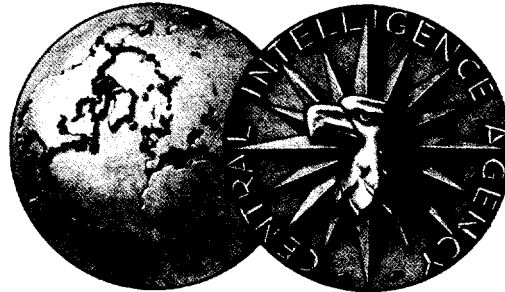


~~SECRET~~

REVIEW OF THE WORLD SITUATION



CIA 9-48

Published 16 September 1948

CENTRAL INTELLIGENCE AGENCY

~~SECRET~~

WARNING

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

S E C R E T

DISSEMINATION NOTICE

1. This copy of this publication is for the information and use of the recipient designated on the front cover and of individuals under the jurisdiction of the recipient's office who require the information for the performance of their official duties. Further dissemination elsewhere in the department to other offices which require the information for the performance of official duties may be authorized by the following:

- a.* Special Assistant to the Secretary of State for Research and Intelligence, for the Department of State
- b.* Director of Intelligence, GS, USA, for the Department of the Army
- c.* Chief, Naval Intelligence, for the Department of the Navy
- d.* Director of Intelligence, USAF, for the Department of the Air Force
- e.* Director of Security and Intelligence, AEC, for the Atomic Energy Commission
- f.* Deputy Director for Intelligence, Joint Staff, for the Joint Staff
- g.* Assistant Director for Collection and Dissemination, CIA, for any other Department or Agency

2. This copy may be either retained or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency by arrangement with the Office of Collection and Dissemination, CIA.

DISTRIBUTION:

Office of the President
National Security Council
National Security Resources Board
Department of State
Office of Secretary of Defense
Department of the Army
Department of the Navy
Department of the Air Force
State-Army-Navy-Air Force Coordinating Committee
Joint Chiefs of Staff
Atomic Energy Commission
Research and Development Board

S E C R E T

S E C R E T

REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

SUMMARY

1. The general situation in Europe, though intensified, has not changed in its basic outlines. No new analysis is made. (Para. 1 below.)

2. A gradual decline in the authority of the colonial powers is creating a general problem along the entire periphery of Asia. Growing instability offers opportunities to the USSR to develop further disorders and to lay the ground for future effective influence. Simultaneously, a long-term US security problem is developing. (Para. 2 below.)

3. Outstanding issues between the US and the USSR will be presented to the General Assembly of the United Nations. In this open forum they will be handled in connection with a full scale propaganda campaign designed to restore initiative to Soviet policy and to undermine US influence throughout the world. (Para 3 below.)

4. Particular events are noted as follows: the stalemate of party government in France (Para. 4 below), efforts to improve the UK defensive position (Para. 5 below), increased Soviet activity in Germany (Para. 6 below), the Cominform-National Communist split (Para. 7 below), guerrilla activities in Greece (Para. 8 below), and the broad situation in Latin America (Para. 9 below).

Note: This review has not been coordinated with the intelligence organizations of the Departments of State, Army, Navy, and Air Force, though information copies were circulated on 14 September. The information herein is as of 12 September 1948.

S E C R E T

1

S E C R E T

REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

GENERAL

1. The general outline of the situation in Europe has not changed during the past month, but the situation itself has become intensified. The evidence of increasing pressure, provided by Soviet actions in Berlin and by growing strains in Eastern and Southeastern Europe, has built up within the general pattern of US-Soviet relations that was analyzed in CIA-8 preceding. A further general analysis will not be specifically made at this time. Instead, the opportunity will be taken to analyze the periphery of Asia as a developing US security interest. But, to avoid any suggestion of a basic shift of emphasis, it is reaffirmed that Europe remains the immediate focus of US attention and that the European situation, as it is resolved, will set the stage for a new period in the US-Soviet conflict.

2. THE PERIPHERY OF ASIA.

Although it does not constitute a first claim on US attention, a trend is so clearly indicated in the Near, Middle, and Far East that its essential features are here analyzed. Along the littoral of the Asiatic continent, political and social tensions have increased as the controls formerly applied by the countries of Western Europe have weakened. These tensions are being exploited by the USSR and by local Communist groups and sympathizers. The general method of exploitation is to focus social discontents and nationalistic aspirations in opposition to the "old colonialism" of Western Europe and the "new economic imperialism" of the United States.

The propaganda line, as Moscow lays it down, speaks of "large British monopolies . . . backed by Wall Street monopolists, directing and inspiring colonial policy," and of the two opposing groups in the world, ". . . the reactionary group whose aim is to maintain the colonial status for their own good, and . . . the Soviet Union . . . whose aim is to protect the rights of oppressed peoples and to support them in their struggle for freedom and liberation." The development of this line by every overt and covert device draws together widely scattered local issues and makes them part of a broad conflict of objectives and interests between the USSR on the one hand and the US and Western Europe on the other. The growing coherence of this trend raises fundamental security problems for the United States.

It appears inevitable that the authority of European colonial powers will undergo further decline. Although the rate of disintegration may vary considerably as between the Near East and Southeast Asia, the development of a belt of comparatively powerless states can be anticipated. The issue of dominance in this power vacuum lies primarily between the US and the USSR, with the US at a present disadvantage. US policy is confronted with the problem of striking a balance between supporting local nationalist

S E C R E T

2

S E C R E T

aspirations and maintaining the colonial economic interests of countries to whom aid has been pledged in Western Europe. Existing UK influence is of considerable value in solving this problem and, particularly in the Near East, cooperation to preserve stability is now well developed. But the USSR is wholly free to champion the ambitions of indigenous peoples, and can be certain that immediate Soviet interests are being advanced and that US and Western European interests are being impeded by the mere fact of social, economic, and political disorder.

In the interest of long-term US security, the most satisfactory solution would be one whereby the colonial powers worked out a new relationship with their colonial and semi-colonial peoples more quickly than the USSR could exploit the breakdown of previous authority. Individual colonial powers, however, are pressed by their economic difficulties to find immediate solutions, and thus tend to aggravate the situation which they are attempting to control. An alternative solution involves a positive US effort to replace the authority of the Western colonial powers with US influence and thus to fill the developing power vacuum before a competing USSR influence is firmly established. This possibility has been foreseen by the USSR and is being met by a concerted propaganda drive against "US imperialism."

The US security problem created by this general situation is a long-term one. It is primarily concerned with the relative strategic positions of two global powers, one of which is essentially a land-air power, and the other of which is essentially a sea-air power. Effective control or denial of control of the Asiatic littoral is important to both, though of greater importance to the US. While this strategic issue is not yet specifically presented, except in the case of Turkey, it is generally implicit in the situation described above.

a. The Near East.

The Turkish government, firmly supported by Turkish opinion, remains the strong western anchor of the US position on the western periphery of Asia. Soviet infiltration is negligible, the Turkish audience is stolidly unresponsive to propaganda, and the anticipated Soviet diplomatic offensive has not developed. US aid has been effective in establishing a realistic foundation for US influence and political value has been received in the form of enhanced public morale and of the willingness of the Turkish state to stand without serious equivocation at a key strategic point.

In Iran, the US position is considerably less favorable. Internal social conditions lend themselves to subversive exploitation by the USSR, and the Iranian government is habituated to a foreign policy line that works by forcing interested outsiders to bid against each other. Although this bargaining habit is now held in check by the unmistakable threat of the USSR, it must be assumed that US influence will be exactly measured by the reality of US aid and by continual Iranian estimates of the depth and permanency of US interest.

The Arab states of the Near and Middle East present a very unsatisfactory picture. The tendency of the region to become a power vacuum, though visible ever since the breakup of the Turkish Empire, has been speeded up by the situation in Palestine, which has created local power aspirations and at the same time revealed the absence of the power resources that alone could force a final decision at the local

S E C R E T

3

S E C R E T

level. At the moment, the Israeli military position is favorable enough to encourage intransigent expansionism. The Arab states, however, are capable of maintaining a prolonged guerrilla activity that can constitute a serious drain on Israeli economy. Determined action by the United Nations might force a final territorial settlement, but would leave Arab-Jewish tensions unresolved. Continuation of the present indecisive situation encourages all elements on both sides to seek external assistance. The situation is made further unstable by the internal weaknesses of the individual Arab states. With the exception of the states of the Arabian Peninsula, Arab governments are in constant danger of adopting extreme courses in order to maintain political control. US influence is at a low ebb and an improvement cannot be anticipated in the near future. The opportunities for Soviet exploitation are manifold, but there is little concrete evidence that a stepped-up campaign for this purpose has been initiated. Unless direct military action in Europe is contemplated, Soviet interests in the Near and Middle East are adequately forwarded by minor actions to encourage and prolong the present chaotic situation. This in itself lays a basis for the future by discrediting the purposes of the US and the UK.

b. *India-Pakistan.*

The instability of the subcontinent of India, while not likely to be soon resolved, does not offer any obvious openings to the USSR. The two governments are cool towards the Soviet Union, and the direct application of Soviet force is extremely difficult. Local Communist elements are hardworking and vocal, but operate on a limited scale and have not provided an acceptable ideological focus for internal discontents. While US influence is not strongly felt, essential US security interests are adequately covered for the time being by a continuing strong UK influence. Economic ties are maintained and earlier agitation to leave the Commonwealth has died down.

c. *Southeast Asia.*

Direct UK authority in Burma has been withdrawn, but the present Burmese government, faced with armed conflict between minority groups and an economic breakdown, has proposed to increase existing indirect influence by requesting armaments and other aid. US prestige, which was high at the end of the war, has been reduced by an identification of the US as an active partner of "colonial imperialists." Nevertheless the present Burmese government has requested military supplies from the US as well. Burmese Communists are involved in the present disorders, but there is little available evidence to indicate direct or indirect Soviet participation. The falling off of Burmese rice production, in consequence of continuing disturbances, seriously affects food stocks in the Far East. The reduced export of natural products adversely affects the internal economy of Burma and retards the economic revival of Western Europe.

The Communist-inspired outbreaks in Malaya have been largely neutralized, but a UK estimate is that two years will be needed for their complete suppression. The Communist effort was weakened by the absence of a broadly based nationalist movement to which it could be tied. The effective use of force by the UK has, however, had repercussions in Indonesia and has provided the USSR and international communism

S E C R E T

4

S E C R E T

with useful propaganda material. Rubber and tin production, important to the US as strategic commodities and to the UK as a source of dollar exchange, will be subject to further interference. Over-all UK influence is not seriously threatened at this time and serves to support the US security interests.

In Siam, US influence is well established, though at the expense of previously existing British influence. Its success has resulted more in commercial competition with the UK than in creating a firm obstacle to Soviet-Communist penetration. However, Soviet opportunities in this respect are limited by the comparative stability of the Siamese state.

The French government has proved unable and unwilling to reach a workable compromise with indigenous nationalist movements in Indochina. Delayed negotiations have permitted the consolidation of a Soviet-oriented government with *de facto* control over much of the area. The development of a favorable US influence is unlikely in these circumstances. Its growth would necessitate putting undesirable pressure on already unstable French governments and would require the provision of economic aid to Indochina at an unfavorable moment.

The situation is somewhat similar in Indonesia. US influence is jeopardized by the failure of the Netherlands government and the Republic to come to terms; for, as the key member of the United Nations Good Offices Committee, the US has accepted the major responsibility for finding a peaceful settlement. The Netherlands government shows signs of a desire to settle the situation by force, after first defining the Republic as Communist-dominated. Frustrating delays have in part served this purpose, for militant left-wing elements have recently merged into a stronger Indonesian Communist Party and are threatening the present moderate government.

US influence in the Philippines is strong and is not likely to be seriously weakened. The failure of the Philippine government to settle differences between itself and the Communist-led Hukbalahap has, however, given an opening for Soviet exploitation. Anti-US attitudes are correspondingly developing and are receiving some support from nationalist feeling.

d. *China, Korea, Japan.*

Although the process of disintegration in China has appeared to slow down, the total situation remains basically unfavorable to US security interests and there is no effective political group to which US policy can turn with any valid expectation that a more favorable situation can be developed. A trend towards regionalism on the part of local non-Communist leaders, halted for the moment by a hope of further US aid, is still definitely indicated. The Chinese Communists seem to be concentrating on the consolidation of their regime in Manchuria and North China. It is unlikely, however, that they will relax their pressure for long. Their military and political position is favorable and Soviet encouragement is certain to continue. From the Soviet point of view, the opportunity directly to expand Soviet-Communist influence is clearer in China than at any other point in Asia and will be accordingly pressed.

In Korea, the US-oriented government of South Korea is showing unexpected vitality, and long-planned USSR counter-measures in North Korea are proving difficult

S E C R E T

5

S E C R E T

to develop. Short of overt action, Soviet domination over South Korea cannot be readily achieved. The general situation, however, offers little in the long-run. The position of the South Korean government is based too completely upon continued US aid, and the geographical location of Korea is highly unfavorable for resisting pressures from the north unless the US accepts responsibility for organizing and maintaining such resistance.

Japan, reasonably stabilized under US occupation and with US financial assistance, provides a good strategic base for the long-run maintenance of US power vis-à-vis the USSR. The use of this base, as a means of developing political and economic stability in the Far East, has great disadvantages in the short-run. US intentions in Japan come quickly under propaganda attack as nationalist sentiment joins war-engendered fears and a dread of economic rivalry.

3. THE UNITED NATIONS GENERAL ASSEMBLY.

The immediate issues in Europe and Asia have been more or less localized during the past six months by diplomatic means and by economic pressures. Many of these issues will now be presented in other forms to the General Assembly of the United Nations when it meets on 21 September. The essential character of the issues will, however, remain unchanged. In effect, the US-Soviet conflict will simply be transferred to an open forum and will there be carried on by methods other than those that have been used up to this point. These methods will consist primarily of propaganda campaigns and the organization of voting blocs. Propaganda will seek to direct public opinion into ideological channels favorable to the ends being sought. Voting blocs will be organized within the Assembly in order to secure favorable decisions for the record on specific issues. On the Soviet part, the propaganda campaign will include attempts to confuse opinion in order to split the Western European countries from the US and to make the US position in the world as difficult as possible.

The following relevant issues are already on the agenda: Reports of UN economic activities, Commission Reports on the Balkans and Korea, atomic energy control, disarmament, the Soviet misuse of the veto, the election of new members, and freedom of information. The Berlin Dispute, Trieste, the Danube Conference, Palestine, and Indonesia may be brought up. The disposal of the Italian Colonies will almost certainly be added to this list and various issues from the colonial areas will probably be presented.

The USSR is on the defensive with respect to most of these issues. In view of this, there is little doubt that it will try to seize the initiative at the Assembly meeting. Attention will be shifted from existing issues by the introduction of resolutions creating new ones and by developing a major propaganda campaign to discredit US intentions and actions in the eyes of European and Asiatic peoples. The main theme of this campaign will probably be a combination of attacking the US as aggressive and war-mongering (thus playing on European fears) and of interpreting US aims as a final form of economic imperialism (thus playing on nationalistic feelings). An additional theme, one which touches on European fears of a new German aggression, is also available if an opportunity arises for using it. Such a line would make it possible to treat

S E C R E T

6

S E C R E T

all issues as parts of an East-West conflict in which the USSR will present itself as a force for peace and a liberating agent. It is understood that Western counter-action, at least on colonial issues, is being planned; but it is doubtful if a record of good intentions will be effective in displacing charges of having undermined freedom and suppressed national aspirations.

As far as the organization of voting blocs is concerned, the US will probably be successful in respect to most of the general questions and on purely European issues. But small nations, particularly those within reach of direct Soviet power, are showing an inclination to hedge on resolutions which require choosing between the two major powers. And, in matters involving colonial and semi-colonial areas, discussion will probably be confused and the voting will probably reflect the nationalistic convictions of smaller nations seeking to support the aspirations of their fellows.

While there is little likelihood that the Assembly can settle outstanding issues, it is reasonable to assume that the consequences of this meeting will be of considerable importance in defining the pattern of US-Soviet relations for the immediate future. In general, mass opinion will be further crystallized and its power to affect fundamental decisions increased. At the same time, the official position of many small states will be made confused and uncertain. The general design of US global security arrangements — except as countries are already committed to it — will become more rather than less difficult to work out.

PARTICULAR SITUATIONS

4. FRANCE.

Party government appears to have reached a position of impotence. The Constitution of 1946, which compromised postwar suspicions and antagonisms without providing for their resolution, made coalition government inevitable at the same time that it made its operation more and more difficult. The political unreality of this situation, aggravated by the pull of the Communist Party on the Left and of DeGaulle's *Rassemblement* on the Right, became increasingly apparent as an inflationary trend reduced the purchasing power of the working classes and deprived the Socialist Party — the only valid exponent of working class opinion other than the Communist Party — of its willingness to accept political compromises. In consequence, existing class antipathies deepened to a real social crisis, and it is the repercussions on the parliamentary plane of this division in French opinion that seemingly has brought party government to a stalemate.

The Communists have capitalized on the real insecurity of the French worker and forced the pace for their Socialist competitors. The middle classes, equally exposed to insecurity, but with a traditional fear of radical measures, have increasingly rejected compromises even with the non-Communist Left and drifted, with reservations, towards DeGaulle. These alignments have developed more rapidly than the counter influences — ECA assistance and a bumper harvest — on which the coalitions of the Center have been counting.

It would be unrealistic to assume that another coalition government can exercise genuine authority long enough to reduce the pressure for new national elections.

S E C R E T

7

S E C R E T

Political feeling is becoming focussed to the Left and Right of center, and a reliable estimate of the distribution of voting power is not possible. It is believed, however, that the Right has a stronger pull.

5. **BRITISH PREPAREDNESS.**

The UK is expected to announce the cessation of demobilization. A likely further step to improve the general defensive position will be the introduction of legislation enabling the government to extend the term of service of men conscripted after 1 January 1949 from 12 to 18 months.

6. **GERMANY (BERLIN).**

Soviet pressure has been stepped up rather than relaxed during the Moscow-Berlin discussions. Effort is concentrated on reducing the city government to ineffectiveness and on integrating the city's economy with that of the Soviet Zone. This continuing pressure suggests that Berlin will remain a point of crisis. The USSR will not be deterred by any agreements that may be reached on questions now under discussion from continuing its pressure until the Western Powers have been deprived of all means of exerting effective influence in the Soviet Zone.

7. **COMINFORM-NATIONAL COMMUNIST SPLIT.**

The evidence grows of the existence of strong nationalist currents in Eastern Europe and of Soviet efforts to tighten up Moscow-Communist control. In Poland, where the conflict between nationalist and Moscow-oriented factions recently came to a head, the difference was settled in favor of the Cominform. In Yugoslavia, where the first round was won by the Tito-Nationalists, Tito is now consolidating his internal position for the next round. Significantly, he is trying to secure the support of the non-Communist Croat Peasant Party.

8. **GREECE-GUERRILLAS.**

It cannot be assumed that the currently successful campaign against Markos means the end of guerrilla activity or of USSR support for that activity. The USSR has no more effective political weapon in Greece to which it can turn. The guerrillas are still valuable instruments of economic attrition against the Greek government and against the US. Guerrilla operations are comparatively inexpensive. While it is now clear that such operations cannot lead to military domination in Greece, it is equally clear that they can be continued on a scale sufficient to delay seriously the reconstruction of Greek economy and the reorganization of a stable government.

L A T I N A M E R I C A

9. The political and institutional stability of Latin America, previously reported as uncertain, has shown momentary improvement. The underlying economic situation, however, is becoming more unstable as dollar balances continue to decline. In Mexico, this instability has given rise to anti-government agitation and rumors of impending

S E C R E T

8

S E C R E T

revolution. The government is supported by Right, Moderate, and Army groups. In Argentina, the government has been somewhat reassured with respect to the dollar crisis by improved prospects of dollar receipts from purchases for European recovery. In Latin America generally, however, the prospects of effective remedial attack on the basic causes of economic instability continue to be poor.

S E C R E T

9

118

SECRET

U. S. GOVERNMENT PRINTING OFFICE
2996—S—1948