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H I G H L I G H T S

The formal charge of US aggression against Taiwan lodged by the Chinese Communists in the Security Council opens the second phase of the Soviet offensive against the US in the UN. The US will probably find it extremely difficult to counter the Communist Chinese charge because: (1) the US acted unilaterally in sealing off Taiwan; (2) the Chinese Nationalist regime is largely discredited, especially in Asia; and (3) India has publicly disassociated itself from US policy on Taiwan, the UK has avoided the issue, and France is extremely reluctant to antagonize the Chinese Communists. In having the Chinese Communist charge placed before the UN at this time, the Kremlin may hope to obtain Western concessions on Taiwan as a condition to agreeing to any settlement on Korea. (see page 2).

Sentiment for a more centralized European defense organization is continuing to grow and offers the best opportunity for utilizing German manpower in the European defense effort. Most NAT members already favor the use of German industry for European defense and many are beginning to realize that German manpower as well must be utilized in any greatly stepped-up European defense program. (see pages 3 and 4).

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UNITED NATIONS

The formal Chinese Communist charge in the SC of US aggression against Taiwan opens the second stage of the Soviet political campaign against the US in the UN. This action offers the best prospects to the Soviet Union for confusing the issue of Communist aggression in Korea, splitting the non-Communist front in the Security Council, and driving a wedge between the US and Asiatic nations. US ability to counter the Chinese Communist charge will be extremely difficult because: (1) the US acted unilaterally in ordering the protection of Taiwan; (2) the Chinese Nationalist regime is largely discredited, particularly in Asia; and (3) India has publicly disassociated itself from US policy on Taiwan, the UK has avoided the issue, and France is extremely anxious not to antagonize Communist China.

Bringing the Taiwan issue before the UN offers the USSR several additional advantages. With Malik's special opportunity for procedural obstructionism nearing an end (his term as SC President expires at the end of this month), the USSR now has a fresh weapon for continuing its anti-US propaganda offensive in the UN. Moreover, this new move may offer an opportunity to bring the Chinese Communists before a UN body for the first time, thus further complicating the issue of Chinese representation. By broadening the present UN discussions to include Taiwan as well as Korea, the USSR may hope to force Western concessions on Taiwan before agreeing to any Korean settlement.

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T O P S E C R E T

WESTERN REARMAMENT

The proposed increase in the rearmament effort of the European NAT members over the next three years is well below the capacity of these countries and wholly inadequate for the minimum needs of Western European defense. Even including substantial US aid, the proposed increases in rearmament funds fall far short of meeting West European defense needs in ground forces alone, and are totally inadequate for balanced ground, air, and naval forces. The presently contemplated European rearmament programs indicate that the NAT members (including the UK) have not yet faced up to the problem of providing their share for an adequate European defense. These NAT members continue to be preoccupied with their domestic economic and social problems, while apparently counting on even greater US aid to enable them to meet defense expenses. France and Belgium insist, moreover, that they cannot undertake an all-out defense effort until a strong NAT program is developed under which each member nation will bear a proportionate share of the over-all burden.

Judging from this initial reaction, West Europeans must be convinced that the proposed strengthening of the NAT will provide adequate European defense before they will make the substantial sacrifices necessary for their increased contribution to a stronger NAT. The continuing European demands for a unified NAT command (preferably under US leadership) and for greater US and UK forces in Europe are a measure of the lack of confidence Europeans have in present NAT plans for West European defense.

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German Participation The growing European sentiment for an integrated European defense system offers the best opportunity to utilize German manpower in the West European defense effort. French officials are convinced that German manpower can be utilized only by establishing some kind of a centralized or unified defense organization for all of Western Europe. These same French officials are also convinced that the French people would be willing to make substantially increased sacrifices for defense only if a stronger and more centralized organization were established.

Sentiment in West Germany at the moment is against the creation of a German national army, but the West Germans would be willing to participate in defense of Western Europe on the basis of becoming members of an over-all defense organization assigned the mission of defending all of Western Europe. German participation in such a defense organization would probably be conditioned on the granting of greater powers to the West German Government and the guarantee of protection against Soviet aggression during the period when Germany was being integrated in the West European defense organization. The Belgians, Dutch, Luxembourgers, and Italians would welcome any attempt to strengthen West European defenses and recognize the necessity of using German manpower. The remaining West European nations (and the UK) are also coming to recognize that German manpower as well as industry would be needed in any greatly stepped-up European defense program.

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TROUBLE SPOTS

GREECE

Shadow Cabinet Despite his grandiose talk of "national centralization," Prime Minister Venizelos gives little promise of being able to provide a stable and effective replacement for the shaky Plastiras coalition from which he bolted last week. With the attitude of the other major centrist leaders still doubtful and the rightist Tsaldaris Populists still withholding firm support, Venizelos has thus far produced only a shadow Cabinet of six fellow Liberals. Moreover, even though Venizelos may be able to line up enough backing to win an initial vote of confidence for his government, existing incompatibilities among his potential supporters are such that his appointment will probably postpone only temporarily an eventual choice between the installation as prime minister with extraordinary powers of the Palace favorite, Marshal Papagos, or the holding of new elections (with Papagos perhaps heading an interim caretaker government).

IRAN

Financial Troubles Premier Razmara's plans for rehabilitating the Iranian economy continue to be impeded by financial and administrative difficulties, and there is danger that Iranian morale may be seriously impaired and that the Razmara Government may be forced to resign, unless some way can be found to speed up projected US assistance. Iran has been able to maintain some sort of an interim unemployment relief program thus far by dipping into the funds of the Seven Year Plan Organization, but these funds are now reportedly at the vanishing point. Meanwhile, the Anglo-Iranian Oil Company's refusal to make advance

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IRAN

payments on royalties has deprived the government of funds which it had been counting on to meet expenses during the long process of working out projects required for Export-Import and International Bank credits.

BULGARIA

Note to Turkey The Bulgarian note to the Turkish Government demanding repatriation within three months of 250,000 Bulgarian nationals of Turkish origin is designed to overburden the Turkish economy and embarrass the government. The note climaxes an exchange of charges and denials of maltreatment of the Turkish racial minority of 700,000 in Bulgaria, and, if complied with by the Turkish Government, would raise the number of repatriates from the current rate of 600 per week to 20,000. Although Turkey is anxious to repatriate its racial minorities in Communist-dominated countries, even the present rate of immigration from Bulgaria is taxing Turkish resettlement facilities, largely because of the Bulgarian practice of confiscating all the property of repatriates. Resettlement of property-less immigrants and the necessity for time-consuming individual screening for Communist infiltrators make literal compliance with the Bulgarian demand physically impossible.

THE PHILIPPINES

Government Turmoil Current opposition to President Quirino, including attacks from important leaders of his own Liberal Party, is rising because of mounting public concern over the serious financial crisis now confronting the Philippine Government. Quirino, who is under vigorous attack for

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THE PHILIPPINES

failing to rid his administration of corruption, has been unable to appease his opposition, and the administration's legislative program--including urgent tax and appropriation measures-- is being blocked in the Senate. Quirino is being blamed for financial difficulties, and the Speaker of the House, who is also boss of Quirino's Liberal Party, has reportedly become so disgruntled with Quirino's leadership that he is considering various actions short of impeachment for eliminating Quirino from the political scene.

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OTHER DEVELOPMENTS

BELGIUM

New Government The weakness of the new one-party Social Christian (Catholic) Government, as evidenced by both the inexperience of many of its members and the predominance of pro-Leopoldists and conservatives, will delay action on vital legislation, especially defense measures. The composition of the Cabinet was determined largely by the need to maintain Catholic Party harmony rather than to promote national unity. The dislike of the Socialists for Foreign Minister van Zeeland may cause friction and the inexperience of Minister of Defense de Greef may be a serious drawback to solving the pressing defense problems which will probably dominate Cabinet and parliamentary discussions this fall. The volume of important legislation that must be dealt with and the general weariness with political instability may prevent any early changes in the present government, but a new and stronger government may become necessary eventually. A Catholic-Liberal coalition might emerge later this year, particularly if the Catholics feel they need help in shaping defense policies. The Socialists, however, would be unlikely to join any Catholic-dominated government which included van Zeeland, who will probably remain in the government as long as the Catholic Party has a parliamentary majority.

FRENCH NORTH AFRICA

Tunisian Cabinet The unexpected acceptance of Cabinet posts by leaders of the Tunisian nationalist Neo-Destour Party, apparently reflecting a French-nationalist understanding based on mutual concessions, could be the first step toward

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smoother relations between Paris and French North Africa. The acceptance of the Cabinet posts represents a modification of extreme nationalist sentiment, and may have been brought about by private French assurances of reforms which go beyond anything publicly offered. The new Tunisian Prime Minister, in his remarks during the investiture ceremony, referred to his Cabinet as a "ministry of transition," and declared its purpose was to lead the Tunisian people toward the "restoration of sovereignty with its rights and prerogatives." The French-nationalist accord in Tunisia is all the more remarkable because French policy toward the nationalists in Algeria and Morocco, particularly the latter, is at present more intransigent than it has been for some time. The French may be intentionally creating a situation which will make cooperation difficult among the various North African nationalist parties. However, if the French have made real concessions in Tunisia and if the experiment in cooperation works out well, the chances for smoother relations in Algeria and Morocco will be considerably increased.

EAST GERMANY

Rail Restoration Soviet occupation authorities in East Germany recently ordered the Reichsbahn to submit an estimate of the time and material required to restore the second tracks on five formerly double-tracked routes running generally east-west across the Soviet Zone, but there is no indication to date that the Soviet authorities have ordered the work to begin. Restoration of the lines would require the dismantling of some secondary lines and the removal of rails from marshalling yards. Handling present traffic through the marshalling yards with reduced capacity would require increased traffic restrictions.

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SOVIET UNION

Transportation The USSR has for some time been rebuilding and preparing direct transportation facilities on the route from Moscow to the Smolensk-Minsk-Brest area. New airfields have been constructed, and improvements in the Moscow-Smolensk-Minsk highway, one of the few first-class Soviet thoroughfares, are now being made west from Minsk. Railroad service has also been improved, and the trans-loading yard at Brest is one of the largest in the USSR. New station facilities are being constructed along the line, notably at Smolensk, and the roadbed is being improved, apparently so that it can support heavy loads.

JAPAN

White Paper The recently issued Japanese White Paper, by its unqualified support of the UN action in Korea, formally establishes Japan's pro-Western alignment and implicitly favors the maintenance of Allied bases in Japan. Prior to the Korean conflict, lack of confidence in US intent and ability to defend Japan and lack of the means of self-defense had led a large segment of the Japanese people to support the opposition Socialist position of non-involvement in the East-West struggle. The unprovoked Communist aggression in Korea, however, has disillusioned many who formerly supported a neutral course for Japan, and the prompt US-UN action has reassured the Japanese. Because of changing popular sentiment, the Socialist program for an over-all peace and permanent neutrality for Japan may be modified, an action which would pave the way for unanimous non-Communist support for Japan's pro-Western alignment.

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PANAMA

Political Tension President Arnulfo Arias' regime is being threatened by the recently intensified struggle for power between the President and Police Chief Remon and by a rapprochement among factions opposing Arias. Immediate causes for the current tension are the President's efforts to avoid the reappointment as Comptroller General of Remon's brother-in-law and to strengthen his regime against a possible opposition majority in the National Assembly scheduled to meet on 1 October. Underlying causes of the continuing political tension are Police Chief Remon's key position in politics and his interest in supporting opposition to Arias in order to further his own political position. The increasing rapprochement among elements opposing Arias also increases the possibility of an attempt to oust Arias.

ARGENTINA

"Third Position" Prospects for Argentine support of the Western Powers in the current East-West struggle have declined recently. President Peron hinted earlier that Argentine troops might be sent to Korea in support of the UN, but he retreated quickly to his anti-capitalist, anti-communist "third position" when confronted with strong popular sentiment against becoming involved in the East-West struggle. Although Peron may favor closer alignment with the West at this time, he is apparently unwilling to make the effort needed to redirect popular opinion away from Argentina's third-force position.

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KOREA MILITARY SITUATION

The rapid and successful shifting of UN forces to eliminate successive North Korean threats is enabling the UN defenders to bring about a further stabilization of the military front. Although the invaders retain the initiative and continue to probe for a weak defensive spot near Taegu or Masan, the continuing loss of men and the UN bombing of supply lines and depots is beginning to affect North Korean capabilities for mounting sustained and major offensives. Along the south end of the defense line where Task Force Kean recently forced the North Korean 6th Division back to the outskirts of Chinju, reinforced enemy columns are again attempting to launch a new drive to capture Pusan. In the central sector, UN defenders have so far contained or destroyed repeated enemy attempts to take Taegu, vital UN supply and defense point. To the northwest, enemy forces are being built up into what may soon become the most dangerous enemy concentration along the entire front line. Only light and sporadic action took place along the northern sector; on the east coast, the South Korean Capital Division recaptured the port of Pohang and the town of Kigye and drove the invading forces several miles to the north. Light enemy resistance on the east coast and the northern sector probably indicates that North Korean forces in these areas are being shifted to other points along the front.

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NORTH KOREAN OCCUPATION POLICIES

The speed and thoroughness of the North Koreans in applying occupation policies in seized areas of South Korea indicate they were fully prepared to assimilate all of South Korea after a quick military victory. Among the North Korean occupation policies which will create the gravest problems for the returning South Korean Government are military security measures, land and general reforms, and the extension of North Korean political control forms and laws to all occupied areas. The North Koreans feel that there is little difference between the Japanese occupation forces and the UN-backed Rhee Government, and they are using the same techniques which they applied in setting up a Communist state in North Korea after the Japanese withdrew their forces.

Primary responsibility for the maintenance of order and security in occupied areas rests with the "Ministry of Internal Affairs" of the "Democratic People's Republic" in the North Korean capital of Pyongyang. Several of the divisions of the invading army formed shortly before the war--and forced into action because of the unexpected UN resistance--had been intended for garrison and security duty. Despite the commitment of these intended security troops to combat, some reserve and replacement units from the North are available for garrison duty in occupied cities and large towns.

At the same time, a considerable measure of responsibility for local security has been given to local committees formed from South Koreans. These town and village "People's Committees," staffed by reliable local Communists who reappeared from the underground or were released from Republican jails, operate in close

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cooperation with Northern security forces, manage local affairs, and vouch for the people recruited into the local "Civil Security" units. Such security units and "People's Committees," under the direction of the North Korean government, have responsibility for the defense of the local area against enemy infiltrations, the suppression of popular uprisings, and the arrest of anti-Communists and other uncooperative persons.

To generate maximum popular support for the war effort and the unification of Korea under the "Democratic People's Republic," the Communists have announced a series of "reforms" similar to their earlier actions in the North. In the political field, the Communists have made a considerable show of giving the South Koreans "democratic" government and arranging for actual participation in local government. The first step in this direction was the "spontaneous" reestablishment of "interim People's Committees" as organs of local self-government on all levels in the occupied south. The elections of village, township, and county were completed early in August in the occupied areas and elections for Provincial Committees and a "unified" National Assembly are probably planned for the future.

The land reform which is being instituted by North Koreans may gain considerable popular support and thereby constitute a major problem for the returning government. The Northern invaders' ordinance of 5 July 1950 contains provisions designed to make the program both popular with tenant farmers and acceptable to present small and medium landowners. The ordinance exempts from confiscation land received under the Republican land reform and abolishes former required annual payments on such land. Small farmers who work their own land are permitted to retain up to 50 acres. Popular support for land reform indicates that the South

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Korean Government will be forced to accept the new land distribution or face widespread adverse reaction.

Although the invaders' economic and political measures may have gained an initially favorable reaction from South Korean peasants and laborers, their increasing resort to force, both in conscripting labor and troops and in requisitioning food and materials, will cause growing antagonism against the occupation authorities.

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