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H I G H L I G H T S

Developments in Korea and Southeast Asia this week continued to make the Far East the most immediately critical area of the world, in terms of US security.

In Korea, there is still inconclusive evidence regarding the ultimate objectives of the Chinese Communists in intervening militarily there. It seems fairly clear, however, that the Chinese Communists will, for the present, maintain holding operations in North Korea while seeking to obtain UN withdrawal from Korea by intimidation and diplomatic means (see page 2).

Elsewhere in the Far East, the rebel forces of Ho Chi Minh are believed to be in a position to overrun northern Laos almost at will, thus bringing Communist forces to the border of Thailand (see page 4); and prospects for significantly reducing terrorist activities in Malaya remain poor (see page 5).

Meanwhile, the problem of German rearmament remained unsolved. Although the French are expected to modify their attitude toward the arming of German units after the Schuman Plan is signed, recent provincial elections in Germany have enhanced the capability of the Social Democrats to obstruct Chancellor Adenauer's efforts to reach agreement with the Western Powers on the rearmament issue (see pages 6 and 7).

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THE KOREAN SITUATION

Chinese Intentions Current Chinese military, diplomatic and propaganda tactics still provide inconclusive evidence regarding the ultimate objective of the Chinese Communists in intervening militarily in North Korea. It seems fairly clear, however, that the Chinese Communists, for the present, will simultaneously maintain Chinese-North Korean holding operations in North Korea, maintain or increase their military strength in Manchuria, and seek to obtain UN withdrawal from Korea by intimidation and diplomatic means. In case of failure to obtain the primary objective of UN withdrawal by these means, there may be increasing, though unacknowledged, Chinese intervention in Korea. Beyond that, however, neither Communist China nor the USSR is as yet committed to any course of action, whether it be a political solution, withdrawal, or a full-scale offensive designed to bring about the withdrawal of UN forces from Korea. It is, nevertheless, apparent that the Soviet and Chinese Communist rulers, fully aware of the risk that a general war will develop, have allowed for its possibility and feel prepared to cope with it.

Military Tactics Chinese Communist military tactics in Korea, at present, suggest that the main Communist effort will continue to be directed at holding the northwest front protecting the Sinho hydroelectric installations and the northeast triangle stretching to the Manchurian-Soviet borders. The rapid northward advance of US units in the central portion was made possible by the numerical superiority of the UN forces, indicating that the Chinese Communists did not consider it necessary at this time to protect the entire Manchurian border, provided the vital areas in the northwest and northeast were protected. Moreover, except in

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the northwest, Chinese Communist troops presently in Korea are thinly deployed over a wide area and, therefore, have only limited ability to launch large-scale counterattacks.

Political Considerations Korean reaction to the proposal to establish a demilitarized buffer zone along the Manchurian border has been one of violent and strong opposition. Korean support for such a proposal might be gained only if the demilitarized zone extended to both sides of the border and UN supervision of the Korean part of the zone were limited to non-Communist military observers. Under any other conditions, it might be impossible to prevent South Korean forces from entering the zone and clearing it of all Communist forces. It might also prove impossible to maintain a strictly demilitarized zone in view of the near certainty that Communist guerrilla forces would conduct operations in the area and would attempt to use it as a base for expanding their activities southward.

Economic Status The area of Korea still under Communist control contains nearly 30 percent of the nation's electric power generating installations, more than half of the standing timber resources, important wood products, chemical and metallurgical plants, and Korea's best coal and iron mines. Denial of these resources to the Korean economy would add considerably to the foreign economic aid required over a period of years to rehabilitate the Korean economy. The principal deficiencies would consist of iron ore and coking coal. Denial of critically needed lumber, pulp and wood alcohol would also complicate Korea's economic reconstruction.

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SOUTHEAST ASIA

Commonwealth Aid The publication on 21 November of a report of the British Commonwealth's Colombo Plan is a move in the UK effort, recently begun, to induce the US to contribute heavily to the economic development under UK leadership, of South and Southeast Asia. Throughout the recent Commonwealth consultations in London in connection with the plan, it was explicitly acknowledged that the projected development, calling for more than \$5 billion over six years, was far beyond the combined financial resources of the Commonwealth and the UK. No direct approach to the US for help has been made, nor is one likely to be made. The participants have simply assumed, in drawing up the plan, that the US would finance nearly half of it--\$2.5 billion out of \$5.23 billion. South Asian representatives in the UK, and presumably their home governments, have been encouraged to base their expectations of aid on this assumption.

Indochina Military The evacuation of the French garrison from Lao Kay in northwest Tonkin has exposed northern Laos to Viet Minh incursions. As yet there have been no significant military operations against any of the several French outposts located north of Vientiane, but Viet Minh troops in the locality, with even small reinforcements, could probably overwhelm or isolate these positions. The garrison withdrawn from Lao Kay, now stationed in mountain positions guarding the entrances to northern Laos, could only delay a serious Viet Minh drive. French authorities have become increasingly concerned over the threat to Laos and some believe that it overshadows the threat to Tonkin. Implementation of defense plans to meet this threat will require additional US arms and, subsequently, at least nine weeks to recruit and train native troops for security duty. Meanwhile, the Viet Minh appears to be capable of overrunning northern Laos almost at will, thus bringing Communist forces to the border of Thailand.

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Malayan Terrorists The return to London of General Sir Harold Briggs is a tacit admission of disappointment over the results of his plan, launched in June, for the systematic elimination of Communist terrorism from Malaya. Briggs is expected to request London to abandon the projected transfer of Federation troops to duty in Europe and to dispatch additional personnel and equipment to Malaya. He is expected also to propose drastic civil measures that would in effect place the government on a war footing, and to recommend the postponement of political reforms (including elections), the institution of collective punishment for localities aiding terrorists, the resumption of deportation proceedings against Chinese Communist sympathizers, and the imposition of strict control over the entry of persons from Communist China. The employment of more troops, stricter controls, and repressive measures has not to date succeeded in significantly reducing the activities of the terrorists, whose strength lies in the support they obtain from the large Chinese minority in Malaya (nearly 50 percent of the population), and is not likely to do so in the future.

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EUROPEAN DEVELOPMENTS

Rearmament Trends Under the leadership of the UK and France, the countries of Western Europe are showing a greater tendency toward insisting that the US join into more equal partnership with them and relax its special position derived from being the chief grantor nation in the North Atlantic Treaty Organization and the European Recovery Program. Concerned lest they be forced into a permanently subordinate position to the US, these nations desire not only to commit the US more fully to European affairs but to exert greater influence on US policy. In the economic field, pressure is being exerted on the US to submit its own policies to OEEC examination, just like any other member nation, and to participate fully in measures to cope with raw materials shortages. The European desire to minimize the US special position is even more pronounced in the NATO. The NAT binds the US with the European nations in a treaty relationship which has the effect of making them feel under less obligation to the US on military matters than on matters of economic aid. There is thus a general desire to regard the US contribution to NAT rearmament as merely the US share of a common defense program and to bring the MDAP under NATO rather than unilateral US control.

French Attitude With agreement on the Schuman Plan nearer, French conditions for the arming of German units may soon be modified so as to permit an agreement on the establishment of larger German units than they originally were willing to accept. The key to France's attitude on Germany remains its strong desire to promote the political, economic and military unification of Europe. This has been evident in successive French proposals for strengthening the Atlantic Pact

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executive machinery, closer ties between the US and the OEEC, the Schuman Plan, and the Pleven Plan for a European Army. The French have insisted on the integration of German units in a European army not only from fear of a resurgent Germany, but from the belief that Europe must be unified as a bloc if it is to be a force in world politics. The successful establishment of a working authority and supranational assembly under the Schuman Plan would partially satisfy the desires of the French, and would probably enable them to accept German rearmament much as proposed by the US, while continuing to press for an integrated European army.

German Elections The results of recent provincial elections in West Germany have been to throw the Adenauer Government badly off balance and greatly to strengthen the Social Democratic potential for obstructing US interests in Germany. The Social Democrats in these particular elections (those held in Wuerttemberg-Baden and Hesse on 19 November), made effective use of German confusion over the controversial rearmament issue and registered substantial gains over Adenauer's Christian Democratic Party (CDU). As a result of the elections, Adenauer's control over the Bundesrat (the upper house) is now in balance and will probably be further weakened after elections in Bavaria on 26 November. Under these conditions, pressure for new elections to the Bundestag (lower house) will increase materially. Adenauer will probably be able to avert these elections for the present, but, if the Social Democrats, as a result of electoral successes elsewhere, are able to advance the date of elections in Lower Saxony, he might soon be forced to assent to new national elections. Social Democratic popularity has increased largely because of popular belief that German rearmament would provoke the USSR and constitute an intolerable economic burden. Adenauer, in attempting to recoup his lost prestige, will therefore rely on substantial Allied concessions to German equality.

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LOCAL DEVELOPMENTS

The Nepalese Situation The rapid collapse of the Congress Party revolt in Nepal will at best postpone rather than solve the question of India's relationship with the small buffer state along its Tibetan border. Even if India decides against openly intervening in Nepal at this time, in view of the speed with which the Maharaja has reasserted his authority, the conditions which led India to look with favor on the revolt--and which probably led to at least some semiofficial connivance in its instigation--still exist. Even if the Rana regime in Nepal institutes some reforms as a sop to Indian opinion and the Nepalese dissidents, it will remain an essentially autocratic government and will be even more suspicious than ever of the Indian Government and of the ruling Indian Congress Party's continuing sympathy for its Nepalese offshoot. Although the Indian Government has thus far hesitated to incur world censure by forcibly intervening in Nepal, it is not likely to be reconciled to the continued existence of a politically and ideologically hostile state along its vital northern frontier. India will almost certainly continue to give asylum to the deposed King of Nepal. If the Indian-encouraged Nepalese Congress Party achieves enough strength for a more successful revolt, or if the menace of Communist infiltration from Tibet becomes more acute in Indian eyes, the Indian Government may well decide to intervene, much as it did in the case of Sikkim in 1949.

VOA in Iran Iran's sudden curtailment of VOA and BBC re-broadcast facilities probably stems primarily from a desire to smooth current Soviet-Iranian negotiations, inasmuch as VOA, in particular, has recently been harshly critical of the USSR. Nevertheless, the abruptness with which the government acted also reflects a growing popular dissatisfaction

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with the US, particularly over the continued delay in formal establishment of Iran's \$25 million Eximbank loan, and might thus possibly portend a trend toward a more aloof policy vis-a-vis the US. Another case in point is the recent curb placed on travel by foreigners outside central Iran. Although this move may be partially explained by the Iranian Government's fears of foreign meddling in tribal matters, it also suggests a growing independence of spirit.

Uruguay Elections As in the past, the Uruguayan elections on 26 November are expected to be honest and orderly, and the presidency is expected to go to one of the candidates of the Colorados, the largest political party. Under the unique Uruguayan electoral system, a party may run several candidates and receive credit for their aggregate vote; the top man in the winning party becomes president. The election of any of the Colorado candidates (Cesar Mayo Gutierrez, Andres Martinez Trueba, or Dr. Blanco Acevedo, of whom the first two are given slightly better chances), would leave unchanged the democratic philosophy, basic policies, and pro-US orientation of the Uruguayan Government. The unique voting system does not apply to congressional elections, and they are likely to result less well for the US, with the election to congress of a large bloc of the Herrerista Party, which is nationalistic, pro-Peron, and anti-US.

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WORLD SULFUR CRISIS

The reduction in US sulfur exports caused by the need to preserve remaining US resources will cause substantial sulfur shortages in the UK, France, Australia, Belgium, New Zealand, South Africa, Brazil, and India. These countries are the major importers of US native sulfur and their requirements are steadily increasing. To the extent that they cannot find means to their anticipated shortages, they will be forced to cut back their production of such vital materials as sulfuric acid, fertilizers, insecticides, explosives, pulp and paper, rayon, and rubber goods.

Although the nations belonging to the Organization for European Economic Cooperation (OEEC) have known for the past two years that the US might reduce exports of native sulfur, they have been reluctant to shift more heavily to pyrites (formerly the principal source and still an important source of their supply of sulfur), in view of the additional capital equipment and the increase in cost involved. The UK, the largest single importer of US native sulfur, in particular, has shown marked hesitancy to increase its dependence on Spain, which is the world's greatest supplier of pyrites and the most logical source of British sulfur.

By intensive use of existing pyrites roasting facilities, the major Western European consumers should be able to make up some part of the deficit resulting from reduced imports from the US. If this were done, it would absorb an estimated half of the 500,000 tons of pyrites being exported annually by Western suppliers (principally Spain, Norway, and Cyprus) to the Soviet-Satellite economy. A diversion of this traffic to

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Western Europe would help not only to ease the impending shortage in Western Europe but also to intensify the existing shortage in Eastern Europe.

The Western European deficit could be further decreased if the using countries increased their capacity to process pyrites and if the producing countries rehabilitated or expanded mining and transport facilities. An expansion of processing capacity could be financed by ECA funds formerly allocated to the purchase of US native sulfur, but would be limited by competing requirements for other types of plant expansion and increased munitions output.

Obstacles to large increases in the supply of pyrites from traditional sources are nearly insurmountable. The difficulties in Spain illustrate the type of problems being faced elsewhere. They include: (1) governmental interference with private enterprise, especially as affecting foreign capital participation and management; (2) military vulnerability of land transportation facilities; (3) deterioration of mining and transport facilities during the past fifteen years; (4) shortage of foreign exchange limiting the procurement of equipment to modernize Spanish-owned facilities; and (5) shortage of electric power preventing full utilization of existing facilities.

Although British capital nominally owns 60 percent of the Spanish pyrites productive capacity, it is probably because of these difficulties that the British are now undertaking a substantial increase of production in Cyprus, a crown possession.

The positions of Norway and Sweden on the Baltic periphery of the Soviet-Satellite orbit offer no inducement to foreign assistance programs for expanding their sulfur and pyrites producing capacity. Yet, their large current shipments to the Satellite countries could well be absorbed in Western Europe.

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Any practical enhancement of the output of Italian pyrites can be absorbed domestically. Improvement in the supply and cost of Italian native sulfur would reduce processing 6-7 tons of rock under the best conditions, in order to obtain one ton of raw fused sulfur. Modernization of mining and processing techniques involves high capital costs and the displacement of a large amount of labor. Without such a program Italy can make no considerable contribution toward the relief of the international sulfur situation.

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