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WEEKLY SUMMARY



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H I G H L I G H T S

In a week during which no major changes occurred in the situations most directly affecting US security, even the East-West conflict was marked by nothing more startling than Premier Stalin's 70th birthday, an event Soviet propagandists used largely as an excuse for further outpourings on the now jaded Soviet peace offensive.

Meanwhile, the difficulties confronting the United Nations were emphasized both by the obstacles to implementation of the UN resolution on internationalization of Jerusalem in the face of Israeli-Jordan peace negotiations (see page 8), and by the complexity of the problems plaguing the UN Commissioner entrusted with supervising the establishment of an independent Libya (see page 9).

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WESTERN EUROPE

FRANCE

Communist Purge The Kremlin's dissatisfaction with the failure of the French Communist Party to aggravate social unrest, coupled with the menace of Titoism within the Party, is leading to an intensification of Party efforts to liquidate Titoists, petty bourgeois elements, and all those suspected of disloyalty to the Kremlin. This increasing reliance on "hard-core" Stalinists will reduce the numerical strength of the French Communist Party as well as its political influence. There is, however, no prospect of a disintegration of the Party. It will become even more vigilant in the pursuit of its political objectives and will remain on the alert to take advantage of growing labor unrest caused by the current increase in prices.

AUSTRIA

Labor Unrest The postwar peaceful era in Austrian labor-management relations appears to be ending. The steady rise in prices which has intensified the disparity between wages and prices is primarily responsible for the current trend toward abandonment of wage settlements on a national basis and a return to bargaining between individual unions and their employers. Such a trend will result not only in an increase in strikes but in strengthening the Communist potential for fomenting labor unrest.

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GERMANY

East-West Relations The USSR, by transferring to the German Democratic Republic an increasing measure of jurisdiction over technical questions affecting relations with West Germany, may be attempting to force the Western Powers to grant de facto recognition to the Eastern regime. This action, however, does not suggest that the Kremlin is making immediate plans for using the German Democratic Republic to threaten seriously Western access to Berlin. Since the formation of the German Democratic Republic and the transformation of the Soviet Military Administration into the Soviet Control Commission, Soviet authorities have avoided direct contact with the Western Powers on interzonal questions of a technical nature, referring them either directly to German officials or through Allied Control Authority (ACA) liaison channels to the Soviet Control Commission. This careful disassociation of the Soviet Control Commission from the direct contact with Western representatives formerly maintained by the Soviet Military Administration may be in preparation for abandonment of the ACA liaison channel, in an attempt to force the Western Powers to deal directly with the German Democratic Republic on interzonal questions.

East Zone Regime In its continuing efforts to transform the German Democratic Republic into an ostensibly independent regime which will be a reliable instrument for maintaining Soviet control, the USSR has effected several changes in the relationship between Soviet and German authorities, as well as between reliable Communist and fellow-traveling German officials. Instead of exercising direct control

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GERMANY

through the Soviet Military Administration, the USSR now controls Eastern Germany indirectly, though just as effectively, through the Soviet Control Commission, which has "supervisory" powers over the policies and actions of the German Democratic Republic. This supervisory power is sufficient to insure Soviet control because reliable Communists occupy all important government positions and these officials are fully aware that they can retain their positions only as long as they carry out Soviet policies. Meanwhile, although the USSR is taking steps to further diminish the role in the new Republic of fellow travelers such as former Socialists and Soviet sympathizers in the Christian Democratic Union and the Liberal Democratic Party, these non-Communist parties will probably be allowed to continue their shadowy existence for some time. Despite these changes, however, the USSR has not yet succeeded in achieving its goal of transforming the German Democratic Republic into a control mechanism which no longer needs to depend in the final analysis upon the presence of Soviet troops.

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

BULGARIA

Soviet Problems The liquidation of Traicho Kostov, following a full-fledged propaganda trial designed to impress on the Bulgarian people the danger of defying Soviet directives, has not solved all the Kremlin's problems with regard to Bulgaria. Kostov's denial of his guilt and his declaration that he had been trying to protect the economic interests of his country found a receptive Bulgarian audience and may encourage other nationalists within the Bulgarian Communist Party to a passive defense against Soviet encroachment. Meanwhile, the Government has been forced to admit that the first year of its current Five Year Plan has been a failure. With a breakdown already apparent in the goals for rail and auto transportation and electric power production, the Government is now taking steps to reorganize its entire agrarian administrative machinery in an attempt to correct weakness in the planning and implementation of its agrarian program. These economic difficulties, coupled with continuing nationalist tendencies in the Bulgarian Communist Party, will probably result in more direct and widespread Soviet control over the Bulgarian Government. The number of Soviet personnel in the Ministries of Transportation and Electric Power Production has already increased and is now being augmented in the Ministries of Interior and Commerce.

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HUNGARY

Power Shift A shift in Hungary's Communist Party leadership and a tightening of direct Soviet control may be foreshadowed by a recent governmental reorganization, which greatly increased the power of the State Control Commission and placed it under the Peoples' Economic Council instead of the Prime Ministry. This important instrument of control has thus been taken from Deputy Prime Minister Rakosi and given to his principal contender for leadership of the Communist Party, Erno Gero. Gero now has a convenient instrument, if he chooses to use it, for eliminating Rakosi's following as a preliminary to the liquidation of Rakosi himself.

GREECE

Papagos' Plans The possibility that Field Marshal Papagos might enter the political arena is currently causing new flurries of uneasiness among established party leaders. Hitherto concerned lest the highly popular Commander in Chief be drafted to head an interim "service government" before national elections, the regular political leadership is now fearful that Papagos might actually run for parliament next spring--a move which, in view of his great prestige, might well make him an overwhelming choice for an extended term as premier. These fears have been stimulated by indications that the King and other close friends of Papagos are urging him to run in order to assure Greece of having a strong, stable post-election government.

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GREECE

That Papagos will run is still far from certain; approaching the age for retirement, not in the best of health, and lacking in zest for the hurly-burly of politics, he personally would probably like to return to the position of Grand Marshal in the royal court now that his military career has been crowned with such outstanding success. Until his intentions become clear, however, the major parties will tend to close ranks against him, while the smaller parties will be haunted by fear of being on the wrong bandwagon.

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NEAR EAST - AFRICA

Israeli-Jordan Talks Israel and Jordan, in their common opposition to the UN resolution favoring the internationalization of Jerusalem, may possibly conclude a "peace treaty." Israel has agreed in principle to give Jordan full sovereignty over a corridor to the Mediterranean and free transit along the Jerusalem-Bethlehem road. For its part, Jordan is apparently prepared in principle to grant Israel access to the potash works at the northern end of the Dead Sea, to the Rutenburg hydroelectric plant east of the Jordan, and to the Mt. Scopus area in Jerusalem.

In Jewish-Arab relations, however, there is a great difference between agreement in principle and settlement in detail. The problem of agreeing on the frontier between Israel and Jordan in Jerusalem alone has confounded Jewish and Arab negotiators for many months. The issue of compensation for Arab properties now held by Israel is also extremely complicated and probably cannot be settled quickly. Furthermore, neither country is likely to commit itself on definitive frontiers until it knows the attitude of the UK toward extending to Arab Palestine its obligations under the UK-Jordan Mutual Defense Treaty. Finally, Jordan may still be hesitant to exchange diplomatic representatives with Israel so long as the attitude of the other Arab states toward Israel remains so antagonistic.

Notwithstanding these problems of detail, which may well be pigeonholed as "unfinished business," several factors favor the conclusion of an Israeli-Jordan treaty. Both countries recognize that a treaty would

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serve their interests by providing the UN with formal grounds for modifying its present position on Jerusalem. Even now, the Trusteeship Council is faced with the dilemma of whether to expend its energies working on a theoretically ideal plan which cannot be implemented or whether to recommend a watered-down version of internationalization acceptable to both Israel and Jordan. A treaty, even if it leaves many problems unresolved, might also lay the groundwork for a general improvement in Israeli-Arab relations, a development which both Israel and Jordan appear sincerely to desire.

LIBYA

Administrative Problems The wisdom of Solomon and the patience of Job will be required of the newly appointed UN Commissioner for Libya. In his task of supervising the establishment of an "independent and sovereign" Libyan state within two years, he must not only reconcile the diversities of interest among the Libyans themselves but must also cope with the complicated administrative machinery which has been set up. Concerning the day-to-day business of government, he will have to deal with three different administrations, each with its own currency: those of the British in Cyrenaica and Tripolitania and that of the French in the Fezzan. In setting up central government functions, he must cope not only with a native National Assembly but with an Advisory Council on which France, Italy, Egypt, Pakistan, the UK, and the US--as well as Libyans--are represented.

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LIBYA

There is little doubt that the Arab penchant for intrigue, Italian hopes of regaining a new foothold in Tripolitania, the British desire for a treaty with Cyrenaica, the French lack of enthusiasm for the whole idea of independence, and the minorities' fears of being overlooked will all be reflected in that unwieldy body of advisors to the advisor. These factors, together with the open hostility of the present administrators to interference with their authority, will do little to assist the Commissioner in accomplishing his work, especially in a country which is economically undeveloped and politically immature and in which the population, ethnically and culturally diverse, is in agreement on little more than the vague goal of "independence."

SYRIA

Army Revolt The recent Syrian Army revolt against Chief of Staff Hinnawi, leader of a previous army uprising last August, apparently had both military and political origins. In part, the coup, led by Colonel Adeb Shishakli, grew out of the factionalism which has rent the army since General Zaim's seizure of power last March. Of apparently equal importance, however, was the opposition of the Shishakli group to the Syro-Iraqi union scheme, which Hinnawi was suspected of trying to force on the government. In fact, the immediate cause of the coup was evidently the fear that the Syrian Constituent Assembly, in refusing last Sunday to include a pledge of loyalty to the republican form of government as part of the Chief of State's oath of office, was moving toward Syrian adherence to the Kingdom of Iraq. Although Shishakli has

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SYRIA

not intervened directly in civilian affairs, his action re-emphasizes the role of the military as a disturbing, if not a controlling, element in Syrian political affairs. Even if the situation now quiets down, the coup re-presents a setback for the government's recent attempts to re-establish civilian controls and to restore political stability in Syria.

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F A R E A S T

CHINA

Mao in Moscow One result of Mao Tse-Tung's visit to Moscow will probably be the conclusion of a Treaty of Mutual Assistance and Friendship between the USSR and the Chinese Communist Government. This treaty, augmenting the Sino-Soviet Pact of 1945 to which the Chinese Communists have already given their stamp of approval, will probably provide for: (1) economic and technical assistance by the USSR along lines already developing in China, as well as an expansion of cultural relations; and (2) secret military protocols providing for cooperation between the armed forces of the two countries and the joint use and development of Chinese military facilities, particularly air bases. The presence of outstanding Politburo members Molotov, Malenkov, and Bulganin at the meeting between Stalin and Mao suggests that other important matters were discussed. In all likelihood, both Stalin and Mao saw in this visit an opportunity to re-examine questions likely to become increasingly urgent in the near future, such as: (1) Western diplomatic recognition and trade; (2) the Japanese peace treaty; (3) further Communist penetration of Central and Southeast Asia; and (4) the extent of Soviet-Chinese cooperation in Manchuria, Sinkiang, and possibly China proper.

Treaty Policy Although the Chinese Communists have stated that they will examine Nationalist treaties individually and then repudiate or accept each according to its merits, there is little likelihood that they will actually take a rational view of the merits of

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CHINA

treaties with the West. The Chinese Communist regime is severely restricted in its interpretation of treaties by the necessity of accepting special agreements with the USSR, while at the same time condemning similar agreements made by the Nationalists with Western powers. Moreover, recent information from Peking indicates that the Communists are probably ignorant of a large part of their inherited treaty obligations, and are apparently convinced that all Nationalist treaties contain provisions betraying Chinese interests. Even if such clauses do not appear in the text of the treaties, the Communists will probably still believe that the suspected "betrayals" are contained in secret protocols.

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WESTERN HEMISPHERE

CHILE

Communist Plotting Reported Communist plans to celebrate a "bloody Christmas" by extensive rioting have caused concern to Chilean authorities but are not believed to be an immediate threat to the stability of the Chilean Government. Recent disturbances and open Communist threats do indicate, however, that the Communists still have the ability to exploit favorable opportunities to create trouble. Popular discontent over economic conditions in Chile and the increased prices resulting from a new Government foreign exchange policy have provided a situation increasingly favorable to Communist-inspired disturbances. It appears, however, that although the well-advertised plans for holiday disturbances may develop on a relatively minor scale, the government will probably not be in any real danger for several months.

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THE BRITISH ECONOMIC POSITION

The Labor Government apparently now intends to "coast through" the coming pre-election months in the hope that, with the immediate drain of gold and dollar reserves reversed, moderate measures will keep economic forces under control. Although there is reasonable justification for the Government's hope for the next few months, the long-term prospects remain uncertain, and another financial crisis will probably occur by mid-summer of 1950 unless additional preventive measures are taken.

With the exception of the continuing visible gap between dollar sales and dollar purchases, the general trade and production position of Britain is improved somewhat. Sales to the US and to Canada rose sharply during October and November, but the net yield in dollars to the UK has shown little change largely because of the reduced dollar yield per unit of sale. The total value of imports through October and November increased at a slightly slower pace than exports, however, leaving the adverse visible balance of trade at 35.1 million pounds; this is the lowest point since March of 1949. The September index of over-all industrial production, which was 6.4 percent above September 1948, reflects increased productivity since there has been no appreciable gain in the labor force during the past year.

British gold and dollar reserves have continued to rise since the initial \$84 million inflow between devaluation on 18 September and the end of that month when they totalled \$1,404 million. Food and raw material stocks increased by 100 million pounds during the six months ending 30 September, reducing import needs for the near term.

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The General Council of the Trades Union Congress called upon all affiliated unions to hold wage rates at present levels until January 1951, provided the retail price index stays between 106 and 118. However, the retail price index, which remained at the September level of 112 during October, may rise above 118 by mid-summer of 1950. The wholesales price index rose 2.8 percent during October and another 1.3 during November.

Attention in the coming months will continue to be focused upon the degree of success attained in building up gold and dollar reserves and in narrowing the gap between dollar sales and dollar purchases. Any increase in dollar exports may not show up for several months. Import prices adversely affecting the domestic cost of living will continue to cause concern. Anxiety over losses of dollar earnings to third countries will grow as long as "transferable" sterling discount rates continue to widen. The problem of the sterling balances will be widely discussed and the Government will be urged to re-examine its policy of releases against them. The Government, in the hope of reversing the recently increased rate of withdrawals from national savings, will continue to exhort the British people to increase their savings.

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SECRET**COMMUNIST DESIGNS ON TIBET**

The announced intention of the Chinese Communists to assume control over Tibet, coupled with growing Soviet propaganda interest in that country, suggests that this strongly anti-Communist area, the last on the Chinese mainland, will be subjected to intensified Communist pressures, possibly culminating in a military expedition to Lhasa in mid-1950.

Though nominally part of China since the eighth century, Tibet has enjoyed virtual independence during most of the intervening years. The Tibetans, opposed to foreign domination, have seized the opportunity offered them by the disintegration of Nationalist China to seek again complete independence from China; they also realize that their theocratic government cannot survive under Communist control. The Chinese Communists appear anxious to control Tibet, because the establishment of an independent non-Communist state there would be damaging to the prestige of the new Communist regime in China. A Communist Tibet would provide additional, though limited, opportunities for Communist infiltration into India and the border states of Nepal and Bhutan, while neutralizing Tibet as a potential base for anti-Communist activities. Tibet would, however, contribute little to the economic or military potential of either China or the USSR. The Tibetans, acutely aware of the Communist threat, have announced their intention to resist a Communist invasion, requested extensive US aid, and urged the US and UK to support their bid for UN membership. India, meanwhile, recognizes the dangers of Communist expansion in this direction, but is in no position to offer Tibet any

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significant military or economic assistance, and fears that the extension of aid might simply result in an acceleration of a Chinese Communist advance into Tibet. Although the UK retains its concern about Tibet, it too is unable to offer substantial aid.

Initially, the Chinese Communists will probably confine their anti-Tibetan activity to political penetration and subversion, concentrating primarily on exploiting the pro-Chinese Panchen Lama, now in Communist hands, and on wooing those peripheral monasteries which resent the pro-British leanings of the Lhasa authorities. By mid-1950, however, the Communists may feel impelled to attempt the military occupation of Lhasa. Although a military expedition could probably reach this center of Lamaism and establish Communist control in Tibet, such an operation would involve immense logistic problems deriving from the country's poverty and inaccessibility. Tibetan troops, however, now numbering approximately 10,000, are inadequately supplied and lack knowledge in the use of modern demolition materials and techniques for mountain warfare; therefore, they are considered capable of little more than guerrilla resistance.

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