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CENTRAL INTELLIGENCE AGENCY

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FAR EAST

1. Indications that enemy offensive in Korea will continue:

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The Far Eastern Command cites several indications that the current Communist offensive in Korea is actually designed to extend over a prolonged period and to penetrate deep into South Korea;

- (a) recent prisoner of war statements to the effect that the current operation is planned to extend over two months and to consist of three major attacks, (b) the unlikelihood that the enemy would concentrate 27 newly-arrived Chinese Communist divisions in the west-central sector if it had only the limited objective of driving UN forces from the Seoul-Inchon complex, (c) a noticeable increase in tank sightings and continued heavy vehicular movement into forward areas, (d) an estimated 400 percent increase in enemy anti-aircraft protection along major lines of communications and ports of entry, and (e) continued attempts to maintain North Korean airfields in a state of operational readiness.

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neutrality in the East-West struggle and as an expression of support for Liberal Prime Minister Yoshida's pro-US policies. While local issues and personalities strongly influence the vote at this level, the major emphasis given the peace treaty question by all the parties probably was significantly reflected in the final vote. The results are being interpreted by the Yoshida government as an unmistakable mandate for proceeding with the US plan for concluding a treaty, with or without Soviet participation. The poor showing of the Socialists probably will force that party either to modify its three-point peace program (opposition to a separate treaty with the West, US bases and rearmament), or to face a split in its ranks.

3. US Military Attaché in Saigon sees UK-French cooperation going forward at expense of US:

The US Military Attaché in Saigon believes that Franco-British politico-military policy in the Far East is being developed and initiated without regard for the obligations and

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interests of the US. He bases this observation on the exclusion of US personnel from UK-French staff conferences held in South East Asia since August 1950, the current "huddle" of De Lattre and MacDonald, the installation of a British Naval Liaison Officer at French Navy operational headquarters in Saigon and the attachment of British field and company grade officers to French units in combat.

Comment: The French do not fear UK intervention in Indochina nor pro-UK feeling among the Vietnamese. They fear the US in these respects, however, and may therefore be reluctant to afford the US a greater voice in their affairs by including it in joint discussions and operations. Moreover, General de Lattre is sensitive to any indication of a joint US-UK policy favoring more independence for the Vietnamese and, as a countermeasure, may be seeking to enlist UK support for his own politico-military policies in Indochina.

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4. Burma contemplating complaint to UN over activities of Chinese Nationalists in Kengtung:

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The Burmese Prime Minister and the British Ambassador to Burma have expressed their deep concern to the US Charge in Rangoon concerning reports that Chinese Nationalist troops

in Burma are being supplied with modern arms for use against the Chinese Communists. The British Ambassador stated that he had received information implicating US citizens and high Thai officials in this matter. Prime Minister Thakin Nu, while making no reference to US involvement, stated that these reports are being investigated by the Burmese Foreign Office and, if confirmed, would leave his government no alternative but to bring the case before the UN. Thakin Nu, however, agreed to withhold an appeal to the UN in order to allow the US Department of State to study the problem and indicate its views.

Comment: A Burmese appeal to the UN regarding the three to five thousand Nationalist troops in Kengtung was narrowly averted in the summer of 1950 after the US extracted an order, which proved to be ineffective, from Taipei requesting its troops to evacuate Burmese territory. Since then, however, there have been numerous reports that these troops were receiving US assistance through Thailand.

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The Nationalists themselves, including their leader, General Li Mi, are reported as openly boasting of US support, and their claims are generally believed by the local population. Furthermore, Chinese Communist and Viet Minh propaganda has recently accused the US of utilizing Kuomintang "remnants" in Kengtung.

NEAR EAST

5. Iranian Prime Minister is cordial but unyielding in discussions of oil issue:

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The US Embassy in Tehran reports that while Iranian Prime Minister Mossadeq was cordial and eager for US good will and assistance during

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his interview with Ambassador Grady, Mossadeq deprecated US aid to date and asserted that if he had had his way, the Point Four program would have been rejected as wholly inadequate. Mossadeq severely criticized UK interference in Iranian affairs and stated that negotiation with the UK over the oil issue was unnecessary as the Iranian Parliament had already acted.

UK Counselor Middleton, in reporting a discussion between the UK Ambassador and Mossadeq, stated that the discussion consisted mainly of "ardent protestations of everlasting friendship" on the part of Mossadeq. Although UK efforts to ascertain the Prime Minister's views as to the next steps to be taken concerning the Anglo-Iranian Oil Company were fruitless, Middleton gathered that no immediate Iranian action to take over the company need be anticipated.

Comment: While Mossadeq's interviews with the US and UK Ambassadors were cordial, he apparently has not deviated from his previously-held position that the receipt of revenues from Iran's oil industry would make any foreign aid unnecessary. If his actions are equally consistent with his earlier statements, he may well attempt to cancel US military aid and possibly economic aid as well. Although he apparently has not yet formulated specific workable plans on the oil issue, British reliance on the impression that Mossadeq is considering no immediate action would seem unrealistic in view of his impetuous action on the issue to date.

6. Greeks about to propose union of Cyprus with Greece:

The British Embassy in Washington has informed the US Department of State that the Greek Government plans to make a proposal to the UK concerning union of Cyprus with Greece, that is, Enosis. If the Greeks obtain an unfavorable answer, they are considering raising the question at the sixth UN General Assembly. Before doing so, however, they plan to consult the US. The Department has suggested that the US Embassy in Athens discourage the Greek Government from pursuing its plan.

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Comment: The US Embassy in Athens has repeatedly pointed out to the Greeks that it would be undesirable to bring up Enosis in the UN General Assembly at this time. However, Greek representatives in the US see potential support for this perennially popular theme in US public opinion, and have already approached several US congressmen. While US and UK opposition will probably thwart the Greeks again, Enosis, which has widespread popular support in Greece, will be pushed by the Greeks at every opportunity.

SOUTH ASIA

7. India suggests US foodgrain offer may be unacceptable:

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In speeches made on 29 April and 1 May, Indian Prime Minister Nehru raised the possibility that his government would refuse an offer of US foodgrains if "unacceptable" conditions regarding publicity and distribution of the grain were attached to it. The Indian press strongly supported Nehru's statement that his country was not so "down and out" as to have to accept

conditions dictated by any foreign country that might sully India's national honor.

Comment: Indians have previously expressed their antipathy toward "strings" attached to offers of economic assistance, and some of the above may be merely routine moves to eliminate such "strings" from a US food bill. Nevertheless, in recent weeks India has apparently been developing an increasingly independent and antagonistic attitude toward the US and the United Nations. This has been manifest in (a) Indian support for the 1 May proclamation convening a Constituent Assembly in Kashmir in direct defiance of the UN Security Council Resolution of 30 March and (b) the negotiating of two contracts with Communist China for 100,000 tons of foodgrains, of which at least half will be delivered within two months. It is therefore believed that India will make a strenuous effort to weather its food crisis without US assistance.

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EASTERN EUROPE

8. US Department of State views on Oatis case:

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The Department of State has notified the US^{3.3(h)(2)} Embassy in Prague that strong retaliatory action must be taken against the Czechoslovak Government regardless of whether Oatis was arrested in connection with a forthcoming espionage trial or as an attempt to secure possible US concessions. The Department outlines four possible consecutive steps designed to force Oatis' release: (a) the prohibition of travel to Czechoslovakia by non-official US citizens and the immediate departure of those already there; (b) the detention or expulsion of former Czechoslovak consular personnel and other agents in the US Zone of Germany; (c) an embargo on US exports to Czechoslovakia; and (d) the blocking of Czechoslovak assets in the US. The Department, agreeing with Briggs' contention that a mere protest would be futile, suggests that the first step be taken within the next few days.

Comment: In connection with (b) above, US High Commissioner McCloy warns that the possibility of Czechoslovak retaliation in its trade commitments to Western Germany must be weighed, especially with regard to Czech exports of brown coal, which is essential to Bavarian industry. Action to implement point (c) would only affect approximately six million dollars worth of commodities, the major item being cotton, since all other strategic exports are already on the 1A - 1B embargo lists. A boycott of Czechoslovak imports into the US, on the other hand, would eliminate a source of hard currency which provided Czechoslovakia with nearly 37 million dollars in 1950. Point (d) involves some five and one half million dollars on deposit in US banks and an undetermined amount of non-fluid assets.

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WESTERN EUROPE

9. French Communists brand new "independent" group as government sponsored:

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Immediately following reports concerning the formation of a new "independent" Communist group in France, the French Communist Party has asserted that this group is sponsored by the French police and the Americans. Citing the Reichstag fire as a comparable precedent, the Communist daily Humanite called for "increased vigilance, uncompromising and constant vigilance." Meanwhile, Pesin, a former Communist mayor, is revealed as the leader of the movement in the Department of Nord, and there is now every indication that it is in large part a development of the Le Corre national deviationist movement -- which has been operating within the French Communist Party for more than two years.

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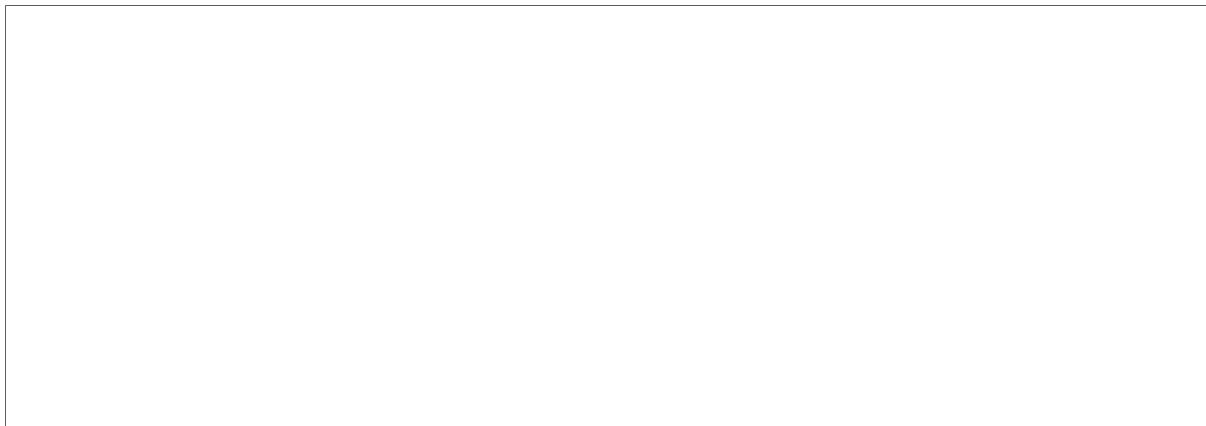
Comment: The public Communist attack on the new movement suggests that they consider it too serious a development to be ignored.

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