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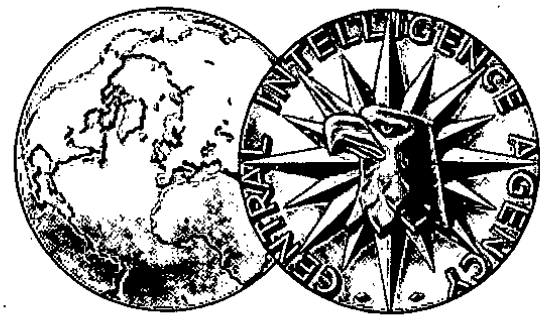
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WEEKLY SUMMARY



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H I G H L I G H T S

Developments in Europe during the week indicated a marked stiffening in the Soviet attitude toward the Western Powers. Soviet interference with German truck and barge traffic to and from Berlin suggests a renewal of Soviet efforts to undermine the position of the Western Powers there (see page 2); Soviet actions in Austria reveal that the USSR is still reluctant to conclude an Austria treaty (see page 4); and apparent Soviet willingness to permit a break in US-Bulgarian diplomatic relations foreshadows an intensification of Soviet efforts to seal off the Satellites from contact with the West (see page 8).

In the Far East, scattered fighting in Indonesia may reach serious proportions unless the Indonesian Army can find a satisfactory formula for absorbing troops of the former Royal Netherlands Indies Army, many of whom are deserting and joining dissident groups such as those under ex-Dutch army officer Westerling (see page 13). Meanwhile, the Chinese Communists have made it clear that they will give all possible support short of armed invasion to the resistance forces of Ho Chi Minh in Indochina (see page 10).

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

Berlin "Blockade" Current Soviet interference with German truck and barge traffic to and from Berlin is unlikely to lead to a reimposition of the Berlin blockade, but may well foreshadow further harassing tactics as part of an intensified Soviet effort to undermine the position of the Western Powers in Berlin. The latest series of Soviet interferences began before US seizure of the Reichsbahn administration building in West Berlin and consequently appear to be a previously planned move and thus not wholly in retaliation for the Reichsbahn affair. The present Soviet actions, which have not been aimed at blocking the Western Powers' access to Berlin, are probably intended primarily to obstruct economic rehabilitation of West Berlin and to bring about "conditions of pauperism" deemed necessary to gain the support of labor in Western Berlin for a Communist-dominated national front.

ITALY

Cabinet Maneuvers The new Italian Cabinet now being formed by Premier De Gasperi, following an unexpectedly protracted period of negotiation and inter-party bickering, will continue the basic policies of the preceding coalition. However, the absence of the conservative Liberal Party and the continued participation of the reform-minded Republicans and Socialists in the new Cabinet will place full responsibility on the majority Christian Democrats for any delays in fulfilling

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SECRET**ITALY**

their campaign pledges for agrarian and fiscal reform. Meanwhile, the Christian Democrats, who have been sharply divided over the timing and extent of socio-economic reform measures, have apparently made little progress toward reaching agreement during the past few weeks of negotiations. In any event, the formation of a new Cabinet by Premier De Gasperi will have little effect in speeding parliamentary action on the government's legislative proposals.

Police Tactics The continuing tendency of the Italian police to concentrate upon violent suppression of public disorders while neglecting corrective measures designed to promote general respect for law and order may bring discredit and embarrassment to the Government. The indiscriminate and often ill-timed use of force by the police may be explained, in part, by the fact that most of the police were trained in the Fascist army and police system. Moreover, prior to the elections of 1948, which indicated that the strength of the Communists was waning, the police were necessarily concerned primarily with developing their strength and tactics to meet the threat of Communist revolutionary action. The police, who are now capable of controlling any violent efforts that might be launched by the Communists, seem to be missing the opportunity to develop a program for promoting respect and general support for law and order. Police Chief D'Antoni, formerly police chief in the largest center of Communist strength when force was the essential weapon against the Communists, continues to concentrate on the use of combative action to the neglect of administration, organization, and political intelligence. Interior Minister Scelba tries to direct all phases of police activity personally, instead of

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ITALY

dealing through responsible subordinates, and seems to believe that only physical force can inspire respect from extremist elements. Continued arbitrary or irresponsible conduct by the police might intimidate extremist groups but would eventually lose the police and the Government the respect and cooperation of most Italians.

AUSTRIA

Treaty Prospects . Coincident with a stiffer Soviet attitude in Berlin, the USSR appears unwilling to conclude an Austrian treaty. The USSR may estimate that: (1) the draft treaty will not create conditions likely to compromise Austrian independence and lead to Soviet domination; (2) Tito and anti-Soviet resistance in general would be encouraged by Soviet agreement to end the occupation of Austria; and (3) the over-all Soviet power position has improved and future advantages may result from continued occupation of eastern Austria. Meanwhile, the USSR, in addition to continuing to obtain economic gains from its occupation, may step up its efforts to negotiate a bilateral agreement with the Austrian Government which would increase Soviet influence over the Austrian economy. The USSR may also attempt to undermine the authority of the Austrian Government in the Soviet Zone. In addition, the USSR may take advantage of any weakening of general Western strength to exert pressure on the vulnerable Western position in Vienna. The USSR, however, is not likely in the near future to take steps which would lead to partitioning of the country or to incur the risk of war by imposing a blockade of Vienna.

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

YUGOSLAVIA

Increased Espionage Yugoslav-Cominform relations are currently being acerbated by an increase in espionage activities by both protagonists. The thoroughness of the break between Yugoslavia and its erst-while partners is forcing both parties to rely on covert methods to keep informed of developments inimical to their respective interests. This intensified espionage activity is reflected in; (1) the recent Yugoslav trial of ten Albanian spies; (2) a Bulgarian public appeal for more "information" concerning Yugoslavia; (3) the pending trial of 64 Yugoslav spies in Bulgaria; and (4) reported orders to Cominform agents in Trieste to concentrate on espionage rather than subversion and sabotage within Yugoslavia. Although the Cominform espionage campaign will have little effect in bringing Tito to terms, it will serve to keep the conflict alive and to maintain pressure on Tito while at the same time distracting public attention from questions of Communist ideology and nationalist deviation. Propaganda exchanges on these questions have in the past often embarrassed the USSR by emphasizing the threat to nationalist aspirations implicit in the Moscow-dominated Communist movement.

CZECHOSLOVAKIA

Copper Imports The difficulty of denying strategic materials to the Soviet Satellites is illustrated by the ease with which Czechoslovakia obtained necessary copper supplies after losing one of its primary sources when Tito split with the Kremlin. During 1949, Western countries are

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CZECHOSLOVAKIA

estimated to have provided 34,000 of the 50,000 tons of copper needed to maintain Czechoslovak industrial activity. Principal suppliers were Chile and Mexico; other suppliers included Belgium, the Netherlands, and the UK, with some shipments coming from "Occupied Japan."

FINLAND

Economic Progress Although economic progress in Finland since World War II has been rapid and production has equaled or surpassed prewar levels, Finland's economy for the present remains vulnerable to Soviet pressure. Copper production has increased 200 percent over 1938, while other non-ferrous metals, such as lead, zinc ores, and pyrites, are produced in sufficient quantities to permit exports. Railroad transport has exceeded 1938 traffic levels by 15 percent, and water traffic is equal to that of the prewar period. Labor force and productivity have attained prewar standards and are on the increase. Electric power production continues to rise and is currently meeting requirements. Finland, however, still depends upon the Soviet orbit for vital grain and fuel, and a large share of Finland's total foreign trade is with the USSR and its Satellites. The USSR, therefore, is still in a position to exert economic pressure on Finland and could cause considerable damage to Finland's foreign trade by underselling timber products in the world market. Although Finland is now in a better position to withstand such pressure, orientation of Finland's trade toward the West is unlikely in the near future and in the long run will depend to some extent upon Finland's success in obtaining liberal credits and trade terms from Western nations.

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GREECE

Election Preliminaries Preparations for the Greek national elections appear to be taking a normal course under the administration of the new Theotokis "service" government. Despite initial fear that the interim regime might prove a vehicle for palace intervention and the entry of Marshal Papagos into politics, Theotokis is apparently carrying out his pledge of a free electoral atmosphere. Restrictions on civil liberties imposed during the guerrilla campaign have been relaxed; the armed forces, police, and gendarmerie have been given firm orders against interference with the campaigning; and efforts are being made to forestall disruptive incidents by Communist guerrillas or armed rightists.

Meanwhile, electoral prospects of the two major parties have lessened, notably as a result of the emergence of: (1) an extreme rightist bloc which may attract followers away from the plurality Populists; and (2) a new left-of-center group under General Plastiras which may lure away leftist elements of the Liberal Party following. The Liberals and Populists also stand to lose by the postponement of the voting from 19 February to 5 March, which gives their numerous less-established rivals additional time to organize. Thus the post-election Parliament will probably be characterized by numerous small combinations that will wield important balance-of-power influence and may be in a position to hamstring effective parliamentary government.

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BULGARIA

US Relations Bulgaria's demand for the withdrawal of the US Minister, coupled with evidence that US missions in some of the other Satellites may also soon be linked with deviation and espionage trials, reflects a marked intensification of Soviet efforts to seal off the Satellites from Western contact. As the Satellites become less valuable as agents for obtaining strategic materials from the West, the USSR may increasingly feel that maintenance of US-Satellite diplomatic relations is less important than overcoming the serious obstacle to complete consolidation of Soviet control of the Satellites represented by remaining US influence. Moreover, in the case of Bulgaria, Rumania, and Hungary, the USSR may be ready to expel US personnel in order to prepare further anti-Tito operations. Although anti-US moves will undoubtedly increase in Poland and Czechoslovakia, the USSR may move more slowly toward forcing a break in relations between the US and these Satellites, which not only are members of the UN but still have more exploitable trade and diplomatic channels with the West than do the other Satellites.

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

Italo-Ethiopian Relations **Recent progress toward Italian-Ethiopian agreement on East African issues may lead to a general rapprochement between the two countries. With the object of inducing a relaxation of Ethiopian opposition to Italian trusteeship over Somaliland, the Italians are considering an approach to Ethiopia expressing Italy's desire to reach a general agreement recognizing Ethiopia's racial and economic interests in Eritrea and limiting Italy's concern to the protection of the legitimate rights and interests of Italian residents of the territory. Such a step would presumably imply withdrawal of Italian support for Eritrean independence, thus paving the way for award of Eastern Eritrea in some manner to Ethiopia by the next General Assembly. Meanwhile, tension over Somaliland is being reduced by British acceptance of Ethiopia's request for withdrawal from the disputed Ogaden area and by Italian acceptance of the frontier proposed by Ethiopia as a provisional administrative boundary. Although political considerations will prevent a public agreement at this time, an atmosphere has been created which is conducive to the development of better Italo-Ethiopian relations and which can lead to an East African settlement favorable to US interests.**

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

Chinese Support Recent Chinese Communist recognition of Ho Chi Minh's regime as the de jure government of Vietnam, in addition to confirming the intention of the Chinese Communists to make good their promise of "moral and material aid wherever possible" to pro-Communist movements throughout Southeast Asia, indicates that the Peiping regime regards Indochina as the most immediately exploitable of the Southeast Asian countries and hence a priority target. An invasion of Indochina by Chinese Communist armies, however, is unlikely at this time. The "anti-colonial revolution" there is proceeding precisely in accord with orthodox formulae: a Communist-dominated united front, controlling a "national liberation" army, is driving out Western "imperialists" and has the strong psychological support of Chinese Communist armies just across the border. Moreover, the Chinese Communists are now in a position to provide Ho Chi Minh's forces with sufficient assistance in the form of material equipment, organizers, and technicians to cancel the present material advantage enjoyed by the French.

JAPAN

Socialist Split The recent withdrawal of rightwing elements from the Japanese Socialist Party, caused by increasing dissatisfaction over leftwing control of important Party posts and the leftwing policy of supporting "working-class" interests, has weakened Japan's potential "Third Force" and strengthened Conservative control over the government. Under leftist leadership, the Socialist Party has made progress toward regaining trade union support, promoting anti-Communist

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SECRET**JAPAN**

trade union "Democratization Leagues," and winning majority control of the General Confederation of Labor. The split, however, will further postpone steps toward the merger of non-Communist trade unions.

KOREA

Aid Withdrawal Reaction to the defeat of the Korean Aid Bill in the US House of Representatives has been restrained and general comment reflects the belief that the US will still provide economic support for the Republic of Korea. President Rhee's initial response to the news was one of shock, followed by expressions of disbelief. Although National Assembly members showed dismay and demanded explanations, Prime Minister Lee assured them that commodities now en route or waiting shipment would continue to arrive for some time; he pointed out that the 1951 appropriation was not jeopardized. Two results of the defeat of the Korean Aid Bill may be: (1) some reduction of public support for the Rhee Government because of increased uncertainty regarding Korea's role in long-range US defense plans; and (2) a more determined effort by the Government to improve administration of the Korean economy.

AUSTRALIA

Pro-US Policy A new Australian foreign policy, emphasizing closer cooperation with the US and constituting a bid for economic leadership in Southeast Asia, appears to be one of the more pronounced features of the newly-installed Liberal-Country Party Government. Minister

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SECRET**AUSTRALIA**

for External Affairs Percy Spender is a personal advocate of stronger ties between Australia and the US. He has indicated interest in the early conclusion of suspended US-Australian treaty negotiations, believes that security in the Pacific depends upon the US, and has promised Australian support for any US move to obtain Pacific bases. Spender has emphasized Australia's willingness to assist in strengthening the economy of Southeast Asia as a means of combating Communism and hopes the US will support Asian self-help measures. Spender was in large measure responsible for the action taken at the recent Colombo Conference recommending Commonwealth consideration of financial assistance for productive purposes in Southeast Asia and a general study of proposals for the economic development of the region.

CHINA

Control Problems Recent violent attacks in the Chinese Communist press on the performance of Communist cadres in east and central China reflect the acute shortage of trained political workers capable of gaining grass-root support for the Peiping regime in the newly won territories. Now that victory has been won, the problem facing the Communists in gaining rural support in these areas, in comparison with North China, is further complicated by the absence of former incentives to win over the peasantry in the struggle to overthrow the Nationalist regime. Moreover, the Communists have been shifting their emphasis from agrarian reform to urban industrialization. The present trend indicates that the Communists' revolutionary peasant program may bog down seriously throughout China and that the recently "liberated" rural areas will remain unstable for some time to come.

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INDONESIA

Violence Increases **Fighting between the Indonesian Federal Army and various rebel groups may reach serious proportions throughout Indonesia unless a satisfactory formula is found for demobilizing the Royal Netherlands Indies Army (KNIL), which was comprised largely of Indonesians of Ambonese origin. The Westerling affair in West Java is symptomatic of the violence which has occurred in widely separated areas following the failure of all attempts to absorb approximately 58,000 KNIL troops into the new Federal Army. The war-developed animosity between KNIL and Republican troops, coupled with failure to grant KNIL officers any top positions in the Federal Army, has slowed the amalgamation process and opened the way for widespread desertions. Many deserters have joined Westerling's forces and the danger exists that Westerling may be able to coordinate his efforts with other dissident groups. Such a development would require the utmost cooperation between Dutch and Indonesians in order to avert a major crisis.**

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FRENCH AGRICULTURAL PROSPECTS

Over-all expansion of French agricultural production, a major goal of the European recovery program for Western Europe, is not being realized, and total output in 1950 is not likely to be appreciably larger than in 1949 (production for 1949 is estimated to be approximately 97 percent of the 1934-38 average). Under initial European recovery program plans, the French were expected in 1952-53 to have increased production sufficiently to become virtually self-sufficient in regard to food and also to have become the largest exporters of foodstuffs in Western Europe, thus reducing Western Europe's dollar imports.

The anticipated failure of France to expand over-all agricultural production during 1950 will probably be caused largely by lack of decisive action by the government and particularly by its failure to provide adequate incentives for farmers who are discouraged by the present disparity between farm and industrial prices. The government has allocated only one-eighth (about \$140 million) of its total investment budget for agricultural purposes and has failed to apply any of this fund directly toward lowering production costs or raising output. Moreover, the probable decline in the government's influence over industrial prices during 1950 may permit an increase in the present disparity between farm and industrial prices. Although the use of tractors, high-yielding seed, and other modern techniques will increase during 1950, achievement of French agricultural production goals will continue to be hampered because: (1) total tillable land will probably remain more than 10 percent below the 1934-38 average; (2) the use of fertilizers will fall far short of planned goals; and (3) farmers will be discouraged from hiring additional laborers.

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