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NEAR EAST/AFRICA BRANCH
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CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

SEP 28 1949

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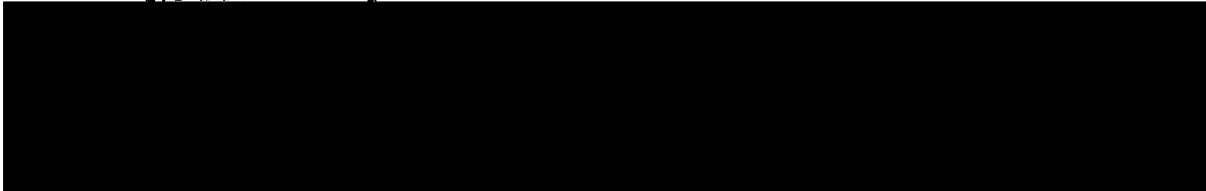
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NEAR EAST/AFRICA BRANCH

INTELLIGENCE SUMMARY

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For Week Ending
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GREECE

Anti-guerrilla policy: Greece is proceeding warily in considering any modification of its anti-guerrilla program. With only some 2,500 guerrillas left within Greece and all of Greece's border posts manned for the first time since 1941, the over-all strength of the Greek military establishment is still being maintained at the old level, although the government now feels able to replace some of the older reservists with conscripts and to grant some long-delayed leaves. Political and military pressure has meanwhile motivated against a prompt adoption of the broad amnesty plan originally contemplated, on the ground that leniency might contribute to the revival of Communist guerrilla and political activity. At least some elements within the Greek Government are anxious to throw off some of the tremendous economic burden which a large military establishment represents. Government leaders in general, however, are fearful lest any relaxation of security measures prove premature; they are consequently stressing, both at home and abroad, the overriding need for some international action to terminate the threats of renewed guerrilla incursion across the northern border. While skeptical of success in obtaining such action, high government officials have pledged that Greece will not take matters into its own hands by launching attacks across its northern border.

TURKEY

Devaluation put off: Although Turkey will probably have to devalue the lira (notwithstanding the Finance Minister's assertion to the contrary), the government has evidently decided to wait upon developments rather than precipitately to announce devaluation at a figure which might turn out not to be the most advantageous. The Turks have not forgotten the unpleasant consequences of devaluation in 1946, and they continue to regard such a step with dislike. They are unlikely to lower the price of the lira until they can estimate to what extent devaluation in other countries (particularly in the sterling area) will reduce the volume of Turkey's export trade and can assess the effects of devaluation on Turkey's internal price structure.

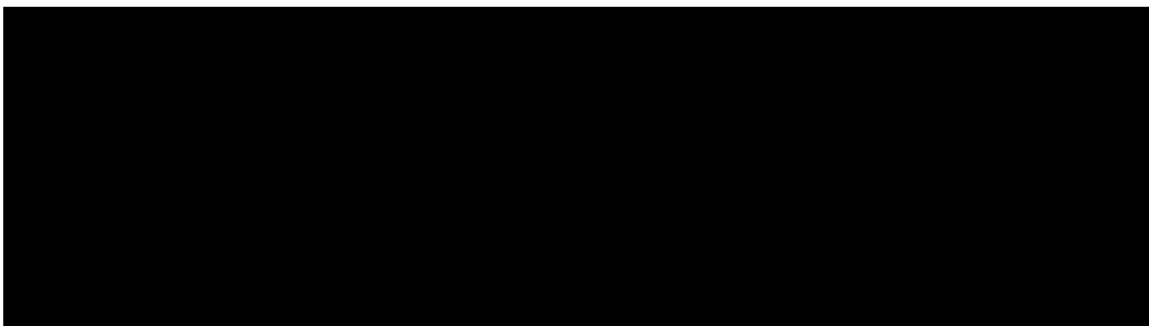
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Capitalist disappointment: The tendency of a collectivist national economy to strengthen and perpetuate itself has long been evident in Turkey, where ECA aid to various government-sponsored projects has now probably added to the dismay of would-be private entrepreneurs. Potential capitalists who felt hopeful that the extension of US financial aid would serve to release the tight, etatist grip which the government holds over the national economy have been sadly disappointed so far. They would be more vociferous about their unhappiness were it not for the fact that they have some wonderfully good reasons for keeping quiet about their financial resources. Some of them, however, still hope that Uncle Sam will help rescue them from outer darkness and that they will be sufficiently assured of protection from an acquisitive government to warrant loosening up on whatever cash they can scrape together for investment.

ARAB STATES

Devaluation results: The devaluation of the pound sterling, followed by devaluation of the currencies of Israel, Egypt, Jordan, and Iraq, is not expected to have an unduly deleterious effect upon the Arab states inasmuch as the great bulk of the area's trade is with sterling countries. There will probably be some increase in prices, particularly in those goods imported from dollar areas. This increase, however, should not be great because purchases from the dollar area have for some time been made largely with free or black market dollars selling at a price very close to the new official exchange rates, thus effectively discounting in advance the devaluation decision. Since Israel's previous dollar-pound exchange rate was on a 3-1 basis, the change should not make any substantial difference to that country. Nevertheless, the economic and financial structures of all these states rest upon very shaky foundations at present; accordingly, any disturbing factor like currency readjustment is bound to have an unsettling influence.

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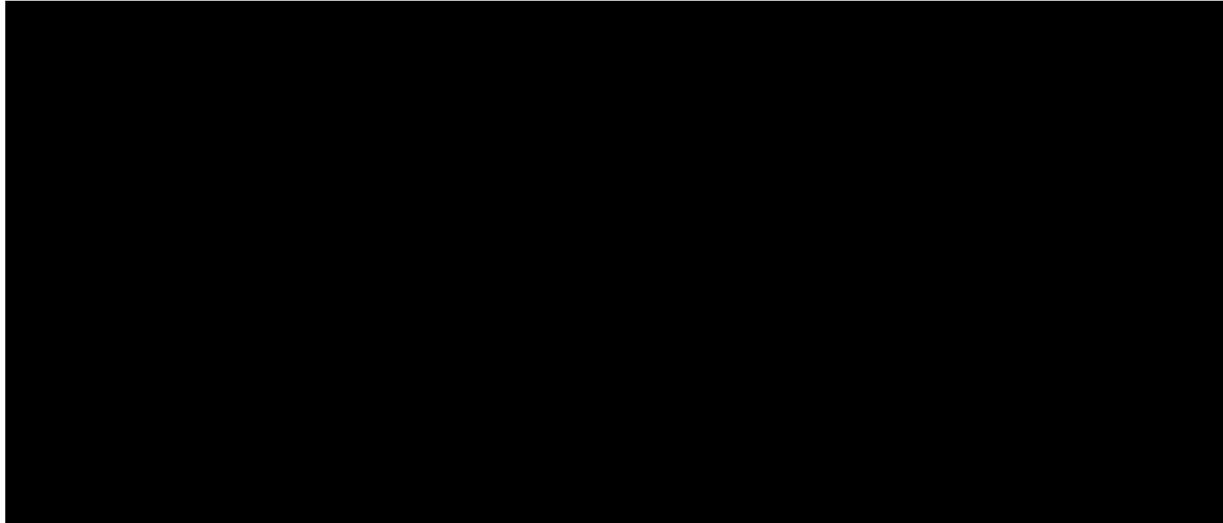


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SYRIA

Army dissatisfaction: Although recognition of the Syrian Government by the US, the UK, France, Saudi Arabia, and Egypt will bolster the prestige of the new regime, dissatisfaction persists among certain army factions, particularly junior officers. Parliamentary elections are scheduled for 5 November. The reformist Populist Party (not to be confused with the Syrian Popular Party), which is heavily represented in the present cabinet, may well gain greater control of the government at that time. If the Populist Party appears unwilling to cater sufficiently to army demands or relegates the army to the background of the Syrian scene, disgruntled military factions may cause further disturbances. It may turn out that the two recent army coups in Syria established a dangerous precedent.

INDIA-PAKISTAN

Pakistan and devaluation: Pakistan's failure to devalue its currency, as did India and most other sterling bloc members, has further exacerbated relations between the two dominions. Pakistan's decision was presumably based on purely economic considerations as well as on a desire to embarrass India politically and financially. The Pakistan Government has consistently been optimistic regarding its financial position; it is also apparently convinced that the world demand for its raw material products will continue strong, thus permitting Pakistan to maintain its yield from exports while purchasing greatly desired capital goods from devalued-currency countries at what in effect would be artificially low prices.

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Nevertheless, India has responded with astonishment and anger, not only because it must now pay higher prices for the Pakistani raw materials which it processes, but also because Pakistan's failure to devalue has been automatically reduced by 30% Pakistan's Rs 3 million debt to India. Bitter recriminations on the currency exchange question are being made-- each side alleging improper manipulation of the exchange rate by the other--and a mutually costly intensification of economic warfare between the two countries can now be expected.

India has already retaliated by announcing a ban on all coal exports other than on government account. Pakistan would find denial of Indian coal--it has almost none of its own--a painful and expensive punishment. A threat to stop buying Pakistani jute is also being made. Such action, especially if supported by the Dundee importers, would have a near disastrous effect upon Pakistan's economy. However, the cost to India might prove too great because of the resultant dislocations in West Bengal, where unrest is already marked and where the processing and shipment of jute (mainly from Pakistan) is a major factor in the economy. Similarly, a move to boycott Pakistan's cotton is being discussed despite the need of India's textile industry for that cotton.

Most observers believe that economic factors will soon force Pakistan to devalue. In the meantime, however, the already bad relations between the two countries will further deteriorate and, of equal importance, their none too stable economies will be subjected to additional severe strain. At the same time, the GOI will be confronted with loud allegations that the retention of Commonwealth ties is largely to blame for the country's new difficulties.

NOTED IN BRIEF

Aware of the Arab states' general lack of enthusiasm toward the ESM (UN Economic Survey Mission), Clapp and his deputies are planning to make a formal visit to Alexandria on 24 September and to Amman on 26 September to pave the way for future technical conversations. The ESM reportedly will go to the Arab countries having large numbers of refugees before visiting Israel, probably about 2 October, and for the present will stress setting up an interim works program rather than resettlement. Strong US representations have succeeded in bringing forth a show of UK support for the ESM, and together the US and the UK have persuaded Iraq to receive the mission if the conversations are limited

to "such discussions as PCC members had last spring." The enormous gulf between passive politeness and active cooperation, however, has still to be bridged.

* * *

The reinauguration of Lebanese President Khuri on 21 September has been accompanied by a flurry of political activity. Prime Minister Sulh is expected to form a new cabinet, which would include representatives of a greater variety of political groups. Principal opposition groups, however, continue to refuse to participate. Thus any new cabinet will still be dogged by criticism, although disgruntled elements lack sufficient cohesion to form a united front.

* * *

The once-vaunted Arab Legion again shows some vitality as arms and equipment begin to arrive from the UK. A new branch of the Legion--the home guard service--is receiving enthusiastic recruits from groups of students and refugees of Arab Palestine. An anticipated 15,000 men will be given minimum training in home defense to back up the Legion's 19,000 troops and police. A period of eclipse followed the first Palestine truce (11 June 1948) when the Legion's supply of arms was cut off. Now that the embargo has been lifted, however, the Legion appears to be regaining its position as an effective fighting force.

* * *

Some progress may be registered on Iran's Seven Year Plan. The government has re-engaged Overseas Consultants Incorporated (an American group of engineering and industrial firms) to work on the plan for one more year. Concurrently, the Seven Year Planning Organization (Iranian) is concentrating its attention on Azerbaijan. A joint stock company has been formed to expand winter planting in the province; needed equipment and supplies have been purchased; the Ministry of Roads has contributed two million rials and the services of its staff for work in the province; and an intensified public health program around Lake Urmia has been planned.

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An extension of the US Military Mission's contract with the Iranian Army has been officially requested by the Iranian Government for a period of

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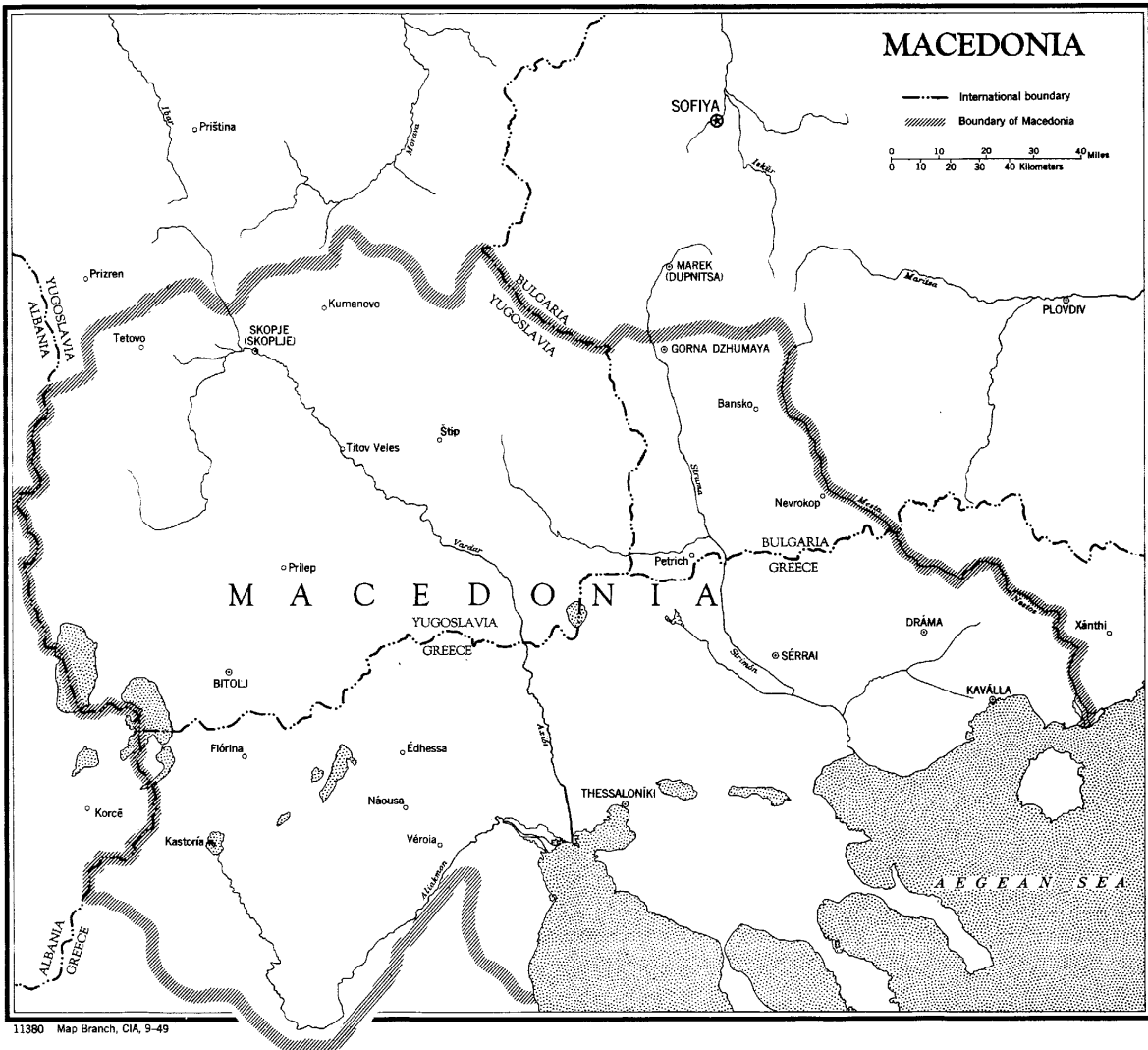
one year, from March 1950 to March 1951. The extension is expected to be granted without any alteration of present terms.

* * *

One aspect of current Soviet-Iranian difficulties was resolved on 26 September when eleven Iranian soldiers captured by the Soviets in a border incident on 21 August were released. Although Iran had demanded their release before 15 September on threat of closing the Soviet hospital and VOKS in Tehran and of presenting a dossier on the incident to the UN, no such retaliatory action was taken, presumably because the Soviets indicated they would come to agreement with the Iranians in the matter. The Soviets however, still hold four Iranian soldiers seized in August, and may continue to hold them as hostages for two Soviet soldiers who escaped to Iran since the Iranian Government has indicated that it will not forcibly repatriate persons seeking refuge in Iran.

* * *

Increased efficiency in the Iranian Cabinet appears to be an objective set by Prime Minister Saed. He has decided to replace Minister of Roads and Communications Seyah with General Yazdanpanah, commander of the Imperial Guards. The energy and honesty attributed to Yazdanpanah should improve the grossly incompetent administration of the railways. Saed has also announced that a greater number of army officers will be assigned cabinet posts--a move which should make for more orderly operations on the part of the government but which is not considered a step toward dictatorship.



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ANNEX

THE MACEDONIAN PROBLEM*

The controversial Macedonian question, perennially capable of arousing intense nationalist feeling in Yugoslavia, Bulgaria, and Greece, is a major source of instability in the Balkans and may become aggravated as a result of the Tito-Cominform struggle. Both parties to this struggle have already been playing on Slavo-Macedonian nationalistic aspirations in an attempt to strengthen their respective positions. If the USSR decides to employ additional measures in its campaign to upset Tito and restore its control in the south Balkans, Macedonia is certain to assume increasing importance in the plans of both sides, as a basis both for propaganda attacks in the war of nerves and possibly for guerrilla operations. The danger that such operations, once started, might prove hard to hold within bounds may, however, serve as a deterrent to their use.

In modern times, Macedonia has never been a racial, linguistic, or independent political entity. Although its boundaries are indefinite, Macedonia is generally considered to comprise an area of some 25,000 square miles, lying in northern Greece, southern Yugoslavia, and southwestern Bulgaria.** The number of Slavo-Macedonians in Greece has been greatly reduced since the international exchange of populations in the Aegean region in 1922-1923. At present the number of Slavo-Macedonians in Greek Macedonia is probably well below 80,000, while those in Yugoslav and Bulgarian Macedonia are estimated at roughly 700,000 and 150,000 respectively. The language of the Slavo-Macedonians, which more closely resembles Bulgarian than Serbian, was not given any sort of formal status until after World War II, and then under the auspices of the Yugoslav Macedonian Republic. This Yugoslav action has helped weaken the historic tendency of Slavo-Macedonians to regard Sofia as their spiritual capital.

Although Slavo-Macedonians have recurrently desired unification and national autonomy since the nationalistic IMRO movement at the turn of the century, this desire has never found practical expression, because of conflicting power interests combined with internal disagreements and

* Prepared by B/EE in collaboration with B/NE.

** The attached map provides a conventional representation of the area to which the geographical term Macedonia might be applied. No attempt has been made to delineate the present scattered distribution of the Slavo-Macedonians.

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apathy. More recently, Yugoslav-Bulgarian disagreement over which country should dominate a Soviet-sponsored unified Macedonia was one manifestation of resurgent Balkan nationalism. At present, Yugoslavia and Bulgaria would both like to expand their hold on Slavo-Macedonian sympathy as well as domains.

This Yugoslav-Bulgarian rivalry over the Slavo-Macedonians does not directly affect Greek Macedonia at present, although in the long run the Macedonian issue will continue to threaten Greek territorial integrity. At this juncture the Kremlin's struggle against Yugoslavia has apparently led to the de-emphasis of all operations against Greece. Moreover, a considerable part of the Greek Slavo-Macedonian population remains either apathetic or passively oriented toward Athens, although many Slavo-Macedonians from Greece have been drawn into conflicting pro-Tito and pro-Buglarian camps. Another limiting factor to date has been the Greek guerrilla movement. Cooperation between the Greek guerrillas and Slavo-Macedonian nationalists has never been good, and the relationship was further complicated in 1949, when the Cominform (in a move aimed primarily at Tito) precipitously issued a dictum favoring an independent Macedonia which would apparently have included some Greek territory. Although the Greek Communists were later relieved by the Kremlin from outright support of such a policy, the raising of the issue tended to weaken the pro-Cominform loyalty of the nationalist element among the guerrillas. For this reason, and because of possible latent pro-Tito sympathy in the guerrilla rank and file, it is doubtful that the Greek rebels could be effectively employed by the Cominform in connection with the Macedonian question.

With the stakes as high as they are, Soviet-Yugoslav competition for the support of the Slavo-Macedonians can be expected to become more intense. Yugoslavia will be at a distinct advantage in this struggle. By far the largest number of Slavo-Macedonians are in Yugoslavia, and the majority of these are probably resigned to their status as members of a Yugoslav Federated Republic. Yugoslavia's appeal to Slavo-Macedonians in Greece is perhaps stronger than that of Bulgaria or the Greek Communists; the latter are unwilling to satisfy Slavo-Macedonian demands, while Bulgaria's treatment of Slavo-Macedonians has been less favorable than that of Yugoslavia. Moreover, the Yugoslav appeal may be strong for a sizable group of the Macedonian population in Bulgaria, which is chafing under Soviet domination and may believe that prospects for some degree of Macedonian autonomy are greater under Yugoslav than under Kremlin rule.

Nevertheless, the Macedonian question provides the USSR with one of its few opportunities for exerting some pressure on Tito's position in Yugoslavia, and in view of the Kremlin's failure to overthrow

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Tito by other means, Moscow may be tempted to use Macedonian aspirations as a pretext for launching guerrilla operations against Yugoslavia from Bulgaria and Albania. There are increasing indications that guerrillas are being trained (presumably for such a purpose) in Bulgaria and even in Hungary and that Tito is also training guerrillas, possibly in preparation for retaliatory operations in Bulgarian Macedonia. Tito's apparently strong military and political position in Yugoslav Macedonia would serve to limit the effectiveness of Cominform-sponsored guerrilla raids in the area except in conjunction with large-scale military operations. At the present stage of the Tito-Cominform struggle such large-scale military activity against Tito is considered unlikely. Nevertheless the danger remains that guerrilla operations might progressively become so intense as to lead to large-scale fighting with serious international implications.

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