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KOREA

1. South Korean forces falling back--US Embassy Counsellor Drumright in Korea reports that, during the 30 June attack along the Han River front in the Seoul area, many Korean soldiers showed a reluctance to hold under artillery fire and in several instances withdrew without contacting enemy infantry despite efforts of US officers. Drumright estimates that if North Korean tanks cross the Han River in sizable numbers, a rout of the defenders would be in prospect. Drumright comments that the South Koreans may even disintegrate under artillery and ground attack and notes that the South Korean general staff was further dispirited by the latest developments.

CIA/S

(CIA Comment: Information subsequent to Embassy Counsellor Drumright's message confirms the breakthrough of North Korean forces across the Han River, the over-running of Suwon, and the withdrawal of US and South Korean military headquarters to Taejon. South Korean forces appear, however, to have made an orderly withdrawal from the Suwon area, an indication that discipline and morale is still being maintained. The assumption of command by General Chung Il Kwon, the most competent South Korean officer, should bring about the most effective use of the available forces.)

2. Soviet Reply to US Note on Korea--US Embassy Moscow believes that the tenor of the Soviet reply to the US demarche on Korea corroborates other current evidence, indicating that the USSR continues, at least for the present, to await developments before definitely taking a position on the Korean war. In support of this belief, the Embassy points

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out that the Soviet reply appears to have been carefully drafted to include numerous ambiguities which could be used in the future as the basis for either a strong Soviet reaction in support of the North Koreans or eschewing any direct involvement. The Embassy also believes that the Kremlin undoubtedly is closely watching military developments in Korea and that the crucial stage in the determination of the Soviet course will be reached when the military situation turns in favor of South Korea.

3. Soviet public reaction to the Korean conflict--US Embassy Moscow, on the basis of the best of obviously limited information, reports that the initial Soviet press and radio reports on the Korean war were received by the average Soviet citizen with a calmness bordering on apathy. The Embassy adds that although news of US intervention caused considerable surprise and "more than a trace of alarm," the Soviet press and radio treatment of the US action created the general impression that the USSR is not directly involved and does not intend to become involved, thus apparently allaying the almost pathological fear of war among Soviet citizens. The Embassy comments that the average Muscovite would prefer to see the matter settled quickly and considers the outcome of minor importance. As a further measure of public reaction, the Embassy notes there were no indications of hoarding or excessive buying in the Moscow area.

CIA/S

FAR EAST

4. BURMA: Nationalist troops create problem--US Ambassador Key reports from Rangoon that Prime Minister Thakin Nu and other Burmese officials are becoming increasingly concerned over the activity of approximately 2000 former Chinese

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Nationalist troops in the Kengtung area. The Burmese officials state that these troops, which are remnants of the 26th Nationalist Chinese Army, are becoming more truculent and are too well armed to be forcibly interned by present Burmese forces. The Burmese officials point out that, although the Chinese Communists have given assurances that they would not send troops into Burma to disarm the Nationalists, the Communists are insisting that the Government of Burma intern the Nationalist elements. The Burmese officials fear that the situation may sooner or later provide the Chinese Communists with reasonable grounds for incursion.

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KOREA

1. Government determination strengthened by arrival of US troops-- CIA/3
US Ambassador Muccio in Korea, who has been making a "supreme effort" to fortify the wavering determination of the South Koreans to continue resistance, reports that the arrival of US troops in Korea removes any question regarding the determination of the South Korean Government to carry on. Muccio adds that although the South Koreans have lost considerable confidence in their Army, they appear willing to continue to support their Government.

Meanwhile, official reports received by CIA subsequent to Ambassador Muccio's message indicate that the principal activity of North Korean forces is a build-up of strength in the area between Seoul and Suwon. South Korean Army remnants appear to have made some progress in re-assembling and consolidating south of the Han River, and other Southern units continue to be in contact with the invaders in the Seoul-Suwon area.

2. Ambassador Kirk's views on Korea- S/TS
US Ambassador Kirk in Moscow, in commenting further on the Korean situation, reiterates his belief that the Kremlin will continue to maintain a position which will permit the USSR eventually either to support the North Korean regime or to disclaim any responsibility for a regrettable "civil war," and adds that the ultimate Soviet decision will depend on the course of military events in Korea. The Ambassador feels that the US cannot now afford a military reversal in Korea and comments that each day's delay in inflicting a crushing defeat on the North Koreans further complicates the present situation. Kirk concludes that shortly each additional day's delay in defeating the North Koreans will operate to reduce US prestige in all Asia as well as in the Western world.

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3. Indian Embassy in Moscow makes strong demarche on Korea-- C117/S
US Embassy Moscow reports that the Indian Ambassador there, following instructions from his government, made a demarche on Korea to the Soviet Foreign Office. According to the Embassy, the Indian Ambassador took a stiffer line than even the US or UK, bluntly accusing the USSR. in walking out of the Security Council, of violating Article 28 of the UN Charter (which requires each Security Council member to "be represented at all times" at the SC).

(CIA Comment: CIA believes that the strong feelings of the Indian Ambassador regarding the Korean situation undoubtedly caused him to exceed his government's instructions in making his strong protest to the USSR.)

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T R E T

KOREA

- 1. North Korean forces make new advances--US Ambassador Muccio in Korea reports that the North Korean forces have crossed the Han River in considerable numbers under "relatively light" air opposition. Muccio adds that a new threat has developed to the east as a result of a broad, encircling movement toward the Wonju area which is now reportedly in enemy hands.

CIA/s

Information received after Ambassador Muccio's report indicates that the North Korean forces are now attempting to hold the five disorganized South Korean divisions in the Suwon-Osan area while simultaneously encircling these South Korean remnants with a major movement from the east. There is no information regarding the number of South Koreans who have escaped the North Korean trap, but the 6th and 8th South Korean divisions are moving west apparently for use in the Suwon area. Meanwhile, President Rhee (who left Taejon several days ago) has reappeared in the southeast port city of Pusan; 105 out of a total of 210 of the Republic's Assemblymen have succeeded in reporting to the Assembly Secretariat at Taejon.

- 2. Swedish Ambassador's views on Korea--US Ambassador Kirk in Moscow reports that during a recent discussion of the Korean situation with Swedish Ambassador Sohlman, the Swedish Ambassador remarked that he considered it significant that the USSR up to the present had in no way indicated Soviet interests were involved in Korea. Sohlman expressed the conviction that the Kremlin is well aware that the defense of the homeland is the predominant sentiment among the Russian people, who have not the slightest desire for military adventuring, but he was somewhat uneasy over the broadening

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scope of anti-American propaganda now being developed in the USSR. In analyzing possible Soviet motives for initiating the Korean attack, Sohlman stated that he did not completely discard the hypothesis that the Kremlin launched the attack on South Korea in order to focus attention there while undertaking an adventure nearer home. In this event, Sohlman felt Iran or Yugoslavia might be possible objectives but thought an attack on Germany or Indochina very unlikely because of the presence of organized military forces of the Western Powers in those areas.

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KOREA

1. North Koreans continue their advance--Latest reports from Korea indicate that the North Korean forces are continuing to push southward slowly and steadily. The North Koreans displayed considerable resourcefulness and tactical skill in their first contact with advance elements of the US 24th Division, and there is no evidence that the invaders are experiencing logistical difficulties sufficient to slow their steady advance of about 10 miles per day. A continuing will to resist among South Korean Government leaders is indicated by the resolution passed by the Republic's National Emergency Council on 4 July heartily supporting the Government's efforts to achieve total mobilization to resist the Northern forces.

CIA-P

2. Views of Hong Kong residents on Korean problem--US Consul General Rankin in Hong Kong reports that the initial hearty approval among Hong Kong residents of US and UN action regarding Korea is now being followed by sober realization that the conflict may spread. Rankin adds that local Chinese feel that the Chinese Communists probably will not attack the US 7th Fleet guarding Formosa but that Communist forces will be used in North Korea if the fighting goes against the North Koreans. The Consul General comments that another possible Chinese Communist action could be against Burma, which Hong Kong Chinese consider to be a push-over for the three Communist divisions now on the Sino-Burma border. Rankin also expresses the opinion that a direct attack on the Crown Colony by the Chinese Communists cannot be ruled out since there are nearly 100,000 Communist troops massing in the Canton area with only half of them scheduled to move north.

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(CIA Comment: The Chinese Communist forces are fully capable of launching military operations against Taiwan, Korea, Hong Kong, and Southeast Asia simultaneously but they are not likely to undertake such aggressive action unless specifically directed to do so by the Kremlin. The USSR, which is currently maintaining an official aloofness from the Korean situation and which is considered to be reluctant to undertake a global conflict at this time, is not likely to encourage military ventures by the Chinese Communists outside their borders where Western military forces would be encountered until the outcome of the present conflict in Korea becomes more apparent. The Chinese Communists, however, are capable of rendering Hong Kong virtually untenable to the UK through a program of economic boycott, sabotage, and strikes which could be initiated at any time.)

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KOREA

1. Invaders' momentum undiminished--US troop actions have failed to date in slowing the momentum of the North Korean attack and the weight of the invaders' offensive indicates that their immediate objective is the speedy defeat of all defending forces in South Korea. The tactical skill and resourcefulness of the attacking forces is probably the result of intensive and thorough training, plus the presence of Korean combat veterans who served with the Chinese Communist Manchurian armies and a considerable number of Soviet military advisers. In addition, the North Korean forces probably contain many Korean combat veterans who served with Soviet forces in major combat operations, such as, the defense of Stalingrad. Latest information indicates that 150 South Korean Assemblymen were able to escape from Seoul and report to their Government. The missing 60 Assemblymen, who apparently remained in Seoul voluntarily, include virtually all the middle-of-the-roaders. This group offers the invaders their best opportunity to set up a "legitimate" facade for any provisional government in the occupied areas.

2. Portugal emphasizes need to defend Europe--During a private conversation in Lisbon between US Ambassador MacVeagh and Portuguese Foreign Minister Caiero da Mata, the Foreign Minister remarked that the USSR may be using Korea to test US preparedness, both moral and physical, or attempting to draw US attention and military preparation efforts away from Europe. Caiero da Mata feels that the principal Soviet objective remains the extension of Communist control to the Mediterranean and Africa. In connection with West European defense, Caiero asserted that Portugal can put eleven divisions in the field if need be; he remarked that if other Western nations would show similar determination, European defense might be possible. MacVeagh comments that Caiero da Mata's statements

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may have greater importance because the Foreign Minister had just completed several conferences with Prime Minister Salazar and the War Minister.

(CIA Comment: The Portuguese have the manpower to create eleven divisions, but would not be able to train, equip, or maintain them adequately.)

SCHUMAN PLAN

3. Bruce concerned over British attitude--US Ambassador Bruce in Paris is "seriously disturbed" by British comments and rumored British activities in various capitals with regard to the Schuman Plan. Pointing out that British officials are being kept informed of progress on the Schuman Plan so they can study it on a friendly basis, Bruce observes that the recent remarks of the British War Minister on the Schuman proposal can be regarded as nothing less than "vicious and unfriendly misrepresentation of the facts." Unsympathetic statements by the British, Bruce adds, necessarily jeopardize the success of the Plan, and he is "even more alarmed" at the prospect that the British may undermine the Schuman Plan by submitting their alternative proposals for coal-steel pooling before the Paris conference reaches its own conclusions. S/S

(CIA Comment: The British Government will not make a deliberate effort to sabotage the current negotiations in Paris on the Schuman Plan. It is possible, however, that one of the participating governments may ask the British to explain their alternative to the Schuman Plan, thus bringing the British into the negotiations in a manner which might delay final agreement.)

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KOREA

1. Little change in front line positions--Northern Korean forces have again paused to mass troops and armor in forward areas and there has consequently been little change in the location of front lines during the past twenty-four hours. The principal enemy pressure continues to be along the approaches to the provisional capital of Taejon, but a build-up of armor and troops has been observed further to the east, possibly in preparation for a wide envelopment aimed at the main line of US and Republican communications in the Taejon area. Meanwhile, President Rhee will probably remain in Pusan in view of the fluid military situation north of Taejon and guerrilla activity in South Korea remains at a surprisingly low ebb.
2. Dutch approve US stand on Korea--The US Embassy at The Hague reports that the Dutch continue to support the US action in Korea but generally feel that the US has embarked on a necessary though onerous and costly campaign. Although grateful that the US has stood firm against the Communist threat, the Dutch are moving cautiously so as not to inflame the situation and there is some concern lest serious trouble develop if US troops actually cross into North Korea. The Secretary General of the Netherlands Foreign Office does not believe the Korean situation will lead to global warfare, but is somewhat apprehensive of the serious consequences that would follow an incident such as an attack on a US naval unit by a hot-headed Soviet submarine commander. CIA/S
3. Yugoslav attitude on Korean Situation--Yugoslav Foreign Minister Kardeij has informed US Ambassador Allen that Yugoslavia was forced to take an equivocal position toward the Korean problem largely out of consideration for its own immediate security. CIA/S

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Kardelj indicated, however, that Yugoslavia was glad the Security Council had taken a firm stand on Korea and that Yugoslavia accepted this action as fully legal. He added that Yugoslavia would seek an early appropriate occasion to declare its support of the Security Council resolution.

(CIA Comment: CIA believes that the Yugoslav leaders have been greatly impressed by the implication of the vigorous US reaction to the Soviet-inspired invasion of South Korea, especially as it applies to Yugoslavia's future security. Although embarrassed ideologically by the necessity of joining with the West against a "People's Democracy", the Yugoslav leaders, fearing Soviet aggression, cannot afford to sacrifice Western support.)

EUROPE

4. USSR: Soviet Cuban Legation reportedly burning files-- According to a usually reliable CIA source, large amounts of smoke and the odor of burning paper were observed on the night of 4 July at the Soviet Legation in Havana. Source reports that the Legation made little attempt to conceal the fire and adds that prior delivery of six 35-mm cameras suggests the documents were microfilmed before they were burned.

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(CIA Comment: In the absence of evidence of systematic destruction of files by Soviet diplomatic missions in other countries, CIA estimates that burning of files in Havana is probably a local or routine administrative measure rather than an indication of Soviet expectation of global war in the near future.)

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5. FRANCE: Bidault gloomy on cabinet prospects--Ex-Premier Bidault has confided to US Ambassador Bruce in Paris that he is pessimistic regarding an early solution to the French cabinet crisis. According to Bidault, recent slackening of discipline and growth of internal divisions in each of the major non-Communist political parties make a compromise between conflicting party interests even more difficult than usual. Bidault speculates that acting Defense Minister Pleven might well be the agreed choice as premier, but predicts that whatever government is installed will be short-lived and will face great difficulties when the full effects of increased expenditures for Indochina and Western European rearmament are felt. Bidault believes that only a general election can clear the political atmosphere.

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KOREA

1. Lull continues along entire front--The lull in front line action continued during the past 24 hours, with little change in the positions held by either side. Heavy US air strikes and logistical difficulties are hampering the efforts of the Northern forces in the Chonan-Chinehon area to regroup and assemble infantry and armor for a move against Taejon. Good flying weather permitted extensive US air operations and the failure of the North Korean air force to appear probably indicates that it is being held in reserve for future action. Two small-scale victories by the South Korean forces has raised military morale and the appearance of US tanks in Taejon has upped civilian morale there considerably.

Two newspaper writers who escaped from Seoul 3 July report that the former Southern capital is becoming a city of death and repression. In the face of increasing arrests and executions, the temper of the people is one of extreme fear and disgust. Because of the presence of large numbers of plain clothes agents, Seoul citizens are no longer talking to their old friends; nearly all houses are tight shut; food prices are five times the pre-invasion level; and, electricity is severely rationed. The two reporters urge that news leaflets be dropped regularly over Seoul because the invaders have systematically carried off all radio sets. The reporters assert that, although South Korean officials have lost popularity, the Rhee Government will be overwhelmingly welcomed when it returns to the liberated capital.

2. French military plans uncertain--US Minister Heath reports from Saigon that French military thinking since the Korean outbreak, while still unsettled, appears to favor a major "cleanup" effort in South Vietnam rather than action against

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Ho Chi Minh's forces along the Chinese border. According to Heath, this French preference, which is based on the assumption that "massive" US aid would be available in Indochina if the Chinese Communists violate the frontier; is motivated by prospective benefits to be derived from an improvement in the security of Saigon, an increase in popular South Vietnamese support for Bao Dai and renewed French access to the rice-rich Mekong delta area. Heath comments that future French action in the south appears to depend on Chinese Communist intentions and that the discovery of increased Chinese activities along the frontier would force the French to abandon the Southern plan and concentrate their principle effort in the north. Heath adds that, in his opinion, psychological and military considerations indicate that the north should have first priority.

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KOREA

1. Northern forces advancing steadily--The pattern of the movement of North Korean forces, which have pushed forward steadily during the past 24 hours against increasing resistance from ~~US air and ground forces~~, indicates that the invaders are preparing to launch a two-pronged drive against Taejon. North Korean troop concentrations in the Chonan-Chinchon area are attempting first to outflank Chochiwon which will than place them in a position to curve toward Taejon from the west; invading forces in the Umsong-Chungju area are preparing to outflank Taejon from the east and North Korean elements may attempt to cut communications between Taejon and Taegu. The reorganized Southern First Corps, faced with heavy pressure from invading forces in the Umsong-Chinchon area, withdrew east and south to new positions. Increased activity by Northern forces was reported along the east coast.

US Ambassador Muccio reports that President Rhee, who is "cheerful, composed and resolute," has agreed to remain in Taegu for the time being. Rhee feels strongly that for morale reasons there should be no formal transfer of the Cabinet to Taegu, but he has agreed that the National Assembly Emergency Council should assemble in Taegu. The number and activity of small guerrilla bands near the Southern city of Pohang are reported to be increasing. Further military successes by the Northern forces will encourage these and other guerrilla forces to extend their operations.

2. India sees Formosa question as serious threat to peace-- Secretary General Bajpai of the Indian External Affairs Ministry has informed US Ambassador Henderson in New Delhi that India is "deeply disturbed" over the possible outbreak of war between the US and

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Communist China over Formosa. Bajpai pointed out that India was urging on Communist China the necessity of exercising restraint, and expressed the hope that the US could find some way of alleviating the strain, possibly by a public statement to the effect that US measures in Korea constituted temporary police action without territorial designs against Korea.

The Indian Ambassador in Peiping reports his impression that the Chinese Communists are preparing for an imminent attack on Formosa even at the risk of war with the US, and expresses extreme concern lest the Chinese invoke their military alliance with the USSR after attacking Formosa. The Indian Ambassador to the USSR expressed a similar general fear of an East-West war to US Ambassador Kirk in Moscow. The Indian Ambassador expressed grave fears that the Chinese Communists might feel compelled to attack Formosa now because of their suspicion that US military preparations in the Far East are directed ultimately against Communist China. The Indian Ambassador also "appealed" to the US to recognize Communist China as a "great and noble act" which would wean China away from the USSR.

3. Belgians reported "shocked" over Korean military situation--
The US Military Attache in Brussels reports that the Belgians are "greatly shocked" by the reports of US reverses in Korea, and states that it seems incredible to the Belgians that the US Army could be as ineffectual as it is pictured. The Attache observes that the Belgians are "more frightened" than at any time since World War II and comments that while some Soviet and Satellite diplomats appearing at official parties in the past few days have been silent, others have exhibited an unusual gaiety and exultation. The Attache expressed the

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opinion that the exultation of the Soviet representatives seemed to be based on the feeling that with very little effort and without the fear of a general war, the Communist forces have succeeded in throwing the entire anti-Communist world into a complete turmoil, disrupting national economies, terrorizing the people, and forcing the expenditure of great sums of money.

GENERAL

4. USSR again uses Trieste to postpone Austrian treaty--US Representative Reber in London reports that at the latest meeting of the deputies engaged in drafting the Austrian treaty, Soviet Deputy Zarubin refused to give assurances that consideration of the unagreed articles would result in the conclusion of a treaty. Zarubin blamed the West for holding up the Austrian treaty. He charged that such Western violations of the Italian peace treaty as establishment of a "police state" and naval base in Trieste gave the USSR no assurance that the West would honor an Austrian treaty. In view of the impasse, the US, UK, and French deputies agreed to adjourn until 7 September 1950, but Zarubin said he would have to refer the matter to his Government. CIA/S
5. UK views on German rearmament--Sir Ivone Kirkpatrick, the UK High Commissioner for Germany, has told US High Commissioner McCloy that neither he nor other responsible British officials are trying to promote the idea of West German rearmament in any form. Kirkpatrick declared that he was not necessarily in favor of a German Federal police, although he felt that some sort of federal supervision would be necessary to develop an effective Laender police. The British High Commissioner expressed the hope that the report of the British Chiefs of Staff on the remilitarization of Germany would allay any US suspicions that the UK had any hidden desire to press for the re-establishment of the German army "in the immediate future." S/S

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KOREA

1. North Koreans force defenders to fall back--The superiority of the North Korean forces in both numbers and equipment is forcing the US and South Korean forces to withdraw in the face of concentrated artillery, tank and infantry attacks. The two or three North Korean divisions attacking the four US battalions deployed in the Kongju-Chochiwon area will probably force the defenders to fall back to defense positions along the Kum river.

The prospects for political stability in the areas under control of South Korean and US forces have not changed appreciably during the past 24 hours. Reports from Southern areas now occupied by the invading forces confirm earlier rumors that recruiting for military service is now in progress in Seoul. The North Koreans have also instituted a compulsory labor draft, possibly to meet emergency transport needs arising from recent damage to transport facilities from US air strikes. Food is reportedly becoming scarce in Seoul and the "People's Committee" there began taking a strict census, apparently to identify all families and relatives of personnel in the South Korean armed forces, police and government.

2. Possible Assault on Taiwan--US Embassy Saigon transmits a US Army report that the Chinese Communist Government is planning an attack on Taiwan "around 15 July" and that the attack may coincide with an uprising on the island. As supporting evidence the report points to: (1) recent troop movements and concentrations in East China; (2) preparations of Chinese mainland airfields and the arrival of aircraft and personnel needed for airborne operations; (3) recent declarations regarding Taiwan by Chinese Foreign Minister Chou En-lai; (4) a reported journey to Moscow by Mao Tse-tung on 4 July; (5) a recent Nationalist purge on Taiwan which source believes will strengthen opposition to Chiang Kai-shek; and (6) the extent of the US involvement in Korea, which source

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feels increases prospects for the success of an early attack on Taiwan.

(CIA Comment: CIA has no information regarding a second Moscow trip by Mao nor is there any available evidence supporting the report that Communist China has selected 15 July to invade Taiwan. However, an analysis of recent Chinese Communist troop movements, propaganda and press comment indicates that the Peiping regime may now be capable of launching an assault against Taiwan.)

C O R R E C T I O N

In item 2 of the Daily Summary of 11 July 1950 the word Korea was inadvertently substituted for the word Formosa in the second sentence. The corrected version follows.

India sees Formosa question as serious threat to peace--
Secretary General Bajpai of the Indian External Affairs Ministry has informed US Ambassador Henderson in New Delhi that India is "deeply disturbed" over the possible outbreak of war between the US and Communist China over Formosa. Bajpai pointed out that India was urging on Communist China the necessity of exercising restraint, and expressed the hope that the US could find some way of alleviating the strain, possibly by a public statement to the effect that US measures involving Formosa constituted temporary police action without territorial designs against Formosa.

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KOREA

1. North Korean forces continue to exert heavy pressure---
 North Korean forces are continuing to press forward south of Chonan toward Taejon and US units have now withdrawn to positions south of the Kum river. Movements of North Korean forces west of Chonan indicate the invaders may attempt to flank the Kum river line from the west; other North Korean forces being held in reserve are in position to exploit any Northern breakthrough to the east between the US right flank and the South Korean First Corp left flank. Repeated enemy probing action against the positions of the Southern 6th and 8th divisions in the Chungju-Tanyang area maintains the threat to the corridor leading to Kumchon. No substantial developments have been reported from the east coast. North Korean planes reappeared, with one US B-29 and one observation plane being shot down during the past 24 hours.

ECA observers in Korea report that no food shortages exist in areas now under South Korean control, and none are expected to develop in the near future. The demolition of the Han river bridges during the early days of the invasion prevented a mass movement to the south and in general minimized the refugee problem.

2. British Foreign Office views on Taiwan--US Ambassador Douglas in London reports the belief of the British Foreign Office that the weight of evidence available indicates the Chinese Communists will delay an attack on Taiwan indefinitely. A high Foreign Office official also expressed the opinion that although the US legal position on Korea is secure, the Foreign Office is "far less happy" over Taiwan. The official pointed out that both Indian and Burmese representatives in London were uneasy about US actions involving Taiwan; he expressed the fear that if the USSR attacked the US action to neutralize Taiwan, the US could not begin to count on the same unanimous support of the democratic nations as that received on Korea.

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KOREA

1. Pressure on US troops eased somewhat--During the period immediately following the withdrawal of US troops south of the Kum river, the invading forces opposite the US positions have confined themselves to probing action in considerable strength along the Kum river and reorganization of Northern units in rear areas. To the east, North Korean troops have already crossed the Pogang river and may soon force the South Korean First Corps to evacuate the important defense center of Chongju. Further to the east, invading forces continue their slow advance through difficult terrain toward the open corridors leading south to Kumchon and Taegu. During the past 24 hours, US and Australian air strikes knocked out 9 enemy tanks and more than 50 vehicles; other air operations struck at the invader's lengthening lines of communication. US naval units along the Korean east coast bombarded roads, troop concentrations, railway yards and oil tanks in enemy controlled territory south of the 38th parallel.

Foreign diplomats and UN representatives in Korea have been notified that the South Korean Government is moving its provisional capital to Taegu, 60 miles northwest of the important port of Pusan. US Embassy personnel are moving to the new Southern capital. Dr. Chough Pyungok, a South Korean leader who just returned from a trip through Southern-held territory, reports that the people remain calm and strong in their support of the Republic of Korea. As an example of the people's loyalty, they are offering to sell the Government their rice and other farm products at prices lower than those available in the open market. In North Korea, a propaganda line is being issued which points to the US withdrawal in China in the face of Communist strength and which claims that the US will also withdraw its support from South Korea when the invaders have pushed farther south.

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THE BALKANS

2. Yugoslav estimate of reported Balkan troop movements--
US Ambassador Allen reports from Belgrade that, although rumors of Cominform troop movements in adjacent Satellites continue, the Yugoslav Government has nothing new on the subject and "on balance" does not believe an attack is imminent. The Yugoslav Government considers the current rumors to be part of the Soviet war-of-nerves, a view in which the Military Attache in Belgrade concurs. Allen adds that the Yugoslav Government, though not worried, is closely watching the situation and that recent Yugoslav press releases on hostile Satellite activities were made for their propaganda value in attempting to discredit the current Soviet "peace campaign" propaganda.

CIA/S
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(CIA Comment: Although current rumors of troop movements in the Balkans are considered to be part of an intensified Soviet war-of-nerves in Europe, armed aggression against Yugoslavia must be regarded as a continuing possibility.)

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KOREA

1. North Koreans breach Kum river line--North Korean forces are pressing their attack along the 90-mile front running from Kongju on the Kum river, where US troops have been forced to fall back, east to the area of Tanyang. After a brief reconnaissance of suitable crossing sites and two unsuccessful attempts to cross during daylight hours, the North Koreans forded the Kum river below Kongju under cover of darkness and overran a US artillery battalion position. US forces in the immediate area are withdrawing in the direction of Taejon, while other US troops continue to hold the Kum river line east of Konju. Farther to the east, however, the invading forces have advanced 9 miles south of Chongju and increased the threat of an encirclement of Taejon. In the course of air operations, two YAK fighters on the newly-repaired Kimpo airstrip were reportedly destroyed, and one US B-26 was severely damaged by Northern fighters.

North Korean radio broadcasts continue to present speeches attributed to US prisoners criticizing US action in Korea. US prisoners making such statements are unquestionably under coercion; typical quote. . . "it is the belief of this group of prisoners that. . .the Korean people [should] be permitted to evolve their own international problems." Other North Korean broadcasts strongly deny that US prisoners have been murdered and claim that the "People's Republic" is treating captured Americans in accordance with international law. Meanwhile, there are indications that Pyongyang, the North Korean capital, may become the seat of a government of a "Japanese People's Provisional Republic" staffed by Japanese Communist leaders. Seven Central Committeemen of the Japan Communist Party, who were recently "purged" by SCAP, have escaped police surveillance and are reported to have departed for Pyongyang to provide a nucleus for this "Provisional Republic."

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CHINA

2. Chinese Communist vessels in Hong Kong--US Consulate General Hong Kong has expressed concern to the Government of Hong Kong lest six small merchant vessels there (on which the US holds mortgages but which are under Chinese Communist control) be moved to Chinese mainland ports. The Consulate General has asked the Hong Kong Government to cooperate in preventing the departure of the ex-Nationalist ships.

CIA/S

(CIA Comment: The movement of these vessels seaward from Hong Kong would involve some risk of seizure by Nationalist warships still maintaining a limited "blockade" of the Chinese mainland, and the Chinese Communists are not likely to take such a risk at this time simply to supplement their limited ocean-going merchant fleet. However, the six vessels are modern and fast, and although they would only slightly increase the Chinese Communists' total military capacity for any assault on Taiwan, they could be of some specialized value in such an operation. If the ex-Nationalist ships attempt to leave Hong Kong, the Crown Colony Government almost certainly will not take restraining action without direct orders from London similar to those recently issued detaining the disputed aircraft at Hong Kong.)

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KOREA

1. North Koreans move on Taejon--North Korean troops have crossed the Kum river in force and despite heavy losses are now driving against outnumbered US troops into the outskirts of Taejon from the west. Immediately to the east of Taejon, a heavy infiltration of enemy troops on the US right flank threatens to drive a salient between US troops and the Southern First Corps in the Munui area. Further to the east, South Korean troops repulsed an enemy attack north of Hamchang but were driven from Yongju, at the head of a corridor leading south to Taegu. US air attacks during the past 24 hours destroyed 13 and damaged 15 enemy tanks, and reportedly destroyed three bridges. A US naval air patrol reports that the 50-ship fishing fleet first sighted on 12 July has continued to move south and is now near the 38th Parallel.

President Rhee has assigned command authority over all South Korean land, sea, and air forces for the duration of hostilities to General MacArthur in his capacity as UN commander. Rhee has also replaced Home Minister Paek with Dr. Chough Pyungok, who has a reputation for being both tough and politically ambitious. US Ambassador Muccio reports that the 50,000 well-organized and well-led police available in South Korea can be used to assist US troops by spotting infiltrating Northerners in combat areas and to fight as small combat units. Senior US Army field officers have agreed that South Korean police units should be armed with grenades and machine guns both to offset any guerrilla superiority in weapons and to bolster police self-confidence.

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5/5 2. SPAIN: Reaction to world situation following Korean outbreak--
 US Charge Culbertson in Madrid estimates that Franco feels that recent events in Korea have sharpened the lines between the West and the USSR, thus strengthening his position and the international position of Spain. Culbertson discounts the possibility that Franco could "carry the Spanish Government" into a fundamental change of Spain's present policy toward the USSR; he points out that there is more evidence indicating Franco may be considering altering Spain's present policy toward the US. On balance, however, Culbertson concludes that present evidence probably indicates that Franco will only withdraw deeper into the isolation which has been Spain's role in Europe during the 20th century. Increased Spanish isolation, Culbertson feels, would raise the cost of inducing Franco to make common cause with the West. Culbertson postscripts that, although Spaniards would certainly resist aggression and welcome foreign assistance in case of attack, the government does not now appear interested in assuming the responsibilities of an ally in general defense of Western Europe.

CIA/5 3. PAKISTAN: May offer ground troops for use in Korea--US
 Ambassador Warren in Karachi reports that Pakistan is seriously considering the offer of "one or more brigades" of ground troops to the UN for service in Korea but is concerned about the effect of such a commitment on Pakistan's own defenses. Pakistani Foreign Minister Sir Mohammed Zafrulla Khan told Warren that he and Prime Minister Liaquat Ali Khan were convinced that Pakistan was "already committed" in the event of further aggression or general war; both were determined to do what they could, and were confident that they could obtain popular support for the use of Pakistani troops in Korea. Zafrulla requested US "advice" regarding Pakistan's defenses, pointing out that providing troops to the UN would leave Pakistan

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unable to fight even a delaying action against a Soviet attack through the Kyber or Chauman passes and would also weaken Pakistan vis-a-vis India. Warren comments that the Pakistani leaders, though quite aware of the "tremendous effect" they might achieve through an offer of troops, would, before committing themselves, like a "friendly and sympathetic assurance" from the US regarding what help they could expect in case of attack.

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KOREA

- 1. North Koreans move toward Taejon-Taegu railroad--
 In the major battlefront area near the deserted city of Taejon, North Korean pressure again relaxed temporarily during the past 24 hours while further to the east the enemy forces continued to make slight advances in two flanking moves aimed at cutting the vital Taejon-Taegu railroad behind US units in the Taejon area. The enemy is still capable of further advances from its bridgehead south of the Kum river and is apparently massing for a major move just to the east of Taejon. Meanwhile, in the flanking moves to the east, the enemy 15th Division is threatening Mungyong at the head of the north-south corridor leading to a point on the Taejon-Taegu rail line behind US forces in the Taejon area; and further to the east, substantial elements of the enemy 5th Division are infiltrating the approaches to the Naktong Valley leading directly to Taegu. Advance elements of the US 1st Cavalry Division have landed to reinforce the US-held harbor of Pohang on the Korean east coast. US planes shot down two Yak-9's in the Kongju area and claimed destruction of 10 enemy tanks, 69 trucks, two locomotives, and one bridge.

EUROPE

- 2. FRANCE: Steel syndicate swings against Schuman Plan--
 US Ambassador Bruce in Paris reports that the French steel syndicate and the employers' association have begun a strong movement of opposition to the Schuman Plan, and are trying to gain the support of those steel producers and industrialists who tend to favor the Plan. Leaders of the French steel cartel, fearing German and Belgian competition, have been

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convinced by the first weeks of negotiation on the Plan that it cannot be twisted to permit the French cartel to dominate the projected organization. Opponents of the Plan have threatened to bring pressure to bear on Parliament and believe they can influence Parliament to defeat the Schuman Plan. According to Bruce, French officials believe the steel syndicate and employers' association have overestimated their influence on Parliament.

(CIA Comment: CIA believes opponents of the Schuman Plan will not be able to bring sufficient pressure to bear on the Assembly to prevent ratification of a treaty agreed to by the six nations currently discussing the Schuman proposals.)

NEAR EAST- AFRICA

3. Indians, Afghans seek US-UK action in Pathan dispute--US Ambassador Henderson in New Delhi reports that both the Afghan Ambassador and the Indian Government have called upon him to emphasize the gravity of Afghan feelings over the Pathan tribal situation and to urge that the US and UK prevail upon Pakistan to negotiate the problem with Afghanistan. The Afghan Ambassador recently informed Henderson that Afghan feeling over Pakistan's "repressive" treatment of its Pathan tribesmen was such that further incidents in the tribal area might lead to an uncontrollable incursion of Afghan tribesmen across the Pakistan border and possibly to actual Afghan armed intervention. Later, Secretary General Bajpai of the Indian External Affairs Ministry made a similar request for US-UK intervention, arguing that an outbreak of Afghan-Pakistan hostilities would present the USSR with "just the kind of opportunity" it was looking for.

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Bajpai asserted that India was trying to restrain Afghanistan but added that the Afghans were convinced that their interest in the tribesmen was legitimate and that they would not be deterred by anything the UN might do. In reply to Henderson's observation that Pakistan had agreed to discuss the matter if Afghanistan recognized that the tribal territory was an integral part of Pakistan, Bajpai stated that he hoped the two countries could be persuaded to negotiate without prior conditions.

(CIA Comment: These parallel representations appear to be an Indian-encouraged attempt by Afghanistan to force concessions from Pakistan by capitalizing on US concern over the stability of the area. Although Afghan public opinion is undoubtedly exercised over the Pathan problem, there are no indications that feeling has reached the pitch described by the Afghan Ambassador. India, which has shown signs of encouraging Afghanistan vis-a-vis Pakistan in the past, may well be motivated in this instance by a desire to thwart Pakistan's plans to send troops to Korea.)

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KOREA

1. Lull in combat operations broken--The lull in combat operations around Taejon is being broken by heavy bombardment from North Korean positions near the outskirts of the former provisional capital of South Korea. Considerable enemy movement in the vital central Korean corridors leading to the south took place during the past 24 hours, and US aerial observers report a continuing build-up of enemy tanks, trucks, and troops, which may indicate preparations for an all-out attack against the main rail line at Kumchon and Taegu. The rich rice area of southwest Korea is virtually undefended, and other invading forces advancing to the west of Taejon may attempt to secure this region for North Korea. On the east coast, the US 1st Cavalry Division has completed disembarking at Pohang and is already several miles inland; carrier aircraft from the landing support force struck hard at airfields and installations north of the 38th Parallel.

Past failure of the Republic of Korea to win the support of its restless student class may lie behind reports that over 50 percent of Seoul's students are actively aiding the Communist invaders, with many voluntarily enlisting in the Northern Army. Among other elements of Seoul's population, the working class generally supports the Northern Koreans; merchants are neutral and the intelligentsia continue to be pro-Southern. North Korean troops and police are rather inconspicuous in Seoul. Commercially, the city is nearly "dead"; streets are crowded, however, especially with youths engaging in Communist demonstrations.

2. FRANCE: Views on Western European defense--US Ambassador Bruce in Paris, in discussing the impact of recent Korean events on the people of France and other Western European nations, expresses the opinion that new planning and action for the defense of Western Europe are needed if the Western Europeans are to

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be kept from "yielding ultimately, and perhaps rapidly, to the counsels of despair." Bruce feels that recent events in Korea have made the French feel more defenseless than ever, and if US reverses continue, there is a danger that France will become convinced that the US would be incapable of repelling an invasion of France or its neighbors. The Ambassador points out that for months the "neutralists" in France have been spreading the doctrine that, because the US is powerless to protect Western Europe and France cannot avoid destruction in the event of war, France should not support the NAT and the MDAP, which create the illusion of security. Bruce observes, however, that the French are singularly calm in the face of recent events, and he believes they would respond vigorously to radical measures designed to transform paper security into reality.

3. **SOVIET UNION:** No evidence of general mobilization in Moscow-- *Army/S*
 US Military Attache Moscow reports there is no evidence available in Moscow of increased mobilization or induction of reserves. The Attache adds that the number of men of various ages being called for military service is not alarming, and points out there has even been a recent increase in demobilized men on the streets of Moscow. Activity at the War Ministry, military committee offices, railway stations, and similar places does not indicate that Soviet reserves are being called into service.

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KOREA

1. Possession of Taejon in balance--North Korean tank-infantry teams have penetrated the outskirts of Taejon where the situation continues to be fluid. Early official reports indicate considerable success for US anti-tank weapons in this engagement. The area held by the Southern First Corps immediately east of the US position at Taejon has remained relatively quiet. Further to the east, the invaders are continuing to press down the central corridors leading to Kumchon and Taegu and brisk action is taking place on the east coast in the vicinity of Yongdok. Although poor weather restricted air operations somewhat during the past 24 hours, a second strike on North Korean targets was made by carrier aircraft. Claims include eighteen aircraft destroyed and two damaged on the ground, two gunboats strafed and damaged, five tank-cars burned, four locomotives destroyed, and a large chemical plant set on fire. The attacking aircraft found the Womsam oil refinery still burning from the previous day's raid.

The United Nations Commission on Korea (UNCOK), currently located in the southern port city of Pusan, has decided that under present circumstances the mission of UNCOK observers should be expanded. The number of observers will be increased and the Commission's expanded duties will include the investigation of atrocity stories to prepare factual reports to the UN. Other UNCOK responsibilities include gathering information from refugees and other sources to provide social and political guidance for the future and duties relating to "the eventual withdrawal" of the invading forces.

2. Swiss view of Soviet strategy--US Minister Vincent in Bern transmits a report from Swiss Political Under Secretary Zehnder that there are two theories in the Political Department regarding possible Soviet action arising from the present Korean situation.

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The first, which Zehnder feels is not supported by currently available evidence, is that the USSR will endeavor to create difficulties for the US on a number of fronts while keeping out of any direct involvement, in the hope of weakening the US by dispersing its forces. Zehnder, a specialist on the USSR, favors the alternative view that there will be no further Communist aggression while the Korean hostilities continue; he also believes the Kremlin desires to avoid a global war. In support of this view, Zehnder argues that it is contrary to the Russian temperament and history to become involved, even indirectly, on a number of fronts; he maintains that the Russian always avoids a dispersal of forces and thinks militarily and politically in terms of concentrated mass effort. Zehnder reported there was some evidence in recent Russian-language broadcasts indicating the Soviet public is being prepared for a government move to reestablish peace in Korea or for the eventual failure of the Communist venture there. Zehnder added that the Swiss Government and public generally welcomed the speed and determination with which the US had met the Korean crisis.

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KOREA

1. Taejon falls--US troops dig in to south--Northern Korean forces have taken Taejon following a sustained infantry attack heavily supported by tanks and artillery and US troops are now dug in along a defensive ridge south of the city. Enemy troops moving unopposed south and west of Taejon have been observed below Chonju on the road to Namwon and appear to be driving for the southwest coastal cities of Yosu and Mokpo, in an effort to secure the entire southwest area of Korea. Northern troops could move from this area toward Pusan along the southern coast roads. There was no activity on the southern Korean-held right flank of the US position near Taejon, but Northern forces suffered local reverses both in the central corridor area and on the east coast. Despite the reported destruction of large numbers of North Korean aircraft on the ground by carrier air strikes this week, Northern planes were in action over southern Korea during the past 24 hours. A formation of US B-29's was attacked over Seoul; two Yaks were destroyed over Taejon after attacking US-80's; eight Yaks were sighted over Taejon; and two Yaks were observed over Poun. US and UK naval units, in addition to supporting the South Korean forces at Yongdok, bombarded troops, roads, and military installations along the east coast from Yongdok north to Kangnung.

2. Dutch may send two battalions to Korea--US Ambassador Chapin in The Hague has been informed "in strictest confidence" by Fockema Andreae, Dutch Secretary of State for War, that despite the official statement that Dutch ground troops would not be provided for Korea, he has given instructions to prepare small units in the Netherlands and Indonesia on the assumption that a token Dutch ground force of two battalions would eventually be sent to Korea. The Dutch Secretary declared it was

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highly important that any future requests for military assistance in Korea should come from the UN to the North Atlantic Treaty Organization (NATO) and even to the Western Union (WU) organization, thus providing an opportunity to demonstrate that NATO and WU had progressed beyond the paper stage and were ready for concrete action in support of UN principles. The Secretary also expressed the views that the Netherlands and Belgium would respond "eagerly and promptly" to such a request for ground troops and that WU would be able to make an international brigade available within two months.

GENERAL

3. US aid to Iran, South Asia favored--US Ambassador Grady in Tehran, in discussing the advantages of extending the present US foreign aid program, expresses the opinion that US aid would be highly useful to Iran, Afghanistan, Pakistan, and India, not only for its material effects but even more for the increased confidence it would give countries which "are clearly in a precarious position" and feel that US aid has "skipped over them." In the case of Iran, Grady asserts that a grant program, involving first year capital expenditures of up to \$50 million, is "almost essential" to cover projected health, sanitation, and agricultural projects which might not meet Export-Import Bank loan standards and to provide additional technical assistance. Grady adds, however, that US aid "can be fruitless if we are over-generous" and that loans rather than grants should be used whenever possible. Grady cites Pakistan as a country in which maximum use should be made of the loan principle and expresses "serious doubts" about the advisability of making any outright grants to India.

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EUROPE

4. YUGOSLAVIA: View on US military aid--US Ambassador
 Allen reports from Belgrade that the Yugoslav Deputy Foreign Minister has stated that although his government might be expected to request arms of the West in present circumstances, it would be unwise for Yugoslavia to do so. The Deputy Foreign Minister added that it would be wiser to obtain the arms from other sources because a request for arms from the West would create difficulties for both and "could be taken by the USSR as direct provocation and as a pretext for military action." The Yugoslav official also pointed out that Yugoslavia's efforts to build up its own defenses necessarily increased its dependence on foreign economic aid, a situation which he feels "the US had failed to take fully into consideration" in its economic arrangements with Yugoslavia.

5. GREECE: Deputy Premier says new government likely--
 Deputy Prime Minister Papandreou has informed US Embassy Athens he regards the present Cabinet as inadequate for the needs of the hour and no longer capable of surviving. Asserting that Prime Minister Plastiras' leniency toward Communists and fellow travellers has destroyed confidence in his leadership, Papandreou expressed the belief the only solution would be for Plastiras to resign, meanwhile pledging support to a reshuffled centrist government until such time as new elections would be "appropriate." Papandreou believes it would probably be most expedient for him to assume the premiership himself temporarily, with Liberal leader Venizelos later assuming the post. The Embassy considers the establishment of a new government under Marshal Papagos to be the most likely consequence of Plastiras' fall.

(CIA Comment: With Plastiras' three major colleagues in the government--Papandreou, Liberal leader Venizelos, and Minister of Coordination Tsouderos--expressing doubts about

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the present Cabinet, its early fall appears inevitable. CIA doubts, however, that Papandreou's hopes of establishing a new centrist government can be realized. CIA agrees with Embassy Athens that a Papagos government will probably emerge, although the possibility exists that political sentiment may crystallize in favor of the appointment of some neutral figure such as ex-Premier Diomedes to head a caretaker government empowered to take extraordinary measures in the event of an emergency.)

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KOREA

1. Situation quiet as North Koreans build-up supplies--Relative quiet has prevailed on the Korean front following the fall of Taejon to North Korean forces. The principal change in the front on 21 July was the five-to-ten-mile withdrawal of the Southern First Corps, located northeast of Taejon. (The US Twenty-Fifth Division is to replace the Southern First Corps.) In the central sector, North Korean forces appeared to be continuing a build-up of supplies. At the same time, elements of the US First Cavalry Division are now moving forward southeast of Taejon to relieve the US Twenty-Fourth Division. On the east coast, South Korean troops improved their position north of Yongdok. Air operations have been limited by bad weather during the past 24 hours; the North Korean air force was not in action. Allied carrier aircraft have made a strike on North Korea from the Yellow Sea.

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KOREA

1. Invaders advance steadily along entire front--North Korean forces are building up additional strength while moving forward steadily in all sectors except in southwestern Korea, where unopposed Northern troops are sweeping rapidly toward the southwest coastal towns of Mokpo and Yosu. The invading forces driving rapidly over the undefended road net of southwestern Korea apparently have the capability of overrunning the entire southwest. Once in control of Southwest Korea, the invaders will be in a position to flank the provisional capital of Taegu, and then to move along the southern coast road toward Pusan. In the western sector, where the enemy has reportedly massed 10,000 troops west of Taejon, the North Koreans have advanced approximately seventeen miles beyond Taejon toward Yongdong. Enemy pressure against the US 25th Division sector to the east of Taejon is increasing, and further east the enemy Fifteenth Division has made small advances. On the east coast, the enemy has recaptured Yongdok and has at least two regiments in this area threatening the US position at Pohang. Planes of the US Seventh Fleet hit military targets in the Seoul-Kaesong area during the past 48 hours, and clearing weather permitted land-based aircraft to give maximum support to UN ground forces during the past 24 hours.

Ambassador Muccio in Taegu points out that it is essential to keep the thousands of refugees crowded into the remaining South Korean territory hopeful and confident of the future; he proposes that the Southern economy be maintained as nearly as possible to normal and that preparations be made now to improve the standard of living after the end of hostilities. Among the projects suggested by Muccio are the establishment of technical training institutes for agriculture, fisheries and mechanical fields.

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GENERAL

2. High Commission approves west German Laender police force-- CIA/S
US High Commissioner McCloy in Bonn reports that the Allied High Commission has agreed upon a letter, still to be cleared in Paris and London, rejecting Chancellor Adenauer's request for a Federal police force. The letter, however, does give approval to the establishment in the Laender of a mobile police force, subject to the supervision of the Federal Government to assure uniform training and equipment. This mobile force, which cannot exceed 10,000 men, may be: (a) quartered in barracks; (b) specially trained and equipped; and (c) recruited at large or transferred from the existing Laender police forces. The High Commission believes that the Federal Government must have the power to call out and control these mobile police forces for the duration of any emergency. The letter concludes by inviting the Federal Government to discuss the establishment of the proposed mobile force informally with the High Commission.

(CIA Comment: Chancellor Adenauer will be seriously dissatisfied with the authorized number of police and the limited Federal controls, and he will continue to press for a larger force under full Federal control.)

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KOREA

1. North Koreans launching supreme effort to drive out UN forces--
 The invaders are massing all available manpower and equipment along the entire front in what may be their supreme effort to drive the UN forces into the sea before US reinforcements can arrive to redress the present North Korean superiority in troops and armored equipment. The North Koreans are continuing their unopposed drive through southwestern Korea, with an enemy force in regimental strength reported to be in the coastal city of Mokpo. Along the front from Taejon to the east, the enemy continues to mass troops and materiel and to increase pressure against US and South Korean positions. Two new North Korean divisions have been identified in the central sector, which, combined with the shifting of the combat-wise North Korean First Division, indicates preparations for a major push south toward Taegu and Kumchon. Enemy troops south of Yongdok on the east coast were pushed back one mile by US-South Korean forces, but the situation remains serious. Aircraft of the US Seventh Fleet are striking at enemy troops in southwest Korea.

Reports from refugees indicate that Seoul, the former South Korean capital, is suffering from inflation and a rice famine, with rice prices there ranging from 7 to 11 times the levels prevailing in Pusan and Taegu. On the third day of enemy occupation, authorities confiscated all rice found during a house-to-house search and the people in Seoul have been without rice since that time.

2. Possibility of UN Commission for Yugoslavia being examined--
 The Department of State has instructed the US delegation to the UN to investigate the possibility of having the UN Security Council establish a fact-finding and observation group to be sent to

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Yugoslavia. Because the UN Commission in Korea was extremely useful in enabling the SC to meet the Korean crisis promptly and vigorously, the Department believes that the formation of a similar UN group for Yugoslavia would not only demonstrate UN determination to maintain peace and security but would also be of great benefit in the event of aggression against Yugoslavia. The Department is also considering the desirability of preparations to make UN commissions for other sensitive areas available on short notice.

THE AMERICAS

3. GUATEMALA: Tension and civil strife reported--US Charge Wells in Guatemala City reports that the tension which had subsided following recent clashes between anti-government student groups and pro-government forces is again building up dangerously and that the next few days will be "extremely critical." Wells adds that constitutional guarantees, including the right of public assembly, have been suspended, and cites the general impression that the country now faces a definite threat of violence and class war.

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(CIA Comment: CIA agrees that the situation in Guatemala is serious and may lead to further outbreaks of violence, but local and national security forces will take the necessary measures to contain current civil disturbances.)

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KOREA

- 1. Defense perimeter within 100 miles of Pusan--The winding defense line, against which the North Koreans are throwing an estimated nine divisions, is now within 75 airline miles of Pusan along the left flank, 105 airline miles from Pusan in the central sector, and 90 airline miles above Pusan along the east coast. Despite heavy losses and disrupted and extended lines of communication, the enemy is still superior to the three US Divisions and four South Korean Divisions in manpower, equipment, and guns.

The recent advance of enemy forces in the southwest has secured practically all of that area, and advance elements are moving east to Hadong on the coast road to Pusan. In the western sector the enemy has forced elements of the US First Cavalry to withdraw to new positions three miles east and south of Yongdong. The central sector has been relatively quiet. North Koreans are continuing their build-up in the Tayang-Punggi-Yongju area, however, and the appearance there of fresh enemy troops increases the possibility of a major enemy effort to break through unrested South Korean divisions to Taegu. On the east coast, enemy strength has been increased in the Yongdok area by the appearance there of the Fifth Division, and additional enemy troops in undetermined strength are moving south along the east coast road below Samchok.

US and British fleet units conducted a carrier air strike against southwestern Korea during the past 24 hours, but in 110 sorties over the Kunsan-Mokpo-Kwangju area the pilots could find no enemy troop concentrations or movements. The enemy is apparently observing strict camouflage discipline and moves on the roads by night whenever possible.

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2. Dutch interested in forming air unit for Korea--US Ambassador Chapin at The Hague has learned from an intermediate source that the Chief of the Dutch Air Force is very much interested in the possibility of forming a Dutch fighter plane unit (using US planes) for UN service in Korea. The Air Force Chief has in mind the battle-experienced pilots and ground crews in Indonesia, who could use US F-51 Mustangs now being taken out of moth balls. Chapin points out that although the Dutch approach was not made officially or through normal diplomatic channels, the Chief of the Dutch Air Force "must have had some authority" for his offer.

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GERMANY

3. HICOG estimate of Soviet actions in Germany during 1950--US High Commissioner McCloy in Frankfurt transmits the High Commission's estimate that during the remainder of 1950 the USSR will intensify its efforts to overthrow by disruption and subversion the present social and economic order in West Berlin and Western Germany. The Commission believes that only the outbreak of global war or drastic Western action as yet unscheduled would alter present Soviet plans for Western Germany during 1950. A new danger period will probably begin for West Berlin, possibly in conjunction with a Soviet grant of "some form of peace settlement" to the German Democratic Republic, which is most likely to occur following the 15 October elections scheduled for East Germany. There will also be increased pressure for the withdrawal of Western occupation forces and the USSR will intensify its efforts to establish subversive networks throughout West Germany. The Commission feels that during the next few years the USSR is willing "to go very close to precipitating a world war"

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in an effort to win all of Germany and that the USSR will make preparations for an eventual attack by the East German republic against Western Germany. The inability of the German Federal Republic and the Western Powers to solve West German problems tends to discourage the Germans from committing themselves unequivocally with the West; the Commission feels this German reluctance will grow if the campaign in Korea continues to be unfavorable to the US and UN.

(CIA Comment: CIA concurs in the above estimate.)

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KOREA

1. Defense lines stable, but enemy build-up continues--No major changes have occurred in the defense line during the past 24 hours, but the continuing build-up of enemy pressure in all sectors increases the possibility that the North Koreans are preparing for another onslaught. In the south, the North Korean Fourth Division was forced back two miles by attacking US forces east of Hadong. In the area southwest of Yongdong, envelopment isolated one company of US troops; a second attack by the enemy succeeded in making a minor penetration into southern-held territory near Kidae. On the eastern sector south of Yongju, UN forces repulsed the Seventh North Korean Division offensive which was supported by tanks.

North Korean propaganda, which is being supervised by Soviet advisors, is stressing Stalin's reply to Nehru's letter on the Korean issue as further evidence of the Soviet desire to defend the peace and security of the world. Radio broadcasts state that the North Korean regime would welcome a "peaceful settlement," but repeat the point made by Stalin to Nehru that the door to such a peaceful settlement will be open only after delegates of the Chinese People's Republic are seated in the UN and the Security Council hears "representatives" of the Korean people.

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28 JUL 1950

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1353

KOREA

1. North Koreans attack in central sector--North Korean forces in considerable strength are attacking US positions in the central sector near the vital city of Yongdong, and at the same time enemy forces are attempting to turn the defensive flanks in the extreme south and along the east coast near the battered city of Yongdok. Present evidence indicates the invading forces have the reserves and equipment necessary to launch a major onslaught designed to destroy the defending UN forces or to push them into the sea. In the southern area, the North Korean Fourth Division has advanced well beyond Hadong along the road toward Chinju and enemy forces in battalion strength have occupied the port city of Yosu. Along the northern flank, the battered port city of Yongdok has reportedly been recaptured by South Korean forces following a saturation bombardment of the city by US naval forces. The navy also bombarded other points in enemy-held territory along the east coast.

Approximately 132 of the 210 South Korean National Assemblymen met in Taegu for their first post-invasion meeting to hear President Rhee and Assembly Speaker Shin declare their confidence in an eventual UN victory in Korea. Rhee and Shin also expressed confidence that the 38th Parallel boundary would be abolished and that the fatherland would be unified. During the course of this meeting, radio broadcasts originating from the North Korean capital of Pyongyang sent out an appeal allegedly made by 48 former members of the South Korean National Assembly in Seoul asking the Assemblymen in Taegu to withdraw their support of Rhee and come over to the side of the "people." Foreign correspondents of the Communist press of France, England, and China, now touring North Korean cities that have been bombed by US forces, report that US planes are bombing from above the clouds and clearly engaging in "terroristic bombing designed to kill the peaceful inhabitants." Such reports are obviously designed to feed the Communist propaganda charging that the US is the aggressor against Asiatic peoples.

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2. Reactions to suggested UN Commission for Yugoslavia-- The US Delegation to the UN agrees in principle with the Department of State's suggestion that a Security Council Commission be established and sent to Yugoslavia and possibly other sensitive areas, but believes a more general approach to the problem of preventing a spread in the Korean conflict would be more practical. The Delegation feels that greater Security Council support can be obtained for the more general approach because such an approach would avoid discussion of specific areas, thus reducing the chances of highlighting present differences among friendly nations. The Delegation proposes that a Security Council Commission or any committee appointed by it be authorized to observe any area where international peace or security may be endangered. The Delegation feels that the introduction of such a proposal before the return to the SC of Soviet delegate Malik on 1 August would secure the "initiative" for the West.

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US Ambassador Kirk in Moscow feels that sending an observation group to inspect the Yugoslav border might undesirably pinpoint Yugoslavia as the predestined next victim of Soviet aggression and react to the disadvantage of Yugoslavia in its ideological war. Kirk suggests that the establishment of UN observation teams on a regional basis (such as Europe, the Near East, and South Asia) might be an effective approach.

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28 July 1950

IMPLICATIONS OF THE SOVIET UNION'S RETURN TO THE UN

Although it is too early to discern clearly the Soviet Union's motives in returning to the UN, this surprise move re-establishes the Soviet Union's freedom of action in the UN and opens the door either to some form of negotiated solution of the Korean conflict or to obstruction of further UN action concerning Korea and other areas where the USSR may plan overt moves. The move, was made, however, at the expense of an announced Soviet objective, the prior seating of the Chinese Communists in the Security Council. This modification of Soviet terms, as set forth in the Stalin-Nehru exchange, suggests that the Soviet objective in returning to the SC may be to seize the opportunity, at this low ebb in US military fortunes, for a favorable settlement of the Korean war. Moreover, the USSR probably considers that the tactical defeat suffered in returning before the Chinese Communists were seated will be largely obscured by the overwhelming North Korean military successes. It also seems likely that the USSR, having underestimated world reaction to the Korean conflict and disturbed at the coalescing of the non-Soviet world behind the US through the UN, is seizing this favorable opportunity both to strengthen its propaganda position as a "peace-loving" state not directly involved in the Korean conflict and to exert greater influence in future UN deliberations.

It is possible that the USSR, anxious to see a compromise solution on favorable terms at a time when Communist prestige in Korea is at a peak, is returning to the UN in order to set the stage for compromise negotiations. With the possibility that US forces will be either confined to a small perimeter around Pusan or driven entirely from Korea, the USSR may consider the present time a highly favorable opportunity to seek a solution which,

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while apparently compromise in nature, would eventually secure the fruits of victory to the USSR.

On the other hand, it is possible that the Soviet Union, pursuing a new phase of more active aggression and perhaps contemplating further moves in other areas, has determined to return to the UN with the purely obstructive purpose of hamstringing the further consolidation of UN action in Korea or even shielding from similar UN action other moves it may have in mind. In this case, not only the Soviet veto but the Chinese Communist issue would provide weapons for contesting the legality of any UN action. This is particularly true in such a case as Formosa where the USSR might be in the position of being able to call on the UN to prevent the US from blocking the movement of Chinese forces from one part of China to another.

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29 JUL 1950

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KOREA

1. Little change in tactical situation--There have been no substantial changes in the tactical situation in the past twenty-four hours. Principal activity has been in the key western sector where North Korean troops are exerting heavy pressure against the US First Cavalry and Twenty-Fifth Infantry Divisions. In the southwestern sector, enemy troops are moving eastward toward contact with advanced US positions. Further to the north enemy troops are moving east to gain positions on the road running north from Kochang to Kumchon, present headquarters of the First Cavalry Division on the main rail line from Kumchon to Pusan. Positions are generally stabilized in the eastern sector where South Korean troops hold the line, although the concentration of enemy troops indicates the possibility of a major push towards Hamchang in the direction of Kumchon and Taegu. An attack by UN forces toward Yongdok on the east coast met stiff enemy resistance, and no change in the location of the front line one mile south of Yongdok has been reported. US naval units continued to support ground forces in the Yongdok area by off-shore bombardment of enemy concentrations, and other units launched four carrier air strikes, hitting enemy lines of communication and troop concentrations in the southwest and west sectors.

The United Nations Commission on Korea estimates that from 750,000 to 1,000,000 refugees are now added to the 3,000,000 persons normally occupying the area still under ROK control. Water supplies are deficient and unreliable, sanitation extremely poor, and congested living conditions most serious. Although this congestion and continued military reverses are unquestionably having a deleterious effect on the morale of the South Koreans, they are continuing to support the government.

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2. Views on US policy toward Korea--US Ambassador Kirk in Moscow has emphasized the importance of clarifying US political objectives in Korea and of properly correlating US policy in Korea with the problems of containing Soviet expansion in other areas of the world. Kirk believes the key political issue regarding Korea is whether UN forces should be committed now or in the near future to the elimination of Soviet influence and power from Korea north of the 38th parallel. Ambassador Kirk recommends that the UN declare its determination to assist the Koreans by all possible means to achieve their freedom in an independent, unified and democratic state, but believes it would be decidedly premature in such a declaration definitely to commit the US to the use of its forces north of the 38th parallel. Kirk stresses that the US is not now in a position to make a realistic appraisal of the obstacles, military and otherwise, which will exist after North Korean troops are driven back to the 38th parallel. According to Kirk, elementary prudence dictates that the US not now assume an obligation which would require a US military effort out of proportion to the political and strategic importance of Korea. 5/75

In estimating Soviet intentions, Kirk points out that the USSR has thus far cautiously avoided involving Soviet prestige and has given no indication of its reaction when the tide of battle turns against North Korean troops. In support of his belief that the USSR at that critical point will not throw its own forces or those of the Chinese Communists into South Korea, Kirk points to: (a) estimated Soviet reluctance to initiate global war; (b) the flexibility shown by the USSR when confronted with opposition in such areas as Iran, Greece and Berlin; and (c) the Soviet attitude since the Korean fighting began. Kirk considers it more likely that the USSR will attempt to arrange some kind of truce on the basis

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of the status quo, and, if unsuccessful, to withdraw North Korean troops to the 38th parallel. This latter move might be accompanied by a proclamation affirming the inviolability of the 38th parallel. On the other hand, if the USSR should decide that a commitment to defend North Korea would involve too great a risk of global war, Kirk recommends that the US be prepared to take advantage of any temporary military vacuum and, coincident with political unification moves by the UN, take whatever military measures might be necessary to maintain internal law and order north of the 38th parallel.

3. UK views on Soviet intentions--According to US Ambassador Douglas, the UK Foreign Office is considering two very tentative hypotheses concerning the Soviet return to the Security Council. One is that the USSR, planning to achieve its objectives through the "simulation of cooperation," will pursue a course aimed at ending the Korean conflict and solving the problem of Chinese representation in order to lull the West into a false sense of security, justify a demand for the withdrawal of US troops, and enable US action regarding Formosa to be challenged in the SC as a threat to the peace. The other is that the USSR intends to block further effective action through the UN, not only in Korea but in such areas as Iran or Indochina. The Foreign Office believes it would be a tactical error to permit the USSR to give priority at the SC meeting to the question of the Chinese representative.

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KOREA

1. UN forces give ground slowly--UN forces in Korea continue to give ground slowly under relentless hammer blows in the central sector near the strategic supply hub of Taegu; in the south invading troops have reportedly captured the port city of Chinju, and the North Koreans are breaking into the important defense anchor of Hamchang in the north central sector. There was little activity near the battered east coast port city of Yongdok which has changed hands repeatedly during the past several days. Seventh fleet units are continuing to bombard east coast positions of the enemy, and other units have been dispatched to provide protection for the south flank of UN ground troops in the Chinju area.

Radio Pyongyang broadcast a statement by North Korean Communist Chief Kim Il Sung that the North Korean armed forces were guaranteed enough weapons and ammunition for victory. In South Korea, the outbreak of seven smallpox cases is a warning of the dangerous public health situation which is developing as refugees crowd into UN-held South Korea. US Ambassador Muccio believes that the growing menace of epidemics provides an excellent opportunity to solicit international assistance in non-military activities in South Korea.

2. Embassy Moscow's views on Soviet return to UN--US Embassy Moscow estimates the return of the USSR to the Security Council to be a tactical retreat dictated by the course of world developments since the invasion of Korea, and particularly by the unity of the free world. The Embassy also believes that the failure of the Soviet boycott to disrupt the UN during its consideration of the Korean issue and the growing unity of the free world within

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the UN has made a deep impression on Soviet leaders, and that the Kremlin must view with serious concern the march of events which threatens to make the West much stronger within a year or two.

The Embassy estimates that the Kremlin may now feel that propaganda moves and obstruction within the UN are insufficient and that the time has come for making concrete appeasement moves which would tend to relax the marshalling of the free world's strength. In assessing Soviet intent in returning to the UN, the Embassy points out that now is the propitious time for "peace" moves in Korea and comments that the USSR will probably submit proposals based on the withdrawal of foreign troops and new elections, perhaps under UN observation. If the USSR intends a real appeasement move, the Embassy believes the proposal may be accompanied by a withdrawal of North Korean troops to the 38th Parallel to avoid their eventual defeat and to permit maximum political capital to be derived from the Soviet role of "peacemaker." The Embassy warns that the outcome of such elections might favor the Korean Communists. The Embassy suggests the USSR will continue to link a peaceful settlement in Korea to the question of admitting the Chinese Communists to the UN, with a vote delayed for the time being, and that the USSR may attempt to make Formosa an issue in the hope of exploiting the US unilateral commitment on that island. The Embassy believes the Kremlin's eyes are on the major issues involved, and doubts that the USSR is returning to the SC with the somewhat legalistic motive of blocking UN action with regard to aggression elsewhere.

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INDIA - PAKISTAN

3. Indian Cabinet said to be anxious for Kashmir settlement-- 5/75
 A representative of one of India's "most powerful political figures" has informed US Ambassador Henderson in New Delhi that the Indian Cabinet was "extremely anxious" to have the Kashmir dispute settled promptly in a way which would leave as little bitterness as possible. The Cabinet was reported to be convinced that the only possible basis for such a solution was UN Mediator Dixon's recent suggestion that a plebiscite be held in the Vale of Kashmir (which would probably vote in favor of Pakistan) but that the rest of Kashmir be partitioned along present occupation lines, thus assuring India that it would obtain Jammu. Dixon reportedly made his suggestion after it became clear that Indian Prime Minister Nehru was unwilling to agree to a general plebiscite, even under the "generous concessions" which Pakistani Premier Liaquat Ali Khan had offered. Pointing out that Liaquat had violently opposed Dixon's proposal, Henderson's informant voiced the hope of "several prominent Indian leaders" that "anything the US could discreetly do" to modify Pakistan's opposition would be valuable. Henderson comments that Nehru, who was described to him as somewhat reluctant to go along with Dixon's proposal, appears to want to get certain concessions from Pakistan in return for his agreement to a solution which would probably give the Vale of Kashmir to Pakistan.

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1 AUG 1950

KOREA

- 1. Enemy pressure increases in south--North Korean forces maintained heavy pressure all along the line as new US troops were rushed into positions threatened by invaders moving east from the south port city of Chinju. Other enemy forces are reported to have occupied Namhae Island off the southern coast. UN naval forces bombarded the east coast and maintained blockade patrols on the west coast. Estimated enemy casualties to 30 July number 37,597; estimated UN casualties, including non-combat, total 6,572.

The South Korean National Assembly, meeting in Taegu, has passed all eight emergency laws proposed by the government providing budgetary, legal and economic measures for the duration of the crisis. After adjournment today, the majority of the members plan to go to Pusan to establish a "liaison office," and to rally support for the government.

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KOREA

1. US troops attacking on south flank near Chinju--Fresh US troops are counterattacking along the extreme left flank near Chinju in an effort to halt the North Koreans, who are only 40 miles from the key port city of Pusan. UN forces also advanced slightly north of Yongdok on the east coast, but the enemy retained the initiative at all other points along the defense perimeter. In the central sector, UN forces withdrew slightly under heavy enemy pressure. UN aircraft flew 425 sorties during the past 24 hours (the largest total of the war) and reported the destruction of 6 enemy tanks, 45 trucks, 1 bridge, and other military equipment and targets. Two air raids caused heavy damage in Hangnam, North Korea, where the three major industrial-chemical plants of Korea are located. One plant is the largest explosive producer on the Asiatic mainland; the second is one of the largest chemical fertilizer and synthetic ammonia plants in the world; and the third manufactures industrial chemicals, including chlorine, caustic soda, and calcium carbide.

A refugee from Seoul reports that all persons between the ages of 17 and 30 have been mobilized for support of the North Korean military effort. The men have been assigned to haul supplies to the battle areas while the women prepare food for the troops and repair roads. The Communist radio in Pyongyang recently announced the arrival of volunteer Hungarian and Bulgarian medical groups, which are apparently scheduled to serve with North Korean troops.

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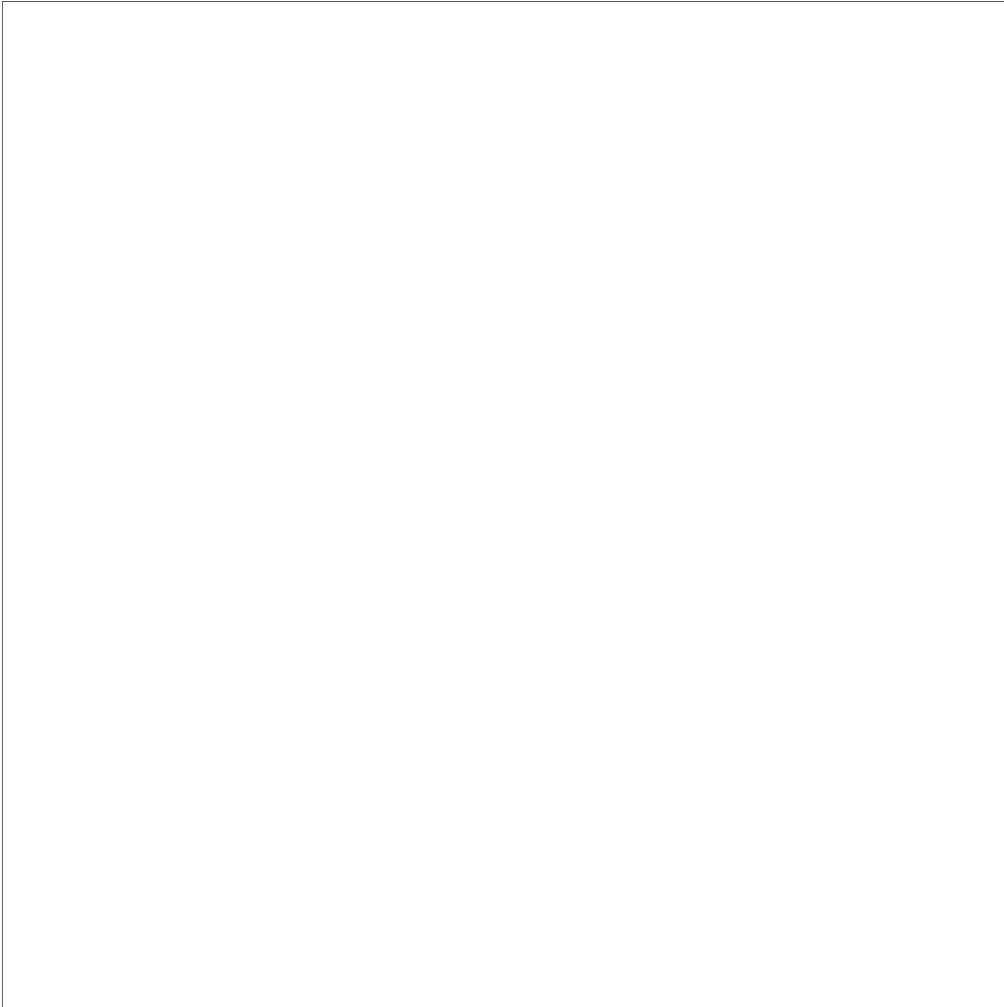
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PORTUGAL

- 3. Embassy assesses Portuguese Cabinet changes--US Ambassador MacVeagh in Lisbon expresses the view that the reorganization of the Portuguese Cabinet will prove favorable to US security interests because the men selected**

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to head the two new superministries of the Presidency and of Defense are known to be friendly to the US. MacVeagh reports that ECA affairs have been placed directly under the new Ministry of the Presidency, which is designed to assist the Prime Minister. The Ambassador describes the new Foreign Minister, Dr. Paulo Cunha, as a "young, vigorous, able lawyer, reputedly favorable to Allied interests."

(CIA Comment: CIA agrees that these Cabinet changes will prove favorable to US security interests and believes Prime Minister Salazar's position will be strengthened by the placing of the key defense and domestic policy ministries under closer control of his office.)

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KOREA

1. Defenders withdrawing to Naktong river defense line--UN forces along the broad central front in Korea are making an orderly and planned withdrawal to new positions on the east bank of the Naktong river, which offers the best natural defense line in the area remaining in the hands of the defenders. Sharp attacks by fresh US troops have apparently blunted the attempt of North Korean forces to turn the extreme left flank east of Chinju; South Korean troops have again pushed back the invaders north of Yongdok on the east coast. The UN defenders now have limited reserve forces located in the areas of Pusan-Masan and Taegu.

UN naval forces bombarded the town of Mokpo along the southwest coast, and the east coast naval patrol continued to provide close fire support for UN forces in the Yongdok sector. B-29's made their third bombing raid on industrial targets in Hangnam (chemical center of North Korea); other air activity was limited to close-ground support missions and attacks on enemy lines of communication.

The North Korean radio broadcasts are now claiming that elections have been held for "Peoples Committees" in virtually all the "liberated" provinces in South Korea. North Korean propaganda has always insisted that the Peoples Committees, which were banned in South Korea by the US Military Government in September 1945, were the rightful organs of government for all Korea. The "re-establishment" of these Committees has been consistently presented as the first step in the "liberation" of South Korea. The announcement of these "elections" paves the way for later propaganda claims that South Koreans have approved their integration into the framework of the North Korean Democratic Peoples

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WESTERN EUROPE

2. French favor "common defense" for Western Europe--
During a recent discussion of West European defense problems with French leaders, US Ambassador Bruce was told by Premier Plevin that the French lack of confidence in their ability to create from their own resources a military organization capable of withstanding aggression makes it necessary to provide for the defense of Western Europe under a common military establishment. Plevin added that it would be easier for the French Government to force a reorganization of the French army under orders from a central authority. During the discussions, Minister of Defense Moch expressed the opinion that the "common approach" is the only formula under which the French people could be brought to accept the participation of Western Germany in a North Atlantic Treaty defense effort.

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KOREA

- 1. UN, enemy forces massing in south-- Both UN and North Korean forces are massing in the area east of Chinju for what may be the first major test of the new defense line along the Naktong river. At other points along the broad central front, UN forces are already under artillery fire from North Korean troops who rushed overnight into the areas vacated by the recent withdrawals of defensive troops. North Korean patrols are already probing the new defense line and some enemy patrols have reportedly infiltrated for reconnaissance.

Considerable North Korean railway traffic was reported, particularly along the east coast where all marshalling yards north of the 38th Parallel were filled with rolling stock. Special efforts are being made by the enemy to use smoke screens in the Chongjin area to cover the marshalling yards and the industrial sections. US naval forces are continuing to provide close fire support to ground forces on the east coast.

US Ambassador Muccio reports that the South Korean Cabinet, with President Rhee's approval, designated a "special war committee of the Cabinet" on 3 August, consisting of the Ministers of Defense, Interior, Transportation, Finance, and Commerce. The Special Committee will meet daily to receive military briefings and to consider non-military measures to support the war effort. The Cabinet also approved in principle the establishment of a military advisory council to assist the Defense Minister.

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WESTERN EUROPE

2. Views on Western European defense--Netherlands Foreign Minister Stikker, in discussing the Brussels Pact meeting of 1 August with US Ambassador Chapin at The Hague, reports that British Foreign Secretary Bevin favors postponing the rearming of West Germany because of his fear that such an action might be a direct incitement to the Kremlin to attack. Bevin also feels that the rearming of Germany should wait until France and Belgium are strong enough to balance increased German strength. Bevin did say, however, that Germany must be made an integral part of Western Europe as soon as possible. According to Stikker, Foreign Minister Schuman of France, Van Zeeland of Belgium, and Bech of Luxembourg concurred in the views of Bevin. During the Brussels Pact meeting, French Foreign Minister Schuman expressed complete dissatisfaction with progress in Western Union and North Atlantic Treaty staff planning; Schuman remarked that it was impossible for individual nations to rearm effectively without a "strong central coordinating authority." Stikker told Chapin that he personally believes Germany should be rearmed at the first practical moment, and that he had made "great efforts" to convert the French to his view. Stikker also believes that the Western European defense line must be established in West Germany and not in the Netherlands, if the full cooperation of the Dutch people is to be obtained.

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Meanwhile, high British officials have expressed to US Ambassador Douglas in London their concern over the "inadequacy of additional preparedness efforts currently contemplated by European countries, including the UK," and stressed the "need for US pressure on all concerned." The officials stated that the UK had long endeavored to stimulate greater efforts by the Western Union countries, but was handicapped by its limited capacity "to give or withhold." The officials think West European governments and the government of the UK, would "welcome" US pressure, which would strengthen them in dealing with parliaments and public opinion.

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KOREA

1. Enemy reported crossing Naktong River--North Korean forces have reportedly succeeded in crossing the vital Naktong River at two points, one near Hamchang in the northern tip of the west sector and one south of Andong in the northern sector. Meanwhile, northern forces are exerting their heaviest pressure in the Chinju area on the south coast; one enemy unit has pushed 20 miles east of Chinju, but UN forces are apparently holding firm on the north and south flanks and are still within 12 miles of the city. The enemy is continuing its build-up in the vicinity of Kumchon and heavy fighting is reported on the east coast where South Korean forces still hold the city of Yongdok.

A concentration of Communist guerrilla forces has been reported northwest of Taegu airstrip and other guerrillas are located southwest of Yongdok and northeast of Samnangjin, where UN reserve forces are situated. North Korean reserves capable of joining the battle have been reported as the First Division near Chinju, the Ninth and Fourteenth Divisions in the Taejon area and the Fifteenth Division at Yongdong.

In a further attempt to back up its charges of South Korean aggression, North Korean propaganda is now broadcasting the details of an alleged US plan for the invasion of North Korea. The broadcasts assert that the "plan" was found in Seoul.

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KOREA

- 1. Increased fighting in southwest sector -- Recently strengthened UN forces in the Chinju-Masan area have launched a limited offensive which may develop into some of the heaviest fighting of the Korean campaign. To the north, enemy forces have crossed the Naktong river in considerable strength; other enemy forces are making repeated attempts to cross the Naktong river at other points along the new defense line. UN forces continue to hold the battered coastal town of Yongdok, the northern pivot of the defense line, but an enemy column is reported to be moving eastward in a flanking attempt.

UN aircraft continued their close support missions for ground troops, while UN naval units attacked North Korean positions along the coast. A force of 50 B-29's raided the rail marshalling yards of the North Korean capital.

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KOREA


1. Heavy fighting continues near Chinju--Heavy fighting continues on the Chinju front, where attacking UN units have made small gains, but North Korean troops have reportedly crossed the Nam River in undetermined strength and now threaten the right flank of the attacking UN forces. The enemy is continuing to make probing attacks in the other sectors, and there is considerable movement of transport and tanks in the North Korean rear areas. In the central sector, two enemy battalions have crossed the Naktong River and additional troops with trucks are attempting to cross. In the northern sector, the Yechon-Andong front is generally stabilized but heavy fighting continues north of Yongdok, which remains in South Korean hands.

UN naval surface and air units continued to provide close support for ground troops and to attack enemy lines of communication.

North Korean radio commentators are asserting that US military "failures" in Korea are in part caused by the US "blunder" of placing too high a value on mass bombing, and by "hapless" reliance on machines. The North Koreans claim that "mass" bombing has proven an indecisive weapon and that each raid only makes the people still more determined to win the war.

The South Korean Commander-in-Chief of Army, Navy and Air Forces, Major General Chong Il Kwon, has advised his officers and men that UN forces are now fully prepared to launch an offensive immediately. General Chong also stated that in annihilating the enemy, South Korean forces would cross the 38th Parallel and would advance to the Yalu River, in order to effect the long-cherished dream of national union.

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2. Views on Communist aggression--The US Delegation to the UN transmits the view of Brazilian UN Representative Muniz that the only way to deter the Soviet Union from following the tactic of creating local conflicts through its Satellites is to hold the USSR "responsible for aggression, whether committed directly or through its Satellites." Muniz also feels that the primary purpose of the Soviet return to the SC was to make a propaganda bid for Asia and that the West could not afford to continue lending the USSR this opportunity.

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ISRAEL

3. Israeli request for increased US aid rejected--The Department of State has instructed US Ambassador McDonald in Tel Aviv to inform Israeli Premier Ben-Gurion that the adoption of the latter's recent suggestion regarding US aid for a three-year immigration program and for the equipping of a greatly expanded Israeli Army would be "contrary to present programs and policies" and would jeopardize current progress toward stability and peace in the Near East. The Department adds that, aside from the US policy of treating the Near East as a whole, US commitments in other areas would preclude implementation of Ben-Gurion's concepts.

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KOREA

- 1. UN forces maintain their attack in the south--UN forces east of Chinju continued their slow advance against determined enemy resistance during the past 24 hours. A short distance to the north, other UN troops are reducing the enemy pocket east of the Naktong river; in the Waegwan area, defending forces are increasing their efforts to liquidate other bridge-heads recently established by North Korean forces which pushed across the Naktong river. In the northern sector, South Korean forces have withdrawn under strong enemy attack. Heavy fighting continues near Yongdok, with no change in positions reported.

Reports from South Koreans who fled Seoul during the last half of July indicate that food is scarce and prohibitive in price. The North Korean regime is not bringing food into the Seoul area and is attempting to alleviate the shortages by executing blackmarketeers and hoarders. Laborers were conscripted to repair the Han river damage. The general populace, which is being kept well-informed by handbills air-dropped by UN planes, is reported to have confidence in the ultimate victory of the armed forces defending South Korea.

INDOCHINA

- 2. Survey finds need for further French concessions--The US joint State-Defense survey mission, which has completed a study of French military needs in Indochina, reports that five years of warfare have resulted in a stalemate between the French forces and Ho Chi Minh and have left the French forces with reduced "offensive spirit." The mission adds that French officials in Indochina attribute the failure to restore internal security both to a lack of cooperation on the

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part of the non-Communist population and to widespread hatred and distrust of the French. The mission expresses the view that military action alone cannot solve the Indochinese problem and believes that a "political solution," which would include concessions on the part of the French and definite plans for the eventual independence of the three associated states of Indochina, is a "necessary complement" to any military action taken to eliminate Communism from Indochina.

(CIA Comment: The preponderance of other evidence available from Indochina supports the findings of the State-Defense survey mission.)

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KOREA

1. UN attack in south accelerating --Attacking UN forces near Chinju are accelerating their pace and forcing the retreating North Koreans to abandon equipment and supplies as they move back. The enemy may attempt to consolidate a new defense line on the high ground southeast of Chinju. In the central sector, UN forces are continuing to reduce enemy bridgeheads which are apparently not being reinforced, while in the north sector, South Korean troops have regained the ground they lost during the past 48 hours. On the east coast, however, strengthened enemy forces have again captured Yongdok and North Korean elements are reported to have joined guerrillas in the vicinity of Kigye, nine miles inland from Pohang. This enemy penetration along the east coast constitutes a serious threat to the port city and the airfield nearby.

UN naval air units from the Seventh Fleet struck at Inchon and Seoul, destroying or damaging warehouses, oil storage tanks, railroad marshalling yards, and similar targets. UN B-29's carried out their heaviest attack to date, dropping 625 tons of bombs on targets in North Korea. Other UN air forces flew over 150 sorties in support of ground troops.

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KOREA

1. UN forces near Chinju; Pohang threatened by invaders--
UN forces continuing their attack on the southern front against sporadic opposition have now driven within a few miles of Chinju. An enemy bridgehead containing two regiments in the central sector southwest of Taegu is stubbornly holding on; enemy troops and equipment are being built up in considerable strength on the west side of the Naktong above this bridgehead. Little change took place during the past 24 hours in the general northern sector, but an enemy force of two regiments, supported by artillery and tanks, is now fighting in Pohang and threatening the nearby fighter airfield at Yonil. UN air and naval units continued to provide close support for ground troops at various points along the defense perimeter.

US Ambassador Muccio in Korea reports that, of the 20,000 South Korean personnel in training, an estimated 5,000 are now available for combat. A lack of small arms and infantry support weapons, however, makes it impossible to utilize these 5,000, and Muccio recommends that the necessary weapons be forwarded by airlift.

Radio Pyongyang has announced that as of 31 July, 49.5 percent of all crop taxes in kind had been paid and has called on the People's Committees to see to it that crops are harvested on time. The unusually low percentage figure (North Koreans regularly claim 90 percent) may indicate a shortage of North Korean agricultural manpower and security police forces.

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WESTERN EUROPE

2. Views on West European defense--US Ambassador Kirk in Moscow is inclined to doubt UK Foreign Minister Bevin's assumption that West German rearmament would in itself cause the USSR to attack immediately in Western Europe. Kirk believes: (a) a Kremlin decision to move militarily in Europe would be based on its estimate of military consequences and a rearmed West Germany would not be an important consideration at this time; (b) "we cannot predicate our preparations on the hope that a soft answer turneth away wrath"; and (c) West Germany cannot be left defenseless until France and Belgium are strong enough to match a rearmed West Germany without increasing the risk of losing the entire country to the USSR. In order to offset the fears of Germany's western neighbors, West German rearmament should, in the Ambassador's opinion, be a part of the NAT defense mechanism. A West German police force, an exact counterpart in size, armament, and training of the existing East German paramilitary organization, should effectively counter the threat of military action against West Germany. Kirk also recommends full and early use of the West German industrial production capacity for non-military items.

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Meanwhile, US Ambassador Bruce in Paris urges that the European rearmament program be operated as a collective enterprise and not as a combination of separate national efforts. Bruce feels that, to date, integrated planning has been lacking in the North Atlantic Treaty Organization and the Mutual Defense Assistance Program. He believes such collective planning should start with an estimate of the forces needed for the defense of Western Europe and with provisions for producing and financing the necessary military equipment and supplies. The Ambassador

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also feels that an American should head a small group of experts to develop the proposed procurement and production program, which would use West German industrial capacity for the production of non-combat items, such as trucks and spare parts. Bruce observes that the French idea of creating a central military fund, presumably directed by an American, has "great merit" for unifying West European defense efforts, and increasing efficiency and economy. Bruce is convinced that the necessary safeguards can be set up to prevent US funds from being improperly distributed by a central military fund administration.

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KOREA

1. Enemy strengthening bridgehead southwest of Taegu--UN forces in the south are continuing their advance toward Chinju against lessening opposition, but other UN forces in the central sector are confronted with growing enemy strength in the bridgehead southwest of Taegu. Bitter fighting is taking place in the vicinity of Pohang and the nearby fighter airfield, with reinforced UN troops under strong enemy pressure.

UN B-29's, in the northernmost raid to date, dropped 550 tons of bombs on the important seaport and rail center of Najin-Dong, approximately 100 miles southwest of Vladivostok. UN air and naval units again attacked enemy lines of communication and provided close support for UN ground troops.

2. Chinese Nationalist troops in Burma--The Department of State has informed US Embassy Taipei that an early settlement of the problem of some 2,000 Chinese Nationalist troops, who took refuge in northeastern Burma and who have refused to be interned by the Burmese Government, seems possible only through a Nationalist Government order to these troops to permit themselves to be disarmed. The Department notes that the US can give the Nationalist Government no assistance if this question is brought before the UN and instructs the Embassy to urge the Government on Formosa to issue the necessary orders before Burma acts in the UN as it has proposed to do by 15 August.

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(CIA Comment: The raising of this problem in the UN would hamper US efforts to focus attention on Korea and adversely affect US-Burmese relations. The USSR would also be provided with a useful propaganda opportunity.)

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KOREA

1. Enemy continues build-up in central sector--UN forces in the south have reached their objectives in the hilly terrain just south and east of the city of Chinju, but considerable time will be required to wipe out bypassed enemy pockets which are now harassing lines of communication. The enemy continues to build up troops and equipment in the central sector, where UN forces are increasing their efforts to liquidate stubbornly-held bridgeheads east of the Naktong River. To the northeast in the Pohang-Yongdok area, North Korean forces still hold the smoldering city of Pohang and UN troops are maintaining their defense perimeter around the adjacent fighter airfield. UN naval units bombarded the North Korean port of Chinnampo on the west coast and sank two enemy ships; UN air units continued to provide close support for ground troops along the entire front.

2. Kirk's estimate of Soviet intent--US Ambassador Kirk in Moscow reports that neither the Korean conflict nor the obvious increase in the intensity of the war of nerves has altered the Embassy's basic opinion that the Soviet leaders do not desire to engage the USSR in a global conflict in the near future. The Ambassador feels that the Soviet action in Korea was merely a step forward in the Kremlin's program to make the most effective use of Soviet capabilities for championing world peace movements and simultaneously creating a war scare. Kirk is convinced that the Kremlin did not expect the North Korean invasion to bring about united condemnation by 53 UN members or to provoke an increase in Western defense preparations to cope with an eventual major crisis. Kirk believes that the Kremlin, in the light of this new situation, is now considering the relative merits of: (a) touching off at least initially localized

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hostilities through a Satellite state on another scene (China or the Balkans), as a means of draining the free world's resources and increasing the strain on its solidarity; and (b) allowing a settlement to work itself out in Korea, perhaps over Soviet protests, and permitting a world-wide atmosphere of relaxation to set in, thereby "giving the huge military preparations in the West no place to go." Kirk comments that the Kremlin may wish, by permitting the Korean situation to work itself out and by maintaining the "mystery of Soviet strength," to keep the West so expensively mobilized that the economic burden will cause disaffection among Western peoples and make them more receptive to Soviet blandishments. Kirk suggests that the peace movement and a continuation or intensification of the present war of nerves would be features of such a long-range Soviet program.

WESTERN EUROPE

3. NAT countries await US leadership--Executive Director Bonesteel of the European Coordinating Committee in London, in discussing prospects for increased defense efforts by Western Europe, expresses the opinion that at least some of the NAT deputies appear to be waiting to see to what extent the US is prepared to undertake, even conditionally, increased commitments in the West European defense program. Bonesteel adds that these NAT deputies seem to be especially concerned with: (a) the assignment of additional US forces to European defense; (b) the creation of a central high command; (c) the establishment of "executive authorities" in the NATO. Bonesteel comments that the amount and speed of substantive achievements in the forthcoming discussions among NAT deputies "may depend in large part on US willingness" to assume leadership in these matters.

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(CIA Comment: The speed of progress toward an effective European defense will be determined in very large measure by the degree of leadership exercised by the US.)

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KOREA

- 1. North Koreans continue build-up along Naktong--While the North Koreans continued to build up their forces along the west bank of the Naktong River--now estimated at six divisions with supporting armor--there was little change in the military situation in Korea during the past 24 hours. Task Force Kean continued to wipe out enemy pockets in the Chinju region and to consolidate defense positions. Task Force Hill kept the North Korean bridgehead in the US 24th Division's zone under pressure and made limited progress toward reducing it. The situation in the Yongdok-Pohang area remains static. Meanwhile, there have been no significant North Korean announcements concerning the unification of Korea, as was anticipated for 15 August.

BURMA

- 2. Prime Minister defers planned UN appeal--US Embassy Rangoon reports that the Burmese Prime Minister has been much relieved to learn that the Chinese National Government has issued urgent orders for the departure of the 2,000 Nationalist troops from Burmese territory. The Prime Minister stated that, as a result of the Chinese Nationalist action, he would not raise the question of these troops in the UN on 15 August as was previously planned.

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KOREA

1. North Koreans further enlarge Naktong bridgehead--North Korean forces continued to enlarge the bridgehead along the Naktong River in the US 24th Division's area in the central sector. The enemy launched an early attack in the lower portion of this sector but after a three-hour engagement the attack was stopped. To the south, Task Force Kean continued to consolidate its gains around Chinju and to wipe out isolated enemy pockets. In the western sector, North Korean armored forces reportedly penetrated South Korean positions and occupied a hill about two miles east of Waegwan. South Korean troops near Yongdok will be evacuated by water under cover of darkness. US air forces, in the largest raid yet made in the Korean war, made a strike of 100 B-29's carrying a total load of 1000 tons of bombs against enemy concentrations on the west bank of the Naktong River.

2. UK unable to send troops from Malaya or Hong Kong to Korea--US Ambassador Douglas in London, in compliance with instructions from the Department of State, has pointed out to Prime Minister Attlee and Foreign Secretary Bevin the desirability of immediately dispatching British ground forces to Korea, possibly sending troops now in Malaya or Hong Kong. In reply, Attlee and Bevin said that to withdraw troops from Malaya would seriously endanger the outcome there and that present forces in Hong Kong are not adequate to deal with the situation which might develop there. The British officials indicated they understand the importance of refuting Soviet propaganda aimed at convincing the world the UN effort in Korea is exclusively a US venture. They also indicated they would do everything possible to expedite the movement of troops to Korea.

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KOREA

1. Heavy fighting goes on throughout area--Heavy fighting continues in Korea but no significant changes have been made in those areas where the heavy fighting is taking place. In the Chinju area, US forces have made a planned withdrawal of several miles and have consolidated; Task Force Kean, which has been conducting the offensive near Chinju, has been dissolved and its responsibilities turned over to the US 25th Division. To the north, in the Yongsan area where the North Koreans hold their strongest bridgehead across the Naktong River, the US 24th Division has been reinforced by the 1st Provisional Marine Brigade and heavy fighting is taking place. An attempted enemy break-out from this bridgehead and a drive to sever the rail line to Pusan is expected, but latest reports indicate satisfactory US progress in restraining this movement. Farther to the north, in the Tuksong area west of Taegu, another enemy bridgehead has been established and is now under US attack. Immediately north of Tuksong, both US and South Korean troops have made gains against the enemy. To the east, the situation has remained stable. The evacuation by water of the South Korean forces near Yongdok has proceeded without enemy interference. Meanwhile, the South Korean National Assembly reconvened in Taegu on 15 August despite the enemy threat to that city. Of the 139 members registered for 1 August, 120 were present at the session.

2. Rau stresses need for Korean peace plan soon--The Indian UN Delegate, Benegal Rau, has told the US delegation at the UN that he considers it essential to formulate the general terms of a peace plan soon. Rau believes that Malik's propaganda speeches are doing great damage in Asia and

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that only the formulation of a peace plan can meet this propaganda. The Indian delegate considers that the basis of such a plan must be the unification of Korea and the establishment of a free independent government by UN-supervised elections throughout the entire country. Rau also told the US delegation that when he approached Malik concerning his plan for formation of a committee of non-permanent SC members, Malik did not like the proposal but said he might change his mind if shown the advantages. When told by Rau that any proposal for peace must be based on withdrawal of North Korean forces, Malik asked whether "foreign troops" would also withdraw.

WESTERN EUROPE

3. European rearmament effort called inadequate--Executive Director Bonesteel of the European Coordinating Committee in London, in commenting on the proposed European defense increase of an estimated \$3.5 billion over a three year period, stresses the view that this effort, even when added to the \$13.5 billion of projected US aid, is inadequate to meet the requirements of effective defense. Bonesteel declares that the European proposal reflects a glaringly disproportionate effort on the part of Europe and states the view that it is "almost worse than useless to do only half the job." He considers that the present European response reveals the blunt fact that Europeans are not yet prepared to meet a reasonable proportion of the needs for adequate defense and, although they are prepared to make some effort within comfortable domestic political and economic limits, they are counting upon still greater US aid to fill the gap. Bonesteel feels that the above meager results can only be

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shown in true perspective when considered collectively by the NAT Deputies. He recommends that the US use them to press for an immediate review of the European efforts.

4. Possible German units in a European army--The US High Commission in Germany expresses the view that even though there is a "wide difference of opinion" among officials at Bonn on the question of a German contribution to European security, it would be possible to raise a German force as part of a European army. The Commission believes that both the politicians and German youth oppose the reconstitution of a national German army but would be willing to make a real German contribution to European security if certain assurances were given and if "the vision of an independent, viable Germany within a real European federation" gave promise of becoming a reality. The Commission considers that the major German parties would not undertake any defense commitments unless a considerable revision of the occupation statute provided for increased German sovereignty and unless there were some form of Allied protection for Germany against the USSR.

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KOREA

1. Enemy making strong drive toward Taegu--Front line positions in Korea remained relatively unchanged during the past 24 hours while heavy fighting between small units continued. In the south sector, in the vicinity of Chinju, North Korean forces have managed a quick reorganization following the planned withdrawal of Task Force Kean and have initiated a limited offensive against the US 25th Division in the Kosong area. The enemy's main effort, however, appears to be in the direction of Taegu through the central sector held by the US 1st Cavalry and the South Korean 1st Division. In the heavy fighting going on in the vicinity of Waegwan, 1st Cavalry elements have recaptured an enemy-occupied hill and have inflicted heavy casualties. Simultaneously, however, a strong enemy attack has forced a 1200-yard withdrawal of elements of the South Korean 1st Division. North Korean forces are reportedly reorganizing and regrouping in this area and further attacks in the direction of Taegu are expected. Just south of Waegwan, North Korean forces are putting up strong resistance to heavy US counterattacks against the two bridgeheads on the east bank of the Naktong River. The situation of Pohang on the east coast is not clear although late press reports claim its recapture by US-UN forces.

Meanwhile, the South Korean National Assembly recessed on 17 August at the suggestion of President Rhee; the Assembly will reconvene on 1 September at Pusan. No official confirmation has been received of press reports that civilians have been ordered to evacuate Taegu and that Rhee and US Ambassador Muccio have both left the city.

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KOREA

1. UN forces make gains in two sectors--UN forces in Korea have achieved successes in the center and east sectors during the past 24 hours in heavy fighting against the North Korean forces. In the center sector, Task Force Hill and the 1st Provisional Marine Brigade are continuing their attack against the Changnyong bridgehead on the east bank of the Naktong River and are inflicting heavy enemy casualties as they near the River. Also in the center sector, UN forces have regained high ground previously lost north of Taegu. In the north sector, South Korean forces have lost contact with the enemy southeast of Kunwi, indicating a possible redeployment of enemy units in this area. On the east coast, ROK forces succeeded in recapturing the towns of Pohang and Kigye and have advanced to high ground to the north. A heavy B-29 attack against military targets in the North Korean city of Chongjin on the east coast has reportedly achieved excellent results.

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KOREA

- 1. UN forces continue gains in central and east sectors--
UN forces are continuing to make gains in the central and east sectors. The enemy bridgehead over the Naktong River in the Changnyong area has been completely eliminated, and enemy attacks in both the south and central sectors have been repulsed. In the north, the enemy appears to be either withdrawing or shifting troops to other positions in the area. On the east coast, UN forces have pressed forward several miles north of the recaptured towns of Kigye and Pohang.

US Ambassador Muccio reports from Taegu that the city is returning to normalcy after a large portion of the population streamed southward as a result of conflicting orders issued on 18 and 19 August. An estimated 80 percent of those who left the city have returned, and, despite ineffective shelling of the city from extreme ranges, normal activities are being resumed.

In the occupied areas, the North Koreans are attempting to maintain control and security by imposing travel restrictions on the movements of persons over 12 kilometers from their domiciles, and by threatening to impose the death penalty against all those who fail to surrender radios capable of receiving short wave broadcasts.

WESTERN EUROPE

- 2. Increase in European defense efforts recommended-- Executive Director Bonesteel of the European Coordinating Committee in London recommends that the US urge the

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West European nations to increase their first-year rearmament allocations on the basis of a minimum three-year effort totaling approximately three times the presently estimated \$3.5 billion. Bonesteel comments that preliminary ECA field analyses indicate that, assuming additional US aid, such an increased rearmament effort should be generally possible without dangerous economic repercussions. Bonesteel points out that although this program would provide a good start toward facing the cost of adequate defense, any such increases are completely dependent on development of a strong and centralized NATO program which offers sufficient promise of success to justify energetic efforts by the member nations.

3. **FRANCE:** Increased speed in European defense urged -- *CIA/S*
The chief of Western Union ground forces, French General de Lattre de Tassigny, recently visited US Ambassador Murphy in Brussels to urge that the US apply "every possible pressure" to induce the UK to act with greater speed in decisions on European defense. De Lattre expressed the opinion that the French effort would fall to the ground unless the French are convinced that there will not be another Dunkirk and that the UK intends to put "at least six or seven" divisions on the continent. De Lattre also asserted that US strength in Europe must be built up to a minimum of five divisions; he feels that the Belgians will eventually produce possibly five divisions and the Dutch two.

(CIA Comment: The French will not make their maximum defense effort unless convinced that the members of the NATO are taking steps to build the forces necessary to prevent another Dunkirk.)

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4. GERMANY: Adenauer's views on West German police--
US High Commissioner McCloy in Bonn reports that
although Chancellor Adenauer was initially "incensed at the
smallness and powerlessness" of the 10,000-man police
force recently authorized by the Allied High Commission,
he may accept this force as a start in the right direction
if the occupation powers support him in obtaining Laender
agreement to the degree of federal control he feels is
required. Adenauer believes that a West German force
of 100-150,000 is necessary to counter the Soviet Zone
Bereitschaften, and he plans to discuss the establishment
of such a force with leaders of the government parties
on 22 August.

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KOREA

- 1. Heavy action in south and center sectors--The south and center sectors of the Korean front were the principal scenes of activity during the past 24 hours. In the south, the North Korean forces are exerting heavy pressure in the direction of Masan and have succeeded in forcing US units out of several advantageous positions. US counterattacks have failed to restore positions lost the day before. In the center sector, 15 miles north of threatened Taegu, the US 27th Regiment and the South Korean 1st Division were successful in repelling heavy enemy attacks supported by tanks and artillery. Northeast of Waegwan, however, an enemy battalion has penetrated to the rear of the US 27th Regiment. There was little action in other areas, except on the east coast north of Pohang and Kigye where UN forces advanced one to two miles.

KASHMIR

- 2. UN Mediator admits failure on Kashmir mission--US Ambassador Henderson in New Delhi has learned that UN Mediator Sir Owen Dixon considers his recent effort to promote a Kashmir settlement to be a failure and is returning to Lake Success. According to Henderson, Dixon was described as being particularly disturbed by the unscrupulous tactics used by Indian Prime Minister Nehru in blocking any solution of the Kashmir problem and by Nehru's apparent confidence that India will escape any UN Security Council criticism on this point because of its strategic position between the East and the West in the UN. Henderson comments that it should be clear to Indian leaders that India's attitude during the final phases of Dixon's mission has tended to confirm Pakistani charges of Indian trickiness, unreliability, and lack of good faith.

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KOREA

1. Little change in ground situation--The situation in the Korean front lines remained largely unchanged during the past 24 hours while North Korean forces continued to press the attack along the south coast and in the Waegwan area. In the south, elements of the US 25th Division succeeded through limited counterattacks in regaining ground west of Masan which was lost during the previous day. In the center sector, six miles south of Tuksong, enemy forces were able to reinforce their bridgehead on the east bank of the Naktong River. Also in this sector, US forces are attempting to reduce enemy units which have infiltrated behind the US 27th Regiment and are cutting its communication line. There was little activity in the other ground sectors or by air and sea units.

GERMANY

2. West German leader expects new pressure on Berlin--US High Commissioner McCloy in Frankfurt has been told by West German Socialist Party leader Schumacher that the West must expect an intensified Communist drive to take over Berlin to begin in October and probably to reach a peak in December. Schumacher believes the pressure will come not from the USSR itself but from the German Democratic Republic and may involve the use of the Alert Police (Bereitschaften). Schumacher declared that a stronger resolution to block Communism is spreading among the West German people but said the presence of more Western divisions, particularly US, is urgently needed in Germany because the Germans are reluctant to take a positive stand while they feel their country might be overrun. McCloy points out that although Schumacher and his party believe the

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defense of Europe to be impossible without German military aid, Schumacher consistently avoided giving any indication of what form he thought Germany's contribution to European defense should take. Schumacher expressed his doubt concerning the effectiveness of the small force proposed by Chancellor Adenauer to act as a counter to the Soviet Zone Bereitschaften but indicated a desire to make a common stand with Adenauer against Communism and for the restoration of German unity. This attitude McCloy regards as offering "a ray of hope for positive action."

(CIA Comment: CIA agrees that there may be an intensive Communist drive to take over Berlin within the next few months but does not believe it likely that East German military forces will be used in a move against Berlin in 1950.)

WESTERN HEMISPHERE

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3. **BOLIVIA:** Mine labor unrest increasing--The US Air Attache in La Paz reports that labor unrest has so increased in the mining areas of Bolivia that it is doubtful whether complete control over those areas can be maintained. He adds that US Embassy La Paz is advising women and children to leave the Catavi mine area.

(CIA Comment: Discontent has recently been general among mine labor, which is usually very volatile, and it is highly possible that violent disorders may occur. Such action would disrupt Bolivia's vital tin production and might, combined with current disorders in La Paz, cause a serious political crisis.)

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KOREA

- 1. Military situation relatively unchanged--The relative quiet prevailed on the Korean front during the past 24 hours. In the south sector, North Korean forces are believed to be regrouping along the south coast. In the center sector, the most important development has been the clearing out of the communication line of the US 27th Regiment which had previously been cut by enemy forces. Meanwhile, enemy pressure in this sector appears to have eased. In the north, South Korean forces have been forced back slightly under strong North Korean pressure. In the east, South Korean units continued to move northward. Naval action consisted solely of patrolling and bombarding targets along the east coast. B-29's bombed chemical plants at Hungnam with excellent results. According to air intelligence reports, five new fighter-type aircraft have been identified at a North Korean airbase.

WESTERN EUROPE

- 2. NATO strengthening proposals endorsed--US Embassy Moscow has expressed its general endorsement of the recent French proposals for the integration of European defense efforts through a strengthening and overhauling of the existing North Atlantic Treaty Organization(NATO) and absorbing older military entities such as those set up under the Brussels Pact. The Embassy agrees with the French view that there should be: a top-level political, economic, and military body in continuous session with broad, delegated powers; a combined chiefs of staff committee headed by an American; and integrated regional military commands under the combined committee. The top-level organization should be, in the Embassy's view, sufficiently flexible to permit

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the accession of those countries not presently signatories of the NAT but which are willing to assume mutual responsibilities. The Embassy is convinced there must be some degree of West German rearmament and utilization of West German industrial capacity and believes a high degree of integration of the Western Powers will dissipate Western European fears of Germany.

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KOREA

- 1. Front lines remain static--No significant changes were made in the Korean front lines during the past 24 hours. Except for sharp local engagements, action on both sides was confined to patrolling and sporadic exchanges of mortar and artillery fire. In the south sector, the North Koreans continued to move re-inforcements into the Chinju area and launched a strong attack against the US 25th Division. This attack was repulsed after two hours of heavy fighting. In the center sector, a night attack against the 27th Regiment north of Taegu was thrown back. South Korean forces in the north sector are under heavy enemy pressure north of Uihong and have been forced to withdraw slightly; counterattacks are now in progress. Concerning the report of new fighter-type aircraft, reconnaissance subsequent to the information of 24 August has disclosed no evidence of such aircraft and no unusual enemy air preparations have been discovered.

EUROPE

- 2. UK: Bevin plans full British role in defense preparations-- Foreign Secretary Bevin has informed US Embassy London that he is determined to see that the UK plays its part in European defense preparations. Bevin indicated he had been attempting to persuade other members of the Western European Union to announce, prior to 12 September, that they would follow Britain's lead in extending military service to two years. Bevin pointed out to those members that such a declaration would be evidence to the USSR of Western European determination of self-defense.

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3. GERMANY: Adenauer plans to ask for German rearmament-- CIA/S
According to US High Commissioner McCloy in Frankfurt, S/S
West German Chancellor Adenauer has asked political party
leaders to agree to a program under which the Federal Republic
would request the High Commission to authorize: (a) a Federal
police force equal in number and equipment to the East German
Alert Police (Bereitschaften); and (b) about five German combat
divisions, plus auxiliary services, for a European defense force.
He told the party leaders that the arms and equipment for the
troops would come from the US. Adenauer also wants to request
the immediate reinforcement of Western occupation troops in
Germany. Adenauer reportedly believes firmly that a European
army is the most desirable solution of the defense problem.

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KOREA

1. Lull in operations continues--The continuing lull in enemy operations along the entire front may indicate that the North Korean forces are being disengaged for regrouping before launching further attacks. Many of the invader's best units suffered heavy casualties during the past week and a major reorganization of enemy units may be necessary. Both sides continued probing and patrolling operations, but few troops were engaged. Heaviest action occurred in the east sector, where South Korean units made slight withdrawals from extended positions. UN-US naval airplanes continued to provide close support for ground operations, and air force planes continued to attack enemy equipment, troop concentrations and other targets in rear areas.

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KOREA

1. Central front quiet, two towns lost in northeast--The broad central front remained quiet during the past 48 hours, but UN forces suffered slight reverses in the northeast where North Korean forces captured the towns of Uihung and Kigye. UN naval activities were confined to surface patrols, while naval-based aircraft flew close support missions and bombed targets in northeast Korea. On 27 August UN-US aircraft flew a total of 500 missions; fighters attacked a large troop concentration in the Kyomipo-Sariwon area (North Korea) and B-29's bombed the northeastern industrial city of Songjin with excellent results reported.

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KOREA

- 1. Light action in south and northeast sectors--South Korean forces made limited gains in the north and east sectors, while UN defenders in the south were subjected to almost continuous small-unit probing attacks. UN naval units fired close support missions in the Pohang area; aircraft from two carriers attacked targets along the east coast. Air action continued in close support of ground troops, and B-29's hit the marshalling yards in the North Korean east coast city of Chongjin.

GERMANY

- 2. Adenauer now proposes "motorized" federal police-- US High Commissioner McCloy in Bonn reports that because of French and Socialist opposition to Chancellor Adenauer's proposal for a West German force to match the paramilitary East German Alert Police, the Chancellor is now thinking in terms of establishing a motorized federal police equipped with small arms, machine guns, and mortars. Adenauer believes such a force could maintain internal order and be useful in international emergencies; he added that he had already received 40,000 applications. Adenauer believes his new proposal will meet with the approval of Socialist leader Schumacher. Rather than wait for time-consuming legislative approval, Adenauer wants the High Commission to declare an emergency and direct him to begin establishing the federal police at once; this action, Adenauer feels, could be ratified by the Bundestag in 60 to 90 days. Meanwhile, Adenauer proposes to go ahead with a 10,000-man increase in the Laender police, which he wants reorganized to raise efficiency and to eliminate subversives.

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KOREA

1. UN defenders forced out of Kigye--Enemy pressure forced South Korean troops in the east to withdraw from Kigye to positions 500 yards south of the town; heavy fighting continues in the Pohang area. Other sectors have remained relatively quiet, with some increase in enemy activity at the south end of the defense line. UN naval units hit targets in west Korea, and executed call-fire missions as requested by ground troops. The air force attacked bridges at Seoul and marshalling yards at Seoul, Suwon, and Namwon.

EUROPE

2. Dutch Foreign Minister depressed by lack of European unity--
US Ambassador Chapin at The Hague reports that Dutch Foreign Minister Stikker was very depressed during a recent interview, feeling that the world situation has deteriorated rapidly during the last two weeks. Stikker seemed especially concerned with: (a) Dutch reports from Peiping of a large Chinese Communist build-up in Manchuria; (b) the worsening situation in Berlin; (c) the tendency of the Consultative Assembly of the Council of Europe to create a deeper division between the UK and France; (d) the basically unstable political situation in France with the "ever-present menace of domestic Communism"; (e) the deadlock between the Netherlands, Indonesia, and Australia on the New Guinea issue; and (f) the possibility of further deep cuts in ECA aid. Stikker feels that the Russians are fully aware of the increasing division between the European nations and recognize that the West is at its "feeblest point in many years." Stikker implied that "all would be lost" unless the nations of Europe, led by the UK and France, bury their differences and move forward in unity.

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The Dutch Foreign Minister commented, however, that France is badly infected with Communism and that the UK still appears unable to shake a century-old tradition of avoiding leadership on the continent.

3. West German steel problem--US Embassy London reports that, during an informal discussion with a British official of the problem of German steel production (which is already above prescribed levels), the British official appeared receptive to the idea of permitting an expansion of German steel output. The British representative felt, however, that any increase in German production should be devoted to defense requirements and to easing shortages arising out of them and that any changes in the regulations on steel output should be made when the Occupation Statute is relaxed. The British representative suggested that specific proposals be developed for revising the restrictions on all West German industry to facilitate a US-UK-French agreement before the end of 1950. s/s
4. West Germans to propose Occupation Statute revision--US High Commissioner McCloy in Bonn reports that the Federal Republic plans to recommend that the US-UK-French Foreign Ministers consider at their forthcoming meeting three revisions of the Occupation Statute: (a) declaration of a de facto peace as quickly as legal requirements permit; (b) replacement of references to the "occupation" by some term implying security or protection; and (c) partial replacement of the Occupation Statute by a convention or contractual agreements. The Germans would also like the present "cumbersome legislative review" process to be replaced by a system under which the Western Powers could veto any German law contravening basic occupation principles. Reforms of this kind would be regarded by West Germans as "an enormous success for the Bonn Government." s/s

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KOREA

1. Heavy fighting continues in Pohang area--Heavy fighting continues in Pohang where UN forces are holding the invaders near the edge of the city, but no substantial changes have occurred in the 120-mile defense perimeter. Increasing enemy activity in the rear areas of the central and north sectors may be preparations for renewed attacks in these sectors. UN naval and air force units continued to make heavy strikes against air fields, industrial areas, railroads, and enemy troop concentrations during the past 24 hours.

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KOREA

- 1. North Koreans launch all-out offensive--The North Koreans have launched an all-out offensive in the south and central sectors aimed at cutting off Masan and capturing the main supply port city of Pusan, 35 miles to the east. Along the south sector front, UN forces are maintaining most of their defense positions and reserves are being moved forward. In the lower central sector, North Koreans in considerable strength have crossed the Naktong River at three widely separated points. Near Tuksong, about fifteen miles south-west of Taegu, other enemy attacks were repulsed by elements of the US 1st Cavalry Division. Other sectors remained relatively quiet.

SCHUMAN PLAN

- 2. Diminishing support for Schuman Plan reported--US representative Andrews at Strasbourg reports that there appears to be diminishing support for the Schuman Plan in its present form among the West European leaders who participated in the recent meeting of the Council of Europe Assembly. One French representative told Andrews that he was confident the Plan could be modified to meet UK objections, and British Conservatives talked confidently regarding prospects for the alteration of the Plan to suit British desires. Other British representatives told Andrews that French Foreign Minister Schuman expects the present version of the Plan to be "watered down" considerably before it is submitted to the French Parliament. French economic adviser Monnet, who is the real author of the Plan, is also reportedly resigned to a weakening of the control authority envisaged in the present Plan.

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(CIA Comment: The coal-steel pool eventually established under the Schuman Plan will fall far short of the original Schuman aim of fully integrating these industries, primarily because the international control authority will not be given adequate powers by the participating national governments.)

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FAR EAST

1. INDOCHINA: French military policy deplored--US Consul General, Hanoi, has learned from two "well-informed and dependable" French officials in Tonkin that the Viet Minh has 20,000 uniformed men just across the border in China, in part authentic followers of Ho Chi Minh and in part local bandits. The officials estimate that the Viet Minh can recruit up to 60,000 to 70,000 troops in the border area in addition to the already growing Viet Minh strength in Tonkin. The officials expressed their belief that regular Chinese Communist forces concentrated on the border will remain a "passive but menacing back-stop" for the Viet Minh rebels and their presence in South China will permit Ho's forces to move back and forth across the border. In view of this situation, the French officials deplore both the "Maginot mentality" of the French military commander in Tonkin and General Carpentier's distrust of the powerful anti-Communist Dai Viet party (the only organization in Vietnam capable of carrying on a grass roots anti-Viet Minh campaign).

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GERMANY

CIA/S

1. Adenauer submits modified request for armed police--
 US Deputy High Commissioner Hays in Germany reports that Chancellor Adenauer has submitted two letters to the Commission modifying his former advocacy of a heavily armed Federal police as a counterforce to the Soviet Zone paramilitary police organization. Adenauer now requests a motorized Federal police force of 25,000 men, to be expanded later to 60,000. These police would be billeted in barracks, armed with automatic hand arms, heavy and light machine guns, hand grenades, and mortars, and would have at their disposal various support units. Because Adenauer fears that the Soviet Zone German police will invade West Germany as soon as the East German regime has been given independent status by the USSR, he also asks that the occupation governments guarantee to repel any attack by the East Germans. Adenauer believes that a public statement of such a guarantee would both strengthen West German morale and have a deterring effect on the authorities in East Germany and the USSR.

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KOREA

1. UN forces counterattack in northeast--UN counterattacks are halting the advances of some North Korean elements in the breakthrough near Yongchon and Kyongju, but other enemy elements pressing forward with considerable armor are threatening to cut the vital transportation network connecting Taegu with the northeast and coastal defense areas. Air activity over the combat area is being resumed after being hampered by unfavorable flying conditions during the past 24 hours and reserve elements of the US 24th Division are being rushed northward to stem this latest enemy threat. Other sectors along the UN defense perimeter are relatively quiet.

US Embassy reports that on 4 September General Walker ordered the immediate transfer of UN military headquarters from Taegu to Pusan. General Walker will remain in Taegu, however, with a skeleton staff to direct operations. General Walker also advised the South Korean Prime Minister to transfer ROK military headquarters to Pusan. The South Korean Home Ministry will remain in Taegu for the present.

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KOREA

1. Enemy pressure increasing along entire UN front--North Korean forces are exerting heavy pressure along the entire UN defense line, but there have been only slight changes in position during the past 24 hours. Massed North Korean troops are exerting extreme efforts to exploit the near-breakthrough they achieved in the Kyongju-Yongchon area; counterattacking UN defenders, however, are managing to hold their new positions. Enemy forces along the southern front are following up their sustained artillery-mortar barrage of the past 24 hours with local attacks which may develop into a major drive toward Pusan. The combined UN air forces made their heaviest tactical assault to date, with 440 of the record 620 sorties being flown in support of UN ground troops in the northeast sector. US heavy bombers struck iron works in Chongjin, located along the east coast in North Korea.

GERMANY

2. UK approves creation of West German Federal Police--According to UK Foreign Secretary Bevin, the British Cabinet has officially approved the establishment of a West German Federal Police force of 100,000. The Cabinet believes that a national German army should not be permitted, but Bevin is authorized to approach the US and France to negotiate agreement for the creation of a German federal police force, modeled after the East German paramilitary police organization and designed to meet any aggressive move by the East Germans. The Cabinet also believes that West Germany should be permitted to make an industrial contribution to Western strength.

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GENERAL

1. Western Union favors seating Communist China in UN--
 The Secretary General of the Netherlands Foreign Office has expressed to US Ambassador Chapin at The Hague the view that political thinking among the Western Union nations is becoming more and more solidified in favor of admitting the Chinese Communists to the UN without delay. The Dutch official said that this viewpoint has been kept "behind the scenes" because of a desire to avoid showing disunity during the Korean crisis, but that there was growing apprehension among the Western Union nations lest the increasing tension between the US and Communist China extend the Korean conflict into a world war.

S/TS

2. Iranian views on Soviet trade negotiations--US Ambassador Grady in Tehran reports that Prime Minister Razmara has:
 (a) emphasized that he would not begin formal trade negotiations with the USSR until a settlement had been reached regarding the gold and foreign exchange owed Iran; and (b) proposed the use of some trade mechanism other than the existing Soviet commercial agency in Iran, which Razmara feels could be used to dominate Iranian traders and to carry on subversive activities. Grady points out, however, that Razmara cannot be indifferent to the prospect of concluding a trade agreement since Iran's northern provinces have almost no trade outlets except the USSR and since conclusion of a satisfactory agreement, involving possibly \$10 million worth of goods, would provide immediate economic benefits and would materially strengthen his position.

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3. Iceland prepared to discuss defense program--Foreign Minister Benediktsson has advised the US Minister in Reykjavik that the Icelandic Government has authorized him to discuss a defense program for Iceland in conjunction with NATO while he is attending the September meeting. Benediktsson emphasized that he only has authority to "discuss peacetime defense program" and cannot actually commit Iceland to such a program.

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(CIA Comment: The willingness to discuss a peacetime defense program for Iceland represents a radical change in policy, which up to this time has been to evade making any peacetime defense commitments, even as a member of NATO.)

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GENERAL

1. US favors UN commission to hear Chinese Communists--
 The Department of State has informed US Ambassador Austin, in discussing the problem of Chinese Communist participation in the Security Council debates on Formosa, that although the US does not recognize the Peking regime as the government representing China the Department has decided that it is to the interest of the US to have the SC air Communist complaints in the Formosa case. The Department takes the view that the Chinese Communists would have to be given a hearing, although not necessarily in the initial stages of the debate, before the SC could take final action on the question and points out that failure to do so would offer the Communists a pretext to claim that self-help is their only remaining resort. The Department indicates the best procedure would be for the SC to initiate an impartial inquiry by a commission which would give the Communists a full hearing and make a report, a procedure which might avoid the necessity for Communist participation in a hearing before the full SC.

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YUGOSLAVIA

2. Severe crop shortages expected--The US Agricultural Attache in Belgrade has been given official Yugoslav estimates of current crop conditions which indicate such substantial shortages of grains and other food that there will not be sufficient Yugoslav supplies to feed the people and livestock through the winter. The Agriculture Attache accepts as realistic the Yugoslav figures which indicate that 1950 production, as compared with 1949 production, will be: 78 percent in wheat, 68 percent in corn, and 69 percent in potatoes. Yugoslav agricultural officials believe

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that without substantial imports of flour, feed, fats, beans, and grains some starvation before spring is definitely in prospect. The Embassy considers that this situation presents "the most grave threat to the Tito Government yet encountered."

(CIA Comment: CIA concurs with this estimate as to the seriousness of this unexpected setback to Yugoslav economic progress.)

NEAR EAST-AFRICA

3. IRAN: Pro-Soviet, anti-US trend in opinion noted--The US Military Attache in Teheran reports that public opinion in Iran continues to take a more pro-Soviet and anti-US trend. He indicates that the Iranian press is increasingly tolerant of the Russians and continues to be intermittently critical of the US. The MA also notes an increased disappointment over the delay in US economic aid and observes that Prime Minister Razmara has predicted a serious situation this winter, especially in Azerbaijan.

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NEAR EAST-AFRICA

1. PALESTINE: Tripartite aid asked on border violation--The Jordanian Foreign Ministry has handed US Minister Drew in Amman a note requesting action under the US-UK-French Declaration of 24 May 1950 against a recent Israeli violation of Jordanian territory which Jordan claims Israel is attempting to justify with a "faked map." (The Tripartite Declaration pledged US-UK-French action to prevent violation of existing frontiers and armistice lines). According to the Jordanians, the area into which the Israelis have moved is part of the original Transjordan mandate and thus not covered by the armistice agreement between the two states. Drew states that the Jordanian Foreign Minister, who appeared unimpressed by his argument that the Tripartite Declaration was not intended to apply to minor border incidents, has also invoked the Anglo-Jordanian Treaty of Alliance. Drew adds that the Jordan Cabinet has unanimously voted to expel the Israelis forcibly but comments that although the government is known to be "extremely agitated," this move should be interpreted as a political maneuver made with the knowledge that the UK would prevent use of the Arab Legion for that purpose.

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(CIA Comment: This border violation, although minor in itself and of a type which has cropped up frequently under the Jordan-Israeli armistice agreement, could become a difficult problem for the Western Powers if the incident is not settled by diplomatic means before additional tension as generated. At the time the Tripartite Declaration was issued, the Arab states were skeptical about its usefulness in preventing a violation of existing "frontiers or armistice lines," and they will undoubtedly regard the present case as a test of Western sincerity in the matter.)

THE AMERICAS

2. BOLIVIA: Public disturbances reported--US Ambassador Florman in La Paz expresses the opinion that the recent civil violence involving students and hoodlums, in that city, may result in more serious trouble for the government. Florman feels that the current disorders are being instigated by anti-government

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elements, including the right-wing National Revolutionary Movement, the Party of the Revolutionary Left, Communists, and other subversive groups.

(CIA Comment: Public disorders may reach serious proportions, possibly even threatening the stability of the government, if the stronger dissident elements now apposing the government combine against it.)

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GENERAL

1. Schuman's views on German rearmament--According to US Embassy London, French Foreign Minister Schuman has expressed the view that German rearmament is at present inadvisable. (Schuman used rearmament in a broad sense to include both establishment of a German national army and the manufacture of ordnance items in Germany.) Although Schuman did not appear "absolutely set" on the nature of the proposed West German police force, he felt that the French would favor placing such a force under control of the individual German states, rather than under the federal government. Schuman saw no objection to a West German gendarmerie having a common organization, training, and uniform, but he stressed the importance of not giving the Germans a "taste for arms," and expressed apprehension lest any federal police force fall under the eventual command of some "old school" German militarist.

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EUROPE

- 1. BELGIUM: Prospects for present government--US Ambassador Murphy in Brussels transmits the opinion of former Belgian Premier Eyskens that the present Belgian Government has a good chance of remaining in power until after the Christmas holidays, although a revision broadening the base of the government is inevitable. Eyskens also believes that the military program of the present government has a reasonable chance of success in the October meeting of the Belgian Parliament.

CIA/Conf

(CIA Comment: CIA concurs in Eyskens' estimate regarding prospects for the Belgian Government, but believes that the military program may meet with sufficient parliamentary opposition to delay its passage beyond October. The government's proposal to extend the period of compulsory military training will be the particular target of the opposition.)

Eyskens' views on German rearmament--Ex-Premier Eyskens considers Western Germany the "key to European defense," and says that Belgians will have no confidence in European security until West Germany is equipped with from 15 to 20 panzer divisions. The former Premier believes that the question of German rearmament now overshadows every other European issue and that there can be no solution unless the US takes the lead in supporting such a rearmament. Eyskens feels that a future German army must be a component part of a European military establishment and believes that Germans at the present stage would be willing to accept French high command, but that this question might possibly be solved later by some system of rotation.

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(CIA Comment: CIA believes that although Eyskens' statements on the rearming of West Germany represent the sentiment of the Belgian people, Belgium would be most reluctant to permit German rearmament to take precedence over that of the North Atlantic Treaty nations.)

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EUROPE

1. YUGOSLAVIA: Impending food crisis--US Ambassador Allen in Belgrade expresses the opinion that Yugoslav ability to cushion the shock of the impending food shortage is limited because of the heavy commitments to Yugoslavia's capital investment program. Allen adds that even with heavy slaughter of Yugoslav livestock, the total food and feed imports necessary to avert starvation of the people will exceed one-half million and may reach one million tons before the 1951 harvest. Allen feels that any emergency relief measures must emphasize low cost and high nutritional value of the food imports. The Ambassador comments that Yugoslavia might be able to divert some portion of its dollar earnings to food purchases, but doubts if such action can be taken soon enough to provide a sufficient volume of food imports to meet immediate requirements.

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KOREA

- 1. UN forces driving toward Seoul from Incheon--In the first major counter-move since the North Korean attack, UN forces at near-division strength are attempting to cut the vital North Korean supply lines running through the Incheon-Seoul area. Elements of the US 1st Marine Division have already secured the island of Wolmi in the Incheon bay, and other UN forces which landed at Incheon are moving inland toward Seoul against light enemy opposition. Although there has been no official report indicating how far the UN forces have advanced toward Seoul (22 miles from Incheon), the North Korean radio at Pyongyang acknowledged the UN landing at Incheon and stated that the "invasion forces" were halfway to the South Korean capital city. Meanwhile, South Korean forces are reported to have landed on the east coast north of Pohang in an attempt to cut the North Korean supply lines in that area.

EUROPE

- 2. GREECE: New government considered unlikely to last long-- US Charge Minor in Athens express the opinion that the new Greek Government (a coalition of Liberals, Populists, and Social Democrats under the premiership of Venizelos) is not popular with the press or public and affords small prospect for efficiency or stability. Minor believes that a cohesive governmental policy will be even less possible than usual in coalition governments because no one party has exclusive responsibility for any one sector of government activity. The charge reports that, in contrast to optimistic public statements, the King and politicians privately voice the opinion that the government will not last many months, a feeling that is general in Greece. Minor adds that the accommodating attitude between

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the Populists and the other members of the coalition is not likely to continue and that there are already reports of some differences between Tsaldaris and Papandreou. In Minor's view, the formation and composition of the present government demonstrate that in the next crisis the US should press strongly for immediate general elections.

NEAR EAST-AFRICA

3. IRAN: USSR reported ready to conclude barter agreement--US Ambassador Grady reports that Soviet Ambassador Sadchikov has informed Prime Minister Razmara that the USSR, in response to Iran's proposal for a barter agreement, is prepared to take unlimited quantities of rice and considerable quantities of other Iranian products. Sadchikov also stated that the USSR wishes to commence discussions at once regarding Iranian gold and dollars now held in Moscow and requested Razmara to hasten the appointment of Iranian members to the Border Commission (designed to resolve disputed boundary areas). Razmara told Grady that, detecting a note of urgency in Sadchikov's conversation, he believes the USSR may be trying "to beat the USA and the UK to the punch" in aiding Iran economically. According to Grady, Razmara now believes that the USSR is serious and that the negotiations may be concluded in two or three weeks. Grady points out that the USSR would gain considerable propaganda value by concluding an agreement before any US aid is received by Iran. CIA/S
4. PALESTINE: Israeli aggression rumored--The US Legation in Amman (Jordan) has learned from the British Minister that persistent rumors have been circulating in Jerusalem concerning Israeli intentions to take aggressive action on or about 19 September against Mt. Scopus (currently occupied by Jordan forces as provided by the armistice agreement). According to the Legation, the British Minister gives much weight to these reports. The Legation believes that any Israeli armed action against Mt. Scopus would be resisted by Jordan's Arab Legion. CIA/S

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GENERAL

1. Embassy Moscow's views on Soviet trade pact--US Embassy Moscow expresses the opinion that the successful conclusion of a Soviet-Iranian trade pact, in the absence of some real measure of economic assistance from the West would be calculated by the USSR to strengthen those Iranian elements favoring a pro-Soviet orientation and to counter the expected alignment of the Razmara Government with the West. The Embassy considers it typical of Soviet policy that friendly overtures can be made to Iran at the same time subversion is being encouraged by radio propaganda beamed from Soviet territory. The Embassy believes that a speedy and appreciable loan or grant-in-aid, as recommended by US Ambassador Grady in Tehran, would: (a) bolster the Iranian economy; (b) reduce the effectiveness of Soviet efforts to draw Iran away from the West; and (c) strengthen the Iranian Government's bargaining position in connection with any firm Soviet trade offer by allowing Iran time to explore alternative trade possibilities.

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INDOCHINA

1. Viet Minh attack French border post--US Legation Saigon reports that a Viet Minh attack in strength has begun at Dong Ke, a secondary garrison town midway between the two strategic northeastern border posts of Langson and Cao Bang. The post at Dong Ke, which is held by two companies of the Foreign Legion and an understrength company of Vietnamese troops, is reported to be holding under heavy artillery and mortar fire, and French paratroopers from Hanoi have been dispatched to reinforce the garrison. Viet Minh attackers reportedly total five battalions, and another rebel group of the same size is said to be in the area. Preliminary French reports claim that the rebel battalions, recently returned from training in Communist China, are better armed and trained than any encountered thus far. Although aware of possible French over-optimism, Legation Saigon concurs in the French view that the attack on Dong Ke is not the beginning of the long-promised Viet Minh counteroffensive.

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GENERAL

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1. Soviet "determination to avoid conflict" reported--US Minister Vincent in Bern reports that the French First Secretary, as a result of an extraordinary 3-hour conversation with the Soviet Charge there, has expressed the opinion that the "Russians really have the wind up over US and Western Europe's current policies and determination to mobilize against aggression." During the course of the conversation, the Soviet Charge stated with considerable elaboration that "Russia's desire for peace was so strong that even US warmongering and aggression could not check Soviet determination to avoid conflict." The Soviet Charge made no attempt to keep private the conversation, which took place at a Bulgarian Legation reception. The French Secretary received the impression that the Soviet Charge was "desperately in earnest to perform an assigned task and sincerely fearful of being misunderstood."

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1398

EUROPE

- 1. YUGOSLAVIA: Food situation reported worsening--US Ambassador Allen in Belgrade reports that the Director of CARE operations in Yugoslavia, after returning from a two-week trip through the drought-stricken provinces of Croatia and Dalmatia, expressed the conviction that the food situation has reached "disaster proportions." The CARE Director believes that "only large-scale mobilization of international assistance can prevent great starvation" this winter.

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GENERAL

- CIA/S
1. Soviet UN delegates' views on Korea--During a recent conversation with members of the US Delegation to the UN, the Byelorussian and Ukrainian delegates emphasized the view that the Korean war should be ended promptly. The two Soviet delegates also remarked that the North Koreans might soon make a peace offer and expressed the belief that the war should be settled by the Koreans themselves without foreign intervention. In reply to a comment that the Korean war had developed into a "big affair," the Soviet delegates observed that, at least by Soviet standards, it was a small and unimportant matter.

 2. Armament shipments for North Koreans reported--At the request of the Department of State, the British Embassy in Washington has cabled Hong Kong asking for investigation and possible detention of the Polish merchant vessel WARTA, reportedly about to sail for Taku Bar with armaments destined for North Korea. The Department has advised US Consul Hong Kong that the Departments of State and Defense are considering the possible necessity of having General MacArthur direct the seizure of the vessel if it proceeds toward Taku Bar with the armaments cargo.

 3. US views on Chinese Nationalists and Taiwan--The Department of State has informed Embassy Taipei that, in view of the fact that the Taiwan question has been placed before the UN General Assembly, the US is not in a position to enter into long-term commitments with the Chinese Nationalist regime. In the Department's opinion, the UN offers the best channel for a peaceful and just solution of the problems centering on Taiwan.
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EUROPE

4. AUSTRIA: Austrians reassessing their position--US Charge Dowling in Vienna reports that, as a result of the growing realization among the Austrian people that the Western Powers may not be able to negotiate an Austrian treaty with the USSR, there are uneasy stirrings toward an active Austrian role in the East-West struggle. In the Western zones of Austria, the new attitude is reflected by rural movements for the formation of resistance bands against an eventual Soviet invasion. In the Soviet zone of Austria, although the attitude of local officials and political leaders is still unwaveringly firm, the population as a whole is showing less resistance to Soviet pressures and a tendency to come to terms with the occupation authorities. The Charge comments that the Austrians, rather than turning toward the West for further help, are attempting to find within themselves the resources with which to meet any coming crisis. Dowling has no great anxiety regarding Austria's allegiance to the West, but asserts that the West risks losing the practical values of that allegiance unless more dramatic evidence of Western support of Austria is forthcoming.
5. UNITED KINGDOM: Effect of steel nationalization--US Embassy London estimates that the British Government's decision to proceed with steel nationalization has plunged the country into party strife, with a resulting setback in Britain's sense of urgency regarding the international situation. The Embassy feels that this bitterly controversial issue will almost eliminate the cooperation which the Conservatives would have given and which is particularly necessary in the conduct of foreign affairs and defense matters.

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(CIA Comment: CIA agrees that Labor-Conservative political strife has been greatly increased by the government's decision on the steel issue, but doubts that this controversy will appreciably reduce the present degree of Conservative co-operation in basic defense and foreign policies.)

FAR EAST

6. **THE PHILIPPINES: Huk strength increasing**--US Embassy Manila, in summarizing the activities of the Huk dissidents in the Philippines thus far in 1950, reports that Huk bands, which were largely concentrated in central Luzon, have now spread to almost all parts of that island and to Panay and Mindanao as well. The Embassy considers that Huk expansion placed particular emphasis on northern Luzon areas adjacent to the Formosan straits, probably in the expectation of receiving material assistance from the Chinese Communists following the capture of Taiwan. The Embassy believes that although little or no aid from mainland Asia has reached the Huks, there are prospects for increased Huk activity now that the rainy season is ended. In the Embassy's opinion, coordinated Huk raids may take place on such anniversary dates as National Heroes' Day, 30 November.

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GENERAL

- 1. Danish concern regarding 38th Parallel--US Ambassador Anderson in Copenhagen transmits the opinion of the Danish Prime Minister that a crossing of the 38th Parallel by UN forces in Korea would be a catastrophe which would rapidly dissipate full Danish and European support for the US and the UN. (Presumably the Prime Minister was thinking of a crossing of the 38th Parallel by UN troops without specific authorization from the UN.) CIA/S

- 2. Danish and Norwegian views on West European defense-- According to the US Ambassadors in Copenhagen and Oslo, although generally favoring the establishment of a unified NATO military command and German participation in the defense of Western Europe, the governments of Denmark and Norway will be unable to give firm approval at the 25 September NAT Council Meeting since such action requires further consultation and final sanction by the parliaments of the two countries. The Norwegian Storting is now in session, but the Danish Rigsdag does not convene until 4 October. Both countries are opposed to general German rearmament and the creation of a separate German army and will insist upon integration of whatever German forces are authorized. Minor constitutional problems may arise concerning a unified command, but none are foreseen which cannot be overcome. CIA/PLAIN
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- 3. UK doubts "general offensive" begun by Viet Minh--US Embassy London forwards the informal opinion of UK Foreign Office experts that present Viet Minh military action in the Indochina frontier area will be limited in CIA/S
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character and that the long-heralded "offensive" will probably be delayed "for several months at least," primarily because communications with Communist China are still inadequate for the transport of essential heavy military equipment.

EUROPE

4. YUGOSLAVIA: Additional loans questioned--US Ambassador Allen in Belgrade reports that the representatives of the International Bank for Reconstruction and Development (IBRD) now in Yugoslavia have expressed their "strong opposition" to additional dollar loans, which they consider Yugoslavia would be unable to repay without drastic revision in its investment program. The IBRD representatives pointed out that Yugoslavia, despite the \$55 million credits already extended by the Export-Import Bank, is running an annual balance of payments deficit of \$100 million. In reply, Ambassador Allen stated that the Yugoslav Government was counting heavily on aid from the International Bank and would find it politically difficult to request any aid which would imply a change in its "neutral" position. Allen also expressed the belief that if the long-term IBRD loans were not made, Yugoslavia "might well fall under Cominform domination again."
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(CIA Comment: CIA believes that Yugoslavia's failure to obtain credits from an international agency would weaken its "independent position" between East and West and add to Tito's rapidly growing political and economic difficulties.)

5. EAST GERMANY: Soviet view of East German status--During a recent conversation in Bern regarding possible East German participation in an East-West trade agreement, the Soviet Charge remarked to Executive Secretary Myrdal of the UN Economic Commission for Europe that the Soviet Government was no longer in a position to speak for the East German Government because the latter represents an independent state. Myrdal was somewhat puzzled by this information and uncertain as to how much importance should be attached to it. S/S

FAR EAST

6. TAIWAN: UK suggestion for UN commission on Taiwan--The UK Delegation to the UN has shown the US Delegation a "tentative" draft resolution proposing that the General Assembly establish a commission to study the Taiwan issue. The proposed commission would consult all interested parties, including the Chinese Communists, and make recommendations to the Assembly concerning the future of Taiwan. The UK draft also suggests that, pending Assembly consideration of the commission's report, a solution of the Taiwan problem should not be attempted by force and that Taiwan should not be used as a base for attacks on the Chinese mainland. CIA/S

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7. CHINA: Nationalists oppose UN discussion of Taiwan--
US Embassy Taipei reports that the Chinese Nationalist Foreign Minister has delivered an "authoritative" statement that his government would continue to oppose the discussion of the ultimate status of Taiwan in any organ of the UN. In explaining this position, the Foreign Minister pointed out that his government had no objection to moves calculated to gain international support for the maintenance of a "truce status" for Taiwan so long as Korean hostilities continued, but that in the absence of information regarding US intentions in the proposed UN discussion, his government was unable to make any commitments regarding long-range questions.

S/S

8. INDONESIA: UN membership application to be filed--US
Embassy Jakarta reports that the new Indonesian Cabinet has authorized its representative in New York to file at his discretion Indonesia's application for membership in the United Nations. The Embassy informant also discounted entirely the rumor that his government would like to have India sponsor Indonesia's application for UN membership.

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GENERAL

- 1. Soviet views on Austrian High Commission--The USSR, in response to the US note which requested Soviet participation in the Western decision to appoint civilian High Commissioners in Austria, has described the Western proposal as "imparting nothing new to the existing control mechanism in Austria." The USSR specifically rejected the Western assertion that the appointment of civilian High Commissioners would ease Austria's occupation burden.

CIAS

EUROPE

- 2. GERMANY: Reaction to Foreign Ministers' communique-- US High Commissioner McCloy in an estimate of preliminary German reactions to the recent Foreign Ministers' communique believes that a favorable atmosphere has been created for the negotiations which must now follow between the High Commission and the German Federal Government. McCloy adds that if the Western Powers can implement their commitments without undue delay, they should achieve real progress in Germany both in terms of the East-West struggle and the development of German democracy.

CIAS

FAR EAST

- 3. INDOCHINA: French hesitancy in creation of national armies-- US Legation Saigon, in the course of a detailed review of French proposals for US military aid to Indochina, is "especially disturbed" by the possibility that the French contemplate no "real increase" in the total number of native forces

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under arms. Pointing out that the Vietnamese will to fight may well be the missing key component in a solution of the Indochina problem, the Legation expresses its belief that a "fairly rapid" solution requires greatly increased native forces and that the value of the concept of a national army will be dissipated unless both Bao Dai, the Cambodians and the Laotians are consulted and their desires met to the extent permissible. The Legation strongly urges that the role the US is to play in relation to such national forces be defined during negotiations on the French request for aid. Stating that the military elements of a solution to the Indochinese problem cannot be divorced from the political aspects, the Legation concludes that delay in the creation of national forces has been due not only to French hesitancy to make such a concession but also to the skepticism in some French and US military circles regarding the value of "native troops."

4. BURMA: Top leftists expelled from Government party-- US Embassy Rangoon reports that two prominent leftist labor leaders have been expelled from the majority political party in Burma, the Anti-Fascist Peoples' Freedom League (AFPFL), as well as from the Burmese Parliament.

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(CIA Comment: Expulsion of these labor leaders will probably cause a decisive split between the moderates and the extremists in the Burma Socialist Party, the main component of the AFPFL. So long as the moderates continue victorious, a further improvement in Burmese relations with the West can be anticipated.)

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25 SEP 1950

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GENERAL

1. Views on future of Korea--Secretary General Bajpai of the Indian Ministry of External Affairs has expressed to US Embassy New Delhi the hope that North Korean forces would be trapped below the 38th Parallel and military operations thereby ended. Bajpai said that India felt that extension of military action north of the Parallel was generally not in the interests of peace and he emphasized that India attached the greatest importance to a unified and free Korea after the question of aggression was resolved.

CIA/S
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Meanwhile, the British Delegation to the UN has shown the US Delegation a draft resolution proposing the creation of a UN Interim Commission to conduct preliminary discussions with North Korean representatives regarding the future of Korea. The proposed commission would inform the North Koreans that any UN forces entering North Korea would do so for the purpose of maintaining law and order until a unified Korean Government had been established following UN-supervised elections throughout the country. The UK draft also provides for the establishment of a UN Unification Commission to supervise the elections and to assume the functions of the present UN Commission on Korea.

EUROPE

2. GERMANY: Attitude toward rearmament--According to US High Commissioner McCloy in Bonn, Chancellor Adenauer's military adviser, General Schwerin, has stated that the Federal Republic could recruit 100,000 men and have five German combat divisions ready within 12 to 18 months.

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Schwerin added that it would then be "relatively simple" to expand "rapidly" to 15 divisions, provided a draft was instituted.

Deputy High Commissioner Hays reports that for the first time the Federal Republic is showing signs of willingness to agree to only emergency federal control over the authorized 30,000-man police force. (Chancellor Adenauer probably hopes to be asked by the Western Powers to create a German military force in the near future.)

3. YUGOSLAVIA: Food situation continues to worsen--US CIA/conf
Embassy Belgrade reports that the over-all estimate of crop yields continues to decline as the harvest of corn, sugarbeets, and late potatoes progresses. Heavy slaughtering of livestock is taking place in anticipation of coming winter feed shortages, but there is no evidence of a Yugoslav effort to arrange for imports of bread grains or livestock feeds to make up the food deficit. The present government plan is apparently to secure the minimum requirements of sugar, beans, and fats, and one Yugoslav official has indicated that an immediate 10 percent cut in bread rations for all consumer categories is being considered. The Embassy feels that such a reduction would be grossly inadequate to close the food shortage gap.

FAR EAST

4. INDOCHINA: Prospects for Viet Minh offensive--US CIA/S
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Legation Saigon reports the opinion of French High Commissioner Pignon that, while more than one of the border

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posts in the northern province of Tonkin may have to be abandoned in order to conserve French mobile reserves in the Hanoi area, there is no danger of any important Viet Minh offensive movement in South Vietnam. Pignon stated that a Viet Minh attack in the pacified Phat Diem region of southern Tonkin is probable "shortly" but that the French were not "particularly worried" because troops could be sent into the region by sea. Pignon added that there was "absolutely no evidence" that Chinese Communist troops had participated in the recent Viet Minh capture of Dongkhe.

US Embassy London, meanwhile, reports that the UK Foreign Office has revised its over-all estimate of the military situation in Indochina and now feels that a general Viet Minh offensive is possible in the near future. Citing field reports indicating October as the probable time for a Viet Minh offensive, the Foreign Office declares that the present French attitude appears to be "unwarrantably complacent."

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26 SEP 1950

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GENERAL

CIA/S

- 1. ROK views on 38th Parallel--The South Korean Foreign Minister and the Ambassador to the US have again expressed their conviction to US representatives at the UN that the 38th Parallel should be obliterated and the original boundaries of Korea restored. The Korean spokesmen reiterated their views that the Republic of Korea (ROK) should take jurisdiction north of the 38th Parallel as soon as possible and that UN-observed elections should be held there to fill the 100 seats which have always been held open in the ROK National Assembly. The two Korean officials also "raised violent objections" to bringing North Korean representatives before the UN because they felt such an action would imply UN doubt regarding the capacity and legality of the South Korean Government.

EUROPE

- 2. ITALY: Communists now taking moderate line--US Ambassador Dunn in Rome reports that the Italian Communist Party is now radiating "sweetness and light," undoubtedly with the aim of convincing the Italians there is no urgency to rearm or organize special anti-sabotage squads. Dunn adds that the Communists are feigning a certain amount of collaboration on internal issues with their antagonists, as evidenced in a recent speech by Communist leader Togliatti, who mentioned the possibility of collaboration among citizens holding the most opposite opinions in an effort to keep Italy out of war. Togliatti also declared that there is no need for social competition to be resolved by a war involving the entire world.

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FAR EAST

3. **THE PHILIPPINES: Financial crisis impending** --US Embassy Manila reports that the Philippine Government's available funds have dwindled to some \$2.5 million and will be exhausted by the end of September. As a result of this critical financial situation, the head of the Philippine Central Bank intends to approach the US for a budgetary loan of approximately \$250 million, as well as a loan of \$200 million for industrial purposes.

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GENERAL

1. Soviet attitude toward UN occupation of North Korea--The US Delegation to the UN transmits the opinion of the UK Ambassador in Moscow that the Kremlin, in considering the turn of the military tide in Korea, might regard the occupation of North Korea by UN forces as a cause for war. The UK Ambassador points out that, although there have been no official indications of the Kremlin's reaction to the altered Korean situation, the Soviet leaders are undoubtedly seeking means either to forestall UN occupation of North Korea or, failing this, to neutralize the dangers to the USSR that such an action would raise. In considering the possible actions open to the Kremlin, the UK Ambassador feels that the USSR will hesitate to put forward detailed proposals on either count but will take full advantage of any well-intended but naive proposals which might be put forward in the UN. If such an opportunity is not presented, the UK Ambassador believes the main Soviet effort will be made in the propaganda field.

The UK Ambassador suggests that, in addition, the Kremlin may attempt to distract attention from the Soviet failure in Korea by staging a diversion elsewhere, with Indochina and Berlin being obvious possibilities. In analyzing the possibility that the USSR might risk a global war in order to restore its prestige and eliminate a threat to its security, the UK Ambassador concludes that the USSR is unlikely to assume this risk primarily because "Stalin has never yet been prepared to risk all in order to gain all." The UK Ambassador comments that, if UN forces occupy North Korea, the resulting reorganization of the country and the attendant publicity will have far-reaching consequences throughout Asia.

(CIA Comment: CIA agrees that: (a) the USSR is undoubtedly searching for methods either to forestall a UN occupation of North Korea or to neutralize its effect; and

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(b) the USSR will probably not take any steps which in the Kremlin's opinion would be likely to precipitate war with the US.)

2. Comments on proposed new UN Commission on Korea--
The US Delegation to the UN reports that former General Assembly President Romulo, commenting on the UK draft resolution for establishing a new commission on Korea, stressed the need of assuring the proposed new unification commission of full cooperation from the authorities of the Republic of Korea. Romulo feels that great care should be used in selecting members for the new commission and emphasized that India, the Philippines, Australia, New Zealand, and Canada should serve. Romulo added that non-Asian members should be chosen on the basis of capacity and willingness to help establish a unified democratic Korea.

EUROPE

3. GERMANY: Role in Western defense causes concern--
According to US High Commissioner McCloy in Frankfurt, Chancellor Adenauer, although very pleased with the recent actions of the US-UK-French Foreign Ministers, is distressed about rumors that a decision in principle on the employment of "German contingents" in Western defense may be postponed indefinitely. Adenauer believes that any formal announcement to this effect would have serious repercussions in Bonn by strengthening the hand of the government faction which continues to oppose German participation in Western defense efforts. Adenauer also believes that German public opinion requires "a good deal of careful working on" before

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it readily accepts the idea of participation, and that efforts to mold opinion cannot begin openly until the Western Allies announce their decision. McCloy feels there would be no objection in the Federal Republic Government if the Germans were requested in the near future to consider a contribution to be made at a later date.

4. BELGIUM: Supreme Western commander favored--US Ambassador Murphy in Brussels reports the opinion of a Belgian Foreign Office official that, although a constitutional question is involved in the transfer of sovereignty required to create a joint Western supreme defense command, there will be no difficulty in obtaining the necessary legislation. The Belgian official declared that such ground, air, or sea combat units as Belgium has now or may have in the future would be allocated to the supreme high command. The Belgian official remarked that it was difficult for the Belgian Government to understand why an interim appointment of a chief of staff should be preferred to the immediate appointment of a supreme commander.

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GENERAL

1. US views on Taiwan's future--The Department of State has authorized Minister Rankin in Taipei to inform the Chinese Nationalist Government, at his discretion, that the US desires in regard to Taiwan first, to gain UN support for the unilateral US "neutralizing" action of 27 June and second, to establish the principle that the Taiwan question should be settled by peaceful means. The Department feels that acceptance of the principle of peaceful settlement would not prejudice the nature of arrangements finally achieved, and points out that meanwhile the status quo on Taiwan could be maintained. The Department adds that present thinking favors a thorough investigation of the Taiwan question by a UN commission and expresses doubt that such an investigation could be completed during the present General Assembly session.
2. Indian views on 38th Parallel--US Ambassador Henderson in New Delhi reports that Secretary General Bajpai of the Indian Ministry of External Affairs has expressed the opinion that Prime Minister Nehru does not intend to support any military action in Korea north of the 38th Parallel. Henderson points out, however, that there are influential elements in India which might be willing to agree to the occupation of all Korea by UN forces provided the whole country is placed under UN control until a nation-wide plebiscite can be held. The Ambassador considers it "barely possible" that Nehru might be persuaded to go along with a solution of this kind.

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EUROPE

- 3. GERMANY: Soviet harassment in Berlin-- General Taylor, US Deputy High Commissioner in Berlin, reports that the recent intensification of Soviet harassment in Berlin has increased tension in the city, but adds that Western occupation authorities are not particularly alarmed. Taylor feels that the recent Soviet "incidents" are intended to influence East Germans on the eve of the Soviet Zone elections and to decrease participation in the 1 October West Berlin industrial fair.

CIA/Com/

(CIA Comment: The primary purpose of these renewed Soviet tactics is probably the usual one of undermining the confidence and morale of the West Berlin and West German population. The Communists may also estimate that a display of strength before the 15 October elections will discourage the East Germans from passive resistance during the elections.)

- 4. PORTUGAL: Attitude toward Western defense--US Ambassador MacVeagh in Lisbon has been informed by Portuguese Foreign Minister Cunha, during a discussion of the Portuguese position regarding Western defense, that his government favors the maximum possible use of the German defense potential. Cunha added that Portugal also favors the establishment of an integrated defense force under a unified command, but cannot agree to contribute to such a force so long as Spain remains outside the defense system. Cunha also stated that his government holds that decisions of the proposed unified command should not apply, without their consent, "to countries lying outside the integrated area."

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(CIA Comment: Spain's exclusion from the NATO is not the major reason for Portugal's unwillingness to contribute to an integrated defense force. Premier Salazar is primarily concerned with finding a way to remain in the NATO without reducing the authority of his totalitarian regime and the political predominance of the Portuguese military caste. Salazar's desire to have Spain brought into European defense plans is nonetheless a consideration because of his obligations under the Spanish-Portuguese Treaty of Friendship and Non-aggression.)

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EUROPE

1. SWEDEN: Reaction to UN successes in Korea--US Ambassador Butterworth in Stockholm reports that recent UN victories in Korea have decisively dispelled the spirit of defeatism and pessimism which had prevailed in Sweden and have renewed Swedish confidence in the UN as an effective peace instrument. Butterworth adds that recent UN successes in Korea have also reduced Swedish fears of a third world war.

CIA/emp.

2. ITALY: Fusion of Socialist parties predicted--US Ambassador Dunn in Rome reports the view of a high official of the Italian Interior Ministry that the two non-Communist Socialist parties may combine soon and that such a fusion would attract considerable numbers from the pro-Communist Socialist Party as well as deal a "terrific blow" to the Italian Communist Party. The Italian official added that, once the Socialist fusion gets under way, it is "not impossible" that some Communist leaders would break with their Party.

CIA/S

(CIA Comment: Considerable evidence indicates that the predicted Socialist fusion may take place in the near future, but the present solidarity of Communist leadership in Italy is not likely to be affected.)

NEAR EAST-AFRICA

3. TURKEY: Government accepts NAT proposal "in principle"-- Turkish Foreign Minister Koprulu has informed US Ambassador Wadsworth in Ankara that the Turkish Government has decided to accept in principle the invitation of the NAT Council to

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participate in military planning for mutual defense of the Mediterranean area. The Turkish Foreign Minister also stated that his country would continue to give full support to UN action regarding Korea and to current US proposals for strengthening the security powers of the General Assembly. Koprulu expressed the hope that Spain might be brought into closer relationship with the Western Powers and with specialized UN agencies as preliminary steps toward eventual Spanish association in Mediterranean defense.

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GENERAL

1. US concerned over lessened German cooperation--The Department of State has expressed to US High Commissioner McCloy its concern over indications from several sources that the Germans have recently taken a less cooperative attitude in negotiations on the Schuman Plan, probably because they feel their position has been strengthened by the apparent eagerness of the Western Powers to sue for German military support. The Department suggests, in view of the great importance of the German attitude during this period while the Western allies are attempting to reach agreement of German participation in a common defense, as well as the long-range importance of the outcome of the Schuman Plan, that McCloy may wish to point out to West German Chancellor Adenauer that this feeling of decreased German cooperation exists generally among the Western nations. The Department considers that current discussions of drawing Germany into a common defense arrangement, far from lessening the need for European economic cooperation, make it more imperative that the negotiations on the Schuman Plan, to whose success the US attaches great importance, be concluded rapidly and satisfactorily.

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FAR EAST

2. Possible Chinese Communist intervention in Korea--US Ambassador Kirk has received reports from his British and Dutch colleagues in Moscow that Chinese Communist leaders in Peiping favor Chinese military intervention in the Korean war if UN forces cross the 38th Parallel. According to Kirk's information, reports concerning the existence of this sentiment among Chinese Communists have come from the Dutch charge and the Indian ambassador in Peiping. The Indian representative is reported to have told his government that a Chinese Communist decision on intervention has

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crystallized since mid-September and is based on the conviction that the entering of US forces into North Korea would indicate a basic US aim to carry the war to Manchuria and China in order to return Chiang Kai-shek to power in China. In commenting on this information, Kirk says he finds it difficult to accept these reports as authoritative analyses of Chinese Communist plans. He takes the line that the logical moment for Communist armed intervention came when the UN forces were desperately defending a small area in southern Korea and when the influx of an overwhelming number of Chinese ground forces would have proved a decisive factor. He warns that prudence is indicated in this situation but expresses his view that the Chinese Communists, through press propaganda and through personal contacts with foreign diplomatic personnel, have taken a strong line since the Inchon landing in the hope of bluffing the UN on the 38th Parallel issue.

3. INDONESIA: Army faces tense situation with Ambonese--
An Indonesian army officer has disclosed to US Consul Mill in Surabaya that the Indonesian army is on stand-by orders in that area as a consequence of increasing tension with Ambonese armed units which were members of the Dutch colonial forces prior to the granting of Indonesian independence. According to Mill's informant, the Ambonese are well armed and very bitter against the Indonesian army. He regards the situation as potentially very serious.

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