

~~TOP SECRET~~

48069

WEEKLY SUMMARY



Number 129

17 NOV 1950

Document No. 001

NO CHANGE in Class.

DECLASSIFIED

Class. CHANGED TO: TS S C

DDA Memo, 4 Apr 77

Auth: DDA REG. 77/1763

Date: 25/1/78 By: 023

Handwritten: 16

CENTRAL INTELLIGENCE AGENCY

~~TOP SECRET~~

235021

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.

~~TOP SECRET~~

C O N T E N T S

	Page
HIGHLIGHTS	1
KOREAN DEVELOPMENTS	
UN Action	2
Military Tactics	2
Mukden Defenses	3
British Policy	4
WESTERN EUROPE	
The Schuman Plan	5
Berlin Economy	5
German Elections	6
EASTERN EUROPE	
Soviet Maritime Policy	8
Czech-Soviet Trade	9
Soviet Benzol Shortage	9
NEAR EAST-AFRICA	
Greek-Yugoslav Relations	11
Greek Government Prospects	11
India's Security	12
LATIN AMERICAN TRENDS	14

~~TOP SECRET~~

~~TOP SECRET~~

H I G H L I G H T S

Chinese Communist intentions regarding Korea and the UN decision regarding China's intervention there remained the crucial issues affecting US security. The UN was marking time pending the arrival at Lake Success of the Peiping delegation, and most UN members still seemed primarily interested in reaching a solution in North Korea short of one requiring the use of military sanctions against China (see page 2). Meanwhile, Chinese Communist political and military moves gave little indication of a readiness to withdraw from Korea or seek a political solution acceptable to the majority of the UN members. The Chinese, however, still retain full freedom of choice to withdraw from Korea, maintain the present stalemate, or attempt to drive UN forces out of Korea.

Recent Chinese Communist activities have also aggravated India's border security problem (see page 12). The advance on Tibet and increasing Chinese interest in areas bordering India confront New Delhi with the difficult task of strengthening its frontier guards at a time when it is apparently preparing for a showdown on the Kashmir question.

~~TOP SECRET~~

~~TOP SECRET~~

KOREAN DEVELOPMENTS

UN Action With UN action on Chinese Communist intervention in Korea at a standstill pending the arrival of the Peiping delegation, it is apparent that the majority of the UN members are primarily anxious to find some formula short of military sanctions against Communist China which would lead to a political settlement in North Korea. Current Soviet and Chinese propaganda and actions, however, reveal little disposition to seek a settlement on terms which could be accepted by the UN. Peiping's peremptory demand that the UN consider its complaints against the US and its summary rejection of the invitation to be heard on the question of Chinese intervention in Korea will make it most difficult for the UN to negotiate with the Chinese delegates when they arrive. Moreover, both Communist China and the USSR are still insisting on a "peaceful" settlement in Korea with the implicit stipulation that UN forces be withdrawn. Meanwhile, the military tactics being employed in North Korea indicate a determination to continue to defend the area, and preparations are under way against possible UN military action against Manchuria. The Chinese Communists, however, are still maintaining their full freedom of action. Although a political settlement seems unlikely at this time, they still retain freedom of choice to prolong the present military stalemate, increase their military effort in an attempt to drive UN forces back to the 38th Parallel or possibly out of Korea, or even withdraw or reduce the scale of their intervention to a minimum.

Military Tactics The tactical deployment of enemy forces in Northern Korea continues to suggest a defensive action. The enemy's pressure has definitely slackened and entrenching activities have been observed along the entire

~~TOP SECRET~~

TOP SECRET

northwestern front. Thus far, elements of four Chinese Communist armies--totaling approximately 60,000 men--have been identified on the Korean front. Resistance in the northeast sector is increasing, however, and reports have been received indicating the possible presence of two additional Chinese Communist armies in this area, which will probably be defended strongly not only because it adjoins the Soviet border but because its occupation poses a continual threat to UN forces to the west.

Mukden Defenses The Chinese Communists are meanwhile speeding up preparations against possible UN air attacks against Manchuria. Several reports have been received that industrial installations in Mukden are being dismantled and new air raid defenses being constructed. Despite these reports, it is not likely that the Chinese Communists will engage in extensive dismantling operations involving the movement of heavy machinery. The Mukden arsenal, for example, is the principal producer in the Far East of arms and ammunition and its dismantling would not only result in permanent reduction of its potential but would result in a serious temporary loss of output. Even if the Chinese are merely reducing local stockpiles of raw materials and finished products and dispersing activities not involving the use of heavy machinery, it is certain that they are taking vigorous action to prepare themselves against the possibility of UN air attacks. These measures, coupled with continued military buildup in Manchuria, propaganda blasts against the US, and expanding Chinese Communist intervention in Korea all indicate that the Chinese are not planning early withdrawal from Korea and may, in fact, be preparing for an expansion of hostilities.

TOP SECRET

T O P S E C R E T

British Policy Despite recent Chinese Communist action in Korea and Tibet, the British Government continues to recognize Communist China. The UK has warned, however, that aggression could lead to the withdrawal of diplomatic support. It hopes that a moderate attitude on the part of itself and its allies will result in some modus vivendi with the Chinese Communists. In the UN arguments over the Chinese Communist position, the British will probably try to separate the problem of Korea from other Far Eastern issues, will continue to favor the admission of the Chinese Communists to the UN, and will not support measures designed to maintain Chiang Kai-shek in Formosa. They will not favor, under present circumstances, military action tending to increase the likelihood of war with China.

- 4 -

T O P S E C R E T

TOP SECRET**WESTERN EUROPE**

Schuman Plan Prospects for an early agreement to a draft Schuman Plan have improved considerably during the past few weeks, largely as a result of a change in the French and German attitudes. Earlier this fall, the German attitude had stiffened considerably in anticipation that US interest in the remilitarization of Germany would permit Germany to regain major power status and freedom from economic restrictions, without the restraints of the Schuman Plan. The recent Plevin Proposal, however, by delaying a decision on German rearmament, has lessened German confidence in achieving its aims without the Schuman Plan and has thus made Germany more willing to compromise. The French, moreover, in order to facilitate a compromise on the Plevin Proposal, are pressing for a quick conclusion of the coal-steel negotiations. As prospects improve for incorporating Germany into a more fully integrated military and economic European organization, the French have also been led to consider more favorably Germany's demand for termination of occupation controls. This in turn has contributed to Germany's willingness to compromise on the Schuman Plan. The major obstacles still confronting the negotiators are the cartel issue and the question of granting subsidies to the high-cost Belgian coal industry. It appears likely that the Germans will compromise on the former issue and that the French will back down from their original flat prohibition against all cartels and agree to a German counter-proposal which would permit some to operate under certain conditions.

Berlin Economy The depressed and precarious economy of West Berlin has recently shown signs of improvement. Consumption in the city is still 37 percent below the level of 1936, but there is a continued increase in the quantity

TOP SECRET

of goods and services available in West Berlin, and unemployment, although still high, has fallen off somewhat. The first effects of increased West German demand for Berlin products appeared in September exports to the Federal Republic, which reached a post-blockade record of DM 85 million. The hand-to-mouth management of West Berlin finances has come to an end, with the agreement of the Federal Republic (effective 1 October) to finance DM 500 million of the city's budgetary deficit for the fiscal year 1950-51.

The possibility of Soviet interference at any time with traffic to and from West Berlin severely limits the nature and extent of improvements in the city's economic situation. Despite that limitation, however, there may be some further improvement so long as demand for goods in Western Europe continues to be high. The US and the Federal Republic have both been encouraging increased imports from West Berlin. Progress has also been made toward waiving security restrictions and prohibition of German military production so as to permit production in West Berlin of electronics for MDAP. West Berlin may also be able to export a greater volume of its manufactured goods to East Germany in the event that a new interzonal trade agreement is concluded.

German Elections The Landtag elections scheduled for 19 and 26 November in the US Zone are not likely to introduce drastic changes in the West German political scene, but they will intensify the bitterness already existing between the government and the opposition over various national issues, particularly that of West German rearmament. The Social Democratic Party, which is expected to retain its present strength or even to make slight gains, will cite any losses by Chancellor Adenauer's party as vindication of Socialist opposition.

TOP SECRET

T O P S E C R E T

to West German rearmament. The Federal Government, however, will not be deterred from its present support of Western defense efforts by any election result short of a sweeping Socialist victory; Adenauer will point to the sum total of votes cast for all conservative parties as popular endorsement for his policies. In general, the Communists are likely to suffer further losses; the Socialists will retain their present strength and possibly make slight gains; and the Christian Democratic Union/Christian Socialist Union will lose a substantial number of votes to the conservative Free Democratic Party and the various expellee parties, although not enough to materially affect the stability of the present Federal Government.

Danish Government The new minority Moderate Liberal-Conservative Government in Denmark, with only about one third of the seats in the lower house of the Rigsdag, is even weaker than its Social Democratic predecessor and is likely to fall within two to four months. The Prime Minister has stated that his government will support the NATO and increased defense expenditures, for which Social Democratic backing can be anticipated. However, the government, in proposing measures to curb inflation and to rectify the critical foreign trade imbalance, will most likely encounter such opposition that it will be replaced by a new coalition.

T O P S E C R E T

TOP SECRET

EASTERN EUROPE

Soviet Maritime Policy The USSR is intensifying its interference with foreign fishing operations in Soviet coastal waters and in other ways is indicating that it is considering measures to extend its control and strengthen its legal position with respect to the Soviet ocean periphery. Despite the possibility that these Soviet actions might provoke retaliatory measures by other countries, which would to some extent adversely affect Soviet overseas interests, the USSR probably considers that these potential disadvantages would be far outweighed by the following direct advantages: (1) increased protection against attack on Soviet coastal areas; (2) prevention of foreign observation of Soviet naval and military activity; (3) reservation of valuable fishing grounds for exclusive Soviet use; (4) disruption of food supplies of leading Western fishing nations which are receiving US economic aid; and (5) establishment of a strong Soviet position based on consistent practice before the important UN program to codify international law proceeds too far. The US, on the other hand, would be unfavorably affected by all of the foregoing factors. Extension of sovereignty or jurisdiction over Soviet offshore waters, moreover, would establish precedents for arbitrary and unilateral restrictive action by other countries, thus weakening US efforts to block extensions of the 3-mile limit, which permits maximum freedom of circulation for US merchant and naval vessels in peace and war as well as for US fishing vessels. In further attempts to exclude foreign vessels from Soviet coastal areas, or at least to severely limit their activity, the USSR may take one or more of the following steps: (1) arbitrarily extend the zone of "territorial waters" by declaration or definition; (2) establish a zone of "contiguous waters" subject to stringent Soviet controls;

TOP SECRET

T O P S E C R E T

(3) claim special rights to interfere with navigation and fishing in exploitation of the resources of the "continental shelf"; or (4) maintain extensive "defense" zones.

Czech-Soviet Trade The newly announced Soviet-Czechoslovak trade agreement for 1951-55, calling for an average increase of 50 percent over 1948-50 in the volume of trade between the two countries, will result in a further curtailment of Czechoslovak trade with the West and may indicate an increasing Czechoslovak concentration of armaments production. Czechoslovak exports to the Soviet Union will be limited to products of the metal-working industry, whereas the USSR will provide raw materials and industrial equipment essential for fulfillment of Czech commitments. It is doubtful, however, that either country will be able to fulfill the deliveries scheduled under the agreement. Since much of the equipment and machinery to be supplied Czechoslovakia could be better produced by Czechoslovakia, it appears that the USSR is primarily interested in integrating the two economies and concentrating Czechoslovak industry in other fields. It is also unlikely that the USSR will supply ore of high enough quality for efficient use by the Czechs, or that it will be able to supply sufficient ferro alloys, such as cobalt and molybdenum. Meanwhile, Czechoslovak metal exports to the USSR alone are scheduled to exceed all foreign orders of this type in any previous years, thus making increasingly difficult Czechoslovak deliveries of producer goods to the other Satellites, and probably requiring more rigid controls over Czechoslovak labor.

Benzol Shortage Recent Soviet efforts to buy 50,000 tons of benzol in Italy and even larger quantities in France are the first indications of a Soviet deficiency in this strategic commodity and probably reflect increased production of war material, particularly explosives. The shortage may

T O P S E C R E T

T O P S E C R E T

have been caused in part by shipments to Korea of military items which utilize benzol as raw material. The annual Soviet output of 170,000 tons of benzol (about one-third the US production) is believed to have been sufficient for pre-Korea requirements.

Benzol has a number of highly important uses in military production. The grade of benzol being sought by the USSR is the type used in the production of explosives, stabilizers for smokeless powder, nerve gases, synthetic rubber, nylon, plastics, aniline dyes, insecticides, and synthetic detergents for exterminating lice and controlling typhus. Less pure grades of benzol are used as a blending agent for raising the anti-knock rating of aviation gasoline.

In addition to supplying its own needs, the USSR may have decided to purchase export surpluses of benzol in Western Europe in order to delay the expanded US synthetic rubber program. The USSR undoubtedly realizes that the reactivated US synthetic rubber program will require substantial imports of benzol from Western Europe.

T O P S E C R E T

TOP SECRET**NEAR EAST-AFRICA**

Greek-Yugo Relations The chances for improved Greek-Yugoslav relations have been increased by Tito's recent return of 57 former prisoners of the Greek guerrillas, by his promise that 174 of the Greek children held in Yugoslavia would soon be returned, and by the recent statement of Premier Venizelos indicating that Greece is willing to have emergency food supplies for Yugoslavia pass through Salonika. Nevertheless, the question of Yugoslavia's interest in the small Slavo-Macedonian minority of northern Greece is likely to remain a source of irritation between the two countries for some time to come, even if full diplomatic representation is restored in the near future. In view of Tito's deep involvement with Slavo-Macedonian nationalist aspirations in competition with Bulgaria and the Cominform, he can scarcely be expected to stifle all of the Slavo-Macedonian agitation emanating from Yugoslavia. Nevertheless, the exigencies of the situation may persuade Tito to exercise more cautious supervision over some of the more obvious outlets, such as Yugoslav radio broadcasts in Greek and Slavo-Macedonian.

Greek Government The minority Venizelos-Papandreou Cabinet seems destined to hold on a little longer. Ex-Premiers Plastiras and Tsouderos, leaders of the largest opposition party, would probably prefer to continue their organizational preparations for parliamentary elections next spring rather than precipitate a perhaps premature test of strength by making an all-out attack on the present Cabinet. The King seems to be in no hurry to make the momentous choice--between a new national election and a military-type dictatorship--which collapse of the present

TOP SECRET

TOP SECRET

Cabinet would necessitate. Meanwhile, Populist chief Tsaldaris, to whose tacit support the Cabinet looks primarily for survival, still remains an important factor in the situation; despite his departure from the Cabinet because of the Piraeus port scandal, he has managed to hold dissatisfied Populist Deputies in line, has purged a former Populist minister involved in an older scandal, and has achieved some vindication by winning a libel suit against the Athens newspaper Vima. Despite these factors, however, the Venizelos-Papandreou Cabinet remains vulnerable to sudden squalls and, in any event, is in no position to get on with the task of reconstruction and reform laid out for it by ECA.

India's Security The prospective success of Communist China's drive to gain control of Tibet-- coupled with indications of Chinese interest in Nepal, Sikkim, and the Kachin tribesmen of northern Burma and with previous Indian Communist moves to establish contacts in Tibet--creates a serious problem of border security for India. If India is to find troops to police its borders adequately, it must now face the difficult choice of adding to an already heavy military budget or withdrawing troops from Kashmir at a time when a showdown with Pakistan and the UN on the election of a constituent assembly in Kashmir is apparently in preparation. Under the circumstances, India may feel compelled to leave its own border guard force unstrengthened, thus increasing its vulnerability to subversive influences projected across the border.

With regard to the related question of Nepal, however, India appears likely to act more positively. Details of the current upheaval in that state are still lacking, and there is no evidence that it has any direct connection with the Chinese Communist menace in Tibet. Nevertheless, there appears to be little doubt that high Indian officials were at least aware of,

TOP SECRET

~~TOP SECRET~~

if not actually in support of, the armed insurrection being staged by the Nepalese offshoot of the Indian Congress Party and by sympathizers operating across the Indian border. Although the Indian Government is attempting to disassociate itself officially from the Nepalese revolt, it may well decide to strengthen its security position by taking over control of Nepal's administration much as it did in the case of Sikkim in 1949.

~~TOP SECRET~~

~~TOP SECRET~~

L A T I N A M E R I C A

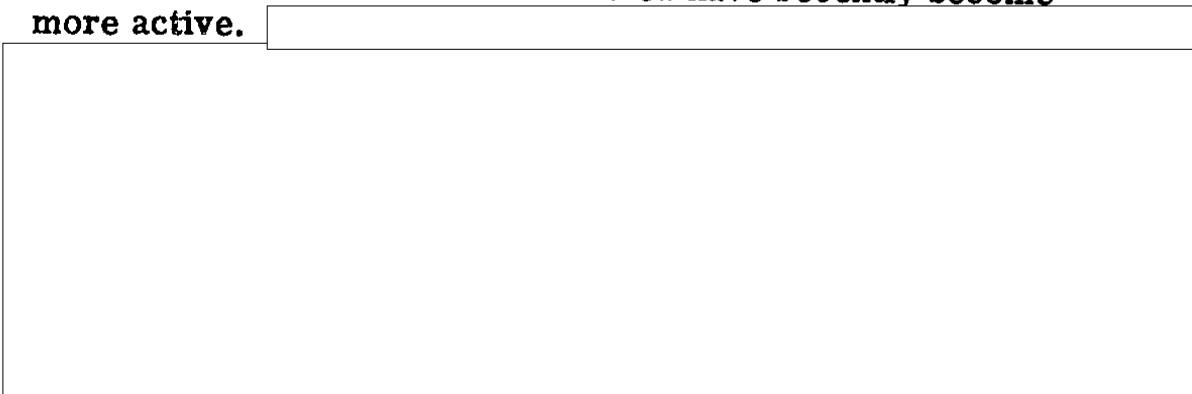
Puerto Rican Revolt The Latin American response to the Puerto Rican revolt, although by no means hostile to the US, disclosed widespread sympathy for the idea of Puerto Rican independence. Latin Americans universally deplored the attack on President Truman; the greater part showed some understanding of the US position in Puerto Rico; and very few condoned the violent methods of the Puerto Rican nationalists. Until Puerto Rico is given an opportunity to vote on the specific question of independence, however, US policy in Puerto Rico will attract the watchful, and often critical, attention of Latin Americans at large, as well as the inevitable attacks of anti-US and Communist elements.

Venezuelan Assassination The assassination of Lt. Col. Carlos Delgado Chalbaud, the late president of the Venezuelan military junta, will probably result in less cordial relations between Venezuela and the US. Delgado exerted in foreign and domestic affairs a moderating influence on the other two junta members and showed a generally cooperative attitude toward the US. The surviving junta members will probably remain in power and may be joined by Lt. Col. Felix Roman Moreno, the armed forces Chief of Staff. It is already apparent from the prompt suspension of constitutional guarantees and the existence of a state of emergency that every precaution will be taken to avoid internal disorders. No major disturbances are likely to occur in the immediate future, but the loss of Delgado will probably lead to a more repressive policy which may eventually provoke serious violence and prevent for a long time any progress toward the establishment of a constitutional regime.

~~TOP SECRET~~

TOP SECRET

Caribbean Plotting **Professional revolutionaries in the
Caribbean area have recently become
more active.**



STAT
STAT

The reported increase in the activity of professional revolutionaries in the Caribbean is probably due both to their desire to act before the expected general war emergency makes international revolutionary activities more difficult and to the continuing support they receive from those who believe that the overthrow of "dictator" governments by any means is justified. This heightened activity distinctly increases the possibility of such attempts in the near future.

TOP SECRET

~~TOP SECRET~~

DISTRIBUTION

1. The President
- 2,3,4,5. Secretary of State
- 6,7,8. Secretary of Defense
9. Secretary of the Army
10. Secretary of the Navy
11. Secretary of the Air Force
12. Special Assistant to the President, W.A.Harriman
- 13,14,15. Chairman, National Security Resources Board
- 16,17. Executive Secretary to the National Security Council
18. Assistant Secretary of the Navy for Air
19. Secretary, Joint Chiefs of Staff
20. Chairman, Joint Chiefs of Staff
- 21,22. Chief of Staff, US Army
- 23,24,25. Chief of Naval Operations
- 26,27,28. Chief of Staff, US Air Force
29. Assistant Chief of Staff, G-3, Operations, US Army
30. Deputy Chief of Staff, (Operations), Air Force
31. Deputy Chief of Naval Operations, (Operations)
32. Director of Plans and Operations, US Air Force
- 33,34,35. Special Assistant, Intelligence, Department of State
- 36,37,38,39,40,41,
42,43,44,45,100 Assistant Chief of Staff, G-2, Intelligence, US Army
- 46,47,48,49,50,51,
52,53,54,55,56,
57,58,59,60. Director of Naval Intelligence
- 61,62,63,64,65,66,
67,68,69 . . . Director of Intelligence, Headquarters, US Air Force
70. Director of Intelligence, Atomic Energy Commission
71. Executive Secretary, Military Liaison Committee;
Atomic Energy Commission
- 72,73,74,75,76,77,
78,79,80,81,82,
83,84,85. . . Chief, Acquisition and Distribution Div., OCD, State
86. Chief, Policy Planning Staff, Department of State
87. USAF Rep. on Joint Strategic Survey Committee
88. Director, Federal Bureau of Investigation
- 89,90. Administrator, Economic Cooperation Administration
91. Deputy Director for Intelligence, The Joint Staff
92. Secretary, Joint Intelligence Group, Joint Staff
93. Deputy Director, Joint Staff
- 94,95,96. Director, Armed Forces Security Agency
97. Ambassador at Large, Philip C. Jessup
98. Secretary of the Air Force
99. Assistant Secretary of the Treasury

~~TOP SECRET~~

Document No. 001
NO CHANGE in Class.
 DECLASSIFIED
Class. CHANGED TO: TS S C
DDA Memo, 4 Apr 77
Auth: DDA REG- 77/1763
Date: 25/1/78 By: 023

~~TOP SECRET~~