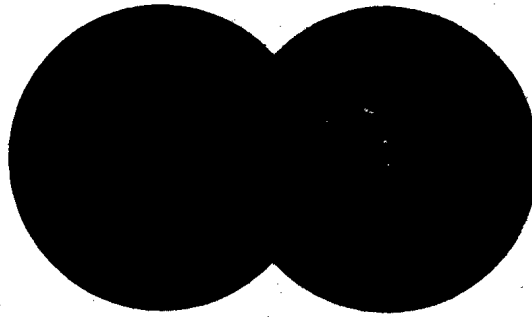


~~SECRET~~

Copy No. 58

# WEEKLY SUMMARY

0250200



Number 13

**13** AUG 1948

Document No. 001

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1503

Date: 01/02/78 By: 021

F-13

## CENTRAL INTELLIGENCE AGENCY

~~SECRET~~

1. This publication contains current intelligence exclusively and therefore has not been coordinated with the intelligence organizations of the departments of State, Army, Navy, and Air Force.
2. This copy may be either retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency.

**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.

~~SECRET~~

C O N T E N T S

	Page
HIGHLIGHTS.....	1
GENERAL.....	3
WESTERN EUROPE.....	5
EASTERN EUROPE.....	6
NEAR EAST - AFRICA.....	9
FAR EAST.....	12
WESTERN HEMISPHERE.....	15

~~SECRET~~

**SECRET****H I G H L I G H T S**

A new Cominform meeting apparently has taken place in Prague within the past fortnight at which two of the major topics of discussion are believed to have been Yugoslavia's defiance of the Cominform's earlier censure and the selection of two Satellites to participate in the European recovery program (see page 6). At the same time, the Hungarian Communist officials suspected of Tito's brand of nationalism apparently were being purged, and a Cabinet reshuffle in Budapest established Moscow-trained Communist Leader Rakosi as the undisputed boss of the country (see page 7). The USSR continued to dominate the Danube Conference, making some minor tactical concessions presumably in an effort to keep the western powers from withdrawing (see page 8). Concurrently, the USSR evidenced an increased interest in the Middle East; this trend does not, however, seem to foreshadow an immediate transfer of primary pressure from Europe and the Balkans to that area (see page 6).

In France, Finance Minister Reynaud's economic program was approved by the National Assembly on 11 August, over Communist and some Gaullist opposition, by a vote of 325 to 215. Germans in the western zones were showing considerable uneasiness over the rise in prices and money shortage which have followed the recent currency reform (see page 5).

Israel's growing consciousness of its military strength may lead to a resumption of hostilities in Palestine. The Provisional Government of Israel has failed to cooperate with UN Mediator Bernadotte, especially as regards the demilitarization of Jerusalem, and reportedly is working out plans with Jewish extremist forces to capture the whole city (see page 9). The dispute over Hyderabad's accession to India, meanwhile, appears to have reached the breaking point (see page 11).

**SECRET**

**In the Far East, Japan's rehabilitation is being hindered by delay and disagreement among the powers concerned over allocation of Japanese reparations (see page 12). Serious disturbances may break out in the Philippines after 15 August because of the failure of the dissidents Huks to turn in their arms and accept the Government amnesty by that date (see page 13). Two rebellious Army battalions in Burma, with the apparent encouragement and aid of the Communists, are trying to overthrow the Thakin Nu Government in Rangoon. Although the Government should be able to drive back the insurgents, it will have little effective control over the country (see page 14).**

**- 2 -**

**SECRET**

**SECRET**

**G E N E R A L**

**The admission of new members will confront the UN General Assembly with a major controversial issue in September. Admission to the UN is contingent upon a recommendation from the Security Council (based on seven favorable votes, including those of the permanent members) and followed by a two-thirds vote of approval in the General Assembly. However, the USSR has repeatedly vetoed the admission of Austria, Eire, Finland, Italy, Portugal, and Transjordan, whose applications for membership have met the charter requirements.**

**The International Court of Justice has ruled that the sole criterion for membership (under Article 4 of the UN Charter) is that the state shall be "peace-loving" and "able and willing to carry out" charter obligations. Some extra-legal method, therefore, such as a declaration that a Soviet negative vote constitutes no bar to an SC resolution recommending admission, will probably be necessary in order to prevent certain states from being permanently barred from the UN. The International Court, however, would probably declare such action illegal, in the event it reviewed the case.**

**Under present rules, Ceylon, Korea, and Transjordan have little chance of admission. To circumvent these obstacles, Argentina has raised the question of admitting those applicants who meet the requirements and who, in the past, received the necessary seven SC votes. GA acceptance of the Argentine proposal to admit any such state, regardless of the negative vote of a permanent SC member, would vastly improve that state's chances of obtaining membership.**

**Conflicting national interests at the European Broadcasting Conference in Copenhagen may lead to its sudden adjournment. Convened for the purpose of assigning frequencies to all European countries, the conference bogged down over the**

**- 3 -**

**SECRET**

**SECRET**

**problem of allocation to Germany. Its decision to limit the occupying powers in Germany to one or two frequencies per zone is considered by the US as inconsistent with occupation objectives, and such a decision, if implemented in the midst of the East-West propaganda battle, would deal a major blow to the entire US program for Europe. Adjournment, therefore, is considered the best means of avoiding further damage to US interests, particularly at the hands of French and UK delegates who have given more consideration to narrow technical problems than to broader political objectives.**

**- 4 -**

**SECRET**

## SECRET

## WESTERN EUROPE

## GERMANY

Great uneasiness among Germans in the western zones is resulting from the rise in prices and the general money shortage which have followed the recent currency reform. Although increased supplies and commodities have appeared in the shop windows since the currency reform, many Germans find they do not have enough money to meet their needs, much less to buy the many consumer goods they were led to expect would be available to them after the currency reform. The rising prices could lead to compensating demands for increased wages, which would bring about another full circle in the cycle of inflation--the very thing which the recently-instituted currency reform was designed to avoid until production caught up with demand.

The USSR is training small German para-military police units in the Soviet occupation zone. These units are being organized so that they could be adapted as a cadre for the militia of an eastern German state. A gradual expansion of the German police forces in the eastern zone (especially the Grenzpolizei or border police) has been under way for some time. Company formations of the border police have been active along the Soviet zone frontier; these units will probably be formed into larger components. The USSR will probably not establish a unified German command, however, but instead will keep these para-military units under the control of the German Central Administration of the Interior and particularly under the Soviet Military Administration.



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

A new Cominform meeting apparently has been taking place in Prague. A significant number of key Communist figures have recently converged on the Czechoslovak capital. Their objective seems to have been the conference table as well as the spas. Their deliberations are believed to have centered on two subjects: (1) Yugoslav defiance of the Cominform's earlier censure; and (2) the selection of two Satellites (reportedly Czechoslovakia and Hungary) to participate in the European recovery program. The latter action, reflecting Soviet recognition that the European recovery program has good prospects of success, would be designed to meet growing Satellite pressure for modification of the Soviet ban on participation. Such a concession would probably not be extensive enough to satisfy the Satellites. It would, however, offer the USSR a means of increasing East-West trade.

**SOVIET UNION**

The USSR is showing an increased interest in the Near East. Soviet propaganda media have been devoting more attention to this area, and Soviet activity among minority groups, particularly the Kurds of northern Iran and Iraq, has been intensified. The USSR has also made new efforts to persuade the Iranian Government to sever its close ties with the US. These manifestations of Soviet interest in the Near East do not appear to foreshadow an immediate transfer of primary Soviet pressure from Western Europe and the Balkans to the Near East. Such a shift will likely take place when the Kremlin discovers that it can no longer make gains in Europe. At such time, the transfer of pressure may be rapid and Iran may become its focal point.

The return for education within the USSR of Soviet children now abroad is clearly not preliminary to a general withdrawal of Soviet nationals abroad. There is ample con-

**SECRET****SOVIET UNION**

firmation that the primary motivation in the case of the children has been the Soviet fear that they would be contaminated by contact with foreign ideas and ways of life.

**HUNGARY**

The reshuffle of the Hungarian Cabinet, following the forced resignation of President Tildy and his replacement by Szakasits, provides good evidence that Moscow-trained Matyas Rakosi, for the moment at least, is the undisputed Communist boss in Hungary. Persistent rumors had suggested a split in the Communist Party, with Lajos Rajk challenging Rakosi's position as leader. In the recent Cabinet shift, Rajk (who, like Tito, seems to have demonstrated nationalistic tendencies) lost his strategic position of Minister of the Interior and was kicked upstairs to the post of Foreign Minister, while Rakosi gained control of the Hungarian police system and of the Ministry of Industry. This Communist action in Hungary is consistent with the principles laid down in the recent Cominform denunciation of Yugoslav leadership.

**FINLAND**

The Communist-led Democratic Union, which was excluded from the new Finnish Cabinet by its stubborn and exorbitant demands for major ministerial positions, may now be willing to enter the government on a less favorable basis. This decision doubtless results from the Communists' recent unsuccessful experience with political strikes, the rapid improvement in the Finnish economic situation which has reduced the number of economic grievances that the Communists might exploit, and the improbability of Soviet support for any attempt to increase the Party's power by extra-legal action at this time.

- 7 -  
**SECRET**

**SECRET****BALKANS**

**The Soviet position at the Danube Conference remains unyielding despite recent tactical concessions apparently designed to keep the western powers from withdrawing. The USSR probably desires to keep the US, the UK, and France at the conference in the hope of gaining entry into the US-controlled sector of the Danube above Mauthausen. Furthermore, the USSR needs the concurrence of as many interested countries as possible in order to lend the maximum possible appearance of legality to any convention which the conference may adopt. While there is no reason to anticipate that the western amendments will be adopted in committee, their introduction in lieu of outright withdrawal of the western powers has afforded the west the possibility for arguing its case before the conference. The western nations thus have forestalled Soviet charges that the western powers have quit an international conference without participating in its discussions as soon as they found the will of the majority unacceptable. In spite of the Soviet-dictated formula for free navigation, or any minor concessions which the USSR may unexpectedly make in the final text, actual Soviet physical control of most of the Danube will certainly enable the USSR to maintain its present stranglehold on Danube shipping.**

**SECRET**

## SECRET

## NEAR EAST - AFRICA

## GREECE

The Greek Army, having compressed the 7,000 guerrillas in the Grammos area against the Albanian frontier, is now poised for the final push of its eight-week-old offensive. Guerrilla organization has not yet collapsed in the face of mounting rebel casualties, as is indicated by the fact that the double envelopment, which the Greek Army has just completed, failed to result in the wholesale capture of prisoners or materiel. The Markos forces are expected to fight desperately to defend their remaining foothold on Greek soil. Nevertheless, although the guerrillas benefit by inner lines of communication and shortened supply routes, the weight of manpower which the Greek Army can now bring to bear along a greatly shortened battle front ultimately should prove decisive. The Albanian frontier now constitutes the only certain escape route for the Grammos guerrillas, although by accepting the guerrillas Albania would be violating international law and a specific injunction of the UN General Assembly. The UN Special Committee on the Balkans probably will warn Albania to that effect, so that if guerrilla forces driven over the border were later to reappear in Greece, Albanian responsibility would be more clearly established.

## PALESTINE

Israel's growing consciousness of its military strength may lead to the resumption of the Palestine war in the near future. The Jews have expanded their territorial claims and appear prepared to back up these claims with armed force, even in defiance of the UN. The Provisional Government of Israel (PGI) is demanding not only the territory allocated to the Jews by the UN partition recommendation but also the purely Arab areas which the Jewish forces have conquered. Moreover, the PGI has failed to cooperate with UN Mediator Bernadotte,

**SECRET****PALESTINE**

particularly as regards the demilitarization of Jerusalem, and is reportedly working out plans with Jewish extremist forces to capture the whole city. Although the Arabs profess bitterness over the "imposed" truce, they do not show any strong or united inclination to resume fighting, and some leaders (like Abdullah) have expressed the hope that a compromise with the Jews might be worked out. Despite their military weakness, the Arabs will attempt to defend the areas they now occupy, particularly the Old City of Jerusalem. Although their certain defeat and probable expulsion from Palestine would temporarily resolve the Palestine issue, such a "solution" would raise other issues in the Middle East of far greater potential danger to world peace and US security.

British efforts in the Middle East in coming weeks will be directed toward overcoming Arab bitterness concerning the "perfidy" of the British on the Palestine issue, while keeping generally in step with over-all US policy. As a part of its efforts to rebuild good will among the Arabs, the UK already has: (1) resumed subsidy payments to Transjordan; and (2) introduced into the Security Council a resolution regarding the problems created by Arab refugees from Palestine. If the Jews launch an attack on Transjordan, it is virtually certain that the UK will support Transjordan to the extent of its treaty obligations.

**TURKEY**

Protracted maneuvers to replace the aging Maximos as Oecumenical Patriarch of the Greek Orthodox Church appear to be succeeding. After vigorously resisting for more than a year growing opposition within the Holy Synod, Maximos is expected to resign within the next few days. His probable successor in the Patriarchate -- which represents titular leadership over Greek Orthodox congregations

**SECRET**

**SECRET**

**TURKEY**

throughout the world -- is Athenagoras, the Metropolitan of North and South America. Athenagoras has the support of the Greek and Turkish governments, which virtually control the Patriarchal elections. Both governments consider that Maximos has proved incapable of coping with recent Soviet efforts to use the Church as a political instrument.

**INDIA-PAKISTAN**

The dispute over Hyderabad's accession to India appears to have reached the breaking point. The Nizam has made conciliatory gestures, but he is apparently controlled by extremist elements in his own government which are determined not to accede to India. Moreover, certain leaders have responded to Indian threats with the assertion that Hyderabad's army is fully prepared to fight. Indian Army units have already occupied two villages in Hyderabad, and the Indian Minister for Home Affairs has recommended that British nationals be evacuated from the state immediately. Unless the Nizam accepts a peaceful accession, it is likely that India will settle the dispute by force. Such action on the part of India would probably be followed by intensified communal discord and a consequent widening of the breach between India and Pakistan.

In Kashmir, military action has been reduced to patrol activity. Although neither Indian nor Pakistan forces have withdrawn from their positions, both governments will probably postpone further action until the UN Kashmir Commission has published the details of its cease-fire proposal.

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

Delay and disagreement on allocation of Japanese war reparations continue to hinder Japan's economic rehabilitation, although prospects for an early solution to the reparations problem were recently increased by conditional UK acceptance of the US-proposed allocation schedule. The US allocation schedule has already been accepted by Australia, New Zealand, Canada, and China, and it has been "approved" by France. The UK has accepted on the condition that the British share of the total reparations will be increased to 16 percent. This increase would come from the US and the Australian shares; both countries have indicated willingness to turn back to the "pool" sufficient reparations to provide the increase requested by the UK. The conditional acceptance by the UK leaves the USSR as the only major power that rejected the US proposal and may pave the way for a unanimous acceptance of the US proposal or, at least, a 10-member acceptance. Even a 10-member acceptance would enable the US to arrange the distribution of the reparation properties and bring some degree of stability to the Japanese economy. Until the reparations are effected, Japanese economic rehabilitation must either continue its retarded pace or fly blind because of uncertainty regarding which plants will be shipped and which will remain. Meantime, many of those plants which will probably remain in Japan can only stand and rust until an over-all reparations agreement is reached.

Japanese Communists are failing to obtain general support, despite their vigorous attacks against the occupation-inspired strike restrictions, and they may accordingly be compelled to modify their extreme position. Although the Socialists were initially embarrassed by the strike restrictions, they may emerge with increased prestige, either by fixing the blame on Communist extremists for having caused the strike restrictions or by seeking modification of the strike ban through Diet action. In the

**SECRET**





**SECRET****JAPAN**

absence of adequate grievance procedures, the 2,500,000 government workers who no longer have a strike voice may be forced by continuing inflationary pressures to align themselves with the Communists in the hope of obtaining wage relief.

**CHINA**

The worsening military situation of the Chinese National Government may be expected to continue through the early fall and winter months. In north and central China, recent Communist successes resulted from hit-and-run tactics. Communist dispositions around the long-isolated provincial capitals of Tainan and Taiyuan, which must now be supplied entirely by expensive air lift, may force the capitulation of these cities during the coming winter. The withdrawal of Nationalist troops from the Nationalist-held corridor between Tientsin and Chihnsien may result in the loss of the vital Kailan coal mines. These mines supply more than half the coal for both private and industrial use in the north China cities and in the lower Yangtze valley. In this delicately balanced military situation, the Nationalists must face the constant possibility that the large and powerful Communist forces in Manchuria could mount a dangerous offensive without warning, a development which could spell the extinction of Nationalist power in all of Manchuria and north China.

**PHILIPPINES**

Serious disturbances in the Philippines may occur after 15 August (the deadline for the dissident Huks to surrender their arms under terms of a government amnesty offer) because of the Huks' failure to turn in their arms and accept the general terms of the government amnesty. The Huks are now laying down terms to the government under which they would accept an amnesty. They are demanding non-surrender of arms, replacement by Huk sympathizers of Constabulary Chief General Castaneda and other government officials; repeal of the parity

**SECRET****PHILIPPINES**

law (which gives US citizens certain economic rights equal to those of the Filipinos), and the removal of all US air and naval bases in the Philippines. A serious split within the Philippine Government may result from the charges of Secretary of National Defense Ruperto Kangleon that the "government is being sold out" and that following the amnesty deadline of 15 August, the internal defense forces of the Philippines will adopt a strong policy. Kangleon further charges that Judge Antonio Quirino, the President's brother and chief negotiator with the Huks for the amnesty terms, is a Communist who deliberately engineered the present critical situation.

**BURMA**

The Burmese Government is being threatened by insurgent units. The recent expulsion of a large faction of the Peoples' Volunteer Organization (PVO) from the Anti-Fascist Peoples' Freedom League (AFPFL), the government party, has resulted in alarming desertions from the Burmese military forces. In particular, two army battalions have disavowed their allegiance and, probably with assistance from Communist insurgents, have started toward Rangoon with the objective of overthrowing the AFPFL Government. The Burmese Government has requested military assistance from the UK, which has thus far been withheld. However, unless the Government becomes completely demoralized, it should be able to hold Rangoon. The units marching on the city appear to be poorly organized or disciplined. The Government's position is clearly threatened but it cannot be considered hopeless at least until the ability of loyal Government forces to resist a major attack has been tested. It is likely that the present Government will continue, at least temporarily, as the de jure Government, but with little effective control over most of central Burma.

**SECRET**

**WESTERN HEMISPHERE**

**CANADA**

Continued close cooperation between the US and Canada is expected from the decisive election of External Affairs Minister St. Laurent to leadership of the Liberal Party. His election ensures a continuance of the Mackenzie King Government's foreign policy, particularly as it relates to the principle of US-Canadian cooperation for Northern Atlantic security. St. Laurent, a French-Canadian and the future Prime Minister, will draw the important support of nationalist Quebec Liberals upon whom the Party relies for its dominance in the House of Commons.

**PARAGUAY**

President-elect Gonzalez is expected to be inaugurated on 15 August as scheduled, probably with the protection of the army. Despite government precautionary efforts, acts of violence may be attempted during the ceremony by anti-Gonzalez factions within the country, exiled Paraguayans who are said to enjoy the tacit support of the Peron Government, and Peronist undercover agents. Overt interference from Argentina, however, is not anticipated.

~~SECRET~~

**DISTRIBUTION**

- 1. . . . . The President
- 2. . . . . Secretary of State
- 3. . . . . Chief of Staff to Commander in Chief
- 4. . . . . Secretary of Defense
- 5. . . . . Secretary of the Army
- 6. . . . . Secretary of the Navy
- 7. . . . . Secretary of the Air Force
- 8. . . . . Chairman, National Security Resources Board
- 9. . . . . Executive Secretary, National Security Council
- 10. . . . . Assistant Secretary of Navy for Air
- 11. . . . . Chief of Staff, U.S. Army
- 12,13,14. . . . Chief of Naval Operations
- 15,16,17. . . . Chief of Staff, U.S. Air Force
- 18. . . . . Director of Plans and Operations, General Staff, U.S. Army
- 19. . . . . Deputy Chief of Staff (Operations) U.S. Air Force
- 20. . . . . Deputy Chief of Naval Operations (Operations)
- 21. . . . . Director of Plans and Operations, U.S. Air Force
- 22,23,24. . . . Special Assistant to Secretary of State, Research & Intelligence
- 25,26,27,28,29. Director of Intelligence, General Staff, U.S. Army
- 30,31,32,33,34. Chief of Naval Intelligence
- 35,36,37,38,39. Director of Intelligence, U.S. Air Force
- 40. . . . . Director of Security and Intelligence, Atomic Energy Comm.
- 41. . . . . Executive Secretary, Military Liaison Committee, Atomic Energy Commission
- 42,43,44,45,46. Chief, Acquisition & Distribution Division, OICD, Dept. State
- 47. . . . . Director, Federal Bureau of Investigation
- 48. . . . . Secretary, Joint Chiefs of Staff
- 49. . . . . Chief, Policy Planning Staff, Dept. State
- 50. . . . . Secretary of State (Attention: Mr. Barnes)
- 51. . . . . Deputy Director, Joint Intelligence Group, Joint Staff
- 52,53. . . . . Secretary, Joint Intelligence Group, Joint Staff
- 54. . . . . U.S. Air Force Representative on Joint Strategic Survey Committee
- 55,56. . . . . Secretary, State-Army-Navy-Air Coordinating Committee

~~SECRET~~

~~SECRET~~