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GENERAL

1. Denunciation of Japanese peace treaty by Philippine legislator may preclude Philippine signature:

The US Ambassador in Manila states that the 3.3(h)(2) 24 July speech of Eugenio Perez, Speaker of the Philippine House of Representatives, is tantamount to assurance that the Philippines

will not sign the Japanese peace treaty. The Speaker, who is closer than any other administration leader to the "grass roots," is embarking on a tour of the islands to popularize his opposition to the treaty. Although his motives are mainly political, his stand will have a widespread effect and will heighten the intense emotions already generated by the treaty. The Ambassador concludes that "the situation" will progressively worsen.

Comment: Perez is probably the most powerful political figure in the Philippines; he is chairman of the incumbent Liberal Party and a likely contender for the presidency in 1953. While his speech was focused on the reparations and security clauses of the Japanese treaty, he also directed a bitter diatribe against US foreign policy. Its purpose, and that of his proposed tour, presumably is to augment his own political prestige and steal the initiative from the opposition party before the November electoral campaign goes into full swing. The effect of the speech and of those scheduled to follow undoubtedly will make compromise on the treaty far more difficult.

FAR EAST

2. Communists may launch strong local attacks in Korea during negotiations:

The Far East Command believes that the 3.3(h)(2) enemy may launch one or more strong local attacks prior to the completion of armistice negotiations. The advantages of local successes

would be the seizure of important terrain objectives and the improvement of troop morale. The high ground south of the Pyonggang-Kumhwa-Chorwon triangle is of sufficient importance to warrant a limited attack.

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Comment: The "Iron Triangle," with its important road net and forward supply positions, was utilized by the Communists as a base of operations in the spring offensives. Recent eastward displacement of Chinese Communist forces and the relief of front line units in the central sector have put a concentration of fresh troops in position to undertake such a limited attack.

3.3(h)(2)

3. Possible preparations in Peiping for an international conference:

[Redacted]

According to the French Consul General in Peiping, the Central Committee of the Chinese Communist Party has been ordered to move its offices from the former US

Embassy compound in Peiping, and orders have been issued for the removal of the anti-American posters that all shops had previously been required to display. The French official speculates that these developments point to the "possibility of some understanding" between the Peiping regime and the US, or to preparations for holding an "international conference" in Peiping.

Comment: Neither of these developments has been confirmed by other sources. Communist propaganda has provided some basis for the speculation that the Chinese Communists may propose a conference at Peiping on various Far Eastern problems. Recent Chinese Communist pronouncements, however, have provided no indication of a fundamental change in Peiping's hostility toward the US and fidelity to the USSR.

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WESTERN EUROPE**5. Comment on progress toward new international status for West Germany;**

West German and Allied representatives have made considerable progress in negotiating contracts that will specify a new international status for the West German Republic, although many points of disagreement remain. These contracts, which will largely replace the Occupation Statute, will lay the groundwork for a German defense contribution and carry forward the process of bringing Germany into the Western system.

The Germans do not believe that contracts are necessary on all the subjects proposed by the Allies. They oppose, for example, a contract to ensure the preservation of democracy in the Federal Republic. They look to their contemplated Constitutional Court to guarantee civil rights and the constitutionality of German laws, and believe a parallel Allied control would only discourage the growth of democratic feeling. This view is largely shared by the British, but is rejected by the French, who share the US position that the contracts must clearly spell out the Allied right to intervene when German democracy is threatened.

The Allies are reserving certain powers that they will retain after the contractual arrangements are concluded. Their special status, deriving from quadripartite agreements, will allow them to

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maintain forces in Germany and try cases of offenses against the Allied forces. They would also assume responsibility in the matters of German unity and a peace settlement, and, in emergencies, would be empowered to take action without consulting Federal Republic authorities. The Germans concede the general right of the Allies to a special status, but are not disposed to accept all its implications.

SCANDINAVIA

3.3(h)(2)

6. Swedish Army mission to study US training methods:

A Swedish Army mission is coming to the US to study military training methods. The US Embassy in Stockholm urges the fullest possible cooperation with the mission on the grounds

that a strong and effective Swedish Army will "clearly and unequivocally" benefit the US, since its sole purpose would be to defend Sweden against a Soviet attack.

Comment: Swedish military leaders recognize that inadequate training of conscripts constitutes one of Sweden's greatest military weaknesses. There is almost no training in units above company size, and the conscription period of nine months, with a 30-day refresher course the following year, is too short. The existence of 850,000 physically-fit trained reserves supplies the basis for a sound army, provided the training program is improved and the conscription period lengthened.

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