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Carpenter

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CENTRAL INTELLIGENCE AGENCY

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FAR EAST

1. Chinese Communist attitude toward Kaesong discussions:

[Redacted] Peiping held the following opinions regarding the current discussions in Kaesong.

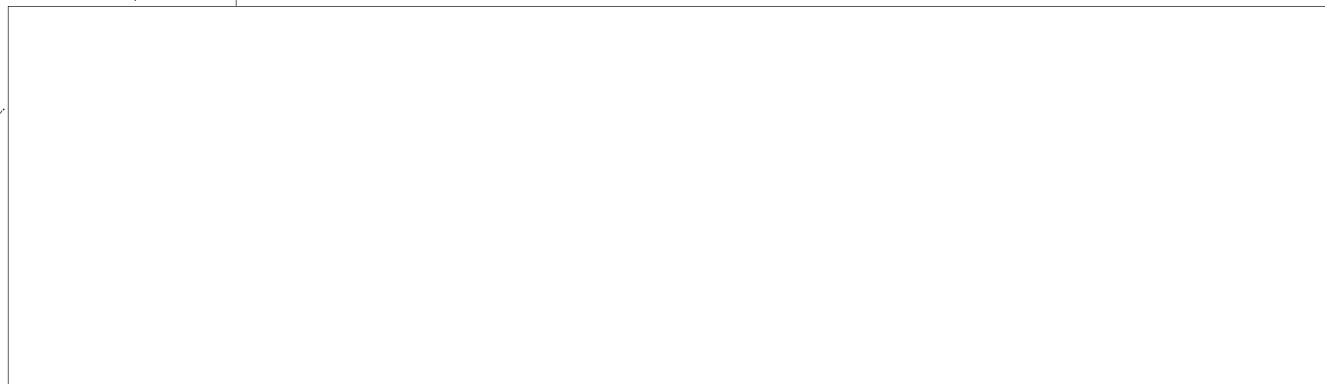
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(a) The Chinese Communists are so anxious to secure a cease-fire that they will grant "many concessions";

(b) The Peiping regime will attempt to discover, during the Kaesong talks, some means whereby the regime may enter the UN and participate in the Japanese peace treaty; and

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(c) Even if UN terms are so severe as to be completely unacceptable to Peiping, the latter will attempt to continue the discussions

2. Possible CCF reinforcements total 350, 000:

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[Redacted]
A study by Far East Command indicates that in addition to the Chinese Communist units which have been identified and accepted in Korea, additional units may have arrived

whose estimated total strength would be 350, 000. This would give the enemy an estimated maximum possible strength of 907, 000 for an offensive.

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Comment: This total is considerably in excess of the 770,000 maximum, estimated in Korea as of 1 April, that included units subsequently identified elsewhere as of that date. The total force would be equivalent to 90 full strength divisions. This number of divisions exceeds the maximum which it has heretofore been estimated that the enemy is logically capable of maintaining in Korea.

According to a 3 August estimate of the Far East Command, however, available indications point to a continued active defense by Communist forces in Korea until such time as the present armistice parleys collapse or appear no longer profitable to the enemy.

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3. Burma Road increasingly used to transport strategic goods to China:

Quoting two reliable sources, an AP correspondent reports that the Burma Road is the principal overland route in Southeast Asia for supplying Communist China with strategic

goods. Convoys of 50 to 60 trucks, loaded primarily with tires and petroleum products, make the trip over the Burma frontier to Kunming, Yunnan, three times a week.

The newsman also reports that the Burmese Government issued transit licenses for 500 tires during July, despite the fact that it explained its refusal to comply with the UN embargo against China on the grounds that there were no strategic commodities in Burma for re-export.

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Comment:

reports have frequently referred to tire and petroleum shipments over the Burma Road.

4. India and Burma may not sign the Japanese peace treaty:

Within the last week, both the Indian High

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[Redacted]

Commissioner in London and an influential member of the Burmese Foreign Affairs Advisory Committee, who accompanied the Burmese Foreign Minister on a recent trip to India, have expressed the opinion that India and Burma would not sign the multilateral Japanese peace treaty. The Indian official has suggested the possibility that India might sign a separate bilateral treaty. The Indian press has supported this view.

Comment: Prior to the end of July, all indications were that India would sign the multilateral Japanese peace treaty after commenting for the record on subjects such as the removal of foreign troops from Japan and the return of Formosa to Communist China. Indian opinion then apparently began to shift toward refusal to sign the treaty. This shift may have resulted from India's success in demonstrating its capabilities for independent action vis-a-vis Pakistan and the UN in Kashmir. It may also be a manifestation of the need of the Congress-Party-dominated government to take the public's mind off serious pre-election weaknesses within the party by displaying once more the government's independence and prestige as a "third force" in world affairs.

Despite its recent protestations, Burma has never seriously expected to receive reparations from Japan. It has seized upon this issue to avoid indicating its real reason for rejecting the multilateral treaty -- fear of Communist Chinese reaction. Burma has not indicated an intention to sign a separate treaty with Japan, but it is strongly influenced by India in making important diplomatic decisions.

NEAR EAST

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5. Ex-Prime Minister Qavam returns to Tehran:

[Redacted]

Former Prime Minister Qavam returned to Tehran on 31 July. Since his return, he is understood to have many visitors, including members of Parliament. The US Embassy in Tehran is reliably informed that the Shah did not discourage Qavam's return.

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Comment: The Iranian Minister of Court, former Ambassador Ala, recently told W. Averell Harriman that the British were organizing Parliamentary and other support for Qavam with the aim of engineering his appointment as Prime Minister in place of Mossadeq. While this report is not confirmed, Qavam's presence in Tehran would obviously facilitate such an effort.

The Shah, who is anxious to settle the oil dispute, may hope that Qavam will provide a rallying point for the moderates in the oil issue and simultaneously put pressure on the Prime Minister and the extremists. The aged Qavam is admittedly one of the very few able figures on the Iranian scene; there is no indication, however, that the Shah, who holds a deep antipathy toward him, has wavered in his firm opposition to Qavam's appointment as Prime Minister.

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EASTERN EUROPE

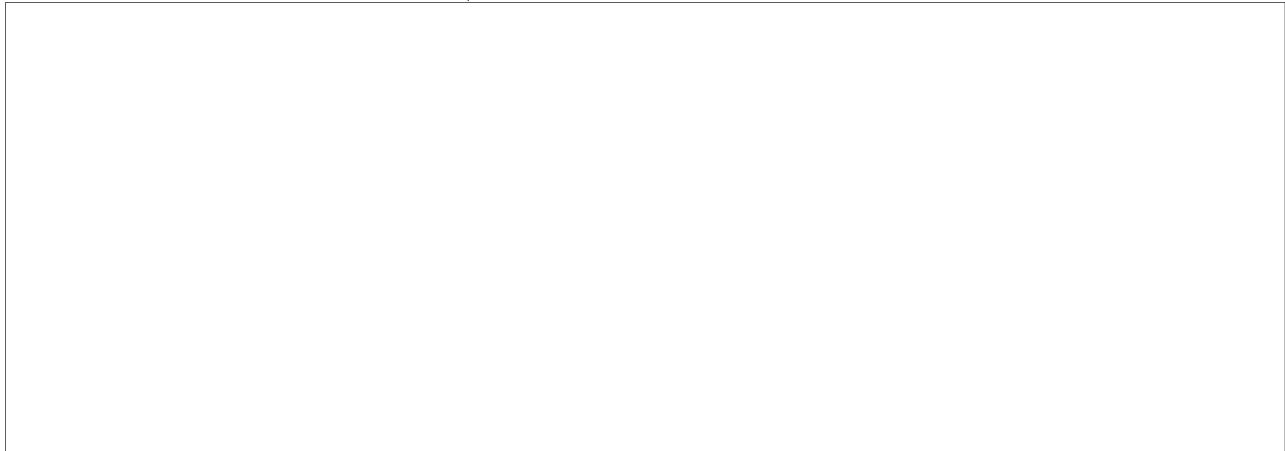
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7. Tito orders officials to turn over military data to US:

[Redacted] Marshal Tito has instructed Yugoslav officials to cooperate, "to a reasonable and feasible extent," in supplying the detailed data on the Yugoslav armed forces recently requested by ECA. This authorization was made following assurances from the US Embassy that the information requested was primarily for economic planning purposes, in particular for showing the impact of the Yugoslav defense effort on the general economy.

Comment: When the request was initially made, Chief of Staff Popovic was extremely reluctant to furnish the information and declared that he could not see why ECA, a civilian agency, needed the data. He agreed, however, to consult Tito and Foreign Minister Kardelj on the matter. The willingness of the latter to make available this data, which the regime considers highly sensitive, is evidence of the importance Yugoslav leaders attach to Western assistance.

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8. Yugoslav Government exerts pressure to check peasant withdrawal from cooperatives:

[Redacted]

The US Embassy Belgrade reports that local Yugoslav authorities are employing repressive measures in order to check the withdrawal of peasants from cooperatives. Peasants applying for withdrawal are being threatened with exorbitant taxes and offered poor marginal lands in place of the land that they originally contributed. By these measures and by recent legislation designed to make cooperative farming more attractive, the Yugoslav Government intends to head off the growing secession movement.

Comment: Yugoslav leaders, including Tito, have recently served notice that the government has no intention of abandoning the cooperative movement. Although the regime has adopted several reforms that constitute a departure from Communist principles, the government apparently considers that the socialization of agriculture is so basic to a Communist state that it cannot afford to sacrifice the gains it has made in this direction. A breakup of the cooperatives would also seriously damage Yugoslavia's calculated international position as an independent socialist state and serve to justify Soviet charges that the regime had sold itself to Western imperialists.

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10. Italian cooperation in trade controls faces Soviet reprisals:

[Redacted]

As a result of the recent Italian ban on transit shipments of non-ferrous metals to Satellite areas, Eastern European countries are diverting current shipments to other Western European ports.

Reprisals by the Soviet bloc may take the form of reducing the amount of coal and bread grains exported to Italy. The US Embassy in Rome states that if other countries in Western Europe fail to block critical material shipments to the East, the Italian Government should not be expected to continue controlling transit trade and thus prejudice its East-West trade relationship with no resulting benefit to collective security. Italy's trade with the Soviet bloc for the first five months of 1951 totalled 37,100,000 dollars worth of imports and 25,400,000 dollars worth of exports.

Comment: While Italy's trade with the Soviet bloc for the first five months of 1951 was less than five percent of its total trade for that period, coal and wheat constitute an important part of Italian imports from Eastern Europe. Italy can probably obtain sufficient wheat from the US at favorable prices. The lowered availability of European coal, however, has compelled Italy to increase greatly its imports of higher-priced US coal in recent months.

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