

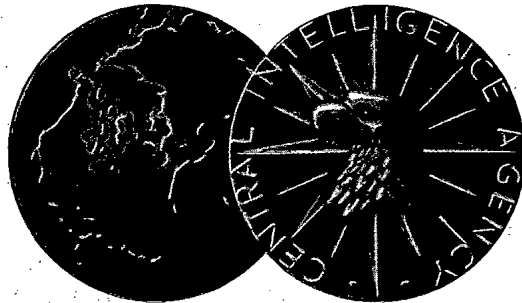
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WEEKLY SUMMARY



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H I G H L I G H T S

While UN negotiations on the Berlin dispute have continued to be stalemated, the division of Berlin itself has become almost complete. The recent action of the USSR in recognizing an east Berlin government has been followed by a strong anti-Communist vote in the 5 December elections for the western sectors of the city (see page 2). Although these two developments accentuate the split in the city, the western sector elections at least indicate continued German support for the efforts of the western powers to defeat Soviet attempts to gain complete control of Berlin.

The military situation of the Chinese National Government continues to move irrevocably toward disaster. Communist forces have succeeded in surrounding virtually all Nationalist units in the Hsuehou-Pangfou area and are rapidly destroying organized Nationalist resistance north of the Yangtze River (see page 9 and map). Meanwhile, the National Government is making haphazard plans to move from Nanking to Canton and Chungking.

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SECRET**WESTERN EUROPE****GERMANY**

Berlin Elections Although the results of the recent elections in the western sectors of Berlin will in fact further accentuate the split in the city administration, they at least assure continued German support for western measures designed to counter Communist efforts to gain complete control of Berlin. The new government in the western sectors will be dominated by the Social Democrats, who have proposed that their party leader, Dr. Ernst Reuter, be installed immediately as mayor. Reuter has emphasized the need for close collaboration with the western military governments. He has also indicated that his government will: (1) undertake the reorganization of the badly disorganized city administration; (2) ask the military governments to introduce the western mark as the sole legal currency in order to simplify city administration problems and facilitate reduction of the budget deficit; and (3) seek to streamline and unify the three-sector government within the framework of the Berlin constitution.

Bumper Harvest The improved food situation in the eastern zone of Germany resulting from the bumper 1948 harvest has increased Soviet capabilities for carrying on the present struggle over Berlin. The USSR will have at its disposal approximately a half million tons of bread grains after meeting all military and civilian ration requirements in the Soviet sector of Berlin and eastern Germany. This excess can be used for incentive programs in factories, increased rations to consumers, and disposal on the free market. Moreover, the USSR can be expected to rely upon this surplus to lend credence to an intensified propaganda campaign to counteract the effects of the airlift. Previous Soviet claims that the USSR could feed the entire city have already been buttressed by an announcement by the new rump government in the Soviet sector that it intends to carry out the "Democratic bloc's" winter emergency program for supplying food and fuel to all Berlin.

SECRET**UNITED KINGDOM**

Commonwealth Status The future organization of the Commonwealth may be influenced by Ireland's action in cutting its last legal tie to the British crown and the Commonwealth's unqualified acquiescence in this step. Ireland's new republican status will change neither the existing reciprocal citizenship rights between Ireland and Commonwealth countries, nor "imperial preferences" in the field of trade. Although the UK intends that Ireland be a special case, Ireland's unique association with the Commonwealth will arouse keen interest at least in India and South Africa. These Commonwealth nations ardently aspire to become republics but have thus far been deterred by the prospect of losing the benefits derived from connection with the British crown. There are indications, however, that the older dominions of Canada, Australia, and New Zealand would oppose any extension of the Irish precedent, which might also be strongly opposed by non-Commonwealth nations if these countries sever their ties with the Crown while maintaining trade preferences.

SCANDINAVIA

Defense Prospects Prospects for a mutual Scandinavian defense agreement still appear remote. The difficulty attending the current defense talks is underscored by the Norwegian Foreign Minister's prediction that Norway will openly break with Sweden in January over Sweden's continued insistence on Scandinavian neutrality. Concrete steps are being taken by the Scandinavian countries, however, to improve their individual preparedness. The Swedish Parliament is expected to approve a 50% increase in aircraft for Sweden's day-fighter groups. Moreover, the Swedes are planning to increase the mechanization of the Swedish Army and have reportedly been successful in developing a jet fighter

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SCANDINAVIA

and anti-aircraft guns capable of combating jet planes. The Norwegian Government, which obtained a 100 million kroner (\$20 million) defense grant in March, is now asking for an additional 112 million kroner for defense purposes. The Danish Defense Minister has the support of the four major political parties for a purchasing program to include jet fighters, naval mines, and anti-aircraft equipment.

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

YUGOSLAVIA

Talks with West Behind-the-scenes economic and political talks between the Yugoslav Government and Italy, Greece, and Austria suggest that Tito's administration is seeking to strengthen its economic ties with its non-Communist neighbors. Previous efforts to reach agreement have been complicated by Yugoslav nationalism, but Tito's Government has recently intimated that, in the future, it will be more accommodating in its attitude toward the problems of Trieste and Gorizia. Although the Carinthian frontier issue has not been resolved, Austria and Yugoslavia have agreed that the frontier controversy need not prevent cooperation in the economic field. Despite Yugoslavia's acceptance of the UN-sponsored plan for settling the Greek border dispute, which may appear conciliatory to the western powers, the acceptance was made contingent upon agreement to the plan by both Albania and Bulgaria. Tito is thus apparently attempting to pursue an unostentatious open-door policy which will not only allow for Yugoslavia's economic accommodation with either the East or the West, but will also prove useful as a means of bettering Yugoslavia's bargaining position with the Soviet bloc.

ALBANIA

Cabinet Changes The USSR appears increasingly preoccupied with Albania's future role in the Balkans. Since the Tito-Cominform rift, a large Soviet military mission has been sent to Albania and trusted Kremlin disciples have been placed in Albanian army and security posts. The Soviet bloc has sent Albania increased supplies of food, ammunition, and industrial equipment, while the USSR has undertaken more direct control over aid from Albania to Greece. In the past

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ALBANIA

two months there have been three shifts in the Albanian Cabinet. These shifts were apparently not specifically caused by ideological deviation from the orthodox Communist line. Rather, Moscow-trained Communists now in Albania, recognizing the weakness in Albania's present isolation from the other Cominform countries, probably initiated the changes in the Albanian Cabinet because of their concern over: (1) the instability of the Albanian regime; and (2) the inability of Premier Hoxha to maintain control in view of the Albanian Government's former close ties with Yugoslavia. Thus, it appears logical that the newly-arrived emissaries from the Kremlin may have decided to exert more direct control over Albania in the belief that Albania is strategically important to the USSR in its conflict with Tito, in the Greek war, and in the Yugoslav-Bulgarian struggle for Macedonia.

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NEAR EAST - AFRICA

Moslem Unrest Increased unrest among the Moslems of north Africa and the Near East will probably result from the GA's decision to adjourn until next April without having taken any definitive action on Palestine and the Italian colonies. The Slav bloc's proposal to carry over all unfinished business until the next regular session in September 1949 reflects Soviet interest in prolonging confusion and uncertainty in this area. Any decision on Palestine reached by the GA before adjournment will not go beyond a weak and incomplete resolution which will not solve the basic, controversial issues.

Popular Pressure Current mob demonstrations in Syria and Egypt suggest that the Arab peoples are increasingly aware of their ability to influence government policy by direct pressure. The fear of provoking new manifestations by dissatisfied elements may explain the present tendency of Arab political leaders to avoid any clear-cut statements of official policy on such controversial matters as Palestine and Anglo-Arab relations. The effectiveness of such popular pressure was demonstrated in Iraq in January, when mob action forced the resignation of the Jabr Government, following the unpopular treaty negotiations with the UK. The immediate pretext for these recent outbreaks is alleged mismanagement in Palestine, but the basic cause is the economic plight of the Arab people. Governmental inability to cope with such internal problems as inflation, petroleum shortages, and taxation has intensified popular resentment over Israeli diplomatic and military successes. Because of the volatile Arab temperament, it is always possible that a manifestation originally planned as a mere formal protest may get completely out of hand, as apparently happened in Damascus and Cairo last week.

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SECRET**PALESTINE**

Jewish-Arab Negotiations The meeting of Palestine Arabs at Jericho to proclaim Abdullah "King of All Palestine" and the cease-fire agreement between Israeli and Arab Legion leaders for the Jerusalem area may form the basis for a subsequent Israeli-Transjordan rapprochement. So far, there has been no violent Arab reaction to the cease-fire, which has been surprisingly effective, and the accord reached by Transjordan and Israel in military matters may offer a precedent for agreement in other spheres. Although the Jericho meeting proclaimed Abdullah king of "all" Palestine (presumably for propaganda purposes), Abdullah realizes that the existence of a Jewish state must be accepted and has long been eager to annex merely the Arab portions of Palestine. Similarly, Israeli officials are seeking a political agreement with Abdullah in the hope that an arrangement with a strong Arab state might break up the shaky structure of the Arab League and dissipate the threat of concerted military action against Israel. No agreement reached between Israel and Transjordan, however, would automatically solve the Palestine problem. The future of the Negeb is still in doubt, and periodic clashes between Israeli and Egyptian forces in the area continue. About 8,000 Iraqi troops still occupy central Palestine north of Jerusalem; the Iraqi Government would find it difficult to withdraw these forces without stirring up dissatisfaction at home. Finally, there is some reason to doubt whether Israel would long abide by any territorial agreement with Transjordan, in view of Israel's military strength and the pressure within Israel for expansion to the Jordan.

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

Military Situation Following the strategic withdrawal of Nationalist forces from Hsuchou, Communist forces have succeeded in surrounding and partially annihilating two of the three remaining Nationalist pockets of resistance in the central China sector. Late reports indicate two of the three encircled army groups southwest of Hsuchou have been rendered ineffective as a consequence of defections and casualties. Southwest of Sushien, the encircled Twelfth Army Group has been written off by the Nationalist High Command. US military field observers consider the battle of central China to be nearing its end, with the Nationalists apparently preparing to evacuate Pangfou, the last line of defense above Nanking. Meanwhile, Communist units are continuing their drive on Chiang's capitol and have reached the southern sector of the Hungtze Lake region, east of Pangfou, approximately 60 miles north of Nanking. Confusion appears to be the keynote of the Nationalist High Command and the consensus of opinion is that the loss of central China north of the Yangtze is imminent. In north China, Government troops under Fu Tso-yi apparently have, thus far, been successful in withstanding a Communist drive in the Kalgan sector aimed at cutting off any possible avenue of escape for Fu's forces west into Suiyuan.

INDONESIA

Police Action If the Netherlands Government undertakes police action in Indonesia as a result of the breakdown of Dutch-Republican negotiations, strong opposition is anticipated from Republican forces and from pro-

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INDONESIA

Republican elements in Dutch-occupied areas. Influential Indonesian members of the Dutch-sponsored Bandoeng Conference have stated that they would not permit any interim government to be used as an excuse for ordering police action. In addition, the Dutch-created states of Pasundan and East Indonesia have informed Republican Premier Hatta that they would not enter a provisional government unless the Netherlands promised not to use force against the Republic. Although Republican leaders are reportedly gloomy concerning Indonesia's future, the Republic remains a symbol of widespread nationalist aspirations and is expected to receive resolute backing from its political groups which have all gone on record as opposing any agreement with the Dutch that would encroach upon the Republic's sovereignty.

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SECRET**WESTERN HEMISPHERE**

Army Coups The recent army coups in Venezuela and Peru may have set the precedent for increased political activity by military factions in other Latin American countries. The threat to democratic government will continue in many countries until a solution of social and economic problems permits the growth of a stable basis for civilian political power. Moreover, the military groups can be expected to resist bitterly any encroachments upon their long-established positions of power and prestige. In Venezuela and Peru, for example, army action was motivated not so much by a desire to suppress a Communist threat as by a desire to restore the waning political influence of the military in the newly-elected popular governments. Army leaders in Guatemala and perhaps Chile, which have recently established democratic governments, may now be encouraged to take steps necessary to safeguard their privileged positions. Moreover, in countries with little or no democratic experience such as Ecuador, Bolivia, and Paraguay, military factions can hardly fail to note from the Venezuelan example the advantages of unified action in coercing civilian political elements. Although all these countries will not necessarily experience army coups similar to those in Peru and Venezuela, the armed forces throughout most of Latin America will for some time be a serious threat to the development of democratic government.

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