

REPORTS OF

Australia Station Intelligence Summary



DATE OF ISSUE 10 JUL 1953

*Naval Intelligence Division
Navy Office
Melbourne*

1. The Australia Station Intelligence Summary is "SECRET," and its recipients are responsible for the security of the information contained therein.

2. Internal circulation is to be "BY HAND" of Officer only. A Transit List is contained in the back cover.

3. When not in use the Australia Station Intelligence Summary is to be kept under lock and key.

SECRET

S E C T I O N I.

R.A.N. MONTHLY NOTES - EXTRACTS FROM REPORTS OF
PROCEEDINGS ETC.

REVIEW OF PRINCIPAL NAVAL ACTIVITIES.

H.M.A.S. AUSTRALIA.

AUSTRALIA (wearing the flag of the Flag Officer Commanding H.M.A. Fleet) is at present in Sydney for her midwinter leave and refit period.

H.M.A.S. SYDNEY.

SYDNEY, after participating in the Spithead Review off Portsmouth, sailed on 17th June for Australia in company with ships of the Royal Canadian Navy, with whom she carried out manoeuvres and flying exercises en route for Halifax. Her second port of call is Baltimore (U.S.A.), where she will arrive on 2nd July for a 4-day stay. SYDNEY will also visit Kingston (Jamaica), Colon, Pearl Harbour, and Auckland. Her visit to Canada and U.S.A. will be regarded as the returning of visits paid to Australia by R.C.N. and U.S.N. ships since the end of the war.

H.M.A.S. VENGEANCE.

VENGEANCE is at present carrying out training between Sydney and Jervis Bay.

10th DESTROYER SQUADRON.

ANZAC, en route from Korea for Australia, is due to arrive at Sydney on 3rd July and Melbourne on 8th July. TOBRUK is on passage to Korea as ANZAC's relief. She arrived at Hong Kong for a 5-day stay on 18th June. BATAAN continues her training off the N.S.W. coast. ARUNTA is at Sydney for leave and refit.

SECRET

1st FRIGATE SQUADRON.

SHCALHAVEN, who was in the Melbourne/Westernport area for National Service Training from 8th May to 20th June, MURCHISON, CONDRAMINE and HAWKESBURY are at Sydney for leave and refit. CULGOA continues to operate with Task Units off the West Korean coast, mainly in the Haeju Gulf area. MACQUARIE, based at Darwin, paid a visit to Port Moresby from 29th May to 4th June for Coronation Week.

TRAINING SHIPS.

GLADSTONE and JUNEE (at Williamstown) and FREMANTLE and MILDURA (at Fremantle) are taking their mid-winter refit period. WAGGA and COOTAMUNDRA are continuing Reserve and National Service training at Sydney.

SURVEY SHIPS.

BARCOO is due to sail from Sydney on 29th June for Exmouth Gulf to complete the hydrographic survey begun by WARREGO last year. After this survey she will visit the Monte Bello Islands to investigate a shoal patch reported by SYDNEY during the atomic test. WARREGO is taking her leave and refit at Sydney.

H.M.A.S. QUADRANT.

QUADRANT, a former "Q" class destroyer, has completed conversion to a fast anti-submarine frigate at H.M.A. Naval Dockyard, Williamstown, and is now undergoing her trials prior to commissioning under the command of Captain S.H. Beattie, V.C., R.N., Senior Officer of the 1st Frigate Squadron.

DARING CLASS SHIPS.

Admiralty has recently decided that ships of the Daring Class will no longer be referred to as destroyers but will be known officially as Daring Class ships, or simply Darings.

These ships, which were built as large fleet destroyers, are now used tactically as light cruisers. They are equally effective in the roles of destroyers, anti-submarine, or anti-aircraft frigates.

CHIEF OF NEW ZEALAND NAVAL STAFF VISITS MELBOURNE.

The First Naval Member of the New Zealand Naval Board and Chief of the Naval Staff, Commodore Sir Charles Madden, R.N., arrived in Melbourne on 26th May for discussions with the Australian Naval Board.

While in Melbourne he inspected Williamstown Naval Dockyard and visited General Motors Holden. He also visited Flinders Naval Depot to inspect the Naval College, where a number of cadet-midshipmen from New Zealand are undergoing training.

Commodore Madden returned to New Zealand on 31st. May.

CORONATION CELEBRATIONS IN PAPUA/NEW GUINEA.

On 2nd June, Coronation celebrations with a Naval flavour were held at Manus, Port Moresby and Lae.

At Lorengau, the seat of the civil administration of Manus Island, a parade was held in which parties from H.M.A.S. TARANGAU, the Papuan and New Guinea Division of the R.A.N., and the Royal Papuan New Guinea Constabulary took part. Also in the procession were native school boys dressed in red, white and blue lap laps, and a motley crowd of luluais, tul tuls and doctor boys, the village dignitaries showing an amazing variety in dress.

The Act of Loyalty was read by the District Commissioner, Mr. Malcolm English, M.B.E., and later translated into pidgin for the benefit of the natives.

In the evening there was a fireworks display from

an R.A.N. M.W.L. anchored offshore. This was followed by native dances until the early hours of the next morning.

MACQUARIE visited Port Moresby for Coronation Week. She supplied an armed party of officers and ratings who, with members of the Papua New Guinea Rifles and Royal Papuan Constabulary, marched past the Administrator of Papua New Guinea, Mr. D.M.Cleland.

S.D.M.L.1327 visited Lae for the celebrations and her crew of P.N.G. Division natives took part in a march. Their marching, rifle drill and general demeanour excited wonderment and favourable comment from black and brindle onlookers.

APPOINTMENTS.

Captain (E) K. McK. Urquhart, R.A.N., at present General Manager of H.M.A. Naval Dockyard, Williamstown, has been appointed Engineer Manager of H.M.A. Naval Dockyard, Garden Island, vice Captain (E) E.A. Good, R.A.N.

Captain (E) E.A. Good, R.A.N., on relief will become Director of Naval Engineering at Navy Office, Melbourne.

Commander (E) G. McD. Wilson, D.S.C., R.A.N., at present Director of Naval Construction, has been appointed General Manager of H.M.A. Naval Dockyard, Williamstown.

Commander J.L. Bath, R.A.N., has been appointed to COMMONWEALTH in command as N.O.I.C. Kure and Port Director, Kure, vice Commander L. Gellatly, D.S.C., R.A.N., to date 29th June.

Commander W.J. Dovers, D.S.C., R.A.N., assumed command of ARUNTA on 15th May.

Commander W.F. Cook, R.A.N. has been appointed Staff Officer Royal Visit, d.t.b.r.

Acting-Commander G.J.A. Ashley-Brown R.A.N., has been appointed to HARMAN in command, to date 10th August.

Lieutenant-Commander M.R. Bromell, R.A.N., has been appointed from MILDURA in command to Navy Office as Naval Representative on the Joint Intelligence Staff, to date 1st August.

Lieutenant-Commander M.D. Millar, R.N., assumed command of MILDURA on 22nd June.

Lieutenant-Commander W.O.C. Roberts, R.A.N., has been appointed to WACGA in command, to date 4th September.

Lieutenant-Commander J.G.I. de Pass, R.N., assumed command of GLADSTONE on 7th May.

Lieutenant-Commander W.J.M. Roberts, R.N., assumed command of WARREEN on 22nd June.

EXTRACTS FROM OR SUMMARIES OF REPORTS OF PROCEEDINGS
WEST COAST OF KOREA OPERATIONS.

During March and April operations carried out by the inshore Task Units on the West Korean coast were generally routine minesweeping and defensive patrols with only two highlights to break the monotony.

On 15th March the first incident took place when the improvement in the sea ice conditions around the islands of Sok To and Cho Do tempted the enemy to emerge from the mainland. A large boat manned by a number of enemy troops appeared at the mouth of a creek opposite Cho Do and was immediately sunk by H.M.S. CARDIGAN BAY.

On the following day the Haeju Gulf island of Mu Do, which is occupied by friendly forces, was shelled by enemy guns from the mainland. Aircraft from H.M.S. GLORY quickly made an attack which was followed by a bombardment with airspot by ANZAC. Spotting aircraft reported the bombardment very accurate, with nine shots exploding in the enemy battery position.

The clearing of the sea ice in the Sok To - Cho Do area presents an invasion threat which is being countered by a resumption of normal night defence stations in that area. During the previous three months, December-March, these night patrols were impossible owing to floes. Minesweeping has also been resumed in this sector. This duty will be light for some time as for several months ice conditions made enemy mine-laying impossible.

Some concern has been felt over the increasing number of fishing vessels encroaching into the carrier operating area on the West Coast. While the fishing industry is of extreme importance to the economy of the Republic of Korea, it is a fact that these craft generally hamper carrier operations. Destroyers have to be continually detached from the carrier screen to drive these fishing boats out of the area. The ships from the screen do not carry interpreters and, therefore, even where conditions permit the craft being hailed at close range or being called alongside, there is no means of conveying orders to them. Arm-waving and other sign language seems to be treated generally as a show of felicitation. Furthermore, if orders to clear out of the prohibited area can be conveyed to fishing craft in any way, these orders are disregarded immediately the craft move away. It is understood, however, that a method of controlling these incursions into the operations areas is being devised.

TOKYO CORONATION CELEBRATIONS.

On 30th May ANZAC and H.M.S. MOUNTS BAY arrived at Tokyo and were greeted by a U.S. Military Band playing the "St Louis Blues". This marked the commencement of a busy Coronation Week for the officers and ships' companies who took part in a very full official and private entertainment programme.

At 1600 on the same day 20 officers and 200 ratings from both ships were taken in large buses on a sight-seeing parade through the streets of Tokyo. The parade was led by both Commanding Officers in open convertibles preceded and flanked by police motor cyclists with sirens screaming. The streets were packed with people waving British, Australian and Japanese flags and confetti and "ticker tape" were showered on the procession.

It was apparent that the visit of the ships (the first official "good will" one since the end of the war) and the appeal and popularity of the Coronation had created great interest amongst the Japanese, who seem very keen to demonstrate their friendliness towards the British Commonwealth.

The parade came to a temporary halt at 1630 in Hibaya Park, where the two Commanding Officers with the Governor of Tokyo, Mr. Yasui, took part in a tree-planting ceremony. The parade continued until 1730, when the Governor entertained the entire party in the spacious grounds of "Hippoen," a tea-house in Shinjuku Imperial Park while a programme of ceremonial dances was presented.

On the following day officers and men from the two ships attended a Coronation Drumhead Service at Ebisu camp. Also present at the service were representatives of the Diplomatic and Armed Services of all Commonwealth countries serving in the Far East.

During the next three days the ships' companies were taken on several sight-seeing tours to nearby beauty spots. All facilities for sports were made available.

ANZAC and MOUNTS BAY sailed for Kure on 4th June after spending an enjoyable five days in Tokyo - a welcome break from operational duty.

LABUAN WAR CEMETERY CEREMONY.

TOBRUK, en route for Korea to relieve ANZAC, visited Labuan, North Borneo, on 10th June to take part in a ceremony for the unveiling of a Cross of Sacrifice at the War Cemetery.

Also present at the ceremony were Commodore J.C. Morrow D.S.O., D.S.C., R.A.N., and Major-General S.H. Porter, who was the Commander of the 24th Australian Infantry Brigade of the 9th Division which recaptured Labuan from the Japanese in 1945.

A framed copy of the new Borneo coat-of-arms was presented to Major-General Porter by the Governor of North Borneo, Major-General Sir Ralph Hone, after the unveiling ceremony. The coat of arms includes the letter "T" (the shoulder patch of the 9th Division) to serve as a permanent record of the colony's gratitude to the Australian soldiers.

Nine R.A.N. ships took part in the Brunei Bay assault in June 1945. They comprised SHROPSHIRE, HOBART, ARUNTA, three frigates and three landing ships.

HISTORIANS PLEASE NOTE.

On 30th April, during one of their cruises along the Western Australian coast on Reserve and National Service Training, MILDURA and FREMANTLE visited the Abrolhos Islands to conduct some historical research.

Anchoring off Gun Island in Pelsart Lagoon, the ships sent parties to investigate an ancient wreck on the seaward reef of the islands. Two cast-iron cannons were recovered, one weighing 30 hundredweight, and the other 18 hundredweight. There were no identifiable marks on the pieces, but it is probable that the wreck from which they were salvaged was either the Dutch East Indiaman "BATAVIA" or the "ZEEWYK".

"BATAVIA", under the command of Commodore Pelsart, was wrecked on Wreck Point, Pelsart Island, Abrolhos Rocks in June, 1629, with 220 people on board.

"ZEEWYK", also a Dutch East Indiaman, was wrecked on Pelsart Island in 1727. The crew built a sloop and reached Batavia safely. In 1840 various Dutch articles probably left behind from this wreck were found on Gun Island.

The guns will be handed over to the West Australian Historical Society.

FIRE CONTROL.

Although bushfire fighting is not normally part of Naval training, the National Service Trainees on board MURCHISON and SHOALHAVEN recently acquitted themselves creditably in this role.

While the two ships were operating off the Hawkesbury River on 18th March a bushfire on the bank of a creek was seen to be getting out of hand. Parties were landed and succeeded after five hours of beating and fire-break clearing in reducing the blaze to smouldering tree trunks.

The crowning blow to this effort came with the arrival of the local forest ranger whose opening remark was, "Are you fellows responsible for this fire?".

The trainees returned to the ships somewhat blackened but none the worse for their adventure.

SECTION II.

EXTERNAL INTELLIGENCE.U.S.S.R.Coronation Naval Review.

Details of the Soviet Cruiser SVERDLOV, which attended the Coronation Naval Review, as supplied by the Russians are as follows:-

Displacement	-	12,800 tons
Length	-	689 feet
Draught	-	24 feet 6 inches
Complement	-	1,050

The Admiralty comment on the above figures is to the effect that, assuming the Soviet figures for length and draught to be correct and that the beam is approximately 65 feet, the standard displacement is more likely to be about 14,150 tons.

KOREA.Truce Negotiations.

After a number of proposals and counter-proposals had been made and considered by both sides, the contentious prisoner-of-war issue was resolved on 8th June, when an agreement on the disposition of prisoners-of-war was signed at Panmunjom.

The provisions of this Agreement are similar to the "Indian resolution" on Korea adopted by the United Nations General Assembly in December, 1952. Under the Agreement all prisoners-of-war desiring repatriation will be exchanged immediately upon the signing of an armistice. The remainder will be placed under the control of a Neutral Commission composed of Sweden, Switzerland, Poland and Czechoslovakia, with India as Chairman and Executive Agent. Both the Communists and the United Nations will be allowed access to those

prisoners who do not wish to be repatriated to explain to them their rights regarding repatriation. The disposition of any remaining unrepatriated prisoners after this process of explanation has been carried out will be referred to a "political conference", which is to follow within 90 days of an armistice. If this conference fails to reach agreement upon their disposition within 30 days, the prisoners will be released in neutral territory.

So far as negotiations for an armistice are concerned, the draft Armistice Agreement (which was virtually agreed upon apart from the prisoner-of-war issue when negotiations were suspended in October, 1952) will be ready for signature at Panmunjom by the Commanders-in-Chief as soon as agreement is reached upon certain administrative details the most important of which is the location of the military demarcation line between the two sides.

Recent action by the Republic of Korea in permitting the escape of some 25,000 prisoners-of-war who do not wish to return to their countries may delay, if not prevent, the signing of the Armistice Agreement.

Attitude of the Republic of Korea Government towards the Truce.

As recent negotiation progressed towards making possible an armistice in Korea, South Korean opposition to an armistice increased. The President of the Republic of Korea, Dr. Syngman Rhee, demanded the unification of all Korea, by force if necessary, and declared that the Republic would fight alone. The Republic of Korea members of the United Nations Command negotiating team absented themselves from the talks at Panmunjom and protest demonstrations took place in Seoul, the capital. President Rhee protested to President Eisenhower, who, in reply, made the following points :-

- (a) The United States will not renounce its effort to unify Korea by all peaceful means;
- (b) The United States is prepared to negotiate a Mutual Defence Treaty with the Republic of Korea promptly after the acceptance of an armistice;
- (c) The United States will continue economic aid to the Republic of Korea.

It then seemed that the Republic of Korea was inclined to accept a truce, provided that the United States entered into security arrangements guaranteeing the future integrity of the Republic, but since the Republic has permitted the release of prisoners-of-war it is clear that President Rhee and his Government intend to do all in their power to prevent a truce. If, despite the actions of the Republic, an armistice is signed there can be no guarantee that it will not be violated by some equally irresponsible action on the part of the South Korean Government.

Military Situation.

Concurrently with the promise of early success in negotiations for an armistice, the Communists have launched heavy and widely-dispersed attacks, mainly against positions held by South Korean formations in the East and Central sectors of the front. After initial gains these attacks were repulsed. Subsequent counter-attacks regained some of the ground lost.

CHINA.

Nothing further has been heard of the new "anti-campaign" against public servants and minor officials which was recently reported as showing signs of developing in China.

Modification of the Industrial Programme.

New and for the most part lower industrial production targets for the first year (1953) of the Five-Year Plan were announced recently by Chia To-fu, Vice-Chairman of the Finance and Economics Committee. This development was not unexpected, as it is known that the Chinese authorities encountered serious difficulties in the early stages of the industrialisation programme. Chia To-fu admitted in his official statement that "the foundation of our industry is still very weak, technology is backward, prospecting and designing necessary for capital construction is insufficient, data and resources are inadequate; there is a shortage of both cadres and capital, and readjustment of State industry itself has not been completed." Production targets for lead, zinc, copper, crude oil, electric power, machine tools and cotton cloth have been substantially reduced and there has been some scaling-down of pig iron and crude steel targets. On the other hand, the target for cement, an item of great importance to the current construction programme, has been raised. No new production target was announced for coal.

The scaling-down of industrial plans only three months after their inception is evidence that the Chinese Communist authorities had overestimated their ability to proceed with a large-scale industrialisation programme. They are now being forced to a more realistic appreciation of basic problems. It is also probable that China's industrial development has been retarded to some extent by difficulties in obtaining sufficient imports of capital equipment from Soviet bloc countries.

Payment for War Materials received from U.S.S.R.

China is reported to be passing controlled goods and rubber received from Europe and Ceylon to the U.S.S.R. in part payment for war materials supplied.

Seventh All-China Congress of Trade Unions.

The Congress was held in Peking at the beginning of May. It was attended by 812 delegates, comprising representatives of the World Federation of Trade Unions and representatives of trade unions of seventeen foreign countries. Liu Ning-yi, Vice-President of the All-China Federation of Labour, opened the Congress. He said that the task to rally the forces of the working peoples for China's liberation, set by the Sixth Congress in Harbin in 1948, had been accomplished. The present Congress was to map out future policy.

Speaking on behalf of the Central Committee of the Communist Party, Liu Shao-chi stressed that the working class must take upon itself a "grave international responsibility;" it must, under the leadership of the W.F.T.U., fight for unity of the international working class and co-operate with the working class of all countries and progressive mankind for the defence of peace and security. Liu Shao-chi added that the Chinese working class must assist the working class and labouring people of capitalist, colonial and semi-colonial countries.

Yulin, Hainan Island.

A recent report on Yulin states that there were no naval vessels of any kind in the harbour or approaches and very little merchant shipping.

FORMOSA.

The Chinese Nationalist Government seems to have had its true position in world affairs brought home to it by recent events. The realisation that American support under President Eisenhower is unlikely to go further than it did under Mr. Truman, the unanimous vote against it in the United Nations over KMT troops in Burma, and rumours that the United

States may be considering a trusteeship for Formosa have had a sobering effect. Nevertheless the ambition of the Nationalists to return to the mainland of China probably remains unaltered.

JAPAN.

Shipbuilding costs.

In 1952 there were signs that the Japanese shipbuilding industry was fast becoming uncompetitive in world markets. This trend has been borne out and the cost of shipbuilding in Japan is now much more on a par with the rest of the world.

Late in '52 enquiries for ship construction in Japan revealed that costs were in the region of the equivalent U.S. costs, 200 dollars per d.w.t. Since then higher wages and increased costs have lost for Japan the advantage she enjoyed in the shipbuilding world in the pre-war era. Her inability to ensure speedy delivery is another factor that is militating against her and the falling-off of world orders for tankers, a factor which contributed to her post-war boom, is having a serious effect on her shipyards, many of which are expected to be idle for the second half of '53.

INDO-CHINA.

Grounding at Haiphong.

Recently a heavily laden Norwegian freighter grounded in the river just east of the main quay at Haiphong. As the tide fell the vessel swung and threatened to block the entire fairway.

This incident serves to draw attention to the ease with which Haiphong could be blocked by even a medium-sized ship in the river. In addition to this hazard all traffic approaching from the sea must

navigate a half mile, 600-ft wide canal.

Haiphong is the port which is feeding the entire French war effort in Tonking.

Military Situation.

Since the Vietminh launched their attack on Laos on 6th April they have apparently accomplished what they set out to do and have now withdrawn to the Delta Area.

Activity in this region has increased and the French have been unable to prevent fairly large-scale infiltration in the South of the Delta. One of the reasons for this has been the necessity to deplete the Delta forces in order to strengthen garrisons in Laos, and there is the possibility that this was just what the Vietminh wanted, as they now face a much weaker French force in the vital Delta area and it is believed that their own strength is now at the highest level ever.

New C-in-C.

General Navarre replaced General Salan as C-in-C on 28th May and has already adopted a more aggressive policy in the war against the Vietminh. He has appointed General Cagny to command the Tonking Delta area and has issued instructions to withdraw from static positions and form a mobile reserve of 21 Battalions. This Force is to carry the fight to the Vietminh and it appears that the General's aggressiveness is being reflected in his troops.

MALAYA.

In recent months there has been a growing uneasiness among the "moderates" among the Malays on account of the increasing disunity in Malayan politics. This uneasiness has been increased by the alliance between U.M.N.O. (United Malays National Organisation) and

M.C.A. (Malayan Chinese Association). The influence which this alliance could exert over Malayan politics is feared by those Malays who remained outside U.M.N.O.

To combat these developments a move has been made to form a new central-inter-communal organisation in which all the responsible community leaders and as many community organisations as possible could co-operate with the object of furthering the development toward a united and self-governing Malaya. The proposal for such an organisation came from a committee which includes seven of the nine Mentris Besar (Prime Ministers) and is supported by Mr. MacDonald and the Sultans.

But the movement failed initially to enlist the support of U.M.N.O. and M.C.A., who regard the new movement as an attempt to take the political initiative out of the hands of the alliance. A National Conference held at Kuala Lumpur on 29th April to officially launch the new organisation was boycotted, not only by U.M.N.O. and M.C.A. but also by the Pan-Malayan Labour Party, the Peninsular Malays Union and the Malayan Trade Union Congress, which all yielded to pressure from Tengku Abdut Rahman, the extreme nationalist leader of U.M.N.O.

The new movement lacks organisation and influential leaders in its early phases, and by contrast U.M.N.O. and M.C.A. are well-established and command the loyalty of many influential Malaysans. These two groups together form such a strong political force that it seems unlikely that any political movement could succeed without the support of one or both of them. The success of the National Conference Committee rests upon its ability to enlist this support and under the circumstances there is little likelihood that it can achieve this.

BURMA.

The Four-Nation Committee composed of delegates from Thailand, Burma, the United States and the Nationalist Chinese Government at Formosa, met at Bangkok on 23rd May to discuss the withdrawal of K.M.T. troops from Burma. The Burmese delegation is led by Colonel Tun Sein and the U.S. Military Attache, Bangkok is representing the United States. The Committee meets daily at the United States Embassy, but as the Burmese and Chinese representatives refuse to meet formally they attend meetings on alternate days and the United States representative acts as a go-between. The United States representative has the impression that the Chinese delegate wishes to co-operate fully.

PAKISTAN.

On 17th April, by what amounted to a coup d'etat, the Governor-General of Pakistan dismissed the Nazimuddin Government on the grounds that it was entirely inadequate to deal with the problems facing Pakistan, and appointed a government under Mohammed Ali, Pakistan Ambassador to the United States.

The new government is pro-Western, anti-Mullah and strongly pro-Commonwealth. The change has met with general approval as the Mohammed Ali Government is believed to be potentially stronger than its predecessor and there is greater confidence in its ability to handle the economic crisis which has arisen in Pakistan as a result of the fall in the world-price of jute and cotton.

In outlining the future policy of his government, Mohammed Ali expressed its willingness to co-operate fully in an endeavour to establish friendly foreign relations, and its desire for an early reconciliation with India. But the new government has not yet been put to the test and general opinion seems to agree with Nehru, who, while expressing his approval of the

change, also expressed doubt as to whether the government would be able to establish itself in the face of the difficulties it must meet.

INDO-PAKISTANI RELATIONS.

Recent developments show signs of a more promising trend in the relations between India and Pakistan. The procedure for discussing outstanding matters has been agreed upon. Each ministry will discuss those questions which concern it with the corresponding ministry of the other country. There are at present about 100 questions waiting to be dealt with in this manner. They have been divided into three categories--"easiest", "easier", and "easy", and are to be discussed in that order.

A Steering Committee of four (two representatives from each country) will form a final body with the Prime Ministers. The first meeting of this committee was scheduled to take place in the second week of June.

The Prime Ministers of both countries (Pandit Nehru and Mohammed Ali) are expected to meet at Karachi some time in July. At this meeting they will probably discuss the Kashmir question and problems arising from the presence of racial minorities in India and Pakistan, and evacuee property. In particular, the status and boundaries of Kashmir have been matters of long-standing dispute between India and Pakistan, and this problem is most likely to cause a deadlock at the forthcoming meeting. However, the two Prime Ministers seem extremely optimistic, and Nehru has not only expressed his desire for a rapprochement, but considers the attitude of the present Pakistani government more favourable than at any time since partition.

PHILIPPINES.

After refusing to stand aside for Carlos P. Romulo, ex-Philippine Ambassador to America, Quirino ran against

him as the Liberal Party Candidate for the Presidential Election. Quirino secured nomination in the Party's Convention by acclamation, having blocked a secret ballot. Romulo reciprocated by forming a new party, the Progressive Liberals, and promising to contest the elections as its leader. Romulo, new to the political arena, has the international prestige necessary to counter the popularity of Magsaysay, the Nacionalista Party's candidate, but Quirino has a well organised political machine behind him.

INDONESIA.

Political.

The immediate cause of the resignation of the multi-party Cabinet, headed by Prime Minister, Wilopo, (Indonesian Nationalist Party), on June 2nd was the Kertapati motion (put forward by the P.N.I. and left wing elements) to alter the Round Table Conference agreement made with the Netherlands. By this agreement one half of the pre-war concessions in Sumatra were to be returned to their estate owners and the remainder were to be made available to Indonesian farmers. The carrying-out of this plan, however, would have involved the transplantation of many 'squatters', an idea unpopular with left-wing sympathisers and nationalists.

However, the rift between the two major parties in the coalition government (the Masjumi and the P.N.I.) has been steadily widening since the crisis caused by the '17th October Affair'. When the extremists of the Masjumi party demanded the resignation of Commander-in-Chief Simatupang and other moderate Army leaders, (the rump of the Sultan of Djokjakarta's influence) the Government paved the way for its downfall by refusing to put a vote of confidence to Parliament on its Army policy.

Wilopo has been asked to continue in office until a new government can be formed. This, it is rumoured,

will be in the nature of a business cabinet, with Vice-President Hatta filling the gap until the first general elections.

A new government will immediately be faced with the problem of the Air Command Organisation internal dispute, which could prove as far-reaching in its consequences and as devastating to the equilibrium of office, as the trouble in the army last year.

General dissatisfaction among the senior officers with the policy of Commodore Suryadarma, the Chief of Air Staff, resulted in Vice-Commodore Sujono, Commander of the Air Force Training School, writing him a letter which voiced their complaints. Denuded of his position, placed under house arrest and transferred to the Education Command, Sujono appealed to the President, the Prime Minister, and the Chairman of Parliament. Wilopo had him released from house arrest. Sixty-seven officers have, however, subsequently demanded Suryadarma's resignation. A Djakarta newspaper has accused the Sultan of Djokjakarta as being the prime mover behind this breach of discipline.

Another problem to be contended with is the growing unrest in Sumatra, which has led some observers to prophesy an open stand for independence in the island within a year.

Attitude towards French Indo-China.

Indonesia, who until recently remained neutral in the French-Indo-Chinese dispute, seems to be associating herself more with the Ho Chi Minh forces. Djakarta newspapers are supporting his claims on nationalist grounds. It seems possible that Loebis, the Indonesian Minister of Affairs in New Delhi, may be following the example set by Soedarsono, the Ambassador, two years ago, in attempting to act as a mediator between the two forces.

SECTION III.

AUSTRALIA STATION INTELLIGENCE.HARBOUR IMPROVEMENTS.Dredging at Whyalla.

The South Australian Harbours Board recently arranged for the towage of three barges to Whyalla, and a bucket dredge and a Harbor Board tug arrived there on 9th May, to dredge the ironstone loading berth and departure channel to the official depth of 25 ft., and also the inner harbor. It is anticipated that it will take about 6 months to complete the dredging at Whyalla and then the equipment will be transferred to Port Pirie to carry out a dredging programme.

Onslow Jetty.

Good progress has been made in the work necessary to repair the cyclone damaged jetty at Onslow. A pile-driving winch has been received from Port Samson and a second frame is being constructed. Explosive for the removal of debris has also been received and a diver is available for this work. Forty of the two hundred and forty-one piles needed to repair the jetty have already arrived. Large orders for timber have also been placed.

JAPANESE PEARL FISHING ACTIVITIES.

The Japanese pearl fishing fleet, consisting of one mother ship, one fishery inspection vessel and 25 luggers, sailed from Japan on 14th May and arrived off North Australia at the end of May.

No agreement has yet been signed in Canberra with the Japanese negotiators concerning the area in which

fishing is to be confined. The only restriction at present is on their entering Australian coastal waters without permission. On one occasion in June permission was granted for a party to land on Melville Island to cremate a fisherman who had died.

H.M.A.S. MACQUARIE and S.D.M.L. 1325, based at Darwin for patrol duties, are keeping an eye on the activities of the fleet.

UNIDENTIFIED VESSEL - TORRES STRAIT.

During May reports were received from Jervis Island (Mabuiag), one of the western islands in Torres Strait, that an unidentified vessel had been seen on several occasions passing through Napoleon Passage. The vessel was described as painted white with a high superstructure forward giving her a tug-like appearance.

On 9th May, a large number of glass floats with Japanese markings were found washed ashore near the mouth of the Love River on the west coast of the Cape York Peninsula. From the description of these floats they appear to be similar to those used by Japanese fishing ships in the New Guinea-Solomons area, and suggest the presence of Japanese vessels in the Gulf of Carpentaria.

It is possible, therefore, that the vessel sighted in Torres Strait is a Japanese ship.

AUSTRALIAN COMMUNIST REPRESENTATION AT COMMUNIST CONGRESSES ABROAD.

About fifty Australian Youth Communists are being selected from four States to attend a World Youth Festival in Bucharest, Rumania, in August. The Festival is being supported by the Australian Communist Party and its affiliations, such as Eureka Youth League, New Theatre League, Unity Dance Group, Communist Youth Committees in trade unions mainly Communist-controlled, and the Australian Association of Democratic Youth.

A group of women Communists also left for Copenhagen to attend a Communist World Congress of Women, organised by the Women's International Democratic Federation. The party included representatives of the Union of Australian Women, and female union officials and executives of union women's committees.

In October, the World Federation of Trade Unions is organising a Congress of All of the Workers of the World, and has invited seven delegates from Australia and three from New Zealand.

The Peace campaign is still being maintained at high pressure by the Australian Peace Councils and the Communist Party, and there is talk of organising a World Peace Congress in Australia in the near future.

The Communist Party is also still maintaining its Party Building drive and its campaign for a united front of workers for peace, socialism and a people's government.

AMPOL EXPLORATION LIMITED.

It has been announced by Ampol Limited that a site has been selected for the drilling of the first well in the Exmouth Gulf area. This is reported to be about 15 miles south of Learmonth and about 3 miles from the road to Carnarvon on the property of Giralalia Station. The nucleus of a drilling crew is expected to arrive in Perth shortly.

ANGLO-IRANIAN OIL COMPANY'S REFINERY, KWINANA.

The following are brief details of progress at Kwinana:-

- (i) Housing - A number of houses constructed in the Medina townsite for refinery

employees have been completed and handed over to the company. Further houses will now be completed daily. Sites have also been planned for a shopping centre.

- (ii) Materials and Construction. - Large quantities of materials are continuously arriving, including numerous 100 ft. steel piles for jetty construction. Pile-driving is continuing on the head of the rubble jetty. A large concrete batching plant has been erected and is in operation. Foundations are now being laid for major buildings and equipment and for the tank farm.
- (iii) Marine Section. - Several locally-constructed barges have been completed and others have arrived in sections from overseas. The former A.S.R. vessel "MANITOBA" arrived at Fremantle on 14th May, after a voyage north-about from Sydney.

SEARCH FOR URANIUM.

Two parties from the South Australian Department of Mines will be based at Codnadata during the winter months and will conduct an extensive search for uranium in the little-known geological areas in the northern part of South Australia. One party will operate in the Musgrave Range and the second party, which will include two geologists from the United States Atomic Energy Commission, in the Peake and Denison Ranges.

Scintillometer equipment will be used for testing radio-active mineral occurrences, and prospectors attached to the parties will undertake minor shaft-sinking and costeaning on likely mineral occurrences and the more promising prospects will later be subject to more detailed examination. The L.R.W.E. is providing an aircraft for airborne prospecting work and it is at present being fitted out at Mallala.

These parties are the best equipped ever put into the field by the Mines Department and much valuable information is expected to be obtained on the mineral potentialities of that part of the State.

WEST BEACH (ADELAIDE) AIRPORT.

The main runway was completed in 1951 and is 6,850 ft. long and 200 ft. wide, with a further 50 ft. of gravelled shoulders on each side. To withstand the loads likely to be imposed by future heavy aircraft, the sand sub-base is 7 ft. thick and was rolled by a 200-ton Porter compactor. The taxi-way connecting the runway with the hangar aprons, together with the aprons, is also completed. Final sealing of the second 5,450 ft. 118 deg. runway is in progress and is expected to be completed this year.

The first igloo hangar covers an area 190 ft. x 260 ft. and has a span of 150 ft. The final work of laying the concrete floor has just been completed. Plans have been drawn for the second igloo hangar, but as yet construction has not commenced.

A tender has been let for the erection of a meteorological aids building, and work has commenced on the passenger terminal building, but neither of these projects will be finished this year. The Department of Civil Aviation has stated that operations will not be changed over from Parafield until such time as the passenger terminal is completed.

Two creeks crossing the airport site, the Keswick and Brownhill, had to be diverted. They were joined on the eastern boundary and diverted along the southern side of the airport into the sea. This work has been completed.

EXPORT OF QUEENSLAND COAL TO JAPAN.

The Queensland Government has approved the sale of 100,000 tons of coal to Japan. The coal will be sold to Scott and English (Australasia) Pty.Ltd., for the Japanese Procurement Agency.

The coal will be from the Collinsville State Coal Mine and delivery will be made in July, 1953. By July production in this mine will be increased from 700 tons per day to approximately 1800 tons per day following upon mechanisation.

MINERAL SEARCH IN CLONCURRY (Q) AREA.

In the increasing search for silver, lead, zinc and copper in the Cloncurry area, an authority has been issued to the Titanium Alloy Manufacturing Coy. Ltd., a subsidiary of an American organisation, to prospect over an area of approximately 575 square miles. One section, approximately 214 square miles, lies to west of Cloncurry and the other, containing about 360 square miles, is south of the town. The term of the authority to prospect is for six months from 1st January, 1953, with the right of renewal over an area not exceeding 400 square miles for a further 12 months. The Company is required to lodge a substantial deposit and to expend not less than £3,000 during the first six months and £20,000 if the extension of twelve months is later granted.

NORTHERN TERRITORY.New Darwin Wharf.

On the evenings of 16th and 17th April, the Department of Works demolished cast-iron pillars on the old wharf to enable construction to commence on the new wharf. It is understood that the Department of Works will construct the first 20 "bents" of the new wharf. Eight firms have lodged tenders for construction and it is advised that the name of the successful tenderer will be released shortly. It is anticipated that

complete construction will take two years but that part of the wharf will be operable in twelve months time. It is understood that the approach will be 1,000 feet long and wide enough to enable a double stream of traffic and a single-track railway line. The berthing area will be 460 feet long and 141 feet wide.

Darwin Pearling Luggers.

The crews of eight Darwin-based luggers are now operating in the pearling beds in the vicinity of Goulburn Island. In the Northern Territory last year pearl-shell valued at approximately £60,000 was recovered.

VISIT OF JAPANESE VESSEL "MANTETSU MARU III".

"MANTETSU MARU III" arrived Darwin on 3rd May with a cargo of 2,000 tons of cement for T.E.P. This is the first Japanese vessel to visit Darwin since the war and none of the crew was given shore leave whilst she was in port.

SOUTH PACIFIC CONFERENCE AT NOUMEA.

Delegates from Pacific territories, including Papua-New Guinea, attended the second South Pacific Conference which opened at Noumea, New Caledonia, on 15th April.

The delegations were from eighteen territories within the South Pacific Commission's influence extending from Dutch New Guinea to the Marianas in the north, Pitcairn in the east and Norfolk Island in the South.

This was the second time in the history of the Pacific that representatives of the three main racial groups, Micronesian, Melanesian and Polynesian, have met to discuss common problems of economic and social welfare.

The first time was at Suva in 1950, when representatives of the region made recommendations that have become the basis for investigations and study of the problems they consider most important for their development and welfare.

The progress that has been made so far was reported to the Noumea conference, and recommendations were made for further work in the next three years.

In addition to the delegates, several of the territories sent advisors and observers. The independent Kingdom of Tonga, which is outside the Commission's area, was represented at the invitation of the Commission.

TERRITORY OF PAPUA AND NEW GUINEA.

Trochus and Green Snail Shell.

Native skin divers produced £95,000 worth of trochus and green-snail shell in waters of the Territory last year. Most of the shell was obtained from reefs in the vicinity of Madang, Lae, Manus and Kavieng.

423 tons of green snail shell realised £34,000 and 500 tons of trochus returned £61,000.

The Registrar of Co-operative has commenced a drive amongst Island Natives for the collection of shell which will provide a good secondary source of income after copra.

Oil Search.

The General Manager of the Australasian Petroleum Company and Island Exploration Company, has announced a change in the Company's drilling policy for Papua and New Guinea.

Future drilling operations will be transferred from mudstone to limestone regions and future oil exploration will be carried out from Purari River westward to the Dutch border.

Madang Wharves.

The District Commissioner, Madang, reports that the new Madang Wharf is now complete, but progress on the construction of the cargo and customs sheds is very slow.

The condition of other wharves and jetties in Madang is good.

Kavieng Aerodrome.

Tenders have been called by the Department of Works for the erection of station buildings on the Kavieng airstrip for the Department of Civil Aviation.

At present buildings are non-existent and provision is being made for Plant, Shelter, Equipment and Fuel stores.

New Aerodrome for Rabaul.

Because of unsatisfactory approaches and limited runway, the Department of Civil Aviation has decided to shift the present Rabaul Aerodrome at Vuna Kanau to a more suitable site. Engineers will be sent to the selected site in the near future.

Visit to Manus of Panamanian Vessel "SAN FERNANDO".

S.S. "SAN FERNANDO", 4,441 tons, (Captain Goldas) sailing under Panamanian Register, anchored off Papitali in Seeadler Harbor on 13th April.

The purpose of the visit was to load scrap metal for Japan on behalf of G.V. Miller and Co. Salvage Contractors, but main interest in the vessel centred

around five Chinese stowaways who had illegally embarked at Hong Kong.

Every precaution was taken to assure the safe custody of the illegal immigrants during the twelve days stay of the ship at Manus. Police guards were placed aboard and the stowaways kept under close scrutiny.

"SAN FERNANDO" sailed for Torakina, Bougainville, via Rabaul on Sunday, 26th April. At Rabaul the stowaways were formally charged and, according to a radio report, absconded but were retaken.

When asked if he could give a reason for the stowing-away of the five Chinese, Captain Goldas said that several thousand Chinese seamen were unemployed on the Chinese coast and many were ^{only} too happy to risk the penalties of stowing away in the hope of obtaining employment at some other port.

Return of Sentence Expired Japanese War Criminals.

The Japanese Merchant Ship "OSAKA MARU" anchored off Lombrum a.m. on 1st June. She embarked 22 ex-Japanese War Criminals, twenty of whom had finished their sentences; all having received remissions of sentence with the exception of two who were medical cases.

Southern Highlands Natives Attack a Patrol.

A tribal political dispute which has been going on for a generation was indirectly the cause of two young Patrol Officers being attacked by hundreds of armed natives four miles west of Mendi in the Southern Highlands Division of New Guinea on 21st May. They were surrounded and forced to dig-in on a ridge. The Patrol was forced to fire on the attackers, killing one.

The attack was made in the vicinity of where a previous attack was made on a patrol last Christmas,

in which five of the attackers who used poisoned arrows were wounded.

The position has eased since Police reinforcements have got through from Mendi.

Long Island Volcanic Eruption.

The Volcano at Long Island blew up at 9 a.m. on 21st May. Huge black clouds billowed up 6,000 feet from the centre of the Island and were seen at Saidor, 36 miles away.

The Volcano blew from Lake Wisdom in the centre of the Island and all the 370 native inhabitants have since been evacuated.

On 6th June a Qantas pilot who flew over Lake Wisdom reported no sign of any Volcanic activity whatever.

Kenaf.

Mr. R.A. Colyer, Director of the Eriama estate recently stated that plantings of kenaf will be greatly increased next season.

It is possible that kenaf will prove a cheap substitute for jute.

Bauxite Deposits - Manus Island.

A recent report covering a geological examination of Manus Island suggests that bauxite may exist in quantities suitable for commercial exploitation. Examination of specimens from two of the deposits showed a high 'available' alumina content. Further prospecting and testing at depth was recommended.

DUTCH NEW GUINEA.Indonesian Claims.

A report suggests that Indonesia is seeking the support of the Latin American countries for her claims to Irian (Dutch New Guinea). It is reported that some success has been achieved both in Brazil and Venezuela. It is thought that when Mononutu goes to Peking shortly to take charge of the Indonesian Embassy there, he might seek to enlist Communist support on the Dutch New Guinea question.

If successful, the Indonesians, with the support of the Communist, Latin American and the Arab blocs, could seriously embarrass the Dutch if the question of the future of Dutch New Guinea were taken to the United Nations.

Indonesian Infiltration.

On 11th May a party of Indonesians from Ambon attempted to infiltrate into Dutch New Guinea in the Fak Fak area. Several statements have been made by the Indonesian Government in explanation of the episode. It has been established that the plan originated in Ambon, which is under the military command of Lieutenant-Colonel Warouw. Lieutenant-Colonel Sukawati, commanding officer of the 25th Regiment, directly organised the movement and it was led by Sergeant Kalala. Though it is probable that the Wilopo Government had no pre-knowledge of the expedition, its attempts to whitewash it by claiming that those involved were members of a patrol who, setting out for Geser Island, were swept south by a strong current, hold it suspect. This claim, however, may have only been motivated by a reluctance to admit that certain sections of the army were out of control. Evidence suggests that the Minister for Defence, Sugeng, was implicated in the plan, and that Warouw, a potential danger to the stability of any government, directly inspired the movement.

Some observers claim that Fak Fak incident was communist in its origin and participated in by the extreme left of the Masjumi Party. Others, however, see it as a further step in the Ambonese independence movement and as part of a plan to assure themselves of a rich hinterland.

PORTUGUESE TIMOR.

Native reports indicate that an incident took place on the Portuguese-Indonesian border at Babonaro early in May. The Portuguese Military Commander and his staff moved from Dili to the area, with a company of native soldiers. The report suggests that the incident concerned the detention by the Indonesian Military Authorities of a Lance-Sergeant and some of his men who had crossed into Indonesian Territory.

SHIPPING INFORMATION.

M.V. "MALAY".

The M.V. "MALAY", on her maiden voyage from Glasgow, is the first of three ships of the new Australia Line which will trade between Australian ports and Singapore and Indonesia.

Five hatches are fitted with modern lifting gear and two deep tanks are suitable for carrying vegetable oils. The "MALAY" 4,500 tons, 410 feet long, 55 feet beam, is owned by Frederick Layland & Co. Ltd., of Liverpool, Agents in Australian ports are the Blue Star Line.

M.V. "BEAVERBANK".

The Motor cargo vessel "BEAVERBANK" has visited Australian waters on her maiden voyage. The vessel is the first of a group of six sister-ships already on order for the owners, Andrew Weer Shipping and Trading Co., London.

The "BEAVERBANK" has an overall length of 450 feet, a moulded breadth of 59 feet and a depth of 38 feet 3 inches and is of 5,800 gross tonnage.

The vessel is built on modern lines, with a raked stem rounded above the waterline, cruiser stern, two masts and a single oval-shaped funnel with raked top.

New Vessel for Coast Steamships Ltd.

Coast Steamships, Ltd., are calling tenders for the building of a new vessel to be used mainly for trading between Port Adelaide and Kangaroo Island. Her length is to be 156 ft. breadth 26 ft. and cargo carrying capacity 300 tons.

Sale of S.S. "KORANUI".

A New Caledonian company, Societe Maritime et Miniere Hagen, has bought the steamer "KORANUI" from the Union Steamship Company to trade between Sydney and Noumea.

The vessel has been renamed "NEO HEBRIDIAS II" and will replace the original "NEO HEBRIDIAS" which will go off the run after fifteen years service.

"HAROLD SLEIGH".

The new Australian tanker, "HAROLD SLEIGH" arrived at Melbourne in May from the Clyde where she was built by Blythswood Shipbuilding Company for H.C. Sleigh Ltd.,

Named after the company's founder, the new tanker is equipped with modern navigational aids, including radar, echo sounding equipment, radio direction finder and gyroscopic compass.

Her dimensions are :

Length 487'
Breadth 61'
Draught 27' 6"
Deadweight 12,600 tons
Speed 12½ knots.

She is equipped with 6-cylinder diesel 3,600 B.H.P. engines. Furnace oil may be used as an alternative to marine diesel oil.

INTELLIGENCE OFFICERS IN H.M.A.SHIPS.

Lieutenant-Commander M.D. Campbell-Miller, R.N., has been appointed Intelligence Officer at the R.A.N. Air Station, Schofields.

Lieutenant V.A. Parker, R.A.N. has assumed the duties as Intelligence Officer in H.M.A.S."HAWKESBURY".

UNITED STATES NAVAL ATTACHE.

Captain Robert Anthony MacPherson, U.S.N. has been named as the United States Naval Attache and Naval Attache for Air in Australia and New Zealand in succession to Captain Robert W. Dendo, U.S.N., who will leave Australia in July.

Captain MacPherson was born on 29th May, 1910 in Albuquerque, New Mexico. He attended Albuquerque High School and graduated from the U.S. Naval Academy and commissioned Ensign on 1st June, 1933. His seniority as Captain is 11th June, 1952.

Lieutenant Robert Bernard Brumsted, U.S.N., has been named as Assistant United States Naval Attache and Assistant Naval Attache for Air in Australia and New Zealand. He will succeed Commander R.D.Macklin, U.S.N. who leaves Australia in July.

Lieutenant Brumsted was born on 16th April, 1924, at Iron Mountain, Michigan. He attended Marquette University at Milwaukee, Wisconsin and graduated

from the U.S. Naval Academy and commissioned Ensign on 6th June, 1945. His seniority as Lieutenant is 1st August, 1951.

LIEUTENANT-COMMANDER (E) W. MOREE, R. NETH. N.R.

Lieutenant Commander (E) W. Moree, R.N.N.R., a resident of Sydney, has been remobilised for active service with the Royal Netherlands Navy on the staff of the Netherlands Naval Attache in Australia. He will supervise the repair of the Catalina aircraft recently presented by the Australian Government to the Netherlands.

SECTION IV.

SPECIAL ARTICLES.

(The Director of Naval Intelligence is not necessarily in agreement with the views expressed in Section IV of A.S.I.S.).

PRESENT SOVIET POLICY.

Since the death of Stalin the world has become aware of a change in Soviet attitudes as expressed both in words and in action. On the international plane these have become more conciliatory, and appear to hold out the promise of easier relations between the communist and democratic worlds.

Various interpretations have been put forward to explain this development and as a basis for consequent Western policy:

- (1) In some quarters the new Soviet moves were interpreted as indicating either a "change of heart" or of fundamental objectives following the death of Stalin. All informed opinion now rejects this interpretation.
- (2) Some more responsible opinion holds that the present governing group in Moscow has been compelled by circumstances to adopt a more conciliatory attitude towards the Western world. These circumstances include the external pressures of American strength and Western re-armament and growing solidarity on the one hand, and on the other the necessity to reassure and conciliate Soviet public opinion while consolidating its own position and filling the vacuum left by Stalin's death.
- (3) A third interpretation is that the present Soviet tactical line ante-dates Stalin's

death, and, though influenced by that event, was not motivated by it.

The first interpretation may be dismissed briefly. For a dialectical materialist the phrase "Change of heart" is meaningless in this context; it implies a "subjective" approach to history which a communist by definition cannot accept. The fundamental objective of Soviet and world-Communist policy must remain the establishment of a communist world, which, according to the Marxist theory of historical determinism is held to be ultimately inevitable.

According to the second interpretation this change of tactic has its origin in circumstances both within and beyond the borders of the Soviet Union; in other words, that it is unrelated to the doctrinal requirements of Marxism-Leninism. Its proponents point to the build-up of Western forces and the growing solidarity of Western Europe as witnessed by N.A.T.O., E.D.C., the Schuman Plan, and the new Balkan Treaty. They stress the economic strength and developing military power of the United States, and the advent to power of the Republican Party with its promise of a more aggressive foreign policy.

Evidence is also offered in support of the view that the new Soviet Administration after the death of Stalin required a respite to consolidate its power both internally and vis-a-vis the satellite countries. The initial call to vigilance following Stalin's death, the reorganisation of the Party Praesidium and the Government, and the reversal of the decision on the doctors' case would seem to indicate strife in high places. The natural conclusion might appear to be that the Soviet Government's recent moves have been conditioned by weakness. In the United States, in particular, the view seems to be widely held that the Soviet bluff has been called and that the Western world should call for a settlement of outstanding issues on its own terms.

Whilst clearly Soviet policy is influenced particularly as to timing and emphasis by the circumstances cited above, the latter do not give a complete explanation. The initial call to vigilance, the recreation of the wartime Defence Council and the recall to a position of influence of Marshal Zhukov may well be explained as a demonstration to the Soviet people of the ability of their Government to defend them against external attack. The re-organisation of the Party and Government concentrated power and responsibility in the hands of those men who were Stalin's closest collaborators for many years. The doctors' case and its denouement seem to indicate that if there have been differences, those differences have now been resolved.

The third interpretation takes into account the overriding importance of theory, which is not subject to short-term fluctuations, in determining Soviet action. The broad lines of Soviet foreign policy are essentially predictable. The function of the periodical Congresses of the Communist Party of the Soviet Union is to lay down the directives by which the Party throughout the world and the Soviet Union will be subsequently guided. The 19th Party Congress held in Moscow in October, 1952, was of special importance because it was the first to be held since 1939. The Congress was distinguished by a sense of historic purpose and an atmosphere of self-confidence in the present internal and international position and future prospects of the Communist countries. The bogey of "capitalist encirclement" which has been a constant feature of Soviet internal propaganda was conspicuous by its absence from the speeches made at the Congress. The major speeches, those of Stalin and Malenkov in particular, as well as a series of commentaries by Stalin on "The Economic Problems of Socialism in the U.S.S.R.", published immediately before the Congress opened, emphasised that there now existed side by side a capitalist world and a communist world. Of the two it was claimed that the Communist world was potentially

the stronger as it was continually growing both in area and resources, while the capitalist world was shrinking, and the shrinkage of markets for its industries would accentuate its natural cleavages and contradictions and hasten its inevitable collapse. Stalin in fact asserted that antagonisms between the capitalist countries were stronger than the antagonisms between the camp of capitalism and the camp of "socialism" and that war between the capitalist countries themselves was ultimately inevitable.

Co-existence with the capitalist world, now that the imminent danger to the homeland of "socialism" has been removed, becomes theoretically not only possible but desirable. The pressures of the cold war, which have imposed what the communists regard as an artificial unity on diverse and discordant elements in the capitalist world, can now be relaxed and the natural divisions and contradictions allowed and encouraged to develop both within and between those countries. The 19th Congress gave Communist parties in the free world clear directives as to the disruptive tactics they should employ. They were to identify themselves with the concepts of liberalism and nationalism, to hold out the hand of friendship to all those willing to accept it, and to encourage disagreements and enmities between capitalist countries, particularly between the major European countries and the United States.

The "cold war" served the purpose of diverting Western resources from consumption and non-military investment at a time when inflationary pressures were already straining the resources of democratic government outside the Soviet bloc. The advent to power of a Republican Administration in the United States, pledged, on the one hand, to a more aggressive foreign policy and, on the other, to the final dismantling of government control of the economy may have seemed to the Soviet rulers to create conditions favourable to the success of a policy of detente. In such a period of detente the Soviet Union may hope to create differences within and among its principal

opponents. By putting forward controversial issues concerning which differences are known to exist among the Western Powers and between those powers and other countries outside the Soviet orbit, they may hope to annihilate the nascent solidarity of the non-Communist world. They may also hope that a detente will be followed either by a sharp reduction in armaments production or, if that is not quickly adopted by the Western Governments, by popular outcry against continued re-armament. In the first case they will hope for large-scale structural unemployment leading possibly to cyclical unemployment and in the second, to internal political tensions by which local Communist parties can profit.

If the last interpretation is accepted it will be seen that the present Soviet tactic holds great dangers for the West. The open differences between the United Kingdom and the United States as to future policy towards the Soviet Union are an example, and a warning, of what Moscow can achieve by minimal concessions. On the other hand, this tactic offers opportunities for settling differences in limited fields.

This, then, is the occasion for renewed vigilance and redoubled efforts to build up the power and the resources of the free world while at the same time giving fair but critical consideration to all Soviet or Communist offers and proposals. For, if the dangers are very real, the opportunities provided by peaceful co-existence are correspondingly great. This, after all, was the objective of the "containment policy" and the best that most of us could hope for in the immediate future. We would have the opportunity of proving, contrary to current communist belief, that the democratic world can not only successfully co-exist with but ultimately outlast the world of communism. The validity of these interpretations will be tested in the fields where the West has contact with Soviet and Communist power.

MIDDLE EAST OIL.

The "Middle East" - a term of comparatively recent origin - is officially recognised as comprising the following countries:- Turkey, Egypt, Iraq, Persia, Syria, Lebanon, Israel, Jordan and the Arabian Peninsula. This area, apart from being the most important land bridge in the world, linking three continents (Europe, Asia and Africa) has become an important factor in world economy through the discovery and exploitation of its oil deposits.

Structurally, the region may be divided into three sections:

- (1) Saudi Arabia (mainly a plateau of ancient rocks),
- (2) the intensely disturbed mountain area extending from the Himalayas on the east to Asia Minor on the west,
- (3) the belt of foothills lying between these two regions.

It is in the last section that the bulk of Middle Eastern oilfields are found.

The oldest commercial fields are in Persia, where the first oil concession was granted in 1901 to an Australian named D'Arcy, the founder of the Anglo-Iranian Oil Company. The loss in 1951 of this oil through Persia's nationalisation of her oil industry has been to some extent offset by the recent discovery and exploitation of large oil deposits in the Arabian Sheikhdom of Kuwait. British and American oil companies have secured lucrative concessions in Saudi Arabia, Bahrein and Qatar, where the oil revenue is shared on a 50-50 basis with the local rulers. These Arab fields produce from a large sedimentary basin which extends along the Persian Gulf coast through Iraq and Western Persia and across to the Mediterranean.

Between the two World Wars the great supply centres of the world oil trade were the Gulf of Mexico

and the Caribbean areas. So overwhelming was the dominance of this source in the world market that competitive refining elsewhere was only possible where exceptional circumstances prevailed, such as the proximity of Persian Gulf refineries to eastern markets. Otherwise the demand for Middle East crude oil was strictly limited.

The steep rise in consumption in the U.S.A. has turned that country from the world's chief supplier into the largest crude oil importing country, drawing more and more on the Caribbean surplus to meet her own needs. Demand in the rest of the world has risen even more steeply, and the Eastern Hemisphere has had to meet its increased needs partly from its own resources.

The time is now at hand when the traditional flow of the oil trade eastwards is about to be completely reversed, and the surplus, if any, will be in the old world which will be called in to redress the balance of the new. This superficially surprising development is in fact implicit in the changed balance of proved oil reserves in the world.

The increase in Middle East oil reserves over those in U.S.A. during the last 15 years is shown in the following table:

World Proved Oil Reserves.

	U.S.A.			Middle East		
	1952	1944	1938	1952	1944	1938
% of world reserves	23	34	47	54	42	16
% of world production	51	64	62	17	6	5
Ratio of reserves to production	12	12	14	84	180	41

If no new oil were found in the U.S.A., the current rate of production would exhaust known reserves there in about 12 years. On the same hypothesis, present

Middle East reserves would last the better part of a century. This great lack of balance in the rate of consuming resources will be gradually rectified by increases in Middle East production, and perhaps by the development of shale oil production, oil-from-coal projects and synthetics in the U.S.A.

The new refineries being built in Europe, India and Australia are designed to operate on Middle East crude. The growing markets in Africa, Asia and the Middle East itself must be fed largely from the same source. Even the U.S.A. is importing Middle East crude, and is likely to have to do so increasingly in the future.

The importance, present and prospective, of Middle East oil in the free world's economies needs no further emphasis. This, coupled with the current Middle East political troubles, has made the region a centre of political anxiety. National aspirations are tending to result in the desire of these states to exercise increasing control of the oil industries within their borders - in Persia this reached the point of insistence on complete and unconditional control. Moreover, in the heightened atmosphere of national pride there is a tendency to slur over the economic realities of oil exploration and production, such as the fact that oil undiscovered in the ground is valueless; that even when it is produced it has no value until it can be marketed; and that the enormous capital expenditure involved cannot be obtained and risked unless there are both sufficient inducements and security of tenure. Governments eager to improve their countries' lots and looking to oil for revenue may be inclined to forget these considerations.

In some cases, oil revenue forms a large proportion of the countries' incomes, providing the funds for economic and social development programmes. Thus the oil companies have become a vital part of the national life of these Middle East states.

Another growing pressure from oil-bearing countries is their desire for the construction of refineries within their own boundaries. This conflicts again with the interests of the oil companies who find it more practical to erect the refineries in the consumer countries.

The lot of the oil companies operating in the Middle East is, therefore, a complex one, fraught with uncertainties and pitfalls, as the future of Middle East oil is inextricably bound up with the political future of young, vigorous but somewhat volatile states.

Political and economic upsets need not occur, however, as basically the Middle East states have a community of interest with the companies operating their fields. Persia supplies an object lesson to them that without the capital, resources and technological skill of the Western industrial nations, the oil would contribute little to their economies.

SECRET

oooooooooooo

SECRET

Transit List

This document is to be treated as "SECRET". It is to be passed by hand from Officer to Officer and finally returned to the Commanding Officer.

Name of Officer to be passed to	Initials of Officer read by, and date passed on