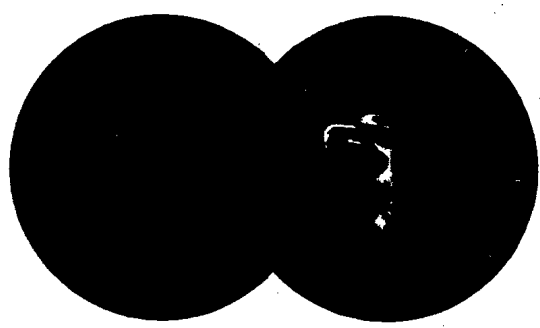


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# WEEKLY SUMMARY



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

**The Council of Foreign Ministers has now been in session in Paris for three weeks. Although Soviet Delegate Vishinsky may at any time break the deadlock with a dramatic proposal intended to impress the world and the western powers with the forthright motives of the USSR, the best indications at present are that the Kremlin finds the price of the western nations too high and does not want a general German settlement on current terms (see page 6). Meanwhile, the growing concern evidenced by Western Europeans over the possibility that the US Congress will not approve the Military Aid Program at the present session re-emphasizes the dependence of Western Europe's psychological balance upon US support (see page 2).**

**The plan of the French military leaders to shift men and materiel from Germany and North Africa, in preparation for an autumn military campaign in Indochina, directly affects US security interests in both Western Europe and the Far East (see page 15). Besides reducing the defense potential of the western powers, the French build-up in Indochina (to be accomplished in part with US arms) will constitute a drain on the French economy and will provide Communist propagandists in the Far East with material for charges that the US is backing "colonialism" in Asia.**

**Major fighting in the Chinese civil war has been suspended while Communist forces regroup and Nationalist units continue to withdraw southward (see page 10). Elsewhere in Asia, the India-Pakistan dispute over Kashmir continues to deteriorate dangerously, as is underlined by the recent request of Admiral Nimitz that his mission as UN Plebiscite Administrator be dissolved (see page 14).**

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## WESTERN EUROPE

**US Military Aid** The growing concern of Western Europeans over the possibility that the US Military Aid Program will not be approved by the US Congress at this session once again emphasizes that the delicate psychological balance in Western Europe remains dependent on US support. Despite the substantial economic recovery being achieved, the development of Western Europe as a strong non-Communist bloc still depends to a large degree on such psychological factors as general confidence in joint ability to resist Soviet aggression. Failure of Congress to approve MAP would be widely interpreted as an indication of US reluctance to assume its commitments to prevent Soviet domination of Western Europe. The resulting decrease in the general sense of security would dishearten Western Europeans and weaken their determination to resist the USSR and local Communist parties. The delay of several countries in ratifying the Atlantic Pact probably reflects in part the uneasiness already produced by fear that MAP would not be approved and, consequently, that the Pact would indicate an ultimate intention of the US to liberate rather than defend Western Europe. Beyond these important effects on Western European morale, failure of Congress to pass MAP would probably make many Western European nations reluctant to increase their armament programs on the grounds that such increases would be valueless unless accompanied by US assistance. The development of Western Union as an effective defensive force would thus be materially delayed.

## FRANCE

**French Recovery** France's economic recovery, although reasonably assured, will probably not continue at its previously speedy pace. Investors may be deterred at least temporarily by the difficulties France is now encountering

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**SECRET****FRANCE**

in achieving a balanced governmental budget, continued dollar shortages, and increasing demands for higher wages from the labor unions. That the present favorable trend will probably continue, for a short time at least, is indicated by such favorable economic developments as: (1) declining prices in some export goods; (2) a decreasing volume of currency in circulation following the first quarter of 1949; and (3) steadily increasing industrial production beyond the peak levels established in 1929.

**Labor Front** Communist efforts to create a united labor front in France are not likely to affect seriously French economic and political stability. The Communist-controlled General Confederation of Labor (CGT) and other labor groups have gained some new adherents recently, largely because of labor's dissatisfaction with the disparity between prices and wages. There has been no major shift in French labor forces, however, and national directorates of some non-Communist unions have passed resolutions against participation in a common front with the CGT. Although the Communists will undoubtedly attempt to transform any evidence of cooperation among the workers within plants into strike movements, and dissatisfied labor will continue to press for a favorable adjustment of prices or wages, improving political and economic conditions in France will tend to nullify these disruptive tactics against French industry.

**ITALY**

**Labor Confederation** The formation of a third Italian labor group, the anti-Communist and independent Federation of Italian Labor (FIL), has sprung from the desire of Italian workers for a non-partisan confederation, thus marking

**SECRET****ITALY**

a continuation of the trend away from the Communist-dominated Italian General Confederation of Labor (CGIL). Although the CGIL still retains superior strength over the other two labor groups, the fundamentally anti-clerical FIL eventually will have considerable drawing power for other non-Communist workers who have been unwilling to join the pro-Catholic labor group, the Free Labor Confederation. Those moderate leftist elements which had refused to break with the CGIL chiefly because they wished to preserve union unity may now also align with the FIL. Moreover, if the new labor group and the Free Labor Confederation can successfully collaborate (some Free Labor leaders have expressed an interest in joining forces with an anti-Communist union), then these two groups could become the nucleus for a bloc numerically superior to the CGIL. Such superiority could be attained through broad trade union collaboration because such a non-Communist bloc would probably attract a large number of independent trade unions and unorganized workers.

**GENERAL**

**Maritime Communists** Present Communist ability to control a substantial portion of the world's strategic maritime unions has been demonstrated by the swift extension to foreign ports of the strike of Communist-dominated Canadian Seaman's Union (CSU). Meanwhile, the WFTU is attempting to assimilate leftwing US and Australian longshoremen and, if successful, would eventually be in a position to call international maritime strikes supporting strike actions by any affiliated national maritime unions. Since the CSU strike began, sympathy strikes have been called in eleven ports in support of this action: six in UK and dominion ports and minor demonstrations in other areas. Although most of the demonstrations appear to have been organized in response to on-the-spot appeals by striking

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**CSU crews, the unprecedentedly strong support of 9,000 British dock-workers reflects prior secret coordination between CSU leaders and Communists in the British Dockers Union.**

**Simultaneously, Communist maritime organizers in North Atlantic countries, in Australia, and within the WFTU are attempting to strengthen Communist influence in their own areas. The Norwegian Seamen's Union reports the transference of key Communist agents from other industries to the merchant marine. In Iceland, Communist-dominated stevedores and merchant shipmen have called widespread strikes. Concurrently, the WFTU is seeking to establish a maritime workers "department" in which it will attempt to unite US, Australian, and other key maritime unions. The success of such efforts to organize world-wide maritime strikes will be determined largely by the ability of US, UK, Canadian, and Australian labor organizations to keep their leftwing maritime unions in line.**

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

**CFM Meeting** Three weeks have now passed since the reconvening of the Council of Foreign Ministers and as yet there has been no softening of the initial Soviet position and no revelation of Soviet purposes in requesting another CFM meeting. Although Soviet Delegate Vishinsky may at any time, in accord with sound Marxian bargaining tactics, make a dramatic offer of a formula to end the deadlock, the indications at present are that the USSR finds the price set by the western powers too high. A limited agreement permitting some degree of east-west trade through Berlin still remains within the realm of possibility, but a four-power settlement for Berlin or Germany now appears extremely remote.

**BULGARIA**

**Dimitrov Deified** Recent efforts of the Bulgarian press and radio to depict absent Premier Georgi Dimitrov as a beloved and almost legendary leader suggest that his active participation in Bulgarian Party affairs has ended. In the meantime, the Government's success in the May elections was treated as a kind of gift-offering to Dimitrov for his "heroic efforts" in the campaign and his congratulatory letters called "valuable guides" for Bulgarian political leaders. The most recent measure to enshrine Dimitrov's name is the establishment of "Dimitrov Awards," to be presented for outstanding contributions to Bulgarian Communist art, science, and industrial methods.

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**SECRET****GREECE**

**Army Campaign** After its first month, the record for Operation Rocket, the Greek Army's current guerrilla-clearing campaign in central Greece, seems to indicate that guerrilla evasive tactics may effectively delay successful execution of the plan. The Greek Army has thus far inflicted 1,600 guerrilla casualties. The guerrillas, however, have apparently succeeded in causing the action to spread from the limited area originally designated for Rocket to points as far north as Mount Olympus and as far east as the coastal mountains of Ossa and Pelion. Moreover, despite their losses, the guerrillas--by one method or another-- have been able to maintain their total active strength in central Greece at almost the pre-Rocket level, while their distribution of forces has remained about the same despite constant movement. Commander-in-Chief Papagos has indicated concern over the situation by directing the redeployment of troops so that the original plan -- either to annihilate the guerrillas or drive them northward out of the Rocket area-- may be carried out.

**Appeasement Fears** Greek leaders are increasingly apprehensive that current Soviet and guerrilla peace propaganda will stimulate strong outside pressures for appeasement and that, despite US statements to the contrary, big-power talks may result from Soviet maneuvers in the Council of Foreign Ministers. Although Greek public opinion is in general wholeheartedly opposed to any compromise based on the Communist peace moves, the possibility of appeasement has already prompted a number of opportunist politicians and fellow-travellers to gravitate to the Paris CFM meetings in the hope of promoting appeasement proposals and offering themselves

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**GREECE**

**for posts in an interim "reconciliation" government. Furthermore, pressures for appeasement of the guerrillas would probably mount rapidly at the slightest sign that the US was considering either a relaxation of support for Greece or a big-power deal.**

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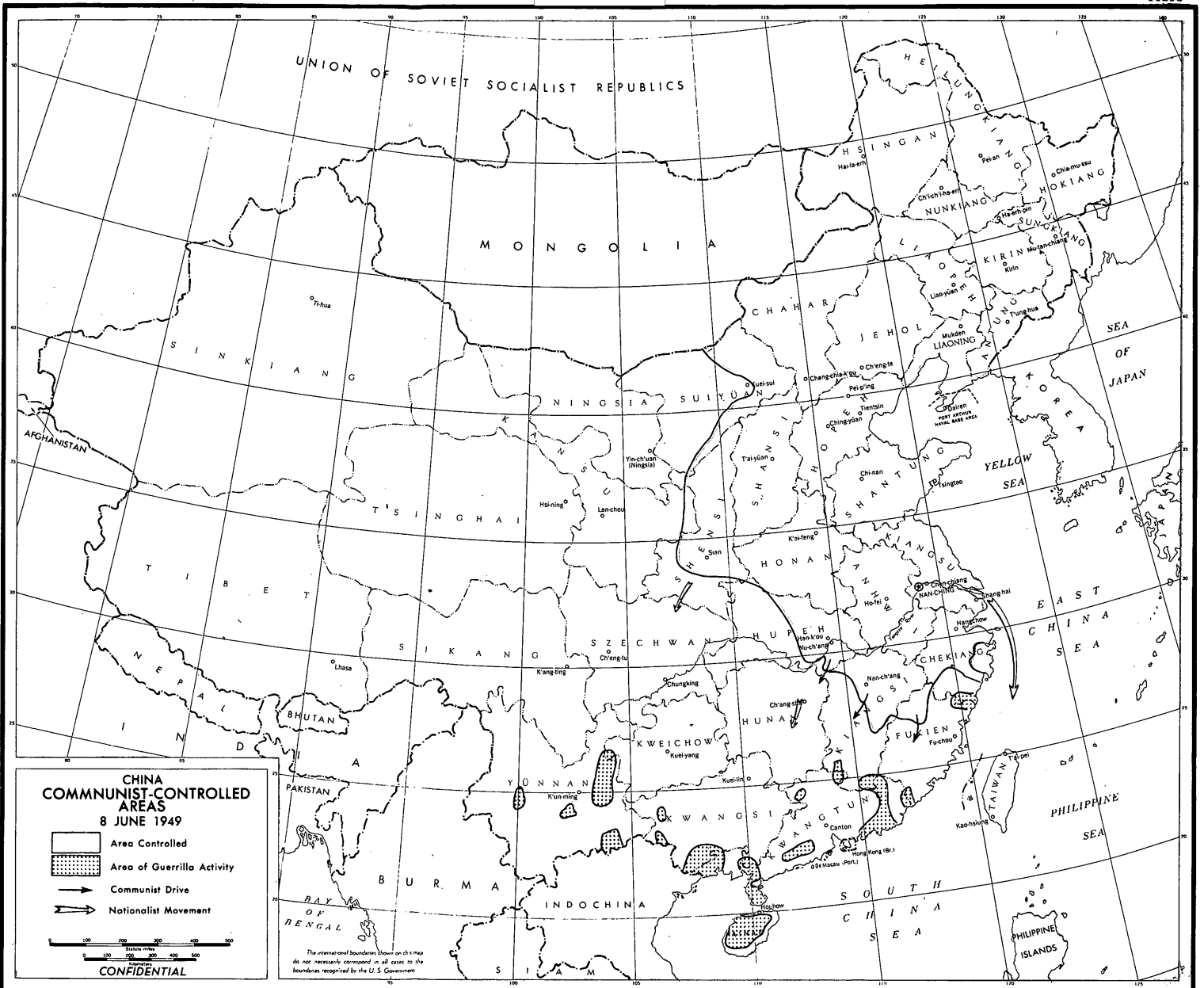
**SECRET****NEAR EAST - AFRICA****IRAN**

**Gendarmerie Merger** The Iranian Army's sudden assumption of control over the gendarmerie last week, in accordance with a merger plan advanced by the Shah and Chief of Staff Razmara, represents an important step in the consolidation of the Shah's position as the most powerful political figure in Iran. Under the merger plan, all of Iran's security forces will be under military control, although some 4,000 gendarmerie are nominally left under the Ministry of Interior for the execution of civil functions. Although the Shah and Razmara have advocated such a move for many years and probably were motivated primarily by long-run considerations, the most immediate effect of the merger will be to enhance the ability of army leaders to influence the coming Majlis elections.

One significant aspect of the move is that it was made against US counsel and despite opposition to the plan in the Majlis, which must formally authorize the merger before it becomes permanent at the end of six months. Further opposition may develop before the merger is consolidated, particularly in view of the suspicion of many Iranians that Razmara may be manipulating the merger for his own ends. Although Prime Minister Saed, Minister of War Ahmadi, and several other top political leaders are reportedly opposed to this grab for power, it is unlikely that they will suddenly risk royal disfavor on the merger issue. Moreover, the Shah's willingness to incur both US and local ill-favor indicates that there is little likelihood that he will accept any major change in the merger plan.

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

**Military Activity** Major military activity in China has been suspended while Communist units south of the Yangtze Valley pause to regroup and await reinforcements and the Nationalists continue to withdraw their Yangtze forces to south China and Taiwan. Although the Communists have occupied Yulin on the Shensi-Suiyuan border and Tsingtao in north China, they have scored no significant advances in either southern Shensi or southcentral China where one Communist force is reportedly moving slowly southwest along the Chekiang-Kiangsi railway. Another Communist force is now near Yungfeng in central Kiangsi, and a third is moving slowly southward along the railway from Wuchang. Meanwhile, the Communists will take advantage of any prolonged lull in military operations to extend guerrilla activities in Kwangtung and menace the approaches to Canton. They will also increase underground operations in all areas which they expect to occupy.

**Hong Kong** Although the Chinese Communists are determined to take Hong Kong and will probably succeed eventually in doing so, they are unlikely to risk an all-out military attack to capture the British Crown Colony during 1949. Since the Communists would prefer to take the colony without recourse to armed attack, their first step will be to launch a propaganda campaign. Once the Communists are entrenched in south China, their next step will be to enter into discussions with the UK for transfer of authority over the colony. These discussions may arise as a part of negotiations regarding recognition of a Communist government of China. If these negotiations with

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**CHINA**

**the UK should be fruitless, the Communists will probably bring pressure to bear on the colony through such tactics as strikes supported by a strong Communist underground or sabotage of the critical water supply.**

**KOREA**

**US Troop Withdrawal** President Rhee is apparently abandoning his efforts toward postponing withdrawal of US troops from Korea in favor of obtaining a strong statement committing the US to "stand by" Korea in any future troubles. In his widespread campaign to delay the withdrawal of US troops, Rhee so successfully stressed South Korea's vulnerability to Communist aggression that he aroused considerable fear among South Koreans regarding the ability of his government to maintain security. Rhee is now having to do everything he can to restore the badly-shaken public morale. Despite such efforts, tension will probably continue to accompany the period of US troop withdrawal. Meanwhile, friction between President Rhee and the Assembly over domestic issues is still acute and threatens to prevent legislative action on a number of crucial issues. A prolonged legislative breakdown during the critical period of US troop withdrawal might lead Rhee to risk the political progress gained in South Korea by declaring a state of emergency and governing by decree.

**INDONESIA**

**Republican Division** Although Indonesian Republicans joined in support of the Hatta-Sukarno leadership during the recent Batavia discussions with the Dutch, the agreement itself failed to satisfy wholly any of the several

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## INDONESIA

Republican factions. Expecting to be installed at Jogjakarta by the end of June, President Sukarno and Prime Minister Hatta are confronted with the need to reconcile developing differences among Republican political leaders, the Emergency Republican Government-in-Exile in Sumatra, and all of the many Party factions. Failing to achieve Republican unity, Hatta and Sukarno may face an open break with:

(1) the emergency Republican Government-in-Exile, which [redacted] will refuse to support the Batavia agreement because it failed to include Dutch recognition of Republican authority over Java, Sumatra, and adjacent islands; (2) the prominent Socialist Party, whose leader, Sjahrir, is [redacted] to oppose the agreement because it did not include broader and more specific Dutch commitments as to the Republican position in the USI; and (3) the miscellaneous smaller groups which will oppose the agreement as incorporating unnecessary and undesirable Republic commitments. (The rightist Nationalist and Masjoemi Parties as well as Republican leaders in Java have indicated they will accept the Hatta-Sukarno policy pending further developments as implementation of the agreement proceeds.) At this point, faced with open dissension within Republican ranks, the Dutch might repudiate the Batavia agreement on the grounds that such disrupted and warring elements patently could not carry out the Republican terms of the agreement. Hatta and several close advisers, however, are presently conferring with Premier Sjafruddin of the Government-in-Exile in an effort to reconcile their differences. The outcome of this meeting may well determine the success or failure of Republican factions to form a cohesive unit which will facilitate governmental activities after restoration to Jogjakarta.

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**SECRET****WESTERN HEMISPHERE**

**Communist Potential**    **The inability of the Communist parties in many major Latin American countries to hold annual congresses reflects an over-all decline in support of the Communist Party by its membership in Latin America as well as growing weaknesses in Party organization and finances. In past years, these congresses have been an important means of renewing membership interest and activity, correcting organizational deficiencies, and providing a sounding board for anti-capitalist and anti-US propaganda. Leaders of the Mexican, Paraguayan, and Chilean Communist Parties have postponed their national congresses indefinitely because of a combination of inadequate finances and organizational difficulties. Argentine leaders, harassed by dissension within the Party and fearing a Party reorganization, have dropped consideration of a national congress; and strict police surveillance in Peru and Brazil has limited Communist activity in these countries to a clandestine status which precludes any thought of a national congress. Meanwhile, the Communist congresses scheduled in Ecuador and Uruguay will probably be postponed or abandoned unless present fund-raising drives are much more successful than is presently indicated.**

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**SECRET****DANGEROUS DETERIORATION IN KASHMIR**

Admiral Nimitz' recent letter to UN Secretary General Lie, expressing his view that there is no likelihood that a plebiscite can be held in Kashmir in the predictable future and recommending that his mission as UN Plebiscite Administrator be dissolved in the interest of "realism and economy," points up how badly the Kashmir situation has now deteriorated. Since the first of the year when the signature of an India-Pakistan cease-fire gave promise that the Kashmir problem was on its way to solution, the efforts of the UN Commission for India and Pakistan to obtain a truce agreement and to pave the way for a plebiscite have proved increasingly futile. The Commission now has virtually no chance of ending the stalemate which has developed.

India must be considered largely responsible for the present situation. It has been particularly obdurate in the truce negotiations, displaying an obvious determination to prevent the holding of a plebiscite until conditions favorable to it can be established. Meanwhile, it has steadily consolidated its position in the disputed state, thus stimulating Pakistan's fear of a fait accompli similar to those India effected in Hyderabad and Junagadh. Unless India can be made to see that its own best interests lie in helping obtain an equitable settlement, the deadlock over Kashmir will become more and more firmly established.

While the UN Security Council resumes its weary discussions of the subject, the maintenance of garrisons in Kashmir will continue to weigh down the Indian economy. At the same time, the ease with which Pakistan's fanatical Moslem tribesmen can gain access to Kashmir and the vital concern which Pakistan has for the state increase the possibility that the turbulent emotions already aroused over Kashmir may flare into open conflict.

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**SECRET****FRENCH MILITARY PLANS IN INDOCHINA**

**French plans to shift both manpower and materiel from their forces in French-occupied Germany and North Africa for an autumn military campaign against Communist-led rebels in north Indochina materially affect the strategic interests of the US in both the Western European and Far East theatres. In addition to reducing the defense potential of Western Union by shipping arms and equipment from French-occupied western Germany, the French action may impair the prestige of the US in the Far East because the French forces will be using US-made and US-supplied arms and equipment. Moreover, the expenditure of French resources for the military operations in Indochina reduces the effectiveness of aid received under the European recovery program and delays the economic recovery of France.**

**The French, who have been attempting to suppress a Communist-led insurrection in Indochina since 1945, maintain that complete control of the China-Indochina border is necessary to keep the Chinese Communists from providing both men and materiel to the rebels or from evading Indochina. The French also point out that a stabilization of their position in Indochina is essential if Southeast Asia is to be made secure against the menace of Communism. As another part of their program to re-establish control throughout Indochina, the French recently signed an agreement with Bao Dai, former emperor of one of the Indochinese states, granting him authority to establish an "independent" government for Indochina within the French Union. Bao Dai will probably announce the formation of his government within the next two weeks, and the French hope that he will gain the support of the**

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**non-Communist followers in the rebel group. The French are convinced, however, that substantial military success against the resistance movement is necessary to Bao Dai's initial political success. In formulating their plans for Indochina, both Bao Dai and the French envisage public support from the US and military aid, which they have already indirectly requested. US compliance with these requests would provide the Far East Communist propagandists with another opportunity to charge that the US is supporting reactionary colonial powers against the interests of the Asian peoples.**

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