

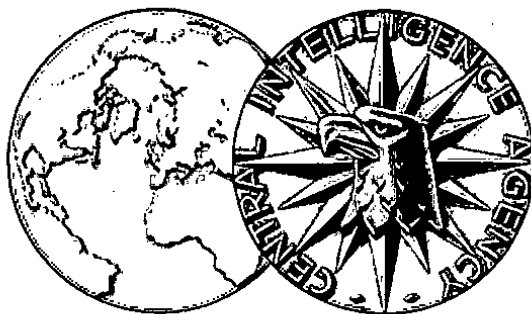
~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~ COPY

WEEKLY SUMMARY



Number 78

25 NOV 1949

F-2

Document No. 001
 NO CHANGE in Class.
 DECLASSIFIED
 Class. CHANGED TO: TS S C
 Auth: DDA Memo, 4 Apr 77
 Date: 31-1-78 By: 013

CENTRAL INTELLIGENCE AGENCY

*Archival Record
 Return to Archives & Records Center
 Immediately After Use*

~~SECRET~~

255021

1. This publication contains current intelligence exclusively and therefore has not been coordinated with the intelligence organizations of the departments of State, Army, Navy, and Air Force.
2. This copy may be either retained, or destroyed by burning in accordance with applicable security regulations, or returned to the Central Intelligence Agency.

WARNING

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, 50 U.S.C., 31 and 32, as amended. Its transmission or the revelation of its contents in any manner to an unauthorized person is prohibited by law.

SECRET

C O N T E N T S

	Page
HIGHLIGHTS	1
WESTERN EUROPE	2
EASTERN EUROPE	4
NEAR EAST - AFRICA	6
FAR EAST	7
WESTERN HEMISPHERE	10

SECRET

SECRET

H I G H L I G H T S

Developments in Europe during the past week centered primarily on steps toward granting the West German Republic greater participation in the affairs of Western Europe. Meanwhile, the USSR is stepping up its efforts to nullify the western export control program (see page 4) and it now appears likely that the British Labor Government will call a general election sometime in February or March (see page 2).

In Greece, the diminishing military crisis is producing a widespread psychological letdown, marked by a growing tendency toward political fragmentation and new alignments (see page 5). The coalition government, in addition to being subjected to internal strain, is being confronted with a new surge of labor unrest evidenced by vigorous wage demands long deferred because of the military situation.

SECRET

SECRET

WESTERN EUROPE

UNITED KINGDOM

General Election Although the Government need not call one before July 1950, a British General Election sometime in late February or early March is now considered likely. The Labor Government may choose this election date because: (1) the populace will not feel the full impact of devaluation and of the new economy measures until after March; (2) in early April, the Government must present the 1950-51 budget, which is expected to be severe; and (3) Labor expects further losses in the local elections scheduled for May. Moreover, after December, the Government can point to passage of both the steel nationalization bill and the Parliament Bill restricting the powers of the Lords as final fulfillment of its 1945 campaign promises. Finally, the Government may wish to take advantage of the high morale and fighting spirit generated by celebration of the Labor Party's 50th Anniversary on 3-4 February.

ITALY

Land Reform The limited scope of the national land reform legislation currently being considered by the Italian Government, coupled with inevitable obstacles in formulating and implementing a comprehensive land reform program, will intensify the bitterness long existing among the landless peasants of southern Italy and Sicily and provide another opportunity for the Communists to capitalize upon the grievances of this large underprivileged group. The urgent need for implementing the Government's pledges for agrarian reform

SECRET

ITALY

has been accentuated by Communist-incited disorders in the southern Italian province of Catanzaro, where police recently found it necessary to fire upon farm laborers who had occupied privately-owned land. Sicily is currently the scene of similar disorders. The national land reform legislation scheduled for parliamentary consideration within 30 days, even if approved, will be limited in its scope and effectiveness. The most serious limiting factor is the lack of sufficient land to provide the 2.5 million peasant families with the farms they desire and expect. The great majority of these peasants will be bitterly disappointed and their resentment against the government will be exploited by the Communists. Another factor limiting the initial effectiveness of any land redistribution program will be the lack of capital, equipment, and farming skill of the peasants who do receive farm lands. Thus, passage of the proposed national land reform legislation in Italy will satisfy only a fraction of the landless peasants and will constitute only the first step toward a solution of the basic causes of agrarian unrest.

SECRET

SECRET

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

SOVIET UNION

Trade Policy Recent Soviet delaying tactics in trade negotiations with the western nations reveal the Kremlin's eagerness to break the united front on export controls before the Soviet bargaining position deteriorates further. Aware that the West is becoming less dependent upon the USSR for food and raw materials, the USSR apparently hopes that the threat of a curtailment of East-West trade will force individual western nations to comply with Soviet demands for the export of strategic materials. The Kremlin further hopes that if through such tactics one nation can be persuaded to relax its export controls, other nations will be forced to follow suit. In support of this effort to create discord among the western powers, the USSR can be expected to step up its efforts to demonstrate the futility of the entire export control program by pointing out that such deals as the release of US oil drilling equipment and Danish and Dutch promises to construct tankers for the USSR indicate that enforcement of the export control policy is not uniform. A recent statement by a key AMTORG representative in the US provides further indication of the line the USSR is pursuing in its attempts to nullify the US export control program. The representative stressed that: (1) direct sales by the US to the USSR would eliminate the expensive steps involved in shipping to Western Europe goods which are sold later to Eastern European countries and subsequently transshipped to the USSR; (2) development of alternative sources of supply for materials such as manganese is unnecessary and

- 4 -

SECRET

SECRET

SOVIET UNION

expensive so long as exportable surpluses are now available in the USSR; and (3) Soviet possession of the atomic bomb has eliminated any reason for suspicion between the US and the USSR.

GREECE

Psychological Letdown Despite general awareness that a potential Communist threat still exists and that urgent economic and social problems remain to be solved in Greece, the waning of the military emergency is producing a widespread psychological let-down, and signs of lessening concern for the national interest are evident virtually everywhere. The combat troops have become somewhat less vigilant in dealing with the 1,500-odd guerrillas still active within Greece. Meanwhile, with the 1950 elections approaching, a tendency toward fragmentation and new alignments is developing in political circles, and members of the Liberal and Populist Parties are becoming increasingly vocal in their partisan objections to the Populist-Liberal-Unionist coalition government. Although the two parties may be led to compose some of their differences through a common fear of a pre-election service government under Marshal Papagos, the party leaders will probably find it more and more difficult to hold their followers in line. The stability of the government is also being strained by a new surge of labor unrest, with labor unions now vigorously pushing wage demands long-deferred because of the military situation.

SECRET

SECRET

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

IRAN

Tudeh Activities Renewed activity by the outlawed Tudeh Party, although indicative of Soviet exploitation of the general unrest precipitated both by the Majlis elections and the assassination of Minister of Court Hajir, poses no immediate threat to the Iranian Government inasmuch as the armed forces are believed quite capable of coping with subversive activities in Iran. While the Kremlin continues to manifest a benign official attitude toward Iran, underground activities of the Soviet-backed Tudeh have increased, party members have been stirring up trouble among Iranian laborers in the oil fields of nearby Kuwait, and a number of pro-Tudeh newspapers following the straight Communist line have appeared on Iranian newsstands. Whether the Tudeh Party had any part in Hajir's assassination has not yet been determined, but Soviet financial aid has reportedly been extended to at least one of the parliamentary opposition candidates said by the assassin to be implicated in the plot.

- 6 -

SECRET

SECRET

F A R E A S T

CHINA

Sino-Soviet Relations The Chinese Communist Party leadership is encountering difficulties in "selling" the Sino-Soviet friendship line to the Chinese public. Chinese circles have criticized the Soviet cultural delegation, the prodigal display of Lenin-Stalin portraits, the coercion employed by Friendship associations, the Soviet role in Manchuria, and the influx of Soviet advisors and technicians into China proper. Moreover, among the Chinese peasantry, which has provided the manpower and support for the successful Communist military campaigns, there are signs of resentment against Soviet-inspired efforts to subordinate the peasantry to urban labor and to exploit the peasantry as a means of financing the Communist industrialization program. The Chinese Communist Party will also experience increasing difficulty in concealing from the Chinese public the fact that Sino-Soviet "friendship" is yet another form of subservience to foreigners.

Mounting Unemployment An example of the kind of industrial problem confronting the Chinese Communists in consolidating their hold over China is the critical situation in the textile industry. Present indications are that China's textile industry will be able to operate at only 35-40 percent of capacity because of the shortage in the 1949 cotton crop, and the inability to import cotton to make up the deficit in domestic production. In Shanghai, where nearly half the country's textile mills are located, the Communists face the unhappy prospect of large

SECRET

SECRET

CHINA

numbers of disaffected and unemployed textile workers during 1950. Since the textile industry is China's largest single industry, employing more than half the nation's factory force, any substantial curtailment of production in that industry will affect the entire Chinese economy, as well as foster discontent among the proletarian "vanguard of the revolution."

THE PHILIPPINES

Post-Election Protests The current armed insurrection in Batangas province will probably be followed by further rallies protesting the results of the recent Philippine elections and perhaps by additional armed incidents. With the armed forces now fully alerted, however, and added security measures imposed, the Philippine Government will be able to prevent these post-election disturbances from getting out of hand. The identity of the raiders in Batangas, home province of the Nacionalista Party's defeated presidential candidate, José Laurel, has not been fully established, but disgruntled Nacionalistas and Communist-led Huks were probably participants. There is no indication, however, that top Nacionalista Party leaders engineered the incident or that it received sufficient popular support to be the forerunner of a local coup for seizure of power by Laurel's backers.

SECRET

SECRET

INDOCHINA

Slow Progress Growing dissatisfaction with the slow progress being made toward agreement on the transfer of administrative power from the French to the Vietnamese will be exploited by both French and Vietnamese opponents of the Bao Dai experiment. Even present supporters of the plan are increasingly discontented. It is now extremely unlikely that the original target date of 31 December for transfer of authority will be met. Negotiations over justice and security questions are virtually deadlocked, the Vietnamese demanding immediate transfer of police powers and the French disregarding Vietnamese concepts of sovereignty by insisting that the Ministry of Justice in Paris have jurisdiction over mixed courts. Moreover, the interstate conference on such complex economic matters as communications, trade, customs, and financial questions has been postponed until January 1950. Meanwhile, those matters on which agreement has been reached are generally insignificant.

- 9 -

SECRET

SECRET

WESTERN HEMISPHERE

ARGENTINA

Labor Troubles The persistence of maladjustments in the Argentine economy has been emphasized by the growing tendency of labor to resist Peron's efforts to stabilize wages and of the government to adopt a stricter attitude toward labor. Labor's defiance is manifest in the renewal of strike activity, highlighted by the general strike in the sugar industry which has already resulted in several clashes between workers and police. Aware of the threat to its stability resulting from labor's increasing defiance, the Peron regime may be provoked into adopting extremist anti-labor measures similar to its recent anti-democratic actions on the political front.

PANAMA

New President Fear of increasing public opposition to his strong-arm tactics probably lies behind Police-Chief Remon's declaration of Arnulfo Arias as president of Panama. Chiari, who held the presidency for four days, now seems definitely out of the picture; the supreme court has declared Chanis' resignation invalid and Remon has withdrawn his support. Arias, who actually may have been the legally elected candidate in the last presidential elections, has considerable personal popularity in Panama and although long an enemy of Remon does not at present have the power to oppose him. Moreover, both Arias and Remon are too opportunist to let past events block an agreement that might be profitable to both. It is unlikely that the pro-Chanis groups can, unless outside

SECRET

SECRET

PANAMA

pressure is brought to bear, make headway against the Remon-Arias combination. Arias has always been a controversial figure, is dictatorial in habit and an extreme nationalist. In view of his past anti-US views, his promise to seek friendly relations now should be interpreted more as a move to stave off US assistance to his opponents than as a genuine change of heart.

- 11 -

SECRET

SECRET**DISTRIBUTION**

1. The President
- 2,64. Secretary of State
- 3,4. Secretary of Defense
5. Secretary of the Army
6. Secretary of the Navy
7. Secretary of the Air Force
- 8,70. Chairman, National Security Resources Board
- 9,71. Executive Secretary, National Security Council
10. Assistant Secretary of the Navy for Air
- 11,69. Chief of Staff, US Army
- 12,13,14. Chief of Naval Operations
- 15,16,17. Chief of Staff, U.S. Air Force
18. Director of Plans and Operations, General Staff, U.S. Army
19. Deputy Chief of Staff (Operations) U.S. Air Force
20. Deputy Chief of Naval Operations (Operations)
21. Director of Plans and Operations, U.S. Air Force
- 22,23,24. Special Assistant to Secretary of State for Research
and Intelligence
- 25,26,27,28,29, 30,31,32,33,34. Director of Intelligence, General Staff, U.S. Army
- 35,36,37,38,39, 40,41,42,43,44. Chief of Naval Intelligence
- 45,46,47,48,49. Director of Intelligence, U.S. Air Force
50. Director of Security and Intelligence, Atomic Energy Comm.
51. Executive Secretary, Military Liaison Committee,
Atomic Energy Commission
- 52,53,54,55,56. Chief, Acquisition & Distribution Division, OCD, Dept. State
57. Director, Federal Bureau of Investigation
58. Secretary, Joint Chiefs of Staff
59. Chief, Policy Planning Staff, Department of State
60. Secretary of State (Attention: Chief, Policy Reports Staff)
61. Deputy Director, Joint Intelligence Group, Joint Staff
- 62,63. Secretary, Joint Intelligence Group, Joint Staff
65. US Air Force Representative on Joint Strategic
Survey Committee
68. Administrator, Economic Cooperation Administration

SECRET

Document No. 002 00/
NO CHANGE in CLASS.
 DECLASSIFIED
Class. CHANGED TO: TS S C
DDA Memo. 4 Apr 77
Auth: DDA REG. 77/1763
Date: 31-1-78 By: 013

~~SECRET~~