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SECURITY INFORMATION

19 July 1953

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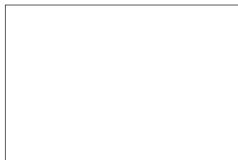
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GENERAL

1. USSR reportedly to renew relations with Israel in two weeks:

[redacted] the Soviet Union will renew diplomatic relations with Israel in two weeks. [redacted]
 if diplomatic ties are resumed, the Soviet mission will probably reside in Jerusalem.

3.3(h)(2)

Comment: [redacted]

3.3(h)(2)

Renewal of relations with Israel at this time would indicate no change in the Kremlin's present foreign policy.

If the Russians establish their mission in Jerusalem rather than Tel Aviv, they will gain favor with the Israelis, who transferred the foreign ministry to Jerusalem on 13 July to join the rest of the government offices. Such action by the USSR, however, would antagonize the Arabs, who favor the internationalization of that city. The chief Western missions have indicated that they will remain in Tel Aviv for the time being.

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SOVIET UNION

3. Comment on announced Soviet plan fulfillment for the first half of 1953:

The official announcement of Soviet plan fulfillment for the first half of 1953 reveals a continuing decline in the rate of economic growth. Industrial production reportedly increased 10 percent and labor productivity five percent in the first half of 1953 over the first half of 1952. Comparable official Soviet figures were 11 and eight percent in 1952 over 1951.

The announced results also show the present extent of the new Soviet government's effort to increase the availability of consumer goods. A 23 percent increase in sale of consumer goods was reported in the second quarter of 1953 over the second quarter of 1952. Moreover, the only change revealed in the 1953 plan was the additional allocation of 20 billion rubles for production and distribution of consumer goods.

Production results in this first 1953 announcement were reported on the basis of the new ministries as consolidated after Stalin's death, making comparisons with previous periods even more difficult than in the past.

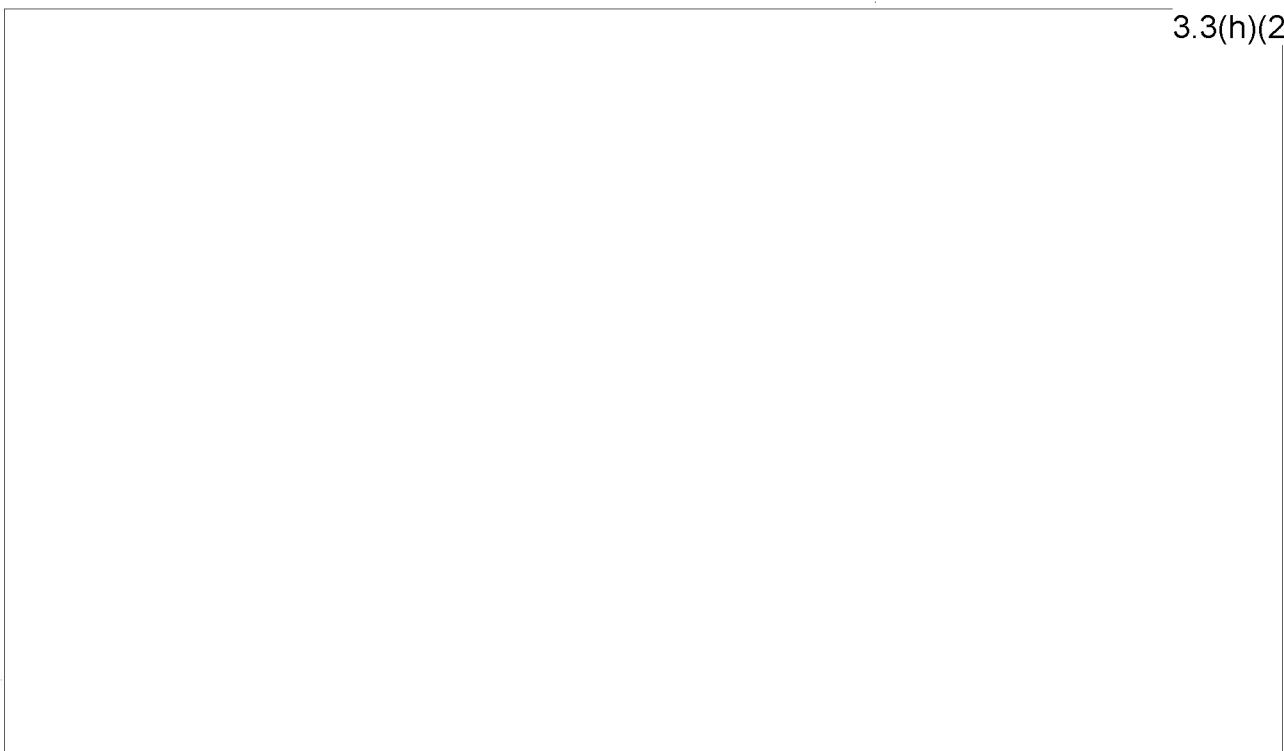
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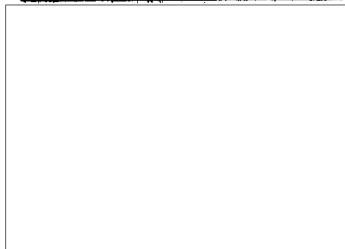
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FAR EAST

5. North Korean aircraft reportedly concentrating near Yalu River:

Scheduled flights of North Korean aircraft during the past few days strongly indicate a massing of other elements of the North Korean air force in the Yalu River area, in addition to the MIG's already there.

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On 16 July, two separate groups of 24 piston fighters and 20 IL-10 piston ground-attack aircraft, [redacted] for flights southward into Kungchuling, with at least the former group proceeding to an unidentified airfield believed to be in the border area. On 15 July, from three to six IL-28 twin-jet bombers and two TU-2 conventional bombers landed at an airfield in the Antung area; [redacted]

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Comment: The purpose of this apparent concentration near the combat area is not known. It is conceivable that the Communists are planning to give air support to a large-scale North Korean-Chinese offensive which may be planned for late July. These moves could also be preparatory to the North Korean air force entering Korea just before an armistice comes into effect.

6. Chinese Nationalist defensive capabilities in Tachens to be improved:

[redacted] Chinese Nationalist leaders plan to send the 3.3(h)(2) 10,000-man 46th division from Formosa to the Tachen Islands to replace the present garrison of 5,000 men, [redacted]

[redacted] One regiment of the division is scheduled to leave Formosa on 20 July.

Comment: Chiang Kai-shek's decision to bolster the Tachen Islands defenses with this relatively well-trained and well-supplied division is in sharp contrast to his previously announced plan to reinforce the islands with a poorly-trained and ill-equipped unit of less than 5,000 men.

7. Formosa-based airlines deny supplying Li Mi troops:

[redacted] Both the CAT airline and Fooshing Airways 3.3(h)(2) of Formosa state that none of their PBY aircraft has been to Thailand within the last two months, according to the US embassy in Taipei.

Each company has two such planes, and all four are now on Formosa.

Comment: The American embassy in Rangoon reported on 14 July the Burmese government's suspicions that two unmarked PBY's then in Bangkok were being used to supply Chinese Nationalists in Burma, and that they belonged either to CAT or Fooshing Airways.

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SOUTH ASIA

8. Conditions in Kashmir reportedly deteriorating:

[redacted]

Indian-held Kashmir is in political ferment and^{3.3(h)(2)} its economy in a perilous state, according to an American embassy official who recently visited Kashmir. Sheikh Abdullah, the Indian-supported prime minister, is in a precarious position politically because of popular dissatisfaction with his regime and dissension within his cabinet over the future allegiance of the state. The embassy officer states that Abdullah's personal relationship to Nehru is also unsatisfactory at present.

Comment: This first-hand report confirms previous indications of unsettled conditions, which can be expected to deteriorate unless there is a settlement of the Kashmir dispute.

NEAR EAST - AFRICA

9. Britain and Libya reach financial agreement:

[redacted]

The British Foreign Office and Libyan prime minister Muntasser on 16 July concluded a financial agreement, according to the British Foreign Office. Subject to the approval of the king, cabinet, and parliament, Muntasser accepted the 2.5 million pounds sterling annual financial aid offered by Britain.^{3.3(h)(2)}

Comment: Despite this forward step, the treaty and annexes, which have been held up since last September, still face a formidable obstacle in obtaining the approval they need in Libya. Anti-British sentiment, particularly among government factions hostile to the prime minister, has been reported on the increase. This feeling has been abetted to a large extent by Egypt.

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WESTERN EUROPE

10. USSR increases forces in Berlin:

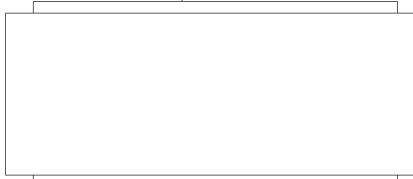
on 16-17 July

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a strong Soviet armored force entered East Berlin. Reports of troop and vehicle movements indicate the presence in Berlin of the entire 7th Guards Mechanized Division, and it is possible that elements of another division are deployed to the east of the city. As many as 240 tanks are reportedly dispersed in various parts of the city. In the Pankow district, the residential area occupied by high government officials is being guarded by over 50 tanks.

Comment: Since the departure of the bulk of the Soviet troops from Berlin in late June and early July, elements of at least one Soviet division have remained in the city, with their tanks and vehicles concentrated in several areas. The 7th Guards Mechanized Division, however, was not one of those committed in Berlin after the 17 June riots.

It is possible that a show of strength is being made by the USSR to frighten East Berlin workers into abandoning their slow-down tactics. The precaution of guarding the Pankow residential area suggests that trouble is anticipated.

11. De Gasperi's new cabinet may face parliamentary defeat:

Premier De Gasperi's new all-Christian Democratic cabinet faces an uncertain reception when it is submitted to parliament about 21 July, according to the American embassy in Rome. Some 35 of the 40 Monarchist deputies, annoyed by De Gasperi's anti-Monarchist views, reportedly will vote against him.

3.3(h)(2)

The embassy feels that De Gasperi has ignored the electoral trend to the left within his party by appointing more conservatives than were in his previous cabinet. The disproportionately large number of Catholic Action candidates named to the new compromise cabinet gives the lay democratic parties a good excuse to oppose the government on the clericalism issue.

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