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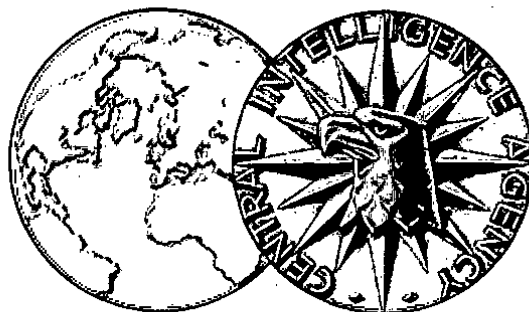
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WEEKLY SUMMARY



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

As the North Atlantic Treaty powers prepared to discuss the difficult problems connected with financing an effective instrument for the defense of Western Europe (see page 16), Germany's future role in these efforts remained undetermined in the face of anticipated delays in German acceptance of limited membership in the Council of Europe (see page 2). Meanwhile, French and Italian Communists continued their preparations for more militant action, with violent manifestations likely in France and a wide-spread farm labor strike anticipated in Italy (see pages 2 and 3).

In the Near East, prospects for an Arab-Israeli settlement have become more remote (see page 8). The UN Palestine Conciliation Commission has bogged down in its efforts to bring the protagonists together, and the armistice atmosphere is becoming more strained. In Iran, unemployment may reach critical proportions within a few weeks unless the government can obtain additional funds for emergency measures (see page 9).

In the Far East, progress was made toward stability as the Makassar revolt was suppressed in Indonesia (see page 11) and the Burmese Government scored successes against Communist dissidents (see page 11). The imminent removal of Premier Long in Indochina, however, will further delay the establishment of an effective non-Communist Vietnamese government (see page 12).

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WESTERN EUROPE

GERMANY

Council of Europe Internal political considerations are likely to further delay German acceptance of associate membership in the Council of Europe. Although Chancellor Adenauer is anxious to align West Germany firmly with the Western Powers, he hopes to avoid antagonizing the considerable body of opinion which: (1) believes that membership on a limited basis is not worth the risk of Soviet reprisals; and (2) is reluctant to take a step which might partition the country irrevocably. Moreover, Adenauer wishes to regain the loss in popularity and prestige of his government resulting from such recent Western actions as the Franco-Saar conventions, suspension of important Bundestag laws, High Commission criticism of the government's economic policies, and US efforts to enforce restrictions on East-West trade. Adenauer will therefore attempt to use the Council of Europe issue as a lever to obtain concessions from the West which will improve Germany's international status and weaken the position of extremist nationalist elements in the coming Land elections.

FRANCE

Communist Tactics The recent gradual shift in the French Communist Party toward greater militancy received official endorsement at the Party's National Congress. The speeches and resolutions attested to a tougher attitude, a greater reliance on younger militants, and a ruthless weeding out of all deviationists. While not excluding the use of organized labor and the political means at its disposal to

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FRANCE

achieve its goals, the Communist Party has embarked on a program of more direct and vigorous action against the French national defense effort, possibly including direct sabotage and increasingly violent manifestations. Moreover, the Party may be preparing its cadres to carry out effective illegal operations if it is forced to go underground.

ITALY

Farm Strike As in France, the Communists in Italy are relying increasingly on direct action in their offensive against the government and the defense effort. As part of this offensive, the Communists are currently organizing a general strike of farm day-laborers which may erupt during the next month with violence so widespread that it may seriously tax the power of the police. As the poorest, most underprivileged class in Italy, these farm laborers are not only susceptible to Communist leadership but can easily be provoked to violent action. This danger is aggravated by the presence of strengthened neo-fascist contingents supported by large landowners determined to resist demands for higher wages. Despite considerable agitation and possible bloodshed, the Italian police will probably be able to suppress the anticipated disturbances.

UNITED KINGDOM

Wage Problem As the crucial parliamentary debate on the 1950 budget begins, the Labor Government is meeting growing opposition from labor's rank and file on its wage stabilization and compulsory arbitration policy. It

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UNITED KINGDOM

is clear that the majority of unions affiliated with the Trades Union Congress (TUC) no longer feel that a policy of wage restraint is justified. Moreover, the system of compulsory arbitration carefully built up by the government has been threatened by the Confederation of Engineers and Shipbuilders. This union will decide by ballot whether to submit its wage claim to arbitration or to resort to strike action. Although the TUC General Council will postpone any action on labor's wage demands until after the budget debate, the wage question confronts the Labor Government with a difficult decision. The stability of the present government, as well as the slow progress being made toward economic recovery, would be endangered by either the widespread strikes which might result from failure to grant labor's demands or the inflationary effect of higher wages.

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

SOVIET UNION

Crop Production Prospects for 1950 grain crop production in the Satellite orbit indicate that there will be an increase of 6.1 million tons over the record postwar crop of 1949. Total production, however, will be about 92 percent of the 1935-39 annual average. The largest percentage increase is in the Satellites, where 1950 production will probably exceed 1949 by 8 percent; in the USSR, production will probably increase 4 percent. On the basis of the 1949 estimated rates of domestic consumption with an allowance made for the increase in population, there should be an increase of 4.5 million tons of grain over the 1949 amount available for export and stockpiling. Of this, the Satellites' share will probably be 2,700,000 tons and the USSR's 1,800,000 tons. The Satellites are likely to increase their stockpiles to insure urban food supplies as they intensify the campaign to socialize agriculture; the USSR will probably attempt to export most of its surplus.

CZECHOSLOVAKIA

Anti-US Action The continuing Satellite campaign against Western and specifically US influence has focussed in Czechoslovakia with the closure of the US Information Service and the launching of a major espionage trial involving the US Embassy. Such actions are designed to isolate the population from the West, eliminate manifestations of continued US interest in the area, and reduce the effectiveness of US missions. These aims have been more or less attained in the Balkan Satellites, where the Communist regimes were

SECRET**CZECHOSLOVAKIA**

established sooner and Western traditions and ties were weaker. The developments in Czechoslovakia, while thus logical and inevitable, also reflect the unquestioned ascendancy of the ruthlessly pro-Soviet viewpoint in Czechoslovak policy circles, of which the Clementis resignation was the most notable manifestation. Although the Communist regime apparently intends to proceed with its anti-US policy regardless of US reaction, even at risk of a break in US-Czechoslovak relations, it probably still prefers to maintain a semblance of relations with the US (as long as US representation is ineffective), in order to help preserve the fiction of Satellite independence and to maintain the advantages accruing from a Czechoslovak mission in the US.

GREECE

Plastiras Coalition Replacement of the Venizelos
Cabinet with a three-party coalition under General Plastiras at least removes the most immediate sources of instability and ineffectiveness in the Greek Government, though the new Cabinet faces a number of serious difficulties. Unlike its predecessor, the Plastiras Cabinet will have a small parliamentary majority in its own right and fairly widespread public acceptance as a government representing the verdict of the Greek people in last month's elections. The new government should thus be able to make a real attempt to carry out the economic reforms associated with the US aid program and will be in a position to seek a further normalization of political life through such measures as

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SECRET**GREECE**

the early scheduling of local elections, governmental decentralization, and the broadening of present amnesty arrangements for former adherents of the extreme left. The Plastiras Cabinet, however, will be subject to severe internal and external pressures. Venizelos' recent maneuvers have laid the basis for future dissension within the coalition, and the somewhat headstrong Plastiras may find it difficult to remain in agreement with his more moderate colleagues. Outside the Cabinet, the Palace and right-wing politicians are still strongly opposed to Plastiras and will grasp every opportunity to undermine him. At the same time, the deputies of the far left, who now appear willing to go along with the new government, will probably soon break with it over the difficult amnesty and wage-freeze issues. If Plastiras falls, other temporary government combinations might be tried, but none is likely to survive long, and new national elections would probably soon become necessary.

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SECRET**N E A R E A S T - A F R I C A****PALESTINE**

Peace Prospects Progress toward an Arab-Israeli settlement has come to a virtual standstill and prospects for breaking the impasse are poor. The recent efforts of the UN Palestine Conciliation Commission (PCC) have failed, and both the Arabs and the Israelis have temporarily closed the door on direct negotiations. The Arab states have in effect rejected the PCC's new approach involving a combination of mediation and direct negotiations, while Israel has further handicapped the PCC by publicly denouncing Arab resistance to the Commission's conciliation efforts. The recent elections in Jordan also revealed strong sentiment against reopening negotiations with Israel. Meanwhile, the Arab League has adopted a number of resolutions tightening the Arab embargo against Israel and has drawn up a Collective Security Pact to strengthen the Arab position vis-a-vis Israel.

With the possibility of peace and normal trade with the Arabs once again blocked, Israel is attempting to raise the specter of a second Arab invasion in order to mobilize world opinion and to induce US Zionists to contribute even more generously to the current United Jewish Appeal.

Thus the vicious cycle of accusation and counter-accusation has been resumed, the belief that an arms race exists is promoting an actual arms race, and the armistice atmosphere is becoming more strained. With peace apparently unattainable, the completely negative relationship which the Arabs appear bent on maintaining is beginning to produce in Israel a psychology of desperation which may in time provoke a violent resolution of the current impasse. This feeling of desperation will fade or grow in proportion to Israel's success or failure in solving its economic problems, which at present seem as formidable as ever.

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IRAN

Unemployment Problem Unemployment continues to be the nation's most serious problem and may reach critical proportions within a few weeks unless the government can obtain additional funds for emergency measures. During the winter the government made limited efforts to care for the unemployed, but destitute peasants from the provinces continue to migrate to the cities, where severe industrial unemployment has existed for some months. For example, some 20,000 jobless are concentrated at the single town of Karaj, outside Tehran. The USSR is making strong propaganda efforts to exploit the situation, and Iranian sources suggest that Soviet or Tudeh agents are encouraging the movement of the peasants to the cities. Many peasants will probably return to the land during summer, and others will be given public works jobs, but more frequent and more violent demonstrations among the unemployed may take place unless the government takes more effective measures than it has in the past. Although Prime Minister Ali Mansur stated that immediate steps would be taken to provide additional jobs in the construction of roads and railroads, it is questionable whether the government can provide emergency help on a large-scale basis without making serious inroads into funds earmarked for the Seven Year Plan. With the 1949-50 budget already showing a reported deficit of approximately 11 million pounds sterling, the government has borrowed 2,300,000 pounds sterling from the Seven Year Plan Organization to pay normal salaries and to finance current relief projects, and may be compelled to borrow further from the present remaining sterling balances of the Plan for emergency relief purposes.

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F A R E A S T

CHINA

Party Purge Friction between the Stalinist leadership and anti-Stalinist factions in the middle echelons of the Chinese Communist Party may soon lead to a public purge of selected anti-Stalinist Party figures. There is no reliable evidence, however, that the purge will extend to the Politburo or to the major Chinese Communist military commanders.

Party Chairman Mao Tse-tung has not wavered in his Stalinist orientation and his leadership does not appear to be challenged either by such firm Stalinists as the Party's number two man, Liu Shao-chi, or such allegedly lukewarm Stalinists as Chou En-lai. Even if a dispute should arise in the Politburo, it would probably be resolved, as in the past, without violence.

Within the Party's military hierarchy, it is not known whether any of the major field commanders are in fact anti-Stalinist. These military leaders, owing to the size and importance of their various commands, are still in a strong position in relation to the non-military Party leadership, and the Peiping regime will probably proceed with caution in efforts to restrict and reduce their authority further. None of the military leaders seems a likely candidate for purging at least until the completion of military operations against the Nationalists, which should see them safely through 1950. Beyond that time, Peiping will presumably be reluctant to take action against any one of the military leaders until assured of the fidelity or neutrality of all the rest, and until convinced that political indoctrination has made the troops loyal primarily to Peiping rather than to their old commanders.

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SECRET**INDONESIA**

Makassar Revolt The complete collapse of the Makassar rebellion following the landing of USI forces in Celebes is an important step in consolidation of USI authority over East Indonesia and places the USI in an advantageous position to further its ambitions to create a unitary nation at a forthcoming conference with the states of East Indonesia, East Sumatra, and the Jogjakarta Republic. Failure of the USI to act energetically on the Makassar issue might have encouraged East Indonesian leaders to persist in their efforts and the rebellion might have spread to other autonomous elements throughout the islands. The USI has now announced plans to station its forces throughout all East Indonesia. While sporadic resistance from former Netherlands Indies Army (KNIL) soldiers and local police units may be encountered on Ambon, Northern Celebes, and Timor, it appears that no further serious challenge to USI authority will be offered by the East Indonesian Government.

BURMA

Military Successes Having successfully concluded the campaign against organized Karen resistance northeast of Rangoon, the Burmese Army is now concentrating its efforts against Communist dissidents controlling areas along the Irrawaddy River. Government troops are making good progress in their southward drive and have hopes of capturing the Communist "capital" of Prome before the mid-May monsoons, thus reopening the Irrawaddy to north-south traffic. Communist forces will probably avoid a pitched battle and, like the Karens, strive to maintain their forces intact for guerrilla warfare. Even though such resistance may continue following Prome's

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SECRET**BURMA**

fall, the successful completion of the Irrawaddy operation will constitute a major triumph for the Burmese Government. Burmese prestige at home and abroad will be enhanced; trade and communication on the most important trade route in Burma will be re-established; and a severe blow will have been struck at Communist hopes for the establishment of a "resistance base" and the receipt of organized assistance from foreign Communist groups.

INDOCHINA

French Tactics The imminent replacement of Nguyen Phan Long as Premier of Vietnam by the less popular Tran Van Huu is apparently the result of French displeasure over Premier Long's determination that Vietnam prepare its own list of US aid requirements without French advice. French interference with the free choice of government officials by the Vietnamese will further impede efforts to establish a stable non-Communist government in Vietnam. Although the French may remove Long ostensibly because of the need for installing "a government which can govern," actually Long has not been given a chance to demonstrate his ability, especially as the Bao Dai regime has not received control over important sources of revenue promised by the French as long ago as 1 January 1949. Furthermore, the most important source of revenue--the customs tariff--remains in French hands pending the outcome of the still deferred Interstate Conference. The absence of even a rudimentary Vietnamese parliament (promised in a decree of July 1949) has rendered

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INDOCHINA

the Cabinet highly susceptible to French pressures, principally through Bao Dai. Premier Long has charged that the French have paralyzed his government by doling out funds only at the price of compliance with French policy. Present French tactics, therefore, can be expected to alienate the people of Vietnam even further from Bao Dai and the French.

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SECRET**WESTERN HEMISPHERE**

Caribbean Unrest The recent approval by the Council of the Organization of American States of its investigating committee's proposed resolutions regarding the Caribbean situation constitutes a further step toward restoring tranquility in the Caribbean. The Council's prompt and decisive action on all of the committee's recommendations, including the threat to apply the sanctions envisaged in the Rio treaty, will probably curb future hostile activities by the countries implicated in the current disputes. Even the most effective implementation of the resolutions adopted by the Council, however, cannot be expected to solve such fundamental causes of Caribbean unrest as the long-standing struggle between democratic and authoritarian elements throughout the area and the limited opportunities for individual advancement outside of political and military activities. On the other hand, this second invocation of the Rio treaty has strengthened it against more serious tests that might arise in the future, and the high degree of solidarity in the Council's voting (only Chile and Honduras abstained on one resolution) is evidence of the unity on this matter among the American states.

Communist Gains Although Communist strength and influence in Latin America remain generally at a low level, the gradually declining trend which became evident in 1947 has reversed recently in at least three countries and has leveled out in a number of others. The Communists have made political gains recently in Guatemala, El Salvador, and Cuba, where major political parties have accepted Communist collaboration. Such collaboration has reduced Communist political isolation, making anti-Communist action more

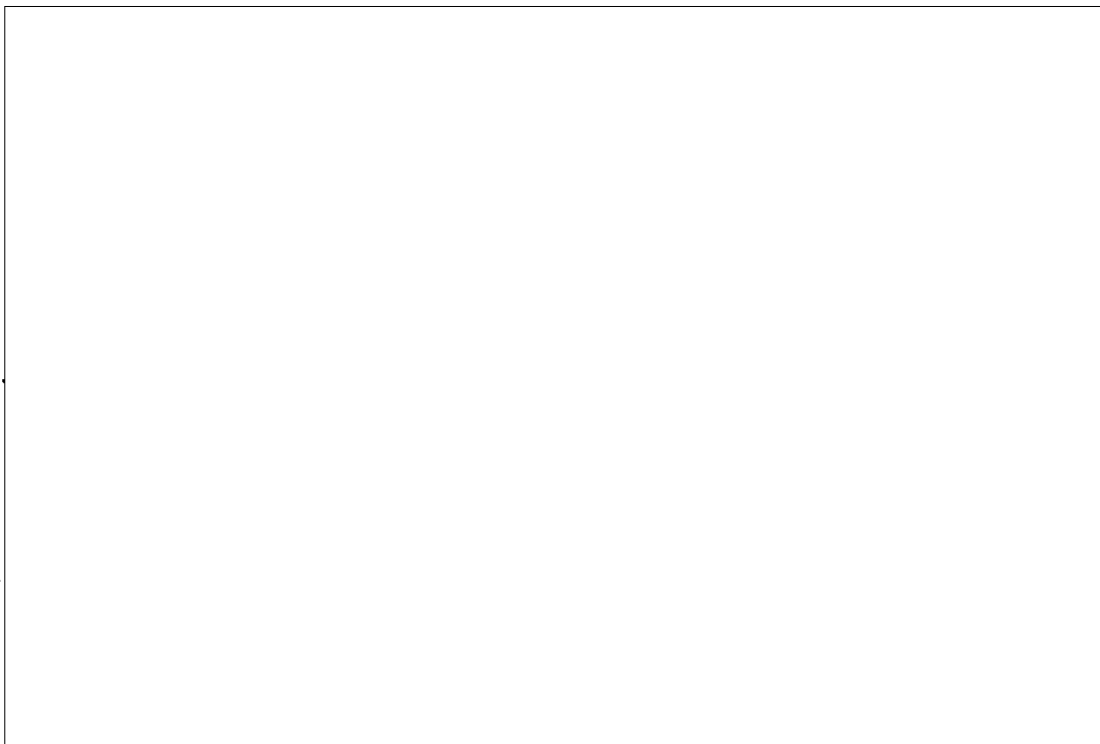
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difficult; has increased Communist respectability, thus enhancing Communist ability to attract new recruits and to collect funds; and has put certain politicians under obligation to them. The declining trend has leveled off in Brazil, Bolivia, and Chile, although continued repressive action has at least prevented the Communists from making gains. While it is true that these recent developments do not represent a large change in Communist strength and influence, they are significant as signs of possible future additions to the already irritating though minor Communist capabilities in Latin America.

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SECRET**NORTH ATLANTIC TREATY**

A key issue at the forthcoming North Atlantic Treaty (NAT) Council meeting will be the crucial problem of how to finance plans for the defense of the North Atlantic area. The staggering cost of even minimal defensive strength (estimated at several billion dollars) and its possible impact on the still shaky European economy have opened the eyes of NAT members to the importance of adequate financing. The chief participants realize that the Brussels Treaty machinery broke down at this point when the Foreign Ministers proved unwilling to put up enough money for the Defense Ministers' plans. This problem must now be faced in the wider NAT context, and in the atmosphere of greater urgency created by Soviet atomic development and increased Soviet power and aggressiveness.

All participants recognize that only the highest degree of joint effort can provide the extensive rearmament required and overcome the economic weakness of the European NAT members. Despite this realization, however, progress will be blocked by continuing difficulties involved in fully integrating military efforts and European reluctance to make substantial outlays for defense. Defense budgets are still prepared on primarily national lines instead of being adjusted to common needs; there is still an effort to create national military self-sufficiency through balanced forces; each nation tends to prefer its own weapons, etc. Moreover, the various members are not making comparable outlays for the common defense. To meet this problem, the Dutch and Italians, for example, have suggested some form of common financial "pool."

While in general willing to undertake whatever limited rearmament is within their capabilities, the Europeans also insist on giving priority to economic recovery. Moreover,

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such countries as the UK, the Netherlands, and Denmark (the first two already spend a large portion of their budgets on defense) do not believe that they can spend much more. This conflict between defense and economic recovery will become a major obstacle if the European defense effort increases much beyond its present scale.

It is thus clear that transforming the NAT into an effective military instrument will be far more difficult than the initial planning phase now finished. Concerned over financial problems, the Europeans will anxiously seek US leadership and financial support. They will expect the US to take the initiative in working toward a more coordinated defense effort and in determining the relative emphasis on economic recovery and defense. In this respect, they will expect the US to compensate for any major diversion of European funds from recovery to rearmament.

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