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GENERAL

1. Indian UN delegate suggests declaration on non-crossing of 38th Parallel:

According to the US delegate to the UN, Indian delegate Rau has informally suggested that the General Assembly make an overture to the Communists in Korea regarding the non-crossing of the 38th Parallel. Rau proposed that, after it adopts a selective embargo resolution, the General Assembly should declare that UN forces would not cross the 38th Parallel if the Chinese Communist and North Korean authorities issue a similar declaration. The US delegate believes that Rau has no clear conception of the means necessary to insure the security of UN forces and to prevent a Communist build-up beyond the Parallel. 3.3(h)(2)

Comment: The Communists have not indicated any willingness to modify their demand for a complete withdrawal of UN forces from Korea. It is conceivable that heavy losses in the Korean venture would persuade the Communists to agree not to cross the Parallel. During the civil war in China, the Communists employed such agreements to gain breathing-spells for fresh build-ups.

FAR EAST

2. Communist forces believed ready to renew offensive:

On 12 May the US Far East Command observed that the "pattern of enemy activity currently developing in the battle area bears a striking resemblance to the series of events observed during periods immediately preceding past enemy offensives." It concluded that the enemy can resume the offensive within the next 72 to 96 hours. As evidence for this conclusion, the Far East Command cited the stiffened enemy resistance encountered by UN patrol activity, the daylight movement of enemy troops into the front line, the use of smoke to screen daylight movement and an increase in aggressive enemy patrolling and small unit attacks. 3.3(h)(2)

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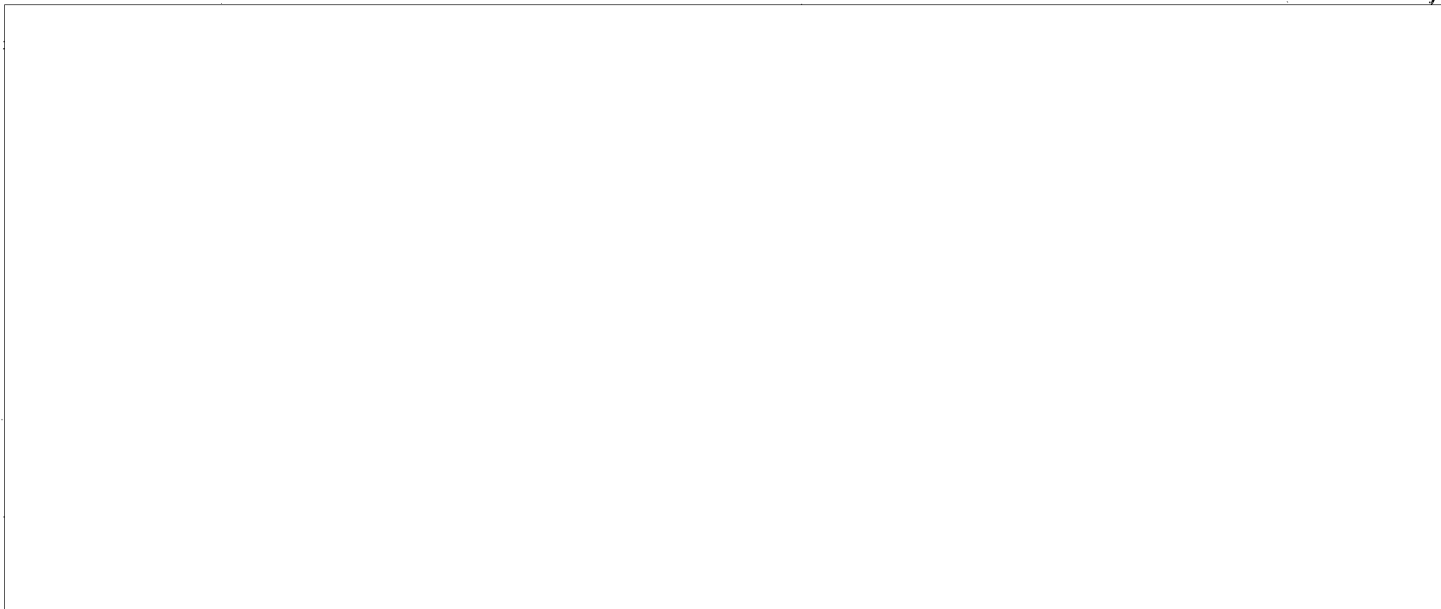
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According to the Far East Command, the main effort of the renewed offensive probably will be directed along the Han River corridor east of Seoul and the Chunchon-Wonju corridor in the central sector.

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4. Chinese Nationalists reportedly hope to use their troops in Indochina:

*China
Indochina*



The US Minister in Saigon has received copies of two alleged telegrams from the Nationalist Foreign Office in Taipei to the Chinese Consul General in Saigon. The messages state that

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"our (Nationalist) long-standing plan" for operations in South China, using Indochina as a base, "remains in full force," and instruct the Consul General to work with the appropriate French officials to ensure that Nationalist forces are held "in readiness."

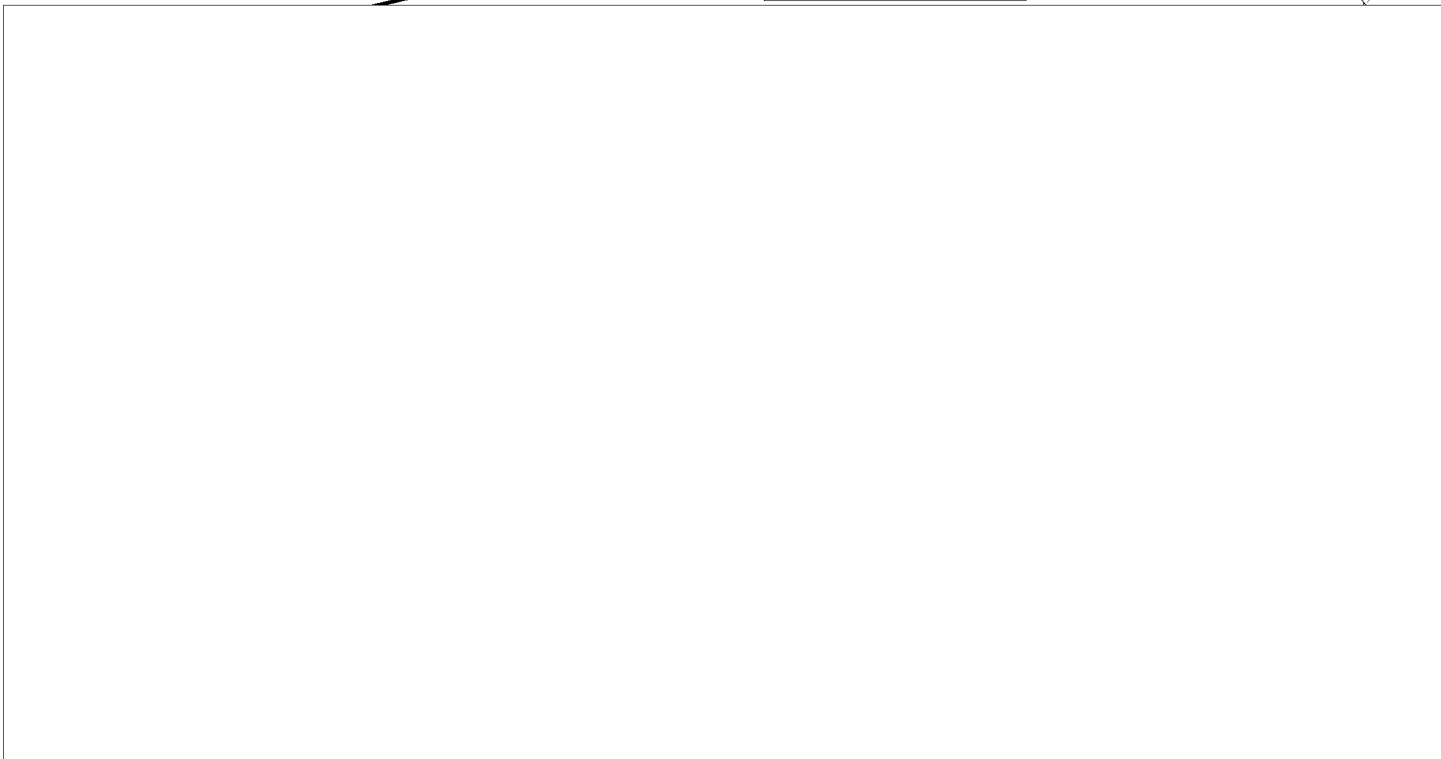
Comment: More than 30,000 Nationalist troops are interned in Indochina and local French officials have occasionally recruited irregulars from these internees. However, it is French policy in Indochina to avoid provoking the Peiping regime, and the French have been adamant in refusing to permit these Nationalist forces either to operate in South China or to be repatriated to Taiwan.

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NEAR EAST

6. Anti-US Tudeh demonstrations in Iran:



According to the US Ambassador in Tehran, several thousand persons held an "orderly and well disciplined" demonstration in front of the US Embassy on 11 May, demanding

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"peace" and calling upon the US to "stop aggression in Korea." These "Partisans of Peace" (actually members of the pro-Soviet Tudeh Party) then proceeded to Parliament Square where they hailed Stalin, denounced the "Anglo-American warmongers" and demanded the immediate expulsion of the US military mission to the Iranian Army.

Comment: In view of Prime Minister Mossadeq's stand on freedom of expression and assembly, such demonstrations are to be expected. If he clamps down on the Tudeh's current activities, the

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party may resort to more extreme measures. In any event, the emphasis the Tudeh Party is placing on the expulsion of the US military mission could have very unfortunate repercussions for Iranian stability and, therefore, ^{for} Iranian-US relations as well, particularly in view of Prime Minister Mossadeq's known dislike of all foreigners.

7. Iranian Tudeh Party expands activity to Kuwait:

*Tudeh
USSR*

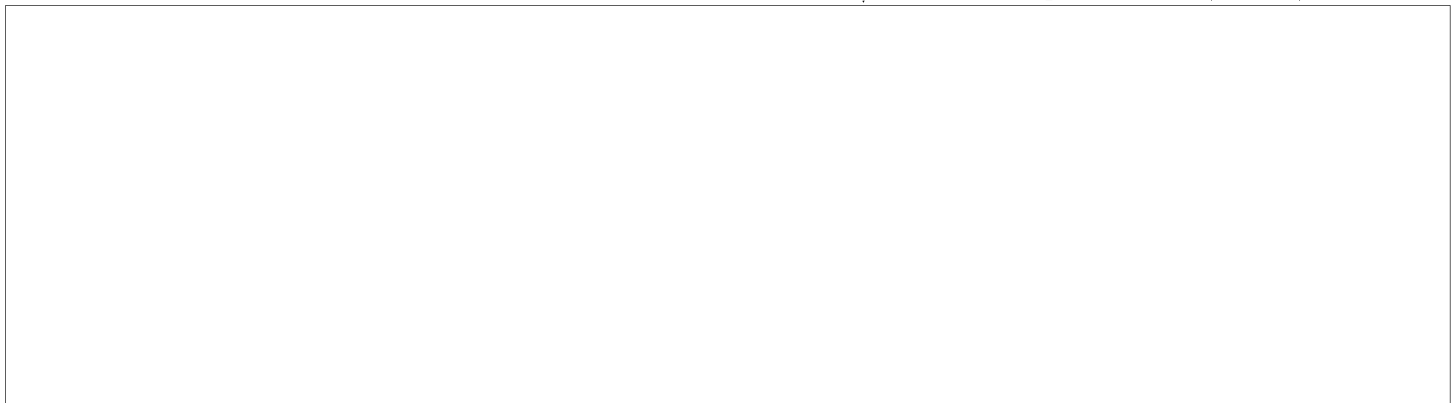


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Comment: The Tudeh Party, which is still illegal in Iran, has an organized underground, appears to be well-financed and has established close liaison with the USSR. Tudeh has joined the chorus demanding the nationalization of oil, but it has managed to cloak whatever connection it may have had with the recent violence in the oil fields. It is in a good position to aggravate the anti-foreign feeling prevalent in Iran and to focus this feeling on the West.

Kuwait has not previously been identified as a Tudeh center; it is, however, conveniently located to the Iranian oil industry. A rich oil-producing locality, Kuwait is itself a target for the USSR.

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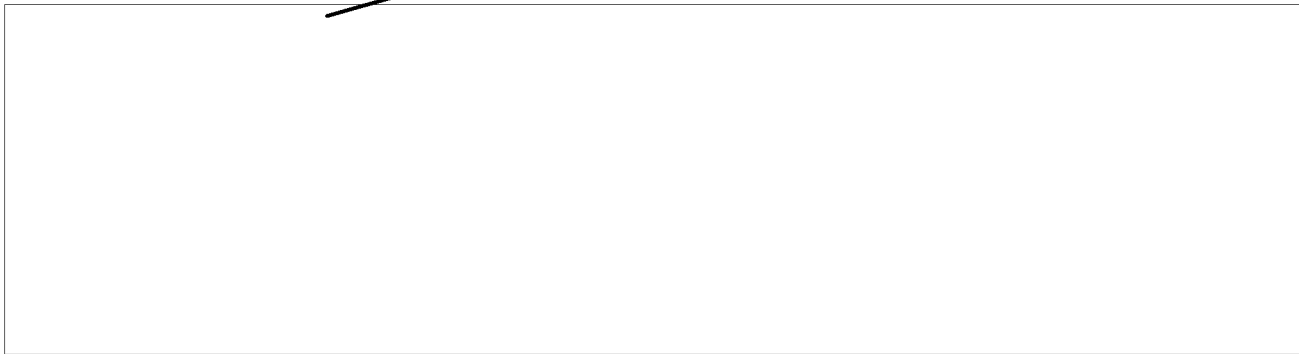
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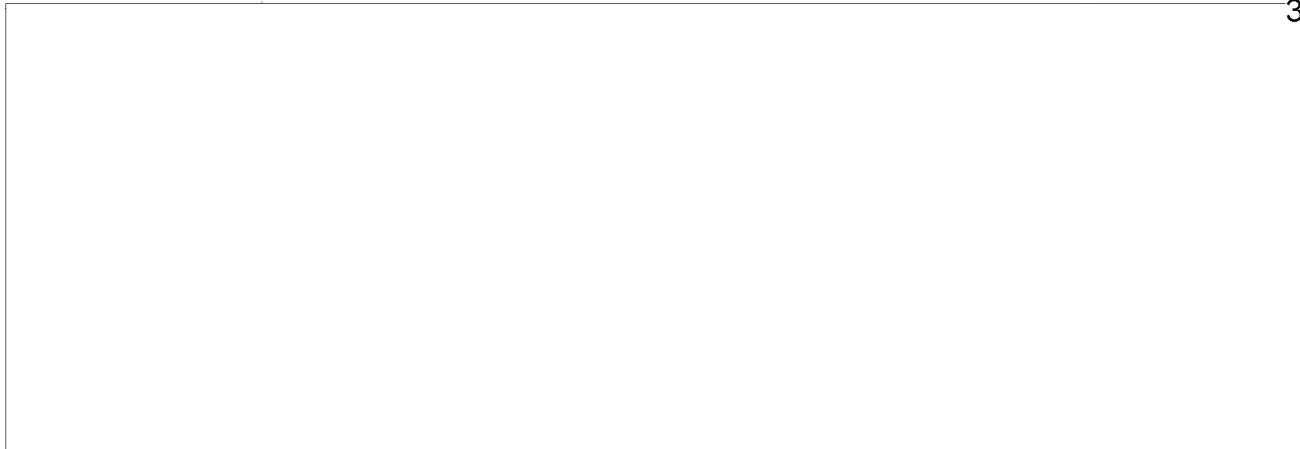
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EASTERN EUROPE

9. Bulgarian resistance group known to Communists:

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Comment: The prompt measures taken against this group indicate the effectiveness of the Bulgarian Security Police.

10. US Embassy in Belgrade sees need for formal Yugoslav arms request:

Yugoslav



US Ambassador Allen in Belgrade recommends that the US obtain a clear written request from the Yugoslav Government regarding its military requirements before Congress is asked for ap-

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propriations. Allen points out that the last official Yugoslav statement on the subject was a press release of 12 April, in which the Yugoslav government admitted only that it was seeking arms through commercial channels abroad. The Ambassador warns that the Yugoslav

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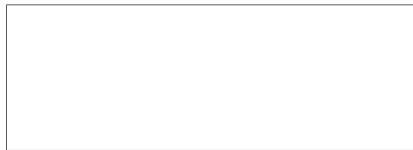


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Government might feel called upon to deny, during US Congressional hearings, that it has sought arms from the US on other than a commercial basis, leaving the implication that the US was pressing arms on a reluctant recipient. In Allen's opinion, the Yugoslav Government may still be hesitant, primarily because of internal Communist Party politics, to make an outright request for arms on a non-commercial basis, although it would make such a request if the US let it be known that no action could be taken on any other basis.

LATIN AMERICA

11. Arosemena declared President of Panama:

On 10 May the Panamanian Supreme Court declared that the impeachment of Arnulfo Arias and the installation of Alcibiades Arosemena, the First Vice President, was a constitutional act. As a result of this decision, deposed President Arias is confronted with a solid opposition consisting of the Supreme Court, the National Assembly, the National Police and a combination of political parties other than his own.

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Comment: Alcibiades Arosemena is a colorless, venal politician from a prominent Panamanian family. He has been strongly pro-Arias for the past ten years, and it is unlikely that he is on good terms with Police Chief Remon. If Remon can find some legal way to replace Arosemena, he may do so. On the other hand, if Arosemena proves tractable, Remon's desire to avoid public criticism may lead him to support Arosemena until the scheduled presidential elections are held in 1952.

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*Bolivia***12. Political unrest continues in Bolivia:**

The US Charge in La Paz, after an interview with the Bolivian Foreign Minister in which the latter tried to prove that the pro-facist Nationalist Revolutionary Movement has definite Communist ties, estimated on 11 May that the Foreign Minister was "anxious" to go ahead with the previously reported army coup and that the coup may occur "over the weekend," but commented that some of the army district commanders who came to La Paz for consultation were still there. Meanwhile, political unrest continues in the wake of the 6 May presidential elections; the Nationalist Revolutionary Movement candidate apparently still maintains his plurality.

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Comment: Since the government and allied groups have a majority in Congress, they can be expected to name Gosalvez, the government-sponsored candidate, when Congress meets on 6 August to choose the president from among the three candidates who received the most votes in the recent election. However, the army may well take over the government and establish a junta in order to be in a better position to counter the expected revolutionary activity of the Nationalist Revolutionary Movement -- which might not wait to act until Congress has made its decision.

