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~~TOP SECRET~~

~~TOP SECRET~~

SUMMARY

GENERAL

1. USSR may wish to avoid Korean political conference (page 3).

SOVIET UNION

2. Soviet statistics foreshadow continuing decline in rate of economic growth (page 3).

FAR EAST

3. South Korea offers troops for Indochina (page 4).

SOUTHEAST ASIA

4. French intend to defend Luang Prabang (page 5).

NEAR EAST - AFRICA

5.

EASTERN EUROPE

6. Comment on Cominform approach to Yugoslavia (page 6).

LATIN AMERICA

7. Guatemala expected to raise charge of US "intervention" at Caracas conference (page 6).
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~~TOP SECRET~~

~~TOP SECRET~~

GENERAL

1. USSR may wish to avoid Korean political conference:

According to Secretary of State Dulles, the USSR may have discarded the concept of a Korean conference as envisaged in the armistice agreement. As evidence

of this, he points to Molotov's statement on 27 January that the United Nations' recommendations for the Korean political conference were made over Soviet objections and without the participation of Chinese Communist and North Korean representatives, and to the walkout on 26 January of Communist delegates from the preliminary Panmunjom talks.

Secretary Dulles says it is somewhat surprising for Molotov to take any onus for jettisoning the proposed Korean conference now that Communist propaganda has made out a fairly plausible case for American responsibility for the breakoff of the Panmunjom talks.

Comment: Soviet bloc spokesmen have sought to use widespread concern over the failure to convene the Korean conference to reinforce Soviet demands for a five-power meeting. In his opening statement at Berlin, Molotov attributed this failure to the "absence of normal relations between certain powers" and suggested that a five-power conference would aid in eliminating "a whole series of difficulties" on the Korean question.

SOVIET UNION

2. Soviet statistics foreshadow continuing decline in rate of economic growth:

Official Soviet statistics published on 31 January foreshadow a continuing decline in the rate of expansion of the economy and highlight the efforts of the government to ameliorate this basic problem by means of increased incentives. The announced increases for 1953 of eight percent in national income, four percent in state capital investment, and six percent in labor productivity are short of the gains required by the Five-Year Plan. For 1952 these figures were respectively eleven percent, eleven percent and seven percent.

~~TOP SECRET~~

2 Feb 54

~~TOP SECRET~~

On the other hand, industrial production increased 12 percent in 1953 compared with 11 percent in 1952. An important part of the 1953 increase is attributable to the unusually large increment of 3,100,000 workers to the nonagricultural labor force. At the same time the ratio of the permanent farm labor force to cultivated land area increased substantially. It seems likely, therefore, that large numbers of workers were made available to the non-agricultural labor force through special releases under the amnesty program and possible discharges from the army and MVD.

The government's attempt to increase worker incentives is reflected by the announced 12-percent increase in production of consumer goods and the still greater expansion claimed for retail sales. Nevertheless, retail trade for 1953 fell at least four billion rubles short of the supplementary target of 37 billion rubles announced in October. [REDACTED]

FAR EAST

3. South Korea offers troops for Indochina:



South Korean prime minister Paek in a 28 January letter to General Taylor offered to send an infantry division to help in the defense of Laos. The offer was inspired by the call for aid "implied" in the Christmas Day statement of the Laotian premier.

The embassy in Seoul notes that this offer should be assessed in the light of President Rhee's recent moves to mobilize an anti-Communist front in Asia and his desire to broaden the fight against the Chinese Communists.

Comment: Such an arrangement would be unacceptable to the French, who have been at great pains to avoid antagonizing the Chinese Communists.

Rhee may have discussed this with Chiang Kai-shek, who is known to favor the formation of a Far Eastern anti-Communist force, which could be committed wherever necessary.

~~TOP SECRET~~

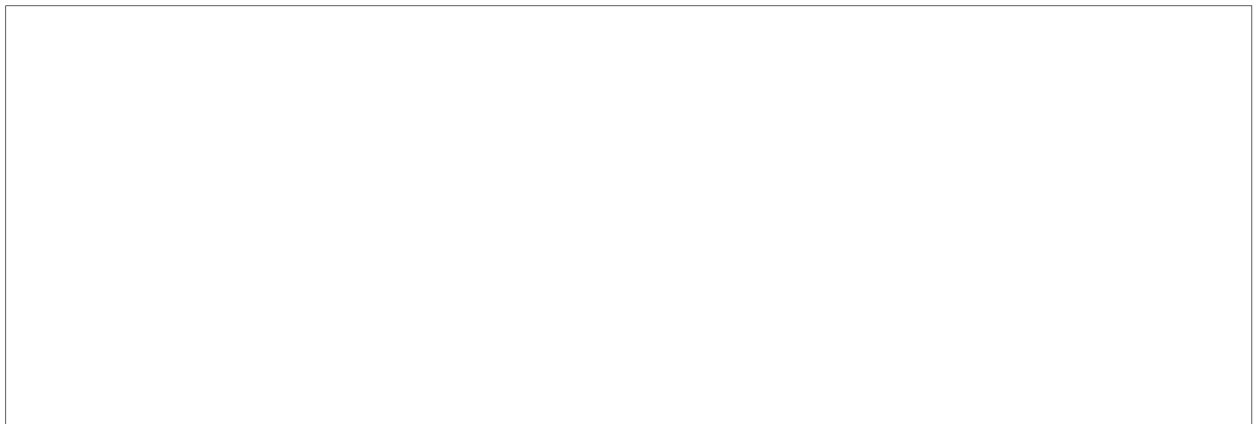
2 Feb 54

~~TOP SECRET~~**SOUTHEAST ASIA****4. French intend to defend Luang Prabang:**

Commissioner General Dejean stated on 30 January that he and General Navarre agree on the political necessity of defending Luang Prabang, the royal capital of Laos, which is threatened by a Viet Minh force moving south from Dien Bien Phu and believed to be of divisional strength. The defense will be made even though it means further dispersing French forces and foregoing attacks on now largely undefended Viet Minh base areas near the Tonkin delta.

Dejean further told Ambassador Heath that the Viet Minh apparently plans to leave two divisions at Dien Bien Phu to contain the French garrison there. The French Command, however, is convinced that its forces could break out in such an event and inflict damage on the enemy.

The commissioner general quoted General Navarre as expressing confidence that he could contain a Viet Minh movement into Laos, and that his timetable for a decisive offensive beginning in the fall would not be upset by current operations.

NEAR EAST - AFRICA**5.**

- 5 -

~~TOP SECRET~~

2 Feb 54

~~TOP SECRET~~**EASTERN EUROPE****6. Comment on Cominform approach to Yugoslavia:**

The 30 January Cominform journal proposal that Yugoslavia rejoin "the fraternal people's democracies" and restore its "ancient bonds with the Russian people" is no more than the latest manifestation of a recurring Cominform propaganda theme. As in the past, Belgrade replied with a sharp rebuff.

Soviet and Satellite propaganda attacks on Yugoslavia have recently slackened somewhat, and there have been fewer calls for revolt in Yugoslavia than in previous years. It is probable that the Cominform has revived this propaganda attack in order to exploit the doubts and confusion which have been aroused both in Yugoslavia and in the West as a result of the Djilas dispute.

LATIN AMERICA**7. Guatemala expected to raise charge of US "intervention" at Caracas conference:**

The Bolivian foreign minister fears that Guatemalan charges of American "intervention" may split the Inter-American Conference in Caracas next month. He told Ambassador Sparks that Guatemala, which has been seeking Bolivian support, plans to attend the conference in the role of an accuser rather than as a country accused of Communist sympathies.

~~TOP SECRET~~

2 Feb 54

~~TOP SECRET~~

Comment: Guatemala's white paper of 29 January, which strongly implied United States approval of a plot against the Arbenz regime, could, if convincingly exploited, seriously disrupt inter-American solidarity and reduce Latin American support for the United States in the United Nations. The principle of nonintervention is regarded in Latin America as the cornerstone of the inter-American system. Mexico, Chile, Argentina, and Uruguay are particularly sensitive on the question of United States "interference" in other American republics.

Communist propaganda can be expected to continue its theme of the past two months that "imperialists and their lackeys in Central America might make new efforts at open intervention in Guatemala."

~~TOP SECRET~~