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WEEKLY SUMMARY



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H I G H L I G H T S

As the USSR planned to step up its "peace" campaign by sending delegations representing the World Committee of Peace Partisans to various Western nations (see page 4), the peoples of Western Europe are re-examining the value of the Atlantic Pact as protection against the Soviet threat (see page 13). This evidence of latent scepticism reflects a deep-seated psychological indecision, Western Europe's heritage from two world wars.

In the Near East, communal tensions in Bengal are at the moment overshadowing even the Kashmir dispute in their effect on India-Pakistan relations (see page 8), and in Iran warnings by several high officials that popular unrest may soon get out of control reflect the extent of economic distress in the country (see page 8). Meanwhile, prospects for stabilization of the Palestine situation improved as Israel and Jordan reached tentative agreement in principle on a five-year non-aggression pact (see page 7).

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WESTERN EUROPE

Payments Union Prospects for early agreement on an over-all European Payments Union (EPU) have improved following assurances by the UK that it will make every effort to participate in such a scheme. The British are concerned lest creation of a separate continental payments bloc like FINEBEL (France, Italy, Netherlands, Belgium, Luxembourg) might permanently divide continental Europe from the UK and Scandinavia and also complicate the problem of integrating Germany economically with the West. The proposed earmarking of \$600 million of next year's ECA appropriations for participants in regional groupings will be an additional spur to agreement on EPU. Several major obstacles, however, still exist, including British concern over the relationship of EPU to the sterling area, British fear of losing gold or dollars, and the reluctance of many countries, especially France, to proceed faster toward eliminating import restrictions.

UNITED KINGDOM

Election Results The closeness of the recent general election virtually precludes the possibility of a strong and comprehensive domestic program by the Attlee Government but will have little direct effect on British foreign policy and military and security commitments. Probably the greatest problem facing the Prime Minister will be that of moderating Labor's stand in order to secure Liberal support while at the same time keeping the loyalty of Labor's left wing. Although it is

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difficult to predict how long the present Government will remain in power, a new election in 1950 is almost certain. Meanwhile, a "gentleman's agreement" between Labor and the Conservatives would facilitate parliamentary action on pressing legislation.

Economic Prospects The Government's indecisiveness resulting from the election impasse will be felt very keenly in the economic field and will cause postponement of many questions. Before the budget is presented to Parliament by the first week in April, however, the Government will be faced with certain decisions, including those on food and other subsidies. Action will have to be taken if expected demands for higher wages materialize. The solution of domestic problems will have an important effect on the country's gradually improving foreign trade position. Total British exports for January reached a record high and the foreign trade deficit was the lowest since February 1949; as for dollar earnings, a small increase in exports to Canada was largely offset by a reduction of those to the US. The country's gold and dollar reserve position has been improving at a rate which, if continued, may during the coming months reach the \$2 billion level considered to be the essential minimum.

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

Peace Offensive In a new attempt to minimize the psychological effect of the shipment of arms under the Mutual Defense Assistance Program (MDAP), the Soviet-dominated World Committee of Peace Partisans is dispatching "international delegations" to the US, USSR, France, Belgium, the Netherlands, Italy, Mexico, and Guatemala. Although the ostensible mission of these delegations will be to present "peace proposals" to the parliaments of these countries, the delegates actually appear to be entrusted with the tasks of: (1) promoting European popular war fears; and (2) implanting doubts in the US Congress and public regarding the capabilities of the recipients of MDAP aid. A secondary objective will be the coordination of local Communist plans for anti-MDAP demonstrations, attempted sabotage of the arms shipments, and the strengthening of local peace partisan elements. The "peace proposals" to be presented in Western capitals will reiterate Soviet Foreign Minister Vishinsky's 1949 plea to the UN for abolition of atomic weapons and for a peace pact and will also call for cessation of the armaments race by immediate reductions in war budgets. Although such proposals are unlikely to impress the MDAP governments, they may gain limited popular support in countries where defeatism is growing as a result of the delay between the signing of the North Atlantic Treaty and the first deliveries of arms shipments.

SOVIET UNION

Farm Controls PRAVDA's recent attack on Politburo member A.A. Andreyev, Chairman of the Council on Collective Farm Affairs, for "perversion in the organization of collective work," is another illustration of

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SECRET**SOVIET UNION**

the constant dilemma facing the Kremlin in attempting to increase productivity without stimulating individual initiative to a point which would weaken the state's control over the individual. Andreyev had favored the use of small groups or "squads" of agricultural workers to increase personal initiative on collective farms; PRAVDA's defense of the larger "brigades" reflects the Kremlin belief that any increase in individual productivity resulting from such a move was not worth the risk of undermining unquestioned obedience to central control.

GREECE

Election Prospects The national election scheduled for 5 March, the first in Greece since 1946, will probably fail to establish the leadership of any one party or group, and a new election may become necessary during the next few months. The majority of the voters will probably again gravitate toward the two established major parties, the centrist Venizelos Liberals and the rightist Tsaldaris Populists. Greece's multi-party tradition continues strong, however, and under the proportional representation system being used, the distribution of the 250 seats at stake will almost certainly be sufficiently broad to prevent any single party from obtaining a majority. Inasmuch as the old Liberal-Populist coalition will be hard to revive, the result is likely to be the most intense political maneuvering seen in Greece since its liberation. Unless the left-of-center group makes too large a gain, the Liberals may supplant the Populists as the largest single party, because Populist leader Tsaldaris is handicapped by recent defections from his party and by dissatisfaction among other politicians whose help he

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GREECE

might need. Although Venizelos may be able to gain the cooperation of two or three minor groups close to his Liberal Party, and thus have a slightly better chance than anyone else to form a working coalition, no single party leader stands out as a logical choice for the premiership. If an effective and reasonably stable government does not emerge, the King will probably not wait long before calling for a new election in which he would urge Marshal Papagos to participate.

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N E A R E A S T - A F R I C A

Israel-Jordan Pact The recent tentative agreement in principle on a five-year non-aggression pact between Israel and Jordan greatly improves the prospects for stabilization of the Palestine situation. Conclusion of the pact would tend to stabilize the situation by ruling out resort to military aggression and by establishing normal commercial intercourse between the two states without waiting for a definitive solution of such territorial disputes as Jordan's claim to a Mediterranean corridor. By definitely breaking the Arab diplomatic alignment against Israel, such a pact would tend to encourage other Arab states to seek a modus vivendi with Tel Aviv.

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Finally, the new pact, which would include a joint Israeli-Jordan guarantee to the UN of access to and freedom of the Holy Places and possibly their international supervision, would probably exert pressure on the Trusteeship Council to work for a modification of the General Assembly's mandate for sweeping internationalization of Jerusalem. Israel would welcome the pact and the main difficulties standing in the way of final agreement arise from the attitude of the Jordan Government. There is still plenty of room for argument over the somewhat vague and general provisions already agreed upon. Moreover, strong reaction from other Arab States may be expected.

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SECRET**INDIA -PAKISTAN**

The Bengal Issue Communal tensions in Bengal are at the moment overshadowing even the Kashmir dispute in their effect upon India-Pakistan relations. The extent and immediate cause of the disturbances are not entirely clear. However, life and property have been destroyed in both East Bengal and West Bengal, a limited exodus of the minority community has occurred in both provinces, and violent feelings have been aroused in both New Delhi and Karachi. Quoting an Indian official in East Bengal to the effect that fear for their survival might lead to attempts at mass migrations by the province's 12 million Hindus, high officials of the Indian Government have expressed both concern lest widespread communal violence result throughout India and resentment over the Pakistan Prime Minister's refusal either to tour the provinces in person with Nehru or to permit joint commissions to do so. Pakistan has meanwhile charged Indian leaders with making deliberately provocative statements on Bengal, and even though India may be intentionally overstating the gravity of the situation in order to embarrass Pakistan in the UN Security Council's Kashmir deliberations, feelings on the subject--particularly on the part of India--are sufficiently intense to make the issue a potentially explosive one.

IRAN

Security Threats The warnings recently issued by several leading Iranian figures--that popular unrest, spurred on by the pro-Soviet Tudeh underground, may soon get out of control--reflects a

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SECRET**IRAN**

serious situation even though the Iranians may be exaggerating their fears in an attempt to gain direct US support. Iran's continuing economic decline has been marked by considerable distress in certain sensitive areas, and although the economic pressure will probably lessen somewhat by summer, the government may be confronted with a series of local outbreaks and growing resentment on the part of the general population unless energetic relief measures are taken before then. The Tudeh Party, which has shown marked signs of vitality in recent months despite its illegal status and martial law, will undoubtedly do its best to capitalize on the situation. As far as can be determined, however, the Iranian warnings overstate the immediacy of the subversive danger. The Tudeh Party has still to demonstrate its ability and readiness to translate its present propaganda activity into outbreaks of violence or an attempt at a coup. Meanwhile, unless economic hardship is allowed to continue to a point where widespread resistance to the government's authority develops, the security forces are believed capable of retaining control.

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F A R E A S T

INDOCHINA

Ho's "Deviation" Ho Chi Minh's acknowledgement of Yugoslav recognition of his regime in Indochina, in addition to the recent statement by Ho that a Chinese Communist invasion of Indochina would be forcibly repulsed, strengthens the possibility that the Moscow-trained revolutionist may pursue a course independent of Moscow in Indochina. Despite recognition of his regime by the USSR and Communist China, Ho has not re-established the defunct Indochinese Communist Party. Furthermore, Ho's propaganda service, contrary to Soviet tactics, has avoided criticism of other Southeast Asian governments and has indicated a willingness to conduct friendly relations with neighboring countries. Although Ho's present "deviation" is not a definite departure from the Stalinist line, since he continues to eulogize the USSR and Communist China, his willingness to establish diplomatic relations with Tito will be interpreted by non-Communist Vietnamese as evidence of Ho's freedom of political action.

THAILAND

Bao Dai Recognition By recognizing the Bao Dai regime in Indochina, Thailand has become the first Southeast Asian nation to align itself with the Western Powers, and its action may provide the necessary precedent which would permit other Asian nations to take similar steps. The Thai regime's decision was prompted

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THAILAND

primarily by a desire to obtain greater US aid to reinforce Thailand's anti-Communist position. The Thai Government probably decided that the advantages of receiving US aid outweigh the disadvantages which might result from increased Communist pressure.

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SECRET**DEFEATISM IN WESTERN EUROPE**

Recent developments have revived latent scepticism among the people in North Atlantic Treaty nations, notably in France and Italy, as to the security value of the Atlantic Pact and the Mutual Defense Assistance Program (MDAP). West Europeans are being impelled to re-examine the validity of their adherence to the Atlantic Pact and MDAP in the light of: (1) Soviet acquisition of the A-bomb, thus ending the US monopoly several years ahead of Western estimates; (2) US determination to make a hydrogen bomb, in combination with US political and press comment which could not fail to create some impression that US self-confidence and nerves have, for the time being at least, been shaken; (3) the Fuchs spy case, which calls into question how far Anglo-American atomic security might have been compromised; (4) British and US unofficial or semi-official calls for a new direct approach to the Kremlin; and (5) the Chinese debacle, with its possible influence in shifting US exertions from Europe to the Far East. As a result, there have been expressions of renewed European fears that the US, while committed to all-out support of Western Europe, may not be able to meet its commitments and may yet relapse into neo-isolationism.

When the Atlantic Pact was signed in April 1949, it was commonly believed that the US enjoyed a commanding lead over the Soviet Union in its exclusive possession of the A-bomb and that this superiority was both sufficient to counterbalance Soviet superiority in conventional armaments and enduring enough to afford ample opportunity to restore Western European power before the USSR could approach atomic parity with the US.

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Today, however, Europeans are aware of an acceleration in the growth of Soviet war potential and a new urgency in filling the postwar power vacuum in Western Europe. At the same time, they see little concrete evidence of comparable increase in Western military strength. On the continent the effect has been to make more vocal those elements which all along have favored "neutrality" and the creation of a European "third force." Responsible opinion, however, particularly among government officials, can see no practical alternative to a political and military link to the US short of accepting the status of a Soviet satellite. Nevertheless, even those who maintain cool heads probably are less confident of US ability to contain the USSR than they were one year ago.

To some extent the present revival of semi-defeatist sentiment in Europe is the result of the inevitable lag between the signing of the Atlantic Pact and the appearance of concrete evidences of increased strength in the West, and will thus tend to disappear as US arms begin to flow in greater quantities and as the Atlantic Pact nations begin to show increased defensive capabilities. It also reflects, however, the deep-seated psychological indecision, Western Europe's heritage from two world wars, which undermines European will to resist. Many Europeans, particularly the French, traditionally long for a kind of security that would either remove all danger of aggression or at least would guarantee that any invasion attempt could be stopped at the frontier. The longing for such "absolute security" will continue to be a major psychological factor in European uneasiness until economic recovery, tangible evidences of continuing, powerful US support, and, perhaps in time, the development of common institutions have restored confidence in the ability of Europe to survive.

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US-UK DIVERGENCE ON CHINA ISSUE

Recent developments in connection with shipping and civil aviation in the Far East have clearly demonstrated that despite general agreement in over-all policy on containment of Communism in Asia, the UK will continue to differ with the US on specific issues and that the UK is in general reluctant to cooperate fully with the US on issues where there is a serious risk of antagonizing the Chinese Communist Government.

This reluctance by the UK has been reflected in the attitude of most of the British Empire courts in which repossession action was instituted in respect to the Chinese-flag ships on which the US has held defaulted mortgages. Although the US is still pressing the issue, the UK is clearly not prepared to take any positive steps to prevent such shipping from falling under Communist control. With respect to approximately 60 transport aircraft at Hong Kong, which had been purchased by Chennault interests from the Chinese Nationalists while the UK still recognized the Nationalist Government, a Hong Kong court has now rendered a decision which would appear to permit the aircraft shortly to be flown to the mainland of China for integration into the Communist civil and military air fleets. Although the UK may detain the aircraft at Hong Kong on technical grounds pending further appeal, continued British reluctance to antagonize the Chinese Communists offers little assurance of full British cooperation with the US on similar issues in the future.

Meanwhile, the British must soon decide officially whether to apply to Communist China the existing joint US-UK policy for restriction of Satellite international aviation activities. The UK will probably decline for the

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present the US request that it support the representations already made by the US in Bangkok and Jakarta to refuse any requests for landing rights for Chinese Communist aircraft.

Although the UK is as anxious as the US to prevent Communist expansion into Southeast Asia, the desire to protect its valuable holdings in China and its position in Hong Kong will cause the British to move with caution in matters concerning Chinese Communist civil aviation. Any pressure by the UK on Bangkok and Jakarta, furthermore, would conflict with the British objective of cultivating trade relations with the Chinese. Pending the establishment of satisfactory diplomatic relations with China, therefore, expediency will govern British decisions with respect to Chinese Communist aviation activities. When full diplomatic status has been accorded the UK's representative at Peiping and when the future course of British-Chinese relations seems clearer, the UK may then find it possible to take a more positive attitude. In any case, the UK will seek to conceal as far as possible any alignment with the US in actions prejudicial to Communist Chinese interests in air transport operations.

Over-all British policy toward Communist China will probably be largely shaped for some time by desires to protect the British commercial position in China and to retain Hong Kong. The British will hope that their actions will coincide substantially with those taken by the US, but preoccupation with what the UK conceives to be its major interests will lead to further situations in which the actions of the two nations differ. For example, British representatives in China who have assumed the protection of US citizens and property may not in all cases be able to defend US interests vigorously.

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