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**Review of the World Situation
as it Relates to the Security
of the United States**

CIA 4

12 January 1948

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REVIEW OF THE WORLD SITUATION AS IT RELATES TO THE SECURITY OF THE UNITED STATES

12 January 1948

GENERAL

1. Our reports in this Series have been premised upon the analysis of the world situation presented in CIA 1 (26 September 1947), the Summary of which is reproduced in the Enclosure. This analysis has been reviewed and is now generally reaffirmed.

2. Within the context of the general analysis in CIA 1, the immediate and overriding objective of Soviet policy is to defeat the European recovery program without incurring the risk of war. Operating principally through local organizations of militant Communists, the USSR will seek to accomplish this purpose by:

a. Direct action designed to disrupt and cripple the economies of pivotal Western European countries (e.g., by strikes and sabotage).

b. Revolutionary activity in Italy, and possibly in France.

c. Contributory activities, diversionary in effect, but also potentially profitable in themselves (e.g., the intensification of revolutionary efforts in Greece and in the Far East; aggravation of the Palestine situation).

3. Since our last report (CIA 3, 17 December 1947) there has been a generally favorable trend in Europe, including evidences of (1) an adverse reaction of Western European labor to Communist efforts to wreck the European recovery program, (2) the remarkable success and increasing stability of the Schuman Government in France, and (3) Satellite realization of a present need for economic assistance from the West. At the same time there have been an intensification of Communist effort in Greece and increasing manifestations of Soviet interest in the Far East.

4. The immediate prospect is none the less grim. Increasingly effective Soviet coordination and direction of Communist efforts are apparent, as well as preparations for concerted offensive action on all European fronts. An early renewal of a campaign of strikes and disorders in Italy is probable, and may develop into an all-out insurrection. A similar development may follow in France. Meanwhile, intensification of Communist revolutionary activity in Greece will continue, with increasing Satellite support.

In the Far East the trend has been consistently favorable to Soviet purposes, and present prospects are for its continuance and possible acceleration.

THE SITUATION IN EUROPE

5. *Labor reaction against Communist policy.* The Communist penetration of organized labor and control of the powerful labor federations of France and Italy has been a potent weapon in the Kremlin's arsenal, the threat of a general strike being

Note: A preliminary draft of this report has been furnished to the intelligence organizations of the Departments of State, the Army, the Navy, and the Air Force.

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often more persuasive than the political power of the Communist parties. The effectiveness of this weapon has been seriously impaired, however, by the adverse reaction of Western European, particularly French and Italian, workers to the Cominform line and to Communist-called strikes designed to serve only Soviet political purposes.

The strongest manifestation of this worker reaction is the secession movement from the Communist-dominated French Confederation of Labor (C.G.T.) and formation by the secessionists of a rival federation, the Workers' Force (F.O.), dedicated to "non-political legitimate trade-union activity." The growth of the F.O. has been impressive, despite its lack of organization and funds. It may attain a membership comparable to that of the C.G.T. within a few months.

A corresponding tendency exists in Italy, although there has been no formal secession as yet from the Italian Confederation of Labor (C.G.I.L.). A Communist order for a general strike would probably precipitate such a movement.

The Communist position in the British labor movement has never been comparable to that in France and Italy. The recent British Communist adoption of the Cominform line, however, has been accepted by the Labor Party as the occasion for a movement to eject Communists from key positions in the constituent unions of the Trades Union Congress (T.U.C.).

At the meeting of its Executive Bureau in February the World Federation of Trade Unions (W.F.T.U.) may well split on the issue of the European recovery program. The Communists, however, having once had good prospect of using the W.F.T.U. as an effective front organization, will do their utmost to evade the issue.

Meanwhile, the Belgian Federation of Labor has proposed a conference of trade unions of the sixteen countries participating in the program with a view to the formation of a new international organization based on its support. This initiative, alarming to the Communists, is likely to receive the adherence of important labor organizations in all sixteen countries, with the possible exception of Italy, where Communists still exercise official control of organized labor. The British T.U.C., however, would postpone action pending developments in the W.F.T.U. The proposed conference has therefore been put off until April.

6. *The United Kingdom.* Encouraging production figures and firmer leadership have enhanced the prestige of the Labor Government and improved the morale of the British people. Bevin's foreign policy, characterized by a stiffer attitude toward the U.S.S.R. and closer collaboration with the United States, now enjoys nearly universal support: the left-wing Labor opposition has subsided except for a few die-hard fellow travelers.

The continuing drain on Britain's gold and dollar reserves, however, is cause for grave official concern. Even if the Cripps production and export plan is fulfilled, the United Kingdom (and the entire sterling area) will face a dollar crisis during the latter half of 1948 unless further dollar aid is forthcoming. The solvency of the United Kingdom is thus dependent upon early beneficial effects of the European recovery program. If timely and sufficient dollar support does not become available, the British must again resort to emergency retrenchments, with serious consequences to both domestic stability and overseas commitments.

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7. *France.* The Schuman Government has been remarkably successful, not only in rallying the French people against Communist-inspired strikes and disorders, but also in securing the passage of politically painful fiscal legislation essential to a realistic economic recovery program. It remains to be seen whether these unpopular measures can be as successfully executed. The trend, however, is encouraging with respect to the prospects for both economic recovery and a moderate political solution in France.

De Gaulle has shown himself to be sensitive to the fact that Schuman's success is prejudicial to his own prospects, but still appears to be unwilling to seek power and responsibility until the difficult winter has passed. His economic program is an echo of Schuman's; he claims only that he could do it better. In appealing for labor support he has offered only the idea of the corporate state, a strange echo of Vichy not likely to prove enticing.

The Communists, despite their great loss of power and prestige, retain dangerous capabilities for disrupting French production and economic recovery through strikes and sabotage. It is considered unlikely, however, that they will renew their efforts in this direction in the immediate future.

8. *Italy.* The situation is somewhat improved, but still far less secure than that in France. The Communist capability to conduct an effective general strike is jeopardized by the threatened defection of Italian labor from the C.G.I.L. Recent Communist organizational activities and maneuvers would serve as preparations for either an insurrectionary attempt or an effort to achieve a political victory in the April elections. These alternatives have presumably been under consideration at the Party Congress just concluded in Milan. Undoubtedly the Italian Communist leadership would prefer to return to political action. The decision, however, rests with the over-all strategists in the Kremlin.

It seems probable that a renewal of Communist direct action will occur within a month, beginning as a strong campaign of strikes and violence and possibly leading into an all-out revolutionary attempt. The Communist capabilities for armed insurrection are formidable; they could probably achieve early local successes, especially in North Italy. Unless they received open support from Yugoslavia, however, the Government could probably suppress them eventually—but only after a thorough disruption of the Italian economy. If the Communists did succeed in consolidating their control of North Italy, outside aid would be required to dislodge them.

9. *Germany.* The break-up of the C.F.M. has as yet produced no major change in Soviet policy, which continues to be directed toward the political, economic, and administrative consolidation of the Soviet Zone. In the Western Zones German politicians tend to show increased self-assertion, presumably based on the supposition that the United States is now committed to rebuilding and developing Western Germany and that their support is indispensable.

10. *Austria.* There are indications that the U.S.S.R., if unable to obtain quadripartite agreement on its terms for an Austrian Treaty, may seek to resume bilateral negotiations with the Austrian Government, and that the latter, in its anxiety to obtain a definitive settlement, may make concessions prejudicial to Austrian independence.

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11. *The Satellite States.* In dethroning King Michael, the Communists have seized a convenient opportunity to further the consolidation of their position in Eastern Europe. There are, however, indications of Satellite realization of a present need for economic assistance from the West in view of the inability of the U.S.S.R. to supply all their wants. This economic situation affords the United States some leverage with respect to Satellite foreign policy.

THE NEAR AND MIDDLE EAST

12. *Greece.* Proclamation of the Markos "government" is indicative of a Soviet intention to provide increasing moral and material aid to the Greek insurgents through the Satellite States, but this intention will be carried out by successive stages with careful regard to U.S. reaction and to the avoidance of direct conflict with the United States. The attitude of the United States has already caused the Satellites to hesitate in recognizing Markos, at least until the significance of the U.S. position can be estimated. However, barring the unlikely event of Markos' decisive military defeat, the Satellites will probably extend to him increasing material aid and eventual recognition. The U.S.S.R. itself is unlikely to grant formal recognition to the Markos regime until assured that it is capable of winning control of Greece and that to do so will not involve the U.S.S.R. in direct conflict with the United States.

The recent fighting at Konitsa demonstrates that the insurgents are strong enough to make dangerous local attacks, and that there are increased central direction and coordination of activities on both sides of the border. The guerrillas cannot yet hold open ground, but reports of preparations in Satellite territory suggest plans for the occupation and defense of substantial areas in Greece.

In Athens, the Konitsa crisis has temporarily checked the growth of political disunity, but inflation continues to undermine the Greek economy.

13. *Turkey.* The Turks, having reduced their armed forces, are increasingly alarmed by the course of events in Greece and by the danger of Soviet penetration of the Arab States under cover of the Arab-Zionist conflict. Soviet control of Greece and subversion of the Arab States would isolate strategically Turkey and Iran.

14. *Palestine.* Arab opposition to partition, although still largely unorganized, has already caused several thousand casualties (including over 500 deaths), millions of dollars of property damage, serious disruption of the Palestinian economy (particularly in the Jewish communities), and increasing lawlessness among both Arabs and Jews. That such consequences should result from relatively little effort is indicative of the destruction which would ensue were the Arab Higher Committee to order all-out offensive action with the support of the Arab States. Although the members of the Arab League disagree among themselves as to retaliatory action against the United States for its support of partition, they are united in determination to support the Palestinian Arabs. No concerted action is planned until after the British withdrawal. In the face of the existing chaotic situation, the British tend to advance the date of their withdrawal, reducing the time available to prepare for that eventuality.

On the Zionist side, there is evidence of a widening schism between moderates and extremists. The former, who now control the Jewish Agency and the Hagana, feel that their ultimate salvation depends on British, U.S., and U.N. support and protection.

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The extremists, an anomalous miscellany of radical and reactionary elements, look to the U.S.S.R. for support and are disposed to fight not only the Arabs, but also British and U.S. "imperialism." They demand unlimited immigration of European Jews and apparently welcome the Communist agents among them.

The U.N. Commission will find a chaotic situation in Palestine, with the great majority of the population violently opposed to any action it might take. The Commission must consequently call on the Security Council for aid, raising all the problems implicit in the dispatch of U.S., Soviet, or other troops to Palestine to impose partition by force of arms.

15. *Iran.* The weak (and probably short-lived) Hakimi Government cannot be as effective as was Qavam in dealing with either the U.S.S.R. or the domestic situation. Regarded as anti-Soviet, it will undoubtedly be subjected to strong pressure by both the U.S.S.R. and resurgent Iranian leftists. Although Soviet forces are unlikely to re-enter Iran for the present, it is possible that Soviet-supported elements will attempt to penetrate Azerbaijan and other northern provinces.

On the other hand, the political ascendancy of the Shah and the Army and the Shah's recent understandings with some of the more powerful tribes should facilitate Army action against Soviet infiltration and subversion.

16. *India-Pakistan.* Although the Kashmir dispute is now before the Security Council, continuing hostilities between Moslem tribesmen and Indian troops in that area may lead to open warfare between India and Pakistan before a solution can be devised. Such a conflict, in which Afghanistan also might become involved, would be disastrous for both Dominions and would afford opportunities for eventual Soviet exploitation.

THE FAR EAST

17. *General.* The Chinese Communist leader, Mao Tse-tung, has called for united and vigorous revolutionary action and resistance to U.S. "imperialism" on the part of all "democratic" elements in East Asia. Moreover, Soviet publications have directed increased attention to developments in China and in southeast Asia. Nevertheless, no radical change in Soviet policy or activity in the Far East is anticipated in the near future. In particular the U.S.S.R. is expected to maintain its hitherto "correct" diplomatic relations with the Nanking Government.

18. *China.* Although the Communists have won no spectacular victories, the military position of the Nationalist Government continues to deteriorate. In Manchuria, the Nationalists have had to expose Changchun and Kirin in order to reinforce Mukden. In Central China, the Communists are now able to intercept Yangtze shipping west of Hankow, thus separating the Nationalist armies from important Szechuan rice supplies. Mao Tse-tung has now publicly declared that the Communists have overcome the initial disadvantages and that the turning point in the civil war has been reached.

Despite its urgent need for U.S. aid, the Chinese Government will be reluctant, in forthcoming negotiations, to accept any close degree of U.S. supervision. This attitude is attributable to normally acute Chinese sensitivity with regard to national sover-

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eignty and to the ascendancy of the reactionary CC Clique, which now permeates most of the Government's economic and financial agencies.

19. *Korea.* The U.S.S.R. is rapidly preparing to establish the North Korean People's Committee as the government of a "People's Republic." At the same time, in South Korea, the Communists are dissuading moderates from cooperation with the U.N. Commission by offering them participation in a "coalition government" for all Korea. The South Korean Right, however, perceiving in this situation assurance of an overwhelming victory in a U.N.-observed election, has welcomed the Commission and will support it as long as that prospect continues.

It has long been evident that the Commission will be unable to establish a provisional government for all Korea in consequence of Soviet and North Korean intransigence. If it should also prove incapable of providing a representative and generally accepted regime for South Korea, the U.S. position in that area would be greatly jeopardized. In such circumstances the United States must quickly establish such a government by its own action, or its position will become politically untenable. The Korean passion for unity and independence is strong enough to blind South Koreans to the fact that a coalition government, including the North Korean People's Committee and the South Korean Left, would be but the first step toward Soviet domination of the entire country.

20. *Japan.* Despite Chinese attempts to effect a compromise between the U.S. and Soviet positions regarding a Japanese peace conference, the U.S.S.R. consistently refuses to participate without veto power. The Kremlin is evidently content to continue the development of its own position in northern Asia as a counter to the U.S. position in Japan, apparently trusting that prospective Communist successes in China and Korea will so undermine U.S. prestige in Japan and throughout the Far East that a more favorable peace settlement can be obtained at a later date.

21. *Indonesia.* The Dutch, by forming separatist states in territories taken from the Republic and still in dispute, and by presenting as an ultimatum truce terms which would hardly permit the continued existence of the Republic, have gravely jeopardized the mission of the U.N. Good Offices Committee, in which the United States occupies the key position. The collapse of the Republic, from internal causes if the Dutch terms were accepted, or from Dutch military action if the terms were rejected, would seriously affect the prestige of the United Nations and the United States. Soviet and Communist propaganda and Asiatic opinion would attribute that development to "imperialistic" U.S. intervention.

LATIN AMERICA

22. *Panama.* Panamanian rejection of the defense-sites agreement was primarily the result of domestic political considerations in an election year and not of Communist influence, although Communists exploited the opportunity to assume the appearance of popular leadership in inciting demonstrations. Basically, the Panamanians remained unconvinced that the United States really needed the base sites to defend the Canal from attack in the existing state of world-power relations and dispositions.

23. *General.* Communist capabilities for sabotage and espionage in Latin America remain considerable, although the anti-Communist trend referred to in CIA 3 continues.

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However, developing differences between the United States and some Latin American countries on economic matters (such as the opposing positions taken at the I.T.O. Havana Conference) and on political matters (such as base-sites negotiations with Panama) tend to strengthen the position of the Communists by associating non-Communists with them in opposition to the United States.

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ENCLOSURE

SUMMARY, CIA 1, 26 September 1947

1. Among foreign powers, only the U.S.S.R. is capable of threatening the security of the United States.
2. The U.S.S.R. is presently incapable of military aggression outside of Europe and Asia, but is capable of overrunning most of continental Europe, the Near East, northern China, and Korea.
3. The U.S.S.R. is unlikely to resort to open military aggression in present circumstances. Its policy is to avoid war, to build up its war potential, and to extend its influence and control by political, economic, and psychological methods. In this it is deliberately conducting political, economic, and psychological warfare against the United States.
4. The greatest danger to the security of the United States is the possibility of economic collapse in Western Europe and the consequent accession to power of Communist elements.
5. Stabilization and recovery in Europe and Asia would tend to redress the balance of power and thereby to restrain the U.S.S.R.
6. From the point of view of containing the U.S.S.R. and eventually redressing the balance of power the order of priority among the major regions of Europe and Asia is:
 - a. Western Europe.
 - b. The Near and Middle East (but within the region the situation in Greece is of great importance and the utmost urgency, while the situation with respect to Palestine is extremely dangerous).
 - c. The Far East (but within the region Japan is important as the only area capable of relatively early development as a power center counterbalancing the Soviet Far East).

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