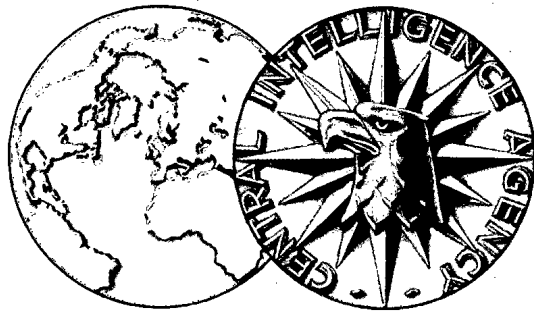


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# WEEKLY SUMMARY



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## H I G H L I G H T S

The UN sessions in Paris became the center of the world's attention this week when the western powers, after 10 weeks of fruitless negotiation on the Berlin crisis, took the problem to the Security Council as a threat to the peace. Soviet propagandists made use of the time remaining before the 4 October meeting on the problem to attack the personalities and decisions of the UN (see page 5). Within the USSR, the Soviet public gave evidence of increased war apprehension following a TASS statement this past week of the Soviet position regarding the Berlin negotiations (see page 5).

US and UK efforts to persuade the Arabs and Jews to accept the Bernadotte plan have had only limited success, and it now appears that both Arabs and Jews regard the General Assembly meeting as the scene of another battle in the long fight between Zionism and the Arab world (see page 8). Even if both sides reluctantly acquiesce in the plan, vigorous UN supervision will be necessary to prevent repeated outbreaks of hostilities.

At the same time that Paris was the forum for the discussion of the world's major problems, the city was also the center of a continuing economic crisis (see page 2). Threats of serious labor troubles and uncontrollable inflation now overshadow in importance the question of how long the Queuille Government can survive.

The long-continuing crisis in China reached unprecedentedly serious proportions this week as a consequence of the fall of Tsinan, a Nationalist strategic military base (see page 11). Further military disasters would aggravate the already critical economic situation and might precipitate the disintegration of the Nationalist Government.

In Argentina, recent political gyrations by President Peron are symptomatic of the country's serious economic ills (see page 12). Peron apparently hopes to make the economic crisis appear to be a political crisis, thus justifying the use of authoritarian controls.

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## WESTERN EUROPE

## FRANCE

Threats of serious labor troubles and uncontrollable inflation now overshadow in importance the question of how long the crisis-ridden Queuille government can remain in power. Neither of these problems can be relieved except by measures which would aggravate the other. Although the fight against inflation may now be vigorously resumed under the terms of the recently-passed fiscal bill, the government cannot hope to halt the course of inflation without stronger economic controls and all-out support from labor. Despite the intention of the Queuille government to supplement the recent wage increase with special bonuses and vigorous action against rising prices and speculation, labor has continued to demand a greater general increase and now appears to be striking against the entire economic and fiscal program. The Communists are exploiting current labor dissatisfaction to the maximum, and it is now doubtful whether the non-Communist labor leaders can stem the trend toward major labor disturbances.

French political disunity and economic disorder may reduce the part France has been expected to play in the European recovery program and western European union. Final consolidation of French agricultural, industrial, and financial recovery appeared within reach this summer when France displayed an internal disunity which its more disciplined neighbors probably found unwarranted. This sudden deterioration occurred at a time when the Organization for European Economic Cooperation was preparing to make France the major beneficiary of the intra-European payments scheme whereby those European nations with superior international trade positions make grants to neighbors whose position is less favorable.

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## FRANCE

Combined US and European aid make France the largest overall beneficiary of the European recovery effort. Unless the French soon turn to good account the help they are receiving, they will face an increased reluctance among their neighbors to contribute further economic or military support.

## BELGIUM

A major obstacle to the rehabilitation of European transport may be removed through the probable approval by the Belgian and Dutch Governments of a provisional agreement recently concluded by the Bizonal Joint Export-Import Agency (JEIA) with Belgian and Dutch representatives. By the terms of this provisional agreement, JEIA will now divert to Rotterdam and Antwerp a portion of the incoming traffic for western Germany which formerly was routed through German North Sea ports. Economic advantage to US-UK Zone Germany will be the criterion for such diversion, but the Netherlands and Belgium are free to allocate traffic between Rotterdam and Antwerp, provided that it entails no increase in cost to the western zone. Besides stimulating port activity in the Low Countries, the agreement will benefit the German economy by: (1) allowing Dutch barges to operate on the upper Rhine and Mittelland Canal, thus increasing waterborne traffic; and (2) giving German barges access to the lower Rhine and certain Low Country canals.

## UNITED KINGDOM

The rapid disintegration of international labor unity may be indicated by the renewed struggle of western labor leaders at the recent Paris sessions of the World Federation of Trade Unions (WFTU) against Soviet controls. The present conflict in the WFTU is principally concerned with: (1) failure of the Federation to incorporate the international craft unions (such as International Transport Workers or International

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## UNITED KINGDOM

Metal Workers); and (2) the Federation's support of Berlin's Communist trade unions. The US and British delegations have demanded passage of a resolution denouncing the Berlin blockade and a public statement of the sharp division over recognition of Berlin's Communist and non-Communist trade unions. The Soviet representative succeeded in watering the resolution down to an appeal for solution of "the existing deadlock on Germany."

The UK will probably keep closer rein on colonial nationalism because of fear of Communist exploitation of nationalist aspirations. Foreign Secretary Bevin's recent statement in Commons is a recognition of the opportunity which may be provided the Communists, particularly in Southeast Asia, by the British policy of gradually increasing self-government for the colonies. Although the basically progressive British colonial policy is not likely to change, its implementation will undoubtedly be slowed. Because the British now tend to sympathize with the French and Dutch position that to meet colonial demands at this time would merely throw the colonies open to factional and Communist disorders, closer colonial cooperation with the Dutch and French may follow.

## PORTUGAL

Political unrest in Portugal may develop from the economic crisis which has been getting steadily more acute during the past 12 months. The economic deterioration of Portugal, largely resulting from postwar dislocations in its traditional trade pattern, will be speeded by the disastrous harvests of the past summer and the unprecedented shutdown of the sardine industry caused by the absence of fish off the Portuguese coast. The poor harvests will necessitate increased imports of food grains. At the same time, failure of the sardine pack, which normally is one of Portugal's major exports, will temporarily remove an important source of foreign exchange.

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## E A S T E R N E U R O P E

## SOVIET UNION

Increased war apprehension among the Russian people is now evident, even though the Kremlin has attempted to keep the Soviet masses from learning the true seriousness of the present world situation. The Soviet press has consistently played down the Berlin blockade, reporting only "Soviet counter-measures" against the western currency reform and alleged violations of quadripartite agreements. Until the 26 September TASS statement of the Soviet Government's position regarding the Berlin negotiations, the Soviet people had only been told that meetings between western envoys and Stalin and Molotov had been taking place in Moscow. Contributing to the increased apprehension of war were the secrecy of the negotiations, the increased emphasis in the Soviet press on "US imperialism and preparations for war," and the confirmation by TASS that the Berlin negotiations had broken down.

Soviet propaganda during the past week continued to attack the personalities, policies, and decisions of the UN. The submission of the Berlin crisis to the UN will probably set off a series of even sharper attacks against that organization and the western powers. Wide distribution was given to propaganda charging domination of the UN by the "Anglo-American bloc" whose "mechanical majority" made possible the selection of its own candidates for all posts. The western powers were also charged with undermining the UN by loading the agenda with irrelevant issues and the possibility of a collapse of the UN was mentioned occasionally in a way to attribute the desire and responsibility for such a collapse to the western nations.

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## GREECE

The Greek Army's inability to subdue the guerrillas is being forcefully demonstrated by the vigor with which the Markos forces are now operating in every corner of Greece. Although current guerrilla activity lacks the dramatic character of last winter's attack on Konitsa or the recent defense of the Grammos area, its aggressiveness and its pervasive character indicate that the army's difficult summer offensive has brought no decisive results. Guerrilla bands are re-infiltrating areas once cleared by the army, including the Grammos sector; US aid projects are being sabotaged and equipment is being destroyed; static positions along the northern border are being stubbornly defended; the Satellites are continuing to provide supplies and refuge; and over-all guerrilla strength is being built up steadily through forced recruitment and the arrival of reserves from the Satellites. Undiscouraged by their Grammos losses, the guerrillas are more defiant than ever. They have recently broadcast a description of civil machinery they have established in the Peloponnesus, and there is a possibility that Markos might, as a psychological coup, set up temporary headquarters there. The Kremlin will probably continue to supply the guerrillas, hoping to prolong economic and social chaos in Greece indefinitely.

## CZECHOSLOVAKIA

Soviet annexation of Czechoslovakia, the subject of an increasing number of rumors which now cite 28 October as the date, will not take place until the requirements of military security become the overriding consideration in determining Kremlin policies. Soviet military requirements, unless altered by the outcome of the East-West conflict in the UN sessions in Paris, do not appear to justify a Kremlin decision to accept the many political disadvantages which would follow from outright annexation of Czechoslovakia. The primary disadvantage of

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**CZECHOSLOVAKIA**

**any kind of annexation would be the irreparable damage to the Soviet and Communist positions in non-Satellite countries, especially where the local Communists claim to be defenders of national interests. Similarly, repercussions in Satellite countries would further complicate the positions of the Communist regimes in power.**

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## NEAR EAST - AFRICA

## PALESTINE

US and UK efforts to persuade the Arabs and Jews to accept the Bernadotte plan are having only limited success. The Arabs oppose the basis of the plan: the partition of Palestine and the recognition of Israel as a sovereign, independent state. The Provisional Government of Israel, on the other hand, accepts this basis but opposes such provisions as: (1) the repatriation of the Arab refugees; (2) the internationalization of Jerusalem; (3) the establishment of a "free port" at Haifa; and (4) the award of the Negeb to the Arabs. Israel will probably accept the Bernadotte plan in principle but will seek to have it amended during the General Assembly's deliberations. The Arabs may be expected formally to reject the plan but to cooperate in implementing certain of its provisions if the UN adopts the plan. The equivocal attitude of both Arabs and Jews to the Bernadotte plan as a whole gives little hope that active cooperation is possible. Both sides apparently look upon the meeting of the General Assembly as merely another battle in the long fight between Zionism and the Arab world. Even if the General Assembly adopts Bernadotte's report, the Arabs will continue to boycott Israel politically and economically, refuse to withdraw their armies from Palestine, and build up their strength for a future offensive against the Zionists. The Jews will continue to encourage the immigration of Jewish DP's and will still plan to extend their control over all Palestine. Without vigorous and continuing UN supervision, hostilities are certain to break out from time to time, and instability will become chronic throughout the Arab world.

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## INDIA

**The administration of Hyderabad has been turned over to a military government set up by the Government of India with a view to restoring order and making preparations for eventual disposition of the state. Although a plebiscite is still under consideration, it appears more likely that the future of the state will be determined by a constituent assembly. The assembly, which will not be elected for some months, will obviously have a strong pro-Indian majority and will certainly favor accession to India. It will then have to decide on the manner of accession: whether Hyderabad will be made an integral part of India, or whether it will be split into several areas on a linguistic basis and merged with adjoining provinces which are already included in India. The Nizam, astutely disclaiming responsibility for the recent actions of his own government and formally "approving" all orders issued by the Indian military governor, may be allowed to remain as titular head of the state if, as is considered likely, it is incorporated as a whole into the Dominion of India. Meanwhile, the Razakars, local extremists recently outlawed by the Government of India, are carrying on guerrilla activities, along with small Communist bands to whom the Razakars have reportedly given arms.**

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## F A R E A S T

## INDONESIA

Tension between the Netherlands and the Indonesian Republic will probably be increased if Indonesia presents its case to the UN Security Council. The Republican Government has formally accepted the US draft agreement as a basis for the resumption of negotiations by the UN Good Offices Committee (UNGOC). Dutch objections to the plan, however, are expected to raise fundamental issues which will be difficult for the Republic to resolve in view of its internal military crisis. Because the Dutch Government has forcefully pushed its plan for an Indonesian Government excluding the Republic, and because many Dutch regard the Republic as largely communistic, further opposition from The Hague is expected. Threats to enumerate its grievances before the SC may represent the strongest step the Republic can take in attempting to force resumption of negotiations, especially since the success of the US plan is dependent upon its speedy adoption.

## KOREA

Until Korea's international status is clarified, important opposition groups within the National Assembly will probably not insist upon a revision of Korea's governmental structure. Dissatisfaction is increasing, however, with President Rhee's extensive powers and with his appointment of incompetents and alleged pro-Japanese to the Cabinet. Further dissatisfaction is felt by influential assemblymen who desire to exercise tighter control over the government. A drastic Cabinet shake-up and an amendment to the constitution which would produce a responsible Cabinet would lend stability to the Republic in the not unlikely event of Rhee's assassination. If Rhee is assassinated before such reforms are implemented, however, a chaotic struggle for power will ensue and the present government's popular support will be dissipated.

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## CHINA

China's National Government is faced with the prospect of unprecedented military, economic, and political crises following the Communists' capture of Tsinan, a Nationalist strategic military base. The Communists have changed their military tactics in North China from hit-and-run operations to coordinated assaults against well-fortified, major cities, which they are now apparently prepared to defend and administer. The next major Communist military effort may be against the rail junction of Hsuehou, on the last important Nationalist line of defense north of the Yangtze and Nanking. The Communist war potential has been substantially improved by the capture of the Tsinan textile mills, arsenal, and rail center.

The National Government is also losing its principal economic battle, and public confidence in the Government's ability to survive will probably reach a record low. Military defeats may seriously affect the already shaky new Chinese currency and lead to a worse financial crisis than that which occurred in July and August. Meanwhile, the desire for peace through compromise will probably grow stronger in Nationalist China. The USSR may thus be able to force acceptance of Soviet mediation. Any resulting coalition government probably would be dominated by the Communists.

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## WESTERN HEMISPHERE

## ARGENTINA

Recent political developments in Argentina are symptomatic of its serious economic ills. For the fourth time in five months, Peron has charged that the "threats" against his life were supported by "powerful forces," which, by implication, are close to the US Government. Peron apparently feels that the US will not make it possible for him to obtain sufficient dollar exchange to allow his administration to continue the course planned for it. By taking the offensive before any event occurs that will actually undermine his regime, Peron may be trying to make existing economic difficulties appear to be a political crisis which would justify the use of authoritarian measures. Such measures would probably place Peron in a position to deal summarily with all forms of opposition and to employ drastic economic means with which to fight inflation and to salvage as much as possible of the five-year plan. An arrangement with the US whereby Argentina would obtain urgently-needed dollars might relieve both political and economic tension at home and reverse the deteriorating trend in US-Argentine relations.

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