc countries in this field is an indication of the extent to which they rely on Western flag vessels to supplement their merchant fleet. A breakdown of these vessels by flag indicates the following:

<u>FLAG</u>	<u>No of Vessels</u>	<u>GRT</u>
BRITISH	27	183,553
ITALIAN	29	120,659
NORWEGIAN	17	49,828
GREEK	17	75,259
FINNISH	9	36,307
PAKISTAN	8	41,756
TURKISH	7	22,966
DANISH	6	20,560
PANAMANIAN	4	19,308
WEST GERMAN	2	693
SWEDISH	1	2,030
LIBERIAN	1	7,240
HONDURAN	1	632
COSTA RICAN	1	7,009
FRENCH	1	7,177.

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(SECRET)

French Budget

The Finance Bill for the 1952 fiscal year was passed by the French National Assembly on April 14th. Expenditure was reduced by about \$585 million to a total of about \$10 billion. Revenue is expected to be about \$7,920 million and U.S. aid about \$750 million. The expected deficit of about \$1,315 million will be financed by short and long term loans. This compares with a deficit of about \$1,150 million in 1951. Overall defence expenditure will be about \$3,625 million compared with about \$2,650 million in 1951. Defence expenditure from own resources (overall expenditure less U.S. aid) will be about \$2,975 million in 1952 compared with an estimated \$2,050 million in 1951.

COMMENT: Proposed defence expenditure for 1952 from own resources represents about 10.7 percent of estimated national income and about 10 percent of estimated total national output. The budget provides for an expenditure of about \$1.2 billion or over a third of the total expenditure on defence for the war in Indochina. The large budgetary deficit forecast for 1952 is highly inflationary and reflects the unwillingness of the Pinay government to increase taxation rates.

MIDDLE EAST

Views On Israeli Expansionism

(CONFIDENTIAL)

Reports indicate that there is a growing pressure for expansion among the younger elements in the Israeli population and that this is sustained by the more bellicose political and military leaders. On the other hand, an official in Israel states that responsible Israeli officials oppose aggression and favour a negotiated peace settlement with the Arab nations. These latter policies may however lose public support. A consequent change in Israeli policy would probably be manifested by provocations designed to incite the Arabs to military action. A likely place is the demilitarized area near Lake Huleh, where there has been conflict over Israeli drainage activities. Israel's immediate objective would probably be the occupation of the demilitarized zone.

COMMENT: Israel could probably attain such a primary objective with its present forces of one armoured brigade and three infantry brigades in being, and its ability to mobilize a duplicate force within a week. There are some indications that not all the present Israeli leaders agree on the desirability of a negotiated peace based on the present Israeli - Arab borders. However, Israel at the moment is undergoing severe economic stress, and while expansion would offer a diversion from present difficulties, the fear of unfavourable Western opinion will probably restrain any major action.

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Russia Displeased With Iran ?

(CONFIDENTIAL)

A report from Tehran states that the Iranian press has seized on the absence of the Soviet Ambassador from the opening session of the Majlis on 27 April as an indication of Soviet displeasure with Iran's acceptance of US military aid. The press appears to expect that the Soviet Union will adopt a firm attitude toward Iran similar to that maintained towards Greece, Turkey and Yugoslavia.

COMMENT: The press may foresee an end of the Soviet "soft" policy which began after the opening of the Korean War and was maintained last year when Iranian events redounded to Soviet advantage. A "hard" policy could mean a resumption of border incidents and intimidatory propaganda. A change of this kind at this time would coincide with the period of financial stringency for Iran and with a time when pressure to replace Premier Mossadeq with a more pliable official would be at its height.

Elections In Ceylon

(UNCLASSIFIED)

This month Ceylon will hold a general election for the second time since the island became a self-governing member of the Commonwealth. Whereas in the first election in 1947 approximately 200,000 Indians or people of Indian origin voted, the number of those eligible to vote in the coming elections is said to be no more than 8,000. The reason for the great disparity in numbers of Indians eligible to vote can be found in Ceylon's new citizenship laws. The Ceylon Hindu Congress claims that the regulations have been so framed that large numbers of residents of Ceylon of Hindu origin cannot qualify for citizenship because they cannot produce documentary evidence of origin and lack time to have their applications for citizenship approved. The Government of Ceylon, however, lays the blame at the door of the Ceylon Indian Congress, saying that it has used its influence to persuade Indians to boycott registration, and is now urging its followers to boycott the elections.

The Indian Government has made representations to the Government of Ceylon on behalf of the large Indian minority, but to no avail. The gist of the reply is that now that Ceylon is an independent country, the aim of the Government is to restrict voting rights to Ceylon citizens and there is no need to change the electoral lists. Not one representative of the Indian Congress Party has been nominated as a candidate. This party had seven representatives in the last House.

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COMMENT: An interesting sidelight on the political situation in Ceylon is that the Communist parties there draw most of their support from the resident Indian population, the majority of whom are labourers on estates and plantations. It is reasonable to presume that Communist party representation in the House, which formerly stood at nineteen members will be much reduced in the new House. There are 95 members in the House.

MISCELLANEOUS

US Instals British Catapult

(UNCLASSIFIED)

The new British steam aircraft catapult has proved so successful in tests with U.S. Navy jet fighter planes during the past several months that plans are afoot to adapt it for use on US carriers. In tests at the Norfolk Operating Base, the Philadelphia Naval Shipyard and at sea, the catapult succeeded in hurling jet planes into the air even when the carrier was facing down wind or was alongside a deck. The first installation of the catapult on an American ship will be on the USS Hancock, an Essex class carrier, which will be completed in 1954. At present, it is being modernized and equipped with strengthened decks, enlarged elevators, and stronger arresting and catapulting gear. There is also a possibility the British catapult will be used on the USS Forrestal, now under construction. If such is the case, it has been predicted they will be able to launch as many as 32 jet interceptors in four minutes. The steam-driven catapult was invented by a Royal Navy volunteer reserve officer, who used the principle of the slotted cylinder, with no rams or purchase cables. A hook on the aircraft about to be launched is connected to a piston, which is driven along the cylinder by high pressure steam from the ship's boiler.

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SOVIET RUSSIA AND SATELLITES

New Routes USSR - North Korea

(SECRET)

In August 1949, the governments of North Korea and the USSR agreed on the construction of direct rail and road connections. This project included bridging the Tumen River, and the construction of a railway and road from Kraskino to Hongui via Gyachegi.

Air photos of Gyachegi taken in November 1951 show a 28-span railway bridge complete, a second railway bridge being built, and a road bridge being reconstructed. Marshalling yards have been built on both sides of the river and it is believed that the Russian yard is designed to handle the transshipment from Russian (5'0") gauge cars to Korean standard (4'8½") gauge cars.

The railway is now in operation and provides a direct rail link between the Soviet Far East and North Korea for the first time. In addition it is reported that a new, hard-surfaced road has been built from Kraskino into North Korea. At present, road traffic is probably using the rail bridge.

COMMENT: Heavy traffic can now move directly from the USSR into North Korea without passing through Chinese territory as formerly was the case. The Russians, therefore, now have complete control over a supply route to North Korea.

Roman Catholic Church in U.S.S.R.

(UNCLASSIFIED)

Although the Soviet authorities continually issue anti-religious propaganda and frequently warn their citizens that belief in religion is incompatible with membership in the Komsomols or in the Communist Party, they took care to try to convince foreigners at the recent International Economic Conference that there is complete freedom of religion in the U.S.S.R. In Moscow a large service was arranged in

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the Roman Catholic church and the Mohammedan Mosque was freshly painted for the benefit of the Pakistanis.

Outside of Moscow, the only other Catholic churches still functioning in the U.S.S.R. are in Lwow, Odessa and Tbilisi. The authorized priest of the Moscow church is Father Brassard, a United States citizen of Canadian origin, who in practice is barred from conducting services and is prevented from having any open contact with Catholics other than those in the diplomatic community.

MIG-15's In Czechoslovakia

(TOP SECRET)

The Czechoslovakian "Liberation Day" fly-past revealed a possible increase in the number of MIG-15's in the CAF. The existing Air Order of Battle shows 17 MIG-15's whereas 45 MIG-15's with Czechoslovakian markings were observed in the fly-past.

COMMENT: The possibility exists that the MIG's observed could be Soviet aircraft flown in for the fly-past. Although the Czechoslovakian Minister for Foreign Affairs announced that "jet aircraft are being produced in Czechoslovakia to make our frontier safe from attack", it is not believed that this production has yet started, and therefore if these MIG-15's were Czechoslovakian they would be Russian-built. However, if the number of MIG-15's in the CAF has increased sufficiently to permit 45 to take part in a fly-past, a complete re-evaluation of the capabilities of this airforce would be necessary.

KOREA AND FAR EAST

MIG-15's Increasingly aggressive

(SECRET)

FEAF reports that, MIG-15's operating in the area between Sinanju and Pyonggang attacked UN fighter-bombers on several occasions, forcing them to drop their bombs before reaching their briefed targets.

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COMMENT: This increased aggressiveness on the part of the MIG-15 pilots has been very noticeable since the middle of April. This aggressiveness is reflected in a number of attacks against our fighter-bombers. Some of these attacks were made well South of the Chongdon River area, indicating that attacks may now be expected south of the usual area of MIG operations. The number of enemy aircraft stationed in the Antung complex and in the Northeast Military District (Manchuria), together with the large number of aircraft observed by UN pilots in the Antung area on occasion, indicates that the enemy has an adequate number of aircraft available to carry out active defensive combat patrols. In addition, it is considered that the MIG-15 is now capable of seriously interfering with our offensive operations and Interdiction programme.

Aircraft Performance Comparison

(SECRET)

Operational reports early in the war in Korea indicated that the F-86 was well able to hold its own against the MIG, but recent information indicates an increasing ability on the part of the MIG's to outclimb the F-86 at all altitudes and to climb to altitudes above the ceiling of the F-86E's.

COMMENT: This would appear to indicate that more and more MIG's in the Korean Theatre, are being fitted with the V.K.I. - 6000 lb. (approximately) thrust engine.

Enemy Strength in Korea

(SECRET)

A new estimate of the enemy build-up since July 51 is as follows. The enemy strength in Korea has increased from 502,000 (72 divisions, with 35 in the forward and immediate rear areas) to 965,000 (82 divisions, with 51 in the forward and immediate rear areas).

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Chinese artillery divisions have increased from four to eight and the North Koreans have added four mechanized artillery brigades. The Chinese air strength has risen from 1,060 aircraft to 1,900 (including approximately 1000 jets, of which 850 are MIG 15s).

COMMENT: The estimate of total enemy ground strength in Korea has recently been raised by Far East Command to 965,000 from 873,000, an increase of 92,000. This increase of 92,000 is arrived at by "healing the sick "and" resurrecting the dead" (a re-evaluation of arbitrary non-battle and battle casualties) and not from the acceptance of any new enemy formations. This re-evaluation covers figures going back to July 51 and coincides with public statements regarding the Communist build-up since the peace talks began.

BW - CW Activity in China

(SECRET)

There is increasing evidence that the Chinese are paying considerable interest to biological and chemical warfare training and research. Chang Chun, Manchuria, is said to be the site of a CW establishment staffed by 300 Soviet trained Chinese technicians. The same city is also reported to be the site of a BW research establishment.

Classes of 400 students are said to be undergoing training in routine CW defence and decontamination at Tangshan, China. A similar school is reported to exist at Chungking.

Peiping, the capital city, is reported to be the headquarters of Chinese BW research, where Russian and Japanese experts are engaged in the development of a variety of diseases for BW purposes. Soviet technicians are also stated to be working on CW problems at Wen-Ch'uan, near Peiping.

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The object of the CW training appears to be the formation of chemical warfare brigades, and to provide personnel with CW training to individual field units. The Revolutionary Military Council has ordered the formation of six chemical warfare brigades by 1953, one for each of the six military districts of China.

COMMENT: CW training is a natural step in the modernization of the Chinese army. Additional urgency is probably given to this by the fear of an attack with BW or CW weapons by the US. There is no indication of any production facilities in China for either CW or BW agents.

Sino-Japanese Peace Treaty

(RESTRICTED)

The text of the peace treaty signed in Taipeh by the representatives of Japan and the Nationalist Government of China on April 28 reveals that the Chinese Nationalist Government won many of its objectives in the negotiations which preceded the signing of the treaty. The Chinese Nationalists were successful in having the document officially termed a "Treaty of Peace"; the Chinese representative was accepted as a representative of "the Republic of China"; Japan recognized the Chinese nationality of residents of Formosa and the Pescadores; Japan gave up claim to any of the property of former Japanese puppet regimes in China; and it was agreed that any problem arising between the two states which was not covered in this treaty should be settled in accordance with the relevant provisions of the San Francisco treaty.

COMMENT: From Japan's point of view, probably the most important agreement was that contained in an exchange of notes which accompany the text of the treaty, and which state that the terms of the treaty are only applicable to Chinese territories which are, or may be, under the control of the Nationalist Government. We can expect that Japan's recognition of Formosa and the Pescadores as a part of the Republic of China will be used by the Communist Government of China as further evidence of the validity of its claim to control of Formosa as an integral part of China.

French Operations in Tongking

(TOP SECRET)

French clearing operations in the Tongking Delta are achieving little success, as the Viet Minh have been able to avoid major contact.

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COMMENT: There have been recent reports that the Viet Minh have tightened up their security and have been eliminating French agents. As clearing operations including the extensive use of napalm continue, it is probable that antagonism to the French among the local inhabitants of the Delta will increase, thus making the task of the Viet Minh easier.

Malayan Director of Intelligence

(SECRET)

Reports as yet unconfirmed state that General Sir Gerald Templer has created a post of Director of Intelligence, Malaya. The Director of Intelligence will co-ordinate the work of all the intelligence agencies including the police special branch, the Navy, Army, and Air Force intelligence services, and the security intelligence agencies.

COMMENT: This new post is particularly important since lack of co-ordination between the intelligence services of the civilian and military security forces has been a serious handicap in fighting the enemy in Malaya. General Templer's experience as DMI War Office no doubt brought about the creation of the post. This action is consistent with his directive, which states that he not only will fulfill the normal civic functions of High Commissioner but will also assume complete operational command over all the armed forces in the Federation of Malaya. He is empowered to issue orders to commanders without reference to C-in-C Far East.

MIDDLE EAST AND INDIA

Turkish Airfield Construction

(TOP SECRET)

Under US supervision and with US aid six airfields are being prepared for jet aircraft operation. Balikesir (8,990)[‡], Diyarbakir (9000) and Bandiram (8,137) are operational. Adana (9000) is 95% complete, Eskisehir's (7,796-9,000) target date is June 52 and \$4,750,000 has been allotted for Merzifon (4,264-9,000) but work has not been started. All runways have 1000' overrun at each end. Work has been abandoned at Afyon (5,888), Kayseri (7,216) and Malatia (7,522) as the approach angles are unsuitable for Jet aircraft. All fields are operational the year round except for the present unpaved runways at Merzifon which will take Medium Bombers for nine months of the year.

[‡] Figures in parentheses indicate the length of the longest runway in feet.

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COMMENT: The rehabilitation of the fields at Diyar Bakir, Adana and Merzifon will serve the two fold purpose of permitting modern jet air support for an "Eastern Front" or a second line of defence if the Western airdrome complex were overrun or neutralized by aggression through the Dardanelles. All these airdromes will probably be available to the Western Powers before the outbreak of a war. Bearing capacity and runway lengths of all these airfields will permit the operation of modern jet bombers.

Indian Troop Movements

(TOP SECRET)

Dr. Frank P. Graham, United Nations Representative for India and Pakistan, in his latest report of the Kashmir Issue states:

"The Government of India has recently issued orders for withdrawals to distances varying from 70 to 450 miles of those military formations of the Indian Army, which last summer had, at certain points, been moved on Indian territory to within 30 miles of the western Indo-Pakistan border".

COMMENT: These movements have been confirmed by reliable sources. Formations include the Indian 1 Armoured Division, 4 and 5 Infantry Divisions and 2 Independent Armoured Brigades, which were formerly concentrated along the Beas River line in Eastern Punjab. The withdrawal in itself is not sufficient to displace the Indian Army for a state of what, on the whole, amounts to tactical disposition in case of hostilities with Pakistan over Kashmir. It has been indicated however that the troops have moved into permanent barracks to avoid the blistering heat of the pre-monsoon period which is followed, in mid-June, by torrential rains.

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WESTERN EUROPE

French on Clipperton Island

(CONFIDENTIAL)

French sovereignty over Clipperton Island was recently reaffirmed by a Colonel Castex and a commando group from the school ship Jeanne D'Arc during a recent visit of that vessel to the island. Clipperton Island is located off the Mexican coast, 670 miles southwestward of Acapulco, and is visited by French officials at very infrequent intervals. It is reported to have a fair site for an airfield, a possible site for a seaplane anchorage base and a seaplane anchorage which would require much dredging. The significance of Clipperton Island lies in its location as an outpost on the Pacific approaches to the Panama Canal and in its possible use as a base for patrol planes.

Memorandum on Trieste

(CONFIDENTIAL)

The London talks on Trieste have ended and the results have been embodied in a "memorandum of understanding between the United Kingdom, United States and Italian Governments". The following is a summary:

The aim of the United Kingdom and United States Government has been to increase Italian participation in the administration of Zone A subject to the considerations that the new arrangements would not prejudice:

- (a) the United Kingdom and United States responsibilities in the Zone;
- (b) a future settlement of the free territory problem as a whole;
- (c) relations with Yugoslavia.

The legal basis of the position of the United Kingdom and United States Government in Zone A, which derives from the Italian Peace Treaty, and under which the two Governments exercise their international

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responsibilities in the Zone, remains unaffected by the new arrangements. The Zone Commander, who is responsible for carrying out the policy of the two Governments, retains full powers of government in the Zone.

The Zone Commander will appoint an Italian senior director of administration who will administer with an Italian staff the majority of the functions of civil government. There will also be an Italian political adviser with status similar to that of United Kingdom and United States political advisers. He will represent the Italian Government in all matters affecting Italy in the Zone.

The functions of Government not specified in the memorandum will remain under the direct control of United Kingdom/United States officials responsible to the Zone Commander. The most important of these functions are control of the police, legal affairs, the operation of the port and of posts and telecommunications.

The U.S. authorities are attempting to stress that the conference has resulted in an extension of Italian administration in Zone A beyond the already fairly advanced stage reached before the conference started. This interpretation of the conference is being directed to Italy over the "Voice of America" to allay Italian disappointment concerning the results of the conference.

TAILPIECE

Russians Like Fliers Best

(SECRET)

On a recent trip to Tiflis, the AA, Moscow, was informed by a retired Soviet airforce Lt. Col. that flying service counts double time towards a pension and that an air force officer could qualify for a pension after 12½ years spent on flying duties, whereas it would take a ground crew or army officer 25 years.

COMMENT: This is another indication of the high esteem in which flying personnel are held in the USSR and reveals another scheme to make the flying service attractive.

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Swiss Developed Guided Missile

(SECRET)

The Oerlikon Company in Switzerland has developed a surface to air missile, radio-controlled (beam rider), and said to be capable of reaching an altitude of 50,000 to 65,000 feet. It can accelerate up to 1,000 mph with a kill probability of 50 per cent. The launching rate is believed to be one missile every four to five minutes. The warhead weighs 44 pounds and the length is five meters. The US have bought this missile and are expected to conduct their tests in the near future.

COMMENT: The eight centimeter rocket now being used so extensively in Korea was purchased from the Oerlikon Company in Switzerland. Sizeable quantities of these rockets have been transported to the US on a special project by the C-82 "Packets".

It has also been reported that US Army has ordered some 3.2 inch Air Force rockets from Oerlikon. The first batch are supposed to be built in Switzerland, but Oerlikon is planning to build a plant in North Carolina for their future production.

French Elections

(CONFIDENTIAL)

Our Ambassador in Paris has pointed out that the one significant result of the recent French elections for a proportion of the seats in the Council of the Republic was the gain registered by M. Pinay's Independent Party at the expense of the Gaullists. The vote revealed that dissatisfaction with General de Gaulle's policy of unremitting opposition exists among the rank and file of the R.P.F. supporters as well as among the members of the Chamber of Deputies. This fact will give encouragement to the maverick Gaullist deputies who have recently been supporting M. Pinay. General Vanier takes the view that the remoteness of General de Gaulle from politics and the vagueness of his patriotic appeal are now wearing thin while the chances of a right-of-centre government like M. Pinay's restoring French domestic policy to a sound basis are brighter.

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COMMENT: Although M. Pinay is inexperienced in foreign affairs, there is a fair chance that he may be able to scrape by on current difficult foreign policy issues if he can maintain support for his domestic economic programme.

United Kingdom Policy on Germany

(CONFIDENTIAL)

A considerable section of the Labour Party, headed by Mr. Hugh Dalton, is promoting a decisive shift away from the bipartisan policy on Germany. The Labour Party is seriously divided on this question and the moderate elements are disturbed at the implications of the May 1 declaration of the Labour Party's National Executive Committee. When Mr. Eden spoke in the House on the European situation, he begged the Opposition not to invite the failure of the whole plan, i.e. Contractual Agreements with Germany and the E.D.C. Treaty, by insisting on prior West German elections, as called for in the Labour Party's May 1 declaration. From Mr. Attlee's speech it became apparent that he did not fully endorse the line of action favoured by Labour's National Executive though he was careful not to reject it out of hand. He pointed out that the May 1 declaration was not an official Opposition statement. The extreme care with which Mr. Attlee sought to explain the official attitude reflects the difficulty the Labour front bench is having in controlling the dissident elements of the Party.

COMMENT: It is probably true that the chances of survival of a bipartisan European policy have been enhanced by Mr. Eden's earnest appeal to the Opposition, and by Mr. Attlee's conciliatory reply. But the split in the Opposition ranks is still of threatening proportions.

E.D.C. Treaty

(SECRET)

An examination of the text of the Treaty revealed only two articles of any significance to NATO.

Article 127 as revised provides that the duration of the Treaty shall be fifty years and that, if the North Atlantic Treaty should cease to be in force or the composition of NATO should undergo "une modification essentielle" before the coming into being of a European Federation or Confederation, the high contracting parties would consult regarding the new situation thereby created. Appended to the text of this article is a joint declaration by the Foreign Ministers that NATO countries represented

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at the E.D.C. Conference should take the appropriate initiative in linking the provisions of the E.D.C. and the North Atlantic Treaty regarding duration.

Article 119 may be summarized as follows:

- (a) The treaty applies to the European territories of its members.
- (b) (i) The European defence forces may, with the approval of the appropriate NATO Supreme Commander, be stationed in the territories defined by Article (6) of the North Atlantic Treaty and not included in Section (1) of this article.
 - (ii) Training establishments, etc. may be established in territories named in paragraph (1) or those situated in the area defined in part (i) of this paragraph or in Africa north of the Tropic of Cancer.

The forces of the European Army may also be stationed in the areas mentioned in (b)(ii) as well as those named in (a) upon a unanimous decision of the Council after consultation with the North Atlantic Council and with the approval of the NATO Supreme Commander.

Forces for the European Army may be recruited in the territories other than those named above provided the individual country concerned accepts full international responsibility for such recruitment.

Allied Position in Berlin

(SECRET)

Official opinion in London, Paris and Washington agrees that as a result of the signing of the contractual agreements and the E.D.C. Treaty, the U.S.S.R. will make the allied position in Berlin increasingly difficult. It is, however, generally agreed that the Soviet Government is unlikely to push matters to a showdown and that they are not at present willing to make the Berlin situation a casus belli.

COMMENT: Opinion is divided on the question whether the Russians will increase pressure immediately or wait until the ratification of the contractual agreements and the E.D.C.

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Defence Ministers for East Germany

(SECRET)

According to the official East German press Willi Stoph has succeeded Karl Steinhoff as Minister of the Interior. Another and unconfirmed report states that Henrich RAU has been relieved as Chief of the East German State Planning Commission and is slated to become Minister of Defence should such a ministry be created.

The War Department comments that both RAU and Stoph are veteran Communists. RAU reportedly has been criticized because of faulty planning in connection with the important iron and steel combine at Fuerstenberg on the Oder. Stoph was founder and head of the so-called "Bureau for Economic Matters", an almost clandestine Government agency charged with procurement of armaments from East German industry for the Alert Police Force. He is reputedly one of the inner circle of the Socialist Unity (Communist) Party, and an able organizer. The possibility that he, and not RAU will head a Ministry of Defence, when and if one is created, cannot be discounted. The Alert Police Force, though it is in fact controlled by the Military Department of the Soviet Control Commission, is nominally under the Ministry of Interior, which Stoph now heads. One factor supporting RAU's possible appointment is his experience as commander of the Eleventh International Brigade in Spain in 1937. It is not known what military experience, if any, Stoph has had. The nucleus of a Ministry of National Defence could be formed in comparative secrecy within the Ministry of Interior.

East Germany Police

(SECRET)

US officials in Germany report that beginning immediately recruiting for the East German Para-Military Police will be carried out by local administration at the lowest (district) level, under the auspices of the SED (Communist Party), rather than by commanders of Para-Military Units.

COMMENT: It is not considered that a major expansion of the Para-Military Police can be achieved by recruiting. It is estimated that the maximum number to be obtained in this way would be 50,000 men, and giving the force a total of approximately 100,000. To complete a major expansion it is estimated that at least 100,000 new recruits are needed and could only be obtained by conscription. The transfer of recruiting functions to the local government agencies however, is a logical preparatory step for the introduction of conscription.

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U.S.S.R. Development of GCI Radar

(TOP SECRET)

Recently sightings have been made of a V Beam Radar set at Moscow Vnukovo Airport; this radar is similar in appearance to the US/CPS 6, and presumably has similar characteristics. This set has a range of 140 nautical miles; an interceptor guidance range of about 70 nautical miles at 30,000 feet; a height accuracy of plus or minus 1000 feet in the design accuracy of the set-up to a height of 38,500 feet.

COMMENT: The development of a Soviet set of this type, which went into production in the USA in 1945 and remains the latest type of American GCI set, represents a considerable achievement on the part of the Soviet electronics industry and will considerably increase the Soviet Air Defence capabilities.

Stockpiling of Wheat in Czechoslovakia

(CONFIDENTIAL)

According to the Czech press, the Czech Government is planning to build new granaries and to secure other additional storage space for the wheat from this year's harvest. These measures will make possible increases in deliveries of grain to the state and of imports from abroad, especially from the Soviet Union, which will guarantee a normal supply of flour and bread to rationed customers as well as the building up of reserves against a poor harvest.

COMMENT: This government measure to provide facilities for storing grain is in line with the new policy of building up state reserves of essential raw materials and commodities, announced at the beginning of 1952, in order to ensure plan fulfilment and to strengthen the defence capacity of the Republic. It may also be part of the state programme for obtaining increased grain deliveries from the peasants who are pressed, increasingly, to enter agricultural co-operatives.

State reserves form part of the Soviet economic system; their object is to ensure against any emergency, whether economic or defence. The adoption of this system in Czechoslovakia was to be expected in the process of sovietization of the economy. Evidence of a current intention to stockpile grain is not therefore necessarily indicative of a response to a particular situation.

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Oil Investment in Middle East

(UNCLASSIFIED)

Due to the shortage of available capital in the Middle East itself and the nature of the oil concession agreements, all petroleum investment funds (except for \$10 - \$12 million invested by the Governments of Egypt, Iran and Turkey) have come from abroad. Moreover, practically all machinery, technical skill, equipment, and manufactured supplies for these investments has had to be imported. Nearly one-half of the investment outlay has been made during the postwar period, especially in the last four years.

Present gross capital investment has been estimated at \$1.9 billion of which \$500 million represents original capital brought into the area and the remainder reinvestment of earnings. Previous to nationalization of Anglo Iranian properties in Iran, U.K. interests controlled 49% of total investment, U.S. 42%, Netherlands 4%, France 4%, and Egypt, Iran and Turkey 1%. Nationalization reduced U.K. controlled investment to 14% and increased Iranian controlled investment to 35% of the total. 40 percent of investment is in the form of refineries, 33 percent pipelines and transportation, 11 percent exploration and drilling, 16 percent complementary facilities including housing, roads and airports.

COMMENT: Factors favourable to the investment of foreign capital in the Middle East include the high productivity of the oil wells; the extremely low cost of extracting crude; the abundance of cheap labour and favourable concessionary agreements (despite recent increases in terms of payments). On the other side of the balance sheet is the current serious threat of nationalization such as took place in Iran and the strategic risk involved in oil properties located in this area of possible future hostilities. The recent high rate of investment is not likely to be maintained.

Indochina

(SECRET)

The Arromanches, a light fleet carrier, is scheduled to leave Indochina for French home waters about 15 June for overhaul. The naval command in Indochina has requested that the ship return to the Far East by the end of September, 1952. No carrier will be operating in Indochinese waters in the interim.

COMMENT: The departure of the only French carrier operating in Indochinese waters without replacement will considerably reduce French capabilities in the aerial support of ground operations within reach of naval aircraft against the Vietminh, and maritime surveillance of the Vietnamese coast.

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Naval - Change of Commander-in-Chief

(SECRET)

Vice Admiral P.M.J.R. Auboyneau is to take over command of the French Naval Forces in the Far East, probably early in June, according to members of the C. in C.'s staff. Capitaine de Vaisseau M.M.B.A. Antoine, is to be his Chief of Staff. Capitaine de Vaisseau Bracket, the previous Chief of Staff, has already relinquished his appointment.

Naval Aviation

(SECRET)

Nine out of twelve Grumman Goose aircraft, handed over to the French by the Americans in March, are now in service with the Aeronavale. They have replaced the obsolete Sea Otters and are used in support of inland and coastal operations. Land based aircraft are now 12 Grumman Goose, 8 Privateers and 1 Dakota (for C. in C.).

From 1st to 16th April "Arromanches" flew 178 operational sorties, attacking targets in the regions of Vinh (18° 38' N) and Dong Hoi (17° 28' N). By comparison with similar British carriers this figure is not impressive, but it represents a greatly improved output; the weather, moreover, was not always favourable, and for this and other reasons flying was possible on only ten days.

Operation "Mercure"

(SECRET)

During operation "Mercure" 26th March to 4th April, the French Navy provided the blockade of the lower Red River with Dinassau 3 and on the Song Trai with Dinassau 12. The adjacent coast was blockaded by the "Savorgnan de Brazze" and four L.C.Is. and L.S.S.Ls. They claim to have repelled more than 300 junks attempting to escape and thus enabled a large number of prisoners to be taken. 180 of 1,600 killed are attributed to the Navy.

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Australian Legation

(SECRET)

An Australian Legation is being established at Saigon. Wing Commander L. Kroll, R.A.A.F., has been appointed as the Service Attache.

Chinese Air to Vietminh

(SECRET)

Information of good reliability indicates that 20,000 gallons of petrol have arrived at a check point on the Chinese side of the China-Tongking border, for the use of Vietminh forces. Petrol has been a major shortage for the Vietminh in recent months and the reported quantity of fuel may mean a resumption of large-scale shipments of military supplies from the Chinese Communists.

COMMENT: The flow of supplies from China to the Vietminh has decreased so far during 1952 as compared with 1951. The decline is in part attributable to the interdiction of supply routes within Indochina by the French Air Force. According to Western standards, 20,000 gallons of petrol is not a large amount but it is considerable for this part of the country. The present location of this petrol may indicate an intention to stockpile within China for Vietminh use. Other reports, as yet unconfirmed, indicate new airfield rehabilitation on the Chinese side of the frontier in the same general area.

Propaganda Against Hong Kong

(TOP SECRET)

There has been another flare-up of Chinese Communist propaganda against Hong Kong. Peiping charges that British troops and police have made "penetrations" from Hong Kong into Chinese territory. A Peiping broadcast included the statement that "The situation has reached the point where it can no longer be tolerated".

COMMENT: The form of propaganda is of a familiar pattern, which is sometimes carried out on a round-the-clock schedule from loudspeakers on the Hong Kong frontier. The present increase, however, coincides with indications that some old-established British firms are preparing to leave China.

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Two PT's at Whampoa

(SECRET)

Two motor torpedo boats were observed at Whampoa, in the Canton area, on 7 April.

COMMENT: It now appears probable that Whampoa has joined Taku, Tsingtao and Shanghai on the list of Chinese Communist PT bases.

Ships Observed at Tsingtao

(SECRET)

Four ex-Japanese destroyers, seven LST and two FS were observed at Tsingtao on 4 April.

COMMENT: The vessels referred to as ex-Japanese destroyers are probably four of the eight ex-Japanese frigates now in the Chinese Communist Navy. This is the largest number ever reported at Tsingtao, where one has normally been based, the other seven being located at Shanghai. This may mean a redistribution of these units; however, they may have been in Tsingtao on a training cruise. FS vessels, typed light cargo vessels (AKL) by U.S. naval terminology, and LST are usually present at Tsingtao. These particular LST and AKL may or may not have been naval manned.

Guerrilla Activity in South Korea

(SECRET)

Enemy guerrilla activity in South West Korea is now the responsibility of Sonam Command, which has taken over from Task Force PAIK. Guerrilla casualties for the week ending 23 May 52 are reported as 104 killed and 15 PWs.

COMMENT: Guerrilla activity has been progressively checked in the past eight months, but it is still formidable in South West Korea. When considered in conjunction with the recently reported guerrilla operations in the vicinity of Pusan some connection may be indicated with offensive intention on the main front. A general enemy offensive in Korea would probably include the preparation of guerrilla pockets in South Korea from which UN lines of communication would be attacked. This is in keeping with tactics employed at the outset of the Korean incident. Apart from

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the larger offensive implication there is the possibility that guerrilla pockets in South Korea form a link between the enemy in North Korea and the more belligerent of the PWs on Koje.

Japanese Economic Development

(RESTRICTED)

During the period of 6½ years of allied occupation which ended on April 28th the economy of Japan has undergone a remarkable recovery. Overall industrial activity in 1951 was three times greater than in 1946 and 50 percent above the average for 1932-36. All industrial output was greater than in pre-war years with the exception of the textile industry which is still at not much more than half its pre-war level.

Much of Japan's recovery has been due to the efforts of U.S. industrial missions which have instituted sweeping reforms in land tenure, taxation and trade controls. As a result of the Strike mission's recommendations very little machinery, and that only machine tools used in gun and tank production were removed in the form of reparations. The U.S. has lent Japan above \$1,800 million in the process of rebuilding industries and reopening overseas trade.

Uruguay

(RESTRICTED)

Formal transfer of the USS Baron, and USS Bronstein, destroyer escorts, to the Government of Uruguay was effected 3 May, 1952. The ships will be named Uruguay and Artigas, respectively.

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SOVIET UNION

Tunnel Under the Amur River

(SECRET)

There is believed to be a railway tunnel under the Amur river at Khabarovsk on the Trans-Siberian Railway. This tunnel, which supplements the bridge over the Amur in the same locality, was apparently begun just prior to the Second World War and completed in 1943.

COMMENT: The Amur crossing is the most vulnerable point on the eastern section of the Trans-Siberian Railway. Since this railway is the main supply route to the Soviet Far East an alternative to the bridge would be of importance.

The Volga-Don Canal

(CONFIDENTIAL)

The Volga-Don Canal, which joins the two rivers in the vicinity of Stalingrad and Kalach-Na-Don, was completed on 31 May 1952.

COMMENT: The canal is important economically, as it provides a new outlet for coal from the Donbas and grain and fish from the Kuban, and will permit industrial products from Leningrad, Moscow and the Urals to reach the Black Sea. It will also allow the passage of smaller naval surface vessels and submarines between the Baltic, Caspian and Black Seas, when the deepening of certain sections of existing waterways has been completed. The canal is the first of several waterway projects to be completed - almost two years before the completion date originally announced.

GERMANY

Soviet Note on Germany - 25 May

(RESTRICTED)

The latest Soviet note on the German question is a weak document and has so far had little effect in Paris, London, Washington and Bonn

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since it adds little to the previous notes. Its most noticeable feature is an insistence on the provisions of the Potsdam Agreement as the basis for any preparation of a Peace Treaty with Germany.

The note refers to the contractual arrangements and the E.D.C. Treaty as a plan to confront the German people with accomplished facts and continues with a reiteration of the Soviet proposal to undertake a joint examination of the questions of a Peace Treaty, the unification of Germany and the formation of an all-German Government. The note concludes by stating that the Soviet Government is acting on the assumption that no separate agreements which any part of Germany may have concluded with the governments of other states will impose any obligations on the Central German Government. In addition, once the Central German Government has signed the Peace Treaty, it will possess all the rights enjoyed by the Governments of other independent and sovereign states.

COMMENT: The note gives no indication as to whether the Soviet Union is agreeable to an impartial investigation of conditions for free all-German elections. It appears that the Allied reply will again attempt to obtain an answer to this question, and will probably repeat former arguments for an impartial electoral commission and subsequent Four Power talks on the specific agenda items.

Railways of East Germany

(SECRET)

The railways of the Soviet Zone of Germany have been operating under great difficulties, chiefly on account of Soviet reparation demands which claimed much rolling stock and made it necessary to reduce many double-track lines to single-track.

Recently there has been a slow improvement in the number of freight cars, and the Russians have possibly returned as many as 16,000 of the cars they seized as reparations. These are mostly old, however, and will not end the shortage.

Various lines have been improved. Those connecting the industrial south with the Baltic coast have been provided with by-pass lines at certain bottlenecks; the Berlin by-passes have been completed and another east-west route north of Berlin is reported to be under construction; the capacities of many of the single-track lines has been increased by the construction of passing loops. The general condition of the permanent way is poor, and, although the system is gradually improving, there is no indication that it is being rapidly developed to handle additional military traffic.

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Berlin

(SECRET)

At the Acheson - Eden talks in Paris on 26 May it was agreed that the Allies, in spite of French apathy, should maintain their position and should protest vigorously to the Russians any infringement thereof.

On 30 May a message of guidance was sent by the U.S. State Department to its missions in Bonn and Berlin setting out the general objectives in the present circumstances:

- (a) the Occupying Powers intend to defend Berlin;
- (b) the Occupying Powers continue to seek a free unified Germany;
- (c) the Western Powers continue to believe that their objectives can be achieved by peaceful means and they will not be disturbed by Communist threats and alarms.

WESTERN EUROPE AND NORTH AFRICA

President Auriol's Views on Germany and North Africa

(SECRET)

President Auriol of France is reported to have expressed the following fears with respect to Germany:

- (a) If the German Socialists come to power, they may carry out the repeated threat of their leader, Kurt Schumacher, to disavow the treaties integrating the Federal Republic with the West.
- (b) To regain lost eastern territories, the German generals may be tempted to accept an advantageous Russian offer; or to provoke an incident bringing the West into conflict with the Soviet Union.
- (c) West Germany may try to leave the EDC and merge its forces with those of East Germany or use the threat of such action to blackmail the West.

M. Auriol described North Africa as an integral part of the French security system, which in turn is a main pillar of the security edifice of Europe and South East Asia. He implied the edifice might collapse if the French were weakened in Africa. He said he hoped that the United States would not give the impression of encouraging Tunisian Nationalists who, he charged, were closely associated with Tunisian Communists.

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He asserted that he, personally, was urging the French Government to change the status of Tunisia and Morocco from that of Protectorates to that of Associated States, but he said the French attempt to lead these states toward greater self-government was complicated by the fact that they were not democratic states but were governed by feudal regimes.

COMMENT: The fears of the French President concerning Germany are shared by millions of his countrymen. They have come repeatedly to the surface during the long months of negotiations leading to the contractual agreements and the EDC. They help to explain the insistence of the French Cabinet upon stronger Anglo-American guarantees before permitting Foreign Minister Schuman to sign the aforementioned documents.

M. Auriol's reference to "Associated States" with regard to Tunisia is not clear. Although the French appear to be willing to accelerate the reform programme for Tunisia and to grant the Tunisians a greater degree of self-government, it appears unlikely that the French would agree to full autonomy for Tunisia at this time. M. Auriol's views do not necessarily reflect the views of the French Government.

Belgian Air Defence Organization

(TOP SECRET)

A recent exercise ("Cirrus") disclosed a lack of co-ordination in the air defence of the Antwerp area, and a combined Dutch-Belgian sector control system is now being organized near Antwerp. This is expected to improve the defences considerably. Three new airfields are soon to be built in north-east Belgium, for use by interceptors.

Exercise "Cirrus" showed weaknesses in international control and communication: plotting information was not passed rapidly enough between the two countries and the lack of sufficient English-speaking operators also hampered communication.

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KOREA

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Martial Law in South Korea

(SECRET)

In the last week of May, President Syngam Rhee of South Korea declared martial law in the City of Pusan and surrounding districts. In addition, a number of members of the National Assembly were arrested by military police of the Republic of Korea. The grounds for these actions were said to be that guerilla activity was menacing, and that North Korean communists had been able to buy over members of the Assembly.

Rhee's term of office expires in June and the real reason for Rhee's action is thought to be an effort to overawe the Assembly and force it to re-elect him. Our representative to the U.N. in New York has been asked to inform the Secretary General of the U.N. that the Canadian Government would view with concern any unnecessary restriction of civil liberties in contravention of the Constitution of the Republic of Korea.

COMMENT: In justifying his position to himself and to others, Rhee has made it plain that he considers that he represents Korean public opinion more accurately than does the National Assembly. Insofar as his own re-election is concerned this is probably unfortunately true. Our present advice is that the President is senile but there appears to be nobody sufficiently well known to take his place. Rhee's actions adversely affect the efficiency of the ROK Army and will be an embarrassment to the UN Command in Korea.

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SOVIET UNION AND SATELLITES

Steel Production

(SECRET)

In 1951 the total production of finished steel in the Soviet bloc was 29.9 million metric tons, of which the Soviet Union produced 23.4 million tons or 78 percent of the total, and the combined Satellites 6.5 million tons or 22 percent of the total. Soviet production is approximately 28 percent of the U.K. and U.S. combined production of 83.5 million tons of finished steel in 1951.

Over fifty percent of the total bloc production of finished steel comes from two areas, the Ukraine and the Urals, and no other single area produces as much as ten percent. The only other areas of significance are Western Siberia and the Volga, where most of the production comes from two large plants, at Stalinsk in Western Siberia and Stalingrad in the Volga area. This concentration of steel output in areas sometimes remote from the main engineering production centres is an economic disadvantage.

COMMENT: In the Soviet Union only a small amount of steel is used for consumer goods, and the bulk is used in building and construction, the engineering industries, heavy industry, agricultural machinery and transport. This factor should be taken into account when comparing Soviet production with that of the West.

In 1951 the Soviet Union produced an estimated 31.6 million metric tons of crude steel. Since 1946 production has been increasing at the rate of about 3.25 million tons a year. A continued average annual rise of this amount would be sufficient to reach a production of 60 million tons by 1960, and would achieve Stalin's announced objective of attaining an annual production of this amount of steel by 1960-65. 60 million tons of crude steel represents approximately 44 million tons of finished steel, or about 60 percent of the amount of finished steel produced by the U.S. in 1951.

Czechoslovakian Industrial Production

(SECRET)

Premier Zapatocky recently announced that Czechoslovakia's production plan has been fulfilled for the first quarter of the year only by 98.1 percent, but nevertheless total production had risen by 18.6 percent over that of the first quarter of 1951. The non-fulfilment of

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the plan in certain branches of production, especially sources of power like coal, or basic materials like iron and steel, was causing great difficulties in a whole series of other branches of production. It was causing breakdowns in transport, in supply, in power and so on, as has been seen in many cases during the first quarter of the year.

COMMENT: The Plan for 1952 calls for a 21.1% increase in industrial production, a higher increase than in any year since 1947. This quarterly report indicates that this rate of growth is not being achieved although the margin of under-fulfilment is not very great. The percentage increases claimed must be discounted in view of the unreliability of Czech statistics but the actual rate of growth is quite high. Zapatocky's statement, however, would appear to indicate there is a lack of balance between production, power and transportation facilities, with these latter two imposing a limitation on production.

Expansion of East German Para-Military Police

(TOP SECRET)

The following developments indicate that preparations are being made in East Germany for an expansion of the HVA Bereitschaften (the East German Para-Military Police):

- (a) the "paper reorganization" of Bereitschaften into skeleton divisions early in January 1952; the recent transfer of recruiting functions to local administrative organs; and the appointment of Willi Stoph as Minister of the Interior and the probable covert formation of a Ministry of Defence.
- (b) the recruiting drive which started in May and which is expected to lead to a significant increase in the present estimated strength of 51,000 - 53,000.
- (c) No general move to summer training areas has been made this year. The reason is thought to be reorganization and strength increases.
- (d) A defector has stated that he had been forced to sign a 5-year contract instead of the normal 3-year one.
- (e) A draft law for an East German Army is reported to have been prepared for submission to the People's Chamber of the German Democratic Republic:
- (f) Evidence that units have received issues of mortars, field and anti-aircraft guns, Soviet carbines and possibly T-34 tanks.

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COMMENT: The present issue of weapons should make possible the training of large numbers of new recruits, although it is considered that a major expansion can only be achieved by the introduction of conscription. The capabilities of the HVA Bereitschaften, although increased by this issue of weapons, are not considered sufficient to permit any sustained offensive action without further increases in personnel and extensive training

German Ratification of EDC Treaty and Contractual Agreements (SECRET)

Recent impressions of German opinion on the ratification of the Contractual Agreements and the European Defence Community Treaty suggest that none of the followers of Adenauer would press for Four-Power Talks with the Soviet Union before ratification. Nor would they oppose the Agreements, although some of the right wing representatives might question the treatment given to the problem of war-criminals.

The S.P. D., while putting no faith in the Soviet proposals, would probably insist that Four-Power Talks be held at once. One of Schumacher's lieutenants is reported to have said that even if the unwillingness of the Soviet Union to permit free elections was demonstrated in the course of such talks, his Party would still oppose the Contractual Agreements and the E.D.C. Treaty. However, Adenauer and people close to him still maintain that ratification can and should come before the Bundestag closes in July.

KOREA AND SOUTH-EAST ASIA

Enemy Troop Movements in Korea (SECRET)

Recent reports indicate heavy troop movements, southwards on the East coast of Korea. The troops are reported to be Chinese and to have large numbers of trucks, heavy artillery and what appear to be rocket launchers with them.

Air sightings tend to confirm these reports: the total volume of road and rail traffic on the East Coast has increased considerably. It appears that the moving troops may be the Chinese 66th Army or North Korean troops trained in Manchuria. It is also suggested that the enemy may be planning to make its main offensive thrust on the central front.

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COMMENT: The 66th Army is part of the XX Chinese Army Group. The other two armies of this Army Group, the 67th and 68th are in the central sector. The 66th Army is reported to have been reorganized in Manchuria as a mechanized army.

There are a number of indications which point to a possible enemy offensive in the central sector. The 11 ROK Corps is located there and, if he did attack there, the enemy would be following his practice of assaulting through South Korean units whenever possible.

Night Interception of UN Bombers in Korea

(SECRET)

Recent reports state that enemy aircraft carried out a night interception of UN Bombers in the night of 10th - 11th June. It appears that ten B-29's, carrying out a night bombing operation, were successfully attacked by rocket firing enemy jet aircraft, causing the loss of two B-29's and major damage to a third. The enemy attack, well co-ordinated between jet fighters, flak and searchlights (which were definitely radar-controlled), was a planned effort with seeming ground-to-air and air-to-air coordination.

COMMENT: This is the first known instance of UN aircraft being lost at night due to fighter action over Korea and is the first report of the combat use of rockets by MIG-15's. The proficiency and aggressiveness of the communist attack may indicate the beginning of an effort, with improved weapons and techniques, to prevent UN night interdiction and airfield strikes. The use of searchlights to guide fighters indicates that this attack was directed from the ground, rather than by the use of AI. There is no evidence that the enemy has any effective AI equipment.

South Korean Political Troubles

(SECRET)

There is apprehension regarding the effect on the security of UN forces in Korea of the present political troubles in South Korea. There is danger that violence may enter the political scene, as a result of some rash act on the part of Rhee, and there is the further danger of disaffection

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amongst ROK Troops holding part of the UN line. It may even ultimately be necessary for General Clark to intervene with armed force to protect the President and the Assembly from each other.

COMMENT: The American Embassy in Pusan considers that the situation is probably beyond compromise, and the Times of London reports that Rhee has threatened to remove ROK troops from the UN command. Intervention by UN troops in the South Korean political situation may be necessary, but would raise serious difficulties.

Chinese Troops In Southern China

(SECRET)

Chinese formations in the area opposite Hong Kong are estimated to have a strength of 180,000, in the area opposite Indo-China, 290,000, and in the area opposite Burma, 50,000. Some of these formations could be used to reinforce more than one of these theatres.

COMMENT: Many of the members of these formations are veterans of Korea and whole divisions have been welcomed to the area as Korean heroes. These troops could attack any of these areas at any time without adversely affecting the enemy position in Korea.

Situation in the Tongking Delta

(SECRET)

Lieutenant General de Linares, the French Commander in North Viet Nam, states that there will soon be no large Viet Minh elements within the Tongking Delta. He anticipates some major offensive before the rains, possibly as a diversion in one area to facilitate attacks in other areas to steal rice.

COMMENT: Since the evacuation of Hoa Binh in February 1952 the number of organized Viet Minh formations inside the Delta (consisting of one complete division, the major portions of two others plus one regional regiment) has been reduced by French clearing operations to approximately three regiments. On the northern perimeter two complete divisions

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and elements of a third are now in a position to descend on the rice area located north and west of Hanoi. If the French are able to prevent them from removing any considerable quantity of rice, it will represent, together with the successes of the clearing operations, a local improvement for the French. The advent of the rainy season will probably prevent large scale operations, but the more highly mechanized French will be at a disadvantage. The picture, therefore, remains the same: that of slow deterioration of the French position.

WESTERN EUROPE AND NORTH AFRICA

The Schuman Plan and European Integration

(RESTRICTED)

The Schuman Plan has now been ratified by the Governments of France, Western Germany, the Netherlands and Luxembourg. It has passed the Belgian and Italian Senates and will probably soon be ratified by the Belgian and Italian Assemblies.

The United Kingdom plan for remodelling the Council of Europe to serve as the Ministerial and Parliamentary institution of the Schuman Plan and the E.D.C. was approved in principle at the final session of the Assembly of the Council in Strasbourg on May 30 and will be discussed in detail in the autumn session.

According to a statement made by the Swedish Foreign Minister in Parliament on May 27, it seems clear that if the Council of Europe is remodelled on the United Kingdom plan to include the E.D.C., Sweden will withdraw rather than risk even indirect association with an organization concerned with military matters.

Tunisia

(SECRET)

Both the Western powers and the African-Asian group of nations would appear to have been reconsidering their position with regard to the Tunisian question. The French are now thinking in terms of unilateral announcement of a programme of reform rather than of attempting to negotiate a settlement through a mixed Franco-Tunisian commission. The United States is known to favour such a new approach, although wishing to examine any proposals which may be put forward before committing

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itself to support them. The United Kingdom for its part now appears to be disposed to take a slightly firmer line in encouraging the French to press on with the implementation of reforms.

COMMENT: The African-Asian nations may not now attempt to convoke a special session of the General Assembly to consider the Tunisian question, nor to raise the matter again in the Security Council. It would appear, however, that the subject may well be raised at the next regular meeting of the General Assembly and that developments at that time will depend in large measure on the action taken by the French in the interim.

MISCELLANEOUS

Political Situation In South Africa

(SECRET)

Internal troubles in South Africa are accumulating in number and intensity. The more highly developed opinion was offended by the Government's rejection of the Appeal Court's decision and the introduction of the High Court of Parliament Bill; the banning of the newspaper, the "Guardian", has alienated the press, and the recent arrest of Mr. E.S. Sachs has aroused the trade unions. The extraordinarily rapid deterioration of the political situation and the highly adverse press opinion being given South African affairs abroad, especially in the U.S.A., are beginning to have their effect.

The Government's sudden switch from the constitutional line to an attack on communism is thought to have as its object the winning back of support in the United States. The Government may yet have to face the possibility of defeat at the polls in the next election, particularly if it is held in the near future.

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CORRIGENDUM

Joint Intelligence Summary: Issue No. 9

The word "anti-aircraft" in line 3 of the comment on the first item on page 1 of this issue of the Summary should read "anti-tank".

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SOVIET UNION AND SATELLITES

Soviet Troops on the Baltic Coast

(TOP SECRET)

Unusual and intense military activity was recently reported on the Baltic coast, particularly in Rostock and on Rügen Island. One report suggested that about 15,000 troops arrived in Rostock in early May from Altengrabow and the Soviet Union.

COMMENT: After investigation and tours many of these reports have been discounted, and it now appears that movements took place of certain anti-aircraft artillery formations, in order to permit the range-firing of artillery pieces of large calibre (122 mm and 152 mm guns and howitzers). Touring of Rügen has been permitted, and no great significance is now attached to movements of troops in the area.

US Lend-Lease Ships Retained by the Soviet Union

(UNCLASSIFIED)

The following US lend-lease vessels are still held by the Soviet Union:

Frigates	1	Minesweepers	77
Submarine Chasers	140	Motor Torpedo Boats	205
Landing Craft	105	Tankers	10
Liberty and other		Tugs	18
freight ships	84	Barges (pontoon, machine	
Floating Repair Ships	4	shop and crane)	25
Motor Launch	1	Personnel Boat	1

TOTAL: 671

The Soviet Union claims that 146 of these vessels have been scrapped or lost and that 171 are unseaworthy. They have offered to return 186, and to buy the remaining 168.

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Soviet Foreign Trade and the Moscow Economic Conference

(SECRET)

The following conclusions sum up the results and importance of the recent economic conference in Moscow:

The practical results of the conference appear to be small. The Soviet Union has been able to effect only a small increase in trade between the Communist Bloc and the rest of the world, mainly in textiles and other non-strategic goods. In terms of strategic materials the gain is negligible. The achievements of the conference on the international propaganda level are more difficult to assess. Its work is to be continued by a Permanent Committee for the Promotion of International Trade which will prepare for a second Conference; a recommendation from the Conference on promoting international trade will be sent to the United Nations' General Assembly.

Up to the present time the Soviet Union has not influenced in any way the NATO policy of restriction of the exports of strategic materials to the Soviet Union and to the East European satellites, or the United Nations' embargo on shipments of strategic materials to China. However, the ad hoc Co-ordinating Committee in Paris has decided to review East-West trade problems and to discuss the effects of the Moscow Conference.

Following trade exhibits in Helsinki and Bombay, the Conference succeeded in further advertising the industrial achievements of the Soviet Union and the trading possibilities of the Soviet bloc.

At first sight, the trade proposals made at the Moscow Economic Conference by the Soviet Union appear to denote a departure from the long-term policy of economic self-sufficiency pursued by the Soviet Union and by the Communist Bloc. It would be nearer the truth to say that at least for the next two or three years, foreign trade from the Soviet viewpoint is designed to contribute to the completion of the economic plans of the communist-dominated area and expand its economic war potential. The most significant development is that a new emphasis has been placed on world-wide trade as an instrument of Soviet foreign policy. Thus Soviet foreign trade policy becomes an important economic weapon in the current cold war and one of the main planks in the Moscow Peace Campaign.

Aluminum Industry of Hungary

(SECRET)

Hungary is the world's sixth largest producer of bauxite. Wartime production was estimated at about one million tons a year. Current output of bauxite is estimated to be in excess of 600,000 tons and it is planned to increase this substantially in 1952.

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Hungarian production is about 40 per cent of the total Soviet Bloc production of bauxite. At least half of the Hungarian bauxite goes direct to the Soviet Union, the remainder being consumed within Hungary and other Satellite countries. Hungarian bauxite production is an important contribution to the Soviet Union which has a shortage of high-grade bauxite although it has ample deposits of aluminous raw materials of lower quality.

In 1951 Hungary produced an estimated 22,000 metric tons of aluminium. About half of this production is thought to go to the Soviet Union. The planned target for 1954 is 42,000 tons. Soviet Union output of aluminium in 1951 was estimated at 230,000 metric tons.

Yak-18's in the Polish Air Force

(SECRET)

Four aircraft of the Polish Air Force, which were probably Yak-18's, were recently observed on Radzyn airfield in east Poland.

COMMENT: The Yak-18 is the standard elementary trainer of the Soviet Air Force, but this is the first report of these aircraft in the Polish Air Force. This may indicate progressive introduction of the Yak-18 as the standard elementary trainer in the Polish Air Force.

KOREA AND SOUTH-EAST ASIA

Night Interception of UN Bombers in Korea

(SECRET)

An item under the above title in the last issue of the JOINT INTELLIGENCE SUMMARY (Issue No. 8) reported that UN B-29's were attacked in Korea in the night of 10th-11th June by rocket-firing enemy jet aircraft. Further interrogation of the crews of the B-29's has now revealed that the reported rocket fire was probably 23mm or 37mm fire.

COMMENT: It is possible that either 23mm or 37mm fire could be mistaken for rocket fire.

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Guerrillas in South Korea

(CONFIDENTIAL)

It is reported that, although the initial stages of the anti-guerrilla campaign in South Korea have been successfully carried out, lack of an adequate follow-up has allowed guerrilla activity to reach alarming proportions during the past month. Reinforcements for the guerrillas are reported to be arriving in small groups from North Korea, and the South Korean police, to whom the campaign was entrusted after the formation of II ROK Corps, are proving to be no match for their opponents. The ROK Minister of Defence has undertaken to commit three light brigades to the anti-guerrilla campaign as soon as possible.

COMMENT: This threat to the UN southern line of communication could be dangerous if North Korean forces launch an offensive; even limited success might deny the port of Inchon to the UN, who would then depend entirely on the Pusan-Taejon road and railway for logistical support.

Chinese Claims of Territorial Violations by the French

(SECRET)

Peking propaganda broadcasts claim repeated violations of Chinese border regions by bombing planes of French forces in Indo-China.

COMMENT: French bombing missions have attacked supply routes in Northern Tongking; apparently this is the peg on which is hung this propaganda. The broadcasts might be part of a campaign leading to direct intervention in the Indo-Chinese war; but it is more likely they are no more than part of the long-range Chinese policy of appealing to Asia as a whole to throw off Western intervention.

Defection of Vietnam Units

(SECRET)

In the Hadong (Tongking) area, Franco-Vietnam authorities have disarmed a militia unit, which they suspected was preparing to defect.

COMMENT: There have been previous reports of individual and small group desertions among the Vietnam native forces. In most cases the defectors have not gone over to the insurgents but have simply resigned from the war. In this case, the implication is that the militia unit was on the verge of joining the Vietminh. It shows the success of the Vietminh in subverting indigenous units.

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WESTERN EUROPE

French Attitude towards Ratification of EDC Treaty

(SECRET)

It appears that, since the E.D.C. agreements have already been presented for ratification in Washington, London and Bonn, it will be more and more difficult for the French to postpone submission of the Treaty to the National Assembly. If the French Government does not indicate its intention to obtain soon a decision from the Assembly, the matter may be raised at the forthcoming tripartite meeting in London.

COMMENT: It seems that the French are not too eager to lose, through early ratification of the Treaty, a strong bargaining instrument in their present dealings with the Americans concerning off-shore purchases, aid to Indochina and support to their North African policy.

Communist Demonstrations in France

(CONFIDENTIAL)

In the view of our Ambassador in Paris the failure of the recent communist agitation in France can only be regarded as a serious public defeat for the Communist Party. The Communists were unable to drum up public support for the anti-Ridgway campaign, and also failed to intimidate the civilian authorities when they decided to throw their "shock troops" into violent clashes with the police. The series of strikes called by the C.G.T. to protest the arrest of M. Jacques Duclos evoked very little response among the workers.

Political Developments in Italy

(CONFIDENTIAL)

The significance of the recent administration elections in Italy lies in the fact that the relative gains of the right-wing monarchist - M.S.I. (neo-fascist) alliance have left the democratic centre with a relatively narrow margin over the totalitarian extremist parties of the right and left.

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The monarchist - M.S.I. (neo-fascist) alliance obtained 23.5% of the votes and won control of the seaports of Naples and Bari, the airbase city of Foggia, and Salerno, Benevento and Avellino. The Democratic Centre parties won 41.9% of the votes; the communist leftwing socialist bloc 33.4% of the total vote -- (slightly larger than in 1948).

COMMENT: Should neo-fascism register further gains in the national elections next year and the communists retain their present following, the results would be very serious for Italian democracy. The monarchist - M.S.I. alliance, however, is believed to be insecure and the government may be able to make use of legislation now before parliament designed to prohibit organizations of a fascist character.

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SOVIET UNION AND SATELLITES

Soviet Sverdlov Class Cruiser Construction

(TOP SECRET)

The following table gives the latest information as on 19 May, 1952 on the state of the new Sverdlov Class Cruiser building programme in the Baltic. The Sverdlovs are 720 ft. long, have 12 x 6" guns and a range of 8,200 miles at 15 kts. They have modern radar fire-control equipment.

SVERDLOV	Operational
SVERDLOV II	Operational
ZHDANOV	Operational
ALEX. NEVSKY	Fitting Out
SVERDLOV V.	Fitting Out
SVERDLOV VI.	On Ways
SVERDLOV VII.	On Ways
Possible SVERDLOV	On Ways
Possible SVERDLOV	On Ways
Possible SVERDLOV	On Ways

COMMENT: In addition, there are believed to be three Sverdlovs building in the Black Sea and one operational. It is thought possible that more Sverdlov hulls will be laid down as the building ways become vacant.

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Re-equipment of Soviet Light Bomber Regiment in Hungary (SECRET)

Five Soviet Air Force IL-28's (twin-jet light bombers), of which two were dual control type (U-IL-28's), were seen on TOKOL airfield eleven miles SSW of Budapest.

COMMENT: A regiment of PE-2's left Austria at the end of 1951 and has been based ever since at TOKOL. It now appears that this Regiment is being re-equipped with jet light bombers.

Field Training - Soviet Army in Germany (TOP SECRET)

An unconfirmed report in early May stated that 15,000 troops had arrived in Rostock from Altengrabow (artillery summer training area in Germany) and by sea. Similarly 6,000 troops were reported as having arrived on the Island of Rügen from the Third Guards Mechanized Army, Jüterbog (summer training area in Germany) and by sea. Large ammunition shipments have been reported from the Soviet Union to Rostock and Rügen. Movement of anti-tank guns from Berlin to the Baltic (Rostock-Rügen area) has been reported. During 9 - 11 May vehicles of 3 Guards Anti-tank Brigade (Third Shock Army) normally stationed in Bernburg were observed in Rostock.

On 22 May our observers in Rügen were denied entry to the Wittow Peninsula and to the Binz-Zirkow area. A vehicle of 4 Independent Anti-tank Brigade (GHQ Tps) normally at Jüterbog was, however, observed on the island. Subsequent reports and observation on the ground have indicated that there is no unusually large concentration on the Baltic coast of East Germany generally.

Steady progress is being made in the construction of the new summer training area around Lossa in southern Germany.

COMMENT: Arrival of large numbers of troops on the Baltic coast has been reported in previous years but never confirmed. There have been no reports of unusual shipping movements this year.

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It is possible that 4 Independent Anti-tank Brigade has moved to Ruegen Island. Ruegen has not hitherto been occupied by Soviet troops. It is too early to draw conclusions but the activity may be in connection with:

- (a) Specialized training of a classified nature on Ruegen Island (access was denied to certain areas);
- (b) Amphibious training (but there have been no reports of suitable craft);
- (c) More adequate facilities for long range firing of the 100-mm anti-tank gun with full charge (villages neighbouring on the regular artillery training centre of Altengrabow have been hit in the past);
- (d) The establishment of a permanent anti-tank training centre on Ruegen Island. Anti-aircraft artillery has its own centre on the Wustrow Peninsula whereas the Altengrabow area has been used for both field and anti-tank artillery training. The Wittow Peninsula on Ruegen Island (like the Wustrow Peninsula) is connected with the adjacent area by a very narrow isthmus which would simplify security.

Lossa may be the new summer training area for 21 Guards Mechanized Division which trained formerly in the Eisenach-Ohrdruf area.

It is still too early in the season to form any conclusion as to the quality or stage of training reached as compared with 1951. So far no marked concentration of any particular type of training has been noted. From reports received it is reasonable to assume that normal summer training, probably at company level, is being carried out in the main training areas (eighteen of the twenty-two line divisions) and in the vicinity of garrison towns (the four remaining line divisions).

KOREA AND SOUTH-EAST ASIA

Reconstitution of ROK Army

(SECRET)

It is reported that the ROK Army has been reconstituted. Details are as follows:

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- (a) Strength of ROK division is 12,620;
- (b) Divisional artillery consists of one battalion of 18 x 105-mm howitzers;
- (c) Vehicle establishment is 2,200 (numbers actually held are below this);
- (d) No armour exists in the divisions, there being only 45 tanks in the ROK Army, which are directly under GHQ;
- (e) Six additional artillery battalions and an increase to three tank battalions have been authorized, but implementation is very slow.

COMMENT: There are at present ten ROK divisions, each approximately equal in strength to a Chinese division. This report does not materially alter the previous estimate that the ROK Army is relatively ineffective and incapable of absorbing any substantial increase of heavy weapons.

All-Weather and Night Capabilities of Communist
Chinese Air Force in Korea

(TOP SECRET)

In Korea the present tactics for Migs attacking UN aircraft on ground support or interdiction operation, is to attack from either cloud cover or out of cloud. In addition, exercises involving MIG-15's have been carried out at night. Recently two B-29's were shot down at night by Mig-15's in a searchlight, AA, and GCI coordinated attack. Such an attack would be impossible if the aircraft were not in possession of a full range of all-weather and night-flying instruments.

Economic Effect of Bombing of Korean Power Stations

(SECRET)

Sui-ho, Changjin-gang and Pujon-gang power stations have been reported out of operation on account of UN bombing during the week of June 23, 1952.

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COMMENT: The principal power stations of North Korea are situated along the Yalu River on the Korean side of the Manchurian frontier, and on the tributaries of the Yalu to the Southeast in the area of Choshin and Fusen Reservoirs. All stations, including Sui-ho, are inter-connected on a grid system.

The total operable capacity of the hydro-electric stations in the Yalu River system was estimated at 490,000 KW in 1950. Manchuria was believed to be receiving 70% of this. The power produced by the stations on the Yalu is of greater importance to Manchuria (since it meets the normal requirements of cities such as Mukden, Harbin and Antung), than it is to North Korea (whose requirements for industry and rehabilitation could well have been met after some improvization by the power output of the remaining plants on the Yalu River tributaries). No recent figures are available on Manchurian power production but it is thought that well over one-half has come from North Korea. The breakdown of the remaining 30% between North Korea and the Primorskiy Kray in the Soviet Union cannot be estimated.

Japanese Trade with Communist Countries

(SECRET)

The Japanese Government has replied (to a U.S. approach) that it would like to join the Paris Group to co-ordinate restrictions on exports of strategic materials to communist countries. At a meeting of the Group on June 24 it was agreed that the U.S. and U.K. should discuss informally with Japan the question of its inclusion without formally committing the Group.

COMMENT: It appears that the European members of the Group are inclined to favour Japan's admittance.

FINLAND

Finnish Air Force

(SECRET)

Of a total of 85 aircraft in the Finnish Air Force, 48 are Me-109's (single-engined German fighters); the remainder are trainers and transport aircraft. Through lack of spares and deterioration the Finns find it extremely difficult to keep four or five Me-109's in the air for

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more than a few minutes at a time. Negotiations for British Sea-Furies are not likely to be successful because of NATO's needs. They now hope to get some old Vampires which will become surplus as British squadrons are re-fitted, but apparently they are unlikely to obtain more than six.

The Finns are thinking of re-opening the State Aircraft Factory at Tampere. They feel they could produce the first airframe in two years and the first engine in three years, from the date of receiving the foreign license and drawings.

NORTH AFRICA

Tunisia

(CONFIDENTIAL)

Tunisia: There have been two recent important developments concerning

- (a) the French Foreign Minister submitted to the National Assembly on June 19th, a number of proposals for constitutional reform;
- (b) the Secretary General of the United Nations transmitted on June 21st to all member states a request of thirteen members for the summoning of a special session of the General Assembly to consider the Tunisian problem.

Under the new proposals Tunisian Ministers are to be granted "wide responsibilities", while the power of certification of decree laws by the French Resident General is to be formally suppressed. Nevertheless he will be able to suspend the implementation of decrees until a mixed administrative tribunal has declared itself upon their validity. Two advisory nominated assemblies are to be set up, one purely Tunisian and competent to consider all but financial questions; the other a mixed assembly concerned with budgetary problems. In addition, municipal councils are to be directly elected. The French Government, although unable to secure a positive vote of approval for this programme, succeeded in beating off attacks on the programme and now can consider itself free to negotiate with the Tunisians.

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COMMENT: It is considered likely that the French proposals will be opposed by exiled Tunisian nationalists and by Arab governments and that the situation will remain tense unless the U.S. gives strong support to the proposed French policies.

With regard to the Special Session, it is considered unlikely that it will be possible to obtain the necessary support of 31 states.

WESTERN EUROPE

Netherlands Army Divisional Exercise

(SECRET)

The Netherlands Third Division recently completed an exercise involving attack and defence. Maj-Gen CD Toet acted as exercise director, commander of the 3rd Division, and commander of the enemy, an impossible task for any single officer. It is not known why Maj-Gen Warringa, who commands the Third Division, did not take part.

No military attaches were invited to the exercise, but a report states that a number of officers on the divisional and brigade staffs and some of the unit commanders were totally incapable of performing their tasks adequately. Road discipline was extremely poor. Reconnaissance and movement of troops did not proceed simultaneously, with the result that troops were usually late getting into position. Orders moved very slowly and little initiative was shown when orders did not arrive. Co-operation between arms and services showed lack of practice. Troops participating appeared to be well-trained in their weapons and in minor tactics up to company level.

COMMENT: This exercise did not show any improvement over other exercises conducted during the past few months in the Netherlands.

Norwegian Defence Programme

(CONFIDENTIAL)

The Norwegian government announced on April 25 its proposals for defence expenditure over the next three years, in accordance with decisions made at the NATO meeting in Lisbon.

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Defence expenditure during the three year period from July 1, 1951 to June 30, 1954 will be about \$475 million. \$90 million will come from outside assistance and \$385 million from Norway's own resources. This is stated to be the maximum burden which Norway's economy can bear.

Defence expenditure from own resources will be apportioned as follows (these figures are subject to revision):

1951/52	\$122,000,000
1952/53	\$136,000,000
1953/54	\$127,000,000

COMMENT: Norwegian defence expenditure in 1951/52 is only 5.6 percent of national income; this compares with about 9.5 percent for Canada and over 15 percent for the United States.

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SOVIET UNION AND SATELLITES

Soviet Aviation Day Rehearsal

(SECRET)

It is expected that Soviet Aviation Day will be celebrated early this month. During June, the first full-scale rehearsal took place. Details of aircraft seen at this rehearsal are as follows:

20 Yak-15 and 143 Yak-18:	flew past.
1 La type:	performed aerobatics and released parachutes.
11 An-2:	some released parachutes and some towed gliders.
182 Mig-15:	flew past and performed aerobatics.
45 Tu-4:	flew past.
19 helicopters:	flew past and released parachutes.
45 Il-12:	flew past and released parachutes (about 9-10 from each aircraft).

The total time of the rehearsal was about one hour and ten minutes.

COMMENT: The rehearsal was very similar in number and type of aircraft to that of last year. It is not usual for prototype aircraft to be included in such a rehearsal.

Higher Education in the Soviet Union

(SECRET)

According to V.P. Elyatin, Soviet Deputy Minister of Higher Education, about 220,000 young specialists will graduate from full-time higher educational establishments in 1952 - nearly 10 per cent more than last year. Of this total 30,000 will be engineers, and 10,000 agricultural specialists. Nearly 370,000 students (including those taking correspondence courses) are to be admitted to Soviet higher educational establishments this year.

COMMENT: The number of graduates from Soviet institutions of higher education has been growing steadily in recent years, but is still less than half as large as the number that graduated from American

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universities in 1951. The fact that 370,000 students are being admitted to Soviet institutions in 1952, while only 470,000 were admitted to American universities in 1951 indicates that the gap is narrowing. The two systems of higher education are not strictly comparable. Only a small proportion of Soviet students attend universities, the majority receiving their training in technical institutes.

The fact that so many students in the Soviet Union are receiving training beyond secondary schools does indicate, however, that in relation to the size and wealth of the American and Soviet economies the Soviet Union is devoting a greater effort to higher education than the United States. Even with a high number of graduates each year, it will be some time before the Soviet Union can overcome the disadvantage of a late start, and though the shortage of trained specialists will be reduced it will continue to be one of the most important limiting factors in the economic growth of the country.

Soviet Propaganda against the United States

(TOP SECRET)

At the end of May, a series of public meetings was held in several of the principal cities of the Soviet Union, at which the United States was publicly castigated in extremely violent terms for its actions in Korea, particularly on Koje Island. The statement was made that experiments in biological warfare have been conducted on Chinese Communist and North Korean prisoners, and that Koje is to be compared with Nazi death-camps.

COMMENT: A feeling that the Soviet hate-America campaign has been recently intensified, is shared by some observers. It is doubtful, however, whether the present campaign differs substantially from that of the past seven years. However, there is a tendency in the Soviet press to distinguish less between the United States Government and the American people.

KOREA AND SOUTH-EAST ASIA

Korean Political Situation

(SECRET)

The National Assembly (under pressure from President Syngman Rhee) has put forward, by a vote of 83 to 2, the date of expiration of the President's present term of office to August 15. It has also voted, by

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63 to 0 with 33 abstentions, that, in view of the impossibility of holding presidential elections at this time, Mr. Rhee should continue in office for the time being or until new elections are feasible. So far as is known, there is no provision in the constitution for action of this sort on the part of the Assembly. The President may now feel that the Assembly, having broken the constitution, cannot complain as justifiably as it could before if he dissolves it, as he is again threatening to do.

The United States has asked for our advice about future action in the Korean political crisis. It has informed us that it is very important that any intervention in the Korean political crisis should be regarded as a United Nations affair not involving only the United States and the Republic of Korea.

In our reply we gave the opinion that intervention by the United Nations Command should be avoided if at all possible, and that if it were unavoidable maximum use should be made of ROK personnel.

COMMENT: The United States approach to the Canadian and other governments can be taken as an indication that Canada may be required to give its consent to the use of some Canadian troops if the UNC considers it necessary to intervene or if other governments being consulted recommend intervention.

Soviet 152 mm Gun-Howitzer in Korea

(SECRET)

Identification of Soviet 152 mm ammunition has resulted from examination of dud shells which fell in the I US Corps sector.

COMMENT: Of the three Soviet field weapons of 152 mm calibre (a howitzer, a gun-howitzer and a gun) only the gun-howitzer is reported to have been supplied to the Chinese Communists. This is a good counter-bombardment weapon with the following characteristics: wt of shell: 95 lbs; range: 18,900 yds; rate of fire: 4 rpm.

If the Chinese have any appreciable number of these weapons in Korea the UN artillery will be on no more than equal footing with that of the enemy.

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Viet Minh Formations in Annam

(SECRET)

Though the French do not expect any major offensive in Tongking before September, they are expressing concern over the possibility of the Viet Minh being able to operate on a divisional basis in Annam. It is believed the enemy intends to create three new fronts in the plateau of Annam.

COMMENT: Operations in Annam have hitherto been on a company scale. With the loss of Hoa Binh in February of this year, it was feared that the Viet Minh would contain Franco-Vietnam forces in the Tongking Delta and move to new areas of eventual large-scale operations farther South. The present lull in Tongking is largely due to the hot weather, but in the higher plateaux of Annam fighting may be continued without interruption.

If the enemy succeeds in creating fronts in Annam as expected, it will enable him to form a firm base in what he will probably term a liberated area. Within this area he can constitute up to divisional formations for sustained operations in Cambodia and Cochinchina. In so doing, he would be following the pattern he set when he launched his first divisional size attacks based on a "liberated" plateau area in the highlands northwest of the Tongking Delta.

United States Aid to Indochina

(SECRET)

As a result of M. Letourneau's discussions in Washington it was agreed that the general level of U.S. aid to Indochina in fiscal 1952/53 would be of the same magnitude as in 1951/52, i.e. about \$300 million. If the French could show that additional aid could be used by increasing the native armies in Indochina or by expediting their equipment the U.S. government would try to provide an additional amount of about \$150 million (subject to Congressional action on appropriations).

COMMENT: The Mutual Security Aid Bill for 1952/53 authorizes approximately \$885 million for aid to Asia and the Pacific.

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WESTERN EUROPE AND GERMANY

Jet Trainers for the Netherlands

(RESTRICTED)

It was announced on 16 June 1952 that the Netherlands Government had decided to start negotiations for the purchase of twenty S-14 jet trainers for the Netherlands Air Force. The S-14 jet trainer is a side-by-side aircraft powered by a Rolls Royce "Derwent" jet unit, and produced by the Fokker Aircraft Company of Amsterdam.

COMMENT: The purchase of jet trainers has long been advocated by Dutch airmen, but the Government has moved very slowly on the matter. On 25 May four separate Netherlands Air Force jet crashes occurred, bringing the total number of jet crashes since the beginning of the year to twelve. Considerable public and political outcry followed. The Minister of Defence laid the blame on insufficient flying hours and the youth of the pilots. The Chief of the Netherlands Air Force agreed with this but stressed the lack of jet trainers. In none of the twelve crashes was the equipment at fault.

The Sarr Question

(CONFIDENTIAL)

The question of the Sarr continues to be a potential source of trouble in Franco-German relations. As it now seems unlikely that the French and the Federal German Governments can reach a compromise without outside help and encouragement, the United Kingdom has agreed with the United States that their two Governments should try to decide among themselves what would be a fair solution of the Saar problem with a view to putting it forward at the appropriate moment. Views are being exchanged at the official level at present.

The United Kingdom preliminary view is that broadly speaking the Saar should be placed in some way under the trusteeship of the Committee of Ministers of the Council of Europe. Under this trusteeship, it should have full freedom politically, culturally and economically, except that France should have a lease of 50 years on the Sarr coal fields and railways which should be administered as at present regulated in the Conventions between France and the Sarr. For the French it is important that the figure for Saar coal and steel products should be included in the figures for France under the Schuman Plan in order to avoid German domination of this community. The Sarr should become, as far as possible, the seat of various projected European authorities, especially those of the Schuman Plan.

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COMMENT: These projected arrangements would be only a provisional modus vivendi. Any arrangements on these lines which might be agreed between the French and German Governments would have to be without prejudice to the final determination of Germany's frontiers in any eventual peace settlement.

Western Reply to Soviet Note on Germany

(SECRET)

Messrs. Acheson, Eden and Schuman agreed in London on 29 June to the text of the Western reply to the latest Soviet note on Germany. The three High Commissioners in Bonn were to confer with Dr. Adenauer on the text on 30 June but, at the latter's request, the meetings were postponed until 3 July.

It was agreed by the Foreign Ministers that the reply should state that the Western Powers reaffirm all views and proposals contained in their note of May 13. This latest note will, however, concentrate attention upon the immediately practical problem of the procedure for setting up, through free elections, an all-German Government with which a peace treaty can be negotiated. The reply will, therefore, propose an early meeting of representatives of the four Governments, provided it is understood that the four Governments are in favour of free elections throughout Germany and of the participation of a free all-German Government in the negotiation of a German peace treaty. The purpose of this meeting will be to reach agreement on the composition and functions of a Commission of Investigation to determine whether the conditions necessary for free elections exist.

The note will also repeat the Western proposal of May 13 for the discussion of the programme for the formation of an all-German Government.

COMMENT: The only new proposal in the draft note is the offer to hold properly prepared and strictly limited discussion on the formation of a Commission of Investigation instead of continuing correspondence on this point through an exchange of notes.

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TUNISIA

The United Nations and Tunisia

(CONFIDENTIAL)

It has been learned that both the United States and United Kingdom will oppose the African - Asian request for a special session of the General Assembly to discuss Tunisia. The United Kingdom intends to oppose the request on the ground that the improved situation in Tunisia does not justify a special session, that United Nations intervention would prejudice Franco-Tunisian accommodation by encouraging extreme Tunisian demands, that the political development of Tunisia as a non-self-governing territory is a problem within French domestic jurisdiction, and that the calling of a special session would provide an opportunity for discussing other embarrassing questions. The United Kingdom representative in New York has been instructed to do everything possible to ensure failure of the current request. United States' reaction to the request for a special session is along similar lines, and the U.S. reply expresses the view that the best hope for a satisfactory solution lies in a mutually acceptable reform programme rather than outside interference.

COMMENT: To date twenty countries are known to have expressed themselves in favour of a special session while four are opposed, but it is considered unlikely that the proposal will receive the thirty-one affirmative votes necessary for adoption.

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SOVIET UNION AND SATELLITES

Soviet Transport Vessel "Russ"

(SECRET)

The Soviet transport ship "Russ" is reported to be now running between Vladivostock and Kamchatka. The "Russ" has a speed of 17 knots, can carry about 1100 passengers and is of potential use as a troop transport. The ship was overhauled in a shipyard in the Soviet Zone of Germany before sailing for the Far East.

Ordnance Industry of the Soviet Union

(SECRET)

A recent study on that part of the Soviet ordnance industry concerned with artillery weapons of 37 mm calibre and over concludes:

There are at least 19 plants capable of making ordnance of 37 mm calibre or more, compared with 12 early in 1941 and 8 at the end of World War II.

The minimum capacity of these plants is about 156,000 guns a year of various types and calibres, compared with 119,000 in 1944. The main producing region is the Urals with a capacity of 57,000 guns a year but the most important plant is at Gor'kiy (capacity 34,000) in the Volga region, and the second most important plant is at Krasnoyarsk (capacity 20,000) in East Siberia. About 75% of production capacity is in areas which were not overrun or threatened in the Second World War.

Postwar policy appears to have been to allow output to fall very slowly, to stabilize it at a very high peacetime minimum and to maintain a nucleus of production in a large number of plants. The peacetime level of operations was not reached until sometime during the first half of 1948, and the 1949 production of about 16,000 pieces (roughly the same as in 1940) must be taken as the Soviet idea of a post-war minimum. Insufficient evidence is available upon which to estimate output since 1949, but it must be assumed to be at least as great as in 1949. The Soviet postwar policy permitted the building up of a large gun park with a minimum of disturbance to the civil economy and the maintenance of operations in so many plants should mean that the Soviet Union could, if necessary secretly increase gun production without undue difficulty.

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Energy Consumption in the Soviet Union

(SECRET)

In Western countries total energy consumption has been found to be a useful indicator of the growth in industrial production. At the present time there is no reliable estimate of the growth in Soviet industrial output in the last twenty years and an estimate of the growth in energy consumption can provide an approximate measure of Soviet industrial growth.

A recent estimate of the growth in Soviet energy consumption indicates that between 1929 and 1950 the consumption of energy in the Soviet Union increased by 430%. No other major country had an increase in energy consumption during this period of over 70%. This is a striking indication of the rapidity of Soviet industrial expansion, but since the starting point was very low the absolute increase was less than that of the United States.

Total energy consumption can also provide an approximate measure of total national output. In 1950 total energy consumption in the United States was about four times as high as total energy consumption in the Soviet Union, while the national product of the United States was 3.3 times as large as that of the Soviet Union.

Satellite Armies Move to Training Areas

(SECRET)

By mid-June, reports had been received from all the satellite countries, with the exception of Albania, indicating that units had moved to their summer training areas and that training appeared normal for the time of year.

COMMENT: Reservist training is continuing in all Satellites. The numbers called up this year, at any rate in Poland and Hungary, appear to be greater than in previous years. This may be due to a plan for higher level training this year and the consequent need for administrative personnel.

It is of interest to note that one report from Czechoslovakia speaks on the arrival of a Polish armoured unit and a Polish artillery unit in the country. If true, this report may indicate the beginning of combined training amongst the Satellite armies.

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Expansion of the East German Para-Military Police

(TOP SECRET)

It is reported that since the recruiting drive started in May 1952 the strength of the East German Para-Military Police (HVA Bereitschaften) has increased from between 51,000 and 53,000 to 60,000.

COMMENT: This is considered to be a reasonable figure for the present strength of the East German Para-Military Police.

FAR EAST AND SOUTH-EAST ASIA

Submarines in the Chinese Communist Navy

(TOP SECRET)

The most recent estimate is that no submarines have been transferred to the Chinese Communist navy from the Soviet Union. It is believed however that some Chinese Communist personnel have received training in Soviet submarines.

Korea - Political Situation

(SECRET)

Details are now available of the constitutional amendments recently passed by the Korean Assembly which provided for:

- (a) the popular election of the President;
- (b) a bicameral legislature, with the Upper House elected for six years' and the Lower House for four years' tenure;
- (c) some increase in cabinet responsibility to the Assembly.

COMMENT: It appears that the immediate crisis in Korean affairs has passed and the seven arrested assemblymen have been released. It appears however, that there may be a renewal of tension when the presidential elections are held.

Troop Dispositions in Korea

(SECRET)

40 US Division (IX Corps sector) has been relieved in the Kumhwa area by 2 ROK Divisions, and 1 ROK Division, on the right of 1 British Commonwealth Division (I Corps sector), has been relieved by 3 US Division.

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Enemy strengths in Korea, including Chinese and North Koreans, are estimated as follows:

- (a) on the immediate front.....398,000
- (b) in the immediate rear.....127,000
- (c) in rear areas.....384,000
- (d) total strengths (including unlocated) in Korea:
 - (i) North Koreans.....266,000
 - (ii) Chinese.....676,000

COMMENT: In Korea there are seven US divisions, one British Commonwealth division, and ten ROK divisions under UN command. Of these, three divisions are in reserve.

In the I Corps sector, on the Western front, there are three US divisions, and the Commonwealth Division, in the line. In Corps reserve, there is one ROK division.

In IX Corps sector, on the West-central front, there are one US division and two ROK divisions in the line. In Corps reserve, there are two US divisions.

On the central front, in II ROK Corps sector, there are three ROK divisions in the line.

On the East-central front, in X Corps sector, there are one US division and two ROK divisions in the line.

In the Eastern (coastal) front, in I ROK Corps sector, there are two ROK divisions in the line.

Air Strikes Against Power Installations in North Korea (CONFIDENTIAL)

The following information regarding the recent attacks on hydro-electric installations in North Korea has become available:

On 23 June attacks were carried out by 469 aircraft. The four target areas were Kyosen, Fusin and Chosen (in the area of Hungnam), and Suiho on the Yalu River. The Hungnam complex consists of 12 individual plants, 4 at each place; 10 of these plants were struck. The Suiho plant was also struck. On 24 June 704 aircraft again attacked the three installations in the Hungnam area. 11 out of the 12 plants were struck,

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including the 2 which had not been hit on the previous day. On 25 and 26 June numerous attacks of smaller size were made against auxiliary power facilities and switching stations serving the Kyosen, Fasin and Chosén installations.

Results of the raids have not yet been fully assessed because of bad weather. Initial reports concerning the Hungnam complex state that of the 12 plants, 7 have been destroyed and 5 damaged and that the operations of all plants have been shut down. Preliminary reports regarding Suiho state that 2 of the 24 large transformers have been destroyed and one of the four main generators has been demolished. The plant is out of operation.

French Losses in Indochina

(SECRET)

Operations on 26 and 27 June 1952 are typical incidents in the Indochina theatre. In the Tongking Delta, though no French clearing actions were in progress, the Franco-Vietnamese were ambushed three times and had two posts harassed (with a loss of 6 killed, 11 wounded, and 47 missing). In Annam, the Viet Minh stopped an armoured train and derailed part of a supply train. French losses were 28 killed, 19 wounded, and 2 missing.

In the remainder of Indochina, during the two-day period, 27 installations were harassed and numerous small patrol clashes occurred.

French losses for the two days totalled 113 killed, wounded and missing; while Viet Minh casualties are reported as 218.

COMMENT: These incidents occurred during the monsoon when it might be expected that activities would be limited. The relatively high proportion of missing to wounded (49 to 30) indicates that in many instances Franco-Vietnam troops have been forced to withdraw. In addition to these battle losses, the Franco-Vietnam forces have a high rate of sickness, particularly among the European troops.

GERMANY

Ratification of the German Contract and the European Defence Community Treaty

(SECRET)

Our Ambassador in Bonn has learned that Dr. Adenauer has now resigned himself to the fact that ratification by the Bundestag will not take place until late autumn. The Chancellor is, however, reported to

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be confident that ratification will take place "at the right time". At the Hague the Netherlands Foreign Minister informed the United Kingdom Ambassador that in view of what he called "Dutch post-election parliamentary procedures" Netherlands' ratification cannot be expected before January or February, 1953. The Canadian High Commissioner in London has learned from the Foreign Office that United Kingdom ratification is expected at the end of July.

COMMENT: As has already been reported, the smaller continental countries are awaiting the outcome of debate in the French and German Parliaments before pushing their own ratification. It is apparent that both France and Western Germany are watching one another and in particular awaiting the outcome of the United States' election.

Western Reply to Soviet Note on Germany

(SECRET)

The identical notes comprising the reply of the three Western governments were delivered in Moscow on 10 July and made public the same day. In its final form the reply was that agreed upon by Messrs. Acheson, Schuman and Eden at their London meeting on 27 June but incorporated a number of minor changes requested by Chancellor Adenauer. Dr. Adenauer's major proposed amendments, however, especially the suggestion that agreement on free elections and the participation of an all-German Government in treaty negotiations be made a condition of four-power talks, were unacceptable to the French on the grounds that they were too categorical and appeared to invite a negative answer.

COMMENT: It appears that Dr. Adenauer has been seriously worried that there may be some intention on the part of the three powers to make a deal with the Soviet Union behind the back of the Bonn administration which would be presented with a fait accompli. The three High Commissioners attempted to set the Chancellor's mind at ease on this point and it was agreed, on his insistence, to inform him in writing that the wording of the Note did not in any way alter Article 2 of the Convention on Relations.

NEAR AND MIDDLE EAST

Turkish Air Force

(SECRET)

The Turkish Air Force has now approximately 60 F-84G "Thunderjet" aircraft; they expect to have 100 by the end of August. The first squadrons are

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being formed at Balikesir; the next base to be re-equipped will be Bandirma, and then a new regiment will be formed at Diyarbekir.

COMMENT: The Turkish Air Force is having difficulty both in converting enough pilots to keep pace with deliveries of jet aircraft, and in keeping its five T-33 jet trainers serviceable. The main trouble with these trainers appears to be the frequent burning-out of brakes.

Egypt

(SECRET)

Since October 1951 when the Egyptian Government denounced the Anglo-Egyptian condominium agreements of 1899 relating to the Sudan and the Anglo-Egyptian Treaty of 1936 and issued a decree changing Farouk's title from "King of Egypt" to "King of Egypt and the Sudan", no foreign Ambassador or Minister has been accepted in Cairo whose credentials were not addressed to the King in the newly required form. After some hesitation Belgium, Greece, Italy and Pakistan, which had to appoint Heads of Mission to Cairo, conformed with the Egyptian demand and the Netherlands is about to follow their example, despite the request made by Mr. Eden at Lisbon last autumn that NATO members should refrain from complying, since it would prejudice the outcome of the Anglo-Egyptian dispute. The governments concerned take the view that the phrase "King of Egypt and the Sudan" is merely a courtesy title and should not effect the Anglo-Egyptian discussions in any way. Sudanese representatives who recently visited Cairo were unable to agree, however, to the recognition of even a symbolic claim to Egyptian sovereignty over their country.

The Campaign of Prime Minister Hilaly Pasha to put an end to corruption in government circles in Egypt was resisted by those who had most reason to fear its effects. They appear to have bribed influential members of the Court group to put obstacles in Hilaly Pasha's way, with such success that the Prime Minister resigned on June 29. The King had already been persuaded that too thorough an exposure of corruption might have unfortunate results. Consequently he acquiesced in the resignation of Hilaly Pasha and has accepted a non-political government chosen by Hussein Sirry Pasha which contains one of Hilaly Pasha's most determined and corrupt adversaries.

COMMENT: It is not yet known whether the new government will continue the informal talks which had been taking place in Cairo with representatives of various Sudanese factions. Domestically, however, it appears that Sirry Pasha will once more prepare the way for elections in which the nationalist Wafd party will be victorious and corruption continue to be condoned.

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Indian and Pakistan Strengths in Kashmir

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The withdrawal of a division (18,000 men) of Indian troops from positions along the Pakistan-India ceasefire line in Kashmir is reported. In Kashmir, India maintains at least 40 regular battalions, plus State Forces, with a combined strength of approximately 60,500. Pakistan has five regular battalions, plus an estimated 20 battalions of Azad Kashmir forces in the area.

COMMENT: A withdrawal of troops from Kashmir has not been confirmed. Present evidence, on the contrary, is to the effect that though some withdrawals have taken place "in small groups", these were soon replaced by other troops, and India's strength in Kashmir remains much greater than that of Pakistan.

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SOVIET RUSSIA

Control Tightens Over Republics

CONFIDENTIAL

During the last few months the Soviet press has meted out vigorous criticism to the Communist Party hierarchy in the seven republics of the Ukraine, Georgia, Kirgizia, Uzbekistan, Belorussia, Tadjikistan and Kazakhstan. All seven were attacked for various forms of bourgeois nationalism or theoretical-cultural backwardness, as well as for weak party control and aloofness. In two cases the republic party secretaries have been dismissed.

COMMENT: The current criticism may be somewhat stiffer than the chastisements issued in the past, but they may represent little more than official "stock-taking". It is possible that Russia is experiencing a "policy vacuum" and is tightening party control. But, in the absence of any new decrees or theoretical pronouncements from Moscow, one must assume that there is no change in general policy orientation at the present time.

Preparedness in Vladivostak Area

TOP SECRET

It is reliably reported that during the period 22 to 24 May four two-engined aircraft approached Nahodka, east of Vladivostok. These were evidently unidentified, as a Soviet destroyer and the shore anti-aircraft defences went to action stations. Fire was not opened.

COMMENT: This emphasizes that the defences in the Vladivostok area are kept at a high degree of readiness for action.

EASTERN EUROPE

Yugoslavia Gets Captured Equipment

SECRET

Thirty-five Soviet 122-mm howitzers captured by US troops in Korea will be shipped in July to Yugoslavia. The weapons are at Norfolk, Virginia, awaiting transfer under the MDAP. Replacements and spare parts for similar equipments already in use in Yugoslavia are also to be provided.

It is reported that already 2 x T-34/85 tanks and 24 mortars have been sent to Yugoslavia from Korea.

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Finnish Defence Minister Interviewed

SECRET

The three main points of an interview between the British MA Finland and Finnish Minister of Defence on 12 May follow in Question and Answer form as reported:-

1. Question: What is the position about Communism in the Army?

Answer: The amount of Communism in the Army is approximately 15%, but the minister was careful to point out that this is almost entirely confined to the conscripts; he stated that among the regulars it is practically non-existent.

He mentioned in connection with Communism generally that in the war it was found that even those who were so-called Communists fought as well as those who were not.

2. Question: Do you think there is any chance of an increased budget for the Defence Forces?

Answer: The amount at present allocated, which is only about 3 to 4% of the total budget, is of no use whatsoever. In the next years (sic) more money must be allocated, but then it will be a question of millions of marks rather than hundreds of thousands. The Minister quoted a figure of a billion marks as being the minimum necessary in order to put the Defence Forces on a reasonable basis

GERMANY

Berlin By-pass Canal

UNCLASSIFIED

The Berlin By-pass canal (Paretz Niederneuendorf), 35 kilometers long, was opened on 28 June, 1952.

COMMENT: This canal, opened slightly later than its original target date, provides a shorter route between the Elbe and Oder Rivers. In addition, it allows East German water traffic to avoid transit through the Western Sectors of Berlin, thus depriving the NATO powers of a useful counter-weapon in the event of a communist blockade.

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Expansion of Bereitschaften

SECRET

A report dated 1 Jul 52 states that by mid-June the strength of the HVA Bereitschaften had risen by at least 20,000 to a total of 75,000 and that this estimate was thought to be conservative. A second report dated 11 Jul 52 indicates that the strength by then may have reached 82,000.

COMMENT: It is considered that the present strength figure may probably be between 75,000 and 80,000. The methods of recruiting are tantamount to conscription in that personnel in the age-groups 17-25 are dismissed from their jobs and threatened with permanent unemployment if they refuse to join voluntarily. Members of the Free German Youth (FDJ) of both sexes are being taught small-bore rifle-shooting and the FDJ have undertaken to sponsor the HVA Bereitschaften. This movement is the most important source of recruits for the para-military police.

So long as they can be called volunteers, however, their propaganda value is increased and East German politicians are able to point to large numbers of young men flocking to defend the Fatherland. If the Bundestag should fail to ratify the EDC Treaty, the strength of the HVA Bereitschaften could easily be reduced by the release of those men whose contracts have expired.

MIDDLE EAST AND INDIA

Kashmir Negotiations

TOP SECRET

A memorandum on demilitarization submitted by General Devers was to be discussed by Dr. Graham with both delegations on July 10. The outcome of the meetings is not yet known. However, the Indian Representative in New York told the Canadian Representative in advance that he expected there would be some attempt to reach agreement on definition of the terms used in the Devers memorandum. The Indian representative also revealed that the Indian Government is now prepared to have a plebiscite with 19,000 Indian troops (including Sheikh Abdullah's para-military police) remaining in Kashmir and, on the Pakistan side, 2,000 armed and 2,000 unarmed forces, all forces on both sides to be under the control of the plebiscite administrator. It is reported that public feeling in Kashmir is swinging toward Pakistan, perhaps because of the more Anti-Indian line recently taken by Sheikh Abdullah.

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COMMENT: Since the first two meetings in New York early in June, Dr. Graham has been seeing the Indian and Pakistani delegations separately. According to recent conversations with the Indian and Pakistani delegations no progress has been made in resolving important points of difference. The present Indian stand on demilitarization represents little advance over their previous position. The main reason for their stand is apparently the greater facility with which Pakistan could reinforce pro-Pakistan forces in Kashmir in the event of trouble. When the Pakistani representatives arrived in New York they made it clear they would be available for only a month unless there was hope of reaching agreement. The Pakistan Government have urged Dr. Graham "to do something" or else end the discussions. Unless there is a more marked intention on both sides to reach agreement, the present meetings may come to an end. In that event, Dr. Graham would probably report the result of his meetings to the Security Council.

Israeli Transfer Delayed

CONFIDENTIAL

The Minister of Israel in Washington has indicated that his government has now decided not to carry out before the seventh session of the United Nations General Assembly its plan to move the Ministry of Foreign Affairs from Tel Aviv to Jerusalem which was announced on May 4. It fears an earlier transfer might provoke renewed debate in the Assembly, which it wishes to avoid. Both the United States and United Kingdom Governments felt that an earlier transfer would be unwise, but they had not yet said so officially to Israel.

COMMENT: As indicated by the Foreign Minister of Israel during his Ottawa visit on June 26, the Government of Israel would like to avoid any discussion of Palestinian questions during the seventh session of the Assembly on the basis of past Assembly resolutions. It would prefer a settlement to grow out of the armistice agreements which say nothing about internationalizing Jerusalem, repatriating Arab refugees, or confining Israel ultimately to territory set aside for the Jewish state proposed in the Assembly's partition resolution of November 1947. The Arabs, on the contrary, wish the Assembly to assert its continuing interest in a settlement on the basis of these principles, which it has several times confirmed in the past.

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Canada on Tunisian Question

RESTRICTED

Canada has now informed the United Nations that she is opposed to a special session of the General Assembly to discuss Tunisia.

COMMENT: This ranges Canada alongside the United Kingdom and the United States on this issue. The score is now 21 "against" and 23 "for". A total of 31 "for" is required to place the item on the agenda.

KOREA AND THE FAR EAST

Korean Communication Zone Command

SECRET

A new major command of Far East Command is to be formed as the Korean Communication Zone (KCZ) Command.

COMMENT: The need for the new command has partly arisen from the increased guerrilla activity along UN L of C in South Korea. Lately anti-guerrilla operations have become the responsibility of the South Korean army, and now these as well as operations on the L of C by Korean National Police will come directly under Far East Command.

North Korean "Farmers' Army"

SECRET

A North Korean Farmer's Army is now thought to be in operation under command of Rear Service Department of North Korean GHQ. Three regiments of a combined strength of 11,700 are reported to be in Hwanghae Province, and their duties include security of the seacoast and L of C, together with active farming.

COMMENT: Hwanghae Province is on the West Coast and includes the Ongjin Peninsula which, because it dips South of the 38th Parallel, was the scene of many incidents during the occupation. Now that the front line runs diagonally across the parallel the enemy is in possession of this rich farming region in exchange for the mountainous terrain of the UN Central and Western Front. Some

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soldiers of the Farmer's Army have been captured, and the indications are that the units in the Ongjin Peninsula area are responsible for infiltrating individuals into South Korea, partly by sea.

"Anti-American" Regiment in South Korea

SECRET

An "Anti-American Regiment" has been identified among the guerillas in South Korea, formed from the remnants of three or four guerilla regiments that were broken up during South Korean Army "Operation Ratkiller" in May 1952.

COMMENT: The name is thought to emphasize a distinction between US and South Korean military activities in an attempt to win over South Koreans. Following an armistice, no matter what the terms, organized guerilla activity under direct control of present enemy GHQ is to be expected.

Korean Truce Negotiations

SECRET

The main stumbling block in the Korean truce negotiations continues to be the question of the return of Chinese prisoners-of-war, although various related points on which agreement has not yet been reached, are being discussed. No information is at present available regarding what has transpired at the secret meeting following the recess.

COMMENT: At the State Department meeting on July 11 it was stated that General Harrison had reported that there had been an improvement in atmosphere, and that the Communists were evincing a disposition to negotiate.

Japan's Armament Industry

CONFIDENTIAL

Although the capacity of armament plants on the islands of Japan has been reduced by wartime bombing and demilitarization, a recent survey of the existing arms potential indicates that considerable capacity still remains. Very little industrial plant has been removed as reparations.

The Japanese armament industry was always dependent upon imports for most of its raw materials and this dependence has been increased by the

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loss of Korean and Manchurian resources.

The Ministry of International Trade and Industry has ordered 162 plants to prepare immediately for mass production of cannon, rifles, ammunition, gunsights, bayonets and grenades. U.S. orders for military procurement in Japan are shifting from parts to finished weapons. Japanese manufacturers have bid for contracts to produce 4.2 inch mortars, 105 mm H.E. shells, 61 mm flare bombs and mortar shells. The Shin Mitsubishi plant at Nagoya, which has been repairing aircraft for the U.S. Far East Air Force, expects to be the first Japanese concern to resume the manufacture of military aircraft.

Communists Coordinate Influence

SECRET

Various instances of Chinese Communist co-ordination of insurgent activities are reported from South East Asia and the Philippines. In April of this year, a HUK courier in the Philippines, accompanied by a Chinese national, was apprehended. Unconfirmed reports indicate a connection exists between the Hukmabas and certain local Chinese organizations. The War Department has evidence from West Java that a courier link exists between a powerful element of the Moslem Dar-ul-Islam in Indonesia and the HUK movement in the Philippines. The Chinese Communist Embassy in Djakarta is reported to be supplying funds for the Indonesian Communist Party and it probably transmits instructions to them.

COMMENT: The general pattern of militant Chinese Communist penetration is thus being followed. This is further borne out by reports from the War Office of concern over Chinese infiltration of the Riouw Archipelago (opposite Singapore) and of inroads of Communist ideology among the local Chinese in Borneo.

The Chinese method of introducing hard-core Communist cadres into dissident groups is becoming increasingly dangerous in Indonesia, where it is intended to coordinate otherwise divergent groups so that they may become sufficiently strong to enforce the Chinese will on the country.

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MISCELLANEOUS

International Red Cross Conference

RESTRICTED

Evidence continues to accumulate that the Cominform States and Communist China may be planning to use the Conference, which is to take place at Toronto during the last ten days of this month, for important propaganda. Nearly simultaneously, two of these states have increased their delegations, the USSR from 5 to 15 and China from 9 to 19 - the latter including a radio correspondent. It is now certain that there will be not only rival Chinese delegations but that there will be both North and South Korean delegations and delegations from satellite countries.

COMMENT: During the past year or so Cominform countries and Communist China have been increasingly critical of the International Red Cross and have claimed that it is not truly international. The refusal to accept the organizations's offer to investigate charges of U.N. germ warfare in Korea is one of the latest examples of this attitude. It now seems possible that the Toronto meeting will be used by Cominform countries and Communist China to further their apparent aim of discrediting the organization as an important international instrument. They may make propaganda about bacteriological warfare and the treatment of prisoners of war in Koje Island.

U.S. Policy Towards Western Europe

TOP SECRET

The Canadian Ambassador in Washington has analyzed the danger implicit in the future of United States policy towards Western Europe because of the mounting need for United States support of Europe at a time when the ability of the United States to guarantee this support has been reduced. Paradoxically, the agreements signed at Bonn and Paris have been followed by requests for increased military and economic aid to Germany and France, although the chief motive behind United States pressure for German rearmament was the gradual reduction of the need for United States ground forces in Europe. Now that the creation of the European Defence Community requires from its members a major merger of sovereignty there is in fact a greater desire for assurance of continued United States support, though for different reasons in France than in Germany.

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COMMENT: It would seem that the signing of the contractual agreements and the E.D.C. Treaty, taken by themselves, dictate a speed-up in United States assistance to Europe. The reverse is more likely to happen, however, because of the effect of the very large equipment gap on existing NATO plans. The problem is rendered more intractable by the fact that in an election year it is all but impossible for the United States Administration to take any new initiative or even to modify substantially existing policies and programmes.

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29 Jul 52.

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SOVIET RUSSIA AND SATELLITES

New Soviet Bazooka?

TOP SECRET

Two reports, one from BAOR the other from Austria, have been received both claiming that Soviet troops have been observed with anti-tank weapons of the bazooka type.

COMMENT: The Soviet Army has not had a portable anti-tank weapon comparable to the bazooka. Its appearance has long been expected. The issue of the weapon to troops would result in a significant increase in the anti-tank potential of line formations.

Soviet Activity in Germany

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- (a) Soviet troops continue training in the summer training areas. The standard reached would appear to be at least company, and, in one instance, regimental level.
- (b) It is now confirmed that the Lossa training area is occupied by 21 Guards Mechanized Division of 8 Guards Army.
- (c) Reliable sources report preparations for river-crossing exercises in the Bittkau and Dessau/Aken areas.
- (d) Reliable source states that tank-wading exercises were carried out north of Altruppin during May and June.

COMMENT: (a) The general trend of training in Germany seems to be following the pattern of previous years. It is felt, however, that since the Soviet Army training programme has not been interfered with by demobilization a higher standard of efficiency should be obtained, compared with the same period in 1951.

(b) The river-crossing exercises are apparently going to be held in the same areas as last year. They are three to four weeks later than last year.

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Russians Change Vehicle Numbering?

TOP SECRET

There is evidence that a progressive change in the vehicle numbering system of GOFG is now taking place.

COMMENT: Soviet military vehicle numbers consist of a Cyrillic letter and five numbers e.g. E-1-10-99. The letter indicates the Group of Forces (or Army Group) to which the vehicle belongs. The first one-digit number indicates the Army, the first two-digit number indicates the unit and the last group indicates the number of the vehicle within the unit vehicle pool. Thus vehicle numbers provide a useful source of order of battle information.

The reported change may therefore be taking place as a security measure.

There is also a possibility that the change may have been instituted in an effort to hide the arrival of new vehicles which are required to bring units up to WE in transport.

A similar change occurred in 1948 and it is possible that current renumbering may be nothing more than a routine revamping of the system as a whole.

Move of Soviet Division

TOP SECRET

According to a report emanating from the Yugoslav Charge d'Affaires, Bucharest, a Soviet division left the area of Timisoara for Eastern Hungary at the end of June taking with them all their equipment.

COMMENT: The division referred to by the Yugoslav Charge d'Affaires is most likely 32 (?) Mechanized Division which we hold in the Timisoara-Arad area. Other Soviet divisions in Roumania are 25 Mechanized Division in Braila and 22 AA Division in Constanza.

Although the move of this division is still unconfirmed, two other reports seem to support it:

- (a) UK MA Hungary reported that two low-level sources stated that fresh Soviet troops arrived in Miskolc in north-east Hungary.

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- (b) A fairly reliable source indicated that 200 trucks recently left Roumania bound for the USSR with Soviet families and their effects. These could be families of members of the division.

Agrarian Policy in Satellites

SECRET

Widespread food shortages and the reintroduction of rationing in the towns during the past year, combined with the unpopularity in the countryside of government methods of compulsory grain collection, plus controlled prices on the free market and the imminence of the 1952 harvest have focussed attention in all the satellites on communist policy for agriculture.

Communist leaders have been loud in their public declarations of allegiance to the policy of forming producers' co-operatives (collective farms). Individual farms, it is claimed, are not in position to satisfy the needs of the growing urban industrial population and are in a still weaker position when it comes to meeting the requirements of defence. Though collectivisation has proceeded slowly in the satellites since the 1951 harvest recent official announcements can have left no room for doubt in the minds of the peasants about the eventual "shape of things to come" in agricultural affairs.

COMMENT: It would appear that the satellites are following the Soviet example of promoting collectivisation for political as well as for economic reasons. In the long run the collective farmer is considered not only more efficient but more reliable than the individual peasant. As for the peasant, his resistance is to be overcome by constant propaganda as well as by a series of coercive administrative measures. There are at present no indications that more drastic methods will be employed in the near future.

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SCANDINAVIA

Swedish Jet Fighter

SECRET

The Canadian Air Attache to Sweden, after visiting a Royal Swedish Air Force Station flying the Swedish swept-wing J.29 Jet fighter, has submitted some information not previously available on this aircraft used in Sweden's fighter defence force.

- (a) A number of failures have been caused through cracks in the combustion chambers after 50 - 100 hours. As a result, it has been found necessary to remove the engines and change cans at 50 hours.
- (b) Swedish pilots state that at Mach 0.84 the J. 29 develops a high-frequency rudder flutter. At mach 0.88, the aircraft goes out of control.
- (c) The J.29's best operating height is between 20,000 to 30,000 feet. Pilots have had it up to 42,000 feet, but attained the last five thousand with great difficulty.

COMMENT: The J.29, which forms the backbone of Sweden's fighter defence, does not quite meet requirements for a modern interception fighter. The Swedes have a new jet fighter, the J.32, in prototype stage, and if this aircraft is successful, it is possible that the J.29 will be employed in an Air/ground support role.

MIDDLE EAST

Political Situation in Iran

SECRET

Mossadegh resigned in July 16 because the Shah would not authorize him to assume the key post of Minister of War and to appoint his own nominee as Chief of the General Staff. The letter of resignation was so worded as to put the blame on the Shah.

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The new Prime Minister, Qavam-Es-Sultaneh, appointed on July 18, was violently opposed by Mossadegh's National Front, the religious leaders, Kasham, and the Tudeh Party, the latter having come out into the open for the first time in four years. Qavam requested the Shah to approve the dissolution of parliament and measures to give the Prime Minister extraordinary powers to quell mob violence. The Shah, under pressure from National Front elements, in reply made certain demands upon Qavam which were impossible to fulfill, whereupon the latter resigned.

COMMENT: The present situation, particularly in view of the ruling of the International Court, appears to hold little chance of an oil settlement. Mossadegh's position has been greatly strengthened whereas the authority of the Shah has been seriously and perhaps drastically impaired. With anti-British and anti-American feeling running high the country appears to be facing a grave economic crisis. It is reported that unless some solution is found for Iran's economic plight the dangers of the Tudeh Party gaining the ascendancy cannot be discounted.

FAR EAST

Armaments Production

SECRET

The Japanese expect to produce arms for the US garrison in Japan and for the Japanese National Police Reserve. The Japanese expect, furthermore, to permit the export of rifles and other weapons to countries of South-East Asia that have "concluded a Peace Treaty with Japan" and to those that receive arms or aid funds from UN.

COMMENT: The Japanese National Police Reserve is to be equipped with infantry divisional weapons as well as artillery and armour. It is likely the Japanese will eventually produce all of these themselves.

Recruits for the JNPR

SECRET

More than 11,000 candidates tried out for 2,000 new officer vacancies in the Japanese National Police Reserve (JNPR); and of these three-quarters are veterans. More than 90,000 applicants appeared for the

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32,500 vacancies in the ranks.

COMMENT: A further 500 men in the Ryukyu islands are believed to wish to join but at present are prevented by legal obstacles arising from American occupation of these islands which include the Okinawa base. Prime Minister Yoshida appears to favour a present JNPR strength of 110,000 (lately raised from 75,000).

Defence of Japan

SECRET

Japan has already cooperated in air defence manoeuvres in the areas of US bases at Tachikawa near Tokyo, and Yokosuka on Tokyo Bay.

COMMENT: Yoshida let it be known that he questioned UN Command following the "power-plant raids" as to the possibility of retaliation against the Japanese islands themselves. He states that the UN Command regards such action as "unthinkable". The air defence manoeuvres, none the less, were realistically carried out.

Enemy Armour in Korea

SECRET

The Chinese and North Koreans are estimated to have 518 armoured vehicles in Korea, including 384 tanks and 134 self-propelled (SP) guns. Of these in the forward areas there are thought to be 120 tanks and 60 SP guns.

COMMENT: Though the enemy is capable of using these armoured vehicles in support of a general offensive, he is expected to continue using them in their present defensive role, which includes support of local tactical offensives. Lately he has increased his artillery and mortar fire considerably. For example, in June 1952 his expenditure of ammunition was up 68% over that for May, and included 108,000 rounds in the second half of the month and 13,000 rounds on a single day (21 Jun 52) over 10,000 rounds of which fell in 45 US Div sector.

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Chinese Interpret Geneva Convention

SECRET

According to Chou-En-Lai, China supports the Geneva Convention regarding prisoners-of-war except as it affects PWs who were war criminals, such as those tried by the Allies at Nuremburg. China reserves the right to try war criminals, removing them from PW camps.

COMMENTS: Hence there is a possibility that UN aircrews might be taken from PW cages and their names removed from the lists if an armistice is agreed. This in effect could nullify that portion of the Geneva Convention that deals with the repatriation of PWs, as a retaining power could then use its own discretion as to what PWs would be repatriated. The Chinese communists may be using this as counter to the UN stand on non-return of those PW in UN hands who have declared against repatriation. Underlying the Chinese stand may be the threat of reprisals. Bacteriological warfare charges would support Chinese action amongst Communist sympathizers. The simpler explanation of the statements, however, is that the Chinese Communist Government was preparing for the Red Cross Conference in Toronto and wishes to be able to point to adherence to as many Red Cross conventions as possible.

Communist PW

SECRET

Figures of final screening results released by UN indicate that the PW now desiring repatriation now number 83,000, including 6,500 Chinese. The original UN estimate was 70,000 and 5,000 respectively. It is reported that Nam-Il is asking that the list of 83,000 be withdrawn and a list of not less than 116,000 total be substituted; this list to include all Chinese held by UN.

COMMENT: When the question of a re-screening before an Armistice was first suggested, it was feared that the figure of those wishing repatriation might be raised in favour of the Communists, who would then probably ask for further re-screening. This has happened and is borne out by Nam-Il's request, which apparently is an opening move for further bargaining.

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Viet Minh Air Force

SECRET

An unsubstantiated report says that on April 19, Kotov, Soviet Military Attache in Peiping, requested that Liu Ya-Lou, Commander Chinese Communist Air Force, transfer 30 combat aircraft from Hsuechow to Nanning to the DRV Air Force.

COMMENT: This is the first report to mention by name a "DRV Air Force" (Viet Minh Air Force). Existence of such an organization, in being or forming, could be a serious threat to the French Air Force in Indochina and to the Franco-Vietnamese ground units in Tonkin. Previous unconfirmed reports have commented on an alleged air training program for the Viet Minh being conducted by the Chinese Communist Air Force. This alleged flight training has reportedly been carried on in the Nanning and Kunming areas, with Nanning selected as headquarters for the Viet Minh Air Force. Another recent, unsubstantiated report states that, in a November, 1951, meeting, Soviet, Chinese Communists, and Viet Minh representatives decided that the Viet Minh had enough air officers for the nucleus of an air force, and that 250 aircraft would subsequently be transferred. Other recent information has given rise to speculation that an "International Air Force" may also be forming, with headquarters at Nanning or Canton. Although these reports must be treated with great reserve, the possibility that such an organization may be in the formative stages necessitates closer scrutiny and re-evaluation of the French position in Indochina. The French Air Force there has as yet encountered no air opposition.

TAIL PIECE

Misunderstanding

SECRET

A UN-Japan joint committee has been formed to designate UN facilities and jurisdiction of forces in Japan. Membership is almost the same as that of the US-Japan joint committee but includes members representing British Commonwealth Forces in Korea (BCFK). The Japanese authorities became most cooperative in dealing with the so-called crime wave among UN troops in the Kure area. The local inhabitants are not always so cooperative, and many protests are heard concerning use of certain lands for manoeuvres. The recent move of US rest centres from

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the big cities to small towns has also caused a social problem as cabarets, "gift shops", and unofficial red light districts are cropping up in the areas.

COMMENT: It is said that in the early days of the occupation in Japan so many UN troops flocked into an area marked "Out of Bounds" that the Japanese thought the sign meant "Welcome" and, opening a new enterprise would hopefully mark it "Out of Bounds".

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SOVIET UNION AND SATELLITES

Soviet Sensitivity to Overflights

TOP SECRET

There has been an increasing number of protests against alleged overflights of Soviet territory or violations of the use of the air corridors into Berlin and Vienna. The latest Soviet protest not only threatened "stricter measures" against future violations of the air corridor, but also particularly objected to the overflight by a US military aircraft of a Soviet airfield which lies within the British air corridor. The Soviets had previously attempted to re-route this corridor in the interest of "flying safely".

COMMENT: The Soviets are becoming increasingly sensitive of the activities of western aircraft flying in their vicinity. Exactly what they mean by "stricter measures" remains to be seen: there is no doubt, however, that they intend to stop up as many holes in the Iron Curtain as possible.

East European Airfield Development

TOP SECRET

At present there are approximately 62 airfields in Eastern Europe with hard-surfaced runways at least 6000 ft in length available to the Soviet Union and Satellites. Twenty-five new runways of 6000 ft or over are under construction. At the end of World War II, there were nine such airfields.

COMMENT: These facilities are more than adequate for the communist air forces in the area, at present. Increased airfield facilities as far west as possible would be essential to the Soviet Union in case of war. In addition, a growth in the operational strength of the Satellite air forces is expected, and they will increasingly re-equip with jets.

Expansion of Bereitschaften

TOP SECRET

An intensive recruiting campaign for the HVA Bereitschaften continues. Some evidence indicates that recruits are being posted to the Grenzpolizei (Border Police), the HVS (Sea Police) and the HVL (Air Police).

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The distribution of equipment seems to have been fairly even. Average issue 1 May - 15 Jul 52 per Bereitschaften as follows:

- (a) AFV 10 - 15; previous holding, 5.
- (b) Guns 36; previous holding, 10.
- (c) Small Arms, considerable quantity.
- (d) Mortars, unknown.

Training is restricted to small-scale training in local areas.

There are indications that at least five Bereitschaften are undergoing special expansion with a possible aim of forming a limited number of divisions at an early date.

COMMENT: It is not yet possible to estimate accurately the effect of this on the HVA Bereitschaften strength, but it is considered to be approximately 75,000.

WESTERN EUROPE

EDC Treaty Debate

CONFIDENTIAL

According to despatches from Bonn the first reading of the bills to approve the contractual agreements and the EDC Treaty in the Bundestag on July 8 and 9 did not bring any sensational developments. Dr. Adenauer and his followers asked the parliament to consider the documents in their historical context. They indicated the reasons why the Federal Republic should side with the West, emphasizing that if the treaties are ratified the Western powers will be in a stronger position to negotiate with the U.S.S.R. on reunification. The S.P.D. maintained that discussions on reunification should come before ratification and reiterated their well-known objections to ratification at this stage.

COMMENT. It appears that the S.P.D. opposition is more a matter of tactics than of principle; the S.P.D. is trying to keep the main problems of German Foreign Policy as the primary issue for the forthcoming elections. It is expected that when the vote on ratification is taken sometime in the Fall Dr. Adenauer will be able to achieve a majority in the neighbourhood of some 239 to 172.

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MIDDLE EAST

Situation In Egypt

SECRET

On July 23, the Egyptian Army under Major-General Mohammed Neguib seized power in Cairo and forced the resignation of the Government of Hilaly Pasha which had just succeeded the government of Sirry Pasha. Growing discontent had been apparent in army circles at King Farouk's practice of appointing his own nominees to important army posts and at widespread corruption extending even to palace circles. After taking over key buildings in Cairo, General Neguib announced that his object was to end the period of corruption and government instability and he emphasized that there was no threat to the lives and property of foreigners.

On July 24, at the insistence of General Neguib, Ali Maher Pasha was appointed Prime Minister and accepted by King Farouk who had remained at his summer residence at Alexandria. The position of the King, whose unpopularity had grown in recent months, was gravely undermined by these developments and his reign came to an end on July 26 when he abdicated in favour of his seven-months old son who becomes King Ahmed Fuad II.

The situation in Egypt is tense but quiet and there appears to be no immediate danger of a breakdown of internal security. However, in view of the possibility that the situation might become dangerous, the United Kingdom Government have instructed the Commanders-in-Chief, Middle East, to take measures to increase the readiness of troops subject to the avoidance of anything ostentatious or provocative. British forces would not be moved from the Canal Zone into the Nile Delta unless the United Kingdom Ambassador in Egypt advised the Foreign Office that in his opinion military intervention was necessary to protect British lives and unless the United Kingdom Government gave specific authorization for such action. The U.K. Charge d'Affaires saw Neguib on the 26th and pointed out that his Government sincerely hoped that no intervention would be necessary but that U.K. forces were at hand in readiness. Neguib is reported to have replied that it was his earnest desire to avoid shedding of Egyptian or foreign blood.

General Neguib's support seems to come mainly from junior officers of the Egyptian Army and from the Egyptian Air Force. There was no sign of the hand of the WAFD in the coup d'etat but the possibility of some connection between the WAFD and General Neguib cannot be ruled out. The new Prime Minister Ali Maher Pasha has told the United Kingdom charge d'affaires that martial law would continue and that the date of elections would be decided by himself later. He said that he intended to keep his cabinet one of independents, to reorganize the administration, to remove political corruption in the field of state appointments and to institute state control of the purchase and distribution of imported food.

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Military Information

The following is a synopsis of military information available on the Egyptian situation.

Military demands on the new government will include:

- (a) Release of political prisoners.
- (b) A military officer to be Minister of War in the new cabinet.
- (c) All senior officers of brigadier and higher rank not qualified at the Staff College to be retired on pension.
- (d) Action against guilty parties in the Palestine War to be taken by the new cabinet.

Egyptian propaganda is to the effect that the change in government is an internal matter only and no cause for foreign intervention. All military leaders are being told that incidents with the British are not desirable. Neguib is reported to be afraid that this policy may make him appear pro-British, when in fact he alleges that he is strictly neutral.

The influence of the Ikhwan El Muslimin (the religious party) is growing. Four members of Neguib's entourage are members and eight more are reputed to be sympathetic.

Reactions in Egyptian 1 Division on the abdication have been cautious among senior officers, but enthusiastic among junior officers.

Aly Maher and Neguib originally wished Farouk to become a constitutional monarch, but Farouk would not accept this.

Neguib and Aly Maher are already reported to be at odds on two matters:

- (a) Neguib's imprisonment of police without consulting Aly Maher.
- (b) Desire of the military for control for seven days (reduced to three days) until parliament is recalled and a Regency Council approved.

COMMENT: Communist influence in the whole affair appears negligible. It is likely the retirement of some senior officers (para 1 (c)) will affect Farouk's ex-chauffeur, who was made a general. Egyptian 1 Division (para (5)) is isolated from the rest of the Army and is East of the Canal on the Palestine border. British forces in the Canal Zone control the road and rail crossing of 1 Division's I of C.

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FAR EAST

Border Clashes at Macao

SECRET

An unconfirmed report states that minor clashes between Portuguese guards and Communist Chinese have occurred on the Macao border.

COMMENT: These clashes, though indicative of the tense situation both at Macao and at Hong Kong, are not considered to be connected with any attempt at this time to provoke the Portuguese by concerted military action. However, Macao may be used at any time as a testing ground for public reaction to possession by the Portuguese of what the Chinese regard as Chinese territory.

Tongking Reshuffle

SECRET

The Vietminh are believed to have acquired considerable quantities of rice from the extreme south of the Tongking Delta. The French have made no attempt to clear this area and it is thought that a Vietminh reshuffle of formations inside the perimeter is designed to permit the reforming of 304 Vietminh Division now in the vicinity.

COMMENT: That this extremely rich paddy-land is in their possession explains why the rebels have not found it necessary to resort to expensive and uncertain "rice offensives" or large scale rice smuggling. Furthermore, consolidation of 304 Vietminh Division in this area would strengthen insurgent links between Tongking and Central Annam.

Move in Annam

SECRET

It is now established that two regular Vietminh regiments have moved up to positions opposite the northern end of the French-held coastal strip.

COMMENT: An offensive may be contemplated in this area, but at present it seems more likely that the units have moved north to take over supplies brought down from Tongking. The Plateau area, where a new front may possibly be forming, would be supplied by this route.

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Ex-Premier in Siam

SECRET

It is reported that Son Ngoc Thanh has taken refuge in Siam, and that he has been in contact with General Phao, Director-general of the Siamese police. Another report alleges that Thanh is also in touch with the Vietminh.

COMMENT: A former premier of Cambodia under the Japanese, Son Ngoc Thanh has been in opposition to the government since his return from exile in 1951 as leader of a "Free Cambodian Movement". He is suspect of Communist affiliations. His present visit to Siam might be an attempt to obtain aid from that country for his Cambodian party.

Security In Indonesia

SECRET

Security in West Java has deteriorated seriously owing to activities of the Dar-ul-Islam. A concentration of Dar-ul-Islam guerrillas was reported 50 miles south of Djakarta, and the public were warned against using the Djakarta-Bandung road. Civilian flights over West Java have been banned owing to rumours of supplies reaching the Dar-ul-Islam rebels by air.

COMMENT: An unpublicized reign of terror has been going on in West Java ever since the Netherlands gave up their sovereignty. During the period January to October 1951, for example, it is reported that at least 900 people were killed, there has been widespread robbery and looting. 138,000 people are reported to have evacuated the area. Throughout Indonesia as a whole there is also widespread violence, particularly against European planters, on a scale comparable to that in Malaya.

MISCELLANEOUS

U.S. Offshore Purchases

UNCLASSIFIED

Mr. William Draper, United States Special Representative in Europe has announced that the U.S. placed nearly \$700 million worth of military orders with European factories in the fiscal year which ended June 30, 1952.

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The items ordered included ammunition, special transport vehicles, auxiliary combat craft and electronic and engineering equipment.

France received by far the largest share of the contracts, about 50 percent of the total, and about 18 percent went to Italy. Contracts were placed in all European NATO countries except Turkey, Portugal and Iceland and some \$43 million worth of orders were placed in non-NATO countries. A new decision under which the U.S. will now order complete aircraft from European manufacturers should result in increased U.S. orders in the coming months.

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SOVIET UNION AND SATELLITES

Soviet Army Equipment

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A Soviet tank that appeared to be a normal T-34/85 medium except for the turret has been observed in East Germany. The turret is definitely a new type, heavily sloped at the rear and showing a marked protrusion on the line of the turret ring. An antiaircraft mounting was installed. The turret mounted a main gun of unknown calibre without a muzzle brake.

COMMENT: Modified T-34/85 turrets mounting 85-mm guns with and without muzzle brakes have been identified in the last two years but all have been considered purely minor modifications of this nine-year-old medium tank. This latest turret may mark the appearance of a new Soviet medium tank, which has been expected for the last four years.

Age Classes Changing

TOP SECRET

Several reports indicate that the annual change-over of age classes in Soviet units in Germany and Austria has begun. It is stated that 1200 troops have entered East Germany via Kustrin between 15-20 July 52, and another 1200 are reported to have reached the Kaisersteinbruck transit camp in Austria on 21 July 52. The Canadian MA, Moscow reports an unusually large number of released personnel seen in Moscow.

COMMENT: The call-up and release, if true, is taking place several weeks later than in previous years. It is not yet possible to determine whether the new arrivals belong to the 1933 class, which is due for call-up this autumn, or to the remainder of the 1932 class, at least part of which was called-up in the autumn of 1951. There is still no clear evidence as to what classes have been released. It is possible that at least portions of the 1929 class are affected.

Strength of Bereitschaften

TOP SECRET

Additional information received since 31 July 52 indicates that the present strength of the HVA Bereitschaften is now estimated at 82,000 to 83,000 instead of the 75,000 previously reported. This is an increase of 34,000 since 1 April 52, with recruits drawn largely from 16

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to 30 age group. The period of basic training, previously 4 weeks, has it is believed, been extended to 6 weeks.

COMMENT: The strength of the HVA Bereitschaften has about doubled since 1 April 52, and there is no evidence of any let-up in the recruiting campaign. Expansion at the present rate can be expected to continue.

Soviet Zone Aircraft Industry

SECRET

By the end of World War II, the Soviet Zone of Germany was contributing more than 60% of Germany's total output of aircraft of all types; over 50% of total output of piston aero engines, and the whole of her series output of jet engines. Nearly all this capacity was dismantled and removed to the U.S.S.R. together with many of the personnel, some of whom have since been returned.

Present activity is restricted to the construction of two types of light sports gliders, both of pre-war design, at two factories. There is also evidence of the production of aircraft components, possibly for the Soviet repair organization.

The Soviet Zone possesses a nucleus of first-class aircraft designers and engineers, skilled manpower, and much of the capacity to produce machine tools to rebuild her aircraft industry. In some former aircraft plants now manufacturing engineering products, rebuilding would not take long.

There are no indications of active measures to build up an aircraft industry, although it has been reported that a design bureau has been set up at Pirna, which is staffed by aircraft engineers and designers recently returned from special research and experimental work in the U.S.S.R.

COMMENT: The aircraft industry in the Soviet Zone is probably capable now of producing about 10-15% of its December 1944 output. This would amount to 200 aircraft and 350 aero engines per year. If production commenced in 1952 it is likely that these aircraft and engines would be mainly trainers.

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WESTERN EUROPE

U.S. Purchases in France

UNCLASSIFIED

France has asked for a total of \$625 million in U.S. offshore contracts over the next three years. This is in addition to \$600 million in U.S. Mutual Security aid to France scheduled in the current fiscal year.

The U.S. has agreed to provide an additional \$186 million in the current fiscal year, in the form of offshore purchases to finance the production of the new French designed Mystere fighter plane and some artillery shell output. The U.S. has, however, refused to make commitments for off-shore purchases in future years.

MIDDLE EAST

Kashmir Dispute

SECRET

The Kashmir dispute is far from settled. Dr Graham, UN mediator, has suggested continuing the discussions in Geneva, but India wants further talks in New Delhi, and Pakistan has proposed Karachi. The Pakistanis have made no headway in Kashmir but have steadily maintained their position. There have been significant changes in the situation in Kashmir itself, however, in its relations with India. Sheik Abdullah, Prime Minister of Kashmir, though agreeing to a formal announcement by Nehru that Kashmir is part of the territory of India has, on balance, achieved advantages. Hereditary reigning houses are abolished and in future the head of the Kashmir State will be chosen by election; a state flag is permitted, and Abdullah has gained financial concessions.

COMMENT: India and Pakistani forces are tactically disposed against each other along their Punjab frontier. India maintains substantial numbers of troops in Kashmir and Pakistan supports the local "Free Kashmir" forces which are known as the Hizad Kashmiri. There is a possibility that fighting may occur over Kashmir and a possibility that the fighting could be contained as a local engagement without recourse to all-out war between India and Pakistan. Solution by negotiation has been sought with no success. Meanwhile, developments in Kashmir indicate a trend toward an independent state.

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Situation In Iran

SECRET

On July 25 Prime Minister Mossadeq proposed to the United Kingdom Charge d'Affaires talks on compensation for the Anglo-Iranian Oil Company or, as an alternative, that in return for immediate financial aid from the United Kingdom he would be prepared to seek the agreement of the Majlis and Senate to some form of arbitration of the oil dispute.

The United Kingdom authorities were considering these proposals when on July 28 Mossadeq told the U.K. Charge d'Affaires that he preferred to regard the whole conversation of July 25 as not having taken place. The U.K. Charge d'Affaires got the clearest impression that he had yet had of Mossadeq's complete intransigence and of the hopelessness of completing negotiations with him. The Charge d'Affaires does not think Mossadeq has any constructive or coherent domestic policy; on the contrary, his record, character and capacity as a statesman, and the balance of forces which keep him in power, all lead the Charge d'Affaires to believe that he is unlikely to prove a very effective barrier to the growth of communist strength in Iran.

The United States authorities share this concern about the instability of the situation in Iran and consider that the danger of Iran falling under communist control has become so grave that the oil dispute must be regarded as of secondary importance. The State Department is increasingly coming to feel that, however unpalatable such a policy might be, the United States Government might have to take steps to support the present government in Iran.

COMMENT: The State Department's fear that Iran may come under communist domination does not arise from any doubt about Mossadeq's ideological sincerity. He is still believed to be firmly anti-communist, but it is suspected that he may no longer be a free agent: he may have become virtually a captive of Kashani, the Moslem extremist leader, who is reported to have said recently that he is not afraid of an alliance with the Tudeh Party.

FAR EAST

CCF Army Movements

SECRET

1. The 42nd CCF Army is reported to have moved from an area North of Pyongyang (where it had been deployed on coastal defence) to a new position along the coast at the mouth of the Han River on the

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extreme Western front.

COMMENT: This present move South may be in preparation for the relief of the XIX Army Group from which two armies have already gone into reserve positions.

Present disposition may also have been planned to facilitate the operations of the "Farmer's Army" operating on the coastal plain. This army moved North from the Central Front last month. Before the move, it was carried under the XIII Army Group.

2. The withdrawal a short distance behind the line of the 60th CCF Army on the Central Front and of the 63rd on the Western Front sector has been reported, together with a similar movement of II NK Corps in the Eastern sector. On the Western front, furthermore, the 40th and 65th CCF armies have taken over the 63rd CCF Army front, and in the East the III NK Corps has spread somewhat westward.

COMMENT: As the 65th CCF army is the only remaining formation of 19th Army Group in the line, it is thought that this army is scheduled for relief. The redeployment in depth of these formations is favourable for either defensive or offensive action.

North Korean Armoured Division

TOP SECRET

The 105 NK Armoured Division is reported to have been broken down into independent armoured regiments, possibly with additional tanks.

COMMENT: The 105 NK Armoured Division has been under command IV NK Corps in the western coastal sector and was the only armoured element of divisional size in the NKA. Its regiments will probably be distributed among front line NK Corps.

Soviet-Equipped Chinese Troops

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Recent reports state that the USSR has provided equipment for 14 Chinese infantry divisions and 15 artillery divisions. These figures are not confirmed but there is evidence for the belief that Soviet re-equipping of the Chinese Army has been proceeding for some time.

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COMMENT: The formations affected are all located in China and there is no evidence of their movement towards the Manchurian-Korean border. The Chinese Communists continue modernizing, training, and re-equipping their whole army as fast as the receipt of equipment, training of key personnel, and the demands of the Korean war will permit.

New Chain of Command

SECRET

It is reliably reported that Chiang Kai Shek is retiring some 3,000 officers, and that areas of command are being formed with officers commanding directly responsible to Chiang.

COMMENT: Total armed Chinese Nationalist strength (on Formosa and a few islands near the mainland) is approximately 437,000 and the officer strength is reported to be 80,000, of whom some 1600 are of general rank. If this is true, officer to man ratio is 1 to 4.5. The retirement of only 3,000 will have little effect on the top-heaviness of the army structure, or on general efficiency, particularly as it is probable that the purge will be political in its scope, and will be used as an opportunity for Chiang to discard those officers suspected of being personally disloyal to him. Prospects of substantial improvement in leadership and morale in the Nationalist Army are still remote.

Vietnam Air Force

SECRET

Three Vietnamese pupil pilots have qualified as pilots at the Training School at Nha Trang in French Indo China. The school opened in April of this year.

COMMENT: The capacity of the Air Force Training School at Nha Trang can be extended to three hundred trainees. Twenty pupil pilots and ten engineers are on the first course. The pupil pilots are given 70 hours flying training, 40 hours of which are solo: they are then posted to a French A.O.P. squadron for operational experience. When sufficient personnel have been fully trained the Vietnamese are to form their own A.O.P. squadrons.

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LATIN AMERICA

Colombia Wants Equipment

SECRET

Colombia has asked the United States for sufficient equipment for 17 battalions under terms of the present bilateral military agreement.

COMMENT: There is the danger that, if the US accedes to the request, the Colombian government may use it to destroy by force its political opponents. On the other hand, if the US refuses, then Colombia may be expected to threaten withdrawal of its battalion from Korea. This latter threat would have no military significance in Korea, but its political significance would be considerable.

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SOVIET RUSSIA AND SATELLITES

Oil Supplies In USSR

SECRET

It has been appreciated that:

- (a) The Soviet Union's peacetime requirements for oil products are well covered by production and imports from the Satellites.
- (b) There is an annual amount of more than three million tons of products available for stockpiling.
- (c) The Soviet Union is presumed to have an accumulated strategic reserve stockpile of some 10 million tons of products, which is likely to be as much as can be stored for stockpiling. Assuming that there was no damage to refining or producing plant, these stocks would theoretically and on present estimates suffice to supplement production for about three years from the start of a war.
- (d) There is no likelihood of any significant stockpiling by the Satellites on their own account.
- (e) In the event of war in which the Soviet forces were fully mobilized and fully engaged at the present time, Soviet military consumption would rise from its present level of 2.6 million tons to 13.7 million tons. To meet this increase, civil consumption would be drastically restricted, stockpiling would cease and withdrawals of some 3 million tons/year would be made from strategic reserves.

COMMENTS: This estimate is in line with previous calculations except that there is no reference to a possible wartime shortage of aviation gasoline. This is believed to be owing to the building up of large stocks of this product, to increased capacity to produce aviation gasoline, and to reduced requirements of the air forces.

It should be emphasized that estimates of current stockpiling, of the size of the strategic reserve, and of the wartime requirements of the Soviet Armed Forces are all subject to considerable error. It should also be noted that the conclusion on the wartime position of the Soviet petroleum industry is based on the assumption that no petroleum installations will suffer loss of output from enemy action.

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Interest In NATO JETS

SECRET

On several occasions recently, the Polish Military Attache in Belgium has posed the Canadian AA some rather shrewd questions concerning the landing and stalling speeds of Allied jets, and whether they could land and take-off in 1000 meters (3281 ft) (The Polish MA is not an airman). The Pole's earlier questions appeared to be nearly a parroting of questions received from home, but his more recent ones give the impression that he has been well briefed.

EASTERN EUROPE

U.S. Aid To Yugoslavia

SECRET

During a visit to Yugoslavia, 7 - 14 July 52, by Mr. Frank Nash, of the US Defense Department, and Major-Generals Eddleman and Ormstead of the US armed forces, the following additional military aid was promised by the United States.

156 x 155-mm howitzers
240 x M-18 Tank destroyers
200 x Sherman Tanks
6 x T-33 jet aircraft by Spring 1953
100 x F-84 " " " Autumn 1953
100 x F-84 " " " Spring 1954

The United States has already delivered 120 x M-18 tank destroyers and 300 Sherman tanks. Thus, when deliveries are complete, totals will be 360 x M-18 and 500 Shermans respectively. The jet aircraft are all ground attack types.

COMMENT: The Yugoslavs are reported to be overjoyed, since they had wanted, as priorities, medium and anti-tank artillery and jet aircraft. The MA, however reports that General Harmony, head of the US Military Aid Mission, would have preferred spare parts for Shermans already in the country rather than additional Shermans.

The Yugoslavs have been warned that the second delivery of 100 jets depends on uncertain availability.

Yugoslavia has agreed to a jet training and maintenance programme involving quite large numbers of USAF specialists to work as teams to assist the Yugoslav Air Force during the conversion period.

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WESTERN EUROPE

Belgian Military Service

CONFIDENTIAL

Delegates of France, Italy, West Germany, the Netherlands, Luxembourg and Belgium, all nations to be linked together in the European Army, meeting in Paris on 11/12 Aug 52 were unable to agree to adopt the 24-month period of service advocated by General Ridgeway. Belgium, the only one of the six to have this period in being, has been undergoing political tension and riots, ever since certain labour groups made the duration of service an election issue. After the failure of the other nations to agree on the increased period, press reports state that Belgium has reduced her period to 21 months.

COMMENT: This reduction leaves the UK as the only Western European country, and with the US one of two NATO countries, having a period of service of 24 months. Hopes of the conscripts had been raised by the international discussions. It is alleged that most of the rioters had just finished their 18 months and were protesting the prospect of a further 6 months. The Communists have been exploiting the unrest and have circulated leaflets amongst troops, in an effort to organize a mutiny on Jul 26.

NATO Defence Programme

CONFIDENTIAL

Expenditures by European NATO countries for the defence of Western Europe during 1952/53 (July 1, 1952, to June 30, 1953) are estimated at \$11 billion to \$12 billion (US). About \$3.5 billion is estimated to be in the form of military hard goods. In addition the US Mutual Security Program will provide approximately \$6 billion for military assistance to the European NATO area. Most of this will be in the form of US-produced equipment to be delivered during the year.

COMMENT: During 1951/52 European NATO countries spent from \$7 billion to \$8 billion on defence. US military aid shipments to Europe from the beginning of the program in 1950 until April 30, 1952, totalled about \$1.8 billion.

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Netherlands Defence Production

UNCLASSIFIED

Summary of an address by Dr. P. Schoemaker, Director of the General Institute for Industrial Development in the Netherlands, follows:

In 1952, the Netherlands defence budget provided about \$265 million for defence production, of which about \$225 million will be spent in Holland. In addition about \$158 million is being spent over a period of four years from the counterpart funds of US economic aid. A US contract for offshore purchases will amount to about \$12 million a year for the next few years.

Nearly all light and heavy munitions needed in Holland are being produced by the Hembrug Works. There are concrete plans for producing a 20 mm. aircraft machine gun and the construction of a 40 mm. anti-aircraft gun is being studied. Artillery of all calibres for naval vessels is being produced in Dutch machine shops.

The Dutch shipbuilding industry has a capacity of about 300,000 gross registered tons. Navy shipyards are now building 2 cruisers, 12 submarine chasers, 4 submarines, 32 minesweepers and 5 patrol vessels. Holland can build all types of naval vessels up to about 10,000 tons while the engines, electro-technical and radar installations can be produced there almost completely.

The major part of defence production orders benefits the metal industry whose gross production (about \$1,315 million annually) will rise about 12 percent. The capacity for military production of Dutch industry in general is estimated at 10 to 15 percent of annual gross industrial output, or about \$100 million for specific military material and about \$395 million for unspecific military material. Dr. Schoemaker concluded that Dutch industry provided ample opportunity for the production of military material for other countries in addition to supplying Holland's own forces.

MIDDLE EAST

Situation In Egypt

TOP SECRET

It is believed that the situation in Egypt has improved. The army has agreed to the appointment of a member of the Royal House as one of three members of the Regency Council. Aly Maher has said that he

intended to make a declaration of policy shortly and that he had succeeded in getting the Army to agree in principle that they should not interfere with his administration. He expressed confidence in the security of the country and considered the Wafd were not in a position to make trouble. He has no wish to tackle Anglo-Egyptian problems for the moment as he has his hands full with the internal situation.

The position of the Prime Minister has been strengthened by a compromise arrangement which provides that the Council of Regency is to consist of Prince Abdel Moneim, second in line in succession to the throne who will preside over meetings of the Council, Colonel Mehanna, the Army's nominee and Bahieddin Barakat who will serve in place of the Prime Minister. Parliament will be called on to confirm the appointment after the elections now scheduled to be held in February.

COMMENT: In spite of the Prime Minister's confidence, the situation, although improved remains very delicate. There is a chance of a clash between police and Army in the next week or two unless agreement is reached on their relative positions. If the present regime remains stable, the Anglo-Egyptian dispute is not likely to come to a head again until the autumn, when extremist forces will have had time to re-orient themselves. The shape of things to come may be foreshadowed by the Moslem Brotherhood program which urges, inter alia, that the British be driven from Egypt, and the Sudan, and supports the Wafd program, which demands the rejection of any negotiations with the British on defence and Middle East Defence Organization.

FAR EAST

Chinese in Korea

SECRET

The Chinese in Korea continue to improve their organization for the militant penetration of South Korea. 9 Branch of 81 Chinese Revolutionary Volunteer Force is now in Korea with the purposes of despatching agents behind UN lines and of security control in North Korea, particularly in Hwanghae Province.

COMMENT: This unit is composed of Chinese and Koreans, for the most part born in Manchuria. 9 Branch contains six regiments each of 1500 men. Two of these (5 and 6) are mixed North Koreans and Chinese, and the remainder are Chinese only. Equipment is mostly American. It is probable that these troops will act as the regular army stiffening of the North Korean Farmers' Army units, (Joint Int Summary of

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22 Jul 52 refers), and will substantially increase the subversive threat in South Korea. Hwanghae Province is chosen as their base as it is best sited for infiltration by boat rather than through the UN lines.

Korea Communications Zone

SECRET

Major General TW Herren has been appointed commander of the Korea Communications Zone (KCZ) and he relieves the Eighth Army Commander of all responsibility behind Eighth Army. He will report direct to C-in-C UN Command, keeping his HQ in Taegu, and assuming responsibility for civil affairs, liaison, and civil assistance to the South Korean Government.

COMMENT: Should there be an armistice, the KCZ Command will become proportionately of greater importance. General Chu Teh, C-in-C of the Chinese Communist Army continuously since 1934, ascribes his success against the Japanese and the Chinese Nationalists to his patient penetration behind his opponents' lines. Since armistice negotiations began, the enemy has consistently improved his position on both sides of the line. Guerrillas in South Korea, in addition to acting as units under control of North Korean Army GHQ, are now tending to operate primarily as District (South) Korean Labour Party organizations. Their fighting members are caching food during the harvests, particularly in the Chirisan area near the central South coast.

North Korea Railway Troops

SECRET

North Korean Railway Troops operate under a Railway Recovery Bureau. They are organized into three brigades each of 7,700 men and each with six battalions. In each, the first two battalions are bridge repair units, third and fourth are maintenance units, and the fifth forms a field park.

COMMENT: The Railway Recovery Bureau has made remarkable achievements throughout UN air attacks. It is reported that all rail lines North of the Pyongyang-Wonsan lateral continue in operation, and that a new cross country link is being built in North Korea from Tokchon to Oryongpo which will provide rail communication from the main lines to the vicinity of the central front.

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Security of Japan

SECRET

The Japanese National Police Reserve (JNPR) has been, for the first time, declared by Prime Minister Yoshida to be the corner stone of a new Japanese Army. The US government has agreed that a number of heavy guns and tanks will be "loaned" directly to the JNPR so that training may proceed entirely under Japanese auspices. President Truman has decided that 500 pieces of heavy artillery and 500 light tanks will be transferred, beginning in the near future, as fast as they can be absorbed by the JNPR.

The Japanese Government has decided to abolish the US Military Advisory Groups attached heretofore to the 40 JNPR camps, hoping thereby to help restore a sense of national independence. A four-division force is planned by the end of 1953: each division is to be better equipped than the pre-war Japanese mechanized divisions. Each of the present infantry regiments will have a reconnaissance unit equipped with several tanks. A total of 238 high-ranking officers of the old Japanese army and navy are to be given staff jobs in the JNPR or the Maritime Safety Board.

COMMENT: Though this information is not expected to remain undisclosed, the US government is to make no public announcement and hopes it can avoid public notice. The present scheme under which key JNPR personnel receive heavy-weapon and tank training inside US bases in Japan is outmoded.

Chinese Insurgents Reinforced

TOP SECRET

An unconfirmed report states that Chen Ping, Secretary-General of the Malayan Communist Party (MCP) is in Indonesia, where he has been in touch with the Chinese Embassy and various bandit organizations. He is said to be endeavouring to establish bases on the eastern coast of Sumatra for the reception and despatch of Communists into Malaya.

COMMENT: The route from Sumatra to Malaya has the advantages of a short sea passage and numerous islands in the straits of Malacca. Furthermore, it gives access to the West coast of Malaya, where there is the greatest production and consequently the largest Chinese population. Entry on the East coast, apart from the long sea route, could land the "emigrants" into an area inhabited largely by Malays who are actively opposing Chinese Communist militant expansion.

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The projected reinforcement of the MCP (which is composed almost entirely of Chinese insurgents) is probably a counter to General Templer's anti-terrorist moves which have resulted in the capture or death of several top-ranking members of the MCP. It is possible that the Chinese have in mind the use of training bases in Indonesia, especially after their failures in 1949-50 to exploit their attempted bases in South Siam.

ANNAM OPERATIONS

TOP SECRET

Intensified Viet Minh operations are reported from the Annam Plateau area, where previous reports indicated the projected formation of a new division.

COMMENT: There is reason to believe that attempts to raise new units or occupy new areas in the Plateau region will meet with resistance from the local hill-tribesmen who resent interference by the Viet Minh.

Infiltration In Laos?

TOP SECRET

The Muong Kuoua area north of Luang Prabang is reported to have been infiltrated by a large band of Viet Minh, and it has so far been impossible to dislodge them.

COMMENT: As this is the first report of strong enemy action in this area, it may have been overstated in order to strengthen Laotian requests for MDAP assistance.

Chinese Order of Battle

TOP SECRET

Estimated strengths of Chinese Communist forces in the South of China proper are somewhat reduced. Totals opposite Hongkong are now estimated at 156,000 (reduced from 180,000) and totals on the Indo-China frontier at 180,000 (reduced from 270,000).

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A report of fair reliability states that the HQ of Fourth Field Army has moved from Hankow to Canton.

COMMENT: The new estimates are the result of a reassessment of previous reports rather than of troop movements out of the areas. The Fourth Field Army controls large forces in both areas and Canton is probably the best HQ for this purpose. Its Commander, General Lin Piao, now 45, has commanded Chinese Communist 4th Army and now Fourth Field Army ever since he was 22 years of age, except for a period in 1939, when, after being wounded in the war against Japan, he was in hospital in Russia.

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USSR AND SATELLITES

Soviet Purchases of Rubber

SECRET

Interest has been aroused recently in the American press by large Soviet purchases of natural rubber, amounting to 70,000 long tons by the end of June 1952, from U.K.-controlled sources. During the same period, 10,000 long tons had been bought by China, also from British Malaya. These purchases were exclusive of Chinese and East European imports from Ceylon and Indonesia.

COMMENT: While rubber is one of the few raw materials regularly imported in substantial quantities by the Soviet Union, too much significance should not be attached to the scale of recent purchases. In 1951, the full rubber quota of 80,000 tons was not taken by the USSR so that in 1952 the quota will be 97,500 long tons. Total Red bloc purchases for the first six months of 1952 were not in excess of those for the corresponding period in 1951, when China was the heaviest buyer.

Of an annual consumption of more than 300,000 tons of rubber in the Soviet Union, the proportion of synthetic rubber reaches nearly two-thirds. While formerly about 75% synthetic rubber was used in making automobile tires it is now reported that the Moscow Tire Plant began making all-synthetic car tires by mass production methods in 1951. While, therefore, in the long run, the reliance on natural rubber may decline, it would appear more economical to import raw rubber at the present time, especially at the current low prices, not only for current use but perhaps also for stockpiling. Ceylon and Indonesia, as well as Malaya, are anxious to sell to Communist markets since the falling off of U.S. purchases this year.

Second Quarter Plan Results

CONFIDENTIAL

The report on the fulfilment of the annual plan for the second quarter of 1952 stated that the gross production plan had been fulfilled by 102%. The gross output of USSR industry in the second quarter of 1952 is said to have increased by 11% over the corresponding quarter of 1951. The labour productivity of industrial workers is said to have increased in the same period by 6%.

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COMMENT: Quarterly Plan results are usually not very informative since they only give the general movement of production. This quarterly plan result is noteworthy for the fact that both the percentage increase in gross production and the percentage increase in labour productivity are the lowest which have appeared in any quarterly plan result in recent years. Part of the explanation for this lies in a changed method of computing these results and part in the fact that at this stage of Soviet industrial development high absolute gains lead to smaller percentage increases than in former years.

New Soviet Destroyer

SECRET

A new class of destroyer has been sighted in the South Baltic. The hull is similar to the German "Elbing" Type 41, but many features are similar to the new Soviet "O" II type. Six "Elbing" hulls were seized by the Russians in 1945 and removed to Russian ports. These should have been destroyed under the Tripartite agreement, but it is not known whether or not they were.

ELBING CLASS PARTICULARS

Length	335 ft.
Displacement	2190 tons
Maximum Speed	34 kts.
Endurance	2800 miles at 19 kts. (Estimated)
Armament	4 - 4.1" guns
	6 - 37 mm AA
	8 - 20 mm AA
	6 - 21" Torpedoes
	64 Depth Charges
	60 Mines

Submarines in Far East

SECRET

Nine coastal submarines were sighted in Nahodka (Vladivostok area) in May and June. These carried pendant numbers which were last sighted in the Baltic, some as recently as September and October, 1951.

COMMENT: In December, a report was received that coastal submarines on special railway trucks were sighted outside Leningrad. It is therefore most likely that these submarines now sighted have been shipped by rail from the Baltic to the Pacific. A high proportion of the submarines in the Pacific date from before the Second World War, so the addition of some modern "M" Class submarines would be logical.

MIDDLE EAST

New Oil Discovery In Iran

UNCLASSIFIED

The Iranian Oil Company, wholly owned by the Iranian Government, has struck oil one hundred miles south of Teheran in what may prove to be a field closely rivalling in oil reserves the now nationalized concession of the Anglo-Iranian Oil Company. The I.O.C. will continue sinking wells in the area in an effort to prove the field. Consideration is being given to the advisability of erecting a 5,000 barrel-a-day refinery to serve the Teheran area. This area accounts for about 75 percent of Iran's consumption of 7,000 barrels a day of oil products

COMMENT: If the new oil discovery proves as extensive as is expected, the find may become a major factor in putting the Iranian economy back on its feet. Crude oil production in Iran during the first quarter of this year continued at a much reduced rate because of the stoppage of export shipments. Currently, the Italian Middle East Oil Company is making every possible effort to obtain Iranian crude. To date, all attempts have been thwarted by the British who claim that current production in Iran comes from the British-claimed Anglo-Iranian oil fields which have been nationalized without compensation. Should the Iranians be able to commence production of crude oil from an uncontested area, marketing the oil should present no difficulty. The revenue thus obtained would accelerate Premier Mossadegh's program for improving the nation's economic, financial, and social welfare.

Arms Embargo Modified

SECRET

The UK Government has modified its embargo on arms supplies to the Egyptian Air Force. The new modification allows Egyptian Air Force

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to receive complete aircraft (trainers only); spares; and ground radar equipment. Weapons or ammunition are not included for release. These measures do not affect the Egyptian Army, upon which original embargo remains complete.

COMMENT: Egyptian Air Force serviceability has fallen far below the level where it could be a danger to British forces. This state of unserviceability resulted from a British embargo on arms supplies to Egypt, and has reached a point where morale and training were seriously affected, and long-term efficiency jeopardized. This was contrary to British interests; hence the decision to release spares, training aircraft, and radar. The decision does not arise from a re-assessment of the situation in Egypt, which remains as dangerous as ever. The British hope to have Egyptian Air Force co-operation in the defence of that area (and possibly included in Middle East Defence Command).

FAR EAST

Military Situation In Annam

TOP SECRET

Viet Minh insurgent activity in the French-held corridor separating the two main Viet Minh areas in Central Annam has increased to a point where the containment of Franco-Vietnam forces in the Touraine area is a possibility. Two additional Viet Minh regional regiments have appeared in the vicinity.

COMMENT: Touraine is an important French naval base from which the French can cut Viet Minh sea communications with the Chinese island of Hainan. The two regional regiments now in the area are in addition to two regiments of 325 (regular) Viet Minh Division. Touraine is 50 miles South of Hue which is the HQ of French Central Command. The Viet Minh objective is probably to contain Franco-Vietnam forces in a Hue-Touraine perimeter in order to maintain insurgent North-South communications from the Tongking war zone to the Plateau area and cut French East-West communications from the coast through Central Annam to the Thailand border.

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Air-lift In Indo-China

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General Salan, C-in-C French Armed Forces Far East, states that he has in Indo-China eleven parachute battalions, but at present only sufficient air-lift for one battalion at a time. General Salan states that he requires planes to lift three battalions at a time if offensives are to be carried on beyond the present holding operations in the Tongking Delta. He plans to return to France in the near future and his principal purpose is reported to be to persuade French authorities to release to the Indo-China theatre more transport planes, without which no effort will be made to regain the initiative.

COMMENT: It has been reported that French officials are reluctant to commit still more men and materials to what many consider to be a profitless struggle. This will probably militate against the approval of General Salan's plans. A continued stalemate will lower morale in both the Franco-Vietnam forces and the Vietnam Government.

North Koreans In Japan

SECRET

Officers of the North Korean Peoples' Army in substantial numbers are reported to have been smuggled into Japan, where they become militant elements of the Communist Party. The Korean communists have organized para-military groups called "action corps" in many parts of Japan, and Koreans headed much of the recent violence there.

COMMENT: Of the approximately one million Koreans in Japan, some 800,000 are thought to be North Koreans. Virtually all speak Japanese and the foregoing report, which is probably true, indicates the inherent danger to Japan of a divided Korea.

Japanese Export Controls

SECRET

At the five-power talks recently held in Washington to consider the subject of Japanese export controls it was decided to recommend to the Consultative Group in Paris that Japan be invited immediately to join both the Consultative Group and its Co-ordinating Committee (COCOM). It was also recommended that a separate body, to be called the China Committee, be set up to deal with Far Eastern trade controls.

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COMMENT: Export controls for Japan relate mainly to the restrictions placed on the export to Communist China of iron and steel goods, copper and aluminum which were imposed on 6 December 1950, after the entry of China into the Korean war. China is unwilling to export iron ore, coking coal and soya beans unless Japan sends strategic materials in return. Only a small volume of trade is carried on with the USSR.

Japan, itself, wished to be associated with COCOM rather than to continue to operate the controls initiated by SCAP and maintained under the provisions of the American Battle Act. The Japanese Government felt that its position vis-a-vis Japanese business men would be stronger if it were associated with a multilateral body. From an economic point of view, however, no solution of the problem of Japanese export controls is adequate which does not take into consideration the necessity for Japan's finding alternative sources of raw materials and outlets for its manufactured goods in Asia.

North Korean Ammunition Supply

SECRET

Enemy supply traffic south of the 39th Parallel at present is below normal. The reason is believed to be damage to the road and rail networks caused by the very heavy rains of this current rainy season.

COMMENT: In spite of a decrease in supply traffic there has been a marked increase in enemy ammunition expenditure indicating ample stocks in forward areas. During the week ending 13 Aug 52 the enemy fired 75,292 rounds, including a record high day of 21,688 rounds.

Economic Reform in Formosa

UNCLASSIFIED

Final steps in Nationalist China's economic reform program, due to take effect in the coming year, will put most Government-owned enterprises into private hands.

Cement, fertilizer, paper, mining and development corporations taken over from their Japanese owners at the end of the Second World War will be returned to free enterprise. Possibly the public-owned shipbuilding, machinery-manufacturing and alkali-producing industries will also be included. The land reform program embraces about 25 percent of the privately owned farmland on Formosa.

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The plan has not yet received formal approval, but according to the Chinese News Service, the reaction has been cordial and official promulgation now appears to be a matter of routine.

Apparently the economic position of Formosa under the present regime has been improving rapidly. With the realization of the reform program, trade will probably continue to flourish. Although at first production may decrease, it is expected that the end result will be a general improvement in the condition of the Formosan economy.

Soviet Aircraft Overfly Japan

TOP SECRET

On 6 August 52, a USAF RB-29 aircraft was intercepted by Soviet jet fighters over LaPorousse Strait. As the RB-29 crossed the coast of Hokkaido some of the Soviet aircraft broke off but two of them followed ten miles inland.

COMMENT: This is the first known occasion of Soviet aircraft violating Japanese territory and is a further reflection of recent Soviet sensitiveness to US aircraft approaching their Far Eastern borders. In the past few weeks there have been numerous occasions of US aircraft being intercepted in this area, and there appears to have been a definite strengthening of Soviet Air Defence in the Far East.

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SOVIET UNION AND SATELLITES

Soviet Troop Movements into Hungary

(SECRET)

A normally reliable source has reported that unusually large movement of Soviet troops into Western Hungary began on 26 July 52 and continued at the rate of 2-3 trains per day until the date of his report (21 August 1952).

COMMENTS: This report is at present being treated with reserve. If troops alone were carried, it appears that the equivalent of several divisions was moved. It is unlikely that a build-up of such dimensions could take place in Hungary without precipitating a stream of line-crossers and some reflection thereof at Kaisersteinbruck, the transit camp in Austria which serves the Central Group of Forces. On 30 July 52, this camp was reported as occupied only by the administrative staff, having cleared only 2900 troops since 21 July 52.

It is believed that three new divisions are being formed in the Hungarian Army and that these may not yet have received Soviet equipment. The reported trains could be delivering this equipment.

The yearly rotation of age-classes within the Soviet Army appears to be taking place now within the Soviet Union and in Germany and Austria. It has been expected that the remnants of the 1928 and the whole of the 1929 classes might be discharged together in the autumn of 1952. At the end of July, an unusually large release which is believed to have affected only troops within the Soviet Union was reported from Moscow and Smolensk. The present report may indicate a large intake, which would be consistent with a large release later this year.

The Soviet Army in Germany

(TOP SECRET)

A competent observer has recently given the following opinions on the Soviet Army in Germany.

Good Features of the Soviet Army

Simplicity of equipment and training.
Lack of administrative tail.
Good security.

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Tightness of discipline.
High quality of NCO's.

Negative Features of the Soviet Army

Poor handling of armour. No tank transporters seen in Germany.
Poor artillery methods and handling with little, if any, survey.
Poor engineer equipment.
Poor camouflage and road discipline.
Limited wireless communications.
Staff work appears bad.
Intelligence work observed by BRIXMIS is not good.
Air co-operation negligible.
Lack of training against air threat.
Chemical warfare training negligible.

Possible Indicators of Soviet Preparation of War

Move of GHQ from Potsdam.
Influx of vehicles recently observed.
Renumbering of vehicles.
Secret fighter strips recently detected near Western frontier of East Germany.
Increased security.
Appearance of new model T34/85 with muzzle brake.

Negative Indicators

No sign of air raid precautions (among civilians)
Lack of training against air threat (among troops)
Double tracking of railways not seen.
Troops need more chemical warfare training.
Many bridges required for war remain unrepaired.
Lack of equipment to bring troops to full establishment.
Lack of tank transporters.
Insufficient fuel dumps.
Lack of anti-aircraft fire control equipment.

COMMENT: These views are considered to be a fair appreciation of the Soviet Army in Eastern Europe.

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The Kasernierte Polizei in East Germany

(TOP SECRET)

The HVA Bereitschaften have been renamed the Kasernierte Polizei (barracked police). A precedent is to be found in the police organization under the Nazi regime when the term Kasernierte Polizei referred to certain police units of the Schutzpolizei (Protection Police) who were stationed in barracks and who were generally used for large police operations.

It is also reported that a Corps HQ is being formed at Pasewalk which is to be known as KORPS NORD. Another report speaks of a further Corps HQ being formed at Priemerwald near Gustrow. The units located at Eggesin, Prora, and Prenzlau are thought to be forming into divisions under KORPS NORD.

COMMENT: An apparent contradiction exists between the above reports. On the one hand the HVA Bereitschaften have been renamed with a designation which seems to show the internal security nature of the organization. On the other hand, the second report seems to emphasize the military character of the Kasernierte Polizei. Further, recent pronouncements by East German Government officials have referred to the East German Army and there can be little doubt that it is synonymous with the Kasernierte Polizei. It should be noted that the present strength of the Kasernierte Polizei is believed to be 83,000. It is expected that by the end of 1952 it will have organized a Soviet type Rifle Army consisting of two or three Rifle Corps.

Soviet Navy Day

(SECRET)

Navy Day was celebrated on Sunday 10 August 1952 by a demonstration at the Khimki reservoir near Moscow. A beachhead landing under artillery fire was carried out, and two helicopters took off from land, water and moving ships.

The theme of the day, in press, radio and speeches, was that the Navy is "on guard", equipped with modern weapons, and will deliver a "crushing blow" against anyone who dares attack the Soviet Union. Admiral Kusnetov's Order of the Day called for "consolidation" of the country's naval might. Neither Stalin nor the Politburo were present.

COMMENT: According to the 1952 Soviet calendar Navy Day should have been celebrated on the 27th July. In fact Air Force Day was celebrated on this date at the Tushino Airfield, Moscow, and was attended by Stalin and the Politburo. The postponement of Navy Day may have been

due to the wish to use the Volga-Don Canal for the arrival of Black and Caspian Sea units in Moscow.

H.M. Ship to Enter Murmansk

(SECRET)

The Soviet Ministry of Foreign Affairs has now given permission for H.M.S. Warden to make two entries into Murmansk on 12 and 27 August to bring out H.M.S. Lincoln and Georgetown which are lend-lease ships that have recently been released by the Soviet Union. Time in Murmansk in being restricted to 72 hours. The tug H.M.S. Mediator is being sailed to Tromso to meet H.M.S. Warden and bring the first destroyer back to the United Kingdom whilst H.M.S. Warden returns to Murmansk for the second destroyer.

COMMENT: By withholding permission for the recovery of the two destroyers until the latter half of August and minimising the time of H.M.S. Warden in Murmansk the Soviet authorities have done their best to prevent the successful towing of these ships to the United Kingdom. Should the R.N. succeed, and this largely depends on the weather, the Russians will lose face as they stated that the ships were unseaworthy. Should the R.N. fail, they can be expected to make the most of it in their propaganda.

WESTERN EUROPE

Formation of the West German Army

(TOP SECRET)

The shadow Ministry of Defence for the West German Army is known as Dienststelle Blank and its senior officer is General Adolf von Heusinger, former Chief of Operations on the German General Staff.

Dienststelle Blank is divided into four groups; one in Paris under General Hans Speidel, former C of S to Rommel and three in Bonn under General Heusinger. Both generals report direct to the office of Theodor Blank, the Chief Military Adviser to the Bonn Government.

The Paris group works closely with SHAPE and might be called the operations and liaison group. The three groups in Bonn are concerned respectively with plans and organization, liaison with the office of Theodore Blank on military matters and finance and procurement, the last group being run by civilians.

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General von Heusinger is reported to have stated that the West German Army would consist of twelve divisions; four are to be armoured, two mechanized and six infantry.

The General said that it was his intention that six of these divisions would be stationed in the British zone and six in the American. In each zone he was planning to have three infantry divisions forward with one mechanized division in support, and two armoured divisions in a counterattack role. The General felt that when these divisions were raised a re-grouping of forces would be necessary, especially as the armoured divisions would have to be clearly tied up with the British and American forces.

Von Heusinger further stated that as barracks would have to be built to accommodate the West German Army, existing barracks being occupied by refugees and occupation troops, it was proposed to site them strategically. They expected to receive their role from SHAPE in September this year, at which time the strategic locations could be worked out.

The procurement of officers and NCOs presented a formidable task. Both would need refresher courses and bringing up to date on modern weapons. Whereas NCOs would present no further problems, an entirely new class of junior commanders would be necessary as those with Second War experience would now be around thirty years of age. The General anticipated receiving heavy equipment from British and American sources and thought that Germany could cope with the small arms. He finally stated that he was planning on 1500 first line aircraft (fighters and light bombers).

COMMENT: It will be noted that the SHAPE plan for the disposition of the West German Army does not entirely follow General Von-Heusinger's thoughts on the subject. It is clearly an interim plan and may finally follow General's ideas more closely. It is also interesting to note that the General envisages the primary role of his mechanized divisions as supporting the infantry division, whereas their essential purpose is to support the operations of the armoured divisions.

Refugees in Germany

(TOP SECRET)

During the month of July a total of 13,812 refugees crossed into West Berlin from East Germany. At present there are no signs of abatement in the flow of refugees.

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COMMENT: This increase may be explained partly by the current difficulty of entering the Western zones of Germany since the creation, by East German authorities, of the restricted area along the zonal boundaries late in May. By the end of June, for example, fewer than 200 refugees a week were crossing into the United States zone. Another factor undoubtedly is the fear of many East Germans that sector boundaries in Berlin may soon be closed altogether. The stream of refugees not only includes many young men anxious to avoid military service, but also an increasing number of defectors from the Bereitschaften. During the third week of July alone, 46 defectors crossed into West Berlin as compared with 42 for the entire month of June.

Dutch Aircraft Carrier to be Placed in Reserve

(CONFIDENTIAL)

Owing to shortage of personnel, and in view of future manning commitments of the new cruiser and escort vessels, the Royal Netherlands Navy will shortly have to place Aircraft Carrier "KAREL DOORMAN" in reserve for at least a year and a half. During this time her squadrons will be borne in Royal Navy carriers. One Sea-Fury squadron will operate from H.M.S. "Illustrious" during operation "MAINBRACE" in September.

Patrol Boats for the Dutch Navy

(UNCLASSIFIED)

An agreement has been reached in Washington between the Dutch government and the American government, whereby the latter undertakes to have a group of five patrol boats built in the Netherlands. When completed, these ships will be transferred to the Dutch Navy, which will use them to protect port and coastal areas against submarines.

The vessels will be of a type to be developed by co-operation between the Dutch and United States Navies. This is the second case of "off-shore procurement" in which the Dutch Navy has assisted. Besides the gain in dollars which will result, the Dutch Navy will receive a present of a number of vessels which fall within her fleet plans, and whose building she will be able to supervise.

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MIDDLE EAST

The Egyptian Aircraft Industry

(SECRET)

Since the end of the war, Egypt has made continuous attempts to become more self-sufficient in armament production, and has enlisted the help of various foreign countries. In particular, Great Britain, France, Sweden, Italy and Germany, have been called upon to help supply the necessary machinery, tools, components and raw materials, as well as to supply and train skilled labour and managerial personnel.

Some progress has been made in the establishment of an aircraft industry. Egypt now possesses two aircraft factories, the larger at Helwan being intended for production of Vampire and Venom aircraft, and the other at Almoza near Heliopolis for the production of trainers.

The Helwan factory is estimated to have sufficient capacity to produce 35 Venom aircraft a month. As yet the capacity of the Almoza factory has not been estimated.

COMMENT: In an attempt to make the country's aircraft industry independent of foreign help, the Egyptian Parliament voted the sum of £1.4 million for the construction of a new aero-engine factory in Alexandria some time ago. However, little more has been heard of the project, and in any case it would be several years before Egypt could produce her own engines. A major difficulty, now that the British have been dismissed from posts in Egypt, is a shortage of managers. It is doubtful whether the country would be able to run a modern aircraft factory without outside assistance.

Under the circumstances it appears that although the Egyptians have an aircraft factory as modern as almost any in Europe, they will not be able to produce combat aircraft on a significant scale until supplies of engines and materials are available from abroad. Even then, production can commence only if skilled engineers can be recruited to manage the factories.

It is understood that the U.K. has decided to lift its embargo on spares for aircraft (except armaments) and Chipmunk training aircraft.

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FAR EAST AND SOUTH-EAST ASIA

Reinforcements for Central Annam

(SECRET)

It is reported that Mobile Group Seven has arrived at Hue from Tongking.

COMMENT: As French reserves at Hue consist of six infantry battalions, the reported reinforcement of this area at the expense of the Delta reflects French expectations of a Vietminh attack.

The present comparatively quiet period in the Delta gives an opportunity to the French to increase their Hue-Tourane forces sufficiently to enable them to resist the reported Vietminh strength of one regular Division and two regional regiments in that area.

Transfer of Native Troops to Vietnamese Army

(SECRET)

Fourteen French Colonial Battalions have been transferred to the Vietnamese Army. The infantry establishment of the 5th and 6th Vietnamese Divisions is completed by this transfer. No information is as yet available as to where equipment for the supporting arms and services will be made available to these divisions. The immediate effect of this transfer will be:

- (a) Reduction in the number of troops in Indochina which are held surplus to the number budgeted for by the French Government. France, however, is not completely relieved of the maintenance of these troops as an agreement between the French and the Vietnamese provides that the financial burden be shared.
- (b) A certain number of French Officers and NCOs could be relieved from these battalions for duty elsewhere in the theatre or in Metropolitan France, but if the French cadres are completely replaced, a drop in combat efficiency may be expected.
- (c) The loss in fighting efficiency will be partially offset by the propaganda value both in the associated States and in France of an apparent increase in Vietnamese participation in the war.

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The overall strength of the Franco Vietnamese armed forces will not be greatly increased, but additional military equipment under MSA may be expected as the United States see the Vietnamese native forces apparently becoming stronger.

TAILPIECE

When Will the Truce Talks End?

(SECRET)

It is reported that during July a large number of North Koreans and Russians left Kaesong. Russian officers, supply corps troops and families of North Korean officials are all said to have taken part in the exodus.

COMMENT: If true, this report would seem to indicate preparations for breaking-off the truce talks; Kaesong would then again become an operational zone. This conclusion is contradicted, however, by the recent newspaper report that the Communists are replacing the "Truce Tent" in Panmunjon with a permanent building!

LATE ITEM

Unidentified submarine sighting on Labrador coast.

(SECRET)

At 0900 on 27 August, a submarine was sighted by four eskimos at Nain Inlet, Labrador, approximately 224 miles North West of Goose Bay. The submarine was surfaced for a short period and then set course seaward through the only charted channel in the area.

One Lancaster from Greenwood Air Station conducted full photo and visual reconnaissance along the coast either side of the last known position and then searched seaward using 10 mile visibility and 200 mile legs. Recce was conducted from 0400 on the 28th till 1000 the same day. No submarine was sighted during the search.

Intelligence officers at Goose Bay were requested to interrogate eskimos to determine reliability of the report.

COMMENT: It has been reported that on previous occasions Soviet submarines have made long range training cruises along the Canadian east coast. It is possible that they have been making a reconnaissance of the Labrador coastal areas and GCI installations.

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10 Sept 52

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NORTH AMERICA

The Reduction of United States Military Expenditure Estimates (CONFIDENTIAL)

The recent mid year budget review of the United States President disclosed a reduction of \$6.4 billion in the estimate for military expenditure in 1952/53. It is now estimated that military outlays in 1952/53 will total \$52.9 billion. The 1951/52 total was \$41.3 billion. These figures include both the United States defence program and foreign military aid, but exclude expenditure on atomic energy development which was \$2.1 billion in 1951/52.

Military procurement outlays in 1952/53 will total \$23 billion, a reduction of \$5 billion from the January estimate but still \$8.9 billion higher than in 1951/52.

COMMENT: The reduced estimates of total military expenditure are attributed partly to a reduction in Congressional appropriations and partly to some slowing in production of military goods due to the steel strike.

MIDDLE EAST

Israeli Arms Agreement with the United States (CONFIDENTIAL)

The Israel and United States Governments have reached an agreement under which Israel may buy military equipment from the United States under the provisions of the Mutual Security Act. This means that Israel will now be able to buy arms direct from the United States Government, or their agents, instead of from dealers in surplus stocks with whom she has had to trade in the past. The United States Ambassador in Israel informed British sources that the United States has no immediate intention to supply either modern tanks or aircraft to Israel.

COMMENT: With the exception of Turkey, Israel is the strongest military power in the Middle East today. Their air force has been strengthened by the acquisition of 67 Mosquitoes from France. Twelve Spitfires have also been earmarked for Israel. In addition, 30 Spitfire MK. 9's bought in Italy are now being delivered. With this new military agreement and the strong influence wielded by Zionists movements in the United States, there is every reason to believe that the Israelis will employ every available means to purchase new jet aircraft and tanks.

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EUROPE

Venom Night Fighter Aircraft for Sweden

(SECRET)

Sweden has ordered sixty Venom aircraft from the De Havilland Aircraft Company to replace the Mosquitoes of the Swedish Air Force Night Fighter Wing. The first aircraft are expected in Sweden early this month. New aircraft are to be sold less the radar, and the Swedish Air Force will transfer the equipment from the Mosquitoes to the Venoms..

COMMENT: The delivery of these sixty Venoms to the RSAF will alleviate a serious need, but it will take many months to instal the radar and convert the personnel.

Ground Forces Build-up-Medium Team Plan - 1954

(TOP SECRET)

(a) Italy

Italy has recently activated the "Pinerolo" Infantry Division, increasing the total number to ten. This division is approximately 60% of establishment. Two armoured brigades are being enlarged to armoured divisions and three Alpine regiments are being formed into a mountain division.

(b) France

In October 1952, the 19th and 29th Infantry Divisions are to be formed, bringing the total number of divisions to thirteen.

(c) Belgium

Since the beginning of 1952, Belgium has brought the 16th Armoured Division to full strength and formed the 4th, Infantry Division which is at 75% strength at present.

COMMENT: From the latest information available all countries except France and Netherlands will be able to meet their commitments in 1952. However, the equipment situation still will have a major influence on the effectiveness of a large percentage of the divisions.

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SOVIET UNION AND SATELLITES

Soviet Note of August 23 concerning Germany -
Views of United States and United Kingdom.

(SECRET)

The United States and the United Kingdom agree that the last Soviet note marks no real advance on the part of the Soviet Government toward an acceptable solution of the German problem. The note's main weakness is that it relegates the question of free all-German elections to third place in the agenda of a four-power conference after the preparation of a peace treaty and the formation of an all-German Government.

The United Kingdom considers that the Russian proposal to invite representatives of East and West Germany to a four-power conference is an obvious attempt to avoid the necessity for setting up an all-German Government by free elections before discussing a peace treaty. The selection of October as a deadline for the talks is dictated by the fact that by the end of October ratification of the Bonn conventions and the E.D.C. Treaty may have been completed in Bonn and have begun in Paris. The Russians may also have in mind the United States elections and the opening of the United Nations Assembly.

In the view of the United States, the Soviet note is the last but not too hopeful attempt to stir up difficulties which might hamper ratification of the conventions and the E.D.C. Treaty by Germany.

The Ball Bearing Industry of the Soviet Bloc

(SECRET)

There are 18 major manufacturing plants within the Soviet Bloc (9 in the USSR, 3 in Czechoslovakia, 4 in Eastern Germany and one each in Poland and Roumania). These plants produce complete bearings. An additional number of smaller plants are engaged mainly on repair work. Estimated production in 1951 from these plants is 159 million bearings (cf. Germany's wartime peak output of 94 million bearings/year). The total requirements of the Bloc for 1951 are estimated to have been between 143-164 million bearings, imports from the West amounted to 10.5 million units. The small imports suggest that these bearings are required largely for replacement purposes in foreign machinery which contain bearing sizes not in the production range of the Bloc and, possibly bearings for special purposes. It is estimated that only a very small proportion of the imports in 1951 went to the USSR, and that the greater part went to the Satellites. According to the estimates in this paper, at least 5 million bearings were available for stockpiling in 1951.

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COMMENT: Information on the ball bearing industry is fragmentary and of varying quality. No actual figures have been published, and thus any estimates of total production must contain a wide margin of error as to quality, size and output. Sizes range from the most minute bearing to those weighing several tons. The bearing industry has grown very rapidly particularly in the USSR, and it is clear that production now meets requirements for most common types. It is however likely that high precision bearings for special purposes continue to be in short supply.

Soviet Troop Movements - Eastern Europe

(TOP SECRET)

(a) Various reports state that the movement of Soviet troops into Germany and Austria continues. As late as mid-Aug, it was further reported that eastbound trains were still leaving these countries empty. By 27th August the War Department estimated that 19,000 troops had entered Germany and 2,900 had entered Austria. As of 29th August the War Office had reports showing that a total of 27,000 men had entered Germany.

(b) It has been reported that, between 17th July and 21st August from two to six Soviet troop trains daily entered Hungary. There is a further report that Soviet troops have been relieving Hungarian garrisons at Baja, Sopron, Vas* and in the frontier region West of the Danube.

COMMENT: (a) There is still no confirmation that the movement into Germany and Austria reflects the arrival of the 1933 class, nor is there evidence for the corresponding release of any members of the 1928 and 1929 classes. It is, however, probable that the 1933 class is arriving and that the consequent increase in strength is only temporary.

(b) It is NOT yet known whether the trains reported entering Hungary brought troops and equipment or both. The War Office has recently estimated that this movement, if true, and if it consisted of troops alone, would indicate the arrival of about two rifle divisions. We at present hold two mechanized divisions in Hungary: the 17 Gds Mech Div in the Szdmbathely area, and the 2 Gds Mech Div in the Kékesmet area.

(*) presumably for Vasvár.

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MIG-15 - Ground Attack

(TOP SECRET)

Reports of air activity in Eastern Europe indicate that the Russians are continuing to utilize the MIG-15 jet fighter in ground attack exercises. On one occasion 24 MIG-15's reportedly were observed dropping bombs from an altitude of about 1,000 feet in the Gatow-Rossow air training ground. The aircraft carried bombs about one meter long under each wing.

COMMENT: In the light of the reports covering this activity and earlier reports of the MIG-15 participating in ground attack training of several types, it appears that the Russians may use the MIG-15 in the dual role of interception and ground attack.

Soviet Border Violations

(TOP SECRET)

Reports have been received of additional border violations by Czechoslovakian and possibly Soviet aircraft between the US Zone of Germany and Czechoslovakia. During the period 6-12 August, there were at least 20 violations by Communist aircraft of West German territory along the Czechoslovakian border.

COMMENT: These repeated border violations provide further evidence of Communist interest in this particular sector of the Satellite-Western boundary; the activity may be intended to prohibit Western surveillance and increase Communist surveillance in the area.

Drought in Yugoslavia

(CONFIDENTIAL)

For the past six weeks the central part of the country, including the principal wheat and corn producing areas, has been practically without rain and it is already apparent that crops will be severely affected. The harvest of late crops will be even poorer than the harvest of early grains. Losses which are estimated to range from 30% to 60% of an average harvest are less serious, however, than those of two years ago.

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The Economic Council of the Yugoslav Government has held a special meeting to examine the consequences of this year's drought. The government has announced its intention of importing sufficient quantities of wheat and fats to augment the stocks remaining from last year's ample harvest and avert the undesirable alternative of a return to compulsory delivery quotas and rationing. It was also decided to suspend all shipments abroad of wheat, rye, hops, barley, corn and cattle fodder.

COMMENT: This year's drought is a severe blow to the government which has initiated a policy of greater decentralization in the agricultural economy and in the export field. It also hits the export trade, half of which was to consist of agricultural produce in 1952. Requests for tripartite aid from the United States, the United Kingdom, and France, and for a loan from the International Bank are therefore likely to be higher than anticipated. The foreign aid which is eventually decided on will have to be nicely balanced between the military and industrial requirements of the country and the need for food which will soon become pressing.

The Fifth Five-Year Plan (1951 - 1955)

(SECRET)

The text of the Draft Directives for the Fifth Five-Year Plan have just been published and the final version of the new Plan will be available after the October 5th meeting of the Party Congress. In the past substantial changes have been made between the draft stage and the final adoption of the plan and although this is less likely today, the directives should not be regarded as the final version of the Plan.

The new plan calls for a high rate of growth of the industrial and agricultural production, and a substantial increase in the standard of living. On the face of it the new plan is, as pointed out in the directives, "a plan of peaceful economic and cultural construction". But the Third Five-Year Plan (1938-42) was almost equally innocuous in appearance but was ostensibly in operation during the period 1938-41 when the defence effort of the USSR virtually tripled.

While the goals set for basic items (coal: 373 million tons; steel: 44 million tons; oil: 70 million tons; electric power: 164 billion Kwh) are within the capabilities of the economy, some of the goals described in the plan are thought to be unattainable. It is almost certain that a 40-50% increase in the harvest of grain is

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impossible by 1955. It may, therefore, be dangerous to regard the general outline of the plan as supplying a valid indication of the intentions of the Soviet leaders. No developments of particular strategic importance are to take place in transportation, and apart from a few specific items the plan does not appear over-ambitious. It should result in some relief on the relative burden placed upon the railways, in particular by reducing the number of short hauls. The absolute task of the railways will however increase.

Items of Defence Interest

While the draft Plan contains no explicit reference to defence, the attainment of the goals for basic industries important to defence will strengthen the war potential of the country. Specific items of defence interest in the plan directives are given below:

1. One of the tasks of the Plan is to double the State material and food reserves "which could ensure the country against any eventuality". This is a striking increase but if the size of the State reserves is determined by requirements in terms of several months' supply, then the rise in total production which will occur during the Fifth Five-Year Plan will lead to a rise in the requirement for State reserves.

2. There are two possible indicators of an expanding armaments programme:

(a) The planned increase in the output of motor vehicles and tractors is lower than expected, and it appears that the railway transportation programme can be carried out without any substantial increase in locomotive production. The underutilization of the capacity of these industries may point to a possible increase in the output of vehicles for the Armed Forces.

(b) Aluminum production is to rise by 1955 by "at least 2.6 times" over 1950, or to some 500,000 tons. While this increase is not out of line with the planned rise in the output of, for example, zinc and lead, it should be noted that at present over half the output of aluminium is consumed in the defence industries.

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3. The output of oil is to be increased by 85% over the level of 1950, or to some 70 million tons in 1955. This increase is higher than expected, although it is fairly evident that the plan is internally consistent. Refining and cracking capacity is to be doubled, and such information as is given on the oil-using industries indicates that their programmes call for a substantial increase in consumption.

4. Rail freight transport is to increase by 80-85% over the 1950 figures and 24,000 kilometers of new roads are to be built. Civil air traffic is to increase 100% and conveyance by pipelines is to be increased five times over the 1950 figure. This represents a natural development of the transportation system which will reduce the burden on the railways and enhance the efficiency of the transportation system as a whole. Since the volume of freight carried by road, air and pipeline is small, the high percentage increases are not unreasonable.

See map attached

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SOVIET UNION AND SATELLITES

Soviet Interference with Air Traffic in the
Soviet Zone, Germany

(CONFIDENTIAL)

Soviet harassing of Allied air traffic in the corridors to Berlin is continuing. According to a delayed report, a commercial aircraft on 29 July encountered interference with the Fulda radio range station located in the United States Zone near the entrance to the southern air corridor, and during the flight over Zerbst Airfield the aircraft was tracked by an undetermined number of searchlights - a practice which is particularly confusing to navigation during hours of darkness. Interference in the frequency of the Fulda range station has been reported earlier.

A commercial aircraft strayed from the corridor on 11 August, but no interception was made.

Closing of Mittelland Canal

(SECRET)

The closing of the Mittelland Canal on 1st August 1952, ostensibly to repair the Rothensee lock, may not be a harassing measure. Reports indicate that the lock is in actual need of repairs.

COMMENT: Coal deliveries from East Germany to West Berlin were resumed 1st August 1952 on conclusion of a trade agreement between East and West Germany. The deliveries were in no way diminished as a result of closing the waterway and the West Berlin stockpile is now equal to about six months supply.

Aircraft Revetments, Soviet Zone, Germany

(TOP SECRET)

Construction of aircraft revetments is continuing at Soviet Zone airfields. An increase in the number of revetments has been reported at Brandenburg-Industriehafen, Doeberitz and Dessau Airfields. Similar construction apparently is also being undertaken at Koethen and Zerbst Airfields. On each field, the revetments are located well within the confines of the airfield, and no attempt has been made to achieve

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dispersal within groups or dispersal away from the field. At Dessau, on the contrary, new revetments are located close in, while old, but still usable, revetments farther out are neglected and a fence under construction will exclude the old dispersal area from the field itself.

COMMENT: This may be to hide aircraft from prying eyes and facilitate guarding. Security has always been a Soviet pre-occupation. Control, operation and servicing would also be made easier with the aircraft parked within a smaller perimeter.

MIG - 15 in Ground Attack Role

(TOP SECRET)

A recent report on air training activity in East Germany provides an indication of coordinated air/ground exercises involving the MIG-15 in an attack role against light AA gun positions. A fairly reliable source reports that simulated AA fire was directed against MIG-15 aircraft which attacked the AA gun positions with white powder practice bombs to mark impacts. Several earlier unconfirmed reports have been received which stated that the MIG-15 was being used in this type of training.

COMMENT: Although from time to time reports are received of the MIG-15 being seen attacking ground targets, there is as yet no evidence that the Russians intend to re-equip actual ground attack units with this aircraft.

Grain in the USSR

(SECRET)

Grain production in the USSR for the past four years (i.e. since the drought of 1947) has averaged about 120 million metric tons a year according to Soviet figures. Western experts estimate the average barn yield at from 80 to 90 million tons per year. Satellite production during the same period has averaged 39 million tons annually.

It has been estimated that in 1951 human consumption of grain in the USSR amounted to 48 million tons out of a net yield of 90 million tons and in the European Satellites to 18 out of 42 million tons. The corresponding figures for all other consumption in the Soviet Union and the Satellites are 35 and 23 million tons. A total of some 8 million tons from a harvest of 132 million tons went to increasing the stockpiles in 1951.

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Total stockpiles of grain in the Soviet Bloc at the end of 1951 are estimated at 25.5 million metric tons of which about 5.5 million tons is Satellite grain held by the USSR or by the Satellites themselves. These reserves may be compared with the estimated USSR stockpile of some 20 million tons in 1950.

Roumanian Pilot Defection

(UNCLASSIFIED)

On 13 March of this year a Heinkel 111 landed at Belgrade from Brasov (Roumania) with a crew of five defectors.

On 5th July, two Messerschmidt 109's reported to be piloted by Air Force Captain Georgi Juo and Lieutenant Boris Konstantin, were said to have landed at Petrovac and Alibunar Yugoslavia. Konstantin's aircraft was damaged in landing because "he did not know the terrain".

The defectors were reported to have said that they "could no longer bear the humiliation to which they were subjected. Soviet pilots are on every airport. The airports are completely in the hands of the Russian Air Force. Russian pilots are much better paid and equipped than Roumanian ones..."

COMMENT: This second defection, coming four months after the first, will no doubt result in some curtailment of flying and further tightening of security in the Roumanian Air Force. Morale in the Roumanian Air Force is far from satisfactory.

WESTERN EUROPE

Germany - Informal NATO Council Meeting

(SECRET)

At a Council meeting held on 4th September all delegates were agreed that at this stage it is necessary to pursue negotiations with the USSR over Germany and to insist on the basic requirements of free elections throughout Germany. The Scandinavian group suggested that the Three Powers should show more flexibility in their approach and that in the proposed agenda emphasis should be placed on the conditions

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required for free elections and that Germany must eventually be granted membership in NATO. The Canadian representative, while expressing general agreement with the line taken in previous replies, emphasized Canadian hopes that a Four Power meeting would be possible and that the Western reply would make positive proposals for a conference.

COMMENT: This is regarded as the Council's most successful informal exchange of views to date on a major issue.

Spain Demands High Price for Use of Bases

(UNCLASSIFIED)

Generalissimo Francisco Franco is demanding payment of the entire sum allocated to Spain under the United States Mutual Security Program before negotiations are continued concerning an agreement on United States use of Spanish bases.

To date the United States Government has authorized credits to Spain totalling \$187.5 million of which \$125 million are Mutual Security Agency funds.

At the end of 1950, the United States congress authorized the Import-Export Bank to loan Spain \$62.5 million. Of this sum \$22.7 million has reached Spain in the form of wheat, copper, coal, fertilizer, and tractors. Nearly all of the balance has been contracted for and will be shipped to Spain.

In October 1951, \$100 million was voted for Spain as an Mutual Security Agency appropriation. When the fiscal year 1951-52 ended, the same \$100 million was carried over another year and \$25 million added to it.

COMMENT: Official Spain seems unable or unwilling to understand that the Mutual Security Agency appropriation is not an unconditional grant to Spain. These funds are in fact authorized to be used, at the discretion of the Administration, for some purpose which will promote the security of the United States.

The United States government has recently emphasized that what it seeks in Spain is not bases but facilities, i.e. the limited use of existing or projected Spanish operated military airfields or naval bases.

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Yugoslav Air Force

(SECRET)

Altogether 109 F.47s have been delivered to Pola by ship, and 400 flying hours have been carried out by the Yugoslav Air Force on this type. Of the F.47s, 25 have moved to Skoplje in Macedonia to form a regiment.

COMMENT: Delivery of the promised 126 F-47's is nearing completion. The Yugoslavs hope to form 4 regiments of F-47's probably with an establishment of 25 aircraft although normal Yugoslav establishment is believed to be 42. Already there has been some cannibalising, so reducing the number of effective aircraft already received.

MIDDLE EAST

Iranian Situation

(CONFIDENTIAL)

Mr. Acheson emphasized to the press on September 3rd that the Truman-Churchill proposals of August 30th not only accepted the nationalization of Iranian oil but proposed negotiations between the Anglo-Iranian Oil Company and the Iranian Government to determine the amount and form of compensation. Mr. Acheson added that for a fair settlement of claims and counter-claims Iran should now be willing to trust the International Court of Justice. The offer of a 10 million grant had been merely intended as a short-term measure to tide Iran over the period of negotiations while it was waiting for oil revenues to begin coming in again.

Despite Mossadegh's rejection of the proposals the United Kingdom continued its efforts to secure its acceptance when the Majlis meets. It has instructed its representatives in Iraq, Egypt, France, Italy, the Netherlands, Belgium and Turkey to ask the governments to which they are accredited to use their influence to bring about agreement.

COMMENT: Although the Majlis were scheduled to meet on September 10th no report of any meeting has yet been received.

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Retirement of Iranian Senior Officers

(SECRET)

A United States official source reports the disposal of 27 Iranian General Officers, 15 by retirement and 12 others by reassignment.

Notable among those retired are Majors-General Garzan, former CGS, and Alavi-Moghadam, formerly Military Governor of Tehran and First Deputy Minister of War. These two officers have been held responsible for civilian casualties during the riots of 21st July 1952.

A significant change is that of Major-General Moghbelli who has been relieved as Commander of the 3rd Infantry Division at Tabriz. Moghbelli, whose record has been good militarily, has recently received severe criticism from the Communist Tudeh party and also from certain Majlis deputies supported by Mullah Kashani.

COMMENT: The political flavour of these changes would indicate a move by Prime Minister Mossadegh, to increase his power at the expense of the Shah.

Operations in Annam

(SECRET)

It is reported from Saigon that a recent French offensive north of Hue overran a headquarters unit of a Vietminh regiment, killing or capturing some 1100 men.

COMMENT: The destruction of a major portion of a regiment from the 325 Vietminh regular division may have the effect of delaying a Vietminh assault in the Hue-Tourane area which the French believe to be imminent.

FAR EAST

Chinese Troops in Burma

(SECRET)

Fighting has occurred between rival bands of Kuomintang troops in Burma, and 300 troops are reported to have left the main body and joined forces with the Karen National Defence Organization (KNDO).

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COMMENT: Reinforcement of the KNDO, with trained soldiers from the KMT could be a matter of some concern to the Burmese, particularly if the KMT defectors took their arms and ammunition with them.

A merger of the KNDO, with the bulk of the KMT, were such to occur, would present a threat that the Burmese Government forces might have difficulty in countering if pressure is to be kept up at the same time on the armed forces of the Burma Communist Party.

Chinese-Trained Burmese

(SECRET)

A group of 1,000 Chinese-trained Burmese has reportedly crossed the border into Burma. It is said to be part of a force of 3,000 which is being trained in China for operations in Burma.

COMMENTS: It was reported some months ago that the Chinese Communists had sent 3,000 Chinese youths to SW Yunnan who would carry out recruiting among the border tribes, and the report may refer to this group. While there is probably an exaggeration in the reports of the numbers who have entered Burma, infiltration by trained communist cadres is consistent with overall Chinese militant Communism in SE Asia.

Night Defence Tactics - Korea

(SECRET)

Communist night fighter aircraft for the first time in the Korean war resorted to the use of parachute flares dropped ahead and above UN bomber aircraft, as an aid to night fighting. The flares, each of which was suspended from two parachutes, were described as being very bright, lighting an area approximately one mile in diameter and were more effective than searchlights.

COMMENT: Flares were used by the GAF during World War II, prior to the extensive employment of AI, as an aid to night fighting. The Russians are known to have copied this technique on the Eastern Front during the war. Its introduction by the Chinese indicates their natural progression to night warfare and their growing concern with the UN present night aerial warfare and its future night

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bombing capability. The use of fighter flares is additional confirmation of the absence of AI equipment in the Communist Air Forces in Korea.

BRITISH COMMONWEALTH

ANZUS Council

(SECRET)

At its initial meetings, August 4 - August 7, the Anzus Council agreed upon:

- (a) regular annual meetings attended if possible by the three Ministers and that special meetings of the Council will be held in Washington as required;
- (b) one military representative from each of the Governments should be accredited to the Anzus Council to advise on problems of military co-operation; meetings of these representatives will be held in Honolulu at the H.Q, Commander-in-Chief, Pacific Forces;
- (c) while the U.K. should be kept fully and currently informed of the activities of the Council it should not be asked to send observers to attend the meetings for the time being;
- (d) no attempt being made at this early stage of the Council's development to attempt to establish relationships with other states or regional organizations.

The communique issued by the Council at the conclusion of its meeting stressed point (b) above and in addition stated "we have taken the opportunity to review situations of mutual concern.....we emphasize however that we neither reached any decisions nor undertook any commitments regarding matters of direct concern to our friends in the Pacific area or elsewhere."

An Australian-New Zealand move to appoint liaison officers to the Pentagon did not succeed. They were unsuccessful in this and other attempts to establish additional channels of communication by reason of

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United States insistence that the organization be kept as simple as possible and that the Governments utilize existing international bodies for planning and coordination.

COMMENT: We understand that no decisions were made which were not registered in the communique referred to above. It is clear that the United State does not favour a broadening of the Anzus Pact into a wider Pacific pact for the time being. Although the establishment of an Anzus Council will enable Australia and New Zealand to co-operate actively with the United States in strategic defence planning the contact with NATO will not be as close as Australia had hoped. Consideration is being given at the present time to a plan to have the United States representative on NATO report on significant ANZUS developments.

Return of UK Destroyers from the USSR

(SECRET)

The old town-class destroyers HMS Lincoln and HMS Georgetown have been successfully towed out of Murmansk by the RN salvage tug HMS Warden.

HMS Warden towed the first old destroyer to Tromso in northern Norway where she turned it over to the salvage tug HMS Mediator to be towed back to the UK. The Warden then returned to Murmansk where she took the second old destroyer in tow and set out for Britain.

TAIL PIECE

Rump Massagers for US Fighter Pilots

(UNCLASSIFIED)

September "Newsweek" briefly mentioned the "Automatic Rump Massager for Fighter Pilots". According to the source, US fighters will have a pulsating seat that massages the rear end of a fighter pilot in flight. Pilots have found that they become so terribly cramped and numb on long flights that their efficiency becomes seriously impaired.

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COMMENT: From a practical standpoint, however, this is not as ridiculous as first imagined. The US have been experimenting with an undulating seat for some time in order to relieve the fatigue factor on long missions. At the present time, the fighter pilots have been using their "G-suit" to stimulate circulation on long trips. This is accomplished by pulling a few G's, i.e. the aircraft is pulled-up abruptly which automatically forces ram air pressure into the sack areas in the G-suit, concurrently stimulating the body in the pressure areas thus affording some measure of relief.

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SOVIET RUSSIA AND SATELLITES

Soviet Port Development

(SECRET)

Among the ports scheduled for development for the Russian Navy is Naryanmar, on the estuary of the Pechora River, which flows into the south-eastern Barents Sea. A disadvantage of this port is the ice, which closes it from the end of October to the end of May.

The Soviet Northern Fleet, operating from the Kola Inlet and the White Sea, at present brings its coal from Spitzbergen and its oil from distant parts of the Soviet Union.

Naryanmar is linked by river with the railway connecting newly-developed oilfields and coal mines in the interior and is likely, therefore, to assume increasing importance as a rear supply base for the Northern Fleet.

Reply to Soviet Note

(SECRET)

The Western reply to the Soviet note of August 23 concentrates on the importance of free all-German elections and emphasizes the pacific and defensive nature of the Atlantic Pact, the E.D.C. Treaty and the contractual agreements and the fact that all these agreements were freely negotiated by elected governments. The Soviet proposals to include representatives of the East and West German Governments in the negotiations for a Peace Treaty are rejected as is the Soviet wish to return to the Potsdam Agreement of 1945, since this would mean the drafting of a Peace Treaty without the participation of an all-German Government.

There is some discussion of the different Soviet and Allied conceptions of the term "free elections". The earlier allied proposal for a U.N. commission of investigation into electoral conditions is kept alive, but the Allies express their desire to discuss any "practical or precise alternative proposals."

The note ends with a renewal of the allied proposal of July 10 for an early Four Power meeting in October to discuss the composition, functions, and authority of an impartial commission of investigation with a view to creating the conditions necessary for free elections. Once this has been settled, the next step would be to discuss the arrangements for the holding of free elections and the formation of an all-German Government.

COMMENT: This reply is to be delivered to Moscow early next week.

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(unless otherwise classified)

EASTERN EUROPE AND SCANDINAVIA

Yugoslav Air Force

(SECRET)

At the invitation of the Yugoslavs, the Patajuica airfield was visited on 1 August 1952 to see the Mosquito regiment in training. The divisional Commander said he commanded the Mosquito regiment (27 aircraft) and the "S-49 regiment" at Patajuica. The remaining 12 Mosquito MK 38's were at Zagreb.

The state of the aircraft, the quality of flying and operational proficiency were said to be impressive.

The objects of the invitation were:

- (a) To demonstrate that the Y.A.F. is capable of, and in fact is, making the best possible use of equipment it has been given.
- (b) To show how training is being restricted by lack of cameras and electronic equipment.
- (c) To indicate the ability of the Y.A.F. to absorb more up to date equipment.

COMMENT: This invitation shows how the Yugoslavs are prepared to open the door a little wider to the West as long as it is likely to bring dividends. The information confirms the existence of a new division, though precise details of numbers and units that constitute it have not yet emerged. Regiments normally consist of 36 aircraft, including reserves, in three squadrons. A total of 60 NF.38s, 53 FB 6s and 3 T.3s had been delivered up to 6 August 1952. The remainder, awaiting delivery, are 27 FB.6s.

Swedish Experimental Jet

(UNCLASSIFIED)

Some additional details have become available on the SAAB-210 "Draken" delta-wing experimental single jet fighter produced in Sweden. This aircraft, which made its first flight in December 1951, now has flown about 75 hours. It still carries a high security classification and very little technical data has been released.

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In a recent report from Sweden, it is stated that the top speed so far achieved is 600 km., (372 miles per hour). It is understood that the configuration is somewhat different to similar types that have been constructed and tested in the U.K. and U.S. and that the relationship of the longitudinal measurement to the span measurement is unusual. Another intriguing feature is that the aircraft can land and take-off in a distance of approximately 600 meters (1,968 feet). The enlargement in the tail fin houses the drogue parachute which is used frequently in landing to reduce the landing run, although it is stated that it is not really necessary to use it.

It is already known that the SAAB 210, which features a "double Delta" wing shape (see drawing), has been built exclusively for the testing of this wing configuration at relatively low speeds. The aircraft is fitted with "elevons" (Combined elevator/aileron system) which are operated by a SAAB-designed hydraulic booster system.

Other design features include a retractable tricycle undercarriage, the main units of which can be moved forward or backwards for test purposes by changing only some minor details. The centre of gravity can be moved during flight by pumping liquid between the trim tanks in the nose and tail. The "Drakin" is equipped with an ejector seat and miscellaneous test equipment for automatic photographing of the instrument panel and oscillograph for reading Rudder forces, flight paths, etc.

Power plant is believed to consist of an Armstrong-Siddeley "Adder" jet engine of 1,050 lbs (454 kg) static thrust. SAAB is quick to emphasize that, with the exception of the engine, all main components of the "Draken" are of Swedish design and construction.

The chief recognition features of the aircraft are the thin swept-back vertical stabilizer and the bulbous cockpit canopy. The fuselage nose closes to a point with an inlet on each side. This indicates that the solid nose is being reserved for radar equipment typical of an all-weather fighter.

WESTERN EUROPE

Spain Launches Submarine

(SECRET)

It is reported that the Spanish submarine D-3 was launched at Cartagena on 20 February of this year. The keel of this vessel, which is the last of a class of three, was laid in 1934 but construction was delayed by the Civil War, shortages of material, and various other causes.

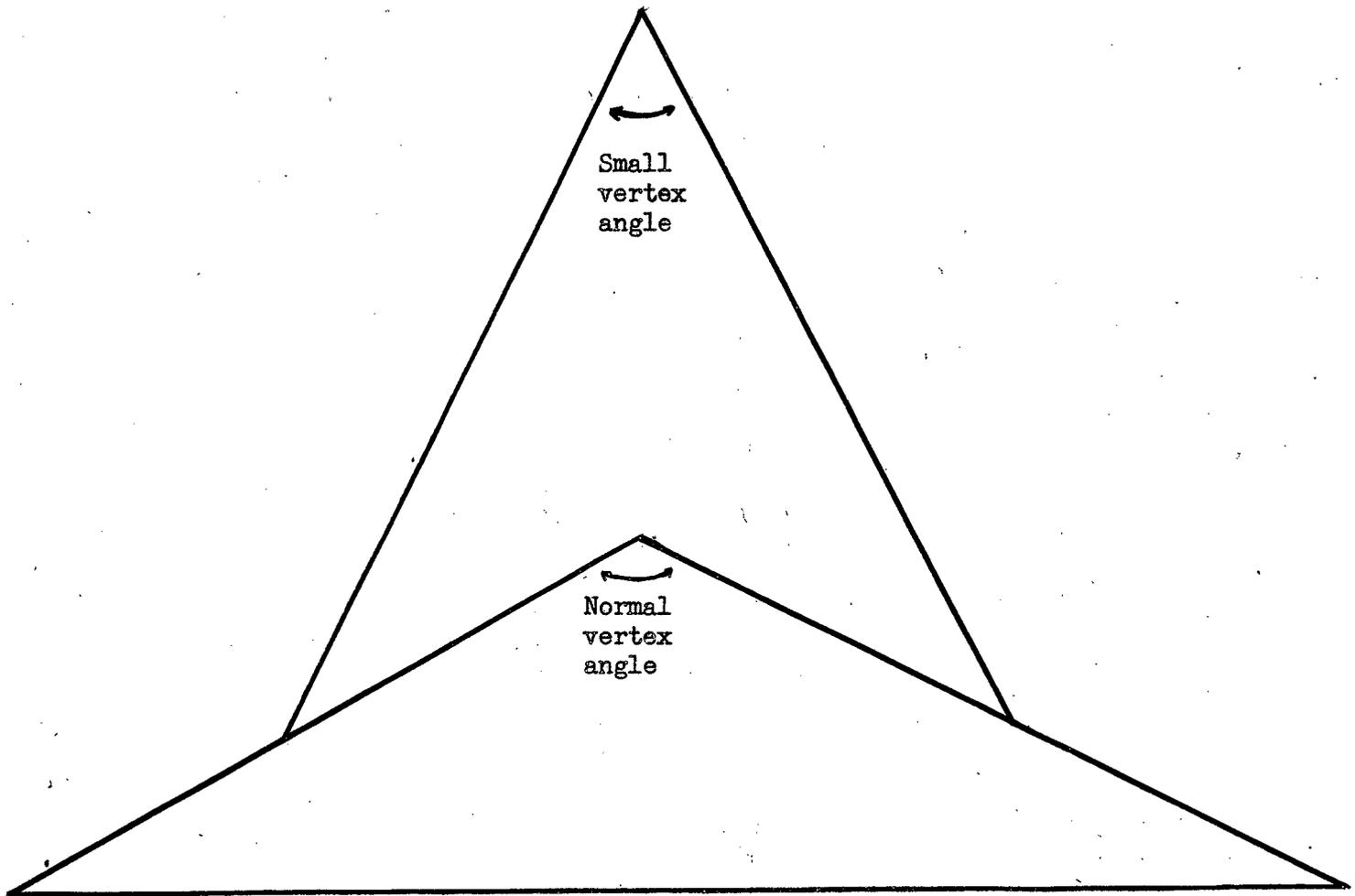
The D-3 is 276 feet long, of 22 feet beam, and has a surface displacement of 1,065 tons. She carries one 4.7" gun and six 21" torpedo tubes. She is fitted with Diesel engines of 5000 H.P. which should give her a surface speed of about 20 knots; her top submerged speed is expected to be 9.5 knots.

A German type Snort is also fitted.

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NEW SWEDISH JET FIGHTER

Configuration of SAAB 210 "DRAKEN"



NOTE: The double-delta configuration of a normal vertex angle and a small vertex angle.

MIDDLE EAST AND INDIA

Communists Offer Famine Relief

(SECRET)

A Tass despatch, broadcast from Moscow on September 5, gave the text of an appeal for aid in cash (to buy rice) and in foodstuffs. The appeal was sent by a local Communist organization in the province of Andhra, Madras, to Kuznetsov, Chairman of The All-Union Central Council of Trade Unions. The Soviet reply, through Kuznetsov, was to promise 10,000 tons of wheat, 5,000 tons of rice, 500,000 cans of condensed milk and 250,000 rupees (\$52,500 Canadian) as a gift to the local Communists' relief committee. A similar request brought an offer of 400,000 rupees (\$84,000 Canadian) from China. It is reported that the Indian Government has turned down the offer of aid from Peking because the Chinese insisted that distribution should be made by local Communists. The Soviet Union, however, has announced that Soviet ships have sailed with food for the Madras region and that this food will be distributed by the Indian Red Cross.

COMMENT: For the Soviet Union and China, the problem of relief is very much a political matter from which the maximum propaganda effect must be derived. That the Communists can no longer agree with the rest of the world on the administration of relief was amply demonstrated at the recent conference of the International Red Cross held in Toronto.

India's food deficit this year, amounts to about 5,000,000 tons including 1,000,000 tons of rice. The grain obtained from the Soviet Union and China in 1951 amounted to just over 10% of total imports. The bulk of these Red Bloc shipments of grain in 1951 came from China.

Kashmir Dispute

(SECRET)

The recent talks in Geneva concerning the Kashmir dispute have not been successful and the mediator, Dr. Graham, will now report to the Security Council. India was represented at these talks by its Defence Minister, The Quarter Master General of the Indian Army, and the permanent head of the Ministry of Information. Pakistan was represented by the Foreign Minister, Sir Zafrulla Khan, three senior military officials, and the Joint Secretary of the Ministry of Kashmir Affairs.

COMMENT: One of the more disquieting aspects of the failure at Geneva is that public opinion in Pakistan, already lukewarm about pro-Western Sir Zafrulla Khan, may become strongly opposed to him. Reports from Karachi have indicated that he occupies a very precarious position and that failure in the Kashmir dispute may tip the scales against him.

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(unless otherwise classified)

Sino- Soviet Railway Agreement

(RESTRICTED)

Agreements announced on 16 September 1952 between Communist China and the Soviet Union provide for the return of the Changchun Railway to Chinese control by the end of this year. The Soviet Union will, however, continue to have the use of Port Arthur until a peace treaty is signed with Japan.

COMMENT: The original 1950 agreement provided for the withdrawal of Soviet forces from Port Arthur by the end of 1952. The retention of an ice-free port in the Far East will add considerably to Soviet strength there and is particularly attractive to Soviet leaders in view of the present international situation. The surrender of the railroad, on the other hand, will be a small loss as it will be available for Soviet use as required and may be partly operated by Soviet advisers.

Military Situation In Indochina

(RESTRICTED)

According to a correspondent, the creation of the Vietnamese army has not led to any increase in the forces in the field but merely means the transfer of existing forces. The present Vietnamese army is estimated at 100,000, and there are plans to expand it considerably before the end of the year (Letourneau has stated that the goal is eight divisions by July 1954). The French are finding it difficult to maintain the figure at its present number and have only been successful by paying the Vietnamese troops as much as the French ones (about ten times the pay of a Vietnamese clerical worker). Desertions, however, continue on a fairly large scale.

The Vietminh have suffered serious casualties during the last year and appear to restrict their efforts now entirely to guerilla warfare. They are estimated to have six divisions and are expected to resume operations on a large scale when the rains end later this autumn.

French intelligence estimates of direct Chinese assistance to Vietminh in terms of equipment and personnel appear to be lower than United States estimates. Information from French sources was that only 3000 Chinese personnel were actively working with Vietminh (as opposed to a recent United States estimate of 10,000 Chinese). The French, however, apparently take a much more serious view of the training given to Vietminh forces in China.

This correspondent was told by a number of Frenchmen that they would be glad to get out of Indochina as soon as possible and that they were only staying there because of United States pressure. The United States, according to the correspondent, is pouring money and equipment in without any real hope that a solution is in sight. He said ECA funds had provided all

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the money for the civilian part of the Vietnam budget, leaving to the French and the Vietnamese the task of providing funds for the military effort and the police. He is convinced the French are concentrating on strengthening the Vietnamese army as rapidly as possible. In the absence of a popularly supported regime behind the army, chaos would probably develop if the French were to pull out after the Vietnamese army had reached its target of eight divisions.

Viet Minh Task Force Formed

(SECRET)

An enemy task force is reported to have been formed in Tongking consisting of elements of 308 and 312 Viet Minh Infantry Division and of 351 Artillery Division.

COMMENT: These divisions, which are concentrated between Phu Tho and Thai Nguyen (approximately 15 miles northwest of the Delta perimeter), have not been committed since the Hoa Binh battles of last February. They are believed to be at full strength and to have completed divisional training.

The Viet Minh in the past have displayed serious weaknesses in higher command and divisional coordination. Employment of a multiple-division formation should overcome these weaknesses and confront the Franco-Vietnam forces with a much more formidable fighting force than any with which they have contended in the past. It is worth noting that Viet Minh divisional training has been under direct Chinese advice, and the grouping of divisions as suggested is in keeping with the higher state of training to be expected from continued Chinese assistance.

Enemy Capabilities Improve in Korea

(SECRET)

Despite UN air interdiction and damage to roads and bridges by weather, the enemy is now considered to be capable of sustaining an offensive of from ten to fourteen days.

COMMENT: This represents a considerable improvement in the enemy's supply organization; only a year ago he was considered capable of sustaining an offensive of no more than five to seven days.

The enemy is capable of mounting a general offensive across the whole front at any time, with twenty-seven infantry divisions

immediately available, supported by five artillery divisions, two anti-tank divisions, one rocket launcher division and two tank regiments. An attack could be reinforced within two days by fifteen infantry divisions, one mechanized infantry division and one tank regiment. A further reinforcement of nine infantry divisions would be available in three days and another nine infantry divisions within six days. In addition a regiment each of airborne and amphibious troops are available for immediate use in Korean operations.

Concepts of Defence - Korea

(CONFIDENTIAL)

The British in Korea dispose their troops in Forward Defence Localities (FDL) in depth for all-round defence and on the forward and side slopes of the hill. In advance of the FDL where necessary by day and by night, observation posts are pushed forward.

The Americans in Korea place their Main Line of Resistance at the forward base of the hills and rely more on a linear defence, trying to avoid gaps between localities. In front, they place their Outpost Line of resistance, with the intention that this Outpost Line will discover, resist, and maybe yield to enemy attack (or, as they express it "roll from the punch"). The enemy is then finally halted by the Main Line. They also patrol.

The Canadians use the British System, which is preferred for the following reasons:

- (a) The American Main Line is too linear and, if pierced, lacks all-round defence. It also lacks depth. Enemy penetration is then more dangerous.
- (b) Though the positions at the base of the forward slope may offer more concealment, they are harder to get at and offer a smaller field of observation.
- (c) The Commonwealth Division forward OPs give the necessary observation and resistance if required, but they may withdraw and are not necessarily reinforced. The FDLs are basically the line on which the Commonwealth troops fight. This gives fluid defence, and, even on a battalion front, considerable depth.

COMMENT: All three use wire and minefields, and all dig, but not as rapidly nor as deeply as the Chinese.

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ISSUE No. 23
29 Sept. 52

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COPY N° 129

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The Joint Intelligence Committee
National Defence Headquarters
Ottawa

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SOVIET UNION AND SATELLITES

Analysis of Soviet Produced Rubber

(RESTRICTED)

Samples cut from tires on enemy equipment captured in Korea were submitted to the Polymer Corporation for analysis. Six samples in all were obtained and they are all believed to have come from Russian manufactured tires. Generally speaking, the samples of synthetic rubber were somewhat inferior to the synthetic rubber being produced in Canada and the U.S. today. Particularly, the low temperature properties and the tensile strength were inferior to the current US/Canadian production.

COMMENT: Unfortunately, it is impossible to tell when these samples were manufactured and it is possible that the rubber came from World War II stocks. If this is so, it is entirely possible that current production in the U.S.S.R. is up to Western standards and there are slight indications that this is the case.

Czech Air Force Day

(SECRET)

Czech Air Force Day was celebrated at Ruzine (Prague) Airfield on Sunday, 7 Sep 52 with an air display. All the Diplomatic Corps and Attaches were invited. A total of 321 aircraft appeared in 18 separate events. The following were of interest:-

5 Type - 28's
57 MIG - 15's
38 ME - 109's
64 IL - 10's
18 Dakotas

182 Operational Types

Judging by the report received, only a few of the operational types could have flown past twice.

COMMENT: This fits in very well with the Canadian air order of battle for Czechoslovakia. We hold an overall MIG-15 total of 72. The CAF without a doubt was putting on a good show to impress the audience. The standard of flying was a fair average.

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AA Defences in Sovzone, Germany

(TOP SECRET)

Recent intelligence indicates that the Russians are taking active steps to increase their airfield defences in Germany. Reports show that:-

- (a) During the last three months defences have been strengthened by the deployment of a number of 76/88 mm. and 37/40 mm. A.A guns. (A.2.)
- (b) Three A.A. sites may be equipped with a fire control radar of the American SCR. 584 type (British equivalent A.A. No. 3 Mk.5). This equipment has been positively identified at Babelsbergem, probably at Schornwalde and possibly at Stendal. (C.3.)
- (c) At Kothen (80 miles S.W. of Berlin) which is a Mig.15 airfield, an elaborate underground A.A. fire control point is under construction.

COMMENT: (a) It is believed that special independent A.A. battalions are provided for the defence of airfields, and the report indicates that additional guns of the 37/40 mm. type and, for the first time, the heavier calibre 76/85 mm. type have been made available to these units.

(b) The SCR.584 was the best fire control radar in use at the end of the war and is still regarded as a modern instrument. It works on the 10 cm. band and can track a target automatically in bearing and elevation, although requiring manual laying for range it has a maximum search range of 40 miles and a maximum tracking range of 18 miles. If A.A. units are being generally re-equipped with this instrument their effectiveness will greatly increase.

(c) The establishment of an underground fire control point at the important airfield at Kothen greatly enhances the effectiveness of the A.A. defences.

WESTERN EUROPE

The Problem of Swedish Defence

(TOP SECRET)

According to a number of Senior Swedish officers, including Chief of the Air Staff, the most probable routes for a Russian invasion of Sweden are:

- (a) Through Finland at the north end of the Gulf of Bothnia.
The Swedes estimate that the Russians could deploy fifteen-twenty divisions in this area, but that it would take them three or four months to do so. There might, however, be an initial attack by four or five divisions. The Swedes think that they could contain this invasion (fifteen - twenty divs) for three or four months, before the end of which period they expect Allied support.

- (b) Invasion as in (a) accompanied by amphibious attacks on the east coast.
- (c) Amphibious invasion of southern Sweden from Denmark or Germany with about ten divisions.
- (d) A combination of (a) and (c) or (b) and (c).

Any invasion would be accompanied by air attack.

The Swedes consider that, in the event of a Russian invasion of Norway, the Russians would probably pass through northern Sweden (route (a)) in preference to a direct invasion of Norwegian Finnmark (northern Norway).

The northern invasion (a) is considered to be the most probable one if, as the Swedes consider likely, Denmark is strongly defended by NATO forces.

COMMENT: The agreed intelligence on this subject is at variance with the opinions put forward by these Swedish officers and is as follows:

(a) If Sweden remains neutral a possible attack against Norway alone is envisaged. The main effort would be mounted from Denmark with a secondary amphibious thrust against Narvik from Murmansk. The scale would be four divisions in the South and one division in the North.

(b) If Scandinavia, as a whole is to be overrun, the main effort would again come from Denmark with a secondary thrust in the North across Finland into Sweden and Norway. The scale would be nine divisions from the South with three more crossing the Baltic from the U.S.S.R. and not more than five divisions in the North.

Danish Air Force to Receive Meteor Night Fighters

(SECRET)

The Danish Air Force will shortly acquire its first squadron of night fighters which will be stationed at Aalborg. The aircraft concerned is the Armstrong Whitworth N.F. 11 Meteor night fighter, and it is expected to be assigned for squadron duty by the 1st of November. It is understood that the Danish navigators now being trained in Canada will be assigned to this squadron. The pilots are being trained in the United Kingdom.

Denmark now has two airfields capable of being used by jet fighters-- Aalborg and Karup. A third, Skrydstrup, will soon be ready. When the work has been completed, the extension of the airfield at Tristrup will be undertaken, to be followed by the expansion of the airfields at Vandal and Vaerloose. It is hoped that a beginning can be made on the latter two in December and that they will be completed in a year at a cost of some Kr.12,000,000 each.

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COMMENT: The N.F. 11 Meteor is a high-performance aircraft, powered with the Rolls-Royce Derwent jet engines and is the latest development of the famous Meteor 8. Equipped as a flying radar station, and fitted with additional fuel tanks, it has greater range and endurance than is usual in jet fighters. A pilot and radar/navigator complete the crew.

At the present time there are 16 Danish navigators and 6 pilots under training in Canada. The navigators, however, are enrolled in the straight navigation course and would have to receive additional radar/observer training in order to be fully qualified for the Meteor night fighter.

EASTERN EUROPE

The Drought in Yugoslavia

(CONFIDENTIAL)

Further reports from Belgrade indicate that the effects of the recent drought in Yugoslavia are more serious than anticipated. The present drought appears to be almost as bad as that of two years ago which led to a loss of around 80 million bushels of grain out of a normal harvest of 250 million bushels. The State Department estimates that the loss in cash value may amount to a total of about \$350 million. This agricultural failure will probably postpone beyond 1954 the date when Yugoslavia will achieve a satisfactory balance of payments position.

The purchase of foodstuffs from abroad will have to take priority over other imports and Yugoslavia will have to forgo some of the raw materials and equipment on which it has been counting for its industrialization program. The Yugoslavs are now approaching every available source in order to obtain supplies of wheat and other foods, and are even considering an approach to international relief organizations.

Earlier this year Yugoslavia purchased 3.5 million bushels of Manitoba No. 5, three quarters of which had been shipped by September 18. Since then the new bumper Canadian crop has begun to come in and the Yugoslav Embassy has been informed that higher grades of Canadian wheat will be available in Canadian ports.

SOUTHEAST ASIA

Burma.

(SECRET)

It is reported that the situation in Burma since the beginning of 1952 has taken a marked turn for the better. The Communists failed to launch the offensive which they were planning last autumn and have lost the initiative to the Government forces who have been conducting successful small scale operations against them. Unless the Chinese intervene in support of the

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Burmese communists, there is no prospect of Communist success and every chance that the Burmese will be able to establish reasonably stable conditions within the foreseeable future.

While the problem of the Karen revolt is still unsolved it is no longer a military factor of great importance. Despite several Communist attempts to win their support, very few of the Karens regard an association with them as anything more than a necessary evil to secure a temporary advantage. The Burmese have little to fear from such an alliance because of the present weak state of both groups. At the present time it appears that Burmese attempts to conciliate the Karens are meeting with some success.

Canadian Military Equipment to Indochina.

(CONFIDENTIAL)

The Canadian Cabinet on 14 Aug 52 agreed that certain Canadian military equipment offered to France as mutual aid be diverted to Indochina on the understanding that the Standing Group endorse the transfer.

COMMENT: This method which is acceptable to French officials, permits the use of Canadian equipment on an active front where it is urgently required by the French forces. It is believed this equipment includes 72 x 6 pdr Atk guns, 17 x 40 mm AA SP guns, 40 x 25 pdr field guns, with some accompanying rounds.

Chinese Aid to Viet Minh

(SECRET)

25,000 gallons of gasoline are reported to have arrived in Indochina from China and the French believe this may indicate an increase in Chinese aid to the Viet Minh.

COMMENT: An increased tempo of Chinese material assistance to the Viet Minh has been anticipated by the French in their appreciation of a major Viet Minh autumn offensive.

Chinese aid is believed to have dwindled during the wet season, due, probably, to difficult communications during the rains and the seasonal lull in large-scale operations.

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FAR EAST

F-86-JATO

(SECRET)

In an effort to overcome the climb advantage of the MIG-15 the USAF has resorted to the use of JATO on their F-86's in Korea.

COMMENT: So far the few sabres of the USAF's 4th Fighter Wing, equipped with three JATO units which fire in succession, have achieved results. This rather primitive method of supplying additional thrust of short duration is credited with the favorable outcome of recent air battles.

Enemy Strength - Korea

(SECRET)

Enemy strength in Korea is now estimated to be 1,020,000, an increase of 70,000 over previous estimates. Present estimates include in Korea, 730,000 Chinese and 290,000 North Koreans. These are disposed as follows:

On Immediate Front	302,000
In Immediate Rear	219,000
In more distant rear	468,000
North Koreans in Training	30,000
Guerillas behind UN lines	1,600

COMMENT: The increase in estimated strength is not due to the acceptance of any new enemy formations in Korea. It is the result of a re-assessment of his replacement capabilities and the effect of the modernization of his divisions and higher formations. His armies (each of three divisions) are now believed each to have a strength of 36,000, in contrast to 29,000 previously thought. The increase is principally caused by the inclusion of organic artillery in their army organization.

The previously estimated 100,000 replacement pool in Manchuria has been arbitrarily reduced to 50,000, and the total strength of Chinese Regular Field Forces in Manchuria consequently reduced from 322,000 to 272,000.

Chief of Staff ROKA

(SECRET)

Lt. Gen. Paik Sun Yup has replaced Lt. Gen. Lee Jong Chun as the Chief of Staff of the Republic of Korea Army.

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COMMENT: General Paik who is 33 years old, was an officer in the Japanese Manchurian Army. He joined the ROKA as a lieutenant in 1946. Immediately before his appointment as Chief of Staff he was commanding the ROK II Corps on the central front, and before that, was in command of the extensive anti-guerilla Task Force "Paik" in SW Korea.

General Paik is very well thought of by the Korean Military Advisory Group and it is believed he will do his best to keep the army out of politics.

Enemy Use of Tanks Korea

(SECRET)

The general situation on the Korean front remains quiet. However, during the period 18 to 22 Sep 52, the enemy used armour in minor attacks on the western front; using 3 tanks or SP guns to support each of several attacks.

COMMENT: The enemy is apparently stepping up his training in the use of armour as he has done with artillery.

Chinese Nationalist Army -- Formosa

The Chinese Nationalist Army (CNA) is estimated to have a present strength of 581,000; of which only some 200,000 can be considered combat troops.

The CNA is being reorganized into ten infantry armies each of two full strength and one skeleton division. Skeleton divisions comprise only the officer establishment. At present only one army HQ and only one division have completed their reorganization. Another division (trained by Japanese advisors and considered the best in the army) remains under direct control of the Ministry of National Defence.

Centralized control and the political commissar system remain to hinder efficiency. Equipment is still short, and even by the end of 1952 not all units will be completely equipped.

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COMMENT: The Chinese Nationalist Army is still not considered an effective fighting force. Theoretically, it should be able to defend Formosa against a Chinese Communist attack, but there is no firm evidence that its will to fight has improved sufficiently over that demonstrated in the past to make effective resistance likely.

Still less is it likely that the CNA can make any worthwhile attempt to return to the mainland by force. However, the Japanese-trained division and possibly one other, might be reasonably battle-worthy if serving under competent leadership and with its L of C and supply underwritten by some power other than the Chinese Nationalists.

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SOVIET UNION AND SATELLITES

Expansion of Kasernierte Polizei

(TOP SECRET)

It is now estimated that the Kasernierte Polizei have a Corps Headquarters with under command two rifle divisions and one mechanized division situated in the North East region of the Soviet Zone of Germany. So far the total strength is estimated at 25,000 men. This build-up has been achieved by the despatch of drafts, 600 strong, from Kasernierte Polizei units located in other parts of the Zone. It is not anticipated that other formations will be formed until the present ones have been brought up to full strength.

Several reports of varying reliability indicate that a considerable number of armoured fighting vehicles and self-propelled guns have arrived in the area.

COMMENT: These reports continue to strengthen the view that the Kasernierte Polizei is becoming increasingly prepared to emerge as the East German Army.

Air Use of Autobahn

(TOP SECRET)

It has been reported that, at the end of July, at least seven IL-28 jet bombers had utilized the Autobahn between Duben and Freiwalde (about 40 miles S.E. of Berlin) for practice take-offs and landings. During this exercise the area was closely guarded and placed out of bounds to civilians. It is reported that the bushes growing in the central strip of this section of the highway had been cut down.

COMMENT: During World War II, the Germans operated aircraft from certain sections of the Autobahn. Soviet training of this type appears to indicate an extension of their training policy of operating from substandard airfields.

Airfield Defence in Austria

(TOP SECRET)

It is reported that four new Soviet anti-aircraft battalions were organized in Austria during May and June, 1952, and assigned to the Soviet Air Force for airfield defence. Recent observations support this

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information. It appears that anti-aircraft elements have been stationed at major Soviet airfields in Austria.

COMMENT: Hitherto, the defence of Soviet airfields has been the responsibility of the Soviet ground forces. The formation of new battalions specifically for airfield defence suggests the provision of a static defence of static installations.

Transport Development in Hungary

(SECRET)

There have been indications for some time of gradual improvements to the roads in Hungary and during the last six months the impression has been gained that the process is being speeded up. This development will improve very considerably the road capacity across Hungary to the West and to Yugoslavia.

Considerable railway construction is also taking place: this will improve the rail capacity across Hungary from the USSR to the West and South to Yugoslavia. Included are two main lines from the USSR West to Budapest, a new line bypassing Budapest on the north, a new trunk route west from Budapest, and new lines in the south-central part of Hungary which will increase both the east-west and north-south capacity.

COMMENT: There seems little or no economic justification for the road development since long distance road transport plays a negligible part in the Hungarian economy. It is much more likely that such development is designed to augment rail capacity for military purposes. All the improvements to the railways are needed to cope with increasing traffic, but they have an important strategic significance in that they will provide an increase in the capacity of the routes through Hungary to the West and to Yugoslavia.

Czechoslovak Aircraft Industry

(SECRET)

Czechoslovakia possesses an aircraft industry well organized and adequately equipped for the production of fighter, light transport, trainer, and sports aircraft. Its annual output during the war amounted to nearly 2,000 aircraft in the peak year of 1944. In addition its aero-engine industry appears large enough to support the aircraft industry.

Czechoslovakia is the only satellite to have built military aircraft in significant numbers since the war; but these aircraft are of German war-time design and obsolete by present standards.

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The capacity of the industry is estimated at 225 aircraft and 300 aero engines monthly, but much of it is at present used for the production of goods other than aircraft, such as motor vehicles, etc.

Production of the Soviet ground attack aircraft IL-10 was apparently planned in 1949 but there is no evidence that any aircraft of this type have been built. It is probable also that the plan to produce a Soviet YAK-jet fighter which according to some reports was to be initiated at the same time was dropped.

Present plans are centred largely on the production of the Soviet MIG-15 in a group containing the most important aircraft plants in the country. It is estimated that the capacity of this group is in the region of 150 to 200 MIG-15's monthly. There is evidence that production has started on ten pilot models but difficulties are being encountered and the programme is behind schedule.

COMMENT: There is some evidence from the Czech press that of the 57 MIG-15's which flew in the air display on 7 September, 1952, three were made in Czechoslovakia.

EASTERN EUROPE

Finnish Reparations Ended

(CONFIDENTIAL)

During September, Finland completed the payment of war reparations to the USSR. The original amount of the reparations was 300 million "reparation dollars" (1938 world prices), but this was reduced in June, 1948, to 226.5 million "reparation dollars". A Finnish economist has estimated the value of reparations paid over a period of eight years as about \$570 million at present day prices.

These reparations were paid in kind and included miscellaneous vessels worth \$80 million, paper products worth \$35 million, timber products worth \$22 million, paper mill equipment worth \$17 million, and locomotives and rolling stock worth \$19 million. It has been estimated that the engineering and shipbuilding items accounted for about 58 per cent of the value of all reparations.

COMMENT: In 1951 the Soviet Bloc accounted for about 17 per cent of total Finnish exports and around 15 per cent of Finnish imports. The United Kingdom is the most important market for Finnish exports, followed by the USSR, Germany, and the United States. The United Kingdom is also Finland's principal supplier, followed by Germany the Netherlands, USSR, Poland, and the United States. In spite of

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(Unless otherwise classified)

Finland's close proximity to the USSR, the great bulk of its foreign trade is done with Western countries. This situation may continue to prevail in the absence of a change of government in Finland.

The end of reparation payments removes a burden from the Finnish economy, but poses a problem of finding markets for the products of the uneconomically large engineering and shipbuilding industries. Finnish costs are so high that these products cannot compete in world markets; and as far as trade with the West is concerned, Finland will continue to rely upon the export of timber and timber products to obtain imports.

Markets for the engineering and shipbuilding industries will have to be found in the Soviet Bloc, and main reliance is being placed on increased sales under the five-year Russo-Finnish trade agreement of June, 1950.

WESTERN EUROPE

Ratification of Bonn Treaties

(TOP SECRET)

Following is an extract from a report of a conversation between Sir Ivone Kirkpatrick and Chancellor Adenauer on ratification of the Bonn treaties. "He still believed he would secure ratification next month. Schumann however had explained to him that the French Parliament would not meet until the beginning of October and the machinery of Parliamentary Commissions would take three months; that is, France would be unlikely to ratify before January or even February and M. Schuman had explained that owing to the domestic crisis threatening the Pinay Government this period might be extended if, in the interval, a new government had been formed. M. Schuman indicated that he did not think he would be Minister of Foreign Affairs in the new government.

"Dr Adenauer said that the Italians and Benelux would not ratify until the French had done so".

Dutch Order New Trainer

(UNCLASSIFIED)

The Royal Dutch Air Force has authorized an order for Fokker S.14 "Mach - Trainers" for use as jet trainers in their Air Force. Twenty of these new jet trainers have been ordered, and deliveries are expected to begin early in 1954.

COMMENT: The S.14, a side-by-side jet trainer, is making a strong bid for acceptance as a NATO jet trainer. British, French and Italian Air Force teams have completed a test programme on the S.14,

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while Fairchild aircraft have acquired rights to build the plane in USA. It is the first side-by-side jet trainer to be produced by any nation.

MIDDLE EAST

Afghanistan Policy

(SECRET)

Towards the end of last year, the Afghan Government asked for U.N. assistance with the development of oil in Northern Afghanistan. An arrangement was accordingly made with the U.N. Technical Assistance Administration and a French company was given a contract to sink a trial bore.

Last August the U.S.S.R. warned the Afghan Government that it regards their plan to develop oil with the aid of western technicians as a breach of the Russo-Afghan Treaty of 1926. The Afghan Government rejected this allegation but have not yet decided to go ahead with the project.

COMMENT: It appears possible that in return for moral and economic support against Soviet pressure, Afghanistan might modify its Pathanistan policy in favour of Pakistan and proceed with the oil development. Alternatively, she might resume normal importation of oil from Pakistan. As Afghanistan may simply be using the Soviet demarche as a means of increasing economic aid or of bringing additional pressure to bear on Pakistan, the U.K. and the U.S. are maintaining a cautious attitude.

Tunisia and Morocco

(SECRET)

It was announced by Mr. Schuman last week that the French Government would decide on October 7 or later whether to approve the inclusion of the Tunisian question on the agenda of the forthcoming U.N. Assembly or to accept inclusion but contest the competence of the U.S. to intervene.

COMMENT: It is expected that the French Government will accept the inclusion of the Tunisian item on the agenda but will dispute the competence of the U.N. to deal with the problem.

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FAR EAST

Atomic Defence Training

(SECRET)

Interrogation of enemy PWs and documents captured in Korea indicate that both the Chinese and North Koreans are conducting troop exercises in atomic defence. It appears that this enemy training began some four months ago during an atomic defence exercise conducted by UN Command in US IX Corps, and has continued on a moderate scale ever since. So far practical training is meagre, and emphasis is on the political and morale aspects. One document states that the "UN Staff have admitted considering using the atomic bomb", and the enemy troops are urged to be confident that "having defeated UN aircraft, artillery, poison gas, germ warfare, and Armistic Conference intrigues, so also can be defeated the treacherous use of the atomic bomb".

COMMENT: Press reports state that the American Legion recently recommended the use of the atomic bomb in Korea (together with other drastic measures including bombing Manchuria, blockading China, and the use of Chinese Nationalist troops in Korea).

Japanese Police

(CONFIDENTIAL)

Kentaro Kamimura, former head of the defunct "Thought Police" section of the Metropolitan Police Board, has recently been appointed First Chief of the Secretariat of the National Safety Board, which was established August 1, 1952, to coordinate the activities of the National Police Reserve and the coast guard.

Kamimura, one of the most influential of Japan's war time "Thought Police", was banned from occupying public office after the war but is alleged to have worked with some of his former associates in the investigation of the activities of subversive groups for the Attorney General's office.

COMMENT: Kamimura's return to office is not an isolated case. Two of his former colleagues are now seeking election to the Diet.

Insurgent Casualties - Indo-China

(SECRET)

Reported enemy insurgent losses in operations in Indo-China on five days (9-13 Sep 52) include 440 killed in action, 387 PWs and 159 small arms pieces captured.

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COMMENT: The situation is officially described, nevertheless, as "quiet" in Tongking, Laos, Cambodia, and the Plateau area, and in Annam as "complete calm".

Surplus Arms for Indo-China

(UNCLASSIFIED)

In a press release of September 11, the New Zealand Minister of External Affairs announced that France had been offered free of charge 13,000 rifles, 600 machine guns of various types, and nearly 750,000 rounds of small arms ammunition.

The equipment is largely of American origin obtained under Lend Lease and for the most part of a different calibre from that now used in New Zealand. The press release indicated that most of the equipment had already been shipped to Singapore on its way to Indo-China.

The release concluded with a reference to the growing appreciation of the importance of Indo-China to the security of South East Asia. It showed that New Zealand considers political stability in Viet Nam to be a matter of immediate concern.

War Veterans' Conference - Manila

(SECRET)

A South-East Asian War Veterans Conference opened in Manila on 18 September 52. Areas represented beside the Philippines included Australia, Hongkong, Malaya, Thailand, Cambodia, and Vietnam; and delegates included from Vietnam the Defence Minister and the Chief of Staff of the Armed Forces; a Major-General of the Thai Army; and from the Philippines the Secretary of National Defence.

COMMENT: One of the stated objectives of the conference is to promote the "freedom" of South East Asian countries, and it seems likely that here is a testing ground for sentiments favouring a South-East Asian military community that would attempt to exist independently of a Greater East Asia bloc dominated by one of the big three of Asia (India, Japan or China).

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JOINT INTELLIGENCE SUMMARY

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SOVIET UNION AND SATELLITES

1. Reactions to "Mainbrace"

(RESTRICTED)

Operation "Mainbrace" has angered and worried the Soviet Union because it enters their "closed sea", the Baltic, and goes east of Bornholm. The Daily Worker calls it "war drill" and "preparation for aggression" and the Soviet Army newspaper Red Star fears that NATO will set up a permanent control over the entrance to the Baltic. "Mainbrace" is linked in Communist propaganda with Turkish manoeuvres on the Soviet frontier as two "provocations".

Soviet Air Activity - Austria

(TOP SECRET)

Information indicates that on 24 September there were 70 MIG-15's and eight IL-28's parked at Wiener/Naustadt airfield in the Sovzone of Austria. In addition to these aircraft, 40 MIG-15's were being assembled on the field and from 70 to 100 aircraft crates were observed.

COMMENT: The normal complement at this airfield is two fighter regiments totalling about 65 MIG-15's so that the count of 70 operational aircraft is approximately normal. If, however, the 40 MIG-15's reportedly being assembled at Wiener/Naustadt are added to the 190 currently estimated to be in the 59th Air Army, a major increase in jet fighter strength is evident. The observation of what appear to be MIG-15 crates also is the first of such sightings in Austria and could portend a still further increase in jet strength of the 59th Air Army. These aircraft could be intended either to bring existing units to above established strength or to activate additional fighter units in Austria.

Troop Rotation - Germany

(TOP SECRET)

A total of 42,000 Soviet Troops are now believed to have arrived in Germany since 1 January 52.

Six troop trains conveying approximately 8,600 troops, are reported to have left Germany for the USSR, between 10-17 August 52. These are the only departures thus far reported.

COMMENT: There is still no confirmation that the new arrivals in Germany are members of the 1933 class but it is likely that such is the case since it has been confirmed that this class was called up inside the USSR in July 52.

The departure of troops from Germany probably affects the remnants of the 1928 class (the majority of which were demobilized last autumn) and a portion of the 1929 class. The latter class have now completed their three-years period of army service and have been due for demobilization early this summer. A recent Soviet deserter has confirmed that members of these classes were expecting to be demobilized this autumn.

It is expected that a large movement from Germany will take place on completion of the final training manoeuvres in late October. This is the normal procedure. This will offset the present comparatively large strength increase in Germany.

Movement of Soviet Equipment

(TOP SECRET)

During 1952 the following movement of MT, guns, and AFV's into and out of the Soviet Zone of Germany has been reported:

- (a) The shipment of 11,000 new military vehicles into and 3,000 worn-out military vehicles out of Germany.
- (b) The shipment into Germany of 790 AFV's, approximately 35% of which were JS-type (Heavy) tanks.
- (c) The shipment of 2,200 artillery pieces of all types into and 23 pieces out of Germany.

COMMENT: This unusual movement of Soviet military equipment into Germany is believed to have taken place for one or more of the following reasons:

- (a) To replace worn-out equipment. This particularly applies to MT as indicated by the shipment of 3,000 old military vehicles back to the USSR.
- (b) To bring units to war establishment. It is estimated that the Soviet units in Germany were only 60% up to strength in MT at the end of 1951.
- (c) To replace old, but usable equipment which was turned over to the Kasernierte Volkspolizei.

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- (d) To equip newly formed units of the Kasernierte Volkspolizei.
- (e) The arrival of new Soviet units. Unconfirmed reports state that seven artillery units of regimental size arrived in Germany during July and August.

Kasernierte Polizei Expansion

(TOP SECRET)

The overall strength of the Kasernierte Polizei (KP) is now estimated to have reached 90,000, with the newly formed Corps having an estimated strength of at least 30,000. The Corps is commanded by Chief Inspector Hermann Rentsch. He served in the Reichswehr in the last war and was a lieutenant at the time of his capture at Stalingrad. He is now reported to be forty years of age and was a specially selected student on the 1949/50 course in the USSR for members of the KP. He was the leader of the infantry students on the course. After his return to East Germany, he commanded the Bereitschaft at Frankenburg until his recent appointment. The strengths of the divisions in the Corps are estimated as follows:

- (a) Rifle Division at Prora - 14,000
- (b) Rifle Division at Prenzlau - 8,000
- (c) Mechanized Division at Eggesim - 8,000

A report states that HVA Headquarters is now referred to as Ministerium des Innern Kasernierte Volkspolizei.

Another report of lower reliability states that an East German railway mobilization scheme exists, with plans for 120 trains to be ready at all times to transport 150,000 KP personnel to Berlin within 72 hours from all parts of the Eastern Zone .

Transportation Improvements - Berlin

(SECRET)

Construction is in progress which when completed will make the electrified suburban railway of Greater Berlin (The S-Bahn) independent of the Western Zone of Berlin.

COMMENT: This is another Soviet move to make their transportation facilities less vulnerable to interruption by the Western Powers. As reported previously, a by-pass for the steam railway lines has been built and a by-pass canal has been officially opened. However, the canal which runs North of the city is apparently giving great difficulty because of

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cave-ins. At the insistence of the Russians, it was built very quickly despite the warnings of some German experts who predicted the marshy terrain would cause trouble if adequate precautions were not taken. To date, despite the fact that the East Germans are under great pressure, efforts to keep the canal serviceable have not been too successful.

The Russian alterations to the transportation network in the Berlin area would be of little value if the city were under one administration. Their determination to have independent transportation facilities would seem to indicate they are reconciled to a long struggle for control of the city.

Soviet - Chinese Talks

(SECRET)

Russia has acquired an indefinite prolongation of her special position at Port Arthur which was due to lapse at the end of this year.

The Commonwealth Relations Office states that a probable reason for this Sino-Soviet agreement which will allow Russian Troops to remain in Port Arthur, is to ensure continued depth of defence against Japan.

A second suggested reason is that this represents the price paid for unknown Soviet concessions, economic or military. And thirdly, China may consider that in the present circumstances of the Korean War, maintenance of Russia's position in Port Arthur and Dairen may deter the UN from block-aiding Chinese ports or from attacking Manchuria.

The Commonwealth Relations Office also comments that the results of the recent talks show a weakening in China's position relative to the Soviet Union since the former agreement of 1950.

COMMENT: In the military view, on the assumption that the Russians are merely given an extension of stay, there is not sufficient evidence to show a relative weakening of China's position. On the contrary, China at the moment would be militarily weaker without Soviet use of part of Port Arthur Naval Base area. Russia's presence does appear likely to embarrass the UN in imposing a blockade of China; it gives substantial depth in defence against Japan, and it ensures a first class air and naval base of immediate use in case of general war in the Far East. This is of particular value to China with its present weak air and naval services. In case of limited war with China, not involving the USSR, it is probable that Port Arthur would not be included in hostilities.

Furthermore, the original Sino-Soviet agreement was a combination directed against attack by Japan or any country allied with Japan. The Chinese may really believe their own claims that US and UK forces are allied with Japan in the Korean incident and the present extension would thus appear to be in accord with the 1950 agreement. U 77

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East German Shipbuilding

(SECRET)

Despite increasing propaganda, efforts to cover up the deficiencies, shortages of material and items of equipment required by the East German shipbuilding and repairing industries are becoming increasingly obvious; as a result, completion dates of new and repaired ships almost always have to be put back. The following are typical of the items most frequently in short supply; rolled steel plates, copper items of all sorts, boiler tubes, electric motors and other electrically driven auxiliary machinery and diesel engines of all sizes.

COMMENT: The bulk of the scarce items were previously obtained from Western Germany and the present difficulties are mostly owing to the suspension of East-West trade in Germany.

Zeiss Works Inactive

(SECRET)

Recent reports from different sources combine to indicate that the section of the Zeiss optical works at Jena, which used to produce periscopes and long-base range finders and was dismantled after World War II, although rebuilt, is not yet tooled up to produce and test such equipment. It is understood that completion of these facilities is planned to permit such work to be resumed.

COMMENT: These latest reports discount earlier ones that the production of submarine periscopes and range finders had already been resumed at this factory.

WESTERN EUROPE

Dutch Navy

(UNCLASSIFIED)

A report from The Hague provides some detail about the Dutch Navy. The Navy budget totals 323 million guilders. This sum will be increased by supplementary budgets with the unused part of the expenditure approved for 1951.

The average strength of the Dutch Navy for 1953 has been fixed at 22,800 men. Of this number, 225 men are working with the Netherlands Military Mission in Indoesia, and 75 are attached to the Government shipyard in New Guinea. The total includes 380 cadets.

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It is planned to send the 1,463-ton Dutch frigate Johan Maurits Van Nassau to Korea at the beginning of 1953 to relieve the destroyer Piet Hein which has been operating with the UN forces in Korean waters since last March. The Government intends to withdraw the marines now in Surinam as soon as sufficient army men are available there to replace them. Concentration of naval units on Western New Guinea is desirable for strategic, technical and economic reasons. This concentration is possible if the necessary provisions are made at Biak, and a further 850 thousand guilders are needed to carry these out. The navy-air squadrons belonging to the Dutch aircraft carrier Karel Doorman, now temporarily out of service, will again be detached to the British Navy to keep them in practice.

The construction programme encountered some delay as a result of industrial difficulties, but efforts are being made to limit the effects of this set-back. Two destroyers and the first Dutch submarines are expected to hold their trial runs during 1953. Preparations for the building of 32 minesweepers and 6 patrol vessels are going ahead energetically. A sum of 7.7 million guilders is earmarked for the item "aircraft". Improvement of the equipment and accommodation of Valkenburg naval airfield near The Hague is constantly being worked on and a new main runway is to be completed in 1953. Consultations are in progress to make radio equipment on merchant ships comply with war regulations. In the coming year the full restoration and modernization of the chain of lightships and lighthouses along the Dutch coast will be carried out.

A group of Marine reserve officers will take part in a staff exercise this year, and the 1953 budget includes provisions for their refresher training next year. In 1952 a start was made in calling up Merchant Navy officers to take courses in mercantile defence. The results of these courses have been gratifying, and they will be continued.

The budget note ends up by expressing appreciation for the valuable support received from the United States in building up the Dutch Fleet, and for the help in the training of personnel given by both the United States and Great Britain.

U.S. Negotiations With Spain

(SECRET)

A wide gap persists between the views of the United States and Spanish negotiators as to the amount of military, technical, and economic aid which the United States would grant to Spain in return for the limited use of airfields or naval bases.

Spain is also demanding military equipment of the latest design. The United States representatives have pointed out that higher priority in the supply of equipment has to be assigned to Korea, members of NATO, and more exposed countries like Yugoslavia.

It is hinted that the Defence Department officials in Washington are becoming less interested in obtaining air and naval base facilities in Spain: they have considered other facilities in North Africa and NATO countries and found them to be satisfactory alternatives.

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Saar Situation

(RESTRICTED)

Speaking in Saarbrücken last week, M. Grandval, the French Ambassador, linked French ratification of the contractual arrangements and the E.D.C. treaty with a solution of the Saar problem satisfactory to France. At the present time no agreement has been reached between France and Germany on proposals to place the Saar under the jurisdiction of a supra-national European authority.

COMMENT: His statement appeared to have been made with the approval of the Quai d'Orsay. On the other hand, M. Schuman has stated that the Saar Government will probably be asked to postpone the October elections, which is a definite gesture of compromise.

MIDDLE EAST AND INDIA

Australian Wing in Malta

(UNCLASSIFIED)

As part of Australia's contribution to the Commonwealth's Middle East defence plan, a Royal Australian Air Force unit, No. 78 Fighter Wing, arrived in Malta recently for a two-year stay. This is the first time an Australian air wing has been stationed abroad in peacetime; it is also the first occasion on which a complete Australian wing has served in Malta.

No. 78 Fighter Wing is commanded by W/C Brian Eaton, DSO, DFC. The unit flies Vampires and Meteors, which are maintained by Nos. 376 Maintenance and 476 Base Squadrons.

The Australians are stationed at the naval base at Hal Far, known as H.M.S. Falcon.

Situation In India

(CONFIDENTIAL)

No single party in India constitutes an effective parliamentary opposition. The Communists have endeavoured to form a "united democratic front" in the Central Parliament and a few State Assemblies but they have been unable to weld effective alliances. The Socialist and K.M.P.P. (a left-wing) parties have remained aloof and their respective executives have decided in favour of a Socialist-K.M.P.P. alliance.

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COMMENT: The reported merger of the Socialist and K.M.P.P. parties, which is still subject to confirmation by party leaders, may draw further left-wing support away from the Communists. At the last election to the House of the People, 10.5% of the votes were cast for the Socialists, 5.81% for the K.M.P.P., 4.45% for the Communists, and 44.5% for the Congress Party.

Kashmir Negotiations

(CONFIDENTIAL)

Dr. Graham's fourth report to the Security Council covers negotiations in New York from May 29 - July 16 and negotiations in Geneva from August 26 to September 10.

Dr. Graham revised his main proposal relating to demilitarization. The Government of Pakistan stated that subject to certain reservations they would be prepared to accept Dr. Graham's proposals in their entirety. The Indian Government, however, after reiterating its position on responsibilities in Kashmir, informed Dr. Graham that they considered the principles enumerated in the new proposal contained the "germs of settlement".

COMMENT: The position now appears to be that agreement has been reached on all the proposals except the crucial one relating to demilitarization and another less important clause. India still has reservations on the proposal that there should be further reduction of forces after the Plebiscite Administrator has been appointed. Pakistan apparently feels that the Security Council should give some direction in the manner in which the remaining points of difference should be settled, whereas the Indians apparently felt that the Security Council should ask Graham to continue his negotiations.

FAR EAST

Enemy Use UN Aircraft

(SECRET)

Several confirmed observations have been made of enemy use of F-80, F-84, and F-86 type aircraft against Far East Air Force aircraft.

COMMENT: The USAF believe that a sufficient number of aircraft of all three types have fallen into enemy territory during the last two years to have permitted the salvage of sufficient components to reconstitute several of each type. It is concluded, pending corroborating or contrary intelligence, that the Communists have been able to reconstitute a limited number.

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Enemy Camouflage - Korea

(SECRET)

Since 1 September 52, the majority of MIG's sighted in Korea have utilized some sort of camouflage. The most widely used is a mottled varishade green top with a hazy blue belly, offering excellent camouflage at night and at low altitudes.

COMMENT: RCAF technical staffs estimate that camouflage paint, if similar to that used in World War II, would decrease the MIG's speed by up to 40 mph, with some slight heating effect. The Communists' willingness to accept this decrease in advantage over the F-86's is likely because of their desire to conceal their true strengths from UN reconnaissance aircraft operating near the Korean-Chinese border.

Enemy Air Defence Tactics

(SECRET)

It is reported that the enemy used piston-engined fighters during the B-29 raid of 1 October on the Namsan-Ni chemical plant, to pass flight information to the anti-aircraft artillery.

COMMENT: Information of the type obtainable by these aircraft, even if accurate, would only be useful as a supplement to or substitute for early warning radar. The USAF feel that these tactics have been forced on the enemy by 5th Air Force Bomber Command's anti-aircraft artillery countermeasures.

Interrogation Report

(CONFIDENTIAL)

A report has been received of an interesting interrogation of an ex-Nationalist Platoon Commander. It throws some light on the Chinese Communist treatment of the very large number (possible some 3 to 4 millions) of Nationalist troops who defected or were captured during the Civil War in China in 1945-50.

COMMENT: The Chinese Communist Army (CCA), with some 1½ to 2 million regulars, completely defeated the Nationalist forces of some 4 millions on the mainland. Some Nationalist went to Formosa and some units were absorbed by the CCA. The bulk of Ex-Nationalist troops on the mainland however, were not added to the CCA (which has today only 4 million regulars made up of 2½ million regulars in the Field Forces and

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1½ million regular district troops.)

According to this PW, the CCA even then planned not to exceed a hardcore army of some 4 millions. He states that a fairly large number of officers were taken into the CCA, but only after some twelve months of indoctrination. It is not known whether this was because the CCA was short of officers or disinclined to let them out of direct observation.

This PW states that the bulk of the men were returned to civil life but not thrown onto the country to fend for themselves. They were, as a general rule, given six months of indoctrination under fair living conditions taught to read and write, and given other training to prepare them for absorption into industry or agriculture. Personal documents and photographs preceded them to their local governments.

Enemy Armour - Korea

(TOP SECRET)

A recent reassessment of enemy armour in Korea is accepted as follows:

- (a) An increase of 54 tanks, bringing the total to 463.
- (b) An increase of 70 self-propelled (SP) guns, bringing the total to 152.

COMMENT: This increase of AFVs is substantial in relation to the total. The Chinese have three tank regiments of 40 tanks each, in support on the Western and Central fronts. The remaining armour in Korea is in the North Korean Army. 32 NKA SP Guns are in support of the two front line NKA Corps. The remaining armour is in rear areas.

Enemy Attacks - Chorwon

(SECRET)

It is reported that a full Chinese division (approximately 10,000 men) has captured Whitehorse Hill in the Chorwon area of Korea, after an all-out effort. Up to the date of this report, counter attacks by all three regiments of 9 ROK Divisions have been unsuccessful. Troops of 2 US Division and the French Battalion are said to be holding nearby Arrowhead Ridge. Anti-aircraft fire against friendly close-support aircraft operating in the area is reported to be the heaviest ever encountered in such missions.

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COMMENT: These two features, which dominate the highway network around Chorwon, lie across a UN Corps boundary, with 2 US Divisions belonging to I Corps on the left and 9 SK Divisions belonging to IX Corps on the right.

The Chinese troops are almost certainly from 38 CCF Army, part of XIII CCF Army Group, which is the largest Chinese Army Group in Korea and the one expected to spearhead a Chinese offensive, should one come.

The fighting for these features does not of itself indicate an impending offensive, but control of them is almost a prerequisite for an offensive towards Seoul.

Japanese Elections

(CONFIDENTIAL)

The final results of the national elections held on October 1 were as follows:

Liberals	240	seats
Progressives	85	"
Right-Wing Socialists	57	"
Left-Wing Socialists	54	"
Minor Parties	11	"
Independents	19	"
Communists	0	"

(76.43% of those eligible voted)

COMMENT: The success achieved by the Liberals and Progressives (both conservative parties) is such that dominance of the Lower House by a conservative bloc is assured. It is not yet clear whether Prime Minister Yoshida has been able to fend off the bid of Mr. Hatoyama to regain the leadership of the Liberal Party. There will be little change in the foreign policy of the Government under either. Although there is much reason for gratification at the total eclipse of the Communists the other left-wing parties are reported to have increased their representation. It is believed that these left-wing elements have profited from their anti-rearmament and anti-U.S. views.