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For the Secretary  
April 12, 1948

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GERMANY Both the Soviet walkout from the Allied Control Council (ACC) and recent Soviet interference with transportation into Berlin indicate, that the USSR: 1) has abandoned hope of using the ACC to hinder the present western European reconstruction program, and 2) intends to accelerate preparations for the establishment of an eastern "German state" whenever the Kremlin decides that the western powers can be successfully blamed for partitioning Germany. In this preparatory phase, the USSR may place the Soviet zone under a "democratic" and "loyal" German administration, created from the Communist-dominated Peoples' Congress and strengthened by trained Germans from the former Moscow "Free Germany Committee". Both the presence of the western powers in Berlin and the functioning of the ACC hamper the realization of the Soviet objectives and, unless allied determination remains obviously strong, further Soviet attempts to eliminate these hindrances can be expected.

RUHR Soviet preparations for possible clandestine activity against US-UK occupation authorities in the Ruhr are indicated by current replacement of known Communist leaders with new party men from the Soviet zone and with thoroughly indoctrinated former prisoners of war. Probable reasons for the replacements are: 1) comparative failure of the present leadership of the Communist Party (KPD) in the Ruhr; 2) Soviet dissatisfaction with the opposition of many old KPD leaders to pro-Soviet policy dictates from Moscow; 3) preparations to go underground in the event of US-UK action against the party; and 4) the danger of using well-known and easily-identified party leaders in clandestine and illegal operations.

ITALY Prospects that the Italian Communist Party will obtain a sufficiently large plurality in the April 18 elections to ensure Communist or left-wing Socialist representation in the next Italian Government have sharply diminished. Concurrently, the party's capabilities for successful large-scale insurrection without active military assistance from Yugoslavia, have been considerably reduced. Unless the Communists receive substantial outside aid, the government

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now appears sufficiently strong to prevent its overthrow by force and to put down large-scale rebellion. Whether the Kremlin, even under these circumstances, will direct an insurrection either before or after the elections cannot be predicted. If, as seems probable, the Communists fail to secure representation in the new government, they will then launch a new program of strikes and sabotage to wreck the recovery program and discredit the government.

In the past few months the Italian armed services and security forces have been greatly strengthened, not only by new equipment but also by a considerably improved morale. At the same time the Communist para-military forces have been weakened and to some extent disrupted by government seizure of clandestine munitions dumps and caches and the interception of arms shipped in from abroad. No evidence available indicates that Yugoslav forces--the most logical source of outside assistance--are being prepared for action in Italy. Finally, and probably most important, the Italian masses appear less inclined than ever to support a Communist uprising and have become increasingly anti-Communist in their attitude.

FINLAND Although Finland gained substantial concessions from the USSR during negotiations on the recently signed treaty of mutual assistance, the treaty will provide the USSR with an excuse for further moves against Finland whenever the Kremlin considers it necessary. Future Soviet action toward Finland will depend on the course of events within Finland and on international developments. An intensification of the "cold war" would prompt the Kremlin to hasten the campaign for Communist domination of Finland. Similarly, a pronounced rightist swing within Finland or increased Finnish cooperation with the west might also persuade the USSR to move more quickly. Finnish non-Communists, therefore can be expected to vote for ratification of the treaty, to maintain superficially friendly relations with the Communists and the USSR, and to move cautiously in their relations with the west.

GREECE Recent Greek Army successes have probably been sufficiently dislocating to the guerrilla forces to necessitate postponement of the large-scale offensive reportedly

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planned by Markos for the latter part of April. It is possible that the army, by retaining the initiative, can prevent the successful launching of any concerted guerrilla offensive in the near future. Nevertheless, the army victories are limited in extent, and a decisive defeat of the guerrillas is not yet in prospect.

EGYPT The short-lived strike of the Egyptian police, although brought on by purely economic grievances, may indirectly lead to a settlement of Egypt's long-standing differences with the UK over the Sudan and British military rights in Egypt. The Egyptian Government's inability to cope with the strike has seriously impaired Prime Minister Nokrashi's prestige and may bring about his downfall. His most likely successor is Senate President Heykal, who has consistently maintained that successful termination of the Anglo-Egyptian deadlock is essential to Egypt's future.

CHINA Despite Chiang Kai-shek's announced unwillingness to be a candidate for the presidency of the Chinese National Government, he will undoubtedly be elected to this position by an overwhelming majority of the National Assembly on April 12. Party leaders are unanimous in stating that Chiang is China's indispensable man for the presidency. Thus, the effects of Chiang's action have been to assure him the presidency, to rally the full support of the Kuomintang to his leadership, and to enhance his authority. In view of the basic and growing weaknesses of the Kuomintang and the National Government, however, this strengthening of Chiang's political position may prove to be temporary. Chiang's maneuver was undoubtedly prompted as a measure to offset these weaknesses. The Kuomintang had become disrupted by increasing factionalism and by mounting discontent with Chiang's leadership to such an extent that there was danger that the National Assembly would be the scene of public attacks on his policy by party members, thus leading to an open split.

"For the moment, Chiang has secured from Kuomintang leaders a clear mandate to continue his rule, and consequently he will be under less pressure to alter his policies or reorganize the government. Unless the government demonstrates under his leadership more success than hitherto in coping with its enormous military and economic problems, dissatisfaction and criticism will inevitably

mount and will be more difficult to silence.

SIAM Control of the Siamese Government by a group of military extremists now appears assured. Once foreign recognition of the Abhaiwong Government had been obtained, the extremist military group demanded the resignation of the government because of its inability to bring about the return of normal economic conditions. The military group then declared to the Regency Council that only Marshal Phibun would be acceptable as the new premier. In view of the determination of the members of the Abhaiwong Government to boycott a Phibun Government, it is expected that Phibun will experience difficulty in forming a new cabinet of any significant strength and that its tenure of office will be solely dependent on army support. Every effort will be made during the assumption of office by the new government to observe all legal forms in order to avoid jeopardizing recently-obtained recognition, but the essential character of government control as based on military force will remain unchanged.

KOREA A developing split among South Korean rightists over the choice of candidates for the forthcoming UN-observed election and over the form a provisional government should take when the assembly convenes has made Syngman Rhee's chances of emerging as chief of the South Korean Government almost certain. Rhee's autocratic policies as head of this government would probably assist the USSR in its efforts to win away South Korean leaders. Future Soviet moves will probably include demands for the withdrawal of occupation troops both from North and South Korea and pressure for recognition by the UN of a Soviet-sponsored People's Republic.

Sources:

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