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# WEEKLY SUMMARY



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## H I G H L I G H T S

With the fighting in Korea at a temporary lull following the commitment of Chinese Communist troops, speculation this week centered on how the United Nations would deal with the new turn of events. It appeared likely that initially the UN would adopt a cautious approach in the hope of avoiding becoming involved in a full-scale war with China (see page 3). Meanwhile, the limited nature of their participation in the fighting may indicate that the Chinese Communists merely intend to halt the advance of UN forces in Korea and to keep a Communist regime on Korean soil, and hope to achieve some kind of political solution (see page 2).

The European NAT countries are making a slow start in getting their arms production programs under way (see page 5), partly because they still do not view the need for rearmament with the same sense of urgency as the US. Indications are growing, however, that the Pleven Plan will not prevent an early solution of the current deadlock between France and the other NATO powers on the use of German manpower (see page 14).

In other critical areas of the world, indications of developments affecting US security include: (1) the possibility of local Viet Minh attacks against the newly established French defense lines (see page 10); (2) probable moves by India to wrest the initiative from the UN on the Kashmir issue (see page 11); and (3) the growing probability that the "liberation" of Tibet would be completed in 1950 (see page 11).

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## THE KOREAN SITUATION

**Chinese Intentions** Although the Chinese Communists, in intervening in Korea, have accepted a grave risk of US-UN retaliation and general war, the limited extent of their intervention to date may indicate that their objective is merely to halt the advance of UN forces in Korea and to keep a Communist regime in being on Korean soil. In so doing, the Chinese Communists would: (1) avert the psychological and political consequences of a disastrous outcome of the Korean venture; (2) keep UN forces away from the actual frontiers of China and the USSR; (3) retain an area in Korea as a base of Communist military and guerrilla operations; (4) prolong indefinitely the containment of UN, especially US, forces in Korea; (5) control the distribution of hydroelectric power generated in North Korea and retain other economic benefits; and (6) create the possibility of a favorable political solution in Korea.

The Chinese Communists, however, still retain full freedom of action. If successful in destroying the effective strength of UN forces in North Korea, they would pursue their advantage as far as possible. In any case, they would probably ignore an ultimatum requiring their withdrawal, and, if Chinese territory were to be attacked, they would probably enter Korea in full force. With forces available in Manchuria, the Chinese Communists are capable of committing more troops in an attempt to prevent a UN victory in northern Korea. A possible development of the present situation, therefore, is that the opposing sides will build up their combat power in successive increments to checkmate the other until forces of major magnitude are involved. At any point in this development, the danger is present that the situation may get out of control and lead to a general war.

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**UN Action** Chinese Communist intervention in Korea could confront the UN with a critical test of its effectiveness as an instrument for resisting aggression which would have long-range implications for the future power and prestige of the UN. It is still too early to predict the final outcome of the UN's handling of the issue. In the initial stages, as long as Chinese Communist activity is apparently restricted to holding a defensive line along the Manchurian border, the UN is likely to proceed with utmost caution, largely through fear of provoking the Chinese Communists to further aggression. Every effort will be made to localize Chinese military action by such conciliatory gestures as assurances that the UN has no intention of crossing the Manchurian border and that Chinese interests in the Yalu hydroelectric plants will be protected. It is also likely that a political solution will be sought. The real test will come if such a solution fails and if Chinese Communist military actions indicate an intent to drive UN forces out of northern Korea. The UN would then have to face squarely the question of whether to risk involving itself in a full-scale war with China by sanctioning UN military action against bases and supply facilities in China. At present, it appears that there would be strong deterrents against prompt and vigorous UN military action against Communist China. They include: (1) the fear that such action would precipitate general war; and (2) the concern of the NATO powers that European defenses would be left dangerously weak if the US and its allies were drawn into an exhaustive campaign in Asia.

**Political Bickering** Since the return of the Republican Government to Seoul, the long-standing conflict between the National Assembly and President Rhee has been renewed and there is little prospect of an early resolution of the struggle for power between the legislative and executive

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branches of the ROK Government. The struggle came to a head last week when the Assembly refused to approve the nomination of George Paek to the long-vacant post of Prime Minister. It also appeared likely at that time that the Assembly would demand the resignation of the entire Rhee Cabinet; under the impetus of the reversal in the military situation, however, the Assembly has apparently decided to postpone such a step. Nevertheless, the presence in the Assembly of large numbers of "independents," even though they are not yet fully coalesced into organized factions, makes it certain that President Rhee will be faced with strong Assembly criticism if he exercises broad executive powers without regard for Assembly wishes.

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**TOP SECRET****WESTERN DEFENSE**

**Rearmament Delays**      Aside from the yet unresolved key question of German participation in the Western defense effort, numerous other factors are responsible for the slow start being made by the European NAT countries in getting their arms production programs under way. One delaying factor is the continued failure of the NATO to reach firm decisions on the forces to be contributed by the member nations, the types of weapons needed, the degree of standardization to be achieved, and the allocation of the financial burdens. More basically, however, most European countries do not view the need for rearmament with the same sense of urgency as the US and are still more preoccupied with recovery problems. They have thus been dilatory in getting arms production started and in submitting specific requests for US aid and have shown a reluctance to push forward with rearmament until they know how much US aid they will receive. A further obstacle to a rapid increase in arms production is the continuing tendency of most nations to produce only for their own needs and to show little interest (except for Italy) in producing for transfer under the concept of mutual aid.

**British Position**      The difficulties already being faced by the British illustrate the economic repercussions of the proposed European rearmament production programs. Growing domestic needs for steel, partly arising from actual and prospective rearmament orders, have already forced cuts in exports of some steel products and caused some interruptions in industrial production. US orders have had to be turned down and the danger exists that the UK may have to cut back production in the automobile industry, one of the UK's major exporters. Current shortages in other raw materials will complicate the problem of dividing industrial production among export, home needs, and rearmament as the tempo of armament production increases.

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**UK European Policy**      With the questions of European integration and rearmament currently closely associated, it appears that the British Government will adopt a more flexible attitude toward European unity. Although the British will remain basically opposed to closer political and economic union with the European nations, they are not likely to oppose the efforts of the continental countries to achieve greater unity among themselves on a purely continental basis.

**CFM on Germany**      Meanwhile, the Soviet proposal for a Foreign Ministers' Conference to discuss the German problem, while reflecting serious Soviet apprehension over the rearmament of Western Germany, is not likely to have any significant effect at this time on Western European progress toward rearmament. The proposal is apparently merely another step in the Kremlin's diplomatic and propaganda effort to obstruct a West German military contribution to Western defense and does not indicate Soviet willingness to meet even minimum Western conditions for German unity. The proposal has had little effect in raising German hopes of obtaining unity by peaceful means, or in strengthening French or West German fear of provoking Soviet military action by proceeding with plans to rearm West Germany.

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**EAST-WEST TRADE**

As the Western Powers continue to discuss the problem of formulating effective controls on the export of strategic commodities to the Soviet orbit, it remains apparent that trade between the East and West is still considerable and that the Soviet orbit is still interested in obtaining strategic materials from the West. There are indications, however, that the UK and Sweden, which are the USSR's largest Western trading partners, are taking steps toward curtailment of the flow of strategic commodities to the East.

**British-Soviet Trade**      During the first seven months of 1950, Eastern European imports from the UK declined in comparison with 1949 while Soviet exports to the UK rose sharply. Principal Soviet exports were grain and timber vitally needed by the UK. British exports consisted mainly of machinery of all types and machine tools, mostly in fulfillment of orders placed from one to three years ago. The export balance of trade in favor of Eastern Europe continues to provide the Orbit with an important source of sterling for the purchase of strategic raw materials elsewhere in the sterling area. Although the UK is planning a further tightening of controls on the export of special industrial equipment and machine tools, its demand for non-dollar timber and grain will probably continue to provide the USSR with substantial sterling exchange.

**Swedish Position**      The proportion of strategic commodities in Sweden's exports to Eastern Europe remains high; nevertheless, the Swedish Government is showing some inclination toward imposing tighter controls

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over these exports. The Swedes have given oral but firm assurance that no 1-A or 1-B items imported by Sweden from the US will be re-exported to Eastern Europe (this assurance does not extend to re-exports from other countries). They have also expressed a willingness to cooperate informally with the Consultative Group in Paris on the control of strategic exports to the USSR, although Sweden's present interpretation of neutrality does not permit formal participation in the group's work. These actions indicate Swedish desire not only to maintain and extend participation in the cooperative economic activities of Western Europe despite military and political neutrality but to avoid endangering their relations with the US and UK and thus possibly lessening their chances of obtaining critically short materials.

**Soviet-Iranian Trade**      The Soviet Union's recently demonstrated willingness to sign a trade pact with Iran which apparently contained no significant Iranian concessions may in part reflect a need for the wool, cotton, leather, and other products Iran is to provide. The USSR's action, however, undoubtedly also represents a belief that its policy of conciliation toward Iran (of which the trade pact is the most notable achievement) will cause considerably more Iranians to favor a more friendly attitude toward the USSR and that the pact specifically will tend to counterbalance the recently announced Export Import Bank and Point IV programs. From the Iranian point of view, the agreement (involving about \$20 million worth of goods each way) should not only provide the economy of the northern provinces with considerable benefits but also confer increased strength and prestige on the Razmara Government.

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**Geneva Grain Conference** Judging from the Soviet position during the recently concluded British-Soviet trade negotiations, there is little likelihood of East-West agreement at the forthcoming grain trade conference at Geneva. At this conference, the USSR will probably make the same demands it made of the British, namely higher prices for Soviet wheat than currently set by the International Wheat Agreement and guarantees that proceeds from the sale of Soviet grain can be used for the purchase of specific commodities such as rubber, wool, and other strategic items. The USSR will attempt to embarrass the Western Powers by pointing out that their refusal to grant these demands is incompatible with their former statements regarding the need for greater reciprocal trade.

**Argentine Exports** Meanwhile, Argentine exports of insoluble quebracho extract (a tanning agent) to Eastern Europe are steadily increasing. During the past few months, orders from Hong Kong reportedly totalled 25,500 metric tons, as compared with average annual shipments in former years of less than 1,500 metric tons. Moreover, Argentine exports of this strategic commodity to Eastern Europe during the first six months of 1950 have increased 85 percent over the first half of 1949.

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## CRITICAL AREAS

Indochina Military In the near future the French face probable Viet Minh moves against their newly established defense lines covering Hanoi and its communications with the sea. The French estimate that the most likely opening of the next phase of the campaign will be an attack on Viet Tri, 30 miles northwest of Hanoi, the point of convergence between the line covering Hanoi from the north and that covering Hanoi from the west and southwest. It is believed that Viet Minh forces have by now had time to replace recent losses and regroup and, while far from ready to mount a major offensive, are able to renew local attacks.

Meanwhile, General Juin, who has returned from his mission to Indochina, has recommended that the French attempt to hold existing positions, strengthen the morale of French troops, and prepare for a counteroffensive in the spring aimed at retaking the frontier posts recently abandoned to the Viet Minh. He estimates that an additional 50,000 troops and considerable new equipment, especially aircraft and artillery, would be needed. In order to carry out these immediate objectives and to strengthen the long-term French position in Indochina, Juin further recommends that French forces in Indochina be concentrated for defense of the frontier and that a Vietnamese national army of 150,000 be built up as rapidly as possible to take over the internal security of Vietnam. This army would presumably incorporate most of the Vietnamese now serving with the French, who number somewhat over 150,000. Such a division of functions between French and Vietnamese forces would represent an important concession to Vietnamese nationalism, a fresh approach to the unsolved problem of eliminating guerrilla activity behind the French lines, and a partial solution to the acute shortage of French troops.

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**Tibet Invasion** Persistent reports of confusion and indecision in Lhasa, which apparently have handicapped Tibetan defense efforts against the advance of Chinese Communist forces toward Lhasa, indicate that Tibet will probably soon capitulate to Chinese Communist demands, acknowledging the sovereignty of Peiping on terms laid down by Peiping. The strength and position of Chinese Communist forces marching on Tibet are still uncertain, but Peiping's position is perfectly clear: it has categorically rejected Indian intervention, on grounds that the means used and the results obtained in dealing with Tibet are a purely domestic concern of the Chinese Communist Government. In the face of continued military pressure and Peiping's flat rejection of diplomatic intervention, the situation in Lhasa is likely to be resolved shortly by the flight of the Dalai Lama together with those followers that are unwilling to accede to Communist demands. It is anticipated that the "liberation" of Tibet will be effected during 1950.

**Kashmir Problem** . India is apparently preparing to take the initiative in UN discussions regarding Kashmir by introducing a Security Council resolution calling for informal discussions of the Kashmir issue by India, Pakistan, and other interested parties. Meanwhile, India has strongly endorsed a resolution of Sheikh Abdulla's Kashmir National Conference condemning the UN's failure to settle the Kashmir problem and calling for the election of a sovereign constituent assembly to settle the future of Kashmir. India apparently hopes that these maneuvers will forestall the creation of new UN machinery (such as the proposed "small power" committee) that might make embarrassingly specific formal proposals regarding the UN plebiscite India has been seeking to avoid. India may also hope to put the US and UK on the defensive; if the US and UK should

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object flatly to the proposed Kashmir elections, Indian (and Soviet) propagandists would very likely accuse them of opposing self-determination, while failure to oppose the elections would draw fire from Pakistan. Present indications are that the UK, which has assumed the leadership in the Kashmir case, may react firmly to these Indian maneuvers by suggesting that the SC oppose unilateral Indian action and insist on an over-all plebiscite, or some alternative, whether or not acceptable to India.

**Bulgarian-Turkish Tension**      Tension between Turkey and Bulgaria has increased with the arrival of the 10 November deadline set by Bulgaria for acceptance by Turkey of 250,000 immigrants of Turkish origin. Turkey again suspects that Bulgaria will attempt a mass eviction of the remaining immigrants. Turkey, which is considering bringing the matter before the UN, is likely to do so immediately if Bulgaria attempts to expel the refugees by force and will probably do so in any case if the Bulgarian Government maintains its intransigent attitude. If this case should be presented to the UN General Assembly, that body, after investigating the situation, is likely to condemn Bulgaria for violation of human rights. Such condemnation would not be likely to cause Bulgaria to desist, but it would help to mobilize international opinion and would doubtless be accompanied by a GA recommendation that modest but essential economic and technical aid be sent to help Turkey deal with the influx.

**Greek Instability**      The incomplete new Venizelos-Papandreou coalition Cabinet, sworn in on 3 November, promises to be even less stable than its predecessors and to present the King with the dilemma of calling a new election or

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installing a government with extra-parliamentary power. Unless the increasingly popular Plastiras-Tsouderos group (EPEK) can be drawn back into a coalition with Venizelos and Papandreou, no effective government is in sight on the basis of the present divided Parliament. Although the new Cabinet as yet controls fewer than 100 of the 250 seats in Parliament, it may receive enough temporary support from elements anxious to avoid or postpone elections in order to win an initial vote of confidence on about 16 November. In that case, however, the crisis will only have been postponed.

**North African Nationalism** In North Africa, where the basic political patterns are similar to those of Indochina, the issue of nationalism is becoming more acute. Nationalist participation in the "transition" Cabinet of Tunisia, organized in August, has not induced the French to make any substantial concessions or even to indicate that they might do so. Participation was from the first strongly disapproved by most nationalists in Algeria and Morocco; dissatisfaction with it appears to be spreading among the Tunisian nationalists; and the party which agreed to the experiment (the unrecognized Neo-Destour Party) may soon have to choose between withdrawing its representative or becoming discredited.

Native restiveness may also increase in the wake of French defeats in Indochina which are being interpreted by the nationalists as the handwriting on the wall for French colonialism. Native hostility is aggravated by the fact that a large proportion of French troop losses in Indochina has been from native North African contingents. North African Communists are gaining a tactical advantage because their reactions and interests coincide in this case with those of the nationalists, who view the Indochinese issue entirely as one of independence from France, and not as one of containing



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Communism. The possibility of public disorders as a result of native discontent is the more serious since the need for reinforcements in Indochina may reduce troop strength in North Africa below the minimum necessary for internal security.

German Rearmament      Indications are growing that French Defense Minister Moch's intransigent stand on the Pleven Plan will not prevent an early solution of the current deadlock between France and the other NATO members on the use of German manpower in the proposed European army. For one thing, the French are not likely to back up Moch's unrealistic insistence on the proposal that German units be smaller than divisions. Moreover, a draft agreement of the Schuman Plan, the basic prerequisite for French consent to the use of German manpower, is likely to be signed in the next few weeks. Agreement on this issue might permit the French to approve the use of German manpower (although subject to specific guarantees against the creation of instruments which could lead to a revival of German militarism) without having to air the matter in the Assembly once again. The French Government, however, would continue to insist that other provisions of the Pleven Plan be studied by the NATO powers and are not likely to make major early concessions on these points, because the Assembly itself would be unwilling at this to redefine the French position.

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