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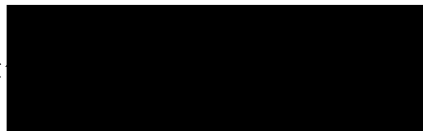
DEPARTMENT OF STATE
OFFICE OF REPORTS AND ESTIMATES
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

SEP 21 1949

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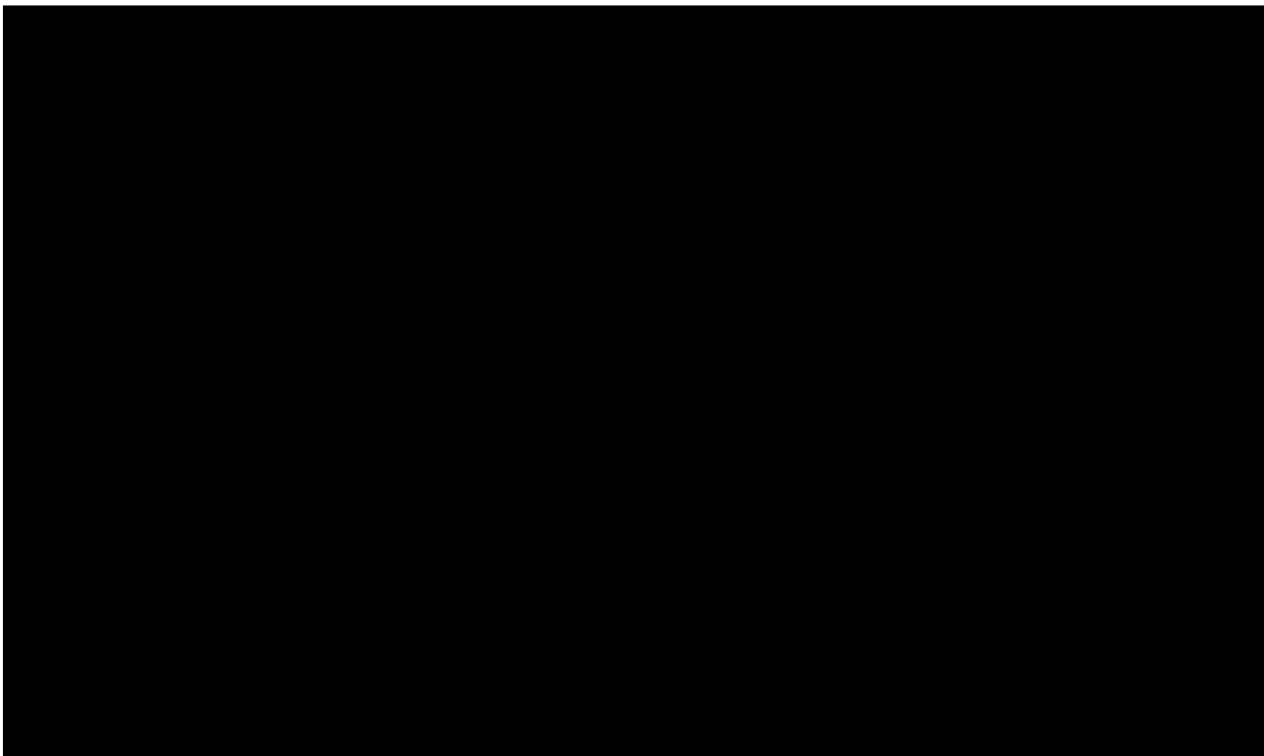
INTELLIGENCE SUMMARY

Vol. IV No. 37

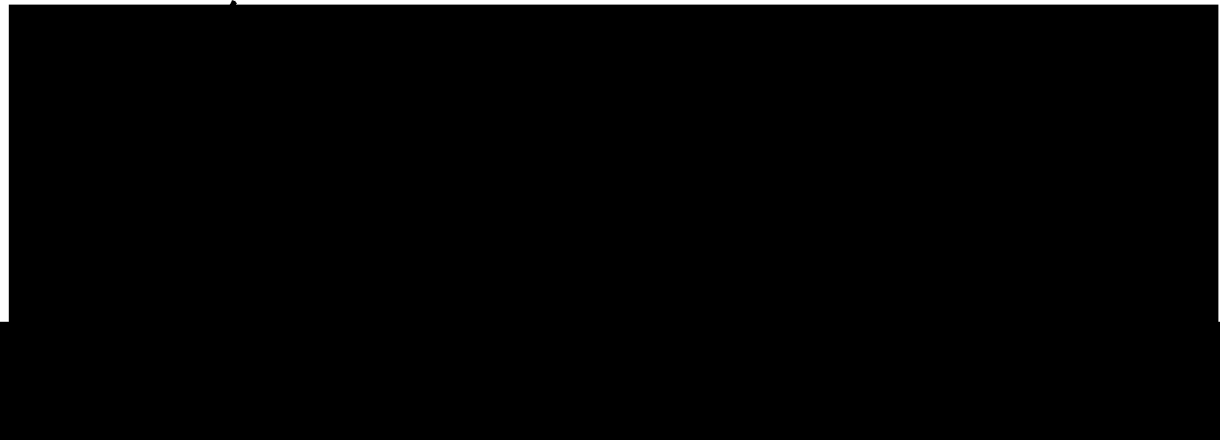
For Week Ending
21 September 1949

GENERAL

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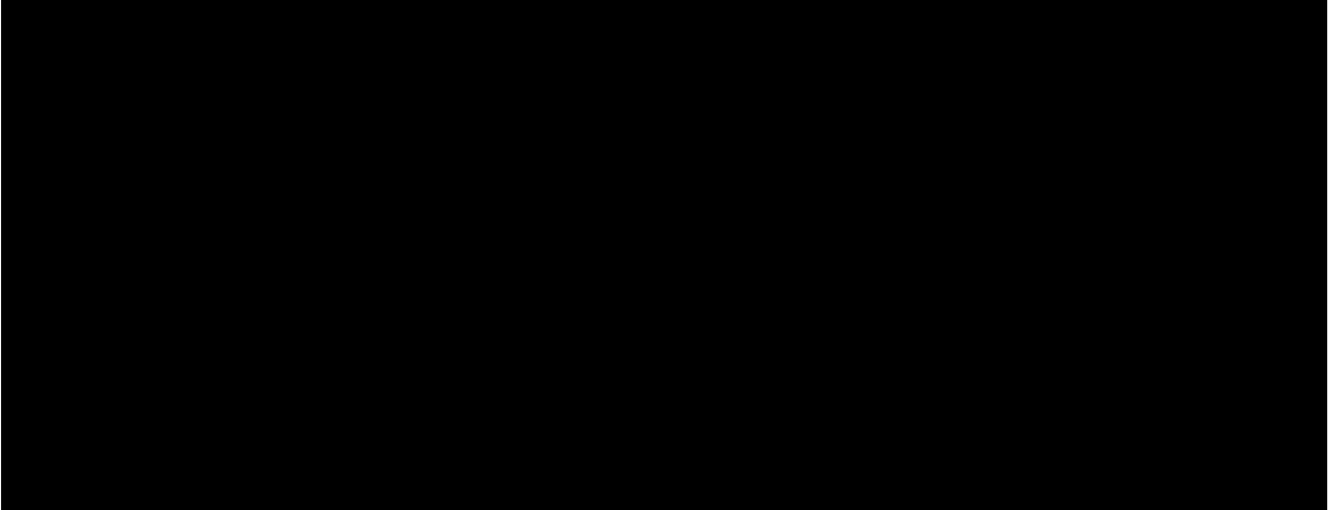


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GREECE

Guerrilla de-emphasis: Recent Greek guerrilla behavior suggests that the rebel high command is planning the unobtrusive cessation, at least for the present, of all but scattered, small-scale activities. Last week some 770 guerrillas slipped across the Bulgarian frontier. In view of other indications of guerrilla retrenchment, it is not unlikely that many of the 2,350 others who are still scattered through Greece may attempt similar withdrawals into Albania. Meanwhile, guerrilla propaganda for a formal peace settlement continues at a low ebb.

Such behavior may well represent recognition of the fact that this summer's defeats have left the guerrillas virtually no bargaining power with which to seek an even moderately favorable peace settlement. Under the circumstances the Kremlin may believe that the best course is to provide the Western powers, the Greek Government, and the world in general with the impression that peace has at last come to Greece, so that the Soviet propaganda line at the UN can emphasize, not a peace settlement, but the withdrawal of the patently unnecessary US military influence from Greece.

The cessation of major guerrilla operations this fall would not preclude a resumption of full-scale activities as soon as circumstances were more favorable. The estimated 10,000 combat-fit guerrillas who could be collected behind the Albanian and Bulgarian frontiers could be strengthened and reorganized in the hope that in 1950 or at some future date a reduction in US aid to Greece or the elimination of Tito would provide a basis for a

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military resurgence of the movement. Within Greece scattered sabotage, terrorism, and intelligence activities could continue, with the ranks of those available for future action steadily swelled by the release of Communist sympathizers from the government's concentration camps.

TURKEY

Turks may be forced to devalue currency: Despite the fact that Turkey has by no means recovered from the unpleasant long-term effects of its currency devaluation in 1946, devaluation of sterling currencies this week may force the Turks to lower the value of the lira once again. In 1946, devaluation of the lira probably stimulated exports, but ultimately it resulted in such higher prices internally--in part because of the high cost of imports--that gradually the cost of producing exportable surpluses rose to the point where great difficulty was met in trying to dispose of them. A very important percentage of Turkey's present foreign trade is with the UK and other sterling countries. Before this week's sterling devaluation, the Turks were having trouble quoting acceptable prices to buyers from sterling areas as well as others. Now, after sterling devaluation, those prices will be almost hopelessly too high, in terms of the lowered value of sterling. The Turks have in the past got around this sort of difficulty by means of export bonuses (levied upon importers) or by means of special compensation trade. Both methods are repugnant to the Turks, since in either case the ultimate consumer in Turkey pays the cost, as internal prices rise and rise. It is true that the Turks would greatly prefer not to devalue their currency again. Yet the loss of their sterling markets (and, be it noted, sources of supply) would be a crushing blow to Turkey's export-import trade and to the national economy. To retain it by means of export bonuses or compensation would be to apply a costly palliative. Perhaps devaluation would, in the long-run, be no less harmful. Undoubtedly, the Turks will avoid it if they possibly can. They may well be unable to do so.

EGYPT

Cabinet difficulties: Friction within Egypt's coalition cabinet has prompted King Farouk to intervene in an effort to prevent the disintegration of the government he appointed last July. A bitter intra-cabinet dispute over the admission of the Israeli delegation to the scheduled meeting in Alexandria of the World Health Organization (WHO) produced such a strong reaction within the country that the Egyptian Government postponed for an indefinite period any assembling of WHO in Egypt. The Sirry Cabinet is also having

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difficulty deciding when and how the parliamentary elections are to be held. Both the Saadists and the Liberal-Constitutionalists, the two main minority parties, are dissatisfied because they feel that Prime Minister Sirry, although himself an independent, has actually shown partiality toward the Wafd, Egypt's largest party. The two minority parties would like the election date postponed in the hope that the currently high prestige of the Wafd will diminish. The King, apparently fearing the withdrawal of the Saadists and the Liberals from the government, has given assurances that the Premier will be enjoined to practice strict impartiality toward all parties. He may also, as a further concession to the minority parties, permit the postponement of elections until winter--although the Wafd itself does not believe that its majority would be appreciably reduced by a short delay in the holding of elections.

ITALIAN COLONIES

What to do with Eritrea? This question will be one of the most perplexing before the UN during the current session. The chief source of difficulty is the fact that the inhabitants (almost equally divided between Moslems and Coptic Christians, with the Moslems having a slight edge) have views as divergent as those of the Arabs and Jews in Palestine. Thus the problem is quite different from the cases of Libya and Italian Somaliland, both of which desire independence and have populations 95% Moslem.

There now appear to be three possible solutions to the Eritrean problem: (1) partition, involving the annexation of the southeastern portion to Ethiopia and the Western Province to the Anglo-Egyptian Sudan; (2) immediate independence; and (3) either some form of UN trusteeship or a continuation of the present British administration. If either of the last two courses should be adopted, the General Assembly would probably compensate Ethiopia by giving it a strip of the Danakil coast, including the port of Assab.

The US is committed to support annexation to Ethiopia of the southeastern portion of the territory and favors cession of the Western Province to the Sudan. This solution, although representing the wishes of the Coptic Christian "Union-with-Ethiopia" Party, which comprises about 65% of the population in the southeastern portion and about 35% of the inhabitants of the entire territory, would be difficult to implement because of opposition from the large minority of pro-independence Moslems in the southeastern portion. The problem is further complicated by the fact that nearly 300,000

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predominantly Moslem herdsmen in the Western Province depend on five or six months' annual grazing on the southeastern plateau, which is part of the area earmarked for Ethiopia.

Immediate independence, favored by approximately 65% of Eritreans, including 95% of the Moslems and some 20% of the Coptic Christians as well as Eritrea's 20,000 Italians, would be disastrous to a country which is economically dependent upon outside help for its very existence and which has no trained men to take over the reins of government. Moreover, there would be strong opposition from those Coptic Christians desiring union with Ethiopia.

It may well be that a UN trusteeship would prove acceptable to a substantial portion of the Eritreans, especially if the British remain, inasmuch as representatives of the Independence Bloc have indicated privately to the British authorities that a ten-year British trusteeship would be an agreeable compromise. Should this plan be adopted, it is probable that some sort of UN guarantee of eventual independence would be necessary. In any event, local disturbances are to be expected because no solution can satisfy all factions within the country.

IRAN

Iran considers Arab proposal for a pan-Islamic association: Although Iran in the past has been a principal advocate of a regional association of the Moslem Middle East states, the Shah has been restrained in his enthusiasm for the recent proposal to that effect made by King Abdullah of Jordan with the blessing of Iraq. The Shah's hesitancy is probably occasioned in part by concern over committing Shia Iran to an association which would be dominated by Sunni Moslems. A more important factor, however, is probably a desire to take a leading part himself in laying the groundwork for such an association, particularly in view of his impending trip to the US. The Shah has already approached the British, seeking not only the UK's advice on the problems posed by such an association but also British support for holding the first discussions of a Moslem bloc at Tehran, which the Shah describes as the logical choice in view of current Arab jealousies. In the light of Iran's doubts, Arab disunity, and probable Turkish skepticism, it is unlikely that any real Moslem bloc is now in prospect. While the Moslem states all face the joint threat of militant Communism and internal unrest, it is unlikely that the appeal of Islam will sufficiently overcome old jealousies to permit them to make a united approach to the problem.

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AFGHANISTAN

Afghan realignment? There are indications that Afghanistan may be turning toward the USSR because of difficulties over: (1) obtaining financial and military assistance from the US; (2) the limited achievements of the Morrison-Knudsen Construction Company; (3) the non-sale of karakul skins; and (4) trade through the Pakistani port of Karachi. Overt Soviet and satellite contacts with Afghanistan are increasing in number, and covert activities may be keeping pace. In addition, the political atmosphere in Kabul appears to be unsettled, possibly as a result of Soviet efforts. In this same connection, closer economic and "cultural" ties between the Soviets, their satellites, and Pakistan are also gradually being formed. Neither Afghanistan nor Pakistan is irrevocably allied to the Western powers; a tendency to overlook this fact might end in the loss of friendships which could be retained for a relatively cheap price.

NOTED IN BRIEF

First reports of the recent Turkish maneuvers indicate that the exercises were sufficiently impressive to US observers to indicate that there must have been some rehearsal in advance. US comments on the maneuvers generally indicated numerous shortcomings, particularly in air-ground liaison, but noted an improvement during the past year.

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There is an ominous note in the latest Turkish note addressed to the Bulgarian Government, in which the Turks seek assurance (following the attempted bombing of the Turkish Consulate in Plovdiv) that in the future their consular staffs in Bulgaria can work in safety.

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The visit of demonstrating UK jet aircraft to Turkey is hardly calculated to bolster the popular Turkish feeling that the aircraft delivered by the US and UK during the past three years are the best and most modern combat types.

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High-flying planes over the Iraqi-Iranian border, presumably despatched by the USSR on reconnaissance and photographic missions, are causing

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apprehension in the two countries. In a recent meeting between Prime Minister Nuri Said and the Shah of Iran, one of the anti-Communist measures agreed upon was a system of wireless communications to track and report these flights. Iranian aircraft based at Tabriz will attempt to intercept the planes. Since both countries are novices in these techniques, however, no effective results can be expected, and the flights will probably continue.

* * *

The undefined boundaries of eastern Saudi Arabia have assumed importance as a result of recently increased activity by oil prospectors in the area. SAG has now initiated discussion of this matter directly with the sheikhdoms concerned, a step which apparently fails to take cognizance of the UK's treaty relations with these states.

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Soviet propaganda for Iranian consumption is taking a more persuasive line than usual in its exploitation of food shortages in Azerbaijan and other sections of the country. While the Baku clandestine radio dwells on the starvation conditions, maladministration, and corruption the Iranian Government has produced, the official Soviet radio in Baku has been boasting of the full grain bins which Soviet efficiency has made possible. Although the Iranians are generally skeptical of all propaganda, this comparison of food conditions in the respective countries may carry considerable weight with those whose distress the government has failed to alleviate.

* * *

Prime Minister Saed has expressed the fear that winter may bring unprecedented difficulties for Iran. In addition to the much-publicized grain shortage, the country faces an increasingly grave transport problem, due primarily to faulty administration. To remedy the grievous deterioration of railroad equipment, an effort is being made to obtain more locomotives, and attention is being devoted to setting up motorized caravans to supplement railway transportation.

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Now that India has refused to accept UNCIP's second "clarified" proposal for arbitration of the Kashmir dispute, UNCIP is preparing to admit

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failure and to quit the subcontinent. Solution of the case presumably lies with the Security Council, which, unbound by UNCIP's terms of reference and prior commitments, may very well make another bid for arbitration of the problem. Failing this, the partition of Kashmir, bitterly opposed by Pakistan and heretofore not openly espoused by India, may be suggested.