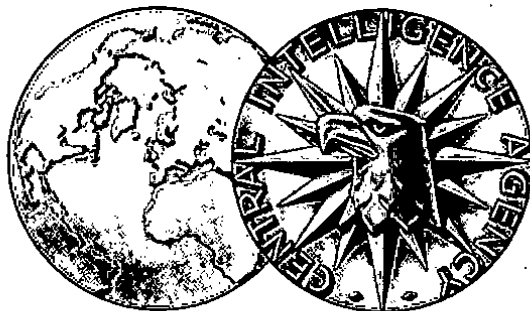


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WEEKLY SUMMARY



Number 101
5 MAY 1950

F-25

Document No. 001
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 DECLASSIFIED
Class. UNCLASSIFIED TO: TS S C
Auth: DATE 26 APR 77
Date: 31-1-78 By: 013

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H I G H L I G H T S

On the eve of the Foreign Ministers' Conference in London, progress toward building a strong and united Western Europe was being complicated by developments concerning two long-standing controversial issues--West Germany's relationship with the Western Powers (see page 2) and the problem of Trieste (see page 8). The Adenauer regime is under growing internal pressure to obtain a relaxation of Western occupation controls and to improve West Germany's international status in relation to Western Europe, as the price the West must pay for active West German support in the cold war. In Italy, the possibility of an Italo-Yugoslav agreement on Trieste which would give Zone B to Yugoslavia is still meeting violent popular opposition, some influential Italians even suggesting that Italy reconsider its membership in the North Atlantic Treaty.

In the Far East, the capture of Hainan has improved the capabilities of the Chinese Communists to supply technical and material aid to dissident groups in Southeast Asia, but an invasion of that area by Chinese troops is highly improbable at this time (see page 12). Meanwhile, the prestige of the Chinese Communist regime has continued to decline as a result of continuing economic difficulties and popular resentment against both the imposition of social controls and Peiping's apparent subservience to the USSR (see page 16).

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GERMAN RELATIONS WITH WESTERN EUROPE

The Adenauer Government is showing signs of growing dissatisfaction over the relationship of West Germany with the Western Powers. This disquiet has already manifested itself in resignation threats by various government leaders, including Chancellor Adenauer himself, and may reach serious proportions after the Foreign Ministers' Conference scheduled to begin in London on 8 May.

German Resentment The Adenauer Government believes that the present system of occupation controls is damaging its political influence. Allied criticism of the government's key economic policies, restrictions placed on East-West trade, and limitations imposed on industrial expansion have all been unpopular with the German people, and the government has lost prestige as a result of its failure both to block the recent Franco-Saar Conventions and to improve West Germany's international status in relation to Western Europe.

Council of Europe Chancellor Adenauer and other government leaders believe that the forthcoming Foreign Ministers' Conference offers the best immediate opportunity to secure the concessions they are seeking and to regain popular support for their pro-Western policies. Although Adenauer has estimated that after the Conference he will be able to obtain Bundestag agreement to West German associate membership in the Council of Europe, his chance of doing so will be improved in proportion to the extent that the Western Foreign Ministers, meeting in London, indicate their intent to: (1) give West Germany a greater role in Western European political and

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military organizations; and (2) reduce the scope of economic and political occupation controls.

Neutrality Sentiment Meanwhile, gradually increasing sentiment in Germany favoring neutrality in the East-West conflict also complicates Adenauer's problems in dealing with the occupation powers and the nations of Western Europe. Numerous influential groups are promoting the idea that a unified Germany can be re-established only by reaching some sort of understanding with the East. This movement is being supported by: (1) industrialists who desire to develop trade with East Germany and the Soviet bloc; (2) agricultural groups controlled by Andreas Hermes, who joined in forming "The Association for the Reunification of Germany"; (3) expellees from East Germany who wish to return to their former homes; and (4) extreme nationalists who feel that the unification of Germany and its restoration as a world power can only be achieved by coming to terms with the USSR.

Adenauer's Plans A decision by Adenauer to resign or to call for new elections will be based primarily on his estimate of his own political position. He may calculate that a tactical resignation in protest against the Western occupation would restore his prestige. He may also believe that he would profit more by calling early elections than by waiting until the end of his term. The outcome of the provincial elections which begin on 18 June will have an important effect on Adenauer's control over his coalition Cabinet and the stability of his regime.

European Attitude Meanwhile, a pattern of European reaction to German participation in European affairs is beginning to emerge. With the Netherlands, Italy, and the Scandinavian nations long disposed to favor closer ties with

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West Germany as indispensable to building a strong Western European bloc, progress in this direction has in the past been retarded largely by France. The French are now favorably disposed in principle to integrating Germany more closely with the nations of Western Europe, but fear of German dominance is impelling the French to move cautiously and to insist that any steps toward German integration be taken collectively rather than as a result of bilateral arrangements. Meanwhile, re-emergence of Germany as a member of the Western European community can be expected to find increasing support from the Italian Government and the Vatican. Although anxious to form a solid bloc of European nations as an effective check against any future expansionist tendencies in Germany, Italy, more strongly than France, will urge German membership in multilateral arrangements leading eventually to a strong European union. Specifically, Italy will press for the admission of Germany as a full member of both the Council of Europe and the proposed European Payments Union.

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WESTERN EUROPE

FRANCE

Political Tension The political calm which has prevailed in France during the recent recess of the National Assembly will probably be broken during the next few weeks, but a crisis of serious proportions is not likely to develop before June. The National Assembly will consider numerous controversial issues during May, but party leaders will attempt to avoid a crisis until after the London Foreign Ministers' Conference and after the MRP and Socialist Party conferences at the end of May. Parliamentary action on the budgetary deficit--the issue most likely to cause a crisis--will probably be postponed until June.

GERMANY

Sovzone Trade The failure of the German Democratic Republic (GDR) to renew a single trade agreement with the West in 1950 is another indication of the further integration of the East German economy into that of the Soviet orbit. During 1949, the Soviet orbit absorbed more than 80 percent of East German exports; as a result, the GDR was unable to fulfill its trade commitments to Western Europe, and the various countries concerned have expressed little interest in renewing the agreements for 1950. Trade with Belgium became practically nonexistent by late 1949, and negotiations for 1950 have been postponed indefinitely. Deliveries to the GDR from the Netherlands have reportedly been suspended because of the large balance

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GERMANY

already owed by the East Germans. Deliveries to Denmark lagged in 1949, although they apparently picked up in March 1950. Trade with Finland was deliberately cut, in an apparent attempt to exert pressure in conjunction with the USSR. GDR commitments calling for a 35 percent increase in trade with the USSR and 50 percent with Czechoslovakia indicate that East Germany's ability to trade with the West will decline still further during 1950-51.

BELGIUM

Royal Controversy The Belgian elections scheduled for 4 June are not likely to reveal any substantial change in popular opinion on the controversial royal question. Although it is entirely possible that the pro-Leopold Catholic Party will obtain the two additional parliamentary seats needed for a majority, thus paving the way for restoration of the King, such a solution would not bring political peace to Belgium. The current elections, coming after a prolonged political crisis, will further arouse public feelings, and political bickering will continue unless King Leopold can be persuaded to abdicate in favor of his son.

SPAIN

Soviet Talks Current "secret" negotiations between agents of Spain and the USSR on trade development and prisoner exchange are probably calculated by Franco to arouse alarm in the US over possible Spanish rapprochement with the USSR, and, at the same time, to obtain whatever material benefits

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SPAIN

are possible through trade with Eastern Europe. Except in the unlikely event that the USSR grants extensive credits to Spain, the amount of such trade cannot be large, and exportable supplies of strategic materials which Spain can offer (such as cork, mercury, wolfram, pyrites) are quite limited. Although the exchange of prisoners involved (Spanish members of the Blue Division held in Russia in return for certain Soviet veterans of the Spanish Civil War or Communist agents captured since then) is incidental, the exchange would provide the Franco Government with a useful "explanation" which would allay domestic doubts and criticism from those who would denounce any rapprochement with the Soviet Government.

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

TRIESTE

Italian Reaction **Marshal Tito's recent conciliatory gesture toward Italy in an address to the Yugoslav National Assembly has done little more than leave the door slightly ajar for further progress on the Trieste issue. Speaking in apparent recognition that the De Gasperi Government is being confronted by a major political crisis as a consequence of bitter Italian feeling over the Yugoslav proposals to take over Zone B, Tito specifically mentioned Trieste as a problem that should not be permitted to stand in the way of improved Italian-Yugoslav relations. Although high Yugoslav officials have recently expressed the opinion that the present Italian Government cannot make a reasonable settlement of the Trieste issue without risking violent political reactions throughout Italy, Tito apparently feels that the door should be kept open for taking advantage of the earliest opportunity to resolve the issue.**

The Italian Government, which realizes that the terms on which the Trieste problem could be settled now would be totally unacceptable to the Italian public, has offered to resume negotiations with Yugoslavia on the reparations question, in the hope that the scope of these talks can be enlarged to include broader issues at a later date. In view of the excited state of Italian opinion, Premier De Gasperi may call upon the Western Powers to reaffirm their adherence to the 20 March 1948 declaration, in order to soothe the Italians. De Gasperi would then probably remove the Trieste issue from the public arena, and conduct unofficial secret negotiations with Yugoslavia with a view to preserving the status quo and averting any further unilateral

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TRIESTE

Yugoslav moves in Zone B, until such time as a reduction of tension gave promise of a satisfactory solution of the whole problem. On the other hand, if De Gasperi is unable to quiet the public clamor on the Trieste issue, it is possible that resentment against the West for its apparent failure to support the Italian position will produce strong pressure for Italy's withdrawal from the North Atlantic Treaty and for denunciation of the Italian Peace Treaty.

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SECRET**N E A R E A S T - A F R I C A****SYRIA**

Anti-US Campaign The continuing vituperative anti-US campaign in Syria, launched by the blistering statements of Minister of National Economy Dawalibi, has precipitated a serious political crisis. The extremely nationalist Moslem Brotherhood, which advocates closer ties with the USSR, is using the campaign as a means of arousing popular support and of increasing its influence in the government. Opposition to the Moslem Brotherhood campaign is apparently centered in the army, which hopes for US arms and equipment and which is strongly anti-Soviet. The resignation of Defense Minister Hawrani, who is believed to have represented the interests of the army in the Azm Government and who was considered to be the dominant figure in the Cabinet, will probably lead to a major Cabinet reshuffle. Neither Hawrani nor the army leaders have been associated with the anti-US campaign, and the Cabinet shuffle may precipitate a showdown between them and the Moslem Brotherhood, possibly bringing about the downfall of Prime Minister Azm, who is trying to steer on middle course between the two groups.

IRAN

Soviet Policy Although there are rumors that Iranian Premier Ali Mansur may favor a "soft policy" in Iran's relations with the USSR, it is doubtful that the Iranian Government would do anything which would definitely prejudice its

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IRAN

relations with the US. The Premier, who considers himself a shrewd bargainer, has allegedly advised the Shah to revert to a "neutral" policy in the East-West struggle, and he may be inclined to broaden discussions apparently now going on with the USSR regarding trade relations, in the hope of improving political relations between the two countries. Most of the important men in the Iranian Government, however, realize that Iran must continue to look to the US for moral and economic support and would probably block any attempts by Mansur to grant major concessions to the USSR.

FRENCH AFRICA

Communist Tactics The new Communist emphasis in French Africa on Communist doctrine instead of on national and racial themes of more popular appeal will tend to contract the sphere of Communist influence in Africa at least for the short term. Heretofore, Communist policy in French North and West Africa has been one of collaboration at almost any price with indigenous movements in the hope of eventually capturing their leadership. The new Communist policy coincides with the world-wide Communist trend toward developing a militant, hard-core strength. Nationalism and race feeling will continue to be exploited but will be adapted to the orthodox Communist revolutionary thesis rather than constituting the principal line, and the doctrine of class struggle will be even more openly advanced. In competing with the Nationalists for control of the masses, the Communists will thus be at a disadvantage by virtue of having to sell the straight Communist line, which has less popular appeal than the themes used by the Nationalists.

SECRET**F A R E A S T****CHINA**

Military Plans Although the capture of Hainan has placed the Chinese Communist Army in a position to invade Southeast Asia, there are no concrete indications that the Communists are ready to depart from previous international Communist strategy or to run the risk of precipitating general hostilities by taking such a step at this time. Moreover, the Communist troops available for such an invasion probably will be needed for more immediate and pressing problems confronting the Peiping regime. Many of the troops involved in the Hainan invasion will be occupied for some time in consolidating Communist control over that island; other troops in South China will be needed to strengthen Communist control over the many wide areas which remain in the hands of local authorities, brigands, or organized thieving bands. Moreover, a considerable number of Chinese troops probably will be employed to establish a strategic reserve for the coming invasion of Nationalist-held Taiwan. The Communists have already stated that they are planning to utilize a force of one million men for the invasion of this last Nationalist stronghold. There is also the possibility that the Chinese Communists may wish to augment their forces along the Hong Kong border in preparation for increasing their pressure against the British crown colony. Although the Communist conquest of Hainan probably will not result in organized military invasion of any Southeast Asian areas, the Chinese Communists, in addition to supplying advisers and technical personnel to the various Communist-led resistance groups in Southeast Asia and the Philippines, will be in a position to facilitate the shipment of material aid to these same areas.

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THE PHILIPPINES

Quirino Opposition President Quirino's continued inability to cope with serious domestic problems, coupled with administrative corruption and abuses of authority, has so undermined popular confidence in Quirino that he will soon be forced either to make sweeping political concessions or relinquish his office. Quirino has already lost effective control over his own Liberal Party to Vice President Lopez, who with active Senate support is seeking political concessions from Quirino that will in effect transfer Quirino's authority to him. Although the Lopez group would probably be content to have Quirino take extended leave, continued stubbornness on Quirino's part could lead to impeachment proceedings. Lopez would command greater support than Quirino and might eradicate some administrative abuses, but he would probably not institute the sweeping reforms needed to eliminate the basic causes of economic and political instability in the Philippines.

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WESTERN HEMISPHERE

BOLIVIA

Communist Conference The recent proposal of the Bolivian Government that a conference of Latin countries be held in La Paz this month to discuss Communist activities in South America is believed to be another attempt by Bolivia to focus attention on its "Communist problem." By emphasizing the Communist threat, Bolivia probably hopes that its request for US economic aid will be given more consideration. It is virtually certain that such a conference of Latin countries will not be held, but bilateral consultations between interested governments may take place.

WEST INDIES

Communist Sabotage Dutch and British recognition of Communist China may present a security problem in the West Indies. In Curacao and Aruba, where about 60 percent of all Venezuelan crude-petroleum exports are refined, oil companies currently employ over three hundred Chinese nationals, for the most part as seamen in the tanker fleet, with a few in the refineries themselves. Oil company officials had relied heavily on the recently resigned Chinese Nationalist consul at Willemstad in screening these employees. If, as seems entirely possible, the Chinese Communist Government appoints a consul, his presence in the vicinity of the highly sensitive refinery installations would be a matter of considerable concern, as these installations constitute one of the most remunerative targets for sabotage in the Western Hemisphere. In Trinidad, the principal source of petroleum within the British

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WEST INDIES

Empire, there are several thousand Chinese, for the most part small shopkeepers, and at least one Communist cell has emerged among them since the defeat of Nationalist China. Sentiment among the Chinese residents of Trinidad appears to favor the appointment of a representative of the Communist regime to replace the recently resigned Nationalist consul.

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DECLINE IN CHINESE COMMUNIST POPULARITY

The popularity and prestige of the Chinese Communist regime has steadily declined in recent months. The enthusiasm of many former supporters has begun to wane and the apathy of the general population has turned to disappointment, resentment, and, in some instances, to open hostility. Although the public attitude poses a serious problem for the Peiping regime, there is no prospect that popular disaffection will lead to the overthrow of the regime in the foreseeable future.

The principal causes for dissatisfaction are: (1) economic hardship; (2) the imposition of social controls; and (3) the apparent subservience of the Communist regime to the USSR. Thus far, Communist performance in these spheres of governmental responsibility and public policy appears to be giving most Chinese reason to doubt that the new regime can offer any more than did the old toward a solution of their problems and the fulfillment of their national and personal aspirations.

China's serious economic plight has been the principal cause of the new regime's declining prestige. The famine, the cumulative effects of the war, and the curtailment of foreign trade have combined to bring about the worst economic conditions in years. Communist efforts and capabilities to cope with this situation have been inadequate and in many instances have aggravated popular discontent. Unpopular Communist acts have included: (1) the extortionate seizure of all available agricultural produce; (2) the levying of excessively high taxes; (3) the failure to alleviate industrial unemployment; (4) the coercive Victory Bond campaign; and (5) the policy of forcing business enterprises to continue unprofitable operations.

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Although the Chinese traditionally regard government as a necessary evil and thus have tended to accept the Communist apparatus of political dictatorship, they are beginning to resent the Communist program of indoctrination and organization as an irritating invasion of their leisure and privacy. The brutality of Communist cadres in many rural areas has also alienated the elements of the population whose support is most necessary to the Communist program. This resentment will unquestionably increase if the Communists take drastic steps to interfere with social customs and practices, a trend already begun by the recent promulgation of a comprehensive law governing marriage and divorce.

Finally, Communist prestige has suffered in some degree from popular suspicion that the interests of China are being sacrificed to those of the Soviet Union. Although the issue of Soviet relations is a sensitive one only for Chinese intellectual circles, the present Soviet position in China is so strong and so obvious that the Chinese Communists are kept constantly on the defensive in attempting to justify the situation.

The Chinese Communists are not immediately threatened by the present popular discontent; they realize, however, that they cannot successfully organize China if a state of open hostility develops between the masses of the people and the Party. The large rural population scattered over a tremendous area almost wholly lacking in adequate transportation and communications facilities confronts the Chinese Communists with control problems not faced by the Eastern European Communist governments. The Chinese Communists can therefore be expected to adopt vigorous measures to gain popular support for their regime and to progress slowly and cautiously in imposing on the people all the trappings of a Communist state.

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LATIN AMERICAN ARMS PROGRAM

Recent Latin American purchases of arms from European sources indicate that the trend is now definitely toward greater heterogeneity in war materiel and away from any "standardization of arms program." Favorable prices and payment terms offered by European arms manufacturers, as well as dollar shortages in Latin countries, are causing these countries to resume the prewar practice of arms procurement without regard to standardization. The increasing heterogeneity of war materiel acquired since 1949 has also resulted from aggressive European sales tactics and from the fact that Latin American countries have traditionally secured arms from Europe rather than the US. Procurement of aircraft, small arms, and naval equipment is diversified to a varying degree in nearly all Latin American countries.

Argentine purchases of British jet fighters and bombers have reduced the percentage of US aircraft in the Argentine airforce from 42 to 17 percent. The percentage of US aircraft owned by the Dominican Republic has also dropped (from 100 to 84 percent); and jet fighter purchases by Venezuela have caused a decrease from 100 to 94 percent. Brazil is negotiating for 30 British jet aircraft, and some Latin countries are building up their air transport systems with British commercial craft.

Almost all Latin American orders for small arms are now being placed in Belgium. Further diversification can be expected as the result of energetic and successful efforts by Switzerland and Czechoslovakia to sell machine guns and the likelihood that France will share in the mortar trade.

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The prewar reliance on the UK for naval equipment has also been resumed, and purchases by Peru, Argentina, Venezuela, and the Dominican Republic have already reduced the percentage of US-built naval units in Latin America. Purchases from Canada have also been considerable.

In addition to increased purchases from Europe, the growing small arms industry in Latin America is contributing to diversification, since European patents and calibers are generally used. Argentina, Brazil, and Mexico have ordnance industries which produce a large part of their ammunition requirements; and Chile and Peru manufacture some ammunition as well as replacement parts.

In contrast to this increasing procurement of non-US materiel, purchases from the US remain negligible. Although all the Latin American republics subscribe to the principle of standardization, arms purchases by Latin American countries will probably, as at present, be governed by local short-term considerations. As long as European manufacturers retain their competitive advantages, the Latin republics are likely to continue to accumulate miscellaneous assortments of arms.

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