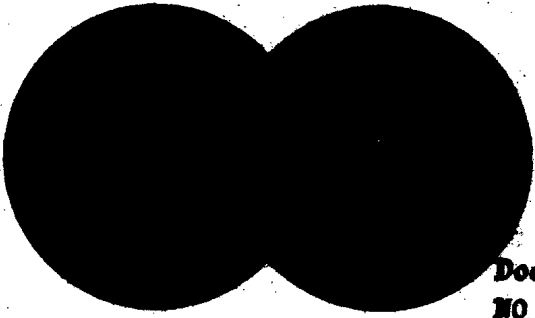


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WEEKLY SUMMARY



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

Whether or not the Berlin blockade is lifted as a result of the Jessup-Malik talks, the action of the USSR in publicizing the negotiations at this time reflects the Kremlin's desire to regain the initiative in the struggle for Germany. By taking some step to ease East-West tension, the USSR probably hopes that it can halt the steady progress of western consolidation (see page 6). If the lifting of the blockade and four-power discussions on Germany are the product of the current talks, the Soviet aims in such four-power discussions will be to lay the groundwork for achieving ultimate control over all Germany or, as a minimum, to obtain a "neutral" Germany which will deny the western powers exclusive control over west Germany.

While the East-West struggle was chiefly centered last week on the possible lifting of the Berlin blockade, it was also going on over several peripheral issues, among which was the continuing effort of the West to organize an effective anti-Communist international labor movement (see page 2). The USSR is attempting to counteract the western effort by strengthening its relations with non-Communist and labor groups outside the Soviet orbit, principally through the Communist-led WFTU.

The position of the Chinese Nationalists has continued to crumble during the past week, despite a general desire among National Government leaders to continue resistance to the Communists (see page 15). The already limited ability of the Nationalists to resist has been further decreased by the failure of Acting President Li Tsung-jen to reach an understanding with Chiang Kai-shek and by extreme weakness of the Nationalist armed forces.

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SECRET**ASPECTS OF EAST - WEST CONFLICT**

While the struggle between East and West was being highlighted this week by the Jessup-Malik talks on lifting the Berlin blockade and the Communist victories in China, it was also being carried on over peripheral, yet important, issues. This phase of the struggle centered chiefly on: (1) Western efforts to organize an effective anti-Communist international labor movement and to bring about Western European unity; and (2) Soviet moves to counteract these efforts.

World Labor The decision of the British Trades Union Congress (TUC) to call a June meeting at Geneva of western trade union delegates is an important step toward the eventual formation of a new anti-Communist international labor movement. The decision followed further attempts by US and British labor leaders to resolve their differences and the demand from the Brussels small-power labor conference for prompt organization of the new international. Although no agreement has yet been reached on basic differences between US and British labor leaders (the relationship of the CIO and AFL in a new federation remains a critical point), the formation of a federation capable of competing on equal terms with the Communist-led WFTU for control of world labor may be hastened by: (1) the TUC agreement not to insist that former WFTU Assistant Secretary Schevenels head the new organization; and (2) the desire of the big-power unions to regain the initiative from the small-nation unions in promoting the federation.

European Council The substantial progress toward Western European unity already made in the economic and military fields will soon be matched in the political field as a result of the large measure of agreement on the proposed Council of Europe reached this week between the Brussels

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Pact powers, Italy, Ireland, and the Scandinavian countries. Voting procedures and the advisability of admitting Greece and Turkey are apparently the only major unresolved problems. The foreign ministers of the prospective member nations plan to meet in London on 3 May to sign the agreement establishing the council.

Soviet Reaction Meanwhile, the USSR is seeking to offset western unity by strengthening its contact with non-Communist labor and intellectual groups outside the Soviet orbit. The WFTU, which is already attempting to bring western industrial workers into its trade departments, is also trying to dissuade the Australian and Swedish national labor organizations from joining the seven small Western European organizations which plan to withdraw from the federation in June. The WFTU is not expected to be successful in these efforts, however, and will probably not be able to retain any small-power labor elements not already Communist-controlled (such as the Australian Metal Workers and Waterside Workers). Moreover, in the months to come, as it becomes more widely recognized as a wholly Soviet-controlled instrument, the WFTU will find it increasingly difficult to substantiate its claim to represent world labor.

On the "peace and democracy" front, the USSR is attempting to promote Soviet objectives and maintain contacts with "intellectuals" in the non-Communist world by establishing permanent National Peace Committees under the direction of an international peace organization. The USSR has thus created a propaganda mechanism similar to the "World Committee Against War and Fascism" established in 1932 by the prewar Comintern. In addition to providing a means for extending Soviet influence beyond the narrow limits of the Communist Parties, these peace committees may serve as a cover for

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clandestine Communist operations. Some of the western delegates at the recent Paris Peace Congress stressed the militant intentions of the new movement and emphasized their determination to avoid war "even at the cost of revolt" against their respective governments. Wherever feasible, they apparently hope to organize the national and local committees for demonstrations, strikes, and even sabotage.

Soviet Propaganda In a further effort to counteract the effect of the Atlantic Pact and growing political and economic unity in Western Europe, the USSR is placing greater propaganda emphasis on Communist gains in the Far East. By stressing that the Communist victories in China will result in important changes in the world balance-of-power, the USSR hopes to: (1) convince audiences at home and in the colonial areas that Soviet power is invincible; and (2) undermine western confidence in the ability of the West to prevent further Soviet expansion. With fewer opportunities in Europe for propaganda exploitation, the USSR will probably devote its propaganda efforts more and more to the Far East and colonial areas. As part of this new emphasis, Soviet propaganda will portray the USSR as the exclusive champion of independence for the countries of southeast Asia and of industrialization of all backward areas. Simultaneously, Soviet propaganda will accuse the western powers of advocating the perpetuation of agricultural economies in Asia and will portray the Truman point-four program as a device to exploit the backward areas of the world and to keep them at the mercy of the industrial West.

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SECRET**WESTERN EUROPE**

Italian Colonies **British insistence on sole control over Cyrenaica has sharply reduced the likelihood that the current session of the GA will reach a compromise solution establishing a five-power trusteeship for all Libya. Sentiment had been tending toward such a solution as a result of efforts by the key Arab and Latin American blocs to agree on the terms of a US-UK-French-Egyptian-Italian trusteeship for Libya. If the UK continues to insist on a separate Cyrenaican regime, however, any multilateral proposal may well be limited to the remaining areas of Libya. In the likely event that such a proposal proves unsatisfactory to the pro-Italian bloc, the Assembly will probably postpone disposition of Libya until the September session. Because of the increasing sentiment for a one-package solution to the Italian colonies question, it is quite possible that the disposition of the other colonies would also be postponed.**

Spanish Issue **The lifting of the ban on diplomatic chiefs of mission to Spain, as proposed by the Brazilian delegation, will probably not be approved at the current session of the General Assembly. Western European opposition to the proposal has been strengthened by the US decision to abstain from voting, and Brazil and the co-sponsors of the proposal will probably be unable to muster the necessary two-thirds majority for its approval. Brazil may well decide to withdraw the proposal rather than see it defeated by combined opposition from Western Europe, the US, the UK, Canada, Australia, China, the Philippines, the Soviet bloc, and some Latin American states.**

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Civil Air Transport The "liberal" British interpretation of US-UK air policy designed to contain Satellite air activities, together with a tendency by Western European nations to make the exchange of air rights part of their general trade negotiations with Satellite countries, may soon necessitate a thorough reassessment of the US-UK air policy agreement. For example, against known US desires, the UK recently expressed its willingness to grant the Polish airline the right to overfly the British Zone of occupied Germany, provided the Poles grant full and immediate reciprocity to the Belgian airline. The Belgians hope that implementation of the projected agreement with the Polish airline will facilitate the signing of the pending Belgian-Polish trade agreement on favorable terms. Similarly, Dutch unwillingness to block a special flight to Amsterdam by the Hungarian airline was closely tied to the Netherland's desire to avoid any action which might disturb its trade relations with Hungary. A Danish-Polish exchange of air rights in 1948, likewise, was a factor in the successful conclusion of the present trade agreement between those two countries. A situation similar to that in Western Europe has arisen in the eastern Mediterranean where Greece and Turkey, determined not to impair their trade relations with Czechoslovakia, have failed to respond to US urgings that present Czechoslovak air services at Athens and Istanbul be terminated.

GERMANY

Soviet Overtures Regardless of the outcome of the Jessup-Malik talks on the lifting of the Berlin blockade, the Soviet action in publicizing the negotiations at this time reflects the Kremlin's desire to regain the initiative in the struggle for Germany. Confronted with the failure of the blockade and the early establishment of a west

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SECRET**GERMANY**

German government, the Kremlin probably hopes that by taking some step to relax East-West tension, it can halt further western consolidation. In Germany, the USSR may hope to delay formation of a west German state by raising once again the possibility of a unified Germany. In Europe, the USSR may hope that a show of Soviet conciliation will lessen the feeling of urgency for military preparedness and so delay, or at least weaken, the Military Aid Program. If the USSR does lift the blockade and enters into four-power discussions on the German question, the maximum Soviet aim in Germany will be the establishment of a regime which will grant the Soviet Union opportunities for ultimate control over the entire country. The minimum Soviet aim will be a "neutral" Germany which will prevent west Germany from being exclusively under western-power control. If either of these aims should prove unobtainable and if the Kremlin should conclude that a settlement would threaten Soviet control over east Germany, the USSR might then abandon its "unity" theme and establish an east German state under exclusive Soviet domination.

Western Government If the Jessup-Malik talks result in the lifting of the Berlin blockade, the effect on the preparations for the creation of a government in western Germany would be negligible. In western Germany, the draft constitution is scheduled to undergo final readings in a plenary session of the Bonn Council on May 11-14. The draft will then go to the western military governors for approval. Reaction at Bonn to the TASS release on the talks on raising the blockade has been general skepticism of Soviet sincerity. Moreover, previous rumors that the blockade might be lifted, by arousing fears that a settlement of German issues through the CFM would be at the expense of western Germany

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GERMANY

and by creating a sense of urgency on the part of those Germans who still wanted to bargain with the West for better terms, may have contributed to some extent to successful action on the constitution. Difficulties may arise, however, in ratification of the constitution by the western state diets, particularly in Bavaria. These difficulties would stem primarily from long-standing disagreements between German political parties, rather than from reaction to the possible lifting of the blockade.

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

Israeli Relations **Increasing Communist attacks on Zionism and the Israeli Government, although placing a strain on Israeli-Soviet relations, are unlikely to change either the Kremlin's external policy toward Israel or Israel's generally neutral position between East and West. In recent months, the Communist parties in the Soviet orbit, the US, and even in Israel have reverted to traditional Communist opposition to Zionist nationalism, and Soviet propaganda has begun to condemn the "bourgeois" nature of the new Israeli Government. The Satellite states, apparently reluctant to lose large segments of their skilled and educated citizens, have drastically reduced emigration to Israel, thereby discouraging Israeli hopes of fulfilling its immigration requirements. Within the Soviet Union, the current anti-Jewish campaign seems to have been inspired in part by the growth of pro-Zionist sentiment among Soviet Jews after Israel's emergence as an independent state. These attacks, however, rather than representing a fundamental change in Kremlin external policy toward Israel, appear to stem primarily from internal Soviet considerations. For, so long as support of Israel will serve to weaken US-UK influence in the Near East, the USSR will continue to aid Israel on a diplomatic level and in the UN. Nonetheless, because Zionism is basically incompatible with Communism and any non-Communist government is automatically suspect, the USSR feels forced to attack the present Israeli Government and to eliminate all Zionist influence within the Soviet orbit.**

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SECRET**GREECE**

Military Step-up The recent increase in the clashes between guerrillas and national forces throughout central and northern Greece, resulting partly from aggressive probing on both sides, forebodes a considerable period of intensified military activity. Although the recruiting and supply potential of the guerrillas within Greece has lessened, they have not lost the active friendship of any of their northern neighbors. Tito is maintaining (at least publicly) a correct Communist attitude toward the guerrilla movement. Albania has been providing the guerrillas with their most valuable support: reserves from Albania are still being brought into the Vitsi-Grammos sector to counteract the fairly heavy casualties suffered in the Grammos battle. There also appears to have been a slight build-up of guerrilla strength near the Bulgarian frontier of eastern Macedonia. It is possible that the guerrillas may hope, by virtue of their increased activity, to gain greater logistical support from Bulgaria. If such aid materializes, Greek anger may express itself in renewed demands for a larger army. The Greeks have already expressed hearty approval of a recent British suggestion that Greek armed strength be increased. They may become convinced that only with such an increase can the struggle be ended with a minimum of bloodshed.

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

Peace Conference The Palestine peace conference now being held at Lausanne between Israel and Egypt, Lebanon, Transjordan, and Syria is not expected to produce an early solution of outstanding problems. The main issues are: (1) Israel's frontiers; (2) the Arab refugees; and (3) the future status of Jerusalem. On the first issue, Israel will try to persuade the Arabs to accept approximately the present armistice lines as legal frontiers. The Arabs, on the other hand, will attempt to cut Israel back to the original partition boundaries or, at least, to frontiers enclosing an equivalent amount of territory. Transjordan will demand a port on the Mediterranean and a corridor leading to it. Syria will demand western Galilee, and quite possibly eastern Galilee as well. Thus, agreement on this issue is unlikely unless great pressure is exerted on one side or the other. With respect to the Arab refugees, it is unlikely that even the Arab governments themselves expect the refugees to be repatriated in any significant numbers. Israel will probably agree to permit the return of a token number and then devise some formula for awarding compensation to the remainder. The formula will be so designed as to provide a face-saving device for the Arab governments (which have been demanding repatriation or compensation for the refugees) without placing any undue financial burden on Israel. On the matter of Jerusalem, the major difficulty will be for the contracting parties to persuade the UN to accept, in lieu of the internationalization which it recommended, the division of the city into Israeli and Transjordan sectors. Even if agreement is reached on these main issues, Israel and its Arab neighbors probably will not exchange diplomatic representatives or establish commercial relations for a long time to come.

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SECRET**INDIA - PAKISTAN**

Tribal Dispute **Tension between Afghanistan and Pakistan over the border tribal issue seems to have lessened within the last fortnight. The Pathan tribesmen have not been particularly aroused by the agitation over their status, and the somewhat calmer tone of Afghanistan's anti-Pakistan press and radio propaganda suggests that the Afghans, realizing their campaign is less successful than expected, may be preparing for a peaceful retreat. They can hardly make such a retreat gracefully, however, unless Pakistan publicly indicates that it does not intend to force the integration of the tribal areas into Pakistan. Thus far, Pakistan has gone no further than to state its willingness to negotiate the question of the tribal areas if Afghanistan halts its anti-Pakistan campaign. Meanwhile, the UK and Iran have taken an active interest in ending the controversy. The British Foreign Office is considering the possibility of calming the Afghans by helping them sell their goods in sterling areas and by holding out the hope of a loan and of arms shipments. Iran, which has already urged patience and conciliation on Pakistan, has intimated that it may offer its good offices in settling the dispute. Neither of these steps, however, would offer an easy solution. The British can hardly make arms shipments to Afghanistan except with Pakistan's assent, which is not likely to be forthcoming under present circumstances. Iran's projected offer is unlikely to be accepted by Afghanistan because of the latter's suspicions of Iran and their present difficulties over distribution of the waters of the Helmand River.**

Kashmir Problem **The UN Commission for India and Pakistan (UNCIP) has once again failed to get India and Pakistan to agree on truce terms for Kashmir. UNCIP's truce proposals of 15 April elicited a moderately favorable response from Pakistan, which "accepted" them with reservations.**

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INDIA - PAKISTAN

India's reply to UNCIP, however, completely ignored the question of acceptance or rejection. Instead, India reiterated its displeasure at the absence of references either to the disarming and disbanding of the Azad forces or to India's responsibility for the security of Kashmir. The Indian press continues to play up alleged cease-fire violations, and it appears that the period of peace and quiet which set in after the cease-fire is definitely over. Faced with increasing criticism from both sides for its alleged weakness and vacillation, UNCIP plans to present revised truce proposals by the end of April, this time urgently requesting that both sides accept the terms immediately and unconditionally.

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CHINA

Nationalist Weakness Although Nationalists, generally, support a policy of continued resistance to the Communist advance, there is little prospect that the various Nationalist elements can unite to make that resistance effective. In addition to the extreme weakness of the Nationalist armed forces, the failure thus far of Acting President Li Tsung-jen to reach an understanding with Chiang Kai-shek is further fragmentizing the extremely limited Nationalist ability to resist. Li has announced that he cannot continue in his present position without full presidential authority and freedom from Chiang's interference. Unless these conditions are met, Li plans to remain in Kwangsi Province and continue resistance on a regional basis. Meantime, right-wing Kuomintang groups are reportedly conspiring hopefully for Chiang's return to authority. Under these circumstances, the Nationalist Government can be expected to assume more and more the character of a regional regime and its claim for continued recognition by foreign powers will become more tenuous.

Military Situation The Chinese Communist forces that crossed the Yangtze last week met no notable resistance and, in some key points, were aided in their advance by pre-arranged defections of opposing Nationalist forces. The Communists first fanned out from their 20 April bridgeheads east and west of Nanking and, as the week ended, pushed a third column directly across the river at Pukow to seize the abandoned Nationalist capital, Nanking. Ironically, the captors of Nanking were ex-Nationalist troops that had "gone over" to the Communists some seven months ago at the fall of Tsinan.

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CHINA

This week, the two major Communist forces across the river have moved east in a two-pronged drive around Lake Taihu toward the Hangchow-Shanghai area. The northern force is reportedly 15 kilometers northwest of Shanghai and the southern prong is nearing Kashing on the Hangchow-Shanghai railway. Communist control of this rail line will deprive the Nationalist troops in refugee-clogged Shanghai of their last overland escape route.

Since the initial crossing, there appears to have been no real opposition to the lightning Communist drive. Nationalist forces are continuing their withdrawal to the area south of Hangchow and the Nationalist High Command has announced its intention to establish a second defense line running from Hangchow along the Chientang River southwest to Nanchang.

Effective resistance to a Communist attack on Shanghai is unlikely in view of vocal, widespread opposition to making that city the scene of fighting, the low combat efficiency of the Nationalist garrison, and the dearth of "hard money" pay for the troops. Instead of assaulting the city, the Communists may be satisfied with sealing off the Whangpoo River to prevent a sea escape by Tang En-po and his forces, and Tang in turn (under the direction of Chiang Kai-shek) will probably make every effort to evacuate all the troops he can by land, sea, and air. With the capture of the Hangchow-Shanghai sector possible whenever the Communists desire, the major Communist objective is first to cut off and then to liquidate all of Tang's forces remaining in the sector.

To the west, in the Hankow sector, fighting has not yet broken out. Press reports, however, indicate that elements of Lin Piao's Manchurian forces are now operating northwest of Hankow, possibly in an effort to encircle and cut off Nationalist forces in this sector under Pai Chung-hsi. Pai has long anticipated

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CHINA

such an operation and has been in the process of withdrawing from the Hankow area for some time. Other Communist forces reportedly have crossed at Kiukiang, following Nationalist evacuation, and are moving south toward Nanchang. The last major Nationalist pocket behind Communist lines in North China was also eliminated last week when Taiyuan fell to the Communists after a five-hour assault. Taiyuan's loss very probably spells the early abandonment of Tsingtao, which has now lost its chief strategic significance as a base of air supply for the fallen Shansi capital.

INDOCHINA

Military Situation Although the recent Viet Minh offensive along the Chinese border of Tonkin failed, the military scales can be tipped in favor of the French only if further Viet Minh attacks do not materialize and if French reinforcements are received promptly. According to French officials, their military position in Tonkin is perilous, although not yet desperate. Colonel Suard, President Auriol's personal military representative who has been surveying the situation in Indochina, is expected to recommend: (1) replacement of top French officers in the area in order to correct the ineffective liaison between various French commands; and (2) procurement of 40-50 fighting planes from the US. If Paris officials remain unimpressed with the gravity of the French position and fail to implement these expected recommendations, the French may eventually be forced to evacuate Tonkin.

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WESTERN HEMISPHERE

May-day Demonstrations Communist May-day activities in Latin America are not likely to get beyond control of the various local police forces, who are normally ready for trouble on this date. In Montevideo where the International Labor Organization is meeting, however, Uruguayan Communists (who have been excluded from participation in this conference) may put on a more vigorous demonstration than usual in order to impress the delegates and will capitalize, for propaganda purposes, on any repressive measures the police take to maintain order.

ARGENTINA

Political Crisis Although substantial progress has been made in recent weeks in revising Argentina's foreign economic policy, the Government has failed utterly in its efforts to arrest inflation at home and seems to be heading toward a major political crisis. Since an early March showdown with the army, when Peron apparently was able to gain the present period of grace by promising to correct the country's economic ills, the Government has on successive occasions been forced to accede to inflationary labor demands, apparently being unable to find any formula to resist them. Public denunciations of labor, instead of curbing labor's demands for higher wages, have actually contributed to the drop in Peronista strength in recent provincial elections. At the same time, government concessions to labor have roused the ire of the army, which has charged Peron with "indulgence" toward labor; top army leaders are currently disaffected; and the colonels' clique, which brought Peron to power, is reported to have taken an opposition stand to the Government. Thus, Peron, dependent on both labor and army support for the continuance of his regime, has failed to satisfy either group and is moving toward another political crisis.

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ECUADOR

Failing Economy Rapidly deteriorating economic conditions in Ecuador present a serious threat to the Plaza regime. Factors accentuating the usual seasonal constriction of trade and credit are: (1) overextension of credit and lack of credit resources; (2) business apathy, engendered by the belief that lower prices and fewer exchange controls can be expected; (3) further decline in textile sales; and (4) apprehension that world prices will decline on rice, cacao, and coffee (Ecuador's principal exports). President Plaza, who had attempted to inaugurate a long-range program to improve the country's economy, has been forced by the present crisis to institute short-term measures which have not, however, alleviated the economic situation to any appreciable extent. Although the Communists are not an effective threat to the stability of the administration, the Communist Party is taking advantage of the economic situation and, by agitating labor and promoting strikes, is following its policy of harassing and discrediting the administration. The Communists, however, are stopping short of precipitating the actual overthrow of the Government, in the fear that any change might bring the rightists to power. Opposition political groups have been checkmated by the common fear that the fall of the present administration would serve only to bring a rival group to power. Two distinct subversive movements are evident in the army, but these forces are so balanced that thus far they have not felt able to challenge the Government. It is impossible, however, to predict the future position of the traditionally opportunistic army, particularly in view of the deteriorating economy; and there is no assurance that the present balance among the political opposition forces will be maintained.

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COMMUNIST ABILITY TO RULE YANGTZE VALLEY

With early military occupation of the Yangtze Valley assured, the Chinese Communists will be confronted with the complex problem of administering China's major industrial region. They will probably be capable of restoring law and order, public utilities, transportation, and industrial production to a considerable extent, but they will encounter difficulty in creating a stable financial structure and in reviving adequate foreign trade.

The principal industrial cities in the valley area-- Hankow, Wuchang, Hanyang, Changsha, Nanchang, Nanking, and Shanghai--have experienced a general breakdown in government, finances, and public utilities. Moreover, this densely populated region is burdened by the influx of large numbers of refugees. Following the capture of the major cities, it will probably be some months before Communist policies or provisional decisions for government of these cities will be promulgated; this delay will further complicate the enormously difficult task facing the too-few, inexperienced Communist administrators in restoring law and order and reviving economic activity.

On the other hand, initial Communist efforts will be facilitated by several factors. The people in general will be enthusiastic over the prospect of the unification of North and Central China for the first time in many years and the opportunity thus afforded for the reopening of normal trade channels. Government employees at the working level for the most part will remain at their posts. If communications and transportation facilities can be restored between the cities and the rural areas and between the Yangtze area and North China, prospects for increased internal trade and production are good. Food and

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cotton are plentiful in the rural areas; ample stockpiles of coal exist in North China; raw materials are available for delivery to Yangtze Valley industries; and the North China markets for Yangtze industries will once again become available.

Despite these favorable prospects for the restoration of public utilities and the growth of internal trade, the Communists will have difficulty in attaining a stable financial structure and monetary system. Communist efforts to industrialize the area at the expense of the rural areas will meet with peasant resistance. Moreover, the Communists will have difficulty in restoring foreign trade and thus procuring the many imports essential for the full restoration of economic activity.

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