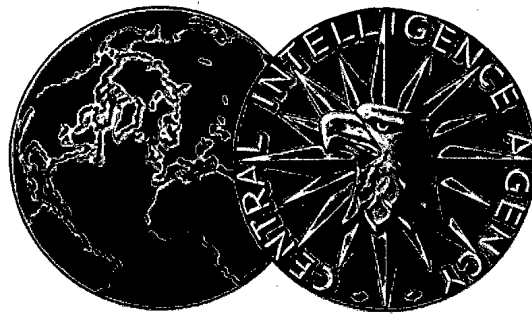


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# WEEKLY SUMMARY



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

The cleavage between the East and the West became more sharply defined than ever before at the UN sessions in Paris during this past week when the Berlin dispute was placed before the Security Council. Soviet representative Vishinsky's refusal to participate in the SC discussion of the Berlin problem made it plain that the USSR is unlikely to change its present stand on Berlin (see page 2). Other Soviet tactics at the UN sessions, such as the "conciliatory" proposal on atomic energy, merely represent the desire of the USSR to camouflage its basic obstructionism on all the major issues.

While the UN representatives of the western powers were debating with the representatives of the Soviet bloc, the French Government was engaged in an all-out battle with labor forces under the direction of the Communist-dominated General Confederation of Labor (see page 4). If the present coal strike leads to the fall of the Queuille Government, the succeeding government will probably be a rightist coalition headed by a Gaullist sympathizer, or possibly by De Gaulle himself.

In China, the forces of Communism have been achieving such success that the military situation of the Chinese National Government now appears irretrievable (see page 11). New military reverses and consequent economic and political disintegration may reduce the Chiang Kai-shek government to an impotent and bankrupt regime in the Yangtze valley and South China by the end of 1948. Elsewhere in the Far East, the Indonesian-Dutch dispute remains a stalemate as a result of Dutch reluctance to accept the basic provisions of a US plan for the resumption of negotiations (see page 10).

Restlessness and tension have increased in Palestine during the past week as a consequence of the UN General Assembly's decision to place the Palestine problem in third place on its agenda. In an increase of military preparations by both sides, the Jews have been more active than the Arabs, but Jewish renewal of the military offensive is not likely at present (see page 8).

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## UNITED NATIONS

The Berlin dispute dwarfed all other issues at the UN this week. The Soviet Union's surprise "conciliatory" proposal for atomic energy control failed to disguise its basically unchanged obstructionist attitude toward all major issues. With the East-West cleavage more clearly defined than at any previous General Assembly meeting, it is becoming increasingly apparent that Soviet tactics at the UN are designed: (1) to delay or soften Assembly censure of the USSR sufficiently to prevent complete isolation of the Soviet bloc; and (2) to permit continued negotiation of major issues despite the absence of any real Soviet concessions. The Soviet proposal on atomic energy was one such tactical and propaganda move, and it appears likely that the USSR may also assume an attitude of reasonableness by advocating blanket admission of all new applicants to the UN. On the other hand, Vishinsky's dramatic announcement that the USSR would not participate in the SC debate on Berlin reflects the Soviet Union's refusal to change its basic stand toward the German question.

Soviet refusal to participate in the SC debate on Berlin further emphasizes the difficulties faced by the UN in taking any concrete action which would lead to a solution of the entire German question. This Soviet refusal, coupled with increasing indications that the USSR may be planning more direct measures against the Allied airlift, has reaffirmed the Soviet refusal to lift the Berlin blockade without substantial compensation from the western powers. Despite the Soviet boycott of the SC debate, Soviet realization of the appeal which any "compromise" proposal would have to UN members may induce the USSR to undertake additional tactical or propaganda maneuvers (perhaps outside the UN) in an effort to pave the way for SC recommendation that direct negotiations on Germany be renewed. One such maneuver might be a Soviet offer to lift the Berlin blockade, provided the Western powers simultaneously suspend implementation of plans for a western German government.

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## UNITED NATIONS

Failure of the UN to reach some solution which will permit continued East-West negotiations on Germany will remove one more means for peaceful settlement of the German question and thus increase the possibility of miscalculations or incidents which might lead to war.

The Soviet "compromise" proposal on atomic energy, although unlikely to prevent Assembly approval of the work already done by the Atomic Energy Commission (AEC), was successful from the Kremlin viewpoint insofar as it contributed to almost certain agreement by the western powers for continued AEC discussions. The proposal reflected Soviet anxiety to avoid blame for a complete breakdown of atomic energy discussions rather than any real Soviet desire to reach agreement. By making the proposal, the USSR hoped to gain other propaganda and tactical advantages. On the one hand, Soviet representatives hoped to portray the Kremlin as the foremost exponent of peace and to represent the western powers as unwilling to negotiate further on this vital subject. Tactically, the USSR hoped to seize the initiative in Assembly discussions of atomic energy, to distract UN attention from the intransigent Soviet policy in Berlin, and to confuse the requirements for effective atomic control. Although the USSR may advance additional proposals camouflaged as concessions to the western point of view on atomic control, the present Soviet regime will never permit inspection within the Soviet Union by a commission which is outside the control of a Soviet veto.

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**SECRET****WESTERN EUROPE****FRANCE**

The Queuille Government has no more than a 50-50 chance of surviving an all-out battle with labor which may be precipitated by the spreading coal strike called by the Communist-dominated General Confederation of Labor (CGT). Apparently the Communists feel that their decisive action in calling the coal strike will swing large blocks of non-Communist laborers to the support of the CGT, particularly because the present wage-price disparity has created many hardships for these workers. If the coal strike is successful, the Communists plan a series of other strikes involving dock, transit, and metal workers, in the hope of: (1) promoting further economic and political chaos with consequent damage to the European recovery program; and (2) re-establishing the CGT as leader of organized French labor. If the Queuille Government falls as a result of these strikes, it will most likely be succeeded by a Rightist coalition headed by a Gaullist sympathizer, or possibly by DeGaulle himself if civil chaos should appear imminent. Attempts to form a popular front government including the Communists would have no chance of success.

**ITALY**

A breakdown of Italian-Soviet trade negotiations may result if the Italian government continues to delay delivery of naval vessels due the USSR under the terms of the peace treaty and if the USSR consequently refuses to soften the industrial reparations terms of the treaty. The USSR is apparently intent upon obtaining these ships as soon as possible and may even, without further negotiations, publicly accuse the De Gasperi Government of failure to live up to the terms of the peace treaty. The USSR would probably claim such a failure was grounds for

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## ITALY

refusing to reduce the treaty's industrial reparations terms, thereby virtually forcing the breakdown of negotiations for an Italian-Soviet trade agreement. These developments would be extremely embarrassing to the Italian Government because the Italian Communists would then have an effective propaganda issue and both labor and manufacturing groups would have grounds for complaint against the De Gasperi Government. By delivering the ships promptly, however, the Italian Government could point to the USSR as the only power refusing to soften the "harsh" naval terms of the peace treaty and could blame any failure in the present Italian-Soviet trade negotiations upon the "uncooperative" attitude of the Soviet Union.

## UNITED KINGDOM

British fear of a third World War is pushing the UK more rapidly toward western European cooperation, as is seen from: (1) Foreign Secretary Bevin's admission to the UN General Assembly that the UK plans to rely heavily on regional arrangements for its future security; and (2) the announcement of a western union Permanent Defense Organization looking to the US for material and moral support. Previous British reluctance to join a tight regional grouping arose largely from the hope of preserving diplomatic flexibility and the fear of alienating the USSR. The precarious British economic position also tended to discourage increased military commitments. Policy makers of the UK are now prepared to sacrifice these considerations for increasing solidarity with the western union countries.

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

## SOVIET UNION

The Soviet press is discussing an eventual US depression for the first time since the public reversal of the Varga thesis that capitalism might be able to avoid a serious economic crisis by increased state planning. Although the articles in the Soviet press carefully avoid predicting an imminent depression, the economic situation in the US is reported to be steadily deteriorating and to be causing serious anxiety among influential business circles. This "depression" theme is designed primarily to weaken western European enthusiasm for the European recovery program through claims that the nations of western Europe will be in serious danger if they tie their economies too closely with the "unhealthy" structure of the US. Although the Kremlin apparently no longer expects an immediate depression, the reappearance of this theme indicates that an eventual crisis in the US economy is still a basic factor in Soviet long-range planning.

Soviet propaganda during the past week concentrated its attacks upon the legality of UN consideration of the Berlin crisis. The increasingly frequent mention of the London agreement for a western German state indicates that the Kremlin will probably continue to attempt to use the Berlin blockade to force the western nations to give up their plan for a western German government. The Soviet press also made propaganda capital of Vishinsky's proposals before the UN for international control of atomic energy by claiming that these proposals had enabled the USSR to regain the initiative in the UN.

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SOVIET UNION

The recent transfer of a large part of the Soviet dollar balances from New York to London may indicate an intensified Soviet interest in British domestic and colonial markets. The denial of the US market is forcing the USSR to turn to other western markets to supply its needs for machine tools, machinery, and other critical items. The transfer of dollar exchange may be an attempt to strengthen the hands of the Soviet bargainers currently engaged in trade negotiations with the UK.

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## NEAR EAST - AFRICA

## PALESTINE

The UN General Assembly's decision to place the Palestine question in third place on its agenda, where it will not be formally considered for several weeks, has increased the atmosphere of restlessness and tension in Palestine itself. Although both sides have increased military preparations and have expressed new suspicions of each other, the Jews have been much more active than the Arabs. Now that the initial shock of Bernadotte's assassination has worn off, Israel appears to be using a double-barrelled strategy: while Foreign Minister Shertok in Paris is urging that the Bernadotte plan be revised to give Israel the Negeb, the Israeli authorities in Palestine are doing everything possible to demonstrate to the UN the difficulties involved in attempting to internationalize Jerusalem. Israeli officials have persistently resisted UN attempts to demilitarize Jerusalem, and they have been officially charged by the UN Truce Commission with holding the truce in contempt and hampering the work of UN personnel. Although the Jews have apparently increased their military strength in the Lake Hula region and have maintained their forces in Jerusalem, there is little present justification for new Arab fears that the Jews plan to provoke an attack by the Arabs as a pretext for denouncing the truce and taking the offensive. Such a move would be likely only if Israel were to conclude that: (1) no satisfactory solution could be obtained through the UN; and (2) the UN control machinery in Palestine could not function effectively against a renewal of hostilities.

French hopes that crude oil might be shipped from Haifa to western Europe soon, without waiting for an over-all Palestine solution, are not likely to be fulfilled. Because Iraq's refusal to allow oil to be shipped through its pipeline to Jewish-held Haifa is the crux of the problem, the French have informally

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## PALESTINE

suggested to the US and UK that both Jews and Arabs might consent to the passage of crude oil through the pipeline if it were marked for export only. The US has pointed out, however, that although it is willing to explore the question with France and the UK, Israeli control of Haifa may make it impossible to ignore Israel's oil needs in any proposal that is drawn up. A draft agreement which provided oil for Israel, even from non-Iraqi sources, would immediately encounter Iraq's opposition, although the Iraqis might be willing to ship oil on a transit basis under adequate controls.

## INDIA - PAKISTAN

India is not expected to invade Pakistan in the near future, despite the tension existing between the two dominions. The Government of India is still involved in Hyderabad, where 10,000 or more Indian troops are engaged in "cleaning out" Communists and other extremists. These troops are not likely to be available for action elsewhere for several months. The recent incendiary statements of Prime Minister Nehru and other Indian leaders probably represent an attempt to intimidate Pakistan into withdrawing its troops from Kashmir. Pakistan, still fearful of Indian invasion, is taking steps to increase its military potential, and the possibility remains that an unforeseen incident may touch off large-scale hostilities.

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## F A R E A S T

## INDONESIA

Although both the Netherlands Government and the Indonesian Republic have formally accepted the US delegation's draft agreement on Indonesia, the possibility of a resumption of negotiations under the UN Good Offices Committee (GOC) is reduced by the stiffened Dutch attitude. Dutch revisions of the original plan have in effect turned it into a new Netherlands draft agreement which is tantamount to rejection of the US plan. The rigorous terms of the Netherlands Government include demands that the Republicans: (1) conclude discussions within three weeks after the Netherlands reply has been received by the Republic; (2) declare publicly that there will be no more anti-Dutch propaganda by Indonesia; (3) guarantee to restore law and order within three weeks; and (4) categorically outlaw Communism. If the Netherlands' reply is presented to the Republic in this form, the US delegation on the GOC believes that Republican Premier Hatta may be prompted to refer the case to the UN Security Council. US representatives have informed the Netherlands Government that unless the Dutch modify their position, the US is prepared to withdraw from the GOC in order to regain freedom of action in dealing with the Indonesian problem.

Despite the Indonesian Republic's success in suppressing the military operations of the insurgent Communist forces, left-wing extremists in the Republic will probably continue their efforts to capitalize on the Republic's serious economic difficulties. Twelve days after the announced formation of a Communist government at Madioen, the Republican Army recaptured Madioen and several small neighboring cities. The main Communist forces have withdrawn to the mountains, and

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## INDONESIA

Republican officials estimate that in about two months the remnants of Communist forces will be eliminated. The Netherlands economic blockade and the lack of communications between Republican areas will, however, provide extremists with opportunities for continuing action against the Republican Government.

## CHINA

The present military situation of the Chinese National Government appears irretrievable. The well-coordinated Communist military offensive from Manchuria to Central China is in striking contrast to Chiang Kai-shek's inability to adequately reinforce any threatened position without seriously weakening the defenses of other areas. The Nationalist position is extremely critical in the corridor leading into Manchuria where there is a major Communist drive to capture Chihnsien. In order to protect this sector, Chiang's forces may be forced to withdraw completely from Manchuria. In an effort to isolate Hsuchou, Communist forces are now moving against the Nationalist armies along the Lunghai railway (the last important line of defense north of Nanking). Major military reverses in this sector would virtually eliminate the remaining Nationalist forces north of the Yangtze. The Communists' desire to consolidate their political and economic position in occupied areas, together with the problems of military supply, may postpone, temporarily, a Communist advance into Central China.

A Chinese-Soviet agreement concerning Sinkiang province may be forthcoming. Replacement of the strongly anti-Soviet Sinkiang garrison commander by a conciliatory "politician-general" suggests that the National Government may be laying the groundwork for agreement with the USSR. Developments

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CHINA

in the Soviet-dominated Ili area of Sinkiang also suggest that the USSR may be preparing for Soviet "mediation" between Chinese officials and pro-Soviet Ili dissidents and for renegotiation of the Chinese-Soviet Aviation Agreement.

KOREA

The USSR may propose a Korean federation to the UN General Assembly as its solution to the problem of separate north and south Korean governments. Such a proposal might be regarded as a compromise by many member nations and would delay a GA decision on the Korean problem. If the proposal is adopted, the UN will: (1) accord equal recognition to a government created in defiance of its resolutions and to one created under its auspices; (2) provide the USSR with limitless opportunities for Soviet obstructionism in any subsequent negotiations leading to the formation of a federated government; and (3) damage severely the prestige of the newly-formed Republic of South Korea.

Korean President Rhee's drastic counter-measures against opposition forces in Korea may precipitate a domestic showdown before Korea's case is disposed of by the UN. A rightist plot to overthrow the Government has apparently been forestalled by the arrest of the reputed ringleaders in Seoul. Repressive measures have been taken against leftist newspapers and against journalists in Seoul accused of fomenting revolution. These actions, coupled with Rhee's veto of the Assembly's rice collection bill, are expected to unite opposition groups within the Assembly who favor an anti-Rhee coalition and who plan constitutional changes to limit his presidential powers.



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## JAPAN

The 7 October resignation of the Ashida Government over a bribery scandal is likely to remove the possibility of a middle-of-the-road coalition government in Japan for the time being. A conservative coalition, under the leadership of Democratic-Liberal Party President Yoshida, will probably take control of the government. The Socialists, who were members of the last coalition government, will become part of the opposition. This move has been motivated largely by Socialist objection to the proposed revision (endorsed by SCAP) of the National Public Service Law which contains restrictions on trade union rights of government employees. The selection of a conservative premier will probably facilitate the passing of the National Public Service Law in a form acceptable to SCAP. Accession to power of a full-fledged conservative government promises relief from the frequent Cabinet crises which have characterized governments in Japan during the past year and a half middle-of-the road period. How long the conservatives can maintain political stability in Japan, however, depends on their ability to solve pressing economic difficulties, many of which are beyond the capacity of any Japanese Government to solve.

## INDOCHINA

The French may launch a fall offensive in Indochina despite circumstances even more unfavorable than those preceding a similar, ill-fated campaign last October. Replacements and reinforcements numbering in the "low thousands" are to arrive this month, but low morale and deterioration of equipment argue against any successful large-scale operation. It is expected that the Viet Minh forces in the Tonkin area will be the main object of attack. Lack of success in this expected operation may result in French withdrawal to Cochin China and Cambodia.

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WESTERN HEMISPHERE

BRAZIL

Communists and extreme nationals have been attacking US interests in Brazil through anti-US propaganda in the Brazilian press. Those segments of the Brazilian press which are usually pro-US have produced no effective counter-propaganda to the charge that the US-Brazilian Technical Mission is trying to hand over Brazilian oil and iron ore to the US. Moreover, the attack on the US has been so telling that US Embassy Rio believes that the scheduled November meeting of economic personnel from US Embassies should be postponed because it would provide material for more anti-US propaganda.

PERU

Suppression by the Bustamante administration of Peru's second armed revolt within three months does not provide an accurate gauge of the strength of the regime, which is almost wholly dependent upon the armed forces for its support. The Peruvian Government has charged that armed civilian Apristas (members of the non-Communist left) participated in the revolt and has issued a decree outlawing APRA as a legal party and calling for the prosecution of its leaders. Such measures are not likely to remove the threat posed by APRA, however, unless the Government finds some means of ensuring complete loyalty of all branches of the Peruvian armed forces.

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