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INTERNATIONAL ORGANIZATIONS GROUP

WEEKLY INSIGHT No. 21

Point Four Investment
ECONOMY

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The International Week

The Paris Council of Foreign Ministers met in a cordial mood, quickly agreeing on an agenda. Meanwhile, Berlin diplomats neutralized some of the benefits anticipated from the lifting of the blockade. After rejecting the Bevin-Sforza plan for the Italian colonies 14-37-7, the General Assembly adjourned. A Soviet proposal for a big power settlement of the Greek civil war, by-passing Greece and the UN, was rejected by the UK and US. Pakistan resurrected the Hyderabad case in the Security Council.

GA balance sheet. On balance, the recent GA session produced rather negative results because of its failure to attain agreement on the key Italian colonies question. This issue, by all odds the most important before this meeting, was unique in that final powers of disposition instead of mere recommendation rested with the Assembly. The US-UK favored Bevin-Sforza plan was defeated by a combination of the Arab, Asiatic and Slav blocs. The admission of Israel to UN membership at this time also appears a debatable contribution in that it may have strengthened Israel's intransigent attitude at Lausanne. The GA failed to lift the ban on chiefs of mission to Spain, although a simple majority favored this course. Among the Assembly's accomplishments were the recommendations on limiting the veto and approval of the Convention on the International Transmission of News and Right of Correction. While inadequate from the US point of view, this convention marks an important advance toward universal freedom of the press. The most important event of the session was at most a by-product -- Lake Success provided the trysting place for the Jessup-Malik meetings which eventuated in the lifting of the Berlin blockade.

The session was notable for the continued isolation of the Soviet bloc which formed a minority of six on almost every East-West issue. Non-Soviet UN members appear at long last clearly aware of the nature of Soviet UN obstructionism and Soviet propaganda at the UN is becoming less and less effective.

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Another significant trend seems to have developed in the submission of an increasing number of human rights cases to the UN. The Mindszenty trial and the Soviet wives issue, as well as the long-standing problem of the Indians in South Africa, exemplify this type of case. In each instance the defendant state has protested interference in a matter of domestic jurisdiction. There is likely to be an increasing flow of human rights problems into the UN, which will tax the resources and patience of that body.

"For want of a nail....." For want of a Haitian vote, the crucial Tripolitanian paragraph in the GA Political Committee's Italian colonies solution was defeated. As a result, the entire resolution was lost when the Latin American states, France and South Africa refused to accept the emasculated compromise. Disobeying his Government's instructions to abstain, Haitian delegate St. Lot voted along the "color" line in support of the African natives against "white" domination. India, Pakistan, Burma and the Philippines also joined the Arab-Soviet group in blocking the Tripolitanian proposal, reflecting the hostile reaction among anti-colonial states to the power politics of the Bevin-Sforza agreement. The US "lost face" among these nations which are extremely bitter over its support of the big power "deal" and its "blatant" disregard of native desires.

The defeat of the Bevin-Sforza plan lessens the chances that any future colonies solution will be as favorable to Italy. The intensity of native reaction in Tripolitania to prospective Italian return will not only give pro-Italian states pause but will increase Arab sentiment for unity and independence. In Libya, under the British caretaker regime and in the face of continued economic stagnation, the population will remain restive. Meanwhile, Italy is depressed by the Assembly's rejection of both its Tripolitanian and Italian Somaliland trusteeships. Furthermore, the endorsement of Ethiopian annexation of the bulk of Eritrea, including the two Italian cities of Asmara and Massawa, has also wounded Italian pride. The cooling-off period before the next GA will, however, soften the shock of a non-Italian settlement.

From the extensive lobbying certain to develop in the coming three months, two alternatives -- independence or multi-power trusteeship -- are likely to emerge for the key Libyan area. Multi-power trusteeship could probably have been obtained during the present session had the British not rejected it. The UK may continue to insist on sole control over strategic Cyrenaica in which case a multilateral trusteeship would be difficult to

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obtain. If the UK does so, and the Latin American states refuse to abandon their pro-Italian stand, then the British may seek an independent Libya tied to the UK by treaty. In any future settlement, GA approval of the cession of the bulk of Eritrea to Ethiopia will probably be sustained. Finally, despite Italy's failure to win control over Somaliland this spring, it is possible that this colony may be returned to Italy as a trust territory through some bargain struck with the anti-colonial powers which would satisfy their desire for a united Libya.

ECE developments. The recent Geneva session of the Economic Commission for Europe was notable for the relatively mild attitude of the Soviet bloc, despite its continued criticism of Western export controls. This attitude probably reflects increasing Soviet concern over the faster economic recovery in Western than in Eastern Europe, with resulting dissatisfaction in the Satellite countries, and over the pinch of present Western export controls. Should some form of East-West detente emerge from the current CFM, it is likely that Eastern Europe will adopt a much more cooperative policy toward ECE and seek to use it as a means not only of promoting trade but of securing aid from the West.

The concrete achievement of the session was its unanimous approval of a permanent Trade Committee, after the Western delegates had defeated attempts to widen its scope to include "economic development" problems. This Committee, in the event of Eastern European cooperation, would provide machinery for any expanded East-West trade.

WFTU seeks to salvage influence with Western European labor. The World Federation of Trade Unions is far from ready to surrender its mentorship of the labor movements of Western Europe to the anti-Communist Western labor coalition which is now seeking to form a new world labor organization. The reported visit to Brussels of the WFTU Secretary General, in an attempt to dissuade Belgian labor from leaving the Federation, reflects the persistent hope of WFTU's Communist leadership that at least a token representation from non-Communist national unions may be retained. This move, following similar efforts by the USSR to influence Swedish and Australian labor, suggests Soviet awareness that the WFTU's claim to world labor representation will be sharply deflated once the small power unions withdraw (the Danish and New Zealand unions voted to do so last week). While it may try further persuasion, the WFTU will probably succeed in retaining only the Austrian and Finnish

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labor federations, which, although socialist-oriented, are apparently reluctant for the present to incur the Soviet displeasure attending withdrawal.

Simultaneously, the WFTU Secretary General reportedly intends to propose that the GFM "lend weight to the desires of the German workers especially in the Ruhr." However, any WFTU proposal to "unify" the Ruhr workers with the Communist labor elements of Berlin and Eastern Germany would be readily spotted as an attempt to promote a Soviet-oriented all-German labor movement. Such a proposal would be unlikely to deceive Western representatives, now well aware of Soviet control over the WFTU.

Communists move to organize North Atlantic and Mediterranean maritime workers. A Communist attempt to organize North Atlantic and Mediterranean maritime workers as an instrument for sabotaging the oceanic trade of anti-Soviet countries is suggested by recent developments in Norway, Iceland and Italy. Within the same week: (1) the Norwegian Seamen's Union reported the transference of key Communist agents from other industries to the merchant marine; (2) in Iceland, the Communist-dominated unions of stevedores and merchant shipmen scheduled widespread strikes; and (3) the Italian Seamen's Union concluded an "armistice" with the Communist-controlled CGIL to avert a CGIL attempt to seize control of the union. These developments, associated in part with local Communist objectives (e.g., recapturing control of Iceland's labor movement) may be linked with a broader Communist plan to disrupt commercial shipments to areas of strategic interest to the USSR. The existence of such a plan is indicated by the renewed activity of the World Federation of Trade Unions in maritime organization. The WFTU is now striving to establish a maritime workers "department" and to incorporate leftwing US longshoremen (ILWU) and Australian dockside workers. Should these efforts succeed, the WFTU would eventually be in a position to call international maritime strikes capable of crippling a substantial portion of the world's shipping facilities, particularly in the Pacific.

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MOG NOTES

Soviet concept of UN Secretariat unchanged. The USSR recently granted Konstantin Zinchenko, newly appointed Assistant Secretary General in charge of Security Council affairs, the rank of Minister Extraordinary and Plenipotentiary. This status, inconsistent with Charter requirements designed to protect the exclusively international character of the Secretariat, is another indication of the USSR's failure to distinguish between UN and Soviet service as first evidenced in the Gubitchev case.

Veto on Nepalese application expected. The line of Soviet questions on the status of Nepal's relationship to the UK presages another Soviet veto on a membership application. Such alleged lack of sovereignty was the ground on which the USSR vetoed the applications of Transjordan and Ceylon.

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Albania may settle Corfu Channel case. Albania is reportedly attempting an out-of-court monetary settlement of the UK claim, recently upheld by the International Court of Justice, for compensation for the mining of the two UK destroyers in the Corfu Channel in 1946. Albania may wish to avoid becoming the first nation in modern history to disregard an award of an international arbitral tribunal, even though the amount of the claim is a substantial one for such a tiny state. A more likely reason, however, may be a Soviet desire to remove a serious obstacle to the eventual admission of Albania to the UN, which would give an additional vote to the Slav bloc.

South African export controls. South Africa's recent discriminatory import controls are opposed by the US as an evasion of the requirements of the General Agreement on Tariffs and Trade and of the regulations of the International Monetary Fund. The US believes that this policy is being inspired by the UK to force South Africa into preferential trade arrangements. The South Africans are seeking to divert imports from the US to the UK and other Western European soft currency countries in order to conserve their dwindling hard currency reserves. The US, however, contends that South African soft currency holdings have declined about as much as its dollars, leaving no legitimate financial basis for discrimination between the two as required by GATT, and has therefore raised the matter at the Ancey conference.

Investment aspects of Point Four. The UN Economic and Employment Commission has proposed special inducements to stimulate foreign investment. It recommended that underdeveloped countries study (1) duty-free or duty-reduced imports of capital equipment; (2) full or non-discriminatory exemption of profits, interest and dividends from taxation, especially when reinvested for productive purposes; and (3) elimination of

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double taxation, transfer guarantees for profits, dividends or interest, and provision for repatriation of capital. This proposal suggests a pattern for the bilateral or multilateral agreements which will be necessary to encourage the flow of private capital abroad and without which Point Four objectives cannot be fully achieved.

MFN for Japan still unlikely. Despite US efforts to convert the Western European and Commonwealth countries, a majority of them, led by the UK, still strongly oppose extension of most-favored-nation treatment to Japan. Their fear of Japanese trade competition and of a revival of its prewar dumping practices still outweighs the US contention that MFN will aid the rehabilitation of Japan. Consequently, it is doubtful whether, in the absence of the strongest pressure, the US can this year secure a Japanese MFN agreement similar to that for the Bizone.

Prospects for ECME. Lebanon, heretofore the chief proponent of an Economic Commission for the Middle East, may not press the issue at the July Economic and Social Council session. At present the most important considerations in establishing an ECME are Israeli membership and Point Four assistance. Since the Department of State has recently stated that a regional commission is not necessary in order that the Middle East receive technical assistance, there is little inducement for the Arab states to face, during the current Arab-Israeli tension, the logical but unwelcome necessity of including Israel in the Commission when it is eventually established.

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