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NEAR EAST/AFRICA BRANCH  
OFFICE OF REPORTS AND ESTIMATES  
CENTRAL INTELLIGENCE AGENCY

WORKING PAPER

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## NEAR EAST/AFRICA BRANCH

## INTELLIGENCE SUMMARY

Vol. IV No.7

For Week Ending  
23 February 1949

## GREECE

Economic policy: The economic policy of the new coalition may prove more effective than that of previous governments. Although the government indulged in the usual wordiness in announcing its policy to parliament 1 February, it specifically pledged efforts to increase revenues, redistribute the tax burden, and establish a sounder currency. Since then the government has: (1) announced a deadline for declaration by private citizens of their foreign assets; (2) tightened credit controls; and (3) imposed a capital levy, which is expected to yield an additional \$10 million for relief purposes. In spite of the obvious need to find additional sources of revenue and foreign exchange, previous Greek Governments under Populist domination hesitated to impose a capital levy or take steps to register foreign assets because of the drastic burdens these steps would impose on the Greeks who furnish the main financial support for the conservative parties. The decision to actually impose a capital levy, which had been strongly urged by Markezenis, one of the new members of the government, reflects the weakened position of the Populists in the new coalition.

While the government has shown new firmness in dealing with financial interests, it has been forced to yield to several recent labor demands for higher wages and may be forced to make further concessions in the renegotiation of other collective wage agreements scheduled for revision soon. The cost of living has risen 50 percent during 1948, and there are also isolated indications that Communist influence in the trade unions is reviving. Consequently, the unions are less and less likely to accept compromises or mere promises and more likely to resort to strike tactics if their demands are not met.

## TURKEY

Electoral and press law reform? Recent reports from Ankara tend to confirm the impression that the government would produce a quid pro quo in exchange for the unusual moderation with which the opposition displayed toward Premier Gunaltay's recently announced program. There was already

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some evidence that President Inonu had asked Celal Bayar, leader of the opposition Democratic Party, to blunt his party's attacks upon the government. The basis for such an arrangement is now suggested by a recent announcement of the Deputy Premier that amendment of the electoral and press laws is being studied. If the electoral law, in particular, were amended to the satisfaction of opposition deputies, one of the major causes of friction between Turkey's principal political parties would be removed, and the way opened for impartial elections next year. In such elections the Democrats would almost certainly make substantial gains and might quite possibly replace in office the party which has governed the Republic of Turkey throughout its history.

### PALESTINE

After Rhodes, what? The conclusion of an Israeli-Egyptian armistice at Rhodes, after six weeks of tortuous negotiations, represents a solid step toward stabilization of the Palestine situation, as well as a significant personal achievement for Acting UN Mediator Bunche. The possibility of renewed hostilities now appears remote, particularly in view of the recent exchange of 5,000 prisoners effected by Israel and Transjordan, and the Rhodes agreement will undoubtedly encourage the conclusion of similar agreements with Lebanon, Syria, and Transjordan, which has now been authorized to negotiate for Iraq as well.

Despite these auspicious signs, Arab reluctance to accord diplomatic recognition to Israel makes a de jure peace distant, and a variety of practical difficulties may well make establishment of a general practical settlement a long-drawn-out process. The joint armistice commission set up by the Israeli-Egyptian agreement must clarify a number of ambiguous terms in the armistice, and its work may be handicapped by adverse popular reaction in Egypt to the signing of the armistice.

The task of the Palestine Conciliation Commission in working out a general settlement will be complicated by conflicting territorial claims which, at least in theory, have not been prejudiced by the present armistice. (Although Israel remains in possession of Beersheba, for example, it is unlikely that either Egypt or Transjordan will abandon their claims to the town.) Another serious obstacle is presented by the insistence of the Arab governments that Israel permit the return of those Arab refugees who wish to do so and by Israel's disclaimer of any responsibility for them. Under these circumstances, there is continuing need for skillful mediation and for

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the strong pressure the US has already exerted in favor of a settlement. The present situation also presents the US and UK with an opportunity to foster friendship for the West and long-term stability in the Near East, through the medium of guarantees against aggression and large-scale assistance for economic rehabilitation.

### IRAN

Reaction to recent events in Iran: Despite the explosive possibilities resulting from the attempted assassination of the Shah and subsequent developments--the outlawing of the Tudeh Party, the arrest of its leaders, and the apprehension of such potential trouble-makers as Mulla Kashani, the fanatical Moslem leader who claimed but recently the ability to recruit 400,000 fanatical anti-Communists--no political disturbances have been reported within Iran. This apparent tranquility may be attributed to the aversion felt by the major segments of the population toward pro-Soviet Iranian elements, to the increased popularity of the Shah, and to the army's efficiency in depriving (at least temporarily) dissident groups of leadership. Moreover, the fear of harsh retributions, engendered in the population during the reign of the present Shah's father, undoubtedly acts as a strong deterrent to disaffected elements.

The Soviet reaction to recent events has been cautious except in the field of propaganda, but it probably has not yet fully manifested itself. While the Kremlin, in a comparatively mild demarche, protected against Iranian allegations of Soviet interference in the activities of political parties in Iran, the Soviet press and radio is lashing out at the Iranian Government for the measures it has taken against the Tudeh Party.

Although the suppression of the Tudeh Party and its virulent and scurrilous attacks against the government and the US should have a beneficial effect on the internal stability of the country, pro-Soviet Iranian elements and Soviet agencies in Iran will probably resort increasingly to covert activities. The latter have already facilitated the clandestine preparation and distribution of Tudeh Party publications and their distribution to members of the party who have gone underground. The Soviet war of nerves may also be stepped up, especially through increased propaganda and possibly through the renewal of threatening activities along Iran's northern borders.

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## NOTED IN BRIEF

The Greek Army has lost its opportunity to exploit its successful defense of Florina, which resulted in the death or capture of an estimated 1,000 guerrillas. National forces pursuing the guerrillas into the Vitsi area were stopped by well-placed mine fields which gave the retreating guerrillas time to reorganize defensively and bring up new supplies.

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The ELD-SKE ( Socialist Party) finally abandoned its fellow-travelling status 15 February and denounced the Communist rebellion. Coming more than a year after the formation of the Markos junta, this gesture is the result of pressure on ELD-SKE by elements within the party itself, by other Greek socialist groups, and, most important, by international socialist circles. Two representatives of the British Labour Party visited Greece in the early part of February to obtain such a declaration from ELD-SKE on the threat of expulsion from the Socialist International.

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Any hope of direct participation in the North Atlantic Pact which may have been entertained by the Turkish and Greek Governments have now apparently faded. In its place, both countries hope for: (1) a strong declaration, coincidentally with signature of the pact, to the effect that their security interests have not been overlooked and will not be neglected; and (2) aid and encouragement in the conclusion of a correlated 'Mediterranean' agreement.

\* \* \*

Partial solution of one of Turkey's lesser minority problems may soon occur, if reports that all restrictions upon Jewish emigration have now been lifted turn out to be correct. Many Turkish Jews have already emigrated to Israel, and, apparently a substantial percentage of Turkey's Jewish population wants to follow their example.

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MAPAI's substantial victory over MAPAM in the 13 February election in Israel's Histadrut (General Federation of Jewish Labor) will strengthen the cautiously pro-West alignment of Prime Minister Ben-Gurion's political

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party, already a victor in the 25 January elections to the Constituent Assembly.

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The Saudi Arabian Government and the Pacific Western Oil Company have reportedly reached an agreement whereby the company would acquire, on terms which can only be described as lush, a concession covering development rights for the Saudi Arabian half interest in the Kuwait Neutral Zone. Under the terms reported, the company would undertake obligations unprecedented in the history of Middle East oil: royalty rate, 55 cents a barrel; down payment, \$9.5 million; dead rent, \$1 million; drilling obligation, within one year. The draft concession is also said to provide that the Saudi Arabian Government would receive 25 percent of the net profits, in addition to other emoluments.

\* \* \*

The Syrian Parliament has been recessed until 5 March, thus postponing ratification of either the long-delayed Tapline convention or the Franco-Syrian Monetary Agreement. The monetary accord, signed on 7 February, provides for: (1) the payment to Syria over a six-year period of seven billion French francs, in liquidation of the balance held by France to cover issue of Syrian currency; and (2) the settlement of various subsidiary claims and counter-claims between the two countries. Syria, which set up a new currency independent of the franc in early 1948, will leave 32 billion francs on deposit with the Bank of France.

\* \* \*

The Iraqi Government has been taking strong measures to combat Communism during the past few months. Approximately fifty of the party's leaders, including the President of the outlawed Communist Party, were arrested in October and November of 1948 and subsequently brought to trial. Others who had been rounded up and imprisoned in early 1947 were retried. Thirty-four were convicted and sentenced for terms of imprisonment ranging up to life; and four of the most dangerous leaders were hanged publicly in Baghdad last week.

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Iranian Foreign Minister Hekmat does not favor communicating the status of Irano-Soviet relations to the UN Security Council at this time. He is of the opinion that the border incidents have been insufficiently serious to merit such a step, and that Iran has 'nothing to complain of officially.' He thinks, however, that Soviet allegations concerning US activities in Iran should be refuted by the US, which he considers to be the primary object of attack.

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The Government of India has moved against two sources of internal disorder, the Communist in the railway unions and the militant Sikhs. Although the non-Communist All-India Railwaymen's Federation (which includes the majority of rail workers) agreed to refrain from a threatened strike for higher pay and living allowances pending further negotiations, a minority of Communist-dominated unions did not go along, and the government thereupon arrested some 450 Communists, charging it had documentary proof of a Communist plot to sabotage the railroads in connection with the strike. Meanwhile, on 19 February, the government arrested Master Tara Singh, leader of the militant Sikh Akali separatist party, on his way to a meeting at Delhi which had been banned by the government. There are no present indications that the situation is getting out of hand. However, the government may have a busy time during the first ten days in March. The Sikhs, who have already demonstrated against the arrest of their leader, have set aside 2 March as an All-India Protest Day. The Communist rail workers, along with Communists in the posts and telegraph union, apparently still intend to go on strike on 9 March.

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The work of the UN Commission for India and Pakistan (UNCIP) is slowly going ahead. India has agreed to direct dealings between UNCIP and the Azad Government, provided recognition is not involved, and an UNCIP sub-committee is now scheduled to go to Azad territory, where US officers are now serving as UN observers. Pakistan and Indian Army officers will meet at Chakothi this week to establish the cease-fire line in the north.

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The World Conference of Moslems which opened in Karachi 18 February, is a non-governmental body, meeting with the unofficial blessings of Pakistan, composed of some 200 delegates from 15 nations of Africa, the

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**Middle East, and the Far East . The aims of the conference are cultural and educational, but it is likely to adopt resolutions on the Palestine, Kashmir, and Hyderabad questions.**

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