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~~SECURITY INFORMATION~~

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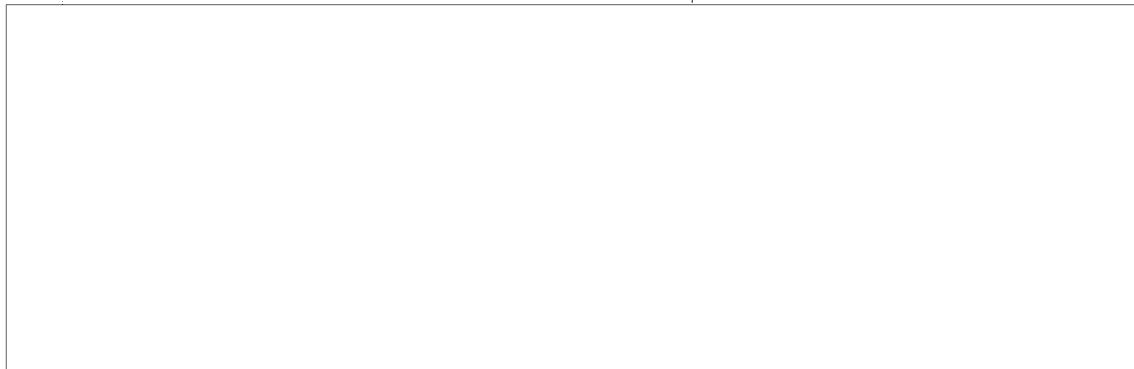
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**CENTRAL INTELLIGENCE AGENCY**



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## SOVIET UNION

1. Soviet budget takes greater share of turnover tax:

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[redacted] 4.1 percent of the turnover tax collected in the Russian Soviet Federated Socialist Republic during 1952 would be retained there.

**Comment:** This represents a reduction over 1950 of 30 percent in the share of revenue from this source to be kept by that Union Republic.

The Republic's budget is expended on light industry, education, health and housing, whereas the USSR budget, which takes most of the revenue, is used principally for maintaining and expanding heavy industry.

[redacted] the Union Republic 3.3(h)(2) will contribute in 1952 a considerably larger share toward the expansion of heavy industry than in 1950.

## FAR EAST

2. Rhee threatens mass demonstrations in Pusan:

[redacted] American Charge Lightner reports that at the Cabinet meeting on 3 June, President Rhee stated "thousands, perhaps millions" of people are streaming towards Pusan to demand dissolution of the National Assembly. Adding that there would be terrible disorders in "two or three days" and Assemblymen's lives would not be worth much, the President directed Home Minister Li Bum-suk not to prevent the flow of these people into Pusan.

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**Comment:** Strong police action was required on 19 and 23 May when Rhee supporters staged demonstrations before the National Assembly and threatened Assemblymen. A report from another source suggests that a demonstration is being planned for 7 June.

**3. Captured document suggests change in tactics of Malayan Communists:**

[redacted] has told the American Consul in Penang that a recently captured Communist document admits the failure of armed resistance in Malaya and suggests abandonment of terrorism for "underground penetration."

3.3(h)(2)

The document includes a statement that the terrorists have been badly hurt by the British program of resettling heavy concentrations of Chinese and an acknowledgement of failure to obtain mass support.

**Comment:** Recent developments in the Communist movements of other Asian countries provide fragmentary indications of a possible tactical shift away from emphasis on armed struggle, the main form of action in Asia since World War II.

Although the Communist military program for the overthrow of the Malayan Government has not progressed according to plan, 4,000 terrorists have tied down 130,000 troops and police for the past four years.

**NEAR EAST - AFRICA**

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3.3(h)(2)

**5. Iranian financial situation is critical:**

[redacted] Acting Governor Nasser of the Iranian National Bank has told an American Embassy official that the government has sufficient funds to pay its employees for May, but that he did not know what the government could do for June.

3.3(h)(2)

Comment: Nasser's earlier refusal to lend the government funds to help it meet its financial obligations has so infuriated the Prime Minister that he is reportedly determined to remove Nasser. The fact that Mossadeq is considering such a move, which would have serious political consequences for him, highlights the critical financial situation of the government.

**6. Britain satisfied with current Egyptian-Sudanese talks:**

[redacted] A British Embassy spokesman in Cairo told a press conference that Britain was satisfied with the talks now in progress between the Egyptians and the Sudanese delegates of the anti-Egyptian Independence Party. He said that Britain had more than once expressed its willingness to recognize immediately Egyptian-Sudanese union under the Egyptian crown, provided that this was approved by the Sudanese.

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Comment: Though the Egyptian Foreign Minister and the Sudanese delegation leader have also expressed satisfaction with the talks, final solution of the Sudan issue is still not in sight.

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The Sudanese delegation now in Egypt cannot commit either the leader of the Independence Party in the Sudan or the Sudanese people as a whole to any course of action agreed upon by it.

## WESTERN EUROPE

**7. Communist scare campaign in West Germany boomerangs:**

3.3(h)(2)

[Redacted] Recent public opinion surveys in West Germany show that Communist scare tactics have so far only served to stiffen popular opposition to Soviet policies. Furthermore the conviction is widespread that firmness is the only effective method of dealing with the Soviet Union.

American officials also observe that the Soviet pressure campaign is having the effect of speeding the ratification process of the contractual agreement and the European Defense Treaty. Those survey respondents who had previously desired a delay in the ratification of the treaties are now beginning to favor early parliamentary action on them.

**8. Comment on possible changes in leadership of the West German Social Democratic Party:**

Kurt Schumacher, chief of the Social Democratic Party,

3.3(h)(2)

If he loses the leadership of the party, moderates will probably either assume control or succeed in softening the party's vehement anti-Adenauer stand.

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Such a development would be followed in West Germany by greater support for rearmament and stronger opposition to Soviet unity moves. Schumacher's removal would enhance the possibility of a Christian Democrat-Social Democrat coalition government for 1953, a government free of right-wing nationalists and more capable of dealing with potentially dangerous internal social conditions.

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