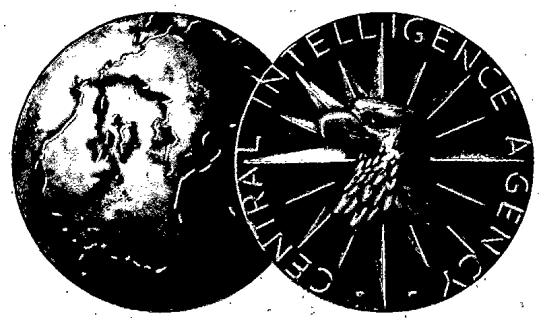


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WEEKLY SUMMARY



Number 2

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C O N T E N T S

Page

HIGHLIGHTS 1

WESTERN EUROPE 3

EASTERN EUROPE 7

NEAR EAST - AFRICA 9

FAR EAST 14

WESTERN HEMISPHERE 19



SECRET

28 May 1948

H I G H L I G H T S

The efforts of the western powers to resolve their developing differences this week assumed greater prominence than the continuing struggle between the East and the West. French concern over the strategic and domestic implications that will inevitably accompany a decision to carry out the US-UK proposals for a provisional government in western Germany continued to complicate negotiations between US, UK, and French representatives in London. Divergent views regarding a resolution of the Palestine issue have put a strain on US-UK solidarity. Soviet propoganda has been making considerable capital of these differences.

Worried over possible Soviet military counteraction following the establishment of a German provisional government for the Western Zones and deeply concerned that the French people would search any agreement on Germany for a possible compromise of French long-range security aims, the French Government has maintained its pressure for concrete US military guarantees. It appears inevitable, however, that France must eventually modify its stand, even at the risk of parliamentary criticism, lest the advantages of close working relationships with the US and UK should be sacrificed. Elsewhere in western Europe, the British Labor Party has given overwhelming approval to Bevin's foreign policy; in Italy, the outlook for political stability was considerably improved by the successful reorganization of the De Gasperi Cabinet (see page 3).

The USSR, which appears to be intensifying its efforts to persuade the Germans to demand the withdrawal of all occupation forces, has been challenged in Berlin by anti-Communist German trade union leaders (see page 6).

Meanwhile, the Kremlin has been pursuing its propaganda "peace offensive" by playing up the differences between the western powers. Simultaneously, Soviet propogandists have been minimizing any implied threats of political or military aggression in an apparent effort to conciliate the western people and win support for economic concessions to the USSR (see page 7). The non-Communists in Finland are offering strong opposition to Communist

- 1 -

SECRET

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SECRET**SPAIN**

plans to renew his policy of using the Falange as a "front" for a controlled social reform program designed to make his regime "popular." He apparently intends also to correlate Falange social-economic policy with church doctrine, in an effort to head off an opposition movement under Catholic Action leaders. These Catholic leaders, who desire social reform along the lines of papal doctrine and who oppose the radical and totalitarian theories of the Falange, at one time appeared to be gaining considerable influence with Franco but lacked the strength to force a showdown with the Falange. Franco's new program, therefore, may cause a realignment of the conservatives and produce a new conservative effort against the regime.

UNITED KINGDOM

The solidarity of the British Labor Party in backing its moderate and right-wing leaders was clearly indicated at the recent annual Party conference. This solidarity springs from recognition on the part of the Labor membership of such considerations as the following: (1) British economic dependence on the US, particularly emphasized by continued Soviet intransigence; (2) the continuing threat of national economic disaster; and (3) the increasingly unfavorable electoral prospects for 1950. These diminished prospects are largely responsible for Herbert Morrison's declaration that, following its return to power in 1950, the Party will place the greatest emphasis upon increasing the efficiency of industries already nationalized. The overwhelming approval of Bevin's foreign policy by a record vote at the recent Labor Party conference provides the clearest evidence of the left-wing "rebel" group's disintegration.

British Commonwealth cooperation in defense of the southwest Pacific will be made more effective by a plan to exchange representatives from the defense ministries and national defense councils of the UK, New Zealand, and Australia. The new plan does not compromise the autonomy of the three Commonwealth countries because ultimate decisions on defense matters must still be made by the governments concerned.

- 5 -

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SECRET**NORWAY**

The three Scandinavian countries remain divided in their attitude toward a western European defense system. Norway has adopted waiting tactics, hoping that Denmark will eventually join in persuading Sweden to abandon its plan for Scandinavian neutrality and thus continue a coordinated Scandinavian attitude. The Danes, meanwhile, are reluctant to break with Sweden, hoping that after the elections in September Sweden may relax its rigid neutrality policy. The Norwegians have made it clear, however, that if a crisis arises they will join the western European union without regard for the attitude of Sweden or Denmark. Except in such a crisis, however, neither Norway nor Denmark would join until they are offered tangible security benefits.

GERMANY

The long expected defection of the anti-Communist element in the Communist-controlled Free German Trade Union League (FDGB) of the city of Berlin transpired on 22 May. Led by the Berlin Social Democrats, the independent Trade Union Opposition (UGO) challenged Communist control at a city-wide meeting convened to elect members of the Executive Board and prevented Communist acquisition of 100 disputed convention seats. UGO leaders declared their intention to form an independent union representing a majority of the city's organized workers. They offered to avoid splitting the Berlin trade union movement in return for terms allowing UGO to participate on an equal basis with the FDGB. The singular unwillingness of the Communist-FDGB faction to offer an acceptable compromise may have resulted from an underestimation of the intention of the anti-Communist UGO to exploit its power or may reflect unofficial Soviet assurances that the western powers would soon leave Berlin. In any case an anti-Communist labor movement will be of value to the western powers in the east-west struggle for Berlin.

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SECRET**E A S T E R N E U R O P E****SOVIET UNION**

The current Kremlin "peace offensive" may be motivated not only by the political objective of reducing western solidarity and determination but also by the economic necessity confronting the USSR for increasing east-west trade. Initially, the Kremlin, in seeking to wreck the European recovery program, forbade Soviet and Satellite participation in the program. Now, faced with the prospect of western European recovery and the pressing economic needs of the Soviet sphere, the Kremlin must seek an economic rapprochement of some form with the west. The realization that further political aggression at this time would only increase resistance on all fronts probably contributed to the decision to make this shift in Soviet tactics. This change in tactics explains in part the wide exploitation by the USSR of the Smith-Molotov exchange since only through an easing of the present political tension can economic cooperation be achieved. This may also help explain the occasional conciliatory gestures of certain Soviet officials in recent dealings with western representatives.

CZECHOSLOVAKIA

The Czechoslovak Communists appear to be preparing to oust President Benes if he should refuse to sign the new constitution. Although useful to the Communists during the initial period of consolidation following the coup, the ailing Benes could now be discarded without endangering the position of the Communist Government. Continued refusal by Benes to sign the new constitution, therefore, will probably prompt the Communists to announce Benes' resignation for reasons of health. Under such circumstances, or in event of his death, the executive power would revert to the Communist-controlled Cabinet until the new National Assembly could elect a successor following the 30 May elections.

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SECRET**YUGOSLAVIA**

Threatened US countermeasures against Yugoslav non-diplomatic establishments in the US have quieted Yugoslav protests about the size of the US Consulate staff in Zagreb. In its reply to the US, the Yugoslav Government indicated that it considered the matter closed and that measures would be taken to ease the difficulties now experienced by US Consulate personnel.

FINLAND

Failure of the Finnish Communists to obtain their demands during the recent crisis resulting from the dismissal of Communist Minister of Interior Leino reflects the growing strength of the Finnish non-Communists. This failure has also seriously weakened the Communists' ability to penetrate the Government. The appointment of a leading Finnish Communist as Minister-without-portfolio in no way compensated the Communists for the loss of the vital Interior post, and did not change the relative strength of Communists and non-Communists in the Cabinet. Failure of the Communist strike campaign during the recent crisis also indicates that the Finnish Communist party is not yet strong enough to make use of typical Communist pressure tactics in the July national elections. Increased opposition to the Communists may have resulted from the non-Communists' belief that the current Kremlin "peace offensive" would deter the USSR from the drastic overt intervention necessary for a Communist victory in the national elections.

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SECRET**NEAR EAST - AFRICA****PALESTINE**

There has been little change in the military situation in Palestine since last week. In the crucial battle for Jerusalem, the Arab Legion has captured most of the Old City and is currently exerting great pressure on the remaining Jewish forces. In the New City, where the main Hagana forces are strongly entrenched, the Arab Legion is pressing the attack from all sides and has succeeded in cutting the supply road to Tel Aviv, which is blocked at Bab el Wad and at Latrum by another Arab force. Egyptian troops have advanced northward slightly beyond Majdal on the coast; another Egyptian force has passed north through Hebron and has reportedly linked up with the Arab Legion beyond Bethlehem. Other than these advances by Transjordan and Egypt, Arab forces have accomplished little. Iraqi and Syrian troops appear unable to advance beyond the southern tip of Lake Tiberias. Lebanese troops are on the frontier and seem in no hurry to take the offensive. Saudi Arabia has sent only token troops to join the Egyptian forces.

Jerusalem remains the key to the situation for both sides. Unless Hagana can hold the Jewish sections of the city and simultaneously reopen the supply route from Tel Aviv, Israel will suffer the loss of a large Zionist population and considerable prestige. Moreover, if the Arab Legion can win a decisive victory in Jerusalem, it will be free to reinforce the Syrians and Iraqi in eastern Galilee. The combined Arab forces consequently might be able to achieve significant successes before Hagana could be reinforced with arms and men from abroad.

Arab rejection of the UN "cease-fire" order is further indication that the Arabs cannot be brought to accept a Jewish state in Palestine. The war is popular in the Arab states and has diverted public attention from other threatening problems. It has also been a strong unifying force among the Arab leaders, whose own convictions on Palestine have been fortified by the

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SECRET**PALESTINE**

realization that if they were to give up the fight, even at the behest of the UN, the Arab peoples would turn against them and demand that the war be carried on. Consequently, their determination to continue the fight--in defiance of the UN, the US, and the UK--is not likely to weaken. If the Jews are strongly supported with arms shipments from the US and personnel reinforcements from Europe, the Arab campaign will almost certainly be unsuccessful, and the stability of the Arab governments will be endangered. Ensuing chaos and the dissolution of US and UK influence in the area will leave the Arab world vulnerable to Soviet exploitation.

The attitude of the Turks toward the Palestine problem is characterized by increased concern combined with a firm intention not to intervene. Up till now, the Turks have remained as aloof as possible without offending their Arab neighbors and co-religionists. They voted against Palestine partition in the UN, but they also tried to persuade Arab leaders to strive for an understanding with the Jews. At present, the Turks are greatly concerned by the possibility that the chaotic situation in Palestine will help Soviet-Communist influence to spread. They are already convinced that Soviet agents are active in Palestine, and they foresee the dreaded possibility that Soviet troops will eventually enter. Such thoughts as these probably were in the mind of the Turkish Foreign Minister last week when he renewed his plea for peace in the Middle East. Significantly, he expressed the hope that a lasting solution for Palestine would leave the Arabs "masters of their rights."

British policy in the Middle East is so threaded with contradictory aims that it is almost impossible for the UK to take any clean-cut action on the Palestine problem. Its tactics therefore remain negative and obstructive. The UK Government desires to work with the US in establishing political and economic stability in the Middle East, but it must also meet certain British strategic and economic considerations in the area. The Government is pushed in one direction by the traditional sympathy of

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SECRET**F A R E A S T****CHINA**

A serious struggle has developed within the Kuomintang inner circle. The difficulties which Chiang Kai-shek has met in trying to form a new Cabinet indicate that he no longer has complete control over the Party and cannot rely on the unwavering support of certain key Party leaders from whom he has derived his strength for years. This situation represents a more dangerous threat to Chiang's position than the developing liberal opposition. The nature of the rift within the Kuomintang was recently revealed by the problems which arose over the selection of a new premier, or President of China's Executive Yuan. Prominent political figures, mindful of new constitutional provisions for parliamentary responsibility, turned down the appointment because they doubted their ability to command a majority in the Legislative Yuan, which is now controlled by the Party's conservative CC Clique. As a compromise, Wong Wen-hao, an able administrator and loyal to Chiang, was appointed to the position. Wong has been chairman of China's National Resources Commission and because of his economic experience appears well-qualified to oversee the implementation of the US aid program. Although identified with the Political Science Group, he has remained outside intra-party rivalries and has no political following. His effectiveness may be limited inasmuch as he will now be caught in the crossfire between Chiang and the Legislative Yuan.

The widespread Communist offensives expected during May have so far failed to materialize. In Manchuria as well as in North China, the main strength of the Communist regulars has not yet been committed. Current activity in this area, involving comparatively small numbers of these troops, appears to represent a Communist endeavor to couple destruction of communications with an attempt to spread defending forces as thinly as possible before bringing the weight of the main body

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SECRET**KOREA**

The recent elections in South Korea failed to give either of the two leading rightist groups a majority; as a result, the balance of power is held at least temporarily by the smaller independent parties who gained a plurality of seats. Kim Koo's Korean Independence Party, the largest of the lesser groups, thus may enjoy an important strategic position, if Kim's prestige has not been impaired by his presence at the recent Soviet-sponsored conference in North Korea. Rhee Syngman's large political machine proved incapable of winning his National Society a plurality, and he emerged no stronger than his rival rightist group, the Hankook Democratic Party. For the present, Rhee and the Hankooks will maintain an uneasy coalition and the Hankooks will support Rhee for president of the new government. The Hankooks, however, will seek to control Rhee and the government by capturing key sections of his following and by pressing for a strong premier selected from their party. Their wealth, flexibility, and political astuteness may give the Hankooks an advantage over the egocentric and stubborn Rhee.

INDONESIA

Basic unresolved differences and mutual distrust between the Dutch and the Republic of Indonesia, especially concerning the Republic's status in an interim government, are making political agreement increasingly remote. The Dutch are giving further signs of their intention to disregard the Republic if it fails to meet Dutch terms, and consequently sharp unrest and a new Dutch recourse to "police action" have become more likely. This prospect is increased by the latest Dutch moves to by-pass the Republic in an attempt to strengthen the existing Dutch-sponsored Provisional Federal Government. The Dutch have convened at Bandoeng an elaborate "Federal Conference" to which the Republic reportedly was not invited. A Republican request to hold an "All Indonesia National Congress" at Batavia has been refused. As a result, the conviction is growing among Republican leaders

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SECRET**INDONESIA**

that the Dutch will permit the Republic to enter an interim government as well as the projected United States of Indonesia only on Dutch terms, that is as a minority, or be by-passed entirely. The Republicans, who believe themselves capable of winning a majority in any fair elections, would presumably resist such a move by force.

JAPAN

A plan to bar Japanese Communists from public office is under discussion by the Japanese Cabinet. The exclusion would affect appointed officials and the civil service but presumably could not be extended to elected officials without a constitutional amendment. Actually, the Government is not likely to impose any such restrictions until the repatriation of some 700,000 Japanese in Soviet-dominated areas has been completed. Any Japanese Government which offered the USSR grounds for cancelling repatriation would be unable to survive the resulting popular resentment. Therefore, until reparations are completed, the USSR will be in a position to give indirect protection to the Japanese Communists and Japanese authorities will be obliged to move with caution. Premier Ashida's public disclosure of the plan was apparently designed to test US and Soviet reactions to such action and to warn Japanese Communists that the Government might retaliate if they failed to curb the increasing tempo of their activities.

PHILIPPINES

The possibility of an amicable settlement of the law and order problem by an arranged surrender of the major dissident groups and a government amnesty proclamation now appears increasingly unlikely. Hukbalahap Leader Luis Taruc has publicly declared that he is still a member of the Communist Party. He insists on the right of his followers to bear arms regardless of property or educational qualifications,

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PHILIPPINES

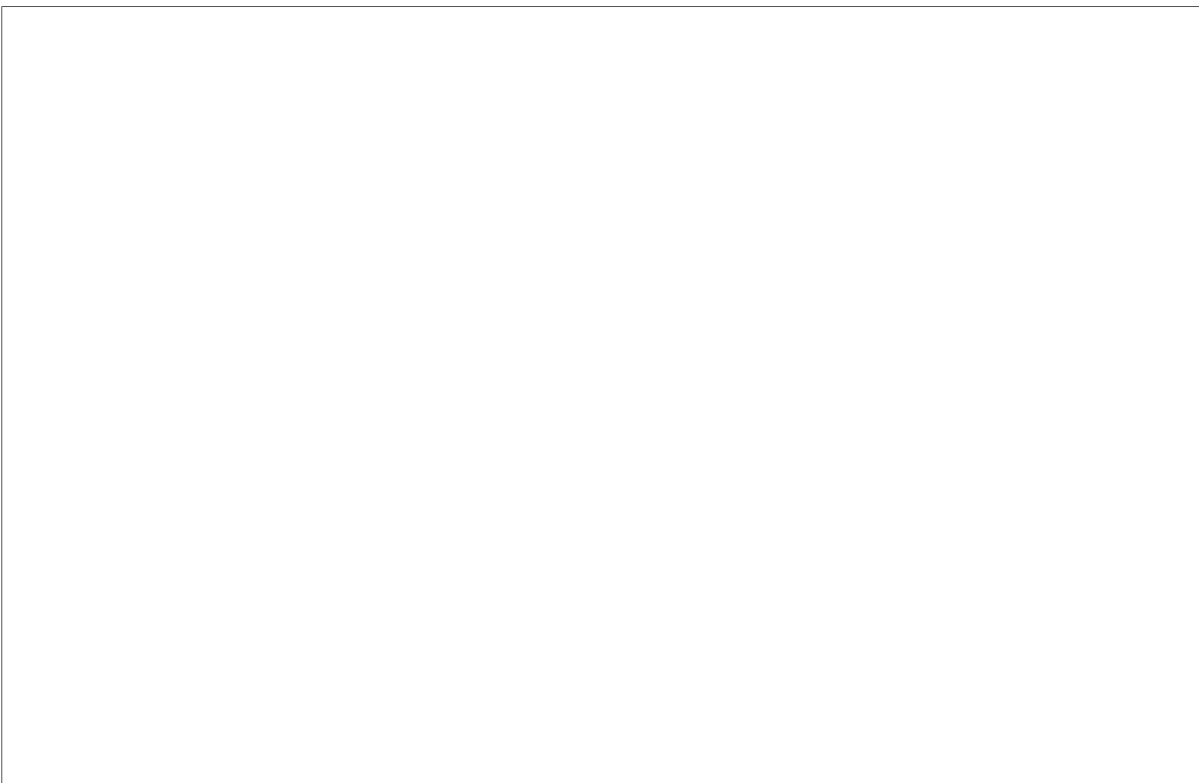
and he objects to "infringements" on Philippine sovereignty by the US. The Philippine Government, which had sought to win over Taruc, now appears to be considering a return to the late President Roxas' stern pacification policy. President Quirino has appointed two former members of the Japanese puppet government as technical assistant on police matters and technical adviser on provincial and municipal administration.

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WESTERN HEMISPHERE

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ARGENTINA

Argentina is conducting a vigorous propaganda campaign laying emphasis on racial and cultural ties and stressing the advantages of Argentine rather than US leadership in Latin America. The superiority of Peron's labor program, a middle-of-the-road appeal based on his so-called "third position," has been maladroitly advanced both at home and abroad, and Argentina's tendency to intervene in the economic and political affairs of other Central American countries has been protested recently by Honduras and adversely commented on by other republics. "Third-position" propaganda and the extension of Argentine economic influence in Central America follow closely Peron's assertions concerning Argentine economic independence and the administration's uncompromising attitude toward US policy as demonstrated at the ITO Conference at Havana and again at

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ARGENTINA

Bogota. Moreover, reports that Peron favors the formation of a Central American union strongly suggest that his basic objective is to obtain a political precedent and a favorable situation for a union of Chile, Paraguay, and Bolivia under an Argentine aegis.

VENEZUELA

Conservative opposition to the Venezuelan Government seems to be reviving. These elements, apparently too weakly organized to effect a coup, are reportedly trying to bring about a split within the army. However, there is no evidence of great dissatisfaction with the Government in the army's high command. Some high-ranking officers are reported to be conspiring with ex-dictator Gomez sympathizers and with the newly formed anti-Communist group. Any movement against the Government by army elements has slight chance of success, however, without support from the Trujillo Government of the Dominican Republic and from Venezuelan refugees living in the Dominican Republic.

PERU

Apprehension over the touchy Peruvian political situation and fear of the political consequences of clashes which might arise between the Apristas and the Communists over Indian issues have largely been responsible for the Peruvian Government's recent postponement of the Inter-American Indian Congress from June to October. Greater realization of Communist potentialities for trouble, as shown in the Bogota riots, may also have contributed to this decision.

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