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GENERAL

1. Nationalists concerned over US Taiwan plans--US Embassy Taipei reports that the Chinese Nationalist Foreign Minister and other high officials are concerned over US aims regarding Taiwan. According to the Embassy, the Chinese--both Nationalist and Communist--are evidently convinced that the US has already formulated a long-range plan for Taiwan, perhaps in conjunction with the UK. As a result, the current US attitude on the Taiwan issue is regarded by the Nationalists as "something less than frank." In summarizing his government's attitude, the Nationalist Foreign Minister informed the Embassy that he would very much like to go along with the US in UN negotiations, but that he must "first know where the US is going."

S/S

EUROPE

2. UNITED KINGDOM: Analysis of political trends--US Embassy London, in an analysis of recent political developments, expresses doubt that "the Government will decide to hold an election this fall" and believes that at the Labor Party conference beginning 2 October the party, under Attlee's firm hand, will present a united front. The Embassy further believes that unless the international situation deteriorates, intense warfare between the Labor and Conservative parties will continue unabated, although neither side will inject major foreign policy or defense issues into the picture and the basic unity of the British on fundamental international issues will not be disturbed.

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FAR EAST

3. **KOREA: Report on conditions in Seoul--US Ambassador Muccio reports his return to Seoul and indicates that virtually all members of the Korean Cabinet headed by President Rhee are in the city and plan to remain. Muccio says that loss of life and property damage in Seoul and the surrounding area are "terrible and beyond description." Seoul is without water, electricity, and means of communication; food is short and the health hazard is great. He comments that the population is "in dire straits as a result of the harsh experiences of the past three months but is remarkably cheerful in the face of tremendous losses." He concludes that the rehabilitation work has already begun and that steps are being taken to bury the dead, demolish the roadblocks, and clear the streets.**

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GENERAL

1. Possible Chinese Communist intervention in Korea--US Embassy London transmits a report from the UK Foreign Office that Chinese Communist Foreign Minister Chou En-lai called in Indian Ambassador Panikkar in Peiping on 3 October and informed him that if UN armed forces crossed the 38th Parallel, China would send troops across the frontier to participate in the defense of North Korea. Chou En-lai reportedly added that this action would not be taken if only South Korean forces crossed the Parallel. CIA/S

(CIA Comment: The Chinese Communists have long had the capability for military intervention in Korea on a scale sufficient to materially affect the course of events in Korea, and they now are supporting Soviet efforts to intimidate and divide the US and its UN allies over the issue of crossing the 38th Parallel. CIA estimates, however, that the Chinese Communists would not consider it in their interests to intervene openly in Korea if, as now seems likely, they anticipate that war with the UN nations would result.

The "reliability and accuracy" of the source of this report are open to question. It is also entirely possible that he is being used by the Chinese Communists to plant this information in an effort to influence US and UK policy.)

EUROPE

2. GERMANY: Schumacher's views on defense role--US High Commissioner McCloy in Bonn has been informed by West German Socialist leader Schumacher that he believes the Germans would consider sharing in the defense of their country only after being firmly convinced by a sizeable increase in US forces in Germany that there is a real chance S/TS

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to defend West Germany "as far east as possible." (The cooperation of the Socialist Party will be essential to West German participation in any West European defense system.) Schumacher visualizes German participation in the form of a mobile force for which he thinks the Germans are traditionally and psychologically best equipped. In regard to the projected West German police force, Schumacher felt it was of the "utmost importance" for the police to be strictly separated from the military. After a discussion of the police proposal with McCloy, Schumacher expressed the opinion that the police plan was "workable."

3. YUGOSLAVIA: Tito-Kremlin relations unchanged--US Ambassador Allen in Belgrade reports that although there are indications the USSR is adopting a "milder tone" in various countries, he has seen no evidence of any shift in the Soviet attitude toward Tito. The Ambassador doubts that the rumored "secret meetings" between Yugoslav and Soviet representatives have taken place. Allen concludes that although Marxists both in and out of the Cominform might like to be reunited, he does not believe Tito or any responsible member of his regime would either take the initiative toward a rapprochement or listen to any overtures from Moscow with anything but the greatest of skepticism.

CIA/s

(CIA Comment: CIA concurs with Ambassador Allen's estimate.)

NEAR EAST-AFRICA

4. Afghans penetrate Pakistani territory--US Embassy Karachi has been told by the Pakistani Foreign Secretary that 500 Afghan tribesmen and army regulars penetrated Pakistani territory near Domandal, Baluchistan, during the night of

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30 September-1 October. The Embassy reports that the Pakistani military commander in that area has orders to expel the invaders but not to pursue them across the Afghan border, and that Pakistani air reconnaissance is on the lookout for other troop concentrations or movements.

(CIA Comment: This incident is indicative of the strained relations existing between Afghanistan and Pakistan, largely as a result of Afghan provocation. Pakistan should have little difficulty in expelling the invaders and no serious trouble is likely to arise from this incident.)

FAR EAST

5. INDOCHINA: International force proposed for Indochina-- The Commanding General of French forces in North Vietnam, General Alessandri, has informed US Consulate Hanoi of his personal hope that a UN international force, such as that in Korea, may be made available for use against the Viet Minh in Indochina. Alessandri admitted that Korea was "politically different," but said that Chinese Communist assistance to the Viet Minh paralleled the Korean situation. He added that ten additional battalions in North Vietnam would allow him to "thumb his nose" at the Viet Minh but that, without these additional troops, he must keep his own main force in the delta area and risk the possibility that the increasingly strong insurgents may "spill across the Red River" into the region of Annam and the associated state of Laos.

CIA/S

6. INDONESIA: Government attacks Ambon insurgents--The US representative on the UN Commission for Indonesia (UNCI) reports that information from Dutch sources indicates an abandonment of Indonesian efforts to achieve a peaceful

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solution to the Ambon uprising. Indonesian troops reportedly attacked Ambon on 29 September and landed additional forces on 1 and 2 October. Although Indonesian Government officials have not confirmed the attack, Foreign Minister Rum has told US Ambassador Cochran that military action against Ambon had been recommended. Rum, in an effort to explain his government's rejection of UNCI good offices in settlement of the insurrection, expressed the opinion that involvement of a United Nations group in the dispute would "encourage" the "rebellious parties" and "could even do unpredictable harm."

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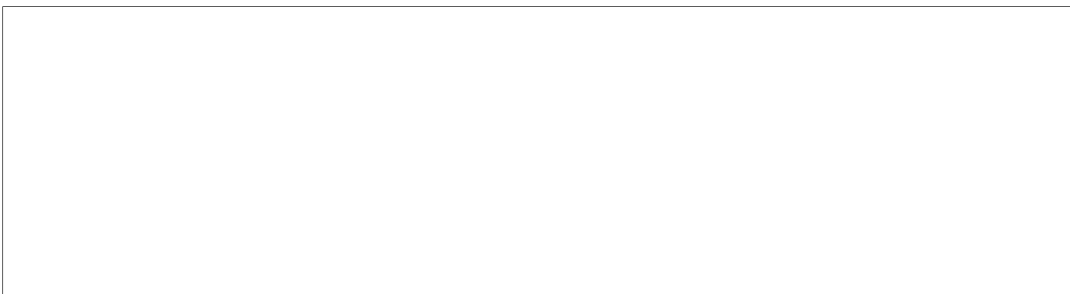
GENERAL

1. Schuman favors French-German defense agreement--At the close of the North Atlantic Council discussions in New York, French Foreign Minister Schuman remarked that "he was thinking" of personally taking the initiative regarding German participation in a North Atlantic defense force. Schuman added that he realized the importance of France "not being dragged along"; he mentioned as a device to bring about some sort of French-German agreement, the possibility of a common French-German defense budget that the other Western European governments might join.
2. Kirk's views on Chou En-lai statement--US Ambassador Kirk in Moscow, in evaluating the significance of Chinese Foreign Minister Chou En-lai's statement to the Indian Ambassador in Peiping that Chinese troops will intervene in North Korea if UN troops cross the 38th Parallel, expresses surprise that a message of such serious nature was not conveyed more directly either to the UN or the US. Kirk reports that the British Embassy in Moscow concurs with the US Embassy "speculation" that Chou En-lai's statement may be a last-minute Chinese attempt to play upon Indian apprehension in order to retain for China and the USSR whatever can yet be salvaged from the Korean situation.

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EUROPE

4. **AUSTRIA:** Communists may shift to economic issues-- According to US Charge Dowling in Vienna, the most important factors in the recent strikes and demonstrations in Vienna and eastern Austria were: (a) the overtness of Soviet instigation and assistance; and (b) the ineffectiveness of the Austrian police. Dowling reports that Austrian Government leaders are now thoroughly alarmed by the situation and determined to prevent a recurrence of the outbreaks. Dowling thinks the Austrian Communist Party may have decided to concentrate on economic issues; he suggests that the USSR may have decided that it can, with impunity, openly aid the Austrian Communist Party in exploiting economic issues, despite the obvious violation of the Allied Control Agreement. Dowling expresses the view that, if the USSR has decided upon such a course, "grave difficulties" can be created by imposing a severe strain on the Austrian Government and economy.

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GENERAL

- CIA/S*
1. US view on Chinese intervention in Korea--The Department of State, in examining the possibility of the Chinese Communists defending North Korea if UN forces cross the 38th Parallel, expresses the view that the only question is the extent of Chinese intervention in Korea. In support of this view, the Department points out that Manchuria is now a very important source of supply for North Korea and that 20-30,000 Chinese-trained troops of Korean origin have already been sent to the North Korean army. The Department feels that any Chinese Communist statements regarding intervention at this time can only be designed to dissuade UN members from supporting firm UN action. The Department emphasizes that a hostile army in the field is continuing operations against UN forces and that any delay in a UN decision on Korea could only result in increased defiance of the UN, as well as placing further difficulties in the way of achieving a unified Korea.
 2. Danish opinion favors crossing 38th Parallel--US Ambassador Anderson in Copenhagen reports that the recently-expressed fears of the Danish Prime Minister that Danish support would be lost if UN forces crossed the 38th Parallel are not being confirmed by the current trend in press comment or public opinion. The Ambassador comments that the magnitude and speed of the UN advances in Korea seem to have overcome recent Danish apprehension; she adds, however, that these Danish anxieties "may be expected to remain just under the surface."
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EUROPE

3. **THE NETHERLANDS:** Delay in extending military service-- US Ambassador Chapin in The Hague reports that although Dutch Prime Minister Drees is prepared to continue the military service of most Dutch conscripts beyond 12 months "if necessary for technical reasons," he refuses to make an official public decision in the matter. Chapin adds that Marshal Montgomery is expected to make an "emphatic representation" to Drees regarding the necessity for extending the military service term to 18 months. According to Chapin, the British Ambassador at The Hague believes that the Dutch will eventually "fall in line."

CIA/S

NEAR EAST - AFRICA

4. **CEYLON:** Suggested strengthening of defense-- US Embassy London reports that the Government of Ceylon has suggested that the UK underwrite an expanded Ceylon defense program and has intimated that the US should also be called upon to help. The Government of Ceylon apparently feels that it should provide men and sites for bases in return for Western arms and equipment. The Embassy comments that the UK will probably reject the Ceylonese approach and suggest that Ceylon itself assume greater responsibility for improving its security position.

CIA/S

FAR EAST

5. **INDOCHINA:** French military tactics in Indochina-- The Commanding general of French forces in the Far East, General Carpentier, in discussing the recent abandonment of several

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northern border posts by French forces, stated that the primary French aim was the defense of the "useful" portions of North Vietnam. Carpentier declared that the abandoned border posts, which had previously been important for collecting intelligence, hindering Sino-Viet Minh collaboration, and disarming fleeing Chinese Nationalist remnants, were no longer "worth the military risks." (Meanwhile, press reports quote a French communique to the effect that the frontier post of Caobang has been abandoned, making a total of four such points given up by the French since 18 September.)

6. KOREA: Situation in South Korean capital--US Ambassador Muccio in Seoul, in reviewing the situation in the South Korean capital since the entrance of UN forces, reports that the population appears to be genuinely happy to see the UN forces and to be relieved of the intolerable Communist occupation. The Ambassador confirms earlier press reports of general devastation and destruction throughout Seoul, but points out that a considerable part of the destruction of larger structures seems to be the result of fires started by the Communists prior to their departure. Muccio adds that the Government of Korea is approaching the problem of reprisals against collaborators cautiously, having already called on the population to exercise restraint; he feels that the "revenge problem" is somewhat easier because the Communists took several thousand collaborators and hostages with them.
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GENERAL

1. US stresses need for prompt UN action on Korea--The Department of State, as a result of reports that the Netherlands Delegation to the UN would sponsor the idea of suspending hostilities in Korea for two weeks in order to explore all avenues of a peaceful settlement, has instructed Ambassador Van Roijen at The Hague to urge the Netherlands Government "in the strongest terms" not to take such action. In stressing the need for prompt and firm action on Korea by the UN, the Department points out that North Korean forces are withdrawing as rapidly as possible with the obvious intent of regrouping and reforming behind the 38th Parallel. The Department adds that the North Koreans have shown no indication they intend to comply with General MacArthur's call to cease hostilities. As further evidence that the North Koreans plan to continue fighting as long as possible, the Department points out that considerable amounts of military supplies are continuing to flow into North Korea from the northern borders.

CIA/s

EUROPE

2. AUSTRIA: Inflation dangers--US Charge Dowling in Vienna expresses fear that inflation and related labor unrest will develop regardless of the wage-price agreement recently achieved. Dowling says that price increases in addition to those provided for in the agreement seem inevitable, and there will be constant danger that the Trade Union Federation may be forced to make new wage demands, which would add to present inflationary pressures.

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(CIA Comment: CIA agrees with the above estimate. If the standard of living is again reduced, the trade union leaders will be forced to make new wage demands more quickly than they have in the past.)

3. **SWEDEN:** Air force operations may be curtailed--The US Military Attache in Stockholm expresses the opinion that US failure to permit export of aviation gas to be used by the Swedish Air Force can practically ground that service and will, at least, seriously curtail its operations.

AF/S

(CIA Comment: Of the air forces of Western Europe, the Swedish Air Force is second in size only to that of the UK. Sweden is steadily modernizing its air arm, which consists largely of fighter planes, both jet and conventional.)

4. **UNITED KINGDOM:** Plans for increased stockpiling--Representatives of the British Board of Trade have advised US Embassy London that the UK Government has recently decided to stockpile a variety of strategic materials in substantial quantities. The program is designed primarily to stockpile those strategic materials which may be difficult to obtain in wartime because of shipping difficulties or loss of the source. The Embassy reports that the UK is anxious to coordinate with the US the purchase of items to be stockpiled.

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GENERAL

1. UK suspension of arms shipments to Egypt--According to US Embassy London, a high Foreign Office official has stated that the suspension of arms shipments to Egypt was decided primarily on the grounds that certain types of armament were needed for UK, Commonwealth and NAT defenses. The British official commented that the unfavorable development of the recently-suspended defense talks between the UK and Egypt had persuaded the UK not to make an exception to the priority distribution of arms; he added, however, that the British Government had presented the arms suspension to the Egyptians as a purely defense decision, leaving the Egyptians to draw their own conclusions.

S/TS

EUROPE

2. YUGOSLAVIA--US may be asked for grant-in-aid--US Ambassador Allen in Belgrade reports that he has been informally approached by the Yugoslav Planning Director, Boris Kidric regarding the prospects for obtaining a US grant-in-aid to alleviate Yugoslavia's critical food shortage during the next eight months. Kidric estimated that Yugoslavia's crop losses from the drought would total \$100,000,000 and that food and feed imports needed between now and the 1951 harvest would be approximately 460,000 tons. Allen commented to Kidric that the projected grant-in-aid might encounter some difficulties and Kidric said he would again discuss the matter with Allen before making the formal request for US aid.

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3. **AUSTRIA:** Soviet interference during recent disorders--
US Charge Dowling in Vienna reports that the Austrian Government feels that the most serious incident during the recent disorders was the Soviet intervention in Wiener Neustadt where gendarmes from Vienna expelled demonstrators from the post office only to be expelled later by orders of the Soviet town commander. Dowling "understands" that the Austrian Government has decided to send telegrams to the four occupation headquarters protesting the Soviet town commanders action and requesting that his orders be countermanded.

C/A/S

4. **SWEDEN:** Investigation of alleged US bombing in China--US Embassy Stockholm reports that the Swedish Government will cooperate in an informal investigation of Communist China's charges that US planes bombed targets in Manchuria. The Embassy adds that the Swedish Government has indicated it is prepared to take prompt action to designate a representative for this purpose.

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GENERAL

1. Chinese Communists intervention in Korea discounted--
US Ambassador Murphy in Brussels has been informed by a high official of the Belgian Foreign Office that the Belgian Government, which has many contacts in China, has no information "of a disturbing nature" regarding the possibility of direct military intervention in Korea by the Chinese Communists. The official expressed the opinion that the recent statements of Chou En-lai, Chinese Foreign Minister, should be closely examined because the Chinese were evidently prepared to make equivocal statements to please the Russians, without, however, making a definite commitment to act openly in Korea. The Belgian official also pointed out that present Chinese obligations were great and their supply and economic situation very difficult.

s/s

(CIA Comment: Communist China has carefully refrained from making a public commitment to aid North Korea by direct intervention. Public and private threats by Communist China officials to intervene directly in North Korea have probably been designed primarily to deter UN forces from going beyond the 38th Parallel.)

EUROPE

2. BELGIUM: Supreme commander for NATO favored--US Ambassador Murphy in Brussels transmits the opinion of former Belgian Premier Spaak that the Western Europeans would "more eagerly" improve their defense effort if some outstanding person were appointed supreme commander of the forces of the North Atlantic Treaty Organization, and if that person had "very large powers" over those forces. Spaak also feels that the "more

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cautious" US proposal for a chief of staff, to be succeeded later by a supreme commander, would not arouse much enthusiasm in Europe.

3. FRANCE: German participation in defense gaining favor-- US Ambassador Bruce reports that the trend of thinking in France continues to be toward the eventual acceptance of a German role in an integrated Western European defense, with the question now becoming that of timing rather than that of German participation. Bruce adds that another growing concern of the French now appears to be whether the Germans are to be rearmed at the expense of French rearmament. CIA/S
4. GERMANY: Concern expressed over effects of US Security Act-- US High Commissioner McCloy in Bonn has learned that the West German Consul General Krekeler in New York, now in Bonn for consultations, is "enormously concerned" about the repercussions in West Germany of the US International Security Act. Krekeler is worried about the unfavorable effect the act might have on the exchange program which, he feels is very important for drawing German youth firmly into the Western camp and for furthering the cause of democracy in Western Germany. Meanwhile, US Representative Cowan in Hamburg expresses the opinion that economic contacts between German and US enterprises will doubtless suffer so long as the restrictions of the Security Act remain in effect, thus considerably impairing trade relations. CIA/conf.
CIA/Plain
5. YUGOSLAVIA: Joint aid in food crisis proposed-- US Ambassador Allen in Belgrade reports that the British and French Embassies and Canadian Legation there are concerned about the timeliness and adequacy of outside aid to Yugoslavia needed to prevent CIA/S

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human suffering and excessive slaughter of livestock as a result of the recent crop shortages. The British, French and Canadian representatives agreed that: (a) essential items should be collected and shipped without delay in order to permit distribution within Yugoslavia before winter weather hampers the already overburdened transportation system; and (b) outright grants would be preferable to credits for food and feed purchases.

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GENERAL

1. Analysis of Soviet press treatment of Germany--US CIA/conf
 Ambassador Kirk in Moscow expresses the opinion that there is a "striking similarity" between the Soviet Union's propaganda treatment of the first anniversary of the German Democratic Republic (GDR) and the usual Soviet press treatment of Satellite state anniversaries. Kirk adds that an examination of the Soviet press treatment of the GDR anniversary leads him to believe that the Kremlin is not overly optimistic in regard to the German problem. As possible clues to the Kremlin's thinking, Kirk cites the lack of any mention in the Soviet press of the recent Western guarantee of West German territorial integrity and the emphasis on economic successes of the East German regime.

EUROPE

2. GERMANY: Exportation of Ruhr coal being resisted--US CIA/s
 Representative Livengood on the International Authority for the Ruhr (IAR) reports that the West Germans are showing an uncompromising attitude without precedent in the allocation of Ruhr coal production. Livengood says the Germans are clearly unwilling to accept an "equal sharing" of Ruhr coal among the nations represented on the International Authority for the Ruhr. The Germans base their position on an increase in internal needs resulting from the stepped-up steel production following the recent decisions of the US, UK, and French Foreign Ministers. Livengood believes the Germans are demanding, as the price for cooperating in the European rearmament program, the right to determine their internal coal requirements without interference from the IAR.

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(CIA Comment: The Germans will exert every effort to use the impending coal shortage and the need for increased steel production for rearmament to press for the elimination of the IAR as one of the major steps in recovering control over their own economic affairs. This new German attitude is also reflected in the recent increase in German demands during the Schuman Plan negotiations.)

FAR EAST**3. INDOCHINA: Vietnamese to insist on greater independence--**

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[REDACTED] (a) Vietnamese Premier Tran Van Huu will be forced to resign because of his failure to obtain the concessions sought by the Vietnamese at the Pau Conference; and (2) Vietnamese consider the Pau Conference a complete failure because the principal issue of customs revenue has not been resolved to their satisfaction. (The Pau Conference was called to reach agreement on the administrative relationships in Indochina between France, Vietnam, Cambodia and Laos.)

(CIA Comment: There is considerable evidence to support the above views. The absence from Vietnam of Bao Dai and several of his principal ministers during the protracted and thus far fruitless Pau negotiations has already seriously hampered both the development of a working Vietnamese administration and the implementation of US economic and military aid programs for Indochina. If Bao Dai and his government leaders continue to stay in France, the possibility of a successful solution of the Indochinese problem will be seriously reduced.)

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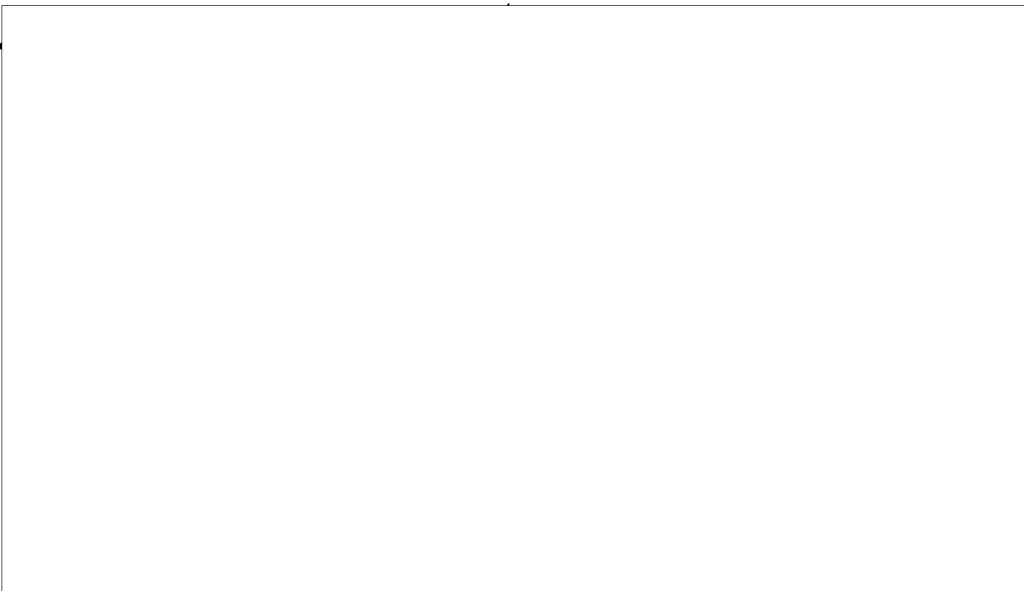
4. **INDONESIA: Ambonese resisting Indonesian troops**--The US representative on the UN Commission for Indonesia reports from Jakarta that he has information indicating the Indonesian military action against Ambon (where the natives have declared themselves independent) is not going well. According to the US representative's sources, Indonesian Government troops have been driven back slightly and, although Ambonese troops may be forced to surrender eventually because of food and ammunition shortages, they are proving to be superior fighters.

CIA/S

(CIA Comment: Large numbers of Ambonese have been used for years in the Dutch forces in Indonesia because of their excellent fighting qualities. In the agreement to disband Dutch forces in Indonesia, the Ambonese were given the choice of joining the Indonesian army or being repatriated. About 20,000 repatriates are now located in camps throughout Java. Although many of these 20,000 are disarmed, they are still capable of causing serious disturbances.)

THE AMERICAS

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GENERAL

1. MacArthur's views on Korean elections--According to Colonel Katzin (UN Secretary General Lie's personal representative with the UN Commission on Korea), General MacArthur has expressed the belief that it is important to hold elections in Korea as soon as possible and by the end of the year at the latest. MacArthur is confident he can handle the situation until the elections without imposing military government "in an obnoxious way" but he feels that, from an over-all security point of view, it will be much better to have early elections so that the Koreans may take responsibility for their own affairs at an early date. Katzin commented that he did not see how elections could be held as soon as MacArthur desired, but he agreed that elections should be held as soon as possible.
2. Conflict may develop over Yalu River power plant--US Embassy Moscow expresses the opinion that the important Suiho hydro-electric plant located on the Korean side of the Yalu River (which constitutes the Korean-Manchurian border) will "doubtless" become a source of conflict involving Korean, Chinese, and Soviet interests. In support of this view, the Embassy points out that: (a) the plant was originally built by the Japanese and designed to supply both Korea and a part of Manchuria; and (b) through a Sino-Soviet trust, the plant recently provided power for the Liaotung Peninsula, where Port Arthur and Dairen are located. The Embassy feels that the Chinese Communists may be tempted to occupy the plant to protect their interests, with the resultant danger of a clash between Chinese and UN forces.

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FAR EAST

3. **INDONESIA: MDAP aid rejected**--US Ambassador Cochran in Jakarta was informed by Indonesian Foreign Minister Rum that Indonesia does not wish to receive military aid through MDAP. The Foreign Minister emphasized that this action was not indicative of an unfriendly attitude toward the US but derived primarily from his government's fear that: (a) acceptance of MDAP aid would be widely criticized by Communist countries as an indication that Indonesia "had taken sides"; and (b) domestic opposition to the terms of an MDAP agreement might result in the overthrow of the present Cabinet, which is already facing a critical vote of confidence. In response, Cochran pointed out that the Indonesian plan to purchase badly needed military equipment on the US market might be impossible as supplies were limited and allocated in advance.

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4. **INDOCHINA: French reverses serious**--US Consul Blancke in Hanoi transmits an estimate [redacted] that French forces are having the "fight of their lives" in the Sino-Tonkin border area northeast of Hanoi. [redacted] French troop reserves in Indochina are practically exhausted and [redacted] there are only 400 combat troops left in Hanoi. Blancke admits that Hanoi may be in danger, but he does not feel the Viet Minh are "now organizing a putsch."

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Meanwhile, as an indication of the seriousness with which the French Government views the military situation, Minister for the Associated States of Indochina Letourneau and General Juin, Commander of French Forces in North Africa, are reported to be leaving immediately for Indochina for an on-the-spot inspection.

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(CIA Comment: The sudden deterioration of the French military position along the China border is probably the result of: (a) effective concentration of Viet Minh forces; (b) excellent Viet Minh intelligence on the timing of the French evacuation of the anchor post at Caobang; and (c) poor French reconnaissance. Loss of the French border posts will greatly facilitate the movement of heavy equipment from China to the Viet Minh.)

5. KOREA: Dismantling of industries by Communists--US Ambassador Muccio in Seoul reports that at the time of the UN landing at Inchon, the Communist invaders had been engaged in extensive dismantling of industries located in the Inchon-Seoul area. Among the industrial equipment observed to have been in process of removal at the time of the Communist retreat from Seoul are textile machinery, transformers at the Tanginri steam plant, and machine tools of all types at factories located in Seoul, Yongdong Po, and Inchon. Muccio adds that machinery and parts still on premises or in vicinity are being reinstalled.
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GENERAL

1. French sentiment regarding German rearmament--US
 Embassy Paris transmits the opinion of Secretary General Colin of the Popular Republican Party (MRP) that, once certain conditions have been met, the French Government could rally a substantial majority in the National Assembly to support a motion favoring the incorporation of German units in European defense forces. Colin feels the primary conditions necessary for approval of German rearmament by the French National Assembly are: (a) that West European defense forces be established on a unified basis; (b) that rearmament of West European nations be well under way; and (c) that implementation of the Schuman Plan be commenced. The Embassy comments that this report testifies to the "tremendous change" in the attitude of the Assembly since the summer of 1949, and expresses the opinion that the conditions of German rearmament mentioned by Colin genuinely reflect the present feeling of most Frenchmen.

CIA/S

3.3(h)(2)

2. UNCI refers Ambon dispute to Security Council--The United Nations Commission for Indonesia (UNCI) has referred the Ambon dispute to the Security Council for consideration, and suggests that the SC call upon the Indonesian Government to utilize existing UN machinery for a peaceful solution of this problem. UNCI, in explaining its action, reports that it has been unable to obtain adequate cooperation from the Indonesian Government to work out a peaceful settlement of hostilities between the Indonesians and the rebel "South Moluccas Republic" on Ambon Island.

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EUROPE

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4. **CZECHOSLOVAKIA: Soviet pressure increasing--US Ambassador Briggs in Prague has been informed** [redacted] **that in addition to a heavy Soviet hand in the affairs of the Czechoslovak Army, there has been a considerable increase in demands on and control of the Czechoslovak economy.** [redacted] **Czech Ministers were told**

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at the recent economic meeting in Moscow that the rate of development of heavy industry was unsatisfactory and they were ordered to raise the number of men employed in heavy industries by 300,000 before the end of 1950.

[redacted] the USSR has emphasized that present capacity of Czech machinery must be more fully utilized, urging one or two additional shifts of workers.

3.3(h)(2)

5. **YUGOSLAVIA:** US aid to be discussed with Tito--US Ambassador Allen in Belgrade suggests that his forthcoming talk with Tito be confined solely to the question of grant-in-aid for food. Allen believes that the linking of other US-Yugoslav problems with the food issue would be interpreted by Yugoslav officials to mean that the US is using the desperate food situation as a lever to force a major cutback in the Yugoslav industrialization program. Allen feels that such an interpretation might cancel the good effect of the US offer of aid and cause the "more reasonable" element of the Yugoslav Government to lose influence in Tito's Government.

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GENERAL

1. British oppose SC handling of Ambon dispute--According to US Embassy London, the decision of the UN Commission for Indonesia to refer the current Ambon dispute to the Security Council is causing considerable misgiving in the British Foreign Office. UK diplomatic officials fear that the Western Powers may have to assume a neutral position in the dispute and that the USSR will then be able to seize the opportunity to pose as an enemy of colonialism and a champion of the Asiatic nations, a stand which India would doubtless support. The Foreign Office is tentatively taking the position that the UK delegation should attempt to prevent UN consideration of the Ambon problem, in anticipation of the possibility that the military action will be concluded in Indonesia shortly, thereby presenting the Security Council with an accomplished fact.

S/S
CIA/S

Meanwhile, the Department of State has instructed US Ambassador Cochran at Jakarta to impress upon the Indonesian Government the desirability of accepting the good offices of the UN Commission for Indonesia in settling the Ambon dispute. Cochran is to point out that a Security Council discussion of the subject is likely to raise questions concerning the degree to which Indonesia has fulfilled the conditions of the 1949 Hague Round Table Conference settlement.

FAR EAST

2. INDOCHINA: French admit grave defeat--US Legation Saigon reports that General Carpentier, commander of French Forces in the Far East, recently acknowledged the gravity of the French defeat near Caobang. Stating that the five trapped battalions represented the "very best" of French forces in Indochina,

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Carpentier admitted that the only remaining reserve unit capable of immediate action in North Vietnam was a single paratroop battalion in Hanoi. Estimating French losses at "around 2,500 men," Carpentier declared that the guerrilla type of war has now ended in the north; he indicated the French force had been "demolished" by 10,000 Viet Minh troops operating with modern efficiency, having good artillery support, and fighting "on orthodox lines." Carpentier expressed the opinion that under these circumstances further "determined" Viet Minh attacks could force the French to abandon the remaining eastern frontier posts from Langson down to Moncay.

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GENERAL

- s/s
1. SC discussion of Ambon dispute opposed--US Ambassador Cochrane at Jakarta expresses the opinion that "most serious international complications" could arise if the UN Security Council discusses the current Ambon dispute. In addition to the opportunities offered to the Soviet Union by such a debate, Cochrane believes that if the matter comes before the UN the whole question of the powers and composition of the UN Commission for Indonesia will be aired. Such a development might prejudice any chances of The Netherlands and Indonesia reaching agreement on the disposition of New Guinea and might also open the way for India's participation in UNCI and an undesirable extension of Indian influence in Indonesia. Cochrane also believes that the SC debate would arouse violent Dutch-Indonesian recriminations, which have thus far been covered up, and that the resultant incitement of sensitive national feeling in Indonesia could cause the dissolution of the Dutch-Indonesian union and the loss of all Dutch major interests in Indonesia.

- c/a/s
2. French pessimistic over Indochina--In a conversation with US Minister Bohlen in Paris, Baeyens, Director of Far Eastern Affairs of the French Foreign Office, expressed the view that the Letourneau-Juin mission to Indochina is not likely to accomplish much in the face of the serious military situation. Baeyens pointed out that it is of no use to send new recruits to Indochina, reinforcements cannot be sent from metropolitan France and can be "ill spared" from North Africa. Baeyens also anticipates a stormy debate on Indochina when the French National Assembly convenes. Bohlen comments that Baeyens may be deliberately assuming a pessimistic attitude in an effort to support French appeals for UN aid.

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3. British views on French-Indochinese relations--The UK Foreign Office has informed US Embassy London that at a recent conference in Singapore with British officials, General Carpentier, French Commander in Indochina, expressed his awareness of the need for political action to strengthen the weak Vietnam Government. Carpentier said that the French have given Vietnam more responsibility than is generally realized, and that some means must be found to convince world opinion as well as the Vietnamese of the sincerity of French intentions to transfer control to the Vietnam Government as soon as possible. Carpentier expressed the belief that the greatest contribution the UK could make would be to impress upon India that the French were sincere in this regard and that it was of vital importance to prevent the Chinese Communists from overrunning Indochina. According to US Embassy London, the Foreign Office, believing it is up to the French themselves to win over Nehru, is planning to suggest to French Foreign Minister Schuman that mere implementation of the 8 March agreements is inadequate under present circumstances and that the French Government should issue a formal statement of intention to grant Vietnam independence within a fixed period of perhaps ten years.

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EUROPE

1. YUGOSLAVIA: Formal request for US aid to be made--US Ambassador Allen in Belgrade reports that, in a discussion of Yugoslavia's food requirements, Tito agreed that Yugoslavia should make a formal request for US aid to alleviate the growing Yugoslav food shortage. In connection with the long-range problem of obtaining a loan to continue Yugoslavia's major industrialization program, Tito said he felt confident that a compromise could be reached between the international agency considering the loan and the Yugoslav Government. Allen comments that Tito showed little surprise and no resentment at Allen's statement that \$400 million additional credits was much larger than Yugoslavia could repay. On the basis of this interview, which was friendly throughout, Allen says he is "inclined to think" that Tito is now favoring the more moderate elements in his government. s/s

FAR EAST

2. Possible Chinese Communist intervention in Korea--According to US Embassy Hague, the Netherlands Government has been informed by its Charge in Peiping that "reliable sources" have stated that four divisions of unidentified troops, presumed to be Chinese, have crossed the Manchurian border into North Korea. ARMY/S

(CIA Comment: There have been numerous reports during recent weeks regarding four Chinese Communist units (variously identified as Armies and Divisions) which are alleged to have crossed into Korea from Manchuria, and the Netherlands Charge's report may be a repetition of these earlier claims. CIA continues to believe that the Chinese Communists, while continuing to assist the North Koreans, probably will not intervene openly in the present fighting in Korea.)

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3. **INDOCHINA: French Socialists divided over Indochina policy--** US Minister Bohlen in Paris reports that although there is no disunity among French Socialists on the necessity of continuing the struggle against Communism in Indochina, there is a difference among party leaders as to how the Indochina problem should be cleared up. According to Bohlen, a majority of the party leaders believe that taking the problem to the Security Council would almost constitute an invitation to the Chinese Communists to assume an even more active role in Indochina. On the other hand, Secretary General Mollet is reported to be so convinced of the long-term weakness of the French position in Indochina that he is ready to "dump not only the military but the civil problem into the lap of the United Nations." Bohlen adds that the Socialists are also divided on the wisdom of appealing for US troops now, but such assistance would probably be desired in event of an invasion of Indochina by the Chinese Communists.

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French evacuation plans--In a conversation with US Minister Heath in Saigon, French High Commissioner Pignon stated that he was not yet "worried" about the Tonkin delta region (the main French area of control in North Vietnam), but he admitted that plans for the evacuation of the civilian population had been prepared. In Pignon's opinion, the danger was not "immediate" and French troops could hold the area with "accelerated aid." [REDACTED]

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[REDACTED] although the French position in the delta area could normally be held, it is now completely open to "undermining from behind the lines." [REDACTED] with the exception of French sympathizers, the population is in general "cautiously pleased" by the recent French military reverses, and comments that the local attitude of "wait and see" can change overnight.

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THE AMERICAS

5. BRAZIL: Cooperation with US may lessen--US Embassy
Rio de Janeiro transmits a public statement by Getulio Vargas (former dictator of Brazil who now has a substantial lead in the balloting for president) that "his government will be of a laborist orientation, like that of England and the Scandinavian countries," and evolutionary in character. Vargas expressed confidence that the present government would fulfill its promise of a normal transfer of public power. Vargas promised "more intimate and closer collaboration with the nations of our Hemisphere"; he also stated that while favoring entry of foreign investments generally, he opposed foreign capital investment in sectors which could be covered by local capital or which must be controlled by the nation.

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(CIA Comment: Vargas now leads his nearest opponent by 1.2 million votes, with 75 percent of the estimated ballots tabulated. Vargas will probably be the next President of Brazil, and although he will not be openly hostile to the US, his extreme nationalism may reduce somewhat Brazil's close cooperation with the US.)

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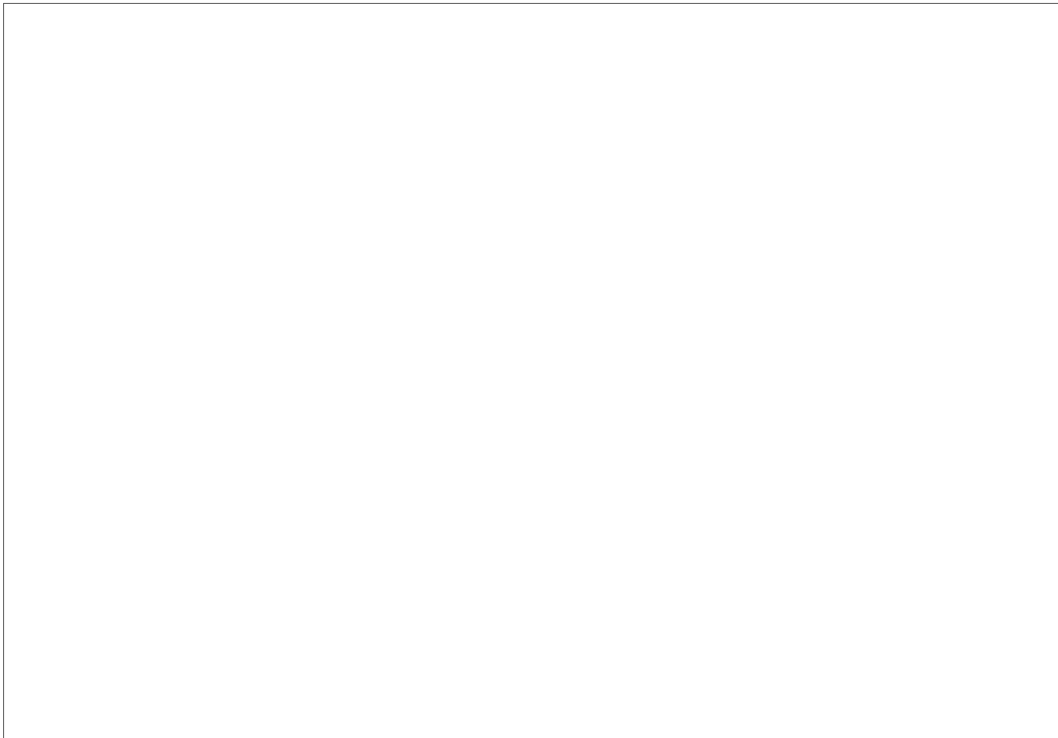
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GENERAL

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EUROPE

2. SWITZERLAND: Pressure for export controls suggested--
US Minister Vincent in Bern expresses the view that although the Swiss are showing a "disposition" to cooperate in the Western program to control exports to Eastern Europe, it is clear that the extent of Swiss cooperation will depend on the amount of pressure which the Western European countries participating in the export control program are willing to exert on Switzerland by withholding strategic materials.

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Vincent suggests that, once the basic decision to pressure the Swiss has been made, the Western nations could either approach Bern officially on the problem or simply cut off strategic supplies to the Swiss without publicity or formal notice until adequate Swiss controls are adopted.

(CIA Comment: The Swiss are reluctant to sacrifice the benefits of middleman between the East and the West, and they will probably have to be pressured into adopting strict export controls. The Swiss still need to be convinced that the Western nations themselves are denying Eastern Europe those goods which the Swiss have been asked to embargo.)

3. YUGOSLAVIA: Salonika port facilities needed--US Ambassador Allen in Belgrade reports that the Yugoslav Minister of Foreign Trade has raised the question of Yugoslavia's urgent need to be able to import foodstuffs through the Greek port city of Salonika. The Yugoslav Minister said his government has been anxious to open rail connections with Greece for some time and expressed the hope that the US can prevail on the Greek Government to become more cooperative. Allen agrees that the prompt reopening of the Yugoslav-Salonika rail connection and resumption of the use of the Free Port by Yugoslavia are important. He adds that the Turkish Ambassador in Belgrade has also expressed much interest in the use of Salonika port facilities by his country because rail connections through Bulgaria are most difficult and may be cut off at any time.

(CIA Comment: Both the Greek and the Yugoslav Governments have contributed to the currently cool relations between the two countries. The present situation, however, may lead to an early resumption of general negotiations between the two countries on the technical level, without necessarily involving immediate normalization of their presently limited diplomatic relations.)

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FAR EAST

4. **KOREA: Communist atrocities in Seoul area--US Embassy**
Seoul transmits an estimate, based on incomplete investigations, that thousands of South Koreans in the Inchon-Seoul area were either murdered by the Communist invaders or forced to march north with the evacuating forces. The Embassy points out that the investigation of Communist treatment of political prisoners has been complicated by the lack of witnesses because of death, flight from the area, or forced evacuation with the retreating North Korean troops. Even without all the supporting details, the Embassy is convinced that during the last days of Communist occupation of Seoul, the North Koreans forcefully deported large numbers of people known to be loyal to the Republic of Korea Government. The Embassy also feels that the Communists murdered many South Koreans, probably thousands, including children of officials who were with the ROK Government at the time.

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GENERAL

1. Italo-Yugoslav relations may improve--US Ambassador Allen in Belgrade reports that the Italian Ambassador there is now more optimistic of some improvement in Italo-Yugoslav relations than at any time during the past two years. The Italian Ambassador told Allen that the first favorable development occurred about two months ago when the Yugoslavs relaxed some of their onerous restrictions in Zone B of Trieste; more recently, they showed a readiness to resume talks regarding the evaluation of some Italian property claims as well as other outstanding economic questions.

Meanwhile, US Ambassador Dunn in Rome has learned that Tito apparently made a special trip to Zagreb to discuss with the Italian Minister of Foreign Trade Yugoslavia's economic needs and to raise the question of Italian help in meeting Yugoslavia's food and feed problems.

EUROPE

2. FRANCE: Position of Pleven Government--US Embassy Paris, in appraising the position of the Pleven Government as it faces the opening of an election-minded Parliament, estimates that although there are enough major problems to cause the fall "of two or three governments" in normal times, the Pleven Cabinet will probably be able to survive the initial parliamentary debates. As examples of the difficulties confronting Pleven, the Embassy points out that the Cabinet is not working as a team on some important issues and the government's prestige has been damaged by the "humiliating disaster" in Indochina. In these circumstances, the Embassy observes, the Cabinet must ask at once for legislative approval of an extension of military service and of a costly rearmament program. Another complex problem confronting the government is the need to define the French position in regard to German rearmament.

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(CIA Comment: CIA believes the position of the Pleven Government is more precarious than the Embassy estimates. If the government falls in the near future, another middle-of-the-road coalition will probably be formed which would continue along the general lines of present foreign and defense policies.)

FAR EAST

3. **INDOCHINA: Increased US voice suggested--US Minister Heath** in Saigon, in discussing the complex situation in Indochina, expresses the view that US Legation and MAAG Saigon should have some voice in French military, political, and financial policies in Indochina and be able to exert an "advisory influence" over the same policies of the three Associated States of Vietnam, Laos, and Cambodia. Heath feels the French would object to any increase in US influence in Indochinese affairs, noting that French Commander-in-Chief Carpentier has been very sensitive to any slight hint of American intervention in his command, but he believes that the rude shock to French complacency resulting from the recent military reverses and current French requests for further aid in Indochina may provide the necessary leverage to increase US influence. S/RS
CRA/S

Rumors of Hanoi evacuation--US Consulate Hanoi reports that some dependents of French military personnel have received orders to evacuate the city and that "informed" French, whose attitude is described as "cheerfully defeatist," consider that Hanoi's days are numbered. High Vietnamese officials there have discounted the possibility of an internal uprising and told the Consulate that they intend to remain in the city. Meanwhile, the Governor of North Vietnam has reiterated the need for arms for his local militia, in order to "release regular troops for the front, where they belong."

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4. **KOREA: Rhee's attitude toward North Korea--US Embassy Counsellor Drumright in Seoul reports that, during a recent discussion of the use of ROK police in North Korea, President Rhee indicated an attitude of defiance of the UN and a determination to incorporate North Korea into the ROK as speedily as possible. Drumright urged Rhee to avoid affronting the UN, and at the end of the conversation, Rhee promised to avoid trouble over the status of North Korea until discussions can be arranged with Ambassador Muccio who is returning from the Pacific conference between President Truman and General MacArthur.**
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GENERAL

- S/S
1. German Ruhr opposition to Schuman Plan expected--US Embassy Paris reports that French Economic Adviser Monnet has expressed the opinion that the German Ruhr steel interests, which have previously lent public support to the Schuman Plan, are now prepared to openly oppose it. In support of this view, Monnet points out that the appointment of Lehr as West German Minister of Interior was made just a few days after he delivered a speech attacking "every basic principle" of the Schuman Plan. Monnet added that the German nationalists and extremists who are fully committed to defeat the Plan have had their position strengthened by Western guarantees of German security and the prospect of the formation of German armed units. Monnet believes the situation indicates the need to strengthen the anti-cartel aspects of the Schuman Plan.

(CIA Comment: Lehr is the spokesman for conservative German industrialists who have always been cool toward the Schuman Plan; the German Government's attitude toward the Plan changed a month before Lehr's appointment. The Schuman Plan will be approved by the Germans eventually, but they will utilize the need for German cooperation in Western defense to attempt to obtain further economic concessions from the Western Powers.)

- CIA/S
2. French reportedly may place Indochina before UN--US Embassy Paris reports that an important French official has stated on an "off the record" basis to a group of foreign correspondents that France may place the problem of Indochina before the UN if Tonkin falls to the Viet Minh forces. The French official also advanced the view, however, that a sufficient increase in US aid might still enable the French to eliminate any serious Viet Minh threat. According to the Embassy, US news correspondents in Paris have

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gathered the impression that French ministerial officials have been instructed not to discuss the possibility of a reference of the Indochinese question to the UN. The Paris correspondents also feel that the French Government has encouraged press comment on the inadequacy of US aid, both as a means of exerting pressure for acceleration of such aid and as a means of protecting itself from domestic criticism.

3. UN discussion of Austrian treaty to be avoided--The Department of State has advised the US Delegation to the UN General Assembly that Austrian Foreign Minister Gruber has agreed that no practical result can be obtained by submitting the Austrian treaty question to this session of the General Assembly. The Department feels, however, that every opportunity should be seized to use the Austrian treaty question as an illustration of Soviet obstruction tactics and insincerity. S/S

EUROPE

4. YUGOSLAVIA: Crop shortages worse than expected--US Embassy Belgrade reports that crop data recently submitted by the Yugoslav Ministry of Agriculture indicates that the total food and feed deficit is more severe in all categories than previously estimated. The Embassy feels that the revised list of food and feed requirements represents a realistic approach, but believes the new estimate is still too low to insure against human privation and excessive slaughtering of livestock during the next six months. CIA/S
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FAR EAST

5. **INDONESIA: Chinese Communist request rejected--US Embassy.** Jakarta has learned that the Indonesian Cabinet has unanimously rejected a request by the newly-arrived Chinese Communist Ambassador to open nine consulates throughout the archipelago. The Chinese Communist Ambassador was told that the Indonesian Government wished to register all individuals of Chinese origin in order to determine whether they claimed Chinese or Indonesian citizenship before considering further any request to establish Chinese consulates. The Embassy comments that the Indonesian Government is "not happy" over the aggressive policy being pursued by the Chinese Communist Ambassador.
6. **INDOCHINA: Military situation--US Military Attache Saigon** reports that the decision to hold or evacuate the North Vietnam border post of Langson will be made by General Juin, recently arrived from Paris. The Attache expresses the opinion that reinforcements for North Vietnam cannot be drawn from the rest of Indochina without sacrificing French control in those areas. Meanwhile, US Consulate Hanoi reports that French General Alessandri commanding in North Vietnam has stated that "the only thing possible now" is to hold the Red River delta area. In connection with the French withdrawals, the head of the major North Vietnam coal area, which lies outside the proposed defensive perimeter surrounding the delta area, is in Saigon attempting to persuade the French command to include the mining district in defense plans.

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GENERAL

1. Chinese Communist intervention in Korea--The US Military Liaison Officer in Hong Kong transmits a report that the Peiping regime has decided to take military action in North Korea.

100,000 Chinese Communist troops had been moved to the Korean border and alerted to cross on the night of 18 October or "two days later."

(CIA Comment: For some time the Chinese Communists have possessed the capability for direct military intervention in the Korean conflict. CIA believes, however, that the optimum time for such action has passed. The USSR and China are not considered at this time to be willing to assume the increased risk of precipitating a third World War which could result from direct Chinese Communist intervention in Korea.)

2. UK to urge French pledge to Indochina--US Embassy London reports that UK Ambassador Harvey in Paris has been authorized to urge the French to make a formal pledge to release control over Indochina, although without specifying a time limit as the UK had planned to suggest earlier. As an incentive, Harvey is authorized to offer UK assistance in winning Asian support of the French position and the elevation of the UK diplomatic mission in Saigon to a Ministry.

(CIA Comment: A French pledge to release control over Indochina, even without a time limit, would have a salutary effect on non-Communist Vietnamese nationalists, who would regard such a French pledge as an abandonment

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of the evolutionary 8 March agreements. Asian governments which have thusfar refused to support the Bao Dai Government might moderate their strong suspicion of French policy as a result of such an action, but they would wait for an even firmer French commitment before aligning themselves in support of the Bao Dai regime.)

3. UK feels pressure on Egypt is effective--US Embassy London reports that the British Foreign Office considers its recent suspension of certain arms shipments to Egypt to have had a "salutary effect" on Anglo-Egyptian relations. Although the Foreign Office is aware that the Egyptian reaction has been "sharp and severe" and admits that the Anglo-Egyptian defense impasse has not moved closer to solution, the British believe the suspension of arms shipments has made the Egyptians aware of the consequences of their "non-cooperative attitude" on mutual defense arrangements. The Embassy adds that Foreign Secretary Bevin has no immediate plans for further talks with Egypt about the defense situation and thinks it best to let the Egyptians "worry about it" for a while.

(CIA Comment: CIA believes that the Foreign Office is overconfident regarding this matter. Although the UK's action will certainly make Egypt more aware of its military dependence on Britain, such considerations are unlikely to make the emotionally aroused Egyptians more willing to compromise for some time.)

EUROPE

4. GERMANY: Opposition to Schuman Plan growing--US Deputy High Commissioner Hays in Bonn reports that Rosenberg, a trade union leader and delegate to the Schuman Plan discussions, recently expressed the opinion that although some formal agreement is sure to be signed, there is little prospect for the Plan

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becoming a reality. Rosenberg, whose opinion is supported by various Socialist leaders, cited as special difficulties: (a) the tendency of Monnet to dismiss critical technical issues as secondary to "agreement in principle"; and (b) the opposition of German coal mining interests to subsidizing the high-cost Belgian mines after tariff and trade barriers on coal have been removed. The US Liaison Officer in Bonn comments that, with opposition to the Plan continuing in the Socialist Party and growing in German heavy industry, the German Government itself seems to be the only powerful political force in Germany now striving for attainment of the political advantages inherent in the plan.

(CIA Comment: CIA believes that despite frequently expressed Socialist and industrialist opposition to the Schuman Plan, the Adenauer Government will approve the final treaty provided that a very substantial measure of German control over German industry is guaranteed by the Occupation Powers.)

Views on remilitarization--US High Commissioner McCloy estimates, on the basis of conversations with various German political and military personalities, that the general feeling prevails that Germany should not have a national army; the proposal for German contingents in a European defense force has received considerable support, but remains a controversial and delicate matter. German sentiment favors a German civilian ministry to exercise strict control over recruiting and administration of German contingents. Divisional units should be the largest permitted, but these should be balanced ground units. No limitation should be placed on any type of ground force equipment or arms. No aircraft or heavy armament should be produced in Germany. The German contribution to Western European defense should be offset by a reduction in occupation costs. In regard to how quickly the Germans could make a military contribution to West European

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defense, McCloy feels that eighteen months would be a very conservative estimate and could probably be reduced by at least one-third.

(CIA Comment: CIA agrees with the High Commissioner's evaluation of general German sentiment on these aspects of the German role in West European defense. CIA believes, however, that: (a) the German Federal Government is ready to agree now to military contributions to European defense; and (b) extended delay in its decision on the matter might, as a result of the diminishing sense of urgency following the UN victories in Korea, broaden popular opposition to the idea and force a change in German official thinking.)

5. **SWEDEN: Increased export prices cause concern--US Ambassador Butterworth in Stockholm reports that the Swedish Prime Minister recently stated that he is very worried about the rapid increase in the prices of Swedish exports, particularly forest products, because the rise may contribute to inflation in Sweden. The Prime Minister commented that the only feasible action the government could take would be to levy a special tax which would absorb the excess profits created by the rise in export prices.**

FAR EAST

6. **INDOCHINA: Bomber Group needed urgently--US Consulate Hanoi reports that the French have admitted abandonment of Langson, the last major post in the eastern section of the Sino-Vietnam frontier. Meanwhile, US Minister Heath in Saigon transmits a report [redacted] that General Juin is expected to decide shortly whether to**

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evacuate the entire Tonkin delta and establish a new defense line in northern Annam. Heath comments that if the US wishes to "influence the situation by military means," it is imperative that the movement of the promised light-bomber group presently scheduled to arrive in Indochina by mid-December be accelerated to the utmost. Heath feels the accelerated delivery of these aircraft appears to be one of the few measures available to the US "short of direct intervention by carriers."

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GENERAL

1. Embassy Moscow convinced Soviet policy unchanged--
US Embassy Moscow does not consider recent Soviet manifestations of reduced truculence, such as, failure to intervene in Korea and the mild response to the strafing of Soviet airfields by UN-US planes, to be any indication of a basic change in Soviet policy or long-range thinking. The Embassy also feels that, regardless of any softening of the Soviet attitude, the Kremlin will never be willing to negotiate a genuine compromise to prevent a temporary setback. The Embassy suggests, however, that the USSR may now attempt to lull the West and reduce the urgency for Western rearmament by: (a) exaggerating Soviet peace desires; (b) stressing in propaganda the heavy burden of rearmament in Western nations; and (c) refraining from Soviet or Satellite military ventures for a "reasonable" length of time.

S/S

FAR EAST

2. INDOCHINA: Effects of French withdrawal--US Ambassador Stanton in Bangkok, in discussing the deteriorating situation in Indochina, expresses the opinion that the French will probably be forced to retire eventually from Tonkin and Annam to Cochinchina in spite of any increased military aid the US may provide. If this French withdrawal takes place, Stanton feels that Laos and Cambodia will quickly fall to the Communists and the French position will then be outflanked. Such a development, the Ambassador believes, will directly threaten Thailand and quickly lead to efforts by well-organized Communist groups in Thailand to seize control. Stanton concludes that the other countries of Southeast Asia, and Thailand in particular because of its strong anti-Communist sentiment, should be strengthened in order to prevent the complete engulfment of Southeast Asia by the Communists.

C/A/emp.

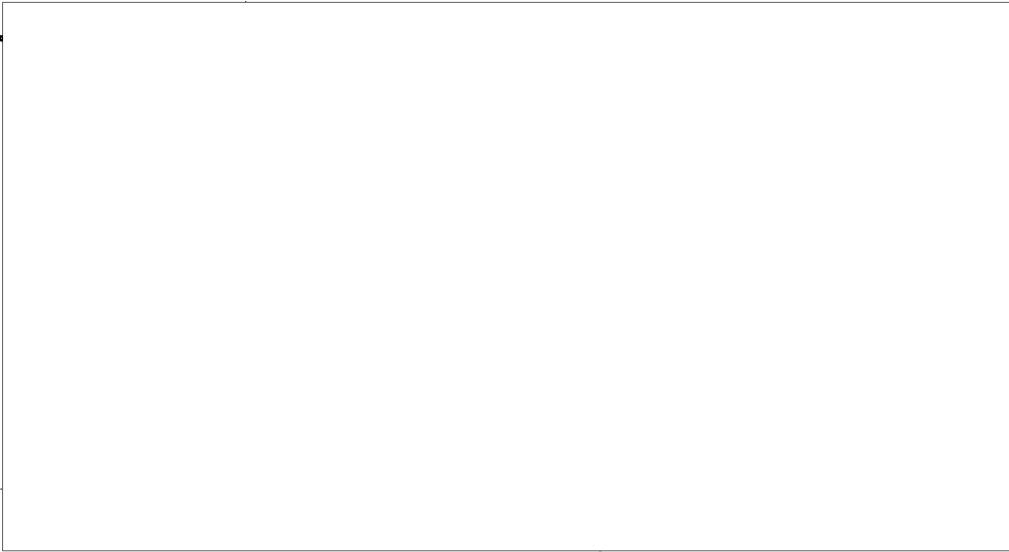
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4. Embassy Paris suggests speedy plane delivery--US Embassy Paris expresses the opinion that the immediate delivery of a light bomber squadron to Indochina would have a beneficial psychological and morale effect in France. In support of this view, the Embassy points out that the US promise to provide the squadron has already been publicly announced and the crisis in Indochina is now the major issue before the French National Assembly.

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EUROPE

1. FRANCE: Attitude hardening on German rearmament--
US Minister Bohlen in Paris reports a rapid development of party sentiment against concessions to the US on the subject of German rearmament. Bohlen points out that the government has already been forced to agree to an immediate full-dress debate in Parliament on the question. The Ambassador remarks that of the parties of the majority, the Socialists have taken the firmest position against the rearming of Germany, and the Popular Republicans and Radicals have also registered a negative stand. According to Bohlen, two important factors in this hardening of the French attitude are: (a) the general conviction that the Germans have adopted a more independent line toward the Schuman Plan in the belief that the US will permit them to gain through steel production for rearmament all the advantages they might eventually gain from the Plan and without the inconveniences of submitting to international authority; and (b) the carefully-timed Soviet communique on German rearmament, which allows the timid to point to the Prague conference and statements of Moscow in support of their apprehensions.

CIA/conf.

(CIA Comment: CIA believes that the French will continue to insist upon the inclusion of West Germany in some sort of West European economic arrangement before agreeing to German rearmament. The French will also insist that German rearmament take place only within an international framework which will provide strong guarantees for French security.)

2. YUGOSLAVIA: Political situation analyzed--US Ambassador Allen in Belgrade suggests that, in light of the US Internal Security Act of 1950, the present political structure in Yugoslavia might profitably be re-examined. The Ambassador believes that although the Yugoslav People's Front, comprising the mass of the population, is dominated by the relatively small

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Communist Party, the great majority of the members of the Front are sincerely anti-Communist and pro-Western; he reiterates his belief that the Yugoslav Communist Party has no connection whatever with the Communist Party of the USSR, is violently anti-Cominform, and likely to remain so. Developing this theme, the Ambassador points out that the Yugoslav regime has adopted a basic policy of establishing amicable relations with "non-Socialist" countries on the basis of "live and let live." Allen reports that even dogmatic Marxist die-hards among Yugoslav officials now subscribe to this policy, even though they may have reached this decision with reluctance, and comments that Tito has shown himself to be "definitely on the side of the cosmopolitan element" which favors increasing collaboration with the West. Allen adds that the Tito Government is "most anxious" to send as many technicians and students as possible to the US, thereby facilitating the US policy of encouraging the growth of democratic concepts and practices in Yugoslavia.

FAR EAST

3. **INDOCHINA: French-Vietnamese relations worsening--US** *cd/s*
 Minister Heath in Saigon believes that because of a "mounting" *s/s*
 Vietnamese suspicion that US aims in Indochina are devoted
 to reinforcing French "colonialism," a public declaration should
 be made that US arms furnished to French Union forces in Indo-
 china are for use only in Indochina and will eventually be turned
 over to the armies of the Associated States. Meanwhile, Heath
 has been informed by a French official that Minister Letourneau
 and General Juin, now on an emergency mission to Indochina, have
 been "greatly angered" by Vietnamese Premier Huu's demands
 (in a press interview) that Vietnam be granted complete independ-
 ence. The French official expressed doubt whether the French
 Parliament would "be in a mood" to provide increased credits and
 troops for the Indochina campaign in the face of such a demand.

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4. **INDONESIA: Attack on Ambon to continue--US Ambassador Cochran in Jakarta reports that Indonesian Foreign Minister Rum has refused to make a conciliatory gesture to the rebel Ambonese in an effort to forestall discussion of the Ambon affair in the UN Security Council. Cochran points out that the Indonesian Government has built up its forces on the island and that the reinforced troops are to go into action against the rebels in a plan to complete the pacification of the area by the end of October. The Ambassador believes that neither he nor the UN Commission for Indonesia can forestall continued government action against Ambon, and he expresses reluctance to make a further issue of the affair which, in his opinion, might "topple" the moderate Natsir Cabinet.**

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GENERAL

1. Early hostilities discounted--The Commander-in-Chief of US Forces in Europe reports from Heidelberg that the joint conference of US intelligence officials in Germany, in its monthly review of the imminence of hostilities, estimates that the sensitive factors do not indicate a probability of imminent hostilities with the Soviet Union. The officials also estimate that as a result of the current large-scale maneuvers in East Germany, Soviet capabilities for launching a surprise attack are now stronger than at any time since the end of World War II.

Army/TS

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

2. Tibet negotiations to shift to Peiping--US Embassy New Delhi reports that the Tibetan delegation, currently engaged in preliminary conversations with the Chinese Communist Ambassador to India regarding the status of Tibet, has been informed that both Lhasa and Peiping are now agreeable to a transfer of negotiations to Peiping; the Tibetan delegation will probably depart for Peiping within the next few days.

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FAR EAST

3. INDOCHINA: French to maintain mobile force--US Consulate Hanoi has been officially informed that General Juin has decided, in connection with the defense of Tonkin: (a) to keep French forces mobile and available for "trouble-shooting" anywhere in the delta area; and (b) to fully arm Vietnamese military forces in the area and give them the mission of holding the villages. The Consulate estimates that French tenure in Tonkin will be limited to "two to three months" unless "help comes from France or the UN." The Consulate reports that a French official has expressed skepticism regarding the possibility of reinforcements from France. The Consulate also reports that French Minister for the Associated States Letourneau and High Commissioner for Indochina Pignon "seem to be playing with the idea" of soliciting UN intervention.

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THE AMERICAS

4. ECUADOR-PERU: Armed conflict considered unlikely--US Embassy Lima has been informed by the Peruvian Foreign Minister that there was only "one chance in a thousand" Peru would attack Ecuador but that he actually feared an attack on Peru by Ecuador.

CIA/conf

(CIA Comment: Tension in Ecuadoran-Peruvian relations was increased by renewed discussion in September of the long-standing boundary dispute. Recent reports of the movement of Peruvian troops toward the Ecuadoran frontier has further increased tension, and one or two minor frontier incidents may occur. However, a serious armed conflict between the two countries will not take place at this time.)

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GENERAL

1. French and Dutch views on European defense--US Minister Bohlen in Paris expresses the view that the French National Assembly debate on German rearmament will close with a large majority approving the Cabinet's proposal favoring closely integrated European defense forces, including German units, and greater economic unity. Bohlen reports that Daniel Mayer, Socialist party spokesman in the coming debate and hitherto regarded as one of those most opposed to German rearmament, will speak in favor of the government's policy. The Popular Republican Movement (MRP) is taking the same stand, though it may try to introduce a condition to keep German units to the regimental level.

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US Ambassador Chapin in the Hague reports that although he is convinced the majority of the Dutch people and officials continue to favor German rearmament, there is some "cooling of enthusiasm" for the program, Chapin feels this is only natural as progress is made toward actual rearmament of Germany and quotes a Dutch Foreign Office spokesman as saying: "It is one thing to favor German rearmament in principle, but witnessing the real thing inevitably gives rise to misgivings."

Meanwhile, the Secretary General of the Netherlands Foreign Office has expressed to Chapin the deep concern of the Netherlands Government because French Premier Plevén's speech before Parliament seemed to envisage a European army on lines quite contrary to present NATO thinking. The Dutch official expects strong pressure from the French Government in regard to the French proposal.

EUROPE

2. AUSTRIA: USSR interferes with police--US High Commissioner Donnelly in Vienna reports that the Soviet commandant there has ordered the head of the Viennese police to refrain from.

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carrying out what is regarded as the first major attempt of the Austrian Government to rid the police of Communists. Implementing an Austrian Cabinet decision, the Interior Ministry on 20 October dismissed the Communist police chiefs of three Vienna districts (all in the Soviet sector) and transferred another to the French zone of Austria. The Austrian action was taken following a resolution by the Viennese criminal police refusing obedience to the Communist chief of the Vienna economic police. The Ministry of the Interior, prior to its action against the Communist police chiefs, stated that police officials who refuse to vacate their offices will be considered "agents of a foreign power" unauthorized to perform official functions and subject to punishment under Austrian law. The Austrian Government has protested the Soviet obstruction of the dismissals to the Allied Council, and will attempt to arrest the dismissed officers, who are remaining at their posts. The three Western elements of the Allied Council have agreed to refer the protest to the internal affairs directorate for discussion on 30 October.

(CIA Comment: The present difficulty regarding the Austrian Government's jurisdiction over its police force may become more serious than any similar trouble in the past because: (a) the USSR will probably continue to insist that these Communist police officials be retained in office; and (b) the Austrian Government will proceed with attempts to purge or neutralize the Communists in the Vienna police.)

FAR EAST

3. INDOCHINA: French hint need for Western troops--US Consulate Hanoi reports that in the course of an official dinner for the Juin-Letourneau mission, a high-ranking mission member asked both the UK and US Consuls in a "half-joking, half-serious" manner

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whether their governments would furnish troops for Indochina. When the UK Consul parried the query by saying that no such request had been made of his government, the French official replied: "It's high time to stop this false pride, where we won't ask and you won't offer: we need troops." Consulate Hanoi comments that it was evident the French official was not joking and speculates that the French official doubted that the request for reinforcements from France "would prosper."

Vietnamese laud UN--US Legation Saigon reports that the large publicity campaign for the UN launched by the Vietnamese Government since the return of Premier Huu has caused speculation that the Vietnamese may attempt to bring their controversies with the French to the attention of the UN. The Legation expresses the opinion that the varied activities scheduled to celebrate United Nations Day were designed to dramatize Vietnam's aspirations to "the rights of full membership in the community of nations." The Legation comments that the Vietnamese actions may also be a means of exerting pressure on the French at a time when the Indochina question is before the French National Assembly and the Juin-Letourneau mission is conducting a politico-military survey of Vietnam.

Huu's criticism of French inspires Vietnamese--US Minister Heath reports, after returning from a visit to Bao Dai's headquarters at Dalat, that the resort was apparently the scene of intense political activity, and that Premier Huu's statement regarding French intransigence at the Pau Conference has had an "electric effect" on the Vietnamese. Heath comments that Huu's statement has considerably enhanced his prestige in the eyes of the Vietnamese, whose "summer-long search" for encouraging news from Pau had "met with little success."

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4. **INDONESIA: Progress of Ambon fighting--US Military**
Attache Jakarta forwards a report from the Indonesian Defense Ministry regarding the relative strength of the Ambonese rebels and the government forces fighting on Ambon. Rebel strength on the island is estimated at 2,500 well-armed and well-led ex-Netherlands Indies Army regulars, reinforced by some 2-3,000 irregulars. To date, the Indonesian Government has landed 6,000 troops, reinforced with light artillery and supported by four corvettes and five reconnaissance aircraft. In the Military Attache's opinion, present government forces are capable of containing the rebels and, if reinforced, could "successfully close the operation" within three weeks. The Attache adds, however, that sensitive conditions in central Java and south Celebes may prevent the required build-up, in which case rebel resistance probably could be prolonged for several months.

British to approach Indonesians on Ambon question--US
Embassy London reports that the British Ambassador in Jakarta has been instructed, at his discretion, to emphasize to the Indonesian Government the desirability of making some gesture which would enable the United Nations Commission for Indonesia (UNCI) to withdraw its report referring the Ambon dispute to the UN Security Council. The British Foreign Office considers that at least implicit censure of Indonesia will be difficult to avoid if the UNCI report on Ambon comes before the SC.

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GENERAL

1. Bulgarian government-in-exile may be formed --US Ambassador Peurifoy in Athens has learned [redacted] that Georgi M. Dimitrov, former Agrarian Party leader in Bulgaria, is planning an early announcement of a Bulgarian government-in-exile, with himself as president. Peurifoy believes the announcement of a government-in-exile would not be well received by Bulgarians at home or abroad. CIA/S 3.3(h)(2)
2. Tibetan delegation starts for Peiping --US Embassy New Delhi reports that, as a result of instructions from Lhasa, all members of the Tibetan delegation (which has been engaged in preliminary conversations with the Chinese Communist Ambassador in New Delhi regarding the problem of Tibet's sovereignty) will depart for Calcutta immediately, en route to Peiping for a continuation of the negotiations. CIA/conf.

FAR EAST

3. INDOCHINA: Bao Dai plans to develop "National Army" soon -- US Minister Heath in Saigon reports that, during the presentation of his credentials to Bao Dai, the Vietnamese chief of state declared that "he had personally assigned himself the mission" of forming the Vietnamese National Army. Bao Dai remarked that previous delays in the formation of this force were due to French fears that it might turn against them, and stated that "there was no danger for the French" in a Vietnamese Army formed and commanded by himself. Commenting on the French desire to maintain direct command of Vietnamese troops and to build newly-formed units around French cadres, Bao Dai declared that such a system "simply would not work." In response to Minister Heath's query as to how soon a "definite plan" for the formation of the National Army would be ready, Bao Dai stated "within a month." S/S

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4. **THE PHILIPPINES: Possibility of Huk attacks reported--**
The US Naval Attache in Manila reports that the Philippine armed forces now "recognize the serious possibility" of wide-scale Huk attacks during early November, including political assassinations in Manila and its environs. The Attache points out that some information regarding Huk plans was obtained recently from "strong" interrogations of Communist suspects; he considers this information reliable.

NAVY / S

(CIA Comment: CIA believes the Huks may conduct widespread raids on Luzon during November and may even attempt to create disturbances in Manila. However, alerted Philippine security forces are considered capable of preventing such disturbances from reaching serious proportions.)

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GENERAL

1. Dutch feel Pleven plan for European defense is unacceptable-- *CIAS*
The new Dutch Defense Minister, s'Jacob, has told US Ambassador Chapin in The Hague that he and Foreign Minister Stikker consider French Foreign Minister Pleven's proposal for the organization of Western European defense forces to be unacceptable to the Netherlands Government. S'Jacob commented that the Pleven plan could not help but create further delays in achieving an integrated Western defense; he feels that no compromise is possible on the plan and that its introduction just before the meeting of the military committees of the North Atlantic Treaty Organization is unfortunate.

EUROPE

2. AUSTRIA: Government hesitating in police matter--US High Commissioner Donnelly in Vienna reports that the Austrian Government now appears to be hesitating in carrying out its plan to arrest the Communist police chiefs in Vienna who were dismissed. The Austrian Government's hesitation is caused by renewed Soviet demands that all proceedings against the police chiefs be quashed and that they be restored to full status. Donnelly believes, however, that the Austrian Government will refuse to yield to the Soviet demands; he adds that the Austrian Government has again informally requested renewed assurances of firm Western support in the Allied Council. *CIAS*
3. DENMARK: Political situation--US Ambassador Anderson reports from Copenhagen that the minority Social Democratic Government resigned after its defeat on the question of continuing fat rationing and that the Prime Minister suggested *CIAS/Plain*

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the formation of a Moderate Liberal, Conservative, and Justice Party coalition Cabinet. In explanation of the government's resignation, Prime Minister Hedtoft remarked that the three major opposition parties had not lived up to their promise to cooperate on economic and foreign exchange problems.

(CIA Comment: Regardless of the composition of the new government, Denmark will adhere to the NATO, continue its rearmament program, and, in general, follow its present foreign policy.)

FAR EAST

4. INDOCHINA: Survey mission assesses French position-- S/TS
5/5
US Legation Saigon transmits the conclusion of the French politico-military mission examining the Indochina situation that France, without aid, cannot meet its obligations both in Western Europe under the North Atlantic Pact and in Indochina. (The mission includes Minister of the Associated States Letourneau, General Juin, High Commissioner for Indochina Pignon, and General Carpentier, commander of French Forces in the Far East.) The group characterized the fighting in Tonkin as "no longer a question of guerrilla war," and stressed the urgent need of the French forces in Indochina for US military assistance, particularly aircraft and artillery. The group also feels that US financial aid will be needed in establishing a Vietnamese national army. The group stated that positively no reinforcements could be expected from France at this time.

Minister Letourneau, in commenting on the political aspects of the Indochinese problem, remarked that the world could be sure when the war was over that Viet "independence would be total." Letourneau added that the French had no intention of holding back Vietnamese independence, but were concerned

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lest the morale of French troops now fighting for a French cause in Indochina be "shattered." He commented that if the Vietnamese "or others" continued to misunderstand French motives in Indochina, he intended to recommend to his government that French troops be withdrawn.

Regarding Chinese Communist assistance to the rebel Viet Minh, Generals Carpentier and Juin expressed their belief that, as a result of Chinese training and equipment, the Viet Minh, between now and March 1951, could assemble 100 battalions, "most of which would be equal to the French in value." The group indicated that thought had been given to an appeal to the UN, but that inasmuch as the actual participation of Chinese Communists in the Tonkin operation had not been confirmed, a formula for presenting the case to the UN had not been found.

Bao Dai plans to tour Tonkin - US Legation Saigon has learned that Bao Dai will leave the summer capital at Dalat for the traditional imperial capital of Vietnam at Hue within a few days. Bao Dai plans to make a tour of the strife-torn Tonkin region shortly after his arrival.

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GENERAL

1. Reports on Chinese involvement in Korea-

[redacted] it was decided in early October at a conference in Peking attended by Chinese, Soviet and North Korean leaders that if UN troops crossed the 38th Parallel and North Korean forces were unable to hold them, the main part of the North Korean forces would be withdrawn to Manchuria for future use while the balance would carry on guerrilla warfare in Korea. [redacted]

[redacted] the Chinese Communists and the USSR regard the Korean war as virtually ended and are not planning a counteroffensive. [redacted] the bulk of the Chinese Communist units had been withdrawn from Korea, leaving only skeleton forces in order to create the impression that a large number of Chinese Communist forces were still present, thus deceiving US intelligence so that the maximum number of US troops would be committed in Korea for the longest possible time.

(CIA Comment: CIA concurs in general with these indications of over-all Soviet and Chinese Communist intentions regarding Korea. The presence of independent organized Chinese Communist units in Korea has not yet been confirmed; the above reports concerning skeleton Chinese forces, however, are consistent with [redacted] reports thus far received on Chinese Communist participation in the Korean fighting.

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EUROPE

2. YUGOSLAVIA: Tito requests French military aid--US Ambassador Allen reports that Marshal Tito, in his first conversation with the newly arrived French Ambassador, spoke at some length concerning Yugoslavia's need for military assistance, and requested

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French aid in obtaining defensive weapons. Tito expressed the view that receipt of military equipment through a third country would avoid Soviet allegations that Yugoslavia had become a spearhead for US aggression against the USSR. The French Ambassador informed Tito that although he thought his government might be sympathetic, France would take no action except in closest cooperation with its North Atlantic Pact allies, particularly the US.

FAR EAST

3. KOREA: Unsettled conditions in Southwest--US Embassy C.I.B./conf.
Seoul reports that local authorities in South Cholla province of southwestern Korea are experiencing considerable difficulty in establishing full control over the area. Provincial officials estimate that there are 8-10,000 armed guerrillas concentrated in the mountainous sections of the province; many of the guerrillas are local natives who openly joined the Communist invaders during the occupation.

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GENERAL

1. POW reports of Chinese Communist forces in North Korea--
The Commanding General of the US Eighth Army in Korea reports that the ten Chinese Communist prisoners of war captured as of 30 October have claimed during interrogations that the 119th and 120th divisions of the Chinese Communist 40th Army and the 117th division of the 39th Army are now in Korea.

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(CIA Comment: Although there are major units of Chinese Communist forces along the Manchurian-Korean border, the presence of Chinese Communist units in Korea has not been confirmed. CIA continues to believe that direct Chinese Communist intervention in Korea is unlikely at this time. However, there is a strong possibility that the Peiping regime may move troops across the border in an effort to establish a "cordon sanitaire" around the Suiho hydroelectric plant and other strategic border installations essential to the Manchurian economy. There is also the possibility that these Chinese were sent into North Korea to plant reports of Chinese Communist forces in North Korea in the hope of slowing the UN advance, and thereby providing time for North Korean forces to reorganize. Ordinarily, privates in the Chinese army do not possess the detailed order-of-battle information which these POW's passed on to US field interrogators.)

EUROPE

2. UNITED KINGDOM: Attitude toward European bloc--US Embassy
London transmits a report from a high-ranking British Foreign Office official that the UK Cabinet has approved a paper which states that, although the UK formerly opposed a European continental bloc particularly if dominated by Germany, the USSR

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had changed the situation, and the UK would no longer oppose the regional grouping or even federation of certain continental countries, such as France, Germany, and Italy. The Cabinet paper also reiterates that the UK could not undertake continental commitments which would interfere with Britain's Commonwealth and sterling area obligations or with its special relations with the US.

3. GERMANY: Eased tension in Berlin reported--According to the Berlin staff of the US High Commission in Germany, a "subtle change" in the Berlin situation during recent weeks appears to have brought about a notable relaxation from the former tension, and the feeling that, for the moment at least, the West has regained the initiative in Berlin. Although there is the danger that relaxed tension will be followed by reduced resistance among West Berliners, observers feel that the general attitude is one of "measured optimism and increased confidence" in Berlin's ability to make good use of any breathing spell. CIA/S

NEAR EAST-AFRICA

4. INDIA: Views on Indochina--US Embassy New Delhi transmits the view of an Indian Government spokesman that if France were to take steps indicating "unmistakably" its intention to yield full sovereignty to Vietnam, Indian and Southeast Asian acceptance of Bao Dai would be made "much easier." The spokesman added that India would "welcome" a coalition of "nationalist" elements of both contesting groups and that steps to place the Indochina problem before the UN would be greeted as evidence of good faith on the part of France. CIA/S

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FAR EAST

5. INDOCHINA: Viet Minh capabilities--The US Military and Naval Attaches in Saigon report their opinion that, despite present Viet Minh possession of the initiative in attacks on French posts along the Tonkin border, the rebels will not be able to launch an all-out offensive for four to five months. The Attaches believe that the major regrouping, replenishment of supplies, and consolidation of lines of communication required for such an all-out effort could not be accomplished in less time. The Viet Minh, however, is considered to be capable of launching a "shoestring" offensive any time after 1 December 1950. Meanwhile, the US Military Attache at Hanoi reports that French officers have expressed their personal opinion that, if Tonkin falls to the Viet Minh, the French will not attempt to hold the rest of Indochina. The Attache adds that the French forces in Indochina urgently need reinforcements and light automatic weapons.

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6. KOREA: Situation in captured North Korean capital--US Embassy Counsellor Drumright reports that the physical condition of Pyongyang appears to be much better than that of Seoul shortly after the Communists were driven north. Drumright adds, however, that politically the city is operating in a vacuum which may lead to serious difficulties, primarily because the provisional government of the city is made up of men with good character but inexperienced in managing a city the size of Pyongyang. The Counsellor points out that all Communist officials have fled the city and there are no citizens with pre-Communist experience in city affairs because the Japanese administered the city prior to the Communist regime.

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GENERAL

1. Chinese Communist troops in Korea--US Embassy Seoul transmits the estimate of US Eighth Army headquarters that, although information is still "sketchy" and confirmation is lacking, two regiments of Chinese Communist troops may be engaged in the Eighth Army sector. Eighth Army headquarters has not yet definitely established whether these Chinese Communist troops are fighting as independent units or are "sandwiched" among North Korean forces. A later field report states that POW's captured north of Hamhung identified their unit as the Chinese Communist 124th Division. The POW's, who were wearing new cold-weather uniforms, spoke in the Peiping and North Manchurian dialects and said that their unit had entered Korea on or about 16 October.

(CIA Comment: There probably are small numbers of Chinese Communist troops currently operating in Korea, but CIA does not believe that the appearance of these Chinese Communist soldiers indicates that the Chinese Communists intend to intervene directly or openly in the Korean war.)

EUROPE

2. AUSTRIA: Government holds firm in police case--According to US High Commissioner Donnelly in Vienna, the Austrians are maintaining a firm attitude in the case of the dismissed Communist police chiefs, who are still occupying their posts. Donnelly reports that Austrian Minister of Interior Helmer is proceeding "determinedly, if cautiously," with a judicial investigation of the dismissed chiefs. Soviet Commandant Sviridov asked Austrian Chancellor Figl and Helmer if it would not be possible to call off the investigation, or at least to terminate it with administrative reprimands rather than dismissal from office;

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the Austrian officials replied that the cases must be settled according to the findings of the disciplinary court. During the course of the discussion, Sviridov insisted that the Soviet authorities must have a veto over police changes in the Soviet zone and sector, but the Austrians flatly refused this demand. Helmer has intimated that the court may order the dismissal of three of the police chiefs, and lesser penalties for the other two. Figl believes that the USSR wishes to avoid a discussion of the police case at the next meeting of the Allied Council.

FAR EAST

3. TIBET: Reported Chinese Communist invasion--US Embassy New Delhi has learned that Panikkar, Indian Ambassador to China, "first heard of the Tibet invasion" on 25 October over the All-India radio and on the same day received a Peiping handout on the subject "couched in almost identical terms."

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S/TS

3.3(h)(2)

(CIA Comment: Up to the present, Peiping has issued no announcement of an invasion of Tibet other than that reported by Panikkar. On 24 October, however, Chungking did issue a "political mobilization order" calling on troops in West China to prepare themselves for the mission of liberating Tibet. Moreover, press reports indicate that Chinese Communist troops, which have been located for several months in the eastern part of Sikang Province near Tibet, are again moving westward. However, these troops are still east of Tibet proper and they can be engaged either in completing occupation of Sikang or in preparing to invade Tibet. Until the Communist invasion of Tibet is confirmed, CIA is inclined to view present reports of the invasion as a Peiping effort to prod the Lhasa Government into prompt agreement to Chinese Communist demands.)

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Indian views on Tibet invasion--US Ambassador
Henderson in New Delhi expresses the opinion that the reported Chinese Communist invasion of Tibet will not, in the end, result in any change in Prime Minister Nehru's policy toward Peiping. Henderson believes that Nehru is chagrined at the Chinese Communist Government's willingness to expose India to embarrassment over the Tibet issue and expects that various of Nehru's colleagues will make use of Peiping's maneuver in urging a more friendly Indian attitude toward the US. Nevertheless, Henderson feels that Nehru is still too "enmeshed" in his attempts to bring Communist China into an Asiatic bloc to abandon such efforts at this time. Henderson adds that Nehru quite possibly might attempt to divert Indian attention from Tibet by criticizing the Western Powers, perhaps even attributing a Peiping decision to invade Tibet to fears inspired by the US attitude toward Communist China.

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EUROPE

1. YUGOSLAVIA: Tito favorable to proposed US agreement-- CIA/S
US Ambassador Allen in Belgrade, reporting an exploratory conversation with Tito concerning the proposed US-Yugoslav agreement to permit the use of Mutual Defense Assistance Program funds for relieving the Yugoslav food crisis, indicates that Tito's preliminary reaction was entirely favorable. Expressing confidence that agreement can be reached, Allen recommends that the US formalize the proposal immediately. He also reports a remark by Tito concerning the expected Soviet reaction that Soviet propaganda could not be any worse than it already is and could not modify the "absolute distrust" which Yugoslavia feels toward the USSR and its Satellites. Tito also volunteered the thought that the proposed bilateral agreement would enable Yugoslavia to show that it was reciprocating, within its possibilities, for any US aid received.

FAR EAST

2. KOREA: Rhee modifying his attitude toward North Korea-- CIA/conf
US Embassy Counsellor Drumright reports that President Rhee was received with acclaim during a recent visit to the former North Korean capital of Pyongyang and that Rhee's 30-minute speech was given great applause. Drumright adds that Rhee was careful and judicious in his speech and made no statement which could be regarded as detrimental to the UN. The Counsellor believes that Rhee's principal objections to the "interim administration" for North Korea would be overcome if he can be assured that only non-Communists from south of the Parallel, including refugees from the north, will be appointed to administrative posts in North Korea. CIA/S

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EUROPE

1. YUGOSLAVIA: Tito extends period of military service--
US Ambassador Allen in Belgrade reports that during his recent conversation with Marshal Tito, the Marshal remarked that he had extended the period of military service in order to keep more men under arms and that no publicity would be given to the matter. The Yugoslav Premier commented that keeping more men under arms increased his need for food supplies for the army; Allen expressed the opinion that assistance from the Mutual Defense Assistance Program would, therefore, seem "even more appropriate," and Tito agreed.

CIA/S

NEAR EAST-AFRICA

2. KASHMIR: India favors direct talks with Pakistan--US Ambassador Henderson in New Delhi has been informed by Secretary General Bajpai of the Indian External Affairs Ministry that India favors UN Mediator Sir Owen Dixon's suggestion of direct conversations between India and Pakistan as the "next step" in UN efforts to settle the Kashmir dispute. Bajpai, who expressed the belief that the suggested "small power commission" on Kashmir would be ineffective, stated that direct conversations between India and Pakistan might take place at Lake Success with the SC and interested powers represented.

S/S

(CIA Comment: In view of the fact that India occupies the bulk of Kashmir and would hold the whip hand in any direct negotiations with Pakistan, India would naturally favor the Dixon suggestion as an alternative to the establishment of new UN machinery.)

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3. CHINA: "Intervention" in Korea-

[redacted] during an August conference of top Sino-Soviet leaders, the decision was made for Communist China to "participate in the Korean war." [redacted] the formal decision was made on 24 October at a meeting presided over by Chinese Premier Mao Tse-tung. [redacted]

[redacted] twenty Chinese Communist armies are now in Manchuria (the strength of a Chinese Communist army ranges from 20-30,000); included in these twenty armies are eight armies of the Fourth Field Army as well as elements of the other three Field Armies of the Chinese Communist forces.

[redacted] indicate considerable troop movement from China proper into south Manchuria during October. [redacted] Mukden is under martial law and a state of war emergency exists with air raid precautions and other defense preparations under way. Factories in Mukden and Antung are being dismantled and moved north. Twenty jet fighters of unknown nationality have appeared over Mukden. The city is said to be in a state of panic, with many Communist officials and residents moving north. "Large numbers" of Russian troops, both in and out of uniform, have arrived, as well as materiel, including self-propelled guns and naval mines.

(CIA Comment: Major units of the Chinese Communist Fourth Field Army have been moving to Manchuria for several months. Although elements of the other three Field Armies could be moving north, there is no confirmation that units of these

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Field Armies are in Manchuria. There is no confirmation that a high-level Sino-Soviet conference decided that Communist China should intervene in Korea, but it is quite possible that the Peiping regime decided to increase its support and assistance to the North Koreans. Such a decision could logically lead to large-scale defensive preparations by the Chinese Communists in anticipation of possible UN retaliation for this increased military assistance. On the basis of available evidence, CIA continues to believe that Chinese Communist participation in the Korean conflict will be limited to defense of the Manchurian border and that open large-scale intervention by Communist China is not likely.)

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GENERAL

1. Burma to protest to Chinese Communists over Tibet--
US Ambassador Key in Rangoon has learned that the Burmese Government has instructed its Ambassador in Peiping to express to the Chinese Communist regime Burma's deep concern over the Chinese resort to force in Tibet. Key's source added that Burma is apprehensive about the possibility that eventually Chinese Communist armed forces will similarly encroach upon territory along the Sino-Burmese boundary which is not clearly defined. CIA/conf.
2. Deportation of Turks may be presented to UN--The US Delegation to the UN reports that the Turkish Delegation has "practically decided" that the problem of deportation of approximately 250,000 Turkish-speaking people from Bulgaria to Turkey must be presented to the General Assembly. A Turkish delegate remarked that deportations will begin on November 10th if the Bulgarians observe their previously announced timetable. CIA/S

EUROPE

3. GERMANY: Sentiment against rearmament growing--
According to US Embassy London, UK High Commissioner Kirkpatrick in Germany has expressed himself "strongly" on the adverse effect the delay in settling the European army question is having on German willingness to participate in the defense of the West. Kirkpatrick believes that the longer the present situation continues, the more difficult it will be to obtain German cooperation. Kirkpatrick recognizes that the Germans may be attempting to use the necessity for rearmament as a means of gaining concessions, but he is convinced S/S
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4. CZECHOSLOVAKIA: Soviet inspection of army reported-- The US Military Attache in Prague has been informed that Soviet Marshal Malinovski has been inspecting the Czechoslovak Army and that he is insisting on increased training and discipline. The Military Attache suggests the possibility that Malinovski may be appointed to a position in Czechoslovakia similar to Marshal Rokossovski's in Poland.

ARMY/S

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EUROPE

1. ITALY: Communist discontent with Party direction--US Embassy Rome reports the view [redacted] that considerable discontent is developing within the Italian Communist Party as a result of the growing feeling that the Kremlin is exploiting the Party purely as an instrument of Soviet foreign policy and is neglecting the real interests of the Italian working class. Pointing out that the existence of this unrest may account for the recent decision to postpone the Party congress, the Embassy suggests that if the congress is held it may turn into a genuine debate on policy which may in turn lead to the establishment of an "Italian" Communist movement detached from the Cominform. The Embassy further suggests that if such a nationalistic Communist movement were established, the Kremlin would be confronted with "a deep crisis" which might spread to France and lead to mass purges in both countries.

CIA/S

3.3(h)(2)

FAR EAST

2. INDOCHINA: Bao Dai Army delayed--US Minister Heath in Saigon reports that attempts to form a Vietnam National Army have been characterized by "furious inactivity," with the French insisting the Vietnamese authorities produce an acceptable plan and the Viets pointing out that the necessary arms, equipment, and money can come only from the US or the French
- [redacted]

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GENERAL

1. Views on Soviet proposal for CFM on Germany--US Embassy Moscow considers that the recent formal Soviet proposal for a CFM meeting on Germany was made primarily for propaganda purposes. The Embassy points out that the proposal is well-timed, in connection with the Prague Declaration, the 7 November anniversary of the Bolshevik revolution, and the Second World Peace Congress, to be an important element in the world-wide campaign to prove that the USSR wants peace and the US wants war. The Embassy notes that the proposal concentrates on demilitarization rather than on all major German problems and comes at a delicate period in the development of French endorsement of the rearmament of Germany..

*s/conf.***FAR EAST**

2. INDOCHINA: UK to urge more power for Bao Dai--According to US Embassy London, British Commissioner General for Southeast Asia MacDonald will visit the highest available French Government official in Paris to express his view that the only possible solution to the Indochina problem is to accelerate the transfer of power to Emperor Bao Dai. MacDonald is making the visit at the specific request of the Foreign Office, which shares his views on Indochina.

*S/TS
CIA/S*

Tonkin situation described as not hopeless--US Consul Blancke in Hanoi expresses the opinion that the French now appear to have "more than an even chance" of holding North Vietnam. In support of this view, Blancke points out that the Viet Minh evidently lacked the power to keep rolling and hazards the guess that the French will win the reinforcements race.

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The Consul concurs in the recently-expressed opinion of the French Commanding General in Tonkin that the next 12 months will be critical.

3. KOREA: Chinese Communist strength in North Korea--
US Embassy Counsellor Drumright in Seoul transmits the estimate of US military field intelligence that there are now between 25,000 and 27,000 Chinese Communist troops engaging US forces in the northwest sector in Korea, and that a Chinese Communist force approximating divisional strength is opposing UN forces in the northeastern sector. (Latest military field reports indicate a total of 35,000 Chinese Communist troops are currently engaging UN forces in Korea.) US intelligence also reports that 13 hostile Yak aircraft, which could only have come from Manchurian fields, were observed over North Korea on 5 November.

CIA/S
CIA/S

Dissension in ROK National Assembly--US Embassy Counsellor Drumright expresses the opinion that the overwhelming rejection of Paek as Prime Minister by the ROK Assembly can be attributed mainly to selfish political maneuvering and to deep-seated hostility toward President Rhee. As a further measure of the Assembly hostility for Rhee, Drumright reports that a resolution calling for the resignation of the entire Rhee Cabinet was presented to the Assembly and, after two indecisive votes, reconsideration was deferred until 6 November.

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GENERAL

1. Chinese Communists reportedly training Burmese tribesmen--
US Ambassador Henderson in New Delhi has been informed that the Indian Government attaches much importance to reports [redacted] that the Chinese Communists have persuaded a number of Kachin tribesmen from northern Burma to come to China for training in Communism and subversive tactics. The Indian Government believes this development definitely portends trouble in northern Burma. According to Henderson the Indian Government also takes a serious view of an article in a recent Peiping publication which openly proclaimed the state of Sikkim (which is between India and Tibet) as part of China. C/A/S
3.3(h)(2)
2. Views on Chinese intervention--The US Delegation to the UN reports that Yugoslav UN representative Bebler views Chinese Communist intervention in Korea as the manifestation of the "infantile disease" of a new Communist regime which lacks political judgment. Bebler is convinced the Chinese Communists fear that the Yalu hydroelectric works are threatened and feel that UN forces constitute a genuine threat to Manchuria; he believes US and UN assurances on these two points might do much to reduce Chinese Communist fears. Bebler added that he hoped the US would not rush a resolution through the Security Council, particularly one that contained a finding of aggression by Communist China. C/A/S
3. Dutch seeking German rearmament compromise--According to US Ambassador Chapin at the Hague, Netherlands Foreign Minister Stikker is working on a compromise between the French and US positions regarding German rearmament. Chapin S/T

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adds that Stikker is seeking a compromise because of his earnest desire to do everything possible to resolve the present disagreement and because of repeated requests by the French Government that he attempt to find some compromise.

FAR EAST

4. INDOCHINA: French attitude toward Vietnamese--US Minister Heath in Saigon reports there is "increased strain" in French-Vietnamese relations as a result of the "rather curious" attitude toward the Vietnamese of Minister for the Associated States Letourneau during his visit to Indochina. As an example, Heath cites Letourneau's blunt remarks in the presence of the Vietnamese regarding their financial incompetence and lack of civic responsibility. As further evidence of the lack of "rapport" between the French and Vietnamese, Heath quotes General Valluy, Inspector General of Colonial Troops, as advocating the abandonment of France's "military-political formula," aimed at instilling widespread loyalty among the Vietnamese for the Bao Dai Government, in favor of a purely military campaign. s/TS

(CIA Comment: CIA believes that active participation of the Vietnamese is an essential factor in the defense of Indochina and that their support can be won only by further political concessions by the French.)

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GENERAL

1. Soviet anniversary speech analyzed--US Ambassador Kirk in Moscow, in making an early assessment of Bulganin's October Revolution Anniversary speech, expresses the opinion that the speech indicates the past year was a lean one for Soviet foreign policy and that the Kremlin recognizes this fact. The greatest proportion of the address was devoted to progress of the Soviet people in the economic field, which was emphasized by the announcement that the goals of the present five year plan had been attained. Kirk notes that the address followed the familiar Soviet pattern of contrasting the peace policy of the USSR with the war policy of the US. Korea received significant mention as the banner of the liberation movement of oppressed and dependent peoples. Present North Korean reverses were treated as temporary and were compared to those experienced by the USSR in the period of civil war and intervention during 1918-1921.

CIA/conf

(CIA Comment: CIA believes the speech, in addition to being a summary of Soviet accomplishments during the past year, represents a Soviet attempt to warn the West that the USSR does not intend to abandon its international program.)

EUROPE

2. GERMANY: Views of political leaders on rearmament--In recent discussions of the German rearmament question with Chancellor Adenauer, US High Commissioner McCloy in Frankfurt learned that the Chancellor intends to obtain a declaration from the leaders of the government coalition parties, setting forth Germany's willingness to contribute to Western European defense. Adenauer believes that such

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a declaration would clarify present "confused German thinking" and that it would then be difficult for the Socialist Party to take the opposite stand. Adenauer also declared that the signing of the Schuman Plan treaty was urgently necessary, and that this would make possible the solution of "other problems." The Chancellor warned that it was politically impossible for him to approve the treaty, however, unless he was assured that the Ruhr Authority would be eliminated when the Schuman Plan goes into effect.

During a later conversation with Socialist leader Schumacher, McCloy learned that Schumacher still insists that Germany should participate in Western defense efforts only after the creation of a Western force sufficiently strong to take the offensive in the event of war. In regard to the Pleven defense proposals, Adenauer felt that although they held long-range possibilities, the French had erred in presenting them as a solution for the present defense requirements; Schumacher expressed the feeling that the Pleven proposals were designed to give the French control over any European force.

(CIA Comment: CIA believes that Adenauer will not approve the Schuman Plan treaty until he is assured of the dissolution of the Ruhr Authority.)

NEAR EAST-AFRICA

3. INDIA: Nehru reported as seeing no "threat" in Tibet--US Consulate General Bombay reports that Prime Minister Nehru, in a recent informal conversation, stated that China's "aggressive action" in Tibet poses no military threat to India either "now or in the foreseeable future." Nehru is also reported to have described Chinese leader Mao Tse-tung as a man "ideologically like Tito" who might eventually become oriented toward the democracies if not first driven into the Soviet camp by the actions and attitude of the US.

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(CIA Comment: The remarks attributed to Nehru are in line with previous estimates that Nehru will abandon his friendly attitude toward China reluctantly, if at all, and that Chinese aggression against Tibet is thus unlikely to cause any immediate change in his policy.)

4. **NEPAL: King seeks refuge in Indian Embassy**--The Nepalese Ambassador in New Delhi has informed the US Embassy that the King of Nepal, the Crown Prince, and the latter's eldest son have taken refuge in the Indian Embassy in the Nepalese capital and that the Crown Prince's second son (aged three or four years) has been proclaimed King. The Nepalese Ambassador professed to be uninformed on the background of this development. *CIA/Conf*

(CIA Comment: Inasmuch as all power in Nepal has long been vested by heredity in the hands of the family of the present Prime Minister (Maharaja), a change in the person of the King is of no internal significance. Exile of the former King in India could, however, have unfortunate consequences for the present Nepalese Government. Leftist elements in India, including many Nepalese residing there, have been increasingly active in their efforts to bring about the downfall of the Maharaja's family. Those elements might find the former King a useful symbol in furthering opposition to the Maharaja's family and thus in bringing about a collapse of present authority in Nepal.)

FAR EAST

5. **KOREA: ROK Assembly calls off feud with Rhee**--US Embassy Counsellor Drumright reports that the recent change in the military situation in Korea has led the ROK National Assembly to postpone indefinitely consideration of the motion calling *CIA/Plain*

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for resignation of the entire Rhee Cabinet. Drumright adds, however, that continuing anti-Rhee feeling in the Assembly was demonstrated by general criticism of the government's precipitous departure from Seoul and by attacks against various Cabinet members for their conduct of affairs during the invasion.

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EUROPE

1. AUSTRIA: Suspension of Communist police upheld--US High Commissioner Donnelly in Vienna reports that the Vienna police disciplinary board has upheld the suspension of the five Communist police chiefs in the Soviet sector of Vienna, in disregard of Soviet Commandant Sviridov's insistence that changes in the Soviet sector police cannot be made without the approval of the Soviet military authorities. Donnelly adds that four of the police chiefs who were civil service appointees have been directed to appear for a hearing around 16 November, and their pay has already been cut to two-thirds of normal. The fifth police chief, who was hired on a contract basis, will be dismissed outright after the other cases have been settled.

CIA/S

(CIA Comment: In the past, Soviet authorities have often backed down on issues similar to the police problem when confronted with vigorous Austrian resistance. Although there is no firm evidence to indicate whether the USSR will maintain its intransigent attitude on this issue in the face of official Austrian and Western protests, [redacted]

[redacted] suggests that the USSR may be seeking a way out of the impasse without too great a loss of prestige.)

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2. GERMANY: Increased coal shipments urged for Berlin--US representatives in Berlin urge that the West German Government reverse its recent policy of cutting coal shipments to Berlin, a policy adopted because of the serious coal shortage in West Germany. The US representatives point out that only Berlin's current consumption requirements are being satisfied by present coal shipments, leaving nothing for stockpiling; they recommend that the West German Government be urged to allocate, during December and January 344,000 tons of coal for Berlin over and above Berlin's current consumption.

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(CIA Comment: The cut in the Berlin coal shipments could have serious consequences during the approaching winter, especially if the USSR decides to interfere with transportation and communications.)

FAR EAST

3. INDOCHINA: UK urges French concessions--US Embassy Paris reports that the UK High Commissioner for Southeast Asia, MacDonald, has unofficially expressed to high French officials the view that: (a) the development of a native Indochinese army under native command should take place "as rapidly as possible"; and (b) the French should publicize present concessions to Indochina and publicly promise fuller independence than now envisaged under the Franco-Viet agreements. MacDonald stressed the "beneficial effects" the proposed "independence statement" would have in swinging the governments of Burma, India, and Pakistan toward recognition of Bao Dai.

C/A/S
S/S
C/A/Conf.

French views on appeal to UN--US Embassy London reports that a French Embassy officer has informed the UK Foreign Office of "increasing evidence" of Chinese Communist participation in hostilities in Indochina, and tentatively presented the view that the "only practical solution" in Indochina would be through the UN since the conflict there was "becoming an international issue." In this connection, US Legation Saigon reports that the French Minister of Associated States, Letourneau, recently declared at a press conference that no "tangible evidence" of Sino-Viet Minh collaboration had appeared during recent operations, although it was "unquestionable" that such collaboration existed. Letourneau added that although no appeal to the UN was contemplated at present, the Viet Minh is only a part of the force attacking democracies all over the world and a UN appeal "may some day be necessary" if the situation in Indochina is aggravated.

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(CIA Comment: CIA believes: (a) France does not at present contemplate an appeal to the UN; and (b) France will make no such appeal unless the military situation in Indochina threatens to become untenable.)

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GENERAL

1. Chinese Communist intervention in Korea--US Embassy Seoul, in assessing recent military intelligence reports, expresses the opinion that Chinese Communist failure to follow up early successes may indicate a modification in any plans they might have had for all-out intervention. The Embassy feels, on the basis of information available, that Chinese Communist intervention to date cannot be regarded either as direct, open intervention or as a continuous effort. According to recent intelligence reports forwarded by the Embassy, there is a decrease in the number of vehicles moving from Manchuria into Korea as of the night of 8 November, and there is no solid contact with the enemy in the 8th Army sector. UN patrols probing northward have discovered Chinese Communist dead "running into the hundreds" apparently killed by UN air attacks.

CIA/S

2. French view of Soviet CFM proposal--According to US Ambassador Bruce in Paris, French Foreign Minister Schuman is in complete agreement with the US view that the Soviet proposal to make German demilitarization and the Prague Declaration the basis for a meeting of the Council of Foreign Ministers is quite unacceptable. Schuman feels, however, that the Soviet suggestion of a meeting cannot be flatly rejected because this would place the West in the position of refusing to negotiate. Schuman believes that if a CFM meeting is held, its scope must be "considerably broader" than the USSR has suggested, and should include such questions as Cominform activities and their relation to world peace and tranquillity.

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3. Canadian "solution" for German division problem-- US Embassy Ottawa transmits the belief of Canadian Defense Minister Claxton that, if the US and UK would agree that German defense units will not be organized on the division level, the French would come into line on the organization of North Atlantic defense. Claxton suggests that the German units, "for the time being," be called brigades, regiments, or teams --anything but divisions. The Embassy comments that while the Canadians have no doubt been expressing their sympathy to the French, they have also been insisting on US leadership.
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GENERAL

1. Australians urge caution in Korea--The Australian Prime Minister has informed US Embassy Canberra that, as a result of Chinese Communist intervention, the Australian Government believes a new situation has arisen in Korea which calls for careful examination. The Australian official added that, pending clarification of Chinese Communist objectives, which may or may not be limited in scope, his government is convinced that "military caution" is required and believes that consequences of Manchurian border "incidents" could be so grave that it may be best "temporarily" to ignore Chinese Communist provocation "to the extent possible."
2. British view of deadlock on Western defense--According to US Ambassador Douglas in London, the British are convinced that the French are becoming increasingly anxious to end the Western defense impasse resulting from the recent Pleven proposals. In view of this French attitude, the British feel the other Western Powers should go slowly, avoid new proposals of their own, and leave to the French the burden of suggesting the means of breaking the deadlock and making progress.
3. UK releases "certain" arms to Egypt--US Embassy London reports that the British Government, after reviewing its arms commitments, has decided to relax its ban on arms shipments to Egypt and to provide that nation with 16 tanks. The UK has also decided to inform the Egyptians of the availability of certain lend-lease items and is considering

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the release of six obsolete Halifax bombers. The UK Government, however, will advise the Egyptian Government that other armament items desired by Egypt are in short supply and required for the British defense efforts, the Commonwealth, or NATO.

US Embassy Cairo believes that news of the decision of the UK to resume partial arms shipments to Egypt has revived to a large extent the good will which was lost because of arms suspension.

FAR EAST

4. **INDOCHINA:** French to ask US arms for Laos-- US Legation *4/9/5*
Saigon has learned that the French plan to make an urgent request to the US for rifles to be used in arming village defense units in Laos, which faces a greater threat as a result of recent Viet Minh gains. The French program envisages the arming of 4,250 Laotians, in companies of 50 men under command of the chiefs of each province; the French can supply rifles for no more than 1,000 Laotians from present stocks in Indochina.

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EUROPE

1. GERMANY: Socialists' attitude toward German rearmament-- CIA/cnf
US High Commissioner McCloy in Bonn has been assured by Carlo Schmid, a leader of the West German Social Democratic Party, that the Socialists would accept a Bundestag decision in favor of German military contributions to European defense, regardless of how small a majority such a decision obtained. According to Schmid, the Social Democratic Party would then cooperate loyally to make the contributions as effective as possible. Schmid added that the Social Democratic Party has for many months been in contact with three outstanding former German generals for the purpose of getting expert technical advice on the feasibility of the Socialist program for Western defense.

(CIA Comment: Schmid's statements probably reflect the wishes of moderate Socialists, but the Social Democratic Party as a whole will continue to support firmly Socialist Chairman Kurt Schumacher's policy of opposing West German rearmament until: (a) the Western allies have made large increases in their troop strength in Germany; (b) substantial concessions toward German sovereignty and international equality have been granted; and (c) rearmament is specifically authorized by amendment of the basic German law, a process requiring a two-thirds majority in the Bundestag.)

2. FRANCE: Implications of Thorez trip to Moscow-- CIA/S
US Ambassador Bruce in Paris expresses the opinion that the departure of French Communist Party leader Maurice Thorez for Moscow will not bring about a sharp change in French Communist Party policies in the near future. Bruce does feel, however, that

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Moscow intends to take advantage of the absence of Thorez to carry out a thorough house-cleaning in the French Party, which has been passing through an extremely difficult period.

FAR EAST

3. **INDOCHINA:** Bao Dai's plans for aggressive leadership-- US Minister Heath in Saigon reports that, during the course of extensive talks with Bao Dai, the Vietnamese leader gave his assurances that he would take into his own hands the formation of a national army and the development of good government. Bao Dai pointed out that French agreement "in principle" to the creation of a Vietnamese army gave him a basis for demanding general support for his regime; he said that he could now attempt to "bring in" fence-sitters and even detach non-Communist nationalist elements from the Viet Minh. Bao Dai added that he had received credible assurances of French support for the national army in terms of officers and funds but that the French had not agreed to his demand that French officers be under his direct command.
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EUROPE

1. YUGOSLAVIA: Tito to modify industrialization program--
US Embassy Belgrade reports that during an interview between Tito and Heinz Kernek, West German news agency correspondent, the Yugoslav leader stated "there will be no second five year plan similar to the first five year plan," and further development of the Yugoslav economy will emphasize increased consumer goods production. (The present Yugoslav five year plan emphasizes expansion of industry at the expense of consumer production.) [redacted]
Tito added, "Above all we must raise living standards in the next few years."

CIA/S

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(CIA Comment: Tito will probably attempt to raise the present low living standard in Yugoslavia in the hope of:
(a) reducing internal resistance to his regime; and (b) making Yugoslav "socialism" more acceptable to the West.)

FAR EAST

2. INDOCHINA: Possible French "statement" on Indochina--
US Ambassador Bruce in Paris has learned that French Minister for the Associated States Letourneau intends to seek Cabinet approval for an announcement that the French Government plans to interpret and implement liberally the 8 March 1949 agreements with Bao Dai. Bruce was also informed that although Letourneau is sympathetic to the idea, when the present emergency is over, of a French statement favoring "full independence" for the three Associated States of Indochina, within the French Union or associated with it, he could make no commitment on this question.

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(CIA Comment: CIA believes the French are not likely to do more at this time than announce their intention to interpret and implement liberally the 8 March Accords.)

French reinforcements to arrive in December--US
Minister Heath in Saigon reports that General Carpentier, the French Commander in Indochina, has told the US Military Attache that French reinforcements from metropolitan France and North Africa will arrive in Indochina by the end of December. Carpentier has sent an urgent request to Paris to have the units arrive at least fifteen days earlier than scheduled, so they can be operative in the Tonkin area by 1 January 1951. The reinforcements, according to Carpentier, will consist of five infantry battalions, one regiment of medium tanks, and three battalions of light artillery (the five infantry battalions are replacements).

3. KOREA: North Korean currency rapidly losing value--US Em- CIA/S
bassy Seoul reports that, because of the uncertainty regarding the currency situation in North Korea, North Korean currency is rapidly depreciating. The Embassy adds that as a result of this depreciation, the average North Korean citizen is now severely limited in his ability to buy daily necessities. The Republic of Korea Finance Minister has stated that he can take no responsibility for redeeming North Korean currency because the plates are believed to be in Communist hands.

THE AMERICAS

4. VENEZUELA: Situation to remain stable--US Embassy Caracas CIA/Rest
reports the assassination of Lt. Col. Carlos Delgado Chalbaud, president of the military junta government of Venezuela. The

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Embassy adds that the government has suspended constitutional guarantees, apparently in order to facilitate apprehending the assassins and to prevent civil strife at this time.

(CIA Comment: The assassination of Delgado Chalbaud will have an unfavorable effect upon US interests in Venezuela. Of the three junta members who governed Venezuela since the coup of 24 November 1948, Delgado Chalbaud was the most astute politician and also decidedly sympathetic toward the US. The two surviving junta members, Lt. Col. Marcos Perez Jimenez and Lt. Col. Luis Felipe Llovera Paez, will probably remain in power; Lt. Col. Felix Roman Moreno, the armed forces chief of staff, may become the third member of the junta. No major disturbances will occur in the immediate future.)

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GENERAL

1. Views on Chinese Communist intervention in Korea--US Embassy Moscow expresses the opinion that although the propaganda treatment given to Chinese Communist intervention in Korea may reflect an ominous Soviet attitude, there is not sufficient evidence to justify the assumption that the Chinese Communists are inviting war with the US and the UN. In support of this position, the Embassy points out that: (a) the Chinese Communists have retained their freedom of action by limiting intervention to "volunteers"; and (b) there has been no mention in the Soviet press of Soviet "volunteers" in the Korean war. The Embassy adds that the lateness of Chinese Communist intervention may reflect a Soviet desire to salvage something in Korea rather than a Chinese Communist intention to plunge China into a global war with the US.

CIA/S

In conclusion, the Embassy predicts that the assistance to North Korea by Chinese Communist "volunteers" will depend upon: (a) the prospect for preserving an extensive area in North Korea for Communist operations; and (b) the degree of UN determination to eliminate this intervention.

2. US views on Austrian police case--The Department of State has expressed to US Legation Vienna the view that any concession which the Austrians make to the USSR in the matter of the "suspended" Communist police chiefs in the Soviet Zone will "only hasten further Soviet demands." (The suspended police chiefs, with Soviet support, are holding their posts in defiance of Austrian orders. The police chiefs, however, are on reduced pay pending the results of an Austrian

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commission's investigation.) The Department feels that present Soviet tactics in Austria may be aimed at eventual seizure of full political control of the Soviet Zone.

EUROPE

3. **FINLAND:** Finnish Cabinet faces overthrow--According to US Minister Cabot in Helsinki, the Chairman of the rightist Coalition Party's parliamentary group has attached to a legislative report a "rider" declaring the incumbent minority Agrarian Cabinet incapable of achieving economic stabilization and therefore lacking Diet confidence. (This rider is a political maneuver designed to oust the present minority government without actually proposing a vote of non-confidence.) A vote on this legislation is scheduled for 17 November.

(CIA Comment: Opposition parliament groups will probably be able to muster sufficient strength from the right and left [irrespective of the position taken by the Communist Diet group] to unseat the minority Agrarian Cabinet. A majority coalition government, capable of bringing political and economic stability to Finland, will probably be formed after considerable difficulty.)

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GENERAL

1. Chinese Communist intentions at the UN--Indian Ambassador Panikkar in Peiping has informed his government that the Chinese Communist Government is anxious to secure a peaceful settlement of the Korean issue, but only on the condition that Communist China participates in such a settlement. Panikkar adds that the impression in Peiping is that the Chinese Communist representatives due soon at the UN will be agreeable to settling the Korean question through discussions outside the Security Council. Panikkar believes the Chinese representatives may also be willing to discuss informally with representatives of the US and other powers issues of a general character. In passing this report to US Ambassador Henderson in New Delhi, Secretary General Bajpai of the Indian Ministry of External Affairs said he was withholding comment because he had lost confidence in Panikkar. Bajpai explained that he did not want to give the impression that the Indian Government was trying to bring pressure on the US to come to an understanding with Peiping.

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According to the US delegation to the UN, the Swedish representative to Moscow (now visiting New York) is inclined to think that the Chinese military moves were of a flexible nature, designed for probing and for limited purposes generally. The Swedish representative feels the Kremlin is not now prepared to allow present activities to develop into a general war.

2. Communist China's intentions in North Korea--The Swedish Ambassador in Peiping has informed his government that:
(a) the Chinese Communist movements toward Korea are on a large scale; and (b) Peiping publicity points to fear and alarm

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concerning possible invasion. The Swedish Ambassador expressed the opinion that the lull in the Korean fighting is due partly to the strength of UN forces, but mainly to Chinese Communist feeling that power plants and reservoirs are reasonably protected.

The Netherlands Charge in Peiping has expressed the opinion that Chinese Communist intervention in Korea was motivated chiefly by fear of US aggression, especially against Manchuria, and that the long-term aim of the Peiping regime is to establish a "really independent" Korean state which would not be a threat to China. The Charge feels that the short-term aim of Communist China is to protect the frontier by the creation of a border zone free of UN troops, and he believes the Chinese actually wish to avoid hostilities with UN troops provided UN forces remain outside a 50-mile zone south of the Manchurian border.

The Burmese Embassy in Peiping has expressed the view that the Chinese Communists are ready to go "to any length" to aid the North Koreans and that they are fostering mass hysteria based on alleged US intentions to invade Manchuria. The Burmese Ambassador believes the Peiping regime is convinced that: (a) the fighting in Korea will spread to Manchuria and that the USSR will aid the Chinese Communists if Manchuria is invaded; (b) the Soviet Air Force is superior to the USAF and the US cannot spare additional ground forces for Korea; and (c) a "US-dominated" Korea will constitute a threat to China.

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(CIA Comment: Except for the Indian Ambassador, the diplomatic community in Peiping has extremely limited contacts with Communist officials. These reports, except for troop movements and similar activities, represent personal opinions. CIA believes the Chinese Communist regime is primarily concerned with possible UN retaliatory action rather than an unprovoked US military attack. Moreover, Peiping has not yet committed itself to go "to any length" to salvage the Korean Communist regime, and maximum Chinese Communist intervention may not be necessary to achieve Peiping's objectives in Korea. CIA is convinced that, for the immediate future, Chinese Communist operations in Korea will probably continue to be defensive in nature. However, Peiping's present strategy in Korea may envisage the steady replacement of North Korean losses until the UN no longer regards the unification of all Korea as practicable.)

3. Chinese advance toward Tibet reportedly halted--US Embassy New Delhi reports that the Indian representative in Lhasa has informed his government that the Tibetans maintain the Chinese Communists have made no appreciable progress towards Lhasa "for some time" and appear to have halted at no great distance from Chamdo, in the center of Sikang Province. The Indian representative added that although he had no reason to doubt "this Tibetan story," he had nothing but Tibetan word to confirm it, and concluded his report with the observation that Lhasa was quiet and panic had subsided.

CIA/S

EUROPE

4. AUSTRIA: USSR may back down in police case--According to US High Commissioner Donnelly in Vienna, the Soviet position in the Allied Council discussion of the case of the suspended

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Austrian police chiefs created the general impression that the USSR will hesitate to react further if the Austrian Government has sufficient courage to continue its present course. Donnelly reports that the Western Power elements in the Allied Council tentatively agreed that one of the Western High Commissioners will endeavor to see Soviet High Commissioner Sviridov before the Council meeting of 8 December to point out to him the unfavorable repercussions of Soviet interference with the Austrian police upon the quadripartite arrangements, the Austrian internal situation, and the USSR itself. Meanwhile, comments Donnelly, the Austrians intend to continue protesting any and all Soviet attempts to take over the legitimate authority of the Austrian Government.

FAR EAST

5. **BURMA:** Possibility of coup d'etat - US Embassy Rangoon has learned [redacted] that a Burmese Army officer claiming to be an emissary of the Burmese Commander-in-chief, General Ne Win, recently approached a Burmese elder statesman for an opinion as to UK and US reactions in the event that General Ne Win seized power by a coup d'etat. [redacted]

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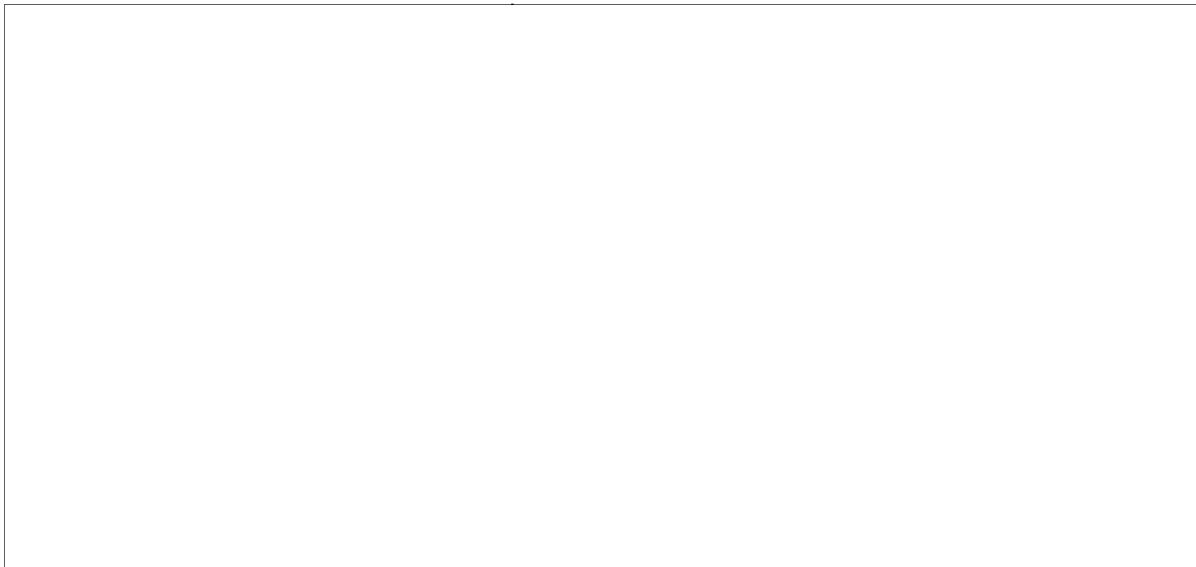
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The Embassy comments that although there is no other intelligence pointing to a coup attempt, the current consolidation of Burma's armed forces, ostensibly for anti-insurgent operations in early January, would provide General Ne Win with both cover and opportunity for such a move.

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GENERAL

1. British propose new approach to Korean problem--The British Foreign Office has transmitted to the Department of State a proposal for a new approach to the Korean problem. In order to prevent hostilities from dragging on "with the ever-growing risk of extension beyond Korea," the British propose a new UN Security Council resolution calling for a demilitarized zone in North Korea (bounded on the south by a line running from Hungnam to Chongju and on the north by the Korean frontier). The British proposal is that responsibility for this zone will be assumed by a UN body with Chinese Communist representation. The British feel that this plan would make it possible not only to terminate the whole Korean campaign at an early date, thus avoiding a costly military commitment, but also to allay Chinese Communist anxieties concerning UN aggressive intent against Manchuria. The British point out that from a military point of view the proposal has the following advantages: (a) the line from Hungnam to Chongju is approximately 150 miles long, as compared with the 400-mile length of the North Korean frontier; and (b) the UN air power advantage could be utilized without violating Chinese Communist territory if guerrilla activities were later to occur in the demilitarized zone. The British further comment that it is doubtful whether General MacArthur has sufficient forces to drive to the North Korean frontier and maintain his position there without striking at Manchurian air targets.

CIA/S

FAR EAST

2. INDONESIA: Government moves against Communists--The US Consulate in Surabaya reports that Indonesian

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Government forces were ordered into action against Communist bands in eastern Java on 17 November following a number of organized guerrilla raids on tobacco estates in the area, in the course of which seven Moslem political leaders were killed. Meanwhile, US Embassy, Jakarta, reports that the Indonesian Acting Prime Minister, after meeting with the governors of all provinces of Java and Sumatra, declared that the Government "really meant business" in implementing the recent decree requiring the surrender of unauthorized weapons. Commenting that the Acting Prime Minister appeared "supremely confident," the Embassy expresses the opinion that a "show-down" could occur within the next few weeks.

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GENERAL

1. Views on Bevin's "proposal" for Korean settlement--US S/S
 Ambassador Kirk in Moscow expresses the opinion that British Foreign Secretary Bevin's proposal to establish a demilitarized zone along the Manchurian border will be "unpalatable" to the Kremlin. In support of this view, Kirk points out that the continuance of hostilities in North Korea and the engagement of UN forces there in a protracted struggle would seem to be of considerable importance to the Kremlin in terms of present Soviet world strategy. Kirk also points to the record indicating that, in general, the USSR is not inclined to negotiate losses in the international arena. Kirk acknowledges the desirability of a negotiated settlement at this time, but expresses the opinion that Bevin's idea of a compromise falls short of accomplishing the objectives of the UN in Korea. In connection with recent reports that the Chinese Communists genuinely fear US invasion from Korea, Kirk points out that, to the contrary, Chinese Communist officials may be convinced that the US will not invade China, and, if given stronger assurances that the Manchurian frontier will be held inviolate, may be encouraged in their aggressive actions.
2. Estimate of Communist China's intent in Korea--US Embassy CIA/S
 Seoul, after reviewing recent defensive tactics of Chinese Communist forces in Korea, expresses the opinion that the Chinese Communists may now be fighting a delaying action and may not be committed to all-out intervention. According to the Embassy, present Communist delaying action could be interpreted as: (a) a test of UN determination in the face of a threat of all-out war with the Chinese Communists; (b) a move to gain time for the removal of electrical installations on the Yalu; or (c) a move to

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gain more time to prepare for decisive military intervention, possibly after the freezing of the Yalu and Tumen Rivers. The Embassy believes that although no one can be certain the Chinese will not intervene decisively in the future, available information to date favors the conclusion that Chinese intervention will in the end "fall short of all-out war."

(CIA Comment: Although Chinese Communist intervention in Korea to date has been on a limited scale, military and psychological preparations for full-scale war continue within China. The present mission of the Chinese Communist forces appears to be: (a) to prevent consolidation of the UN position in Korea and to contain UN forces in Korea through the winter, at a minimum cost; and (b) to keep the People's Republic of China in a position sufficiently flexible for either withdrawal or full-scale commitment at a later date.)

3. Views on Communist China's relation to USSR--US Consul Wilkinson in Hong Kong transmits the conviction of the former French Consul in Chungking, who has just reached Hong Kong after four months of house arrest, that the Chinese Communists are resolutely committed to Soviet foreign policy. The former Consul also expressed the opinion that any hopes the US and Great Britain may have of weaning the Peiping regime away from the Kremlin are doomed to failure. C/A/Conf.
4. Greece designates Minister to Yugoslavia--US Ambassador Peurifoy in Athens has been informed by Greek Premier Venizelos that Yugoslavia is being asked to agree to the appointment of Spyros Capetanides, Chief of the Foreign S/S

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Office American Section, as Greek Minister to Yugoslavia. Pointing out that the Yugoslav Minister to Greece had already been formally designated, Venizelos stated that if Capetanides were acceptable to Yugoslavia, a simultaneous announcement regarding the exchange of Ministers might be made on 27 November, when the opening of the secondary rail line from Salonika to the Greek-Yugoslav border at Florina is scheduled to take place.

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FAR EAST

1. INDOCHINA: Estimate of military situation--US Minister Heath in Saigon transmits the estimate of French High Commissioner Pignon that the period between 10 December and the year's end will be a "somewhat anxious" one for French forces in Tonkin. Pignon feels that the Viet Minh, by 10 December, may be able to strike a blow in force toward Hanoi, or perhaps try to break communications between Hanoi and Haiphong. Pignon believes present French forces can prevent a Viet Minh seizure of the entire delta but he admits that some shortening of French lines in the delta area may be necessary. Pignon predicts that, barring unexpected losses in troops or territory, reinforcements from France, together with US assistance, will place French forces in a position of some superiority by the end of 1950. The High Commissioner feels that although French forces should even be able to undertake limited offensive action in the north after the first of the year, two French divisions with armor and artillery would be needed for a sustained offensive of any real proportions. Pignon expressed the opinion that the new Vietnamese national army will be trained and equipped by July 1951, but will hardly be ready for offensive action for some time after that date.

CIA/S
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Possible employment of ex-Nationalist troops--US Minister Rankin in Taipei reports, in reference to the disposition of Chinese Nationalist troops currently interned in Indochina, that the first preference of the Nationalist Minister of Defense is to have these troops transferred with equipment to Taiwan. Second choice is to have them transferred to Taiwan without equipment, and third choice to employ them for combat in Indochina. Rankin suggests that, if the US does not object and if the French are disposed to employ these troops, the French be advised to sound out the Nationalist Government on Taiwan regarding conditions for the employment of the troops in the Indochina fighting.

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(CIA Comment: There are an estimated 27,000 ex-Nationalist troops interned in Indochina. CIA believes that if ex-Nationalist troops were employed in anti-Communist warfare in any areas adjacent to China, the possibility of overt Chinese Communist intervention in such areas would be greatly increased.)

2. BURMA: Prospects for coup discussed--In connection with reports that Supreme Commander of the Armed Forces Ne Win is planning to attempt a coup, US Ambassador Key in Rangoon reports that the Burmese Government is now planning to abolish the post of Supreme Commander. Key comments that if Ne Win is aware of this plan (which Key feels is likely), he would have a good motive for attempting a coup. Key points out that Ne Win will have an excellent opportunity to strike during the period from 7 to 15 December when the Prime Minister, who is now in Mandalay, will be returning to Rangoon down the Irrawaddy River.

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EUROPE

1. German views regarding the Schuman Plan--US Embassy *s/conf*
Paris transmits a report of a conversation with French economic adviser Monnet and Hallstein, Chief German negotiator on the Schuman Plan. Hallstein declared it was all-important that Germany's equal status with France in the Schuman Plan be safeguarded and that therefore there should be no suggestion that any of the functions of the Ruhr Authority are being transferred to the Schuman Plan High Authority. Hallstein observed that Germans regard the Ruhr Authority as an organization designed "to keep Germany down." Hallstein also stressed that it would be impossible for Chancellor Adenauer to convince the Bundestag that Germany had equal status under the Schuman Plan unless the occupying powers had made a "clear commitment" that the ceiling on raw steel production would be removed. Monnet stated "very firmly" that he is in full sympathy with Hallstein's position; he agreed that a ceiling on steel production would be "completely inconsistent" with both the principle and the implementation of the Schuman Plan.
2. ITALY: Opposition to Sforza believed mounting--US Embassy *s/ts*
Rome reports, concerning the possibility of changes in the Italian Cabinet in the next two or three months, that increasing mention is being made of the replacement of Count Sforza as Foreign Minister. According to the Embassy, Premier De Gasperi will be under strong pressure from his Christian Democratic Party to bring to the post a new man, probably a Christian Democrat, who could capture some of the nationalist sentiment in Italy which is now directed against the Government

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because Italians regard their country's postwar position as the consequence of Sforza's "failures." The Embassy observes that Sforza's great prestige abroad is not reflected at home, that he has few followers, and that he is attacked publicly even by members of his own party.

FAR EAST

3. INDOCHINA: Burma hints at recognition of Bao Dai--The Burmese Foreign Minister has informed US Ambassador Key in Rangoon that, although his government has no "desire" to recognize Bao Dai, it has an "open mind" on this question. The Foreign Minister further indicated that his government would be more favorably disposed to take such action if the French would transfer greater powers to the Bao Dai Government, particularly concerning customs receipts and finances. The French Minister in Rangoon has told Key that the Burmese Foreign Minister significantly stated to him that the governments of India, Burma, and Pakistan now recognize that Ho Chi Minh is a "Moscovite agent," that "it would be fatal if French troops were withdrawn from Indochina," and that there exists very little hope of ending hostilities through a compromise with Ho, arranged through the efforts of Pakistan, India and Burma.
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EUROPE

1. AUSTRIA: Soviet motives in police case--US Legation Vienna expresses the view, in making an appraisal of current Soviet motives in Austria, that under present circumstances it would seem to be advantageous to the USSR to "tread softly in Austria". The Legation points out that the Soviet command has a security problem as long as Soviet troops remain in Austria in combat strength. Moreover, the Austrians are constantly "nibbling away" at the Soviet security controls, particularly in the police and communications administrations, thereby necessitating the restoration of these controls by the USSR. The Legation believes, therefore, that the opposition of the USSR to the Austrian dismissal of five Communist police chiefs in Vienna has the "limited objective" only of maintaining these security controls. The Legation notes that the Austrians have been much encouraged by the support given them in the Allied Council by the Western Powers, and adds that continued support will be an "important factor" in the maintenance of a firm Austrian attitude toward Soviet interference.

CIA/S

NEAR EAST-AFRICA

2. INDIA: Developments in Nepal situation--According to US Ambassador Henderson, the Nepalese Ambassador in New Delhi believes he has convinced Prime Minister Nehru of the advisability of working out a settlement with the ruling Rana family in Nepal, and expects to be authorized to return to Nepal bearing India's terms. The Nepalese envoy expressed to Nehru his confidence that the Ranas would do whatever the Indian Government wanted them to do, even if that involved the resignation of the Maharaja as prime minister. The Ambassador added,

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however, that he had advised strongly against an Indian effort to have the old King of Nepal reinstated, arguing that the latter had unforgivably affronted Nepalese pride by his recent actions.

Meanwhile, US Embassy London reports that the UK, pending a British Cabinet decision on the Nepalese question, is attempting to restrain India from carrying out its previously communicated decision to recognize the old King as the legitimate ruler of Nepal.

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GENERAL

1. British fear renewed violence in Egypt--US Ambassador Caffery in Cairo reports that the British Ambassador is so seriously concerned about the current state of Anglo-Egyptian relations that he has ordered guards at the British Embassy to be armed with machine guns. Caffery adds that the British envoy is particularly concerned about the UK's recently announced decision to hold up arms shipments to Egypt. He has warned the Foreign Office that this decision might justifiably be regarded by the Egyptians as an act of bad faith.

FAR EAST

2. KOREA: ROK Cabinet strengthened--US Ambassador Muccio in Seoul reports that President Rhee's recent Cabinet appointments provide the Republic of Korea with the strongest Cabinet combination since the inception of that government. Muccio believes that the new cabinet, with the able John Chang, Ambassador to the US, as premier and including two capable members of the Democratic Nationalist Party, should have vastly improved working relations with the National Assembly and "gives Rhee talent with which to deal" with reconstruction problems and UNCURK.
3. INDOCHINA: Chinese charges of French border violations--General Carpentier, Commander in Chief of French forces in the Far East, has informed US Minister Heath in Saigon that ninety percent of the recent Chinese Communist charges of French border violations are false. Although admitting that

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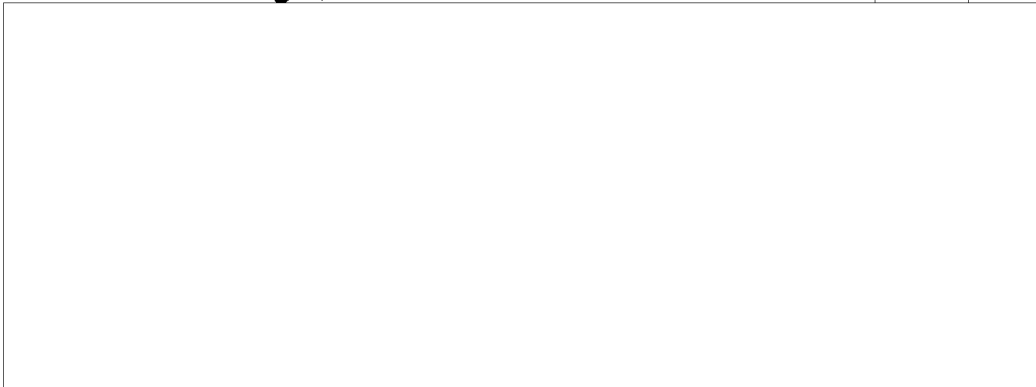
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High Commissioner Pignon took a grave view of the charges, Carpentier speculated that the Chinese accusations might be intended to forestall legitimate French complaints over Viet Minh attacks from China, as bluff, or as a warning of eventual overt Chinese invasion.

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GENERAL

1. Bevin hopeful of lessening East-West tension--According to US Embassy London, Foreign Secretary Bevin, in discussing the Soviet proposal for a Foreign Ministers conference, expressed the belief that there is evidence of a less aggressive attitude on the part of the USSR and that there is some prospect of a lessening of world tension. Bevin also believes that if progress in organizing western defenses can be shown before a Foreign Ministers conference is held, there is hope for an improvement in East-West relations. S/TS
2. View on US-British Relations--The US Representative at the UN reports that UK Minister of State Younger is becoming seriously concerned over the effect on the British Government of US press criticism of the UK. Younger fears that British public opinion would get the impression that the UK was being forced to take an intransigent position. In such an event, the Government would be under pressure to undertake negotiations with the USSR and might be forced to make public statements which could lead the US and the UK farther apart on Far Eastern and Soviet problems. CIA/S

FAR EAST

3. INDOCHINA: French military plans--French General De Latour, newly appointed Commanding General in North Vietnam, has informed US Consul Blancke in Hanoi that he will try to hold the Tonkin Delta but is not certain that he can. De Latour plans to: (a) complete the organization of CIA/S

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mobile reserves into combat teams by the end of November;
(b) retain by the end of 1950 a sizeable area of the Delta;
and (c) begin dealing offensive blows when US tanks and re-
placements from France arrive, but not with the intent of
holding points attacked. The General does not feel that
Chinese are present on a large scale among Viet Minh forces
and stressed that all his present plans assume no real Chinese
intervention. In case this assumption is unfounded, however,
De Latour said that "matters would be frankly beyond him
and out of his hands."

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GENERAL

1. Current Soviet-Iranian relations--US Embassy Moscow, in commenting on the recent decision by the Iranian Government to discontinue rebroadcasts of Voice of America and British Broadcasting Company programs, expresses the view that the USSR is receiving tangible reward for its cautiously correct policy toward Iran. Pointing out that the possibility cannot be excluded that Iran may have exacted some quid pro quo for dropping the US and British radio relays, the Embassy suggests that if so the Iranians may find this a counterbalance to US and UK resentment over the precipitous move. Characterizing recent Soviet propaganda about the Near East as designed to produce a mentality of "non-alignment," the Embassy predicts that the real success the USSR has scored in Iran may foreshadow analogous moves in other countries of the Near East. The Embassy points out that the recent Soviet trade agreement not only provides needed consumer goods for Iranians but also provides an export outlet for primary products of Iran, advantages which are perceptible to the individual Iranian, as opposed to the long-term benefits to be received from US capital investments. The Embassy suggests therefore that it is incumbent upon the US to develop a flexible mechanism for coping with these Soviet tactics.
2. Views on UK-Egyptian Suez base negotiations--US Ambassador Caffery in Cairo, in discussing the chances for success in British negotiations with Egypt for retention of the Suez base, expresses the belief that British influence in Egypt is at an all-time low while US prestige is higher than it has been for years. Caffery believes that in order to be of any use in helping the British retain Suez, the US must make the Egyptians believe that the US is furthering their long range interests, bolstering their sovereignty, and even soothing their national pride. Caffery estimates that, as their

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price for permitting the Western Powers to retain the Suez base, the Egyptians will now demand armaments, full equality in any Suez agreement, some sort of a security guarantee, and some concession on Palestine. In this connection, Caffery suggests that failure of the current British-Egyptian conversations in London might "set the clock back again" and possibly lead to serious disturbances.

EUROPE

3. **UNITED KINGDOM: Anxiety over conduct of foreign policy--** s/s
US Embassy London reports growing concern among all political parties with the British Government's conduct of its foreign and defense policies. The Embassy points out that there are no misgivings regarding the government's fundamental policy objectives and believes the principal causes of this concern are: (a) apprehension that the world may be drifting toward another war and the feeling that every reasonable avenue for avoiding war should be explored; (b) doubts regarding the economic repercussions of rearmament; and (c) desire to end dependence on the US and the "junior partner role" as soon as possible. In analyzing the effects of this growing concern, the Embassy concludes that the UK will not depart from agreed lines of basic foreign and defense policy and will not jeopardize joint US-British objectives. The Embassy anticipates, however, a greater tendency on the part of the UK to question more closely some US proposals for the attainment of common objectives, to put forward independent proposals, and to seek the role of "equal partner."

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5. **KOREA: Chinese Communist offensive**--According to US Ambassador Muccio in Seoul, local military circles believe the current enemy attack is of such power and intensity as to constitute a general offensive rather than a series of counterattacks as first presumed. Eighth Army intelligence indicates that the enemy now has 149,000 troops in the line, about 101,000 of them Chinese. The only report of enemy air activity over North Korea for more than twenty-four hours was the dropping of bombs near Pyongyang airfield.

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EUROPE

1. ITALY: Plan for rearmament production--US Ambassador Dunn in Rome reports he recently took occasion to point out to Foreign Minister Sforza that the Italian rearmament program appears to be lagging behind that of other countries, emphasizing particularly that Italy has not yet come forward with a comprehensive production program which would make possible a discussion of US aid. Following this conversation Dunn was informed that the Italian Government is now preparing a specific production plan. Dunn comments, however, that an important obstacle to progress in this respect is the political situation within the government, particularly the increasingly acute conflict over financial and economic policy. Dunn concludes that the problem is a delicate one and that great care must be exercised if the US is to achieve its rearmament objectives without bringing on an Italian political crisis seriously damaging to US interests.

2. FRANCE: Proposed military budget--In a discussion with US Ambassador Bruce in Paris regarding the proposed cut in the French military budget from 850 to 720 billion francs, both Premier Pleven and Finance Minister Petsche stated firmly that the French Government is fully committed to place 10 divisions in active status in Europe in 1951 and to carry out the military program in Indochina. Petsche maintained that this was certainly more than France's share in the NAT program for 1951 and for France to attempt to do more would lead to serious difficulties.

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3. USSR: Soviet propaganda exploits Western disunity--
 US Embassy Moscow points out that the first extended treatment by Soviet propaganda of the theme of NATO disunity appeared in the 27 November issue of "Pravda" and gave indications of having been written by an authoritative individual within the Soviet Communist Party. The Embassy observes that from this article/which was digested in "The New York Times" of 28 November/it is clear both that the USSR is extremely well informed on the actual divergencies of view among the Western nations and that the Kremlin means to exploit to the fullest any Western failure to agree on fundamental questions.

CIA/S

FAR EAST

4. INDOCHINA: Chinese Communist intentions--According to US Embassy Paris, French High Commissioner Pignon in Saigon finds it ominous that the Chinese Communists have not followed up their radio broadcast accusing the French of border violations with a formal note of protest. French Government officials fear that the Chinese Communists may now recruit "volunteers" for fighting in Indochina as they have in Korea. In this connection, the Embassy's informant pointed to recent indications that the Chinese Communists may have decided to expel all French consular officials from south China; the informant speculated that this development may have some relation to Chinese Communist plans vis-a-vis Indochina.

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Meanwhile, Pignon has informed US Legation Saigon that he "hopes for the best but plans for the worst" regarding overt Chinese invasion of Indochina. Pignon's latest information leads him to believe that the Viet Minh know they cannot launch

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mass attacks against the French in North Vietnam unless the Chinese intervene. Pignon added that Chinese Communist forces in south China could not arrive at the Indo-chinese border in less than three weeks. If sufficient motor transport were available to permit sizeable Chinese forces to arrive within a week, however, Pignon stated that French plans would have to be completely altered.

US Consul General Hong Kong estimates that war preparations in south and east China are precautionary and sees no signs of offensive build-ups in these areas. Regarding Korea, however, the Consul General considers it quite likely that the Chinese Communists will increase their forces there sufficiently to prevent the UN from consolidating its control over the country, but will maintain the fiction of "volunteers" in an effort to avoid all-out war.

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GENERAL

1. British-French views on Korean situation--Both French UN delegate Chauvel and British delegate Jebb have emphasized to US representative Gross the need for inter-governmental consultations before the UN takes steps either: (a) to condemn the Chinese Communists as military aggressors in Korea; or (b) to extend UN military operations to Chinese territory or airspace. Chauvel has been authorized not only to vote for the pending six-power Security Council resolution calling for Chinese withdrawal from Korea but also to support taking the matter into the General Assembly following a Soviet veto.

CIA/S

Jebb said that Korean developments might adversely affect the stability of his government, observing that it might well fall if only a half-dozen Labor members absented themselves on a vote of confidence in connection with the current debate in Parliament on foreign policy. He therefore indicated that the British position in the UN on Korea would probably be limited to support of the six-power resolution, without strengthening amendments, and that this limitation might also apply to a resolution in the GA. Jebb declared that his government's position would be greatly strengthened if it could be announced that genuine efforts had been made to find out what were the apprehensions of the Chinese Communists and to develop an understanding with them.

Gross said both Jebb and Chauvel were visibly impressed by the information he passed on to them that the Chinese Communist offensive had been prepared and was actually in motion when the UN offensive was launched. Gross was informed that Jebb and Indian delegate Rau had thus far been unsuccessful in attempts to meet with the Peiping representatives.

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2. British-Egyptian defense negotiations--US Ambassador Caffery in Cairo has been reliably informed that the King, in view of the turn of events in Korea, has instructed the Egyptian delegate in London not to make any definite break with the British in the forthcoming defense negotiations.

S/TS
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Meanwhile, US Embassy London has indicated that British objectives in the forthcoming talks are to find a satisfactory basis, either bilateral or multilateral, for a new defense agreement with Egypt, or, failing this, to persuade Egypt not to terminate the 1936 Anglo-Egyptian agreement precipitately.

EUROPE

3. AUSTRIA: Reported easing of Soviet pressure--US Legation Vienna reports that recent conversations with Austrian officials have confirmed the impression that Soviet authorities have been instructed to seek some solution of the current dispute over control of the Austrian police. The Austrian officials believe the new Soviet attitude is the result of combined Austrian-Western pressure. These officials do not anticipate serious Communist disturbances in December.
4. FRANCE: Analysis of government crisis--US Embassy Paris comments concerning the current French Government crisis that the prime cause of the Communists' success in their maneuver of 28 November was hostility in the Assembly to the person of Minister of Interior Moch, not to his policies or those of the Plevin Government. The Embassy explains that the Communists have not forgiven Moch for his record

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as one of the most effective anti-Communist ministers in postwar France and that certain members of the majority parties "seem temporarily to have forgotten Moch's services in order to vent personal spleen" against the unpopular Socialist minister. The Embassy considers that the "most disturbing consequence" of this episode is the embitterment of relations between the Socialists and other parties of the government, an embitterment that is likely to endure whether the present government survives or not. The Embassy emphasizes in particular that the incident does not indicate a weakening in French Assembly opposition to German rearmament except in the framework of the Pleven Plan.

FAR EAST

5. BURMA: Views on country's future--According to US Embassy Rangoon, General Ne Win, Commander-in-Chief of the Burmese Armed Forces, has expressed his concern over the future well-being of Burma. Pointing to extensive graft and corruption in government circles, Ne Win stated that Burma could not continue under such a handicap and compared Burma with China where the Nationalist regime fell "because of its corruption and not because of Communist strength."

S/TS

THE AMERICAS

6. COLOMBIA: Imminent break with Peru feared--US Ambassador Beaulac in Bogota transmits the view of the Colombian Foreign Minister that an "actual threat to the peace" between Colombia and Peru now exists following the 28 November Peruvian note

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demanding the custody of Haya de la Torre, who is in asylum in the Colombian Embassy in Lima. The Foreign Minister fears that when Peru is informed that Colombia does not intend to deliver Haya, Peru will break relations and seize Haya. According to the Foreign Minister, the only possibility of avoiding serious trouble between the two countries lies in the hope that friendly countries will extend good offices. Colombia is reportedly preparing a reply to the Peruvian note but will delay sending it in the hope that some friendly power will intervene.

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GENERAL

1. Views on UN action in Korea--US Representative Gross S/T S
 at the UN has been informed by his British and French colleagues (Jebb and Chauvel) that the continental Western European delegations share with the UK the tremendous apprehension that the US is committing Western Europe to the conduct of war in the Far East at an impossible time and under the most difficult possible strategic conditions. Both Jebb and Chauvel felt it essential that the UN proceed with great caution, indicating that the General Assembly should go no further at present than to request the withdrawal of Chinese Communists from Korea. They urged that the military situation be stabilized along a defensive line, perhaps at the narrow waist of the Korean peninsula, before further action is taken. Both delegates expressed their belief that the UN would be in a better position to take stronger action after the Chinese Communists had defied a GA resolution along the lines of that passed by the SC calling for Chinese withdrawal. Jebb declared that in the event of such defiance, the "issue would then indeed be a question of war or peace" and he could see no way other than to follow the matter through to its logical conclusion.

2. Canadian reaction to Korean situation--US Embassy Ottawa CIA/S
 has learned that the majority of the Canadian Cabinet in a day-long discussion of Communist aggression in Korea shared the opinion current in some European capitals that General MacArthur should be replaced. The general attitude at the meeting was one of gloom, with no member feeling that Canada could make any contribution to improve the situation. There was no discussion of the possibility of raising more Canadian troops.

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3. Spaak's views on European rearmament--US Ambassador Murphy in Brussels considers it unfortunate that Socialist leader Spaak, in a recent speech before the Belgian chamber, endorsed the Pleven Plan as the solution to the problem of German rearmament. Reporting that Spaak described the plan as constructive and declared that technical military considerations must not be allowed to obscure US understanding of its merits as the true "European solution" to the problem, Murphy expresses the view that Spaak was undoubtedly subjected to French Socialist influence at the Strasbourg meeting of the Council of Europe. Murphy adds that the attitude of the Belgian Socialists toward European defense, already unsatisfactory, will probably become worse as a result of Spaak's speech.

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EUROPE

4. GERMANY: Analysis of views on rearmament--The US High Commission in Germany, in making an analysis of current German opinion regarding rearmament and Germany's future role in Europe, reports that "substantial sections" of the West German population remain undecided on the question of rearmament while some elements are "definitely hostile." The Commission points to the results of recent elections, in which the Socialists stressed the anti-rearmament issue and made definite gains, as partial evidence of this attitude. Further evidence is found in the West German interpretation that US military commitments in the Far East reduce possibilities for gaining real security through Western defense. From these doubts springs a defeatist tendency which is often voiced in the expression, "we've had enough."

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The Commission considers that, given this climate of opinion, it is especially timely to look for ways to induce the Germans to take a more positive stand and declares that the most promising opportunity for this lies in European political integration. Substantial enthusiasm for integration already exists in Germany and early progress in the direction of European union, particularly if strongly supported by the US, would result in a boost to German morale, a much more favorable attitude toward defense efforts, and an increased willingness to endure interim burdens. Such progress at an early date would have favorable political effects within Germany and would be a "realistic" means of tying Germany to the West at a time when German receptiveness to this concept is at a peak. The Commission concludes that West German integration into a continental political union could serve as a rallying point, provided that this union were understood to be the nucleus organization which would be open to future membership by a united Germany.

FAR EAST

5. CHINA: Military preparations reported in Canton--US Legation Saigon transmits a report of extensive military preparations in Canton, including large-scale evacuation of women and children, construction of air raid shelters and slit trenches, and the presence in unprecedented numbers of Soviet pilots and ground personnel at airfields on the city's outskirts. According to the Legation's informant, the Cantonese populace is extremely depressed at the prospect of early general warfare and privately critical of the Chinese Government's increasingly bellicose policies. C/11 /conf

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THE AMERICAS

6. COLOMBIA: Dispute with Peru over custody of Haya--
US Ambassador Beaulac in Bogota expresses his agreement with the Colombian Foreign Minister's estimate concerning future developments in the Peruvian-Colombian dispute over the custody of Haya de la Torre. The Foreign Minister reportedly fears that the Peruvian Government, upon receipt of a Colombian note rejecting the Peruvian demand, will: (a) immediately break relations with Colombia; (b) require the immediate departure of Colombian representatives; and (c) take physical custody of Haya.

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Meanwhile, the Department of State has expressed to Ambassador Tittmann in Lima the serious concern of the US over Peru's intransigence in this matter. The Department believes that the parties concerned have not exhausted all possible means of peaceful solution and has requested Ambassador Tittmann to transmit to President Odria the suggestion that every effort be made by both sides to reach a peaceful solution through any means available.

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GENERAL

1. UN conversations concerning Korea--Indian delegate Rau has told US representative Gross that the atmosphere during his conversation with General Wu was friendly and that Wu expressed to Rau a desire for peaceful settlement without specifying, however, what this meant. Rau said he was not at liberty to reveal parts of the conversation, but hoped to be able to do so later. Gross gained the impression that Rau had followed an appeasing line in the interview. Another Indian delegate expressed the view to the US delegation that one encouraging outcome of the talk between Rau and Wu was that Wu accepted a dinner invitation from Rau for 3 December and also indicated a willingness for social contacts with other UN representatives, including the British.

Meanwhile, Philippine delegate Romulo told the US delegation that the presence of the USSR on the Peace Observation Commission (POC), recently authorized by the General Assembly, might provide an opportunity for fruitful negotiation on the Korean question. Romulo expressed the belief that the POC could go immediately to Korea and that it might also be able to get in touch with the Chinese.

EUROPE

2. UNITED KINGDOM: Concern over commodity shortages--US Embassy London reports that concern is growing in the British Government over the problem of raw materials shortages, especially zinc, sulphur, cotton and copper. The Government is convinced that continued scarcity, which would necessitate further restriction of domestic consumption, will create unemployment. British officials believe failure to prevent such a development would be a serious blunder, not only for economic reasons but because of the adverse public reaction at a time when the Government is seeking maximum public support for rearmament.

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NEAR EAST-AFRICA

3. IRAN: Shah voices anti-US views in interview--US Embassy Tehran has been told [] concerning the 29 November press interview in which the Shah of Iran belittled US aid to Iran, that the Shah's off-the-record statements were much more anti-US. Indicating that the interview has been widely distorted in the local press and radio, the Embassy comments that the result will be to cause further deterioration in the greatly weakened US position in Iran. The Embassy expects these distorted versions of the interview to be adopted by Government officials and the public as "a guide" to their relations with the US.

FAR EAST

4. BURMA: Estimate of China border situation--US Embassy Rangoon, in an analysis of all available information of the past two months on the China-Burma border situation, estimates that: (a) there is no evidence of Chinese Communist military build-up aimed at Burma, there being only three to five thousand troops in the vital central border zone; (b) current Chinese Communist military activity in the northern and southern zones appears connected primarily with Chinese operations in Tibet and Indochina; and (c) the Burmese are unable to prevent either illegal Chinese immigration and smuggling or encroachment by Chinese Communist forces across the Burmese border, particularly in the undemarcated border region of Kachin. The Embassy concludes that the current border situation, combined with a growing atmosphere of mutual suspicion, is likely to lead to a deterioration of China-Burma relations. The Embassy estimates that in the event of general war Chinese forces now in the border region could move quickly into remote upper Kachin and Kentung, but some time would be required to move up sufficient forces for an attack on Burma proper.

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THE AMERICAS

5. PERU: Officials unyielding over Haya case--US Ambassador Tittmann reports that when he expressed to Peruvian President Odria and Foreign Minister Gallagher the concern of the US over the current dispute with Colombia regarding the custody of Haya de la Torre, the two Peruvian officials maintained a wholly friendly attitude but did not give any indication they would "recede one inch from their position." Odria and Gallagher did assure the Ambassador, however, that they would not be precipitate. Concerning the possibility of good offices in the situation, Tittmann indicates that Gallagher did not flatly reject the idea but did express the view that such offers would get nowhere because Colombia will never turn Haya over and Peru will not issue safe-conduct.

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GENERAL

1. "Calm firmness" urged in Chinese-Korean situation--
 US Embassy Moscow notes, concerning the attitude of the USSR toward the Korean situation, that the Soviet press has recently been relatively subdued in its pronouncements on Korea, in contrast to its earlier strident support of the North Koreans. The Embassy has been told that "agitators and lecturers" addressing groups in Moscow are "comparatively colorless" on Korea. The Embassy believes that this evidence does not permit it to draw "important conclusions" but does suggest a measure of Soviet uncertainty regarding the future Communist course in Korea. The Embassy reasons that this uncertainty, together with other considerations, makes it desirable to take a firm line in the UN regarding the Chinese Communist intervention.

S/TS

Concerning future courses of action regarding Korea, the Embassy reports that friendly colleagues in Moscow, widely concerned that the present military-diplomatic situation may deteriorate further, believe that adroit diplomatic action is essential to conclude the Korean affair. Basing their thinking on the defenseless position of Europe in the face of uncommitted Soviet forces, a number of these colleagues have been urging various moves ranging from obtaining a cease-fire agreement to proposing negotiations for an armistice; they have also urged that "the fiction of non-involvement" by the Peiping regime be continued. The Embassy takes issue with this view, however, and urges that these lines of action would not only fall into "the pitfall of appeasement" but would stimulate the Communists, who would regard such moves as a sign of weakness, to further efforts. The Embassy believes that "calm, determined firmness" in the face of this Chinese Communist campaign offers the best possibility of restoring the

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balance militarily and diplomatically to a point where it will be in the Chinese-Soviet interest to treat with the West on "suitable terms."

2. UN reaction to Korean crisis--According to the US delegation to the UN, the European and Commonwealth delegates generally feel that it is necessary for the General Assembly to take up the Korean question and that there will be no difficulty in obtaining GA agreement to a resolution calling for the withdrawal of Chinese Communist troops from Korea. Although most delegates hold no real hope for fruitful conversations with the present Chinese Communist delegation, they consider that negotiations of some type should be undertaken in order to cut military losses. The US delegation also reports that there is widespread, strong criticism and distrust of General MacArthur and that President Truman's statement on the atom bomb has caused great consternation.

CIA/s

3. Indian views on Korea--The US delegation to the UN also transmits a message from Indian Prime Minister Nehru to Indian delegate Rau, in which Nehru, in expressing his "great anxiety" about recent developments, stated that steps should be taken for a cease-fire as soon as possible, to be followed by the demarcation of a demilitarized zone.

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Meanwhile, US Ambassador Henderson in New Delhi has expressed his fear that in the forthcoming parliamentary debate, Congress Party members may be instructed to be critical of the US and friendly towards Communist China. Henderson reports that Nehru in off-the-record talks is vehemently denouncing any suggestion of using atomic weapons,

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is rather violent in his condemnation of UN forces for crossing the 38th Parallel, and is showing special hostility towards General MacArthur.

In a discussion with Bajpai (Secretary General of the Ministry of External Affairs), Henderson gained the impression that the Indian Government is hoping British Prime Minister Attlee will prevail on the US to agree to some kind of cease-fire pending discussions, either in or out of the UN, which would result in: (a) admission of Communist China to the UN; (b) settlement of the Taiwan problem in a manner acceptable to the Chinese Communists; and (c) a Korean settlement which would, without sacrificing Korean independence, permit the Chinese to save face. Henderson also believes the Indian Government wishes to avoid casting blame on Communist China for intervening in Korea as long as the Peiping regime is not in the UN.

4. Norwegian thinking on UN and Korean case--Foreign Minister Lange has informed US Embassy Oslo of his government's opinion that introducing a resolution in the General Assembly calling for the withdrawal of Chinese troops from Korea would inexorably lead to a state of declared war between the Communist Government of China and the UN. The Norwegian Government therefore considers that at least a few more days should elapse before this fatal sequence is started. Lange has also been informed that both Indian UN delegate Rau and Secretary General Lie are pessimistic as a result of their recent conversations with General Wu, but do not yet feel that an approach in this direction is hopeless.

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5. Anticipated British positions in Truman conversations-- s/s
 US Embassy London transmits its forecast of the positions Prime Minister Attlee (with) take in the 5 December discussions with President Truman. Regarding Korea, the Embassy believes the British will make clear their intention to support the UN police action but will press hard for agreement on a more limited military objective, for consultations before the US makes major moves in the Security Council, and for assurances that the atom bomb will not be used except after consultation and concurrence by the UK. Concerning Western Europe, the UK will seek US reiteration of the primary importance of the European theater and will discuss ways of accelerating NAT defense measures; the British will also point to the dangers of costly involvement in the Far East. On economic problems, the UK will seek close collaboration on efforts to obtain an equitable distribution of scarce raw materials which, the British believe, the US is stockpiling and consuming at too fast a rate. The UK will also seek a US reaffirmation that the defense effort will be so adjusted as to maintain Britain's economic strength. The Embassy believes that any possible US moves to reaffirm or extend Anglo-US relations will "pay real dividends in UK and Commonwealth efforts."

FAR EAST

6. INDOCHINA: French fear repercussions from Korean war-- c/a/s
 A French official has informed US Legation Saigon of the uneasiness of French authorities over the repercussions in Indochina of the Chinese Communist offensive in Korea. The official emphasized that the balance of force between French and Viet Minh forces was most precarious and could easily be upset by even limited Chinese intervention, whether by "volunteers"

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or otherwise. The French official stressed that it would be some time in January before reinforcements from metropolitan France would reach the field, that much US aid would also not be effective before then, and that therefore there was a most dangerous interim period which the Chinese could exploit. He declared that this situation was perfectly apparent to the Viet Minh and the Chinese in Tonkin and South China.

7. THAILAND: Reported plans for coup--US Embassy Bangkok has been confidentially informed of an imminent coup against the Phibun Government. According to the Embassy's information, Communist gerrilla units from the southeast coast of Thailand, together with local dissident Chinese Communists, defected police, and dissident Malaysians, will attempt to seize southern Thailand and presumably link up with Chinese Communists in Malaya. The Embassy comments that this plot appears to have much more substance than numerous others recently reported and is seriously regarded by Phibun and his supporters.

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GENERAL

1. Chinese Communist conversations at the UN--The US delegation at the UN transmits accounts of separate conversations Trygve Lie and Indian delegate Rau have had with General Wu. According to Lie, Wu made it very clear that the three demands of the Chinese Communist Government are: (a) the withdrawal of UN troops from Korea; (b) the withdrawal of the US Seventh Fleet from Formosa; and (c) the seating of the Chinese Communist regime in the UN. Lie said Wu's position on these demands was "very firm."

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In his conversation with Indian delegate Rau, Wu voiced very strong resentment against "the American ruling circles" and insisted the Peiping Government really believes that the US is intent upon war with China. Rau reports that the question of Formosa appeared to figure prominently in Wu's thinking. In citing US "aggressive designs" against China, Wu used Formosa, rather than Korea, as his main talking point and did not, incidentally, mention the 38th Parallel. Wu made it clear that the importance which Peiping attaches to Formosa is grounded in large part on their belief that the US intends to keep Chiang Kai-shek in power on Formosa with a well-supplied armed force which would stand as a constant threat to the mainland and therefore as a constant peril to the security of China.

Wu reportedly indicated that although the Peiping regime attaches the greatest importance to a solution of the Formosa question, the Communist leaders also attach considerable importance to being seated in the UN. According to Rau, Wu referred to Peiping's exclusion from the UN repeatedly throughout the conversation, clearly indicating it

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was a source of Chinese Communist bitterness against the US. In this connection, Wu pointed to the fact that the UN offensive in Korea coincided with his arrival at Lake Success. Wu appeared to place great importance on this coincidence and mentioned it, along with the US attitude toward seating the Chinese Communists at the UN and the US "occupation of Formosa," as evidence of a hostile US attitude toward the Peiping Government.

EUROPE

2. GERMANY: Reactions to Chinese action in Korea--US CIA/5
High Commissioner McCloy, in reporting German reactions to the Chinese Communist offensive in Korea, finds that the "suddenness and vehemence" of the Chinese thrust has greatly strengthened German apprehensions about the future; he warns that although the first week has brought on no repetition of the near-panic of pre-Inchon days, the same phenomena may appear when the full impact of Chinese Communist intervention is felt. McCloy observes that Germans generally recognize the full seriousness of the situation but hope that the war can still be localized. He does not discern any clear trend as yet, in response to the Korean situation, regarding German views on European rearmament and German participation therein. He indicates that US statements at this time cannot be expected to do much to strengthen German morale, unless something can be done about the movement of US troops to Germany.

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3. USSR: Current propaganda line--US Embassy Moscow believes the "authoritative policy statement" published in "Pravda" on 3 December, apparently in reaction to President Truman's press conference of 30 November, appears to be directed primarily to foreign audiences although it has domestic implications as well. The Embassy believes the statement demonstrates the Soviet desire to keep the Chinese from any rapprochement with the US, by pointing out to the Chinese the folly of giving credence to US expressions of peaceful intentions and by encouraging them to assert their interests through force. The statement also follows the Soviet policy of attempting to divide Western opinion, in this case directed particularly toward the British and the French. On the domestic side, the Embassy thinks the statement implies the imminence of possible full-scale conflict between the US and China. No mention was made, however, of the President's statement regarding the atomic bomb, a fact which the Embassy believes may indicate a Soviet desire not to alarm the Soviet people too much.

CIA/S

FAR EAST

4. INDOCHINA: French to begin partial evacuation of Tonkin--French High Commissioner Pignon in Saigon has informed US Ambassador Heath of his intention to begin evacuating all French women, children, and aged persons from Tonkin beginning 6 December. The evacuation will extend over a period of a month but can be accelerated if military developments require. French civilian employees and non-official French men will not be evacuated; in fact, French men employed in essential services may be mobilized to remain on the job. Pignon indicated

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he ruled against this decision a week ago, but he has now decided--considering Chinese participation in the Korean war, intelligence reports on Chinese military preparations in southern China, and the recent tone of the Viet Minh radio--that the decision can no longer be delayed. Pignon said that whereas the Viet Minh radio formerly soft-pedalled Chinese aid, it now proclaims and exaggerates this aid, apparently intending to prepare Vietnam public opinion for outright Chinese participation. According to Pignon, the military situation remains about as it has been recently reported and French officials still feel that even without the reinforcement and supplies expected by the end of December they can maintain their position against a purely Viet Minh operation. They point out, however, that the intervention of only 25,000 Chinese would upset this precarious balance and the intervention of 100,000 would make the French position in the Tonkin area untenable.

Meanwhile, US Consul Blancke in Hanoi has learned that French forces in North Vietnam are busy setting up a beachhead and a line of retreat in the event of a Chinese Communist invasion, a threat which is considered worthy of all precautions. These French plans are based on the maintenance of sea control. The French Commanding General in the Tonkin area believes the Viet Minh still need a month or more to mount an offensive; he does expect imminent attacks against the Moncay garrison on the China border, however, and named 9 December as a possible date. Blancke feels the French may underestimate the Viet Minh

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KOREA

1. Across-the-table talks held only hope for peace--Prime Minister Nehru has taken the position, in discussing the Korean crisis with US Ambassador Henderson in New Delhi, that the only hope of preventing the onrush of war lies in across-the-table talks among the powers most immediately concerned, such as the US, UK, USSR, and Communist China. Nehru acknowledged that collective opposition to aggression seemed in the long run the most effective deterrent to war but urged that when the house is on fire, efforts for the moment must be concentrated on extinguishing the fire rather than on applying fire prevention methods. He expressed the fear that perhaps it is already too late for talks among the great powers, that war is perhaps inevitable, and that all that is left to do is for each power to get into the war, or to keep out of war as gracefully as possible. He also expressed concern lest the Chinese Communists had already decided that war was inevitable and therefore could not be deflected from their course.

S/TS

2. Yugoslav estimate of Chinese intentions--Yugoslav Foreign Minister Kardelj, in assuring US Ambassador Allen in Belgrade that the Yugoslav delegation at the UN has been instructed to seek passage by the General Assembly of the Security Council resolution on Chinese intervention in Korea, expressed the hope that an honorable solution to the Korean situation could be found which would prevent the extension of hostilities. Kardelj said he had received no intimation, however, that the Chinese Communists had become "reasonable" and attributed Chinese intervention in Korea primarily to the

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expansionist tendency of the Peiping regime and its desire to detract Chinese attention from internal difficulties. Kardelj believes that the intervention, although supported by the USSR, was primarily undertaken at Peiping's initiative; he suspects that the Chinese may have gone into Korea in larger force than Moscow wanted.

3. Information concerning Chinese Communist intentions -- CIA/S
 US Consul Bombay has forwarded a 19 November press dispatch (reportedly suppressed by the Indian Government and a British news agency) from an Indian journalist, recently returned from China, who is considered by the Consul to be an "unusually good observer." According to this dispatch, Chinese Communist leaders had decided by 19 November to intervene deliberately in Korea, had completed plans to throw half a million of their finest troops into Korea, were fully prepared to face any consequences, and had received a pledge of Soviet assistance in the event their campaign to drive UN troops down the length of the Korean peninsula should meet with reverses or defeat. The dispatch cites "authoritative information" from Peiping indicating that the Chinese Communists had signed a secret agreement with the USSR in October to end the threat of "imperialist aggression" and had accepted the Soviet views that the US intends to destroy the Communist regime in China and therefore the best defense was a well-timed and well-prepared offensive action in Korea. The Indian journalist reportedly believes that Indian Ambassador Pannikar in Peiping now recognizes the true intentions of the Chinese Communists but is still "sugar-coating" reports to New Delhi for fear he might lose prestige and the confidence of Nehru.

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CONFIDENTIAL
TOP SECRET**EUROPE**

4. **FRANCE: Analysis of French reaction to Korean crisis** -- s/s
US Embassy Paris reports that the feeling is being increasingly encountered among the French that it is incumbent upon France, together with the UK, to exercise a moderating influence on the US in order to avoid a major war in the Far East. The Embassy says that what the French fear at this time is a spontaneous reaction of US public opinion to a challenge and a quick, decisive response by the US Government. The Embassy analyzes this fear as springing from such latent feelings as: (a) geographic and political factors might lead the US to decide more lightly than Western Europe about war and peace; (b) the US might be impelled to make military commitments not in its own interests and therefore not in Europe's interests; (c) the US has not in the past listened sufficiently to counsels of moderation from its allies; and (d) France and Britain must now play the role of moderators and detached advisers to their mighty and much-needed friend. Underlying these feelings, the Embassy emphasizes, is to be found the French belief that they are naked in the face of possible Soviet aggression in Europe and the paramount French fear of a Soviet military occupation, even of short duration.

The Embassy believes that despite these feelings, the US can take at face value the recent statements by Premier Plevin and Foreign Minister Schuman concerning French unity with the West and firm adherence to the UN and the principle of collective security. In the Embassy's view, France can be counted on to make its contribution to the building up of strength and unity in Europe and the defense of Indochina. Concerning the Far East, however, the Embassy warns that France's war is in Indochina, not Korea, and that therefore the French would find comparatively palatable a compromise solution which would involve a return to the 38th Parallel and admission of Communist China to the UN.

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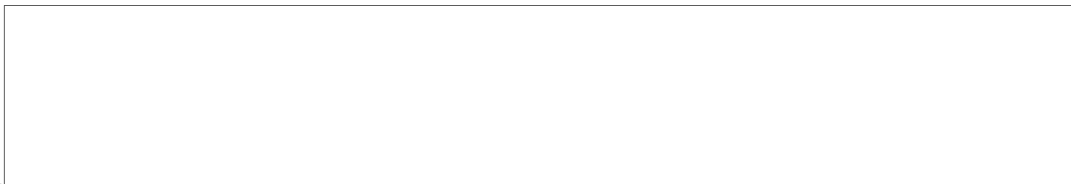
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NEAR EAST-AFRICA

5. IRAN: Korean crisis causing loss of faith in US--US Embassy Tehran reports that the reaction in Iran to the current Korean situation is an increasing loss of faith in the power of the US to resist Soviet aggression because the US cannot resist "satellite Communist forces." According to the Embassy, there is also a stronger feeling that Iran should remain entirely neutral, continuing endeavors to restore the balance of great powers in Iran, according to former Iranian policy. CIA/S
6. PAKISTAN: Anti-Western sentiment growing--US Ambassador Warren reports rapidly growing restiveness in Pakistan over the lack of progress in resolving differences with India, particularly the Kashmir dispute. Warren points out that as this frustration grows it will impair the domestic political position of Prime Minister Liaquat, who has already been under sporadic attack for fruitless "collaboration with the Anglo-American bloc," which is accused of taking Pakistan for granted and bending all its efforts to conciliate India. Warren anticipates that Liaquat, even though he may see no imminent threat to his leadership, may quite possibly find it expedient to manifest greater independence of the Western Powers or even take up a "third position." S/S

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1463

GÉNÉRAL

1. Chou En-lai's views on world war--
[redacted] the East German Ambas-
sador to Peiping has informed his government of a conversa-
tion he had on 5 December with Chinese Foreign Minister
Chou En-lai, during which Chou declared that a third world
war is inevitable as long as neither UN nor Chinese forces
are willing to leave Korea. Chou said that China has there-
fore made itself ready for World War III.

CIA-SO/T

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EUROPE

2. GERMANY: Analysis of recent elections--The US High
Commission in Germany, in making an analysis of the
Socialist victories in the recent Land elections in the US
Zone, estimates that the stability of Adenauer's coalition
government has not been seriously affected for the imme-
diate future. The Commission believes, however, that the
elections have increased the obstacles to the US objective
of securing a German contribution to European defense and
have encouraged demands for the abolition of remaining
occupation controls and the early restoration of German
sovereignty. The Socialists have placed the Adenauer
regime on the defensive regarding the rearmament issue,
and the Commission believes that even if Germany were
accorded military equality in a European defense arrange-
ment, the Adenauer Government could not obtain parliamentary
approval in the absence of far-reaching Allied concessions
toward political sovereignty as well.

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TOP SECRET**NEAR EAST-AFRICA**

3. IRAN: Increased Soviet influence seen--US Embassy Tehran finds evidence of increasing Soviet influence in an apparent revision by the Razmara Government of previous policies regarding the suppression of Communist activities. The Embassy is unable to determine whether this revision is a result of secret agreements made during the Iran-USSR trade negotiations or merely a general policy of the Razmara Government to make concessions to the USSR, but points to such evidence as several recent developments revealing a desire by the government to release from jail leaders of the pro-Communist Tudeh Party. The Embassy also refers to: (a) mounting evidence, [redacted] that the police have been instructed to take a less rigorous attitude toward Communist activities; (b) reports that the Tudeh underground has received instructions not to attack the Shah; (c) a tendency of the Soviet radio to be less critical of the Iranian Government; and (d) such open government moves as closing the Voice of America and BBC radio relays in Iran and increasing restrictions on travel which primarily affect US and British nationals. The Embassy believes that the Razmara Government is likely to continue for some time its "soft policy" toward the USSR, that a legal formula may be found for the release of the Tudeh leaders, and that eventually the ban on open Communist activity may be lifted.

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FAR EAST

4. INDOCHINA: Views of new French Commissioner--General Jean de Lattre de Tassigny, newly-appointed French High Commissioner to Indochina, has told US Ambassador Bruce

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in Paris that one of his principal objectives will be to impress upon the Associated States of Indochina that they will be given full independence within the French Union. In order to give concrete evidence of his intention, General de Lattre will do everything in his power to build up the Vietnam national army immediately. De Lattre also pointed to the extreme military importance of holding Tonkin and said that in this critical situation he would rely heavily on the closest possible liaison with US officials in Indochina.

5. CHINA: Anti-Communist activity discounted--The US Consul General in Hong Kong heavily discounts press reports of a recent increase in anti-Communist guerrilla activity in South China. The Consul General stresses there has been extensive evidence of guerrilla activity in South China ever since the Chinese Communists took over and admits it still constitutes a serious problem for local authorities. Moreover, he acknowledges that some increase may have occurred as a result of large-scale withdrawals of Chinese Communist troops from that area, but on the basis of available information he has concluded that the chief objective of guerrilla units in South China remains self-preservation, that their leaders are unwilling to attract greater attention to themselves by increased activity, and that there is "no future" for the guerrilla movement without outside aid in quantity. CIA/conf

6. BURMA: Government decision to side with West--US Embassy Rangoon, on the basis of decisions reportedly reached by Burmese leaders at a recent emergency conference, concludes that the Burmese Government has definitely decided to side with the West in the event of a showdown with the Chinese CIA/s

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Communists. Meanwhile, the government will build up Burmese armed forces but remain neutral in appearance and passive in the UN. The Embassy believes Burma will again coordinate its action with the Government of India.

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GENERAL

1. Jebb not hopeful about talks with Wu--The US delegation at the UN transmits information from a member of the British delegation that Sir Gladwyn Jebb is certain, from his discussions with the Peiping representatives, that the main preoccupation of the Chinese Communists, and the consideration giving them the most pause, is the disastrous effect a full-scale war would have on China's economic situation, which is shaky and about which they are much concerned. The Chinese Communists are said to realize that herculean efforts to improve their economic situation are essential to the consolidation of their power. On the other hand, a Greek delegate indicates that Jebb was "not very optimistic" concerning his talks with General Wu who made the familiar charges of US "aggression" and who always links the problem of Formosa with Korea.

CIA/S

2. Current Soviet-Communist propaganda line-- in Trieste, the leader of the pro-Cominform Communist Party there has declared that the new Party propaganda line should: (a) warn the people that war may break out at any moment; (b) publicize President Truman's speech regarding use of the atom bomb, stressing that the West may use the bomb and indicating that the USSR would be justified in retaliating; and (c) prepare the people for the possibility that the USSR will attack first.

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On the other hand, US Embassy Moscow reports that the Soviet press, while continuing to lay heavy stress on the differences of opinion among Western nations regarding German and Far Eastern questions, has made only one reference to President Truman's statement on use of the atom bomb.

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EUROPE

3. GERMANY: Socialist opposition to Schuman Plan--Socialist leader Schumacher has told the US High Commission in Bonn that the Schuman Plan is an unconcealed French attempt to gain control of the German Ruhr. Schumacher accused the US of permitting the French to use Marshall Plan funds for national purposes rather than to further the idea of a united Europe. Schumacher characterized the present draft of the Schuman Plan as "impossible and unacceptable." The High Commission believes that Schumacher's opposition to the Schuman Plan is not based solely on alleged defects in the plan but is to a large extent a reflection of the growing Socialist tendency to make domestic political capital of the general opposition to all Allied policies.

CIA/comp.

FAR EAST

4. KOREA: Possible evacuation of Seoul considered--According to US Ambassador Muccio, Korean authorities have formulated preliminary plans for the evacuation of Seoul. Muccio further reports a "widespread uneasiness" among the Seoul populace and says this state of mind stems from the critical military situation, increased guerrilla activity, rumors concerning a desire for appeasement on the part of Prime Minister Attlee, the southward movement of North Korean refugees and heavy military equipment, and the evacuation of certain wealthy families.

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THE AMERICAS

5. PERU: Haya dispute referred to Hague court--US Embassy
Lima has been informed that the Peruvian Government has
decided to accept Colombia's proposal to resubmit the case
of Haya de la Torre to the International Court of Justice at
The Hague.

(Comment: Colombia indicated in its proposal a
willingness to deliver Haya to Peru if specifically in-
structed to do so by the International Court.)

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1465

GENERAL

1. Swedish views on Korean question--Swedish UN delegate Grafstrom has informed the US delegation that Sweden will vote for the six-power General Assembly resolution calling for the withdrawal of Chinese Communists from Korea. Grafstrom expressed the view that the situation today indicated the necessity for a showdown with the USSR and that it was important to get on with the GA resolution as soon as possible and to demonstrate by an overwhelming vote that it is not merely the US, but the UN, which opposes aggression. Grafstrom's talks with General Wu have convinced him that it was futile to expect anything to come of such conversations; he also considers it useless to transmit messages to Peiping through India or any Asiatic group.

CIA/S

2. Chinese to support rebel offensive in Indochina--

CIA/S

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CIA/S

US Legation Saigon notes a perceptible increase in Chinese Communist propaganda efforts during the past month among overseas Chinese in the Saigon-Cholon district. The Legation points to a heavy influx of Chinese agents from Viet Minh-held areas and China proper, as well as to an increase in the number and an improvement in the quality of Communist tracts and handbills. Although local French authorities believe this mounting propaganda offensive is designed to prepare an effective fifth column in the event of overt Chinese invasion, the Legation estimates that the local Chinese will move only after the "path has been blazed by others."

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3. US prestige in Middle East deteriorates--US Ambassador Caffery in Cairo reports that US prestige in the Middle East has taken an "ominous tumble" as a result of the turn of events in Korea, with the literate public blaming MacArthur for crossing the 38th Parallel and "walking into a baited trap." Caffery attributes the present confusion and criticism of the US primarily to the fact that the reading population have always assumed that the US would save them by force of arms if the USSR moved in their direction; they are now losing that hope and do not know what to do about it.

C/A/S

EUROPE

4. GERMANY: Views on German morale--At a recent meeting of the High Commission Council, US High Commissioner McCloy stressed the rapidly deteriorating German and European morale resulting from the present period of indecision. McCloy predicted that unless something were done rapidly, the Schuman Plan would collapse, all efforts to build a reasonable defense would be frustrated, the Communist infiltration program would have greater success and "neutralism" would grow. McCloy also concurred with his British and French colleagues in decrying the recent London announcement regarding German rearmament on the grounds that it took the form of a series of restrictions to be imposed on German participation. McCloy believes that Adenauer cannot be expected to carry out an affirmative rearmament program if the Germans are led to believe that the Western Powers are merely transmitting a predetermined set of restrictions, without having consulted the Germans.

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5. AUSTRIA: Uneasiness regarding Soviet intentions--In a conversation with US Minister Donnelly, a leader of the Austrian Socialist Party reflected the deep-seated uneasiness now characteristic of Austrian leaders. The Socialist official seemed no longer to doubt that war is coming, but did remain hopeful that the ultimate decision can be postponed until the West is stronger. Although he did not believe that the USSR would move in Austria unless it intended to unleash general war, he expressed concern that the USSR might at any time decide to overthrow the Austrian Government through the local Communist Party and then assume full political control of the Soviet Zone.

CIA/S

NEAR EAST-AFRICA

6. INDIA: Analysis of Nehru's present foreign policy--US Ambassador Henderson, in an analysis of the recent parliamentary debate on foreign affairs, expresses the view that Nehru consciously endeavored to show as much friendliness towards the US as was possible within the framework of his present foreign policies. Henderson gained the impression that in disputes between Communist China and the Western Powers involving Korea and "related problems" the Government of India, although formally not taking sides, would be more sympathetic to Communist China than to the Western Powers. On the other hand, Nehru indicated that he would be firm in dealing with problems which were primarily between India and China. Henderson notes that in comparison with the debates of last July the Indian Parliament appeared more friendly toward the Western Powers and in general was more favorably inclined than the Government towards cooperation with the US and the West.

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THE AMERICAS

7. PERU: Disposition of Haya still in doubt--Peruvian Foreign Minister Gallagher has informed US Embassy Lima that on further consideration he had come to the conclusion that nothing would come of resubmitting the case of Haya de la Torre to the International Court of Justice. The Embassy gained the impression, however, that Gallagher had not excluded such a solution entirely, and commented that the "whole situation remains in a parlous state."

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GENERAL

S/TS

1. Wu says Communists want end of hostilities--Indian delegate Rau has told US representative Gross at the UN that in a 9 December conversation General Wu made two points which he said he wished Rau "to take as seriously intended": (a) the Chinese Communist Government is anxious to have an end to the hostilities; and (b) action upon the pending six-power General Assembly resolution calling for the withdrawal of Chinese Communists from Korea would "not facilitate matters." According to Rau, Wu said several times that the leaders of his government are anxious to see an end to the hostilities "which had been forced upon them by the US." When Rau asked concerning the reaction of Peiping to the "Asiatic declaration" requesting the halting of the Chinese Communists at the 38th Parallel, Wu replied that the UN would "see for itself" from the actions of the Peiping Government. Rau interprets this cryptic reply to mean the Communists will heed the declaration, apparently basing this inference primarily upon the fact that Wu's manner throughout the conversation was friendly.

EUROPE

2. GERMANY: Schumacher's views on German rearmament-- In a lengthy discussion with the US High Commission at Bonn, Socialist leader Schumacher reiterated with customary "vigor and bitterness" his now familiar criticism of US policies in the Far East, Germany and elsewhere. Schumacher again stressed that Germany could not participate in the defense of Europe except on a basis of full equality and described the latest Western

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proposals as "unrealistic and unacceptable." The High Commission notes, however, that Schumacher is disturbed because his demand for German equality in European defense, while gaining him increasing popularity, is placing him in a "frustrated isolation" from the decisions he knows must be taken soon with respect to European defense. The High Commission expresses the view that regardless of Schumacher's present motives, an adequate German contribution to European defense is not possible without Socialist support or at least abstention in Parliament. The High Commission believes that in order to obtain this support, steps will have to be taken to dispose of Schumacher's popular and growing demands.

Adenauer cannot sign Schuman Plan now--Chancellor Adenauer has informed US High Commissioner McCloy that it is impossible for him at present to sign and present the Schuman Plan for ratification because to do so would weaken his authority and entail too great a risk to his political position. After a long conference with German leaders, McCloy concludes that the German hesitancy to sign the Schuman Plan now is connected with mistrust of French opinion in favor of neutralizing Germany. Although Adenauer does not attribute to Schuman himself the "false and dangerous" belief that Germany could remain neutral between "the strong magnetic pole of Russia and the weak magnetic pole of Western Europe," Adenauer does feel that Schuman is weak in the face of many other strong French influences and cannot alone determine French policy.

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3. **CHINA: Troops reportedly massing on Indochina border--** According to the US diplomatic and military representatives in Taipei, reports which have been received by the Nationalist Ministry of Defense since 1 December indicate a significant shift of Chinese Communist regular army forces toward the Indochinese border. Nearly 200,000 troops are estimated to be involved. The US officials believe these movements may point to a repetition of the pattern of the Korean war, with native Communist elements fighting the civil war and Chinese forces standing by to intervene rapidly if there are local Communist reverses. C/A/S
4. **INDOCHINA: French stock seen rising--**In the opinion of US Legation Saigon, the French "have done themselves more good" in Vietnam in the last month than in the past five years. The Legation is convinced that the French are preparing to hand over most administrative functions on a "ready-or-not" basis, while trying to preserve their special economic position. As evidence of French determination, the Legation also points to the formation of a Vietnamese Army, the fact that the French are spurring Bao Dai to action on the basis of plans he can accept in good faith, plans to reinforce French units in Indochina, and improvement in French cooperation with US representatives in Indochina. However, the Legation regards with mixed feelings the replacement of High Commissioner Pignon by General de Lattre de Tassigny, particularly because Pignon has "sincerely held" the concept of an independent Indochina and has advanced its cause. C/A/S

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GENERAL

1. No progress in Anglo-Egyptian talks on Suez--US Embassy London has learned from a British Foreign Office official that no progress has so far been made in Anglo-Egyptian treaty talks and that the Egyptians are still demanding that UK forces evacuate Egypt within one year. US Embassy Cairo comments that the present Egyptian Government is not likely to accept, on any terms, the idea of peace-time occupation of the Suez Canal area by foreign troops, and concludes therefore that the UK can do no better than to temporize and prepare "to ride out the storm."

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2. Swedish thinking on critical issues--According to US Embassy Stockholm, Swedish Defense Minister Vougt, [redacted]

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[redacted] declared that Sweden hoped to stay out of any general war but would certainly fight if Soviet forces attempted to "pass over Sweden" in order to obtain bases in Norway. Vougt expressed a desire to build up Swedish defenses sufficiently to discourage any nation from thinking it worthwhile to invade Sweden. Foreign Minister Uden told [redacted] that if UN forces were compelled to evacuate Korea, Korea should be allowed to pass under Chinese domination. Uden further stated that the US should leave Formosa to its fate and should withdraw its fleet from around the island and its support from Chiang Kai-shek. He also advocated that the UN should admit and the US should recognize the Communist regime in Peiping. The Foreign Minister strongly objected to rearming West Germany, on the grounds that to do so would rule out a settlement of the German issue with the USSR. Uden still hopes such a settlement can be achieved.

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EUROPE

3. NORWAY: Conscript order seen as partial mobilization--
A Norwegian Government official has informed the US Military Attache in Oslo that Norway is calling up 7,000 men for two to three months active duty in the three services. Although the plan is called "repeat training," it appears to the Attache to be "partial mobilization."

ARMY/S

(Comment: The plan would increase the acting strength of the Norwegian armed forces to 31,500, or by approximately 28 percent.)

THE AMERICAS

4. PERU: Possibility of break in relations with Colombia--
According to US Embassy Lima, the Peruvian Government appears to be under "great pressure" to break off relations with Colombia and seize Haya de la Torre. Although Peru may not be able to resist this pressure, the Embassy is "still hopeful" because Peruvian officials do not seem to have excluded entirely the possibility of resubmitting the case to the International Court of Justice.

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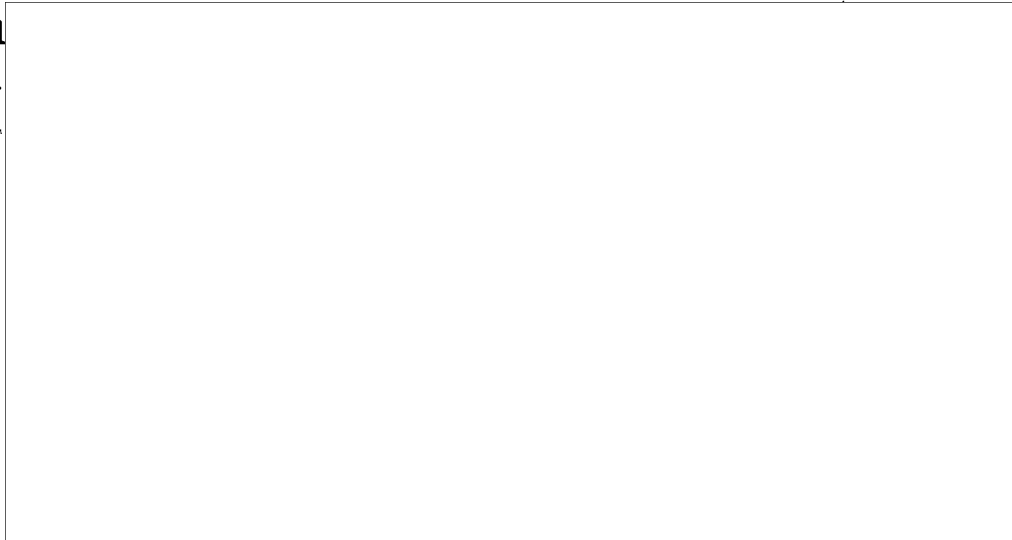
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GENERAL



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2. French views on German role in European Army--According to US Embassy Paris, French Foreign Minister Schuman declared in a recent conversation with the German delegate to the Schuman Plan negotiations that the French Government is willing and anxious to create a European Army with a full and equal status for Germany. Schuman added that the forthcoming conference to plan for the European Army would be identical in basis and spirit with the Schuman Plan negotiations and hence would provide for full and equal participation by Germany. Schuman went on to explain that the gravest danger to Europe was to have Germany in a position to play the East off against the West and that therefore it was fundamental to French policy to achieve the full, irrevocable political integration of Germany in the Western European community.

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CONFIDENTIAL**EUROPE**

3. **USSR: Fear of war growing--US Embassy Moscow reports** *CIA / conf*
 "a real and growing" fear of world conflict on the part of Soviet citizens who come within the limited range of Embassy contacts. The Embassy infers that the "average Soviet citizen," although badly informed, is aware that East-West relations have been deteriorating and probably does not completely swallow the version promulgated in official Soviet propaganda. In this connection, the Embassy observes that its personnel and those of other Western diplomatic missions rarely encounter anti-Western feeling.

4. **GERMANY: Tentative plans on military contribution--In a** *CIA/S*
 recent conversation with the US High Commission in Bonn, Theodor Blank (the German Government official who is to be charged with jurisdiction over Germany's contribution to a European Army) said concerning Germany's role that he envisages a unified European Army under a unified command and with standardized equipment and uniforms. Blank estimated that it would require from two to two and a half years to furnish a battle-ready contingent of 12 divisions. Blank stressed his intention to avoid any recurrence of the Prussian military tradition and pointed to the importance of achieving the maximum civilian control over German armed forces. *CIA/S*

Analysis of Communist intentions--The US High Com- *CIA/S*
 mission in Berlin estimates, in an analysis of overt Communist statements and actions since the Prague conference of Satellite and Soviet Foreign Ministers in October, that the Communists are anticipating the eventual rejection by the West of the Prague terms for German reunification and are planning in that event to establish an "all-German" constituent council of their own. The Commission points out

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that an "all-German" constituent council, Communist-inspired and Communist-controlled, would offer unlimited possibilities for manipulation, including the unilateral establishment of an "all-German Government."

NEAR EAST-AFRICA

5. **INDIA: Estimate of Communist capabilities--US Embassy**
New Delhi discounts the ability of the Indian Communists to exploit fully the current world crisis growing out of Chinese intervention in Korea. The Embassy believes that it would be entirely logical and in keeping with over-all Communist strategy for the Indian Communists to attempt such action. The Embassy does not know of any specific Communist directive to this effect, however, and doubts that such instructions could be covertly disseminated by the Indian Communist Party, because it is at present riven with internal dissension to the point of being almost completely ineffective.

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GENERAL

1. UN consideration on the Korean question--According to the US delegation at the UN, British delegate Younger was neither surprised nor disappointed by Soviet delegate Malik's speech denouncing the Asian cease-fire resolution. Younger expressed the view that even if the USSR or Communist China desired a cease-fire, they would never admit it openly and embrace the resolution. Younger believes that the Soviet purpose in this matter was to prevent any real rapprochement between the Chinese Communists and the West.

CIA/S

Meanwhile, the US delegation has been informed by Lebanese delegate Malik that "stark fear of communism and the USSR" had led the 13 Asiatic and Arab nations to issue their recent appeal to the Chinese Communists to halt at the 38th Parallel. The Lebanese official believes that all the governments concerned were shaky and would compromise with the USSR if a crisis arose directly affecting their countries. He particularly deplored the "flabby leadership" now being exercised by the Indian delegation and remarked that Sir Benegal Rau would make "almost any concession" to reach an understanding with the USSR.

2. Possibility of Satellite aggression in the Balkans--US Embassy Athens considers of sufficient significance to warrant "careful attention" a recent reiteration by the leader of the Greek Communist movement of allegations that the US is preparing for aggression in the Balkans in the near future. The Embassy points out that allegations such as these, which appeared in the latest issue of the Cominform Journal, characteristically indicate that the Communists themselves are contemplating

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aggressive action in the same area. Although the Embassy recognizes that propaganda themes of this nature are often stressed over a long period before action materializes, the Embassy points to the recent military build-up in Bulgaria and Rumania and the demonstration of calculated recklessness displayed by the Chinese Communist intervention in Korea. The Embassy therefore believes that present indications of possible aggression against Greece are sufficiently substantial to justify redoubled efforts to prepare against that contingency.

NEAR EAST-AFRICA

3. **INDIA: Outposts strengthened along Tibetan frontier--** CIA/S
US Embassy New Delhi has learned that Indian outposts in Assam have been strengthened and moved farther east and north so that a closer watch can be kept on any Communist troop movements along the Tibetan frontier. The Embassy also has "reason to believe" that the Indian Government, in recent informal discussions with Burma on the question of China, may have suggested that Burma take similar precautions. The Embassy doubts that the Indian Government is as yet willing to admit even to Burma any "really deep concern" over the possibility of Chinese Communist aggression and observes that Indian recognition of such a danger would not necessarily indicate that India was prepared to align itself with the nations actively opposing international Communist aggression. The Embassy observes, however, an increasing awareness of India's military weakness and a growing fear that if India persists in its present policies, it may not be able to obtain the aid needed to withstand the military power of Communist China.

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FAR EAST

4. MALAYA: Analysis of recent Muslim riots--US Consul General Langdon in Singapore, commenting on the recent Muslim riots in Singapore, calls attention to the demonstrated unreliability of the police force which is predominantly Malay and the "sheep-like submission" of the Chinese (who constitute over three quarters of the population) in the face of terrorization by the fanatical Muslim minority. [redacted]

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[redacted] the Malayan Communist Party was caught unaware by the riots and did not participate in them to any great extent. Langdon reports that British authorities have been severely criticized in the British and Chinese press for inertia and timidity in dealing with the situation and observes that the riots reveal a lessening respect or fear of British authority among Malayan and Muslim elements of the population. Langdon warns of the danger to which the Dutch and Eurasians would be exposed in Indonesia if the same hysteria should be allowed to develop there over the New Guinea question.

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GENERAL

1. Chinese Communist views on cease-fire in Korea--UN Secretary General Lie has told the US delegation that General Wu referred in a 14 December conversation to the General Assembly cease-fire resolution as "illegal and not in any way binding on the Chinese Peoples Republic." Wu declared that his government could not participate in negotiations regarding a cease-fire under any conditions other than those mentioned in Soviet delegate Malik's 13 December speech, namely the withdrawal of "all US and UN troops from Korea, leaving Korea to the Koreans." Wu added that the Formosa question must be settled in connection with any cease-fire discussions and that these negotiations must be conducted on "equal terms." As a result of Wu's remarks, Lie concluded that the Chinese delegation at the UN is "under the thumb of Moscow" and that there is now no hope whatever for a cease-fire.
2. French reportedly fear provoking USSR--US Embassy Paris expresses the view that the forthcoming NAT Council meeting in Brussels will involve a good deal more than a mere pro forma confirmation of the agreement on German rearmament and may well open up some fundamental questions, particularly regarding the timing of the implementation of such an agreement. The Embassy points to growing concern in Paris that a decision to rearm Germany immediately will provoke the USSR. The Embassy indicates that many French officials and private citizens argue that the USSR has already put the West on notice and will not accept the rearmament of Germany, and that therefore the prospect of the eventual combination of a German army plus US air power might lead the Kremlin to make some military

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move before Western Europe is sufficiently strong. The Embassy comments that although such statements from French officials are always coupled with an expression of determination not to recede from the decisions reached on Germany, there is usually implicit a certain hesitancy in regard to actually putting this decision into immediate effect.

3. Burmese Minister advocates "Europe first" policy--US Ambassador Key in Rangoon reports a recent conversation with the Burmese Prime Minister during which, to Key's surprise, the Prime Minister expressed the hope that the US would "heed British advice" not to become over-extended militarily in Korea or the Far East but would concentrate on building up the defenses of Europe because the USSR is the "primary and most powerful foe." The Burmese official reasoned that if the USSR were smashed, Asia would be saved because China alone would no longer be a threat and the present regime would be extremely vulnerable to "internal pressure." He said that he does not of course advocate a withdrawal from Korea, unless forced, but he believes that if war comes, bombing attacks on China from nearby bases such as Japan would be preferable to dissipating US resources by invasion of the mainland. He offered the view that once China is attacked large groups within China which are hostile to the present regime would support the US cause. (He inquired parenthetically as to the efficiency and loyalty of Chiang Kai-shek's troops on Formosa.) The Prime Minister admitted that many Asians would probably misunderstand a global policy which gave primary emphasis to the defense of Europe and the defeat of the USSR, but because the democracies obviously do not have sufficient strength to wage effective war on two continents simultaneously, the only practical solution is first to save Europe.
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4. Slight softening of Soviet attitude noted in Vienna--

CIA/S

The US Legation in Vienna comments that both US and British representatives have detected a "slight but perceptible" change in the Soviet attitude during the past three weeks. Although the Legation anticipated that a worsening of the international situation would bring a progressive tightening of the Soviet attitude, there has instead been a relaxation, as though the Soviet representatives "had decided upon a more civilized method of doing business." The Legation declares, however, that it has no inclination to "make bricks out of these straws" and expects the Soviets to revert to the opposite policy whenever it suits their purposes.

5. Turkish views on Western defense-- Turkish Foreign Minister Kuprulu has told US Ambassador Wadsworth in Ankara that in his opinion the USSR is following a calculated "policy of detente" in the West while making an all-out effort to achieve domination in the Far East. Kuprulu stated that appeasement would be fatal to the cause of world peace and warned against "Asiatic bargaining, at which the Russians are past masters." Kuprulu also urged the earliest possible implementation of the NATO invitation to associate Turkey and Greece in Mediterranean defense planning as an "essential intermediate step" towards eventual full association with NATO itself. He spoke encouragingly of recent Greek-Turkish military staff talks and indicated the desirability of a Mediterranean defense pact. He expressed the view that Egypt should be included in such pact, in view of the strategic importance of the Suez Canal area and increasingly strained British-Egyptian relations.

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6. De Lattre's policy for Indochina outlined--General Jean de Lattre, newly-appointed French High Commissioner to Indochina, has told US Embassy Paris that he intends not only to implement loyally the recently liberalized French policy in Vietnam but to "do even more." Although he considers it unrealistic to expect a Vietnamese national army to "spring into being overnight," de Lattre intends to accelerate its formation in every way, to encourage the development of a native "national mystique" in order to match the morale of Viet Minh troops, and to build up the prestige of Bao Dai and the Vietnamese. He believes that there is a good chance to hold Indochina with increased US military aid, provided the Chinese do not attack. The Embassy transmits its impression, which is shared by the French Foreign Office, that despite de Lattre's sincere desire to build up Vietnamese nationalism, his evident contempt for the Vietnamese, especially for officials in the present government, may dispose him to underestimate the importance of their feelings and to talk down to them.

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GENERAL

1. Bevin suggests possible British evacuation from Egypt--
US Embassy London reports that although no formal progress has been made in current Anglo-Egyptian negotiations concerning the presence of British forces in the Suez area, Foreign Secretary Bevin has tentatively and informally suggested, without Cabinet clearance, the possibility of a solution which would involve locating a British striking force outside Egypt (probably in Libya) and an "orderly and progressive turnover of functions" to the Egyptians in the Canal Zone.

S/TS

EUROPE

2. ITALY: People fatalistic concerning general war--A high official of the Italian Ministry of Interior has told US Ambassador Dunn that there are no overt signs of panic or deep anxiety in Italy over the menace of a general European conflict as a consequence of the recent turn of events in Korea. The Italian official said that the Italian people as a whole are somewhat fatalistic over the possibility of Italy's involvement in a general war and that in any event there is no alternative for them but to count primarily upon US strength in gaining an eventual victory. Concerning signs of Communist attempts to foster military defeatism in Italy, he indicated that the Communists were achieving little success with such efforts within the armed forces. The official also told Dunn that Communist leader Togliatti's health has greatly improved and it is possible, though not certain, he may be able to continue as secretary general of the Party.

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3. YUGOSLAVIA: No recent increase in Satellite strength--
According to the US Air Attache in Belgrade, a Yugoslav military liaison officer has declared there is no reason to believe that the Balkan Satellites have received any recent appreciable increase in military assistance from the USSR. The Yugoslav officer said that present Satellite strength would not support the thesis that the Satellites intend military aggression in the near future. CIA/S
4. GERMANY: Adenauer proposes reply to Grotewohl letter--
Chancellor Adenauer has informed the US High Commission in Germany that he believes it necessary, because of the success of the accompanying Communist propaganda campaign, to take relatively seriously the letter sent him by Grotewohl, head of the Soviet-dominated German Democratic Republic, proposing the election of an all-German constituent council. Adenauer indicated he intends to reply to Grotewohl with an aide-memoire and an oral statement by an emissary; he plans to delay his reply until German opinion has "settled down" somewhat. In response to a question as to what he would do if Grotewohl promised to meet Adenauer's conditions concerning freedom of elections, in return for Adenauer's undertaking not to do anything meanwhile to line up the Federal Republic with the West either by alliance or armaments, Adenauer declared that if it were a question of choosing between immediate unity under Soviet influence or foregoing unity and remaining free "in the Federal area," he would expect the large majority of West Germans to answer that "they would rather be free even though the unity of Germany would not be restored immediately." CIA/S

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NEAR EAST-AFRICA

5. INDIA: Patel's death a great shock--US Embassy New Delhi reports that the death of Deputy Premier Patel has come as a great shock and there is much speculation as to how this event will affect future Indian policies in both internal and foreign affairs. Some Patel followers reportedly feel that without the steadying influence of Patel's personality India will follow an erratic and unpredictable course, while others express the hope that his death will sober Nehru. The Embassy says it is too early to make predictions but a number of changes throughout the government structure can be expected. Whether Patel's demise will result in a split of the Congress Party is not clear to the Embassy, but danger of such a split exists because Patel adherents may adopt a strong attitude instead of quietly handing their power over to the Nehru minority. 8/5

FAR EAST

6. INDOCHINA: French general maintains Tonkin can be held--French Commanding General Carpentier, who is due shortly to leave Indochina, has declared to US Minister Heath that he is more than ever of the opinion that with the expected early arrival of reinforcements and materiel, French forces will be able at least to hold existing positions in Vietnam, unless Chinese troops join the Viet Minh, in which case it would be "another story." Carpentier added concerning the creation of a Vietnamese national army that the French had reached essential agreement with the Vietnam Government except on one point, on which the French could not give way: Bao Dai's insistence that they at once advance funds to cover the initial expense of building the Vietnamese army. 5/5

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GENERAL

NAVY/TS

1. Estimate of Chinese Communist intentions in Korea--
According to the US Naval Attache in Taipei, the Chinese Nationalist Ministry of Defense estimates that the Chinese Communists have already crossed the 38th Parallel in the middle sector and intend to penetrate all of South Korea with the object of driving US troops from the country. The Ministry believes that the Communists intend to surround Seoul while simultaneously rushing troops over the most direct route to Pusan; the timing of these moves will depend principally on supply problems, but the Communists will exploit any advantages to be gained through UN discussions or actions.
2. British views on Southeast Asia--US Consul General Langdon in Singapore reports that at a recent conference of British diplomatic representatives in Southeast Asia it was generally agreed that: (a) conditions in Burma are continuing to improve; (b) opposition in Thailand to the Phibun regime is rising and there is anxiety over commitments to the West; (c) the situation in Indochina is "very gloomy"; and (d) Indonesia is "unsettled but not hopeless," with much hinging on the outcome of the negotiations for the disposition of New Guinea. The conferees were of the opinion that the entire Southeast Asian anti-Communist structure is being shored by Tonkin and that this vital area must be held to prevent further southward advances by Communist forces. They estimated that Ho Chi Minh would launch an attack within two months and that whatever was to be done to stop it would have to be done in the next few weeks.

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3. Dutch-Indonesian disagreement on New Guinea--US Ambassador Cochran in Djakarta shares the concern of his British colleague over the trouble that may result if the Netherlands fails to reach a compromise agreement that will permit de jure transfer of sovereignty over Netherlands New Guinea to Indonesia by the end of 1950. The British Ambassador fears that failure to reach such an agreement would cause the fall of the Natsir Government and that no comparable moderate regime could hold power in view of the disturbed conditions that would ensue. He pointed out that although conditions in Indonesia appear relatively calm, incidents might occur which would set off a chain of violence that could "split East and West over Indonesia and contribute to over-all tension."

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(Comment: The conference at The Hague over the disposition of Netherlands New Guinea appears deadlocked following Dutch rejection of the Indonesian proposal for de jure transfer of the disputed area to Indonesia by the end of 1950.)

NEAR EAST-AFRICA

4. INDIA: Government to request US food assistance--US Ambassador Henderson in New Delhi has been informed by the Indian Finance Minister that the Cabinet has made the decision to discuss with US authorities the possibility of obtaining additional food grains for India during 1951. He also indicated his government's interest in the possibility of India's being included in a broader economic aid program, possibly in connection with the proposed Colombo Plan. According to Henderson, the Finance Minister believes that this decision represents a formal turning point in India's economic relations with the US inasmuch as it means that India, after

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careful Cabinet consideration, has come to the conclusion that US economic assistance is vital to the stability of India. Henderson voices his opinion that this decision is of "the utmost significance" because it reveals the crumbling of such opposition as existed previously to closer economic relations between India and the US. He is convinced that even with "possible war in the background" it would be in the national interests to extend considerable economic aid to India beginning in the near future.

5. IRAN: "Powerful forces" working for Razmara's fall-- US Embassy Tehran, in transmitting an analysis of the present situation in Iran, expresses the view that Prime Minister Razmara's fall is not imminent but there are signs that powerful forces are working for that end. The Embassy considers that Razmara, who is ambitious, might not yield gracefully if a real showdown occurs and that "it is not entirely impossible" he might, in the absence of any other immediate, tangible support, even look to the USSR indirectly to help him retain power. The Embassy points out that from the Soviet viewpoint he is certainly the most cooperative Prime Minister in recent years.

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EUROPE

6. GERMANY: Attitude toward Schuman Plan--The US High Commission in Bonn expresses the opinion that the majority of German political leaders view the Schuman Plan with reserve. The Commission reports that although the coalition parties still favor the Plan, they are now demanding that certain conditions (principally the elimination of the Ruhr authority and the lifting of restrictions on industry) be met before they

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will vote for its ratification. The Commission adds that although this reluctance to go ahead with the Schuman Plan is partially due to fear of Socialist opposition, the coalition parties' reticence should be regarded in the light of German demands for equality rather than as an isolated development.

Analysis of Grotewohl letter--The US High Commission in Berlin reports that in a recent interview with a Dutch correspondent East German Foreign Minister Dertinger said the Grotewohl proposal to Adenauer for East-West German talks was not designed to lead to an all-German election, but rather to permit the recognition of both German governments as "realities," and enable both sides to accommodate differences in economic and political institutions. Dertinger added that if the Grotewohl proposal for East-West talks was rejected, a plebiscite would be conducted in West Germany. Dertinger reportedly stated that the USSR would consider its security threatened by a material increase in Western forces in Germany, although a West German centralized police force would not be considered such a threat. The High Commission believes this interview is a further Soviet attempt to undercut Western European support for West German participation in European defense and to develop opposition to increased Western allied troops in Germany.

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GENERAL

1. Estimates of Soviet reaction to German rearmament--
US Embassies Moscow and Paris, in commenting on possible Soviet reaction to an announcement on West German rearmament, express the view that present probabilities are against an overt military attack against Western Europe. Embassy Moscow believes that any Soviet decision regarding overt military action in the West would probably not rest merely on the announcement of agreement to use West German forces but would depend as well on the Kremlin's estimate of numerous factors, including the success of the world "peace" movement and Chinese Communist progress in expanding in Asia.

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Embassy Paris believes the USSR will not attack primarily because any direct overt military action to prevent German rearmament would make World War III a certainty, and the German question alone is not likely to affect the fundamental reasons which have thus far kept the USSR from starting a general war. The Embassy believes, however, that the USSR will react to German rearmament with great vigor. Among other maneuvers, it is anticipated that the USSR may offer to discuss all questions with the Western Powers if the decision on German rearmament is abrogated or at least shelved. The Embassy believes that such a move would find considerable response in Europe.

2. Analysis of Soviet intentions in the Balkans--US Embassy Moscow is inclined to doubt that the recent Cominform article by Greek Communist leader Zachariades portends any new Soviet threat to Greece. The Embassy finds

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nothing in the Soviet press during the last few weeks either to support or weaken the theory that a Soviet attack on Greece is imminent. The Embassy, moreover, "tends to remain of the opinion" that Tito is the first target of Soviet strategy in the Balkans and that an attack on Greece would be likely to follow rather than precede an attack on Yugoslavia. The Embassy acknowledges, however, the continuing possibility of a Soviet Satellite attack on Greece and points to the increased likelihood of such an attack in case Soviet leaders should conclude that it could be isolated "on the Korean model."

3. Schuman Plan talks adjourned--US Embassy Paris reports that negotiations on the Schuman Plan have been adjourned until about 8 January. The Embassy explains that although action on the treaty text is virtually complete, final negotiations have been delayed so that the German delegation may know just how the deconcentration of the Ruhr will work before agreeing to the anti-cartel provisions of the plan. The Embassy also reports that French delegate Monnet is having great difficulty in obtaining the support of his government on these provisions. The Embassy anticipates that the heads of delegations should complete their work about 15 January, enabling the foreign ministers of the member states to meet during the latter part of January to work out the political aspects.

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EUROPE

4. GERMANY: Adenauer's views on relations with West--Chancellor Adenauer has told US High Commissioner McCloy that "the pillars of his foreign policy" are rapprochement with France,

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good relations with the UK, and strong attachment to the US. Adenauer said there is no hope for Europe unless the US is "strongly present." Regarding the possible neutralization of Germany, Adenauer said that his policy is firmly directed toward thorough integration of Germany with the West and that any thought of a neutralized Germany is unrealistic. Adenauer believes it much wiser to renounce for a time the thought of a reunited Germany; what he fears is an unarmed, neutralized Germany rather than one thoroughly integrated with the West. When asked whether he thought a German contribution to Western defense would produce overt Soviet action, Adenauer replied that he doubted this and that even if it were more apt to happen, he preferred to go ahead. Adenauer hoped that the Brussels meeting would bring: (a) open discussions with Germany, during which German comments and counter-proposals could be made; (b) agreement that a German contribution implied the concept of equality and some change in the political status of Germany; and (c) renewed consideration of the concept of a "contractual relationship" to succeed the relationship now maintained through the occupation statute.

FAR EAST

5. CHINA: Nationalist plans for mainland invasion--According to US military and diplomatic officials in Taipei, the attitude of Chinese authorities in Formosa with reference to an invasion of the mainland appears to be changing from "vague wishful thinking" to the consideration of definite plans involving specified numbers of troops and particular landing areas, all predicated on US help. US officials report that the 97th Army, originally selected for possible action in Korea,

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is being built up: its troop strength and equipment are being increased and English-speaking officers are being assigned. The US Military Attache regards these activities as indicating a belief on the part of the Nationalist Government that there is a strong possibility it will receive an invitation to fight in Korea or that the declaration of 27 June neutralizing Formosa will be modified.

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GENERAL

S/s

1. Results of Brussels Conference--Secretary Acheson reports from Brussels that the US, British, and French Foreign Ministers have agreed to prepare promptly a general outline of arrangements to be made with the German Federal Republic in order to reflect the changes in the present occupation regime which would be made necessary by Germany's participation in Western European defense. As a guide to drafting these arrangements, the Foreign Ministers enunciated the following general principles: (a) the entry of Germany into Western defense arrangements would logically entitle it to substantial freedom, and the goal should therefore be to establish the relations between the occupying powers and Germany on as broad a contractual basis as possible; (b) every effort should be made to explore with the Germans themselves the problems involved in establishing such relations between Germany and the occupying powers; (c) the arrangements made should cover all aspects of these relations, except those which can be resolved only in a peace settlement; and (d) commitments made by Germany through its adherence to international statutes or organizations would render possible the relinquishment of occupation controls.
2. Chinese Communists speak cryptically of returning to UN-- C/A/S
The US delegation at the UN has been told that Indian delegate Rau "got nowhere" in his final meeting with General Wu although the Chinese Communists made cryptic remarks to the effect they hoped to return to the UN soon. The delegation also reports that the cease-fire committee is giving consideration to the possibility of sending to Peiping a cable intended to quiet Chinese Communist fears of falling into a trap by accepting the cease-fire resolution.

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3. Status of Netherlands New Guinea negotiations--US Ambassador Cochran in Djakarta has been told by an Indonesian representative that a deadlock may occur in the Hague negotiations on the disposition of Netherlands New Guinea if pressure is not brought to bear on the Dutch to accept the Indonesian proposal for compromise. Cochran believes "a grave threat" exists in the possibility that such a deadlock would endanger the existence of the Netherlands-Indonesian union and damage East-West relations, with a consequent impairment to US interests.

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FAR EAST

4. INDOCHINA: Reported Viet Minh intentions--US Consul Blanche in Hanoi transmits information received from a French official, who evaluates it as "extremely reliable," that Viet Minh leaders two months ago requested three regular Chinese divisions (as "volunteers" if necessary) to inflict a crushing blow on French and Vietnamese forces in Tonkin. Source reports that the Chinese have only recruited volunteers from among south Kwangsi-Yunnan bandits, which the Viet Minh are reluctant to accept, and that the lack of full-scale Chinese Communist support is irritating the Viet Minh. In the opinion of the French official, the Viet Minh fear that recent French political concessions may bring nationalist support to the Vietnamese Government and ultimately undercut the Viet Minh if the French are not quickly driven "into the sea." The official concluded that the Viet Minh feel they must undertake such a drive even though they have misgivings of being able to accomplish their objective without more Chinese aid.

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5. KOREA: Treatment of ROK prisoners deplored--US Political Adviser Sebald reports from Tokyo that the UN Command is "deeply disturbed" by continuing reports of inhumane treatment of political prisoners by ROK authorities and fears ROK excesses may discredit the entire UN Korean effort. The UN Command has regarded the trial and punishment of collaborators and other political offenders as an internal matter for the ROK and has therefore refrained from taking any action beyond bringing atrocity reports to the attention of responsible ROK authorities. Sebald states, however, that representations of the UN Command and US Embassy Seoul appear to have had little effect.

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GENERAL

S/TS

1. European reaction to CFM--A Belgian Foreign Office official has informed US Embassy Brussels that his government is in favor of a meeting of the Council of Foreign Ministers. The official also expressed the view that Western refusal to hold a CFM meeting would have "an injurious effect" on the Western European people who need to be convinced that no stone had been left unturned to adjust East-West differences.
2. British concern over Japanese treaty--A British Foreign Office official has informed US Embassy London that the UK has been concerned for some time over developments in Japan and now feels that the crisis in Korea underlines the necessity for regularizing the Japanese position "before it is too late." The British official expressed his personal belief that the "briefest sort" of liberal, non-restrictive treaty with Japan should be concluded, a treaty which would do little more than end the state of war and permit Japan to apply for membership in the UN and other international bodies. He feels that such a treaty could be negotiated with relatively little delay and would have the added advantage of being awkward for the USSR to oppose. The official concluded that the British would have no objection to separate security arrangements between the US and Japan.
3. British views on Kashmir dispute--According to US Embassy London, the British Foreign Office does not believe that agitation in Pakistan over the Kashmir situation has reached a point requiring early action by the Security Council. The British will attempt at the 4-10 January Commonwealth Prime Ministers' Conference

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to have India and Pakistan discuss their differences. The British believe that further Security Council action now would seriously impair the proposed Nehru-Liaquat talks.

FAR EAST

4. INDOCHINA: Carpentier's views on military situation--

In a farewell call on US Minister Heath in Saigon, General Carpentier, departing commander of French forces in the Far East, expressed the view that a Viet Minh attack is not likely to occur in Indochina during the next two months unless supported by Chinese troops. Carpentier reported no indications of Chinese military preparations for early participation in such an operation and stated it would take "some weeks" for the Chinese to mount it. Commenting that the Chinese would not intervene until a Viet Minh attack had failed, Carpentier expressed confidence in the ability of the French to hold a Viet Minh attack two months from now, after the arrival of reinforcements and materiel in January.

CIA/S

5. KOREA: ROK "mass executions" reported legally performed--

US Embassy Seoul reports that UN officials have investigated charges cabled by foreign correspondents that ROK civil authorities have performed mass executions of prisoners without trial and that the UN officials are satisfied that the executions, however badly handled, were the result of sentence passed by a legally constituted court in accordance with law. According to the Embassy, the ROK Government has suspended executions, as a result of public furor and foreign press reports, until a suitable place can be found and a proper method followed. The Embassy indicates that President Rhee has ordered speedier trials, improvement of prison conditions, the observance of normal decencies in carrying out future executions, and the establishment of a program for reviewing capital sentences.

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1476

GENERAL

1. Analysis of Soviet-Satellite propaganda--In reporting Soviet press reaction to President Truman's declaration of a state of national emergency, US Embassy Moscow comments that the Soviet people have now received their first indication that increased world tension may affect the "peaceful construction work and internal improvements" of the regime. The Embassy speculates that this warning may foreshadow a strengthening of Soviet military preparations but points out that the total press reaction was not so vigorous as to be inconsistent with the Soviet "peace policy."

Concerning propaganda on the subject of German rearmament, the Embassy reports that the change in emphasis by the Berlin Soviet-controlled press, from stress on general US plans for world conquest to the danger of war in Europe, has not been paralleled by the Moscow press. The Embassy points out that this change in the Berlin press could be an effort to block West German participation in NATO or could reveal an intention to provoke military conflict.

Meanwhile, the US Military Attache in Budapest reports that official Hungarian propaganda is generally following the "peace" line and the Hungarian people are being psychologically prepared for offensive warfare only against Yugoslavia. The Attache notes that the Hungarian press has contained no indication of President Truman's having made a statement concerning the use of the atom bomb and that the Hungarian people are not being psychologically prepared at this time against attack by atom bombs.

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2. Netherlands reaction on New Guinea question--US Embassy The Hague expresses the view that the Netherlands Government will not initially accept the modified Indonesian proposal for the transfer to Indonesia of sovereignty over Netherlands New Guinea. The Embassy observes that the provision requiring an immediate Dutch pledge to transfer sovereignty is "basically antithetical in tone" to the Netherlands position as heretofore expressed and that the government could not accept the proposal until it had been submitted to parliamentary debate in the States General, where the Embassy believes opposition would be substantially greater than in the 1949 debate on the transfer of sovereignty to the Republic of Indonesia.

EUROPE

3. ITALY: Estimate of Italian opinion--US Embassy Rome estimates, concerning present official and non-official Italian attitudes toward the international situation, that: (a) military and foreign office officials seem to "lead the field" in their awareness of the danger posed by the USSR and the need for prompt measures and feel that Italy has a chance of being able to defend itself; (b) most of the remainder of the government, and many of the intelligentsia and politically conscious elements, are beginning to realize the gravity of the situation but feel that Italy is incapable of undertaking a rearmament program large enough to succeed; and (c) the general population is completely apathetic owing largely to a state of war weariness so profound as almost to constitute combat fatigue. The Embassy further notes that only timid moves towards industrial mobilization have been made and that the government is not attempting to rouse the feelings of the people. The Embassy believes, however, that as the public becomes more conscious of the growing strength of Italy and the Western Powers, the attitude of the population will gradually improve.

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Meanwhile, the Embassy reports that Italian Communist propaganda is laying more stress on military defeatism and is undoubtedly proving effective in helping maintain among non-Communists that lack of a sense of national emergency which is making it so difficult for the government to re-arm Italy, physically as well as morally. The Embassy also expresses the view that the violent Communist reaction to the recent sabotage bill may presage stronger and more extensive Communist action in the field of labor.

4. GERMANY: Socialist reaction to Brussels conference--
The US High Commission in Bonn reports that two leaders of the German Social Democratic Party regret Socialist leader Schumacher's initial negative reaction to the results of the Brussels conference and express the view that the SPD should not take a position until more details are known. The High Commission believes that "restraints will be applied" to Schumacher and concludes that if Schumacher is ready to cooperate, as the two Socialist leaders implied, and if Chancellor Adenauer can be persuaded to associate opposition deputies with negotiations, prospects will be much brighter than in past weeks both for a satisfactory negotiation of the German contribution to Western defense and a revised statute governing relations between the Federal Republic and the occupying powers.

FAR EAST

5. INDOCHINA: Improvement in French position noted--US Legation Saigon notes both a lessening of Vietnamese mistrust of the French and a growing support for Bao Dai's regime as a

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result of: (a) widening public realization that France has finally granted real independence to Vietnam in the Pau Accords; (b) awareness of the implications for Indochina of Chinese aggression in Korea; and (c) Bao Dai's recent public appearances and statements. The Legation points out, however, that this gradual improvement is being compromised by delays in forming a national Vietnamese army and in effecting changes in the unimpressive and unpopular Vietnamese Government.

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1477

GENERAL

1. Prospects for British-Egyptian defense talks--According to US Embassy Cairo, the Egyptian delegate to the British-Egyptian defense talks in London reports that although nothing has been definitely agreed upon he is for the first time "conservatively optimistic" regarding chances for success during the conversations which will be resumed in January. S/TS
2. Australian attitude on New Guinea question--In conversation with US Ambassador Jarman, a British Foreign Office official expressed the view that despite Australian Foreign Minister Spender's statement that Australia would not stand idly by in the event of the transfer of Netherlands New Guinea to Indonesia, the Australian Government has not yet decided upon a course of action if the transfer takes place. The British official believes the Australian position will be determined by the practical consideration that Australia has no adequate forces available for use in New Guinea. He added that the British are trying to prevent further Australian statements which would disturb Dutch-Indonesian negotiations in the hope that the transfer may be delayed as long as possible. CIA/S

EUROPE

3. USSR: Report on military activity--The US Military Attache in Moscow reports a decided increase in the number of anti-aircraft positions in Moscow during the past month, bringing the known total to 32 emplacements of 8 guns each. The MA notes that otherwise the Moscow area is "militarily quiet." The MA also reports no unusual traffic or activity on the railroads in the western and northwestern part of the country, with marshalling yards in such cities as Moscow, Brest and Smolensk "not particularly full or busy." RRM/S

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4. AUSTRIA: Estimate of Soviet intentions--US Minister Donnelly transmits the unanimous view of Chancellor Figl, Vice-Chancellor Schaerf, Foreign Minister Gruber and Interior Minister Helmer that the USSR will not attempt a direct blockade of Vienna on the Berlin model except as a preliminary step to general war. These officials nevertheless consider a blockade a real possibility and believe that provision should be made to cope with it as well as with internal Communist disturbances and related transportation stoppages.

S/TS

5. GERMANY: Socialist views on Schuman Plan--The US High Commission in Bonn reports the views of three Socialist trade union leaders that the majority of German workers will support the Schuman Plan. The Commission points out that the position of the trade unions is not in harmony with that expressed by Socialist leader Schumacher, who may therefore be forced to re-examine his party's policy of outright opposition to the Schuman Plan.

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GENERAL

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2. Estimate of Soviet reaction to German rearmament--US High Commissioner McCloy expresses the view that mere announcement of German participation in Western European defense preparations is not likely to result in immediate Soviet military attack. McCloy estimates that the USSR will concentrate for the immediate future on cold war and diplomatic action with continued military preparations an integral part of its strategy. In McCloy's view, a decision to resort to military attack would be based on a combination of Soviet estimates that the cold war was failing and Western defenses were approaching the point where they could effectively hold Europe. In its diplomatic campaign, the USSR would attempt to divide and frighten the West by giving the impression that a Soviet attack was imminent; simultaneously, the people of Eastern Europe would be prepared psychologically for such an attack in order to justify continued military preparations. McCloy considers a Korea-type attack launched from East Germany

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unlikely except in the case of Berlin where it is a real possibility. McCloy also anticipates that at a CFM meeting the USSR would emphasize the German rearmament issue and warns that the Western Powers must be prepared for dramatic and ostensibly serious offers (such as free elections, a peace treaty, and the withdrawal of troops) as part of the Soviet effort both to delay German agreement to joining Europe's defenses and to place on the West the responsibility for the ensuing rearmament race.

FAR EAST

3. INDOCHINA: De Lattre confident of holding Viet Minh--
In an interview with US Minister Heath, newly arrived High Commissioner de Lattre reiterated the determination of the French to grant national independence to the Associated States and declared he would take an active part in creating a national Vietnamese army. De Lattre estimated that provided the Chinese did not interfere, French and Vietnamese forces could eliminate the Viet Minh rebels in about two years.

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Meanwhile, Emperor Bao Dai expressed the view that de Lattre, with his "energy, military ability and will, could really accomplish great things" for Indochina. [REDACTED]

[REDACTED] Bao Dai therefore had decided not to ask de Lattre for the return of the High Commissioner's palace, stating that it was more important at this time to maintain "de Lattre in his present good intentions."

3.3(h)(2)

French estimate of military situation--According to US Consul Blancke in Hanoi [REDACTED] considers it doubtful that a large-scale Viet Minh attack will

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come before February. The French note that the current reorganization of Viet Minh forces into divisions will not be complete until February and that the return of tropical weather in February will favor native over European troops. The French also offer the possibility that before launching a major attack, the Viet Minh may await the outcome in Korea to be sure of Chinese participation if needed.

CIA/S 3.3(h)(2)

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FAR EAST

1. Status of Dutch-Indonesian talks on New Guinea--US Ambassador Cochran in Djakarta has learned that the Netherlands and Indonesian delegations meeting at The Hague have agreed to the following points: (a) sovereignty over Netherlands New Guinea should be transferred to Indonesia; (b) the transfer should take place within 1951; and (c) a conference should be held in 1951 to reach agreement on seven specific points presented by the Indonesian delegation. Meanwhile, Cochran has learned from his British colleague that the Netherlands Government is greatly concerned over the welfare of Netherlands citizens in Indonesia if final agreement is not reached for the transfer of sovereignty. The British Ambassador also said the Netherlands Government does not expect to obtain the requisite two-thirds parliamentary majority for transferring sovereignty and is considering the possibility either of standing on a simple majority or tendering its resignation on the issue, thus throwing the onus of disapproval on the opposition in Parliament.
2. Estimate of Asian opinion on Formosa question--US Consul General McConaughy in Hong Kong believes that British observers over-emphasize the adverse effect on Asian opinion which would result from US refusal to turn Formosa over to the Chinese Communists. McConaughy considers that the British view fails to give sufficient weight to the effect of such action on the Chinese themselves and notes the existence of a body of Chinese opinion in Hong Kong and elsewhere which would be "dismayed and disheartened" by the surrender of Formosa. It is McConaughy's belief,

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however, that regardless of the direction of Asian opinion on this question, the effect of any kind of appeasement on the Chinese Communists themselves is a matter of "over-riding importance." He feels that to yield under pressure and appease them with Formosa, or any other concession, would further confirm the Chinese Communists' belief in the effectiveness of their present policy, would dangerously increase their contempt for US military capability in the Far East, and would greatly strengthen and embolden those Communist elements who advocate an intimate alliance with the USSR. He believes that the Peiping regime would be encouraged to proceed immediately with further aggressive plans in Southeast Asia and concludes that if there ever was a time when concessions could alter the view of the Chinese Communist leadership, that time has long since past.

3. Chinese Communist intentions in Korea - [REDACTED]

CIA/S

[REDACTED]
 the Chinese Communists intend to occupy all Korea unless prevented by force. [REDACTED] the Chinese Communists "fully expected the US" to bomb targets in Manchuria and elsewhere in China when the Chinese intervention in Korea could no longer be concealed. [REDACTED] this was the "important reason" why open Chinese Communist participation was delayed as long as possible; the Chinese Communists feared bombings would cut lines of communication from North China to Korea before essential military supplies could be moved there in sufficient quantity.

[REDACTED] US failure to bomb military objectives in China when Chinese Communist aggression became obvious was generally regarded [REDACTED] as evidence of US military and political weakness [REDACTED]

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4. Chinese Communist troops reported in Indochina-- CIA/S
US Minister Heath in Saigon has been informed by the chief of the French counter-intelligence in Indochina that Chinese Communist troops have been observed in several operations in Tonkin, usually operating heavy equipment, notably artillery. The French official declared that French military intelligence will not officially admit the presence in Indochina of Chinese Communists until it can be proved, and perhaps not even then for fear of provoking Chinese intervention. According to the same source, 25,000 Viet Minh troops have recently returned to Tonkin from training in South China, bringing the total of Chinese-trained Viet Minh troops to 50,000. Source estimates that these troops, together with a minimum of 100,000 other Viet Minh troops, constitute a total force that the French "will have difficulty withstanding." He expects an attack perhaps at the beginning of January and certainly before the end of January.

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EUROPE

1. GERMANY: Schumacher remains opposed to rearmament--
 German Socialist leader Schumacher has stated to US High Commissioner McCloy that he opposes German rearmament at this time because it would prevent the reunification of Germany and has reiterated that German rearmament now would expose a weak West Germany to Soviet retaliation. From a long conversation with Schumacher, McCloy concludes that Schumacher's dominant objective is the reunification of Germany. Schumacher implied that he might possibly accept temporary neutralization as the price of unification, insisting that anti-Communist forces would prevail in a neutralized Germany, particularly if the West would continue to give economic assistance and grant equality of rights. Schumacher is opposed, however, to buying Soviet agreement on unification at the price of any arrangements which would establish the equality of East and West Germany or to any deviation from the principle that free elections must precede the establishment of any new all-German governing body. He objects to direct dealings between the West and East German regimes, even of an exploratory nature, as proposed in the Grotewohl letter.

CIA/S
CIA/SEast German effort to block Western rearmament--

In commenting on a recent East German "law for the protection of peace" (which provides severe penalties for all Germans supporting a German contribution to Western European defense), the US High Commission in Berlin regards it both as an effort to intimidate West Germans and Berliners from supporting West German rearmament and as a "legal" basis for further repressive measures in East Germany. The Commission also points out that with respect to Berlin the measure offers a means of deterring travel (except by air) between West Berlin and either East or West Germany. Although the law has thus

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far been used principally for propaganda purposes, the Commission considers it possibly significant and perhaps indicative of Communist concern over [redacted] activities that West Berlin press representatives have been singled out for specific threats under the law and have been the object of one or two recent kidnapping attempts.

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GENERAL

1. French and Egyptian views on Far East situation--The US delegation at the UN, in transmitting accounts of recent conversations with French and Egyptian delegates, indicates that the French representative took a very gloomy view of the situation in the Far East, particularly Indochina. He does not see how Indochina could be held very long against Chinese Communist manpower and material resources if the Chinese decided to give full-scale support to the Viet Minh. He feels quite certain that if Indochina falls, the rest of Southeast Asia would fall very quickly to the Communists and in turn India would not be far behind. The US delegation comments that it might be fair to draw the inference from all the French representative's remarks that the US should in effect beat a strategic retreat from Korea in order to give fuller support to Indochinese resistance to Communist aggression and to husband US resources for defense in other areas.

S/TS

The Egyptian representative told the US delegation that the UN is not psychologically or physically prepared for the step of naming the Chinese Communists aggressors. Laying particular stress on the unpreparedness of Asian countries in these respects, he urged in the interests of preserving the unity of the UN that the US play for time, even if only for six weeks or six months. He said, however, that if the Chinese Communists cross the 38th Parallel it would probably be undoubtedly necessary to name them as aggressors.

EUROPE

2. FRANCE: Communist campaign against German rearmament-- According to US Embassy Paris, the French Communist Party is now giving "virtually undivided attention" to a propaganda

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campaign against German rearmament, with the aim of spreading disunity and paralyzing or retarding Western defense and simultaneously reinforcing the world "peace front." The Embassy reports that the French Communists have initiated a nationwide door-to-door canvass (modeled on that of the Stockholm Appeal) to collect signed "ballots" in a national "vote" against German rearmament. The Embassy expects this campaign to develop with mounting intensity and much variety during the next few months.

3. **NETHERLANDS:** Dutch-Indonesian views on New Guinea--
US Embassy The Hague reports that the Netherlands Socialist Party is badly split over the question of whether to transfer sovereignty over Netherlands New Guinea to Indonesia. According to the Embassy, the conciliatory elements in the party were responsible for the final Netherlands counter-proposals, which envisaged either the transfer of sovereignty to the Netherlands-Indonesian Union or mediation through an ad hoc committee or the UN Commission for Indonesia.

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Meanwhile, Indonesian delegate Rum has told the Embassy that there can be no discussion of details of the transfer of sovereignty until agreement has been reached that the transfer will be made. Rum says he has been advised by friendly Netherlands political leaders to await the political repercussions of the failure of the Hague meetings, and Rum believes that some weeks of inaction on the part of the Indonesians are strategically desirable. Although he considered it necessary to emphasize that the conference was ended, and not merely adjourned, Rum concedes that the time may come when the Indonesians must recognize the need for a conciliatory attitude and even for a compromise verbal formula in order to reach a solution.

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FAR EAST

4. **INDOCHINA:** French believe expected offensive has begun--
According to US Consul General Blancke in Hanoi, the French military command regards the activities of the past few days north of Hanoi as the start of the Viet Minh offensive. The French are depending on mobile reserves as planned and feel they can hold unless the Chinese Communists intervene. *CIA/S*
5. **BURMA:** Government would resist Chinese Communist attack--
US Ambassador Key in Rangoon reports that the Burmese Foreign Minister, in reply to the point-blank question as to whether Burma would fight if attacked by the Chinese Communists, stated that as long as the present Burmese Government is in power, Burma will fight. Key comments that this statement is in line with the decisions reportedly taken during the emergency conference held in Mandalay early in December. *CIA/eng.*

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EUROPE

1. **ITALY: Comparison of French-Italian Communist propaganda--** C/A/S
US Embassy Rome, in pointing out the similarities and differences in the "peace" propaganda of the Italian Communist Party and that of the French Communists, notes that the Italian Communists place relatively little emphasis on opposition to German rearmament but instead stress Italy's poverty and dwell on the burden that Italian rearmament would place on the working class. The Embassy observes that recent Italian Communist propaganda makes no attempt to terrify Italians with the specter of the overwhelming might of the Red Army but rather focuses on the expediency of "neutrality" as the means to preserve "peace" for Italy. The Embassy reports in this connection that left-wing Socialist leader Nenni, the principal spokesman for this "neutrality" thesis, recently declared that "the only intelligent conservatives are those who hang desperately to hope of a negotiated peace and support neutrality."

2. **GREECE: No renewal of large-scale fighting foreseen--** C/A/S
US Embassy Athens reports that the ranking US military officer in Greece has no information which would indicate an early renewal of hostilities against Greece "on a military scale." According to the Embassy, this officer shares the views held by "responsible people" in Athens that the Greek Communist guerrillas now in Bulgaria and elsewhere are not by themselves capable of operating as a military force and that neither Albania nor Bulgaria would engage in any military venture against Greece unless backed by Russian troops, either overtly or covertly supplied.

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TOP SECRET**NEAR EAST-AFRICA**

3. **IRAN:** Possible disturbances over oil legislation--US Em-
 bassy Tehran believes that the Razmara Government may
 find it difficult to obtain a vote of confidence when it attempts
 to justify its recent withdrawal of a supplementary oil bill
 revising its contract with the Anglo-Iranian Oil Company.
 The bill was withdrawn in order to forestall opposition
 attempts to link it with the question of nationalizing the oil
 industry, which the government strongly opposes. The
 Embassy reports that a mass demonstration was scheduled
 by the government's opposition for 29 December and warns
 that, with public emotion being whipped up over the question,
 there is some possibility that minor civil disturbances may
 take place.

CIA/S

FAR EAST

4. **INDOCHINA:** Large-scale Viet Minh attack expected in January--
 General de Lattre de Tassigny, French High Commissioner for
 Indochina, has told US Minister Heath he feels "almost certain"
 the Viet Minh will attack in force in January. De Lattre said
 weather conditions beginning about 15 January will practically
 prohibit employment of his air force, thereby favoring Viet
 Minh attacks. Concerning a Chinese Communist invasion,
 de Lattre believes there are actually fewer Chinese Communist
 troops in southern China now than in October and that the Chinese
 will not invade before February at the earliest. Because rein-
 forcements and new materials are scheduled to arrive in
 January, he is less afraid of a possible Chinese invasion, pre-
 sumably after January, than he is of Viet Minh attack before
 supplies arrive. De Lattre further said he considers the newly -
 equipped and Chinese-trained Viet Minh battalions much superior
 to the Chinese Communist troops in south China.

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